Citigroup Inc. (Citi)

Background on Citi

Citi is an American multinational investment banking and financial services provider that was founded in 1812 and is headquartered in New York City. It is structured into two organisations, namely Citicorp and Citi Holdings. Citicorp operates its global consumer banking services and institutional clients group while Citi Holdings operates its non-core businesses. Citi operates within 140 countries and employed 220,000 people in 2016. It reported revenues of US$69 billion in 2016 and is publicly listed on the New York Stock Exchange.

How did Citi come to start thinking about context?

Since 2002, Citi has actively reported against its direct environmental impacts relating to energy, water, and waste\(^1\). In 2003 the bank became one of the four original co-founders of the Equator Principles, which aim to support financial institutions in determining, assessing, and managing their environmental and social risks\(^2\). Three years later in 2006, Citi committed to reducing its GHG emissions by 10% from a 2005 baseline by 2011. This was its first formal GHG emissions reduction goal\(^1\). Early in 2007, Citi announced its $50 Billion Climate Initiative aimed at directing $50 billion of investments and financing over a 10-year period towards activities that supported the mitigation of the effects of climate change\(^3,4\). Also in 2007, Citi began to actively advocate for the development of both global and U.S. frameworks that supported the reduction of GHG emissions\(^4\).

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Citi expanded its sustainability goals in 2010 to include energy use, waste to landfill, and water. Then in early 2013, three years ahead of what was anticipated, Citi announced that it has met its investment goals under its $50 Billion Climate Initiative. The bank also announced that it had decided to challenge itself further by developing a new series of “stretched” goals for absolute GHG emissions reductions and further reductions in its waste being sent to landfill.

The International Energy Agency estimates that an average of $1.1 trillion in low-carbon investments would be needed in clean energy through until 2050 to support keeping global temperatures from rising 2°C above pre-industrial levels. As a provider of capital, Citi saw this as an opportunity to direct more of its capital towards environmentally positive activities, as it had already done through the $50 Billion Climate Initiative. Citi had also noticed that there was an increasing appetite and ambition being shown by its clients to seek financing for solutions that could mitigate the impacts of climate change.

In early 2015, Citi announced that its top priority within its Sustainable Progress strategy would be combating the effects of climate change. With this came the announcement of Citi’s $100 Billion Environmental Finance Initiative. The initiative would facilitate the investment of $100 billion over a 10-year period towards projects that aimed to reduce the impacts of climate change. Valerie Smith, Citi’s Director of Corporate Sustainability, commented that “Our clients are demanding it, our clients’ clients are demanding it, our clients’ investors are demanding it. There is a momentum and focus on solving big global societal problems that everybody is rallying to.” Later in 2015, Citi Global Perspectives & Solutions (a division of Citi), produced a report that supported the bank’s $100 Billion Environmental Finance Initiative when it concluded that “taking action to mitigate climate change by investing in a low-carbon energy mix will save more money in the long run compared to inaction, even before accounting for savings from avoided climate damage costs.” Citi’s sustainability activities are organised into three pillars as a way to enable environmental and social progress and to ensure the bank conducts business in a way that creates value for both itself and for future generations (Figure 1).

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What does context look like at Citi?

1 ACKNOWLEDGE the need to operate within global, regional, and/or local socio-ecological thresholds.

GHG EMISSIONS • • • • ACCESS TO CAPITAL • • • •

Citi acknowledges that climate change is a global challenge and it is well positioned to support its clients in responding to the challenge. It acknowledges two thresholds that are related to climate change, namely: Access to Capital and its own GHG emissions.

GHG emissions: Citi acknowledges that its business operations generate GHG emissions that have an impact on climate change and commits to minimising these impacts. While this commitment sends a signal that the company acknowledges the importance of this threshold, a commitment to “minimise” impacts is not in and of itself contextual in that it is does not constitute an obligation to operate within the limits of this threshold. Citi does commit to working with its value chain but again only to support them in minimising their impacts.

Access to Capital: Citi acknowledges that access to capital can support efforts to reduce global GHG emissions and commits to use its skills and assets to accelerate capital market solutions to reduce GHG emissions. While the bank has publicly acknowledged how this threshold is linked to climate change, it has not yet explicitly committed itself to investing either at or beyond what is needed to stay within this threshold. Citi has committed to continue to collaborate with its clients to develop innovative climate financing solutions but has yet to commit to supporting them in adhering to their relevant socio-ecological thresholds.

Other thresholds: Citi acknowledges other socio-ecological issues such as water, energy, waste (landfill and e-waste), human rights, data security, and conflict minerals but not in a way that would be considered contextual.

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2. **Transparently understand and PRIORITIZE a set of focus areas in relation to key socio-ecological trends at the global, regional, and/or local level.**

GHG emissions and Access to Capital: Citi uses what we would describe as a “classic” approach to its materiality process to ensure the socio-ecological issues that it aims to prioritise are aligned with those that are most critical to its business, customers, and other key stakeholders. Through this approach, climate change and environmental finance products rounded out the top of the priorities of the bank. Citi has yet to outline how it is developing (or has already developed) its understanding of its prioritised socio-ecological thresholds. Of the thresholds that it has prioritised, Citi has yet to clearly outline how its operations, the operations of its customers, and those of its value chain impact these thresholds.

Other thresholds: Citi also prioritises other socio-ecological thresholds associated with water, energy, waste (landfill and e-waste), human rights, data security, and conflict minerals but has not begun to discuss how it is working to develop its understanding of these thresholds in a way that is contextual.

3. **SET STRATEGY AND GOALS** by transparently articulating the current performance gap and what portion of this gap the business will address.

GHG emissions: Citi has committed to reducing its GHG emissions by 35% by 2020 and 80% by 2050. Citi recognises that it needs to show leadership through its own GHG emissions reductions activities to gain credibility with its customers and value chain. The bank has therefore developed a GHG emissions reduction goal that is consistent with a science-based approach. However, Citi has yet to outline the assumptions and rationale that it used to develop this goal or explain if this goal includes impacts on this threshold that result from the activities of its value chain.

Access to Capital: Citi has committed to lend, invest, and facilitate $100 billion, over 10 years, towards climate and environmental solutions through its $100 Billion Environmental Finance Initiative. The bank commented that the goal was developed using the lessons that it learnt from its previous initiative, the $50 Billion Climate Initiative. While Citi recognises the International Energy Agency’s estimated annual average investment figure of $1.1 trillion...
through until 2050, it has not yet outlined if this figure was used during the development of this investment goal\(^1\). Additionally, Citi has yet to outline the other assumptions that were used to develop this goal – therefore we cannot categorise this as a contextual goal setting approach. Citi has committed to work with its customers who access this capital to support them in influencing changes within the market\(^3\).

Other thresholds: Citi has not yet set contextual goals in relation to any other thresholds.

### 4. Transparently TRACK performance against realistic trajectory targets.

GHG emissions: Citi has a history of reporting against its performance related to its GHG emissions\(^1\). In the past, Citi has presented a graphical illustration of its actual reductions against its goals (Figure 2), and while its current GHG emissions reduction goal contains commitments for 2020 and 2050, Citi has yet to further develop these into a realistic set of trajectory targets.

Access to Capital: Citi has a history of reporting against its performance related to the lending, investing, and facilitation of access to capital as part of its $100 Billion Environmental Finance Initiative (Figure 3). In 2015, the bank outlined that most of the allocated capital from this initiative went into renewable energy, green bonds, municipal securities, energy efficiencies, green affordable housing, and other infrastructure improvements\(^12\). Citi has yet to develop this reporting into a set of realistic trajectory targets that could be used to monitor its progress towards achieving its goal.

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Other thresholds: Citi produces an annual Global Citizenship Report that provides performance updates for various socio-ecological thresholds such as water, energy, waste (landfill and e-waste), human rights, data security, and conflict minerals but not in a way that is contextual.

What is the road ahead for context at Citi?

Citi believes that the world needs its commercial banks to step up their commitments and complementary policies to support bridging the gap between investment needs and the current levels of climate finances. Therefore, it has committed to continue to assess its management approach towards key socio-ecological issues such as human rights and financed emissions. Citi has admitted that it does not have the answers but it is committed to using its business resources to continue to contribute towards building social, economic, and environmental resilience.

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