



## **Environmental and Social Responsibility in Lending: Citi's Journey with the Equator Principles**

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**Jose Joseph  
Independent Risk Management  
Citi India**





# The Equator Principles

A framework for financial institutions to manage environmental and social issues in project financing

- Why do we need to manage environmental and social risk?
- Why did Citi join the Equator Principles?
- What has Citi gained from joining the Equator Principles?
- How does Citi implement the Equator Principles?

# The New Global Business Environment

Increasing resource scarcity



Photo courtesy of Planet Ark

Growing stakeholder awareness



Photo courtesy of Amazon Watch

Strengthening legislative, regulatory and enforcement frameworks worldwide



Photo courtesy of Dirty Money.org

Increased transmission of global reputational risk to the financier

# There have been – and continue to be – criticisms of financial institutions...



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## How have the Equator Principles helped Citi?

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- The Equator Principles have helped us go from purely risk and brand management...to brand enhancement and positive reputation
- The Equator Principles have informed and are the backbone of our broader ESRM Policy
- We partner better with:
  - Clients
  - Other Equator Principles Financial Institutions (EPFIs)
  - Multilaterals (like the IFC), bilaterals and ECAs
  - Civil society and NGOs
- Sustainability and environmental issues are now considered center-of-the plate issues for the Firm

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# How have the Equator Principles helped Citi?

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The business benefits are clear:

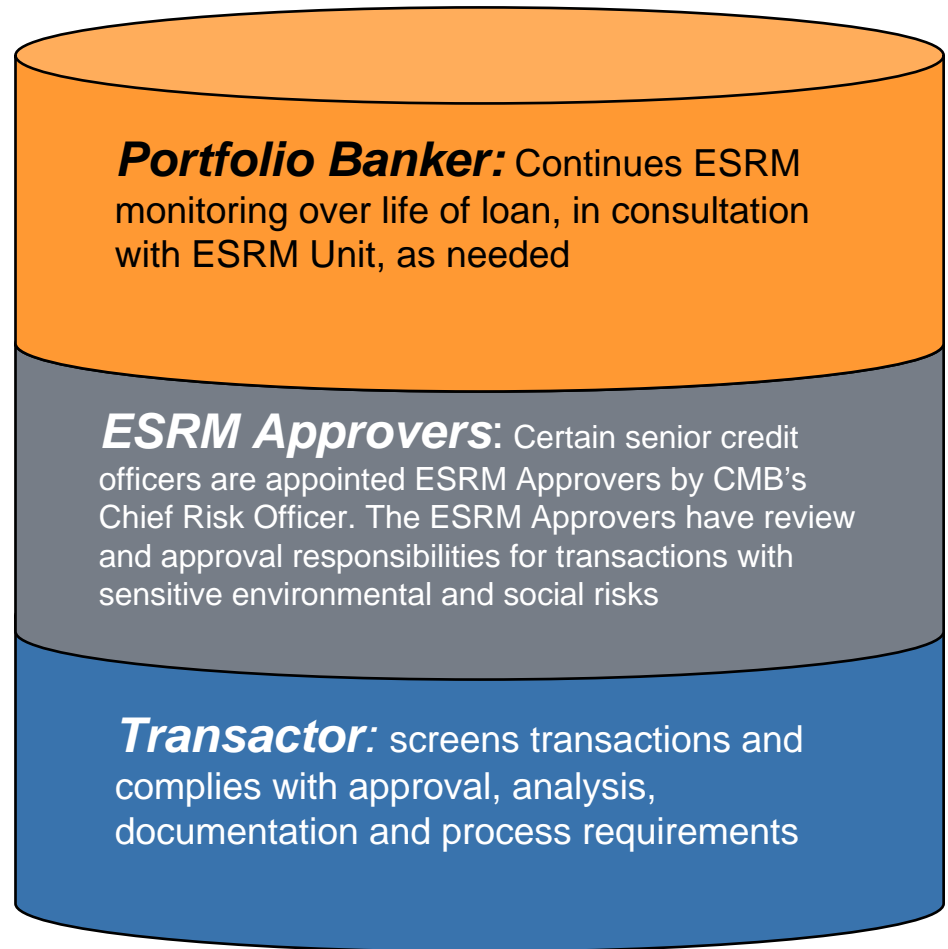
- We are viewed as a leader in banking & sustainability
  - Citi ESRM Policy is viewed as a market leader
  - Recent Position Statement on Climate, including a USD 50 billion commitment over ten years focused on climate-related issues
  - Successive commendations from Financial Times Sustainable Banking Awards
  - 2007 Corporate Award from International Association of Impact Assessment
  
- Citi is a leader in micro-finance

# Environmental & Social Risk Management (ESRM) at Citi is a Shared Responsibility

## *ESRM Unit:*

- Director, VP, and analyst (New York)
- ESRM Champions (London, Hong Kong, Mumbai, Sao Paulo, and Mexico City)

The ESRM unit serves as a technical resource and counsel for our Markets and Banking Unit.



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# INDIA: Palanpur-Udaipur Toll Road

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How did Citi approach a challenging India-based Equator deal?

- Category A project financing
- Equator Principles applied, including IFC standards / Performance Standard 5
- Government responsible for resettlement implementation (not Citi's client)
- Independent review by a qualified consulting firm – the consultant helped facilitate discussions with Government agencies
- Monitoring: Innovative partnership with local NGO



# From a Target of Criticism to Positive Reputation in the Financial Sector – From Reactive to Proactive

- We have been a leader in the development of the Equator Principles (partnering together with other Financial Institutions)
- Key leading role in the 2006 Equator Principles II Updating process
- We have had a broader ESRM Policy since 2003 (updated March 2006)
- ESRM Policy foundation: known use of proceeds
- We categorize Transactions according to their environmental and social risk (based on IFC process)
  - Category A = higher risk
  - Category B = medium risk
  - Category C = minimal or no risk

