

Second-Party Opinion

Citi Social Finance Framework



Evaluation Summary

Sustainalytics is of the opinion that the Citi Social Finance Framework is credible and impactful and aligns with the four core components of the Social Bond Principles 2021. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds¹ are aligned with those recognized by the Social Bond Principles. Sustainalytics considers that the eligible categories will lead to positive social impacts and advance the UN Sustainable Development Goals, specifically SDG 1, 2, 3, 4, 6, 7, 9, and 11.



PROJECT EVALUATION / SELECTION Citigroup's internal process in evaluating and selecting projects is managed by its Social Finance Team (SFT).² The SFT will identify a unique Social Finance Asset Portfolio based on the Framework's eligibility criteria and exclusionary criteria. Citigroup has assured to Sustainalytics that the SFT validates due diligence on potential loan recipient companies to ensure that the companies will use the financed loans to carry out activities aligned with the Framework's eligibility and targeting criteria. Sustainalytics considers the project selection process in line with market practice.



MANAGEMENT OF PROCEEDS Citigroup's process for management of proceeds is overseen by the Sustainable Bond Working Group (SBWG), which is co-chaired by Citigroup's Chief Sustainability Officer and Head of Capital Markets, Treasury. Citigroup will use an internal asset management system to track allocation of an amount equivalent to the net bond proceeds using a portfolio approach. Unallocated proceeds will be temporarily held in cash, cash equivalents and/or other liquid marketable instruments (including U.S. Treasury securities). Citigroup will strive to immediately allocate an amount equivalent to the net bond proceeds to a pool of existing assets. This is in line with market practice.



REPORTING Citigroup intends to report on allocation of proceeds on its website on an annual basis until full allocation. The allocation reporting will include details such as allocated amounts, the share of financing vs. refinancing and total amount of unallocated bond proceeds. In addition, Citigroup Inc. is committed to reporting on relevant impact metrics. Sustainalytics views Citigroup Inc.'s allocation and impact reporting as aligned with market practice.

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¹ Access to Essential Services - Financing and Financial Services/Financial Inclusion, Affordable Housing, Affordable Basic Infrastructure, Access to Essential Services - Healthcare, Access to Essential Services - Education, and Access to Essential Services - Smallholder Farmer Finance.

² The team is currently in transition to be rebranded as Citigroup Social Finance.

Introduction

Citigroup Inc. (“Citigroup”, the “Group”, or the “Company”) is a global bank operating in over 160 countries and jurisdictions. The Company is headquartered in New York City, U.S.

Citigroup has developed the Citi Social Finance Framework (the “Framework”) under which it intends to issue social bonds and use an amount equivalent to the net proceeds to finance and/or refinance, in whole or in part, an existing Social Finance Asset Portfolio dedicated to expanding access to financial services and advance economic progress in underserved low-income communities across emerging markets. Citigroup Inc. and/or its subsidiaries may issue Social Bonds in accordance with the Framework, which defines eligibility criteria in six areas:

1. Access to Essential Services - Financing and Financial Services/Financial Inclusion
2. Affordable Housing
3. Affordable Basic Infrastructure
4. Access to Essential Services - Healthcare
5. Access to Essential Services - Education
6. Access to Essential Services – Smallholder Farmer Finance

Citigroup engaged Sustainalytics to review the Citi Social Finance Framework, dated July 2021, and provide a Second-Party Opinion on the Framework’s social credentials and its alignment with the Social Bond Principles 2021 (SBP).³ This Framework has been published in a separate document.⁴

Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent⁵ opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Social Bond Principles 2021 as administered by ICMA;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.9.1, which is informed by market practice and Sustainalytics expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of Citigroup’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. Citigroup representatives have confirmed (1) they understand it is the sole responsibility of Citigroup to ensure that the information provided is complete, accurate or up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics’ opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and Citigroup.

Sustainalytics’ Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics’ Second-Party Opinion addresses the anticipated impacts of eligible

³ The Social Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/social-bond-principles-sbp/>

⁴ The Citi Social Finance Framework is available on Citigroup Inc.’s website at: <https://www.citigroup.com/citi/fixedincome/>

⁵ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

projects expected to be financed with bond proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realised allocation of the bond proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that Citigroup has made available to Sustainalytics for the purpose of this SPO.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Citi Social Finance Framework

Sustainalytics is of the opinion that the Citi Social Finance Framework is credible and impactful and aligns with the four core components of the SBP. Sustainalytics highlights the following elements of Citigroup's Social Bond Framework:

- Use of Proceeds:
 - The eligible categories – Access to Essential Services - Financing and Financial Services/Financial Inclusion, Affordable Housing, Affordable Basic Infrastructure, Access to Essential Services - Healthcare, Access to Essential Services - Education, and Access to Essential Services - Smallholder Farmer Finance – are aligned with those recognized by the SBP. Sustainalytics views these expenditures as having the potential to expanding access to financial and essential services and foster inclusive economic growth in low-income communities across emerging markets.
 - Citigroup intends to finance and/or refinance a portfolio of loans, the Social Finance Asset Portfolio ("SFAP"), which will be made to local corporations, subsidiaries of global corporations, financial institutions, and social enterprises specifically to finance projects and activities that meet the eligibility criteria in the Framework. Citigroup has confirmed that its SFAP loan origination process includes a robust due diligence process to guarantee that loans are fully allocated to eligible companies and can be tracked to specific expenditures that meet the Framework criteria.
 - Within Access to Essential Services - Financing and Financial Services/Financial Inclusion category, Citigroup may finance and/or refinance expenditures related to expanding access to financial services for unbanked and underserved individuals – including females and youth borrowers – and MSMEs.⁶ Potential expenditures include: (i) the maintenance and growth of Citigroup's income-generating productive loan⁷ portfolio, (ii) the provision of non-credit financial products including payments, savings and insurance, and (iii) the financing of 100% female-owned SMEs.
 - In the Affordable Housing category, Citigroup may finance and/or refinance loans to companies and financial service providers which offer mortgages and home improvement loans to underserved home buyers and owners in low-income communities within emerging markets. Citigroup defines underserved home buyers and owners as individuals and households with incomes below the median income in their local jurisdiction. Sustainalytics notes that, due to the Issuer's global portfolio, defining a globally applicable rent-threshold or mortgage rate

⁶ Citigroup will adhere to the International Finance Corporation's (IFC) definition of MSME: (i) an enterprise is defined as Micro if it has less fewer than 10 employees, or if total assets or annual sales are less than USD 100,000, (ii) an enterprise is defined as Small if it has between 10 and 49 employees, or if total assets or annual sales are between USD 100,000 and less than USD 3 million, and (iii) Medium enterprise if it has between 50 and 300 employees, or if total assets or annua sales are between USD 3 – 15 million. For more information please refer to https://www.ifc.org/wps/wcm/connect/industry_ext_content/ifc_external_corporate_site/financial+institutions/priorities/ifcs+definitions+of+targeted+sectors.

⁷ These are microcredit loans that will be originated for income generating activities, primarily to women borrowers.

remains challenging and, as such, Sustainalytics encourages Citigroup to report on the positive impacts achieved through the financing of this category and identify the beneficiary target groups.

- Regarding Access to Affordable Basic Infrastructure, Citigroup may finance and/or refinance companies that improve availability of water, sanitation, or clean energy of off-grid communities. Eligible expenditures include provision of: (i) access to safe and affordable drinking water, (ii) provision of adequate and equitable sanitation and hygiene facilities, (iii) access to clean, safe and affordable energy (this involves pay-as-you-go compact home solar generation units), and (iv) development of telecommunications network and related infrastructure in underserved areas.
- Regarding the Access to Essential Services – Healthcare and Education categories Sustainalytics recognizes Citigroup’s positive intent of financing businesses operating to increase access to healthcare and education services in target communities, across emerging market countries, which have little or no supply of publicly-funded healthcare or education services. Sustainalytics also notes that while Citigroup focuses on expanding access to healthcare and education services, it aims to achieve that while maintaining affordability of access.⁸ However, Sustainalytics is not able to opine on Citigroup’s ability to ensure affordability of access to healthcare and education services financed via the Framework and encourages Citigroup to report on the companies financed and the measures taken to ensure that low-income individuals and/or households are able to access.
 - In the Access to Essential Services – Healthcare category, Citigroup may finance and/or refinance companies that expand access to inclusive healthcare, ensure healthy lives and promote well-being of underserved individuals lacking access to healthcare. Potential expenditures include those aimed at: (i) Covid-19 response in emerging markets, (ii) reducing maternal mortality, (iii) prevention of preventable deaths of newborns and children under five, (iv) ending epidemics of AIDS, tuberculosis, malaria and neglected tropical diseases and combat hepatitis, water-borne diseases and other communicable diseases, (v) expanding universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all, (vi) increasing health financing and the recruitment, development, training and retention of the health workforce, and (vii) expanding capacity for early warning, risk reduction and management of national and global health risks.
 - Within the Access to Essential Services – Education category, Citigroup may finance and/or refinance companies and organizations that deliver and promote inclusive lifelong learning opportunities for all, targeted at underserved individuals lacking access to education. Expenditures include: (i) provision of affordable and quality pre-primary, primary and secondary education, (ii) maintenance and upgrade of education facilities that are child, disability and gender sensitive, and provide safe, non-violent, inclusive and effective learning environments for all, and (iii) increasing supply of teachers, teacher training and materials.
- Regarding Access to Essential Services – Smallholder Farmer Finance, Citigroup may finance and/or refinance social enterprises that deliver products and services to support smallholder farmers,⁹ across emerging market countries. Eligible expenditures include: (i) provision of agricultural inputs, (ii) expanding access to markets, (iii) provision of credit, and (iv) training and other extension services. Citigroup has confirmed that financing of livestock farming is excluded from the Framework and that the farmer support model is focused on minimizing environmental impact while maximizing smallholder farmer productivity.
- Project Evaluation and Selection:
 - Citigroup’s internal process in evaluating and selecting loan recipient companies is managed by its Social Finance Team (SFT).² The SFT will identify a unique Social Finance Asset Portfolio based on the Framework’s eligibility criteria and exclusionary criteria. Citigroup has assured

⁸ With respect to healthcare and education services, Sustainalytics’ definition of affordability is based on ensuring access to all regardless of ability to pay.

⁹ Citigroup defines smallholder farmers as those farming on less than five hectares on average.

- Sustainalytics that the SFT carries out thorough due diligence on potential loan recipient companies to ensure that the companies will use the financed loans to carry out activities aligned with the Framework's eligibility and targeting criteria.
- Based on the information assessed, Sustainalytics believes that Citigroup has adequate loan origination protocols to consider the process in line with market practice.
 - Management of Proceeds:
 - Citigroup's process for management of proceeds is overseen by the Sustainable Bond Working Group (SBWG), which is co-chaired by Citigroup's Chief Sustainability Officer and Head of Capital Markets, Treasury and comprised of officers from the Treasury, Banking, Capital Markets and Advisory (BCMA), Social Finance, Community Capital, Environmental and Social Risk Management and Sustainability & ESG teams.
 - Citigroup will use an internal asset management system to track allocation of an amount equivalent to the net bond proceeds using a portfolio approach. Should any proceeds remain unallocated, they will be temporarily held in cash, cash equivalents and/or other liquid marketable instruments (including U.S. Treasury securities). Citigroup will strive to immediately allocate an amount equivalent to the net bond proceeds to a pool of existing assets, which form its SFAP.
 - Based on these elements, Sustainalytics considers this process to be in line with market practice.
 - Reporting:
 - Citigroup committed to reporting on the allocation of proceeds on its website on an annual basis until allocation has been fully completed. The allocation reporting will include details such as total outstanding amount of bonds issued, total outstanding amount of funded assets that comprise the SFAP allocated to bond proceeds, a list of the Eligible Projects financed, including a description of the projects, allocated amounts, the share of financing vs. refinancing and total amount of unallocated bond proceeds (if any) assigned to cash, cash equivalent and/or other liquid marketable instruments. In addition, Citigroup will report on relevant impact metrics which may include number of loans supported, number of households supported with access to safe energy, and number of students supported. For a detailed list of impact indicators, please refer to Appendix 1: Social Bond/Social Bond Programme External Review Form. Based on these elements, Sustainalytics considers this process to be in line with market practice.

Alignment with Social Bond Principles 2021

Sustainalytics has determined that the Citi Social Finance Framework aligns to the four core components of the SBP. For detailed information please refer to Appendix 1: Social Bond/Social Bond Programme External Review Form.

Section 2: Sustainability Strategy of Citigroup

Contribution of Framework to Citigroup Inc.'s sustainability strategy

Citigroup's overall sustainability strategy is laid out in its "Sustainable Progress Strategy" which focuses on the low-carbon transition, climate risk and sustainable operations.¹⁰ In 2021, Citigroup committed to US\$1 trillion in sustainable finance by 2030, including US\$ 500 billion in environmental finance, an extension of the previous US\$250 billion by 2025 environmental finance target, and an additional US\$ 500 billion for activities in important areas such as education, healthcare, affordable housing, economic inclusion, racial diversity and gender equality.¹¹

Sustainalytics is of the opinion that Citigroup demonstrates a commitment to sustainability with a focus on four key social areas: (i) Affordable housing (ii) Minority- and women- owned entrepreneurship (iii) Financial inclusion (iv) Racial Equity.

- Affordable housing: In 2020, Citigroup provided US\$ 7 billion in affordable housing loans and US\$549 million in equity investments in affordable housing in the U.S.¹¹ It also issued its inaugural US\$2.5

¹⁰ Citigroup website, "2025 Sustainable Progress Strategy", at: <https://www.citigroup.com/Citigroup/sustainability/>

¹¹ Citigroup report, "Citigroup 2020 ESG Report", at: <https://www.citigroup.com/Citigroup/about/esg/download/2020/Global-ESG-Report-2020.pdf?ieNocache=162>

billion Affordable Housing Bond in October 2020.¹¹ Over the past decade, Citigroup has helped to create or preserve around 421,000 affordable housing units.¹¹

- **Minority and women-owned entrepreneurship:** The Citigroup Impact Fund launched in January 2020 offers US\$150 million in capital for startups, many of which are women- and minority-owned startups, and an additional US\$ 50 million exclusively allocated for black entrepreneurs.¹¹ The Citigroup Foundation is also investing US\$ 100 million to expand its Pathways for Progress Initiative to provide skill development and economic opportunities for youth worldwide.¹¹
- **Financial inclusion:** In 2020, Citigroup supported US\$289 million in debt transactions to fund inclusive business and microfinance institutions globally.¹¹ As of 2020, it supported 3.9 million unbanked and underbanked small businesses in emerging markets, 88% of which were to women-owned businesses.¹¹ In partnership with the U.S. International Development Finance Corporation and the Ford Foundation, Citigroup launched Scaling Enterprise in 2019, a US\$100 million loan guarantee facility that provides early stage financing for companies that offer products and services to low-income individuals in emerging markets. Through this program, Citigroup has been supporting several small and medium-sized enterprises in sectors such as healthcare, education and digital finance.¹¹
- **Racial Equity:** Through its Action for Racial Equity program, Citigroup is investing over US\$1 billion in strategic initiatives to close the racial wealth gap and increase economic mobility by providing greater access to banking and credit to communities of color, increase investments in Minority Depository Institutions, black-owned businesses and in minority-owned housing developers to promote affordable housing and advance anti-racist practices in the financial services industry.¹¹

Citigroup's global ESG activities and performance are overseen by the Nomination, Governance and Public Affairs Committee (NGPAC), a standing committee of the Board of Directors. The NGPAC reviews policies and programs on sustainability, climate change, human rights, diversity and other ESG issues.¹¹ At the corporate management level, the Chief Sustainability Officer plays an integral role in developing Citigroup's sustainability strategy and leads the Sustainability & ESG team that ensures coordination and alignment of Citigroup's environmental and social activities across the firm. Citi's business groups, including Banking, Capital Markets and Advisory, Markets and Securities Services, Private Banking and Treasury and Trade Solutions, all have dedicated bankers or teams focused on advising clients and offering customized ESG-themed products and services.

Based on the above, Sustainalytics is of the opinion that the Citi Social Finance Framework is aligned with the Citigroup's overall sustainability strategy and initiatives and will further the Company's action on its key social priorities.

Well-positioned to address common social and environmental risks associated with the projects

While Sustainalytics recognizes that the net proceeds from the bond(s) issued under the Framework will be directed towards eligible projects that are expected to have positive social impact, Sustainalytics is aware that such eligible projects could also potentially lead to negative environmental and social outcomes. Some key environmental and social risks associated with the eligible projects, could include air/water/soil pollution, biodiversity loss, worker health and safety, and the risk of exacerbating existing inequalities.

Sustainalytics acknowledges that the activities financed under this Framework will not be carried out by Citigroup itself, but rather by the entities that are financed. Nonetheless, Sustainalytics is of the opinion that the Issuer can manage and/or mitigate potential risks through implementation of the following existing policies and processes:

- Citigroup identifies and manages environmental and social risks across its portfolio by using its Environmental and Social Risk Management (ESRM) Policy, which incorporates international frameworks such as the Equator Principles.¹² The ESRM Policy guides Citigroup in assessing the impacts of its clients on various environmental and social issues such as air quality, water quality, climate change, biodiversity, local communities, labor and human rights, as well as their commitment, capacity and track record in managing those impacts.¹¹ The ESRM policy is applied to project-related transactions, as well as client relationships in sectors with sensitive environmental or social impacts and guides client engagement from early stages of potential transactions to ongoing client monitoring. Higher-risk projects may be required to implement an Environmental and Social Action Plan to mitigate the risks as a condition of financing or may be declined altogether if the risks are too high.¹¹

¹² Equator Principles, at: <https://equator-principles.com/about/>

- Citigroup's internal policies and processes reference international standards such as International Finance Corporation Performance Standards¹³ and Environmental, Health, and Safety Guidelines,¹⁴ the Voluntary Principles on Security and Human Rights¹⁵ and the Forest Stewardship Council.^{16,17} It also reports against the Taskforce on Climate Related Disclosures,¹⁸ the Global Reporting Initiative Standards (Core option), the Sustainability Accounting Standards Board,¹⁹ Principles for Responsible Banking,²⁰ United Nations Global Compact²¹ and the United Nations Guiding Principles Reporting Framework.^{22,11}
- Citigroup's approach towards Human Rights is guided by the United Nations Declaration of Human Rights,²³ the International Labor Organization's Declaration on Fundamental Principles and Rights at Work,²⁴ the United Nations Guiding Principles on Business and Human Rights²⁵ and the OECD Guidelines on Multinational Enterprises.²⁶ In 2020, it flagged 25 transactions and 100 client relationships for human rights risks under its ESRM Policy.¹¹

Based on these policies, standards and assessments, Sustainalytics is of the opinion that Citigroup has implemented adequate measures and is well-positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

Section 3: Impact of Use of Proceeds

All six use of proceeds categories are aligned with those recognized by the SBP. Sustainalytics has focused on two below where the impact is specifically relevant in the local context.

Importance of financial inclusion in emerging markets

According to a World Bank report, globally 1.7 billion adults remained without access to banking services in 2017, with virtually all of them living in developing countries.²⁷ Women account for around 56% of the unbanked population.²⁷ The poorest 40% of households in the world accounted for close to half of the unbanked population in the same year.²⁷ According to the same report, the patterns of financial account ownership vary widely among different regions and groups. In 2017, 94% of adults in developed countries had a financial account, when compared with 63% in developing countries.²⁷ Globally, while 72% of men had access to a financial account, only 65% of women had access in the same year.²⁷

Access to financial services have a key role in helping people overcome poverty and manage financial emergencies. Financial account holders are more likely to use financial services such as credit and insurance, which in turn can help them start or expand businesses, invest in education or health, and manage risks and financial shocks.²⁸ For women, financial inclusion can help increase their economic participation through

¹³ International Finance Corporation, "Performance Standards", at:

https://www.ifc.org/wps/wcm/connect/Topics_Ext_Content/IFC_External_Corporate_Site/Sustainability-At-IFC/Policies-Standards/Performance-Standards

¹⁴ International Finance Corporation, "Environmental, Health, and Safety Guidelines", at:

https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/policies-standards/ehs-guidelines

¹⁵ The Voluntary Principles on Security and Human Rights, at:

https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/policies-standards/ehs-guidelines

¹⁶ Forest Stewardship Council, at: <https://fsc.org/en>

¹⁷ Citigroup report, "Environmental and Social Policy Framework", 2021, at: <https://www.citigroup.com/Citigroup/sustainability/data/Environmental-and-Social-Policy-Framework.pdf?ieNocache=667>

¹⁸ Task Force on Climate-Related Disclosures, at: <https://www.fsb-tcfd.org/>

¹⁹ Sustainability Accounting and Standards Board, at: <https://www.sasb.org/standards/>

²⁰ United Nations Environment Programme, "Principles for Responsible Banking", at: <https://www.unepfi.org/banking/bankingprinciples/>

²¹ United Nations Global Compact, "The Ten Principles of the Global Compact", at: <https://www.unglobalcompact.org/what-is-gc/mission/principles>

²² United Nations Guiding Principles Reporting Framework, at: <https://www.ungpreporting.org/framework-guidance/>

²³ United Nations, "Universal Declaration of Human Rights", at: <https://www.un.org/en/about-us/universal-declaration-of-human-rights>

²⁴ International Labour Organization Declaration on Fundamental Principles and Rights at Work, at: <https://www.ilo.org/declaration/lang-en/index.htm>

²⁵ United Nations Office of the High Commissioner for Human Rights, "Guiding Principles for Business and Human Rights", at:

https://www.ohchr.org/documents/publications/guidingprinciplesbusinessshr_en.pdf

²⁶ OECD Guidelines for Multinational Enterprises, at: <http://mneguidelines.oecd.org/guidelines/>

²⁷ World Bank Group, "The Global Findex Database 2017", at:

<https://openknowledge.worldbank.org/bitstream/handle/10986/29510/211259ov.pdf?sequence=3&isAllowed=y>

²⁸ World Bank website, "Financial Inclusion", at: <https://www.worldbank.org/en/topic/financialinclusion/overview>

greater control over finances, household incomes and budget decisions.²⁹ Access to finance and credit is also important for businesses, especially small and medium enterprises and the informal sector.³⁰

Sustainalytics is of the opinion that Citigroup's planned expenditures towards enhancing access to financial services for low-income communities have the potential to drive inclusive finance and provide positive social benefits across emerging markets.

Importance of access to healthcare and education in emerging markets

Healthcare

At least half of the world's population still lacked access to essential health services in 2017.³¹ The proportion of the global population spending over 10% of their household budget on healthcare expenses has increased steadily since 2000, reaching over 12.7% or around 927 million people in 2015.³¹ In the same year, around 90 million people were pushed into extreme poverty because of spending out-of-pocket on healthcare.³¹ Healthcare service coverage in low- and middle-income countries is well below that of wealthier countries. According to WHO, around 94% of all maternal deaths occur in low and lower-middle income countries.³² In 2017, the maternal mortality ratio in low income countries was 462 per 100,000 live births, versus 11 per 100,000 live births in developed countries.³² Between 2005 and 2015, 74% of mothers and children in the wealthiest fifth of households globally received at least six out of seven maternal and child interventions, when compared with just 17% in the poorest fifth of households.³³ The COVID-19 pandemic has exacerbated this situation and has strengthened the need to increase access to quality health services, strong health workforce and low financial cost for healthcare, along with routine vaccinations, hygiene and sanitation.³¹ In this context, Citigroup's expenditures towards improving health financing and increasing access to affordable and quality healthcare are likely to be impactful in emerging markets.

Education

In 2018, 258 million children, adolescents and youth all over the world remained out of school. Sub-Saharan Africa accounted for over 37% of students who remained out of school, followed by South Asia at around 36%.³⁴ A United Nations analysis of progress towards SDG 4 shows that for every 100 boys, there are 118 girls who remain out of school.³⁴ Globally, 617 million children and adolescents are unable to reach minimum proficiency levels in reading and mathematics because of not attending school, dropping out or because of poor learning outcomes as of 2015.³⁵ The COVID-19 pandemic has interrupted classroom learning for at least 9 out of 10 children worldwide.³⁶ With an estimated 826 million children not having access to a household computer and 706 million without access to the internet,³⁶ this is likely to worsen existing inequalities. Sustainalytics is of the opinion that the eligible use of proceeds aimed at enhancing access to quality education, upgrading education facilities and improving teacher training are expected to have positive social benefits.

Based on the above context, Sustainalytics is of the opinion that the use of proceeds under this framework to enhance access to basic services are expected to have a beneficial effect on healthcare and education outcomes in emerging markets.

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 by the United Nations General Assembly and form an agenda for achieving sustainable development by the year 2030. The bond(s) issued under the Citi Social Finance Framework advances the following SDGs and targets:

²⁹ World Bank report, "The Opportunities of Digitizing Payments", 2014, at:

<http://documents1.worldbank.org/curated/en/188451468336589650/pdf/903050WP0REPLACEMENT0Box385358B00PUBLIC0.pdf>

³⁰ United Nations Conference on Trade and Development, "Financial Inclusion for Development: Better Access to Financial Access for Women, the Poor and Migrant Workers", 2021, at: https://unctad.org/system/files/official-document/ditctncd2020d6_en.pdf

³¹ World Health Organization report, "World Health Statistics 2020", (p3) at: <https://apps.who.int/iris/bitstream/handle/10665/332070/9789240005105-eng.pdf>

³² World Health Organization website, "Maternal Mortality", at: <https://www.who.int/news-room/fact-sheets/detail/maternal-mortality>

³³ World Health Organization report, "Tracking Universal Health Coverage: 2017 Global Monitoring Report", at: <https://apps.who.int/iris/bitstream/handle/10665/259817/9789241513555-eng.pdf?sequence=1>

³⁴ United Nations Educational, Scientific and Cultural Organization report, "Out-of-school children, adolescents and youth: Global Status and Trends", 2019, at: <http://uis.unesco.org/sites/default/files/documents/new-methodology-shows-258-million-children-adolescents-and-youth-are-out-school.pdf>

³⁵ United Nations website, "SDG 4 Statistics", at: <https://unstats.un.org/sdgs/report/2019/goal-04/>

³⁶ United Nations Educational, Scientific and Cultural Organization website, "Startling digital divides in distance learning emerge", at: <https://en.unesco.org/news/startling-digital-divides-distance-learning-emerge>

Use of Proceeds Category	SDG	SDG target
Access to Essential Services - Financing and Financial Services/Financial Inclusion	1. No Poverty 9. Industry, Innovation and Infrastructure	1.1 By 2030, eradicate extreme poverty for all people everywhere, currently measured as people living on less than \$1.25 a day 9.3 Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets
Affordable Housing	11. Sustainable Cities and Communities	11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums
Affordable Basic Infrastructure	6. Clean Water and Sanitation 7. Affordable and Clean Energy	6.1 By 2030, achieve universal and equitable access to safe and affordable drinking water for all 6.2 By 2030, achieve access to adequate and equitable sanitation and hygiene for all and end open defecation, paying special attention to the needs of women and girls and those in vulnerable situations 7.1 By 2030, ensure universal access to affordable, reliable and modern energy services
Access to Essential Services - Healthcare	3. Good Health and Well-being	3.c Substantially increase health financing and the recruitment, development, training and retention of the health workforce in developing countries, especially in least developed countries and small island developing States
Access to Essential Services - Education	4. Quality Education	4.1 By 2030, ensure that all girls and boys complete free, equitable and quality primary and secondary education leading to relevant and Goal-4 effective learning outcomes
Access to Essential Services – Smallholder Farmer Finance	2. Zero Hunger	2.3 By 2030, double the agricultural productivity and incomes of small-scale food producers, in particular women, indigenous peoples, family farmers, pastoralists and fishers, including through secure and equal access to land, other productive resources and inputs, knowledge, financial services, markets and opportunities for value addition and non-farm employment

Conclusion

Citigroup Inc. has developed the Citi Social Finance Framework under which it and/or its subsidiaries intend to issue social bonds and use an amount equivalent to the net proceeds to finance its Social Finance Asset Portfolio dedicated to expanding access to financial services and advance economic progress in underserved low-income communities across emerging markets. Sustainalytics considers that the loans funded by the social bond proceeds are expected to provide positive social impact.

The Citi Social Finance Framework outlines a process by which proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the Citi Social Finance Framework is aligned with the overall sustainability strategy of the company and that the social use of proceeds categories will contribute

to the advancement of the UN Sustainable Development Goals 1, 2, 3, 4, 6, 7, 9, and 11. Additionally, Sustainalytics is of the opinion that Citigroup has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the use of proceeds.

Based on the above, Sustainalytics is confident that Citigroup Inc. and/or its subsidiaries are well-positioned to issue social bonds and that the Citi Social Finance Framework is robust, transparent, and in alignment with the core components of the Social Bond Principles 2021.

Appendix

Appendix 1: Social Bond/ Social Bond Programme -External Review Form

Section 1. Basic Information

Issuer name:	Citigroup Inc.
Social Bond ISIN or Issuer Social Bond Framework Name, if applicable:	Citi Social Finance Framework
Review provider's name:	Sustainalytics
Completion date of this form:	July 26, 2021
Publication date of review publication:	

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the SBP:

- | | |
|--|--|
| ☒ Use of Proceeds | ☒ Process for Project Evaluation and Selection |
| ☒ Management of Proceeds | ☒ Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| ☒ Consultancy (incl. 2 nd opinion) | ☐ Certification |
| ☐ Verification | ☐ Rating |
| ☐ Other (please specify): | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (if applicable)

Please refer to Evaluation Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section *(if applicable)*:

The eligible categories for the use of proceeds – Access to Essential Services - Financing and Financial Services/Financial Inclusion, Affordable Housing, Affordable Basic Infrastructure, Access to Essential Services - Healthcare, Access to Essential Services - Education, and Access to Essential Services – Smallholder Farmer Finance – are aligned with those recognized by the Social Bond Principles that seek to achieve positive socio-economic outcomes for target populations. Sustainalytics considers that the eligible categories will lead to positive social impacts and advance the UN Sustainable Development Goals, specifically SDG 1, 2, 3, 4, 6, 7, 9, and 11.

Use of proceeds categories as per SBP:

- | | |
|---|---|
| ☒ Affordable basic infrastructure | ☒ Access to essential services |
| ☒ Affordable housing | ☐ Employment generation (through SME financing and microfinance) |
| ☒ Food security | ☐ Socioeconomic advancement and empowerment |
| ☐ Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBP | ☐ Other (please specify): |

If applicable please specify the social taxonomy, if other than SBP:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section *(if applicable)*:

Citigroup's internal process in evaluating and selecting projects is managed by its Social Finance Team (SFT). The SFT will identify a unique Social Finance Asset Portfolio based on the Framework's eligibility criteria and exclusionary criteria. Citigroup has assured to Sustainalytics that the SFT validates due diligence on potential loan recipient companies to ensure that the companies will use the financed loans to carry out activities aligned with the Framework's eligibility and targeting criteria. Sustainalytics considers the project selection process in line with market practice.

Evaluation and selection

- | | |
|---|---|
| ☒ Credentials on the issuer's social objectives | ☒ Documented process to determine that projects fit within defined categories |
| ☒ Defined and transparent criteria for projects eligible for Social Bond proceeds | ☒ Documented process to identify and manage potential ESG risks associated with the project |

- ☒ Summary criteria for project evaluation and selection publicly available
 ☐ Other (please specify):

Information on Responsibilities and Accountability

- ☒ Evaluation / Selection criteria subject to external advice or verification
 ☐ In-house assessment
- ☐ Other (please specify):

3. MANAGEMENT OF PROCEEDS

Overall comment on section *(if applicable)*:

Citigroup's process for management of proceeds is overseen by the Sustainable Bond Working Group (SBWG), which is co-chaired by Citigroup's Chief Sustainability Officer and Head of Capital Markets, Treasury. Citigroup will use an internal asset management system to track allocation of an amount equivalent to the net bond proceeds using a portfolio approach. Unallocated proceeds will be temporarily held in cash, cash equivalents and/or other liquid marketable instruments (including U.S. Treasury securities). Citigroup will strive to immediately allocate an amount equivalent to the net bond proceeds to a pool of existing assets. This is in line with market practice.

Tracking of proceeds:

- ☒ Social Bond proceeds segregated or tracked by the issuer in an appropriate manner
- ☒ Disclosure of intended types of temporary investment instruments for unallocated proceeds
- ☐ Other (please specify):

Additional disclosure:

- | | |
|--|---|
| ☐ Allocations to future investments only | ☒ Allocations to both existing and future investments |
| ☐ Allocation to individual disbursements | ☒ Allocation to a portfolio of disbursements |
| ☐ Disclosure of portfolio balance of unallocated proceeds | ☐ Other (please specify): |

4. REPORTING

Overall comment on section *(if applicable)*:

Citigroup intends to report on allocation of proceeds on its website on an annual basis until full allocation. The allocation reporting will include details such as allocated amounts, the share of financing vs. refinancing and total amount of unallocated bond proceeds. In addition, Citigroup Inc. is committed to reporting on relevant impact metrics. Sustainalytics views Citigroup Inc.'s allocation and impact reporting as aligned with market practice.

Use of proceeds reporting:

- ☐ Project-by-project ☒ On a project portfolio basis
- ☐ Linkage to individual bond(s) ☐ Other (please specify):

Information reported:

- ☒ Allocated amounts ☒ Social Bond financed share of total investment
- ☐ Other (please specify):

Frequency:

- ☒ Annual ☐ Semi-annual
- ☐ Other (please specify):

Impact reporting:

- ☐ Project-by-project ☒ On a project portfolio basis
- ☐ Linkage to individual bond(s) ☐ Other (please specify):

Information reported (expected or ex-post):

- ☒ Number of beneficiaries ☐ Target populations
- ☐ Other ESG indicators (*please specify*):

Inclusive Social Project Categories	Use of Proceeds	Impact Metrics ³⁷
Access to Essential Services <i>Financing and Financial services/ Financial Inclusion</i>	SME Financing/ Productive self-employment/ Employment generation	# loans supported # loans supported to women % women of end borrowers # jobs created % jobs created for women
Affordable Housing	Affordable and improved housing projects for emerging markets	# housing loans supported
Affordable Basic Infrastructure	Support sustainable infrastructure in emerging markets addressing needs for water, sanitation, safe clean energy, and telecom connectivity	- Population enabled with access to infrastructure # households supported with access to safe energy # people with access to rural telecom services # sanitation products provided

³⁷ Impact metrics based on IFC, https://www.ifc.org/wps/wcm/connect/corp_ext_content/ifc_external_corporate_site/about+ifc_new/investor+relations/ir-products/ifc+social+bond+framework#_ftn3

Access to Essential Services <i>Healthcare</i>	Expand access to inclusive healthcare, ensure healthy lives and promote well-being	• # clients with access to health services
Access to Essential Services <i>Education</i>	Deliver and promote inclusive lifelong learning opportunities for all	• # students supported
Access to Essential Services <i>Smallholder Farmer Finance</i>	Invest in raising productivity of small farm agriculture, build resilience to climate change, improve access to markets, and strengthen capacity	• # farmers supported

Frequency:

- ☒ Annual ☐ Semi-annual
☐ Other (please specify):

Means of Disclosure

- ☐ Information published in financial report ☐ Information published in sustainability report
☐ Information published in ad hoc documents ☒ Other (please specify): Website
☐ Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

- ☐ Consultancy (incl. 2nd opinion) ☐ Certification
☐ Verification / Audit ☐ Rating
☐ Other (please specify):

Review provider(s):

Date of publication:

ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE SBP

- i. Second-Party Opinion: An institution with social expertise, that is independent from the issuer may issue a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Social Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Social Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to social sustainability, and an evaluation of the social features of the type of projects intended for the Use of Proceeds.

-
- ii. **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or social criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the socially sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Social Bond proceeds, statement of social impact or alignment of reporting with the SBP, may also be termed verification.
 - iii. **Certification:** An issuer can have its Social Bond or associated Social Bond framework or Use of Proceeds certified against a recognised external social standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
 - iv. **Social Bond Scoring/Rating:** An issuer can have its Social Bond, associated Social Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on social performance data, process relative to the SBP, or another benchmark. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material social risks.

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