

Action for Racial Equity

Year Two Progress Report

September 2022

citi.com/racialequity





Elbi Elm, owner of *The Culturist Union*, a coffee house and artisanal marketplace in Savannah, GA. Elbi received financing for her business from Carver State Bank, in part, thanks to its collaboration with Citi.

About This Report

This report illustrates how we bring our mission of enabling economic growth and progress to life through our business; it covers our *Action for Racial Equity* activities, performance and approach, and supplements information included in our 2021 Environmental, Social and Governance Report, published in April 2022. This report focuses on the issues we have determined to be of significant importance from a racial equity perspective, which is a broader standard than that used in our financial disclosures.

We have included commentary from Citi executives, partners and investees in relevant sections of the report to illuminate how Citi and the Citi Foundation are making progress toward our commitments to help close the racial wealth gap in the U.S.

All reporting and performance data are limited to information for the owned and operated facilities of Citigroup Inc. and its subsidiaries, unless stated otherwise. Additional information about Citi can be found on our website. For more information on Citi's and the Citi Foundation's *Action for Racial Equity* initiatives, please visit citi.com/racialequity or contact:

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Letter from our Chief Financial Officer



Action for Racial Equity is one of the most meaningful efforts that Citi has launched during my two decades at the company because of its central focus on advancing Citi's mission of enabling economic growth and progress. The tragic events of two summers ago laid bare the systemic inequities in our country - "economic growth and progress" is simply out of reach for too many communities of color and the racial wealth gap has only grown wider during the pandemic. We made a commitment to use the talent and resources of our company to help close the gap, and that commitment is as strong as ever.

One of the hallmarks of our efforts to address any societal challenge is our commitment to transparency and accountability. So, when we launched *Action for Racial Equity* in September 2020, we were very clear about the goals we wanted to achieve. Two years later, there's much to be proud of - we've not only met but exceeded our financial commitment of investing \$1.1 billion in strategic initiatives. But we also need to be honest about how far we still have to go to embed racial equity into everything we do at Citi. This means changes to our external engagement and how we work with clients and customers, as well as changes internally and how we work with our colleagues. While our success is dependent on our strategy, it is equally contingent on the support and commitment of our leadership and holding ourselves accountable. The good news is that we have the wind at our backs. In addition to exceeding our financial goal ahead of schedule, we have made important progress over the past year including:

- **Launching a special purpose credit program:** Citi recently announced a special purpose credit program that will enhance its HomeRun and lender paid assistance programs. These enhancements will expand income eligibility and distribution of lending solutions to serve more diverse consumers within and beyond our physical footprint and increase lender paid assistance for eligible borrowers.
- **Deepening our collaboration with minority-owned institutions:** As part of our efforts to expand firmwide engagement with diverse financial institutions, Citi recently enlisted three minority depository institutions (MDIs) to take part in a \$1.23 billion syndicated corporate loan. We also worked exclusively with five Black-owned firms to syndicate a \$2.5 billion bond issuance. Proceeds will finance quality affordable housing for low-to moderate - income populations.
- **Expanding our Citi Impact Fund:** We recently announced our plans to scale the Citi Impact Fund to \$500 million, which will expand our capacity to invest in Black-founded companies and elevate their work.
- **Strengthening our commitment to transparency:** Last year we committed to conducting a third-party audit of *Action for Racial Equity* and we plan to release a report of key findings from the audit that will help inform our future racial equity plans.

We also recognize the importance of public-private partnerships to address systemic inequities. As such, Citi is a founding member of the Biden-Harris Administration's Economic Opportunity Coalition, which aims to catalyze and align public and private investments. These investments will address economic disparities and accelerate economic opportunity in underserved communities in the U.S. Citi will support the coalition at large, with a focus on how it engages and strengthens community financial institutions, including community development financial institutions and MDIs.

We know there's more work to do, and we must work collectively to take action within the firm and for the clients and communities we serve. I am honored to be part of a team that is committed to lasting change within Citi and beyond our walls, and I look forward to continuing this vital work for future generations.

A handwritten signature in black ink that reads "Mark".

Mark Mason,
Chief Financial Officer of Citi

Action for Racial Equity: An Update on Our Progress

Action for Racial Equity enables us to tap into our core strengths as the world's most global bank to drive lasting progress towards greater equity. Our commitments are embedded in our business and complemented with philanthropy from the Citi Foundation. As we continue to deliver on our goals, we believe transparency and accountability are key to success. Below are Citi and Citi Foundation highlights since our [2021 ESG Report](#).



Announced a special purpose credit program that will enhance Citi's HomeRun and lender paid assistance programs



Enlisted three Black-owned banks in \$1.2 billion syndicated corporate loan for a client that provides IT and other services to the government



Three Citi employees began assignments with MDI banks to support technology and strategy advancements as part of the **MDI Rotational Program**



Announced the expansion of **the Citi Impact Fund to \$500 million**, doubling down on the double bottom line

Over 40% of Citi Impact Fund portfolio companies are founded or co-founded by Black entrepreneurs, more than 20 times the number of companies with Black founders funded in the broader VC sector



Operation HOPE began holding savings accounts for kindergarten students in Atlanta, GA using the Citi Start Saving® platform



To support Black homeownership, Citi's mortgage team has **expanded its community lending team** across 7 U.S. markets

Through its **\$50 million Community Finance Innovation Fund**, the Citi Foundation provided grants to 12 nonprofit organizations, many of which will focus on racial equity efforts in the community finance sector

Became a founding member of the Economic Opportunity Coalition, an effort by the Biden-Harris Administration to address economic disparities and accelerate economic opportunity in underserved communities in the U.S.

Advancing Racial Equity for our Consumers

Citi has a longstanding history of meaningfully engaging with our communities in support of racial equity through our business activities. Through our *Action for Racial Equity* commitments, we have had the opportunity to deepen and expand our work in this space.

Our U.S. Personal Banking (USPB) team contributes products and services to our *Action for Racial Equity* efforts, providing our customers with more affordable financial solutions; improved access to products and solutions; seamless service and support; advanced digital experiences and tools; and improved financial education and content to help with their financial progress, for today and tomorrow.

To support these teams and catalyze further innovation, Citi created a centralized Financial Inclusion and Racial Equity (FI&RE) team within USPB in 2022. This team is developing targeted and integrated segment strategies, driving seamless customer-centric execution, and championing greater financial inclusion, racial equity and customer protection. All of this will help not only accelerate improved racial equity outcomes, but also institutionalize these within our business practices and policies - one of our key measures of success and critical to drive long-lasting impact.

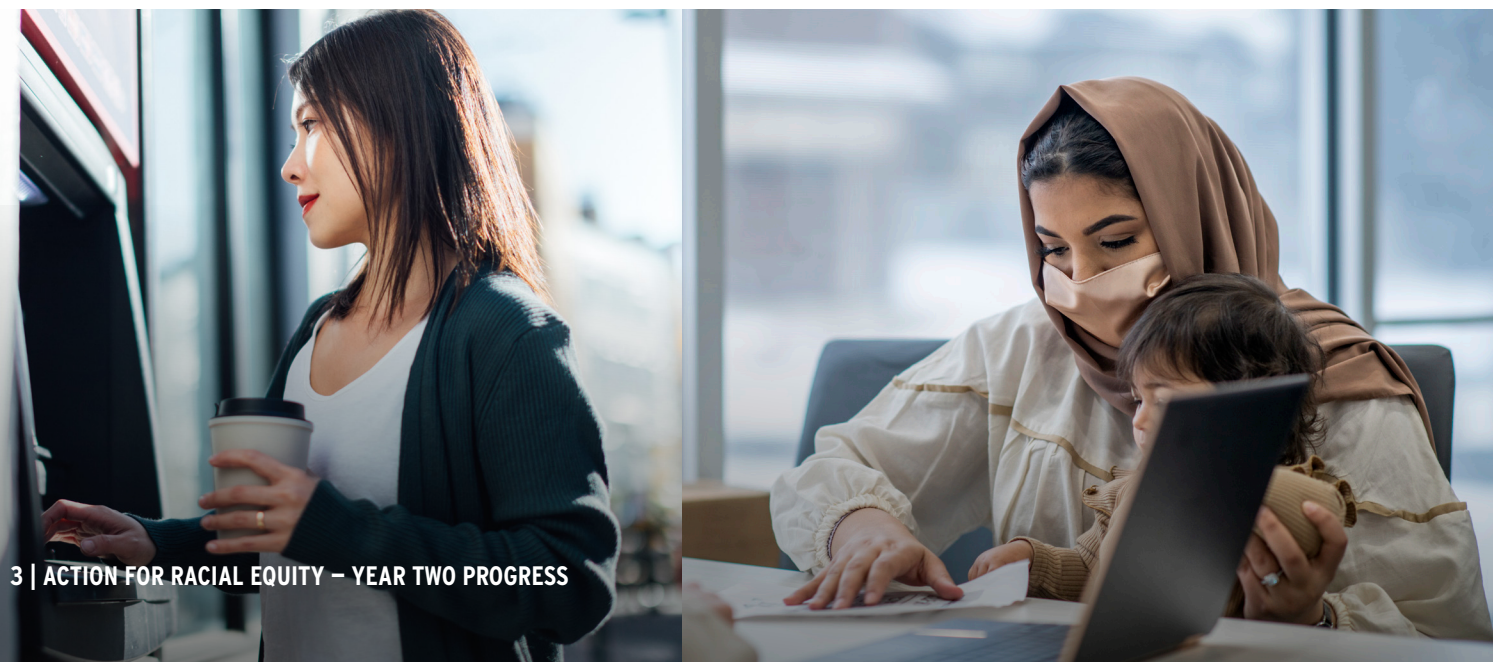
Together with our USPB colleagues, we've made tremendous strides and we've been inspired by the ingenuity and innovation we've seen among the partners we work with to implement solutions that can drive meaningful impact for our communities.

- **To expand access to affordable and safe banking**, this summer, Citi became the only top five U.S. bank to completely eliminate all overdraft fees and returned item fees for our U.S. Retail Banking consumers. We also made a significant enhancement to our direct deposit policies, now accepting peer-to-peer payments as direct deposits that qualify for checking account monthly service fee waivers. Over the last year, we've enhanced innovative existing products and services as well. The Citi® ATM Community Network has removed out-of-network fees at Citibank ATMs for customers of participating minority-owned banks and community development credit unions since 2016. It has grown to include 32 community partners, 16 of which are minority depository institutions, and serve



Lisa Frison

Head, Financial Inclusion & Racial Equity, U.S. Personal Banking



more than 600,000 customers. Through our Affordable Access to Banking Initiative, we continue to expand banking in communities of color, by offering the Citi® Access Account Package. This initiative includes low or avoidable monthly service fees, and low-cost checking and savings products along with digital account opening capabilities to several national and regional community partners such as the National Urban League, Local Initiatives Support Corporation (LISC) and more.

- **To enable access to affordable and equitable homeownership**, particularly in Black and Hispanic households, which continue to experience wealth gaps, Citi will continue to focus on efforts to expand access to lending products. This includes a special purpose credit program that will enhance Citi's [HomeRun](#) and lender paid assistance programs. These enhancements will expand income eligibility and distribution of lending solutions for diverse consumers within and outside our bank footprint, and increase lender paid assistance programs for eligible borrowers. We also continue to further scale and expand our network of community loan officers to better serve our communities.
- **Access to fair and affordable credit** is critical to helping consumers and small business owners improve their outcomes. We continue to actively participate in initiatives like the OCC-led Roundtable for Economic Access and Change (Project REACH), which focuses on extending credit to consumers with limited or no credit histories, through use of their deposit data. We are also finalizing a small business special purpose credit program for a pilot (as part of LA REACH), that will support lending to women-, minority-, and veteran-owned businesses through 20 participating branches in the Los Angeles Metropolitan Area. This summer, we launched Citi Start CreditSM, a 12-month digital credit education program which provides members of participating community organizations with credit education and access to credit monitoring tools in addition to guidance from a counsellor, with the objective to help participants be better informed about credit and subsequently increase their FICO® Credit Score.

Financial inclusion and racial equity are a priority for USPB, and we are working to accelerate and amplify our outcomes to support our mission of enabling economic progress. We are embedding an inclusive mindset with intentional focus on our practices and offerings. The FI&RE team is looking forward to delivering innovative solutions in collaboration with Citi colleagues and community partners to drive greater financial inclusion and help close the racial wealth gap in the U.S.



Diverse Financial Institutions Group

Earlier this year, Citi created the Diverse Financial Institutions Group, a dedicated team within the company to lead and expand firmwide engagement with MDIs, diverse broker-dealers and diverse asset managers. These efforts will help reduce disparities in the financial services industry by helping strengthen MDI partner balance sheets through 1) equity investments and revenue generation opportunities, 2) promoting growth and scale through capacity building opportunities and 3) expanding Citi's capital market activities with minority-owned broker-dealers and minority-owned asset managers, assisting with their franchise development and facilitating access to Citi clients. This collaborative engagement has created a model that can be replicated, not only by other financial institutions but also across sectors.



Spotlight on Citi's MDI Rotational Program

The MDI Rotational Program is a first-of-its-kind initiative that embeds Citi employees in MDIs for up to a year to share their expertise and help grow the business. This approach strengthens relationships with MDIs and provides minority-owned financial institutions with access to Wall Street talent, services and technology. In 2021, Citi's initial secondee worked with Unity National Bank of Houston. This spring, Citi named three new secondees who will be providing a range of technology and strategy advisory services to Industrial Bank, Optus Bank and M&F Bank. Here is what CEOs from participating banks have to say about their Citi secondees and the program:



"As a leading global institution, Citi and its MDI program helps deliver with

key business contributors like Sandy. We look forward to her mentorship, valuable insight and the strategic impacts she will bring to support our mission to serve our clients and communities."

B. Doyle Mitchell, Jr.
President & CEO, Industrial Bank



"Without this support, we would not be able to move forward

toward our goals as quickly and efficiently. Small, mission-driven banks get a big boost from the expertise that Citi provides."

Dominik Mjartan
President & CEO, Optus Bank



"This program provides M&F the ability to innovate beyond our typical scope. We

are leveraging [Valerie's] skills and expertise to assist us with implementing a more robust lending platform that will allow us to generate greater loan volume more efficiently, and provide the digital capabilities that customers expect."

Jim Sills
President & CEO, M&F Bank

Citi Impact Fund Expands to \$500 Million, Doubling Down on the Double Bottom Line

We know that the challenges facing society right now, whether natural or man-made, disproportionately impact underserved communities. That's why we have been putting our balance sheet to work to support those trying to find solutions to these challenges.

Today, we are excited to announce that the [Citi Impact Fund](#), designed to invest in "double bottom line" U.S. companies driving positive social impact, will expand to \$500 million, more than tripling our initial commitment.

In 2020, we launched the Impact Fund with the goal to invest our own capital in companies that drive both financial *and* social returns. In just two and a half years, we've invested over \$100 million of capital into more than 35 early-stage, high-impact companies driving innovation in financial inclusion, the future of work, social infrastructure and climate resilience. While we're proud of this milestone and the expansion of our Fund, our team is most proud to witness the tangible impact our portfolio companies are having on the communities they serve - whether it be [Cayaba Care](#) providing home-based maternity care to low-income pregnant people at little to no cost, [Pathstream](#) ensuring that frontline workers can gain the skills to access quality jobs or [Pallet](#) producing rapid-response shelter villages to help end homelessness. These companies are helping make our communities more equitable, accessible, and inclusive through scalable, sustainable models. The fund complements the grant making we provide through the Citi Foundation as well as the lending we catalyze through our social finance team and has become a pillar of our community investing framework.

Since we created the Impact Fund, we've focused on investing in diverse founders - both women and people of color. Start-ups play an important role in re-shaping the systems that power the global economy, and it is astonishing that women and people of color continue to receive only a tiny percentage of venture capital investment. At Citi, we've spent a lot of time [examining](#) these gender and race gaps and working to understand how we can provide equitable access to financial resources, while also supporting the growth of groundbreaking products and services. So far, we've had some great success in driving inclusion in our portfolio:

- 71% of our portfolio companies are founded by people of color and women.
- 35% of the Citi Impact Fund's portfolio companies were founded or co-founded by women, a 40% higher representation compared with VC deals done in the broader sector.
- Over 40% of our portfolio companies are founded or co-founded by Black entrepreneurs, more than 20 times the number of companies with Black founders funded in the broader VC sector. This supports our [Action for Racial Equity](#) commitment to help reduce the racial wealth gap in the U.S. by creating equitable access to venture capital funding for Black founders.

We know it will take a sustained effort to continue to reduce the inequities that persist. We are currently evolving our impact investing strategy for the future, identifying ways to further eliminate the potential for bias while strengthening how we measure and track the impact our investments are making in underserved communities.

From the solutions we invest in, to the way in which we invest, we will continue to double down on our mission of greater inclusion, access and systems change. We are proud to have been the first bank to launch an impact fund with its own capital. We look forward to sharing more on our new strategy and continuing to support our portfolio companies - new and existing - in the coming months.



Edward Skyler

Executive Vice
President for Global
Public Affairs

Citi Foundation: Community Finance Innovation Fund

According to the 2022 Financial Health Pulse Trends report, supported by the Citi Foundation, financial health in America declined across many demographic and socioeconomic groups over the past year. As the economic challenges of American households increase, Community Development Financial Institutions (CDFIs) and Minority Depository Institutions (MDIs) play a critical role in delivering credit and other asset-building financial services to unbanked and underbanked households and entrepreneurs in low-income communities and communities of color.

To support the next level of growth for CDFIs and MDIs across the U.S., the Citi Foundation selected 12 nonprofit organizations as the recipients of its [\\$50 million Community Finance Innovation Fund](#). Building on the Citi Foundation's long history of promoting financial inclusion, these grants will help bolster the work of these specialized organizations that have been an economic lifeline for communities across the U.S. hardest hit by the economic impact of the pandemic.

Through the Community Finance Innovation Fund, the organizations listed below will work across four key areas to help positively transform community finance: technology and operational efficiencies; financial and risk-sharing models; human capital and talent development; and thought leadership and research. They were selected following a competitive Request for Ideas process earlier this year.

Aeris Insight

African American Alliance of CDFI CEOs Inc.

California Association for Microenterprise Opportunity (CAMEO)

Calvert Impact Capital

Capital Impact Partners

Credit Builders Alliance

Inclusiv

Local Initiatives Support Corporation (LISC)

National Association for Latino Community Asset Builders (NALCAB)

National Bankers Community Alliance (NBCA) Opportunity Finance Network

The Center for Impact Finance at the University of New Hampshire's Carsey School of Public Policy

"With the Citi Foundation's game-changing support, the National Bankers Community Alliance will have the resources and encouragement to invest in the crucial technological advancements MDIs need to better serve their communities. We are honored to work alongside the other visionary organizations of our cohort to pursue and run with the big ideas that will push the community finance sector forward."



Nicole A. Elam

Executive Director, National Bankers Community Alliance and President and CEO, National Bankers Association

Transparency

In creating *Action for Racial Equity* (ARE) in 2020, we committed to be transparent about our work. In addition to continuing to share updates on our progress, in 2021, we committed to a third-party audit of ARE to assess Citi's efforts to help address the racial wealth gap in the United States, which will help inform our racial equity plans for the future. The audit is focused on ARE's design, implementation and integration, and it will highlight: 1) the progress we have made on our ARE commitments in light of the public goals we have set, 2) whether our ARE commitments are an appropriate effort to help address the racial wealth gap in light of Citi's business, and 3) recommendations for additional initiatives that Citi could explore to help address the racial wealth gap.

Covington & Burling LLP, which has civil rights expertise and experience leading racial equity audits across various industries, is conducting the audit. To conduct its assessment and get a wide perspective of views on ARE, Covington & Burling is interviewing Citi employees, including senior executives and ARE action item owners, as well as external partners, from nonprofits to Citi Impact Fund portfolio companies to minority depository institutions. Covington & Burling also met with several civil rights organizations to obtain their feedback and recommendations regarding ARE. In addition, Covington & Burling engaged Financial Health Network, to provide its expert perspective on efforts to promote financial health and inclusion generally, and ARE in particular. The insights gleaned from these discussions will be incorporated into a comprehensive report from Covington.

3 Questions Our Audit Seeks to Answer

1

Design

Is ARE an appropriate effort to help close the racial wealth gap in the United States in light of Citi's business?



2

Implementation

What steps has Citi taken to implement ARE and what barriers, if any, impede Citi's efforts to help address the racial wealth gap?



3

Integration

What steps has Citi taken to institutionalize the objectives underlying ARE in its business?



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