

Citi's Response to Climate Change

In February 2007 the Intergovernmental Panel on Climate Change (IPCC) released its latest report on the scientific basis for climate change. Panel findings revealed that

- warming of the earth's climate is unequivocal,
- global atmospheric concentrations of carbon dioxide and other greenhouse gases have increased markedly as a result of human activities since 1750, and
- global increases in carbon dioxide concentration are due primarily to fossil fuel use and land-use change.

The implications of these findings for Citi, its investors, clients, communities and other stakeholders are considerable. There is growing evidence that the physical consequences of climate change are real and that action is required. In response, governments and policy-makers are weighing both regulatory and voluntary options that could dramatically cut carbon dioxide emissions from businesses across all sectors.

Citi has undertaken significant and strategic steps to transition to a carbon-constrained world, readying the company to help our clients—and indeed, our own businesses—to meet these present and growing challenges.



Citi issued a series of Climatic Consequences research papers in 2007 that track current regulatory activity related to global warming, ecological and physical manifestations of climate change and resultant behavioral changes on the part of consumers, litigants, investors and corporations. We also evaluated which companies are well positioned to benefit from the new economic realities of global warming.

CITI'S POSITION STATEMENT ON CLIMATE CHANGE

In February 2007 Citi issued a Position Statement on Climate Change that calls on Congress to immediately create a market-based national policy to reduce GHG emissions, with the ultimate goal of contributing to the development of an integrated global framework. We believe this national policy should: bring clarity and certainty to markets; emphasize that a transition to

environmentally sustainable energy will foster economic activity and opportunity, generate jobs and protect the environment; and recognize emissions-reduction efforts undertaken prior to the enactment of a national legislative framework to encourage early action.

The Position Statement on Climate Change is available at our webpage. [www](#)

CITI LEADS PARTNERSHIP TO ESTABLISH THE CARBON PRINCIPLES

The U.S.-based Carbon Principles were announced in February 2008. The release followed nine months of intensive effort by Citi and other financial institutions, power companies and environmental groups, including Natural Resources Defense Council and Environmental Defense Fund, to craft a new framework for evaluating and addressing carbon risks in the financing of electric power plants in the United States. Citi has adopted the Principles and will

- encourage clients to pursue cost-effective energy-efficiency, renewable energy and other low carbon alternatives to conventional power generation;
- apply the Enhanced Diligence Process to evaluate the financial and operational risks of financing qualifying fossil fuel power plants in the United States;
- educate bankers, clients, regulators and other industry participants on the Principles and Enhanced Diligence; and
- encourage regulatory and legislative changes consistent with the Principles.

More information on the Carbon Principles is available at the website. www.citi.com/carbonprinciples

PARTICIPATING IN THOUGHT LEADERSHIP AND POLICY DEVELOPMENT

Citi regularly meets with government representatives, industry peers, thought leaders, academics, NGOs and elected officials to exchange technical advice and economic insight on the various national and international policy options being considered to mitigate climate change. Among other activities, we

- support the development of national and international market-based regulatory frameworks regarding GHGs and offer our expertise to public officials crafting these policies,
- develop and implement policy statements and codes of conduct such as our Position Statement on Climate Change and the Carbon Principles and incorporate these standards into the ESRM Policy,
- issue Citi Investment Research reports identifying and analyzing the investment implications of climate change,
- participate in coalitions to share best practices and brainstorm new solutions, and
- monitor climate change-related policy developments.

In June 2007 Citi hosted a two-day conference in London on the investment implications of a changing climate. Representatives from 24 corporations and organizations made presentations and participated in a vigorous debate on a variety of topics such as power generation in a carbon-constrained world, alternative fuels and carbon trading.

MITIGATING CLIMATE CHANGE RISKS

Citi has developed in-depth analyses to manage its own exposure to climate-related risks. Specifically, we

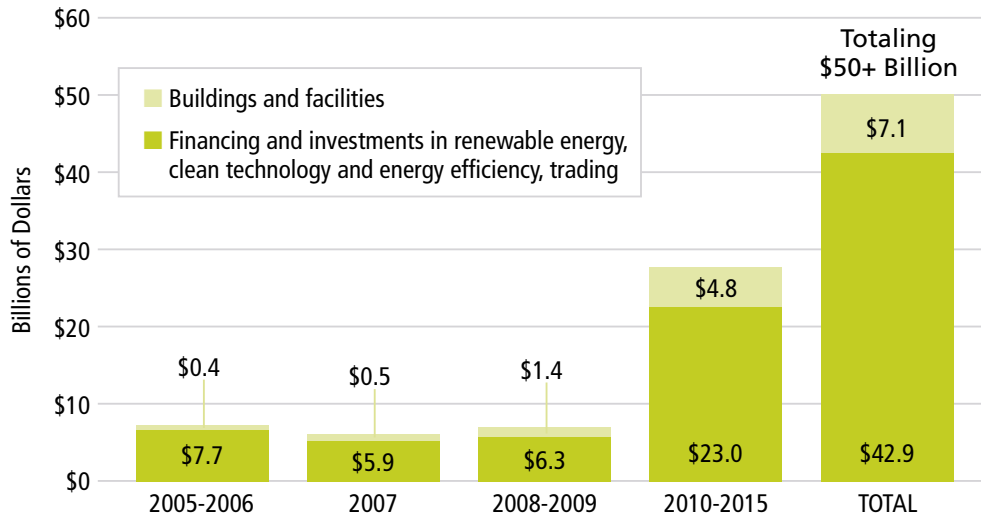
- incorporate carbon cost scenarios and impacts into risk analyses and stress testing for the U.S. thermal power sector;
- mitigate credit risk from thermal power clients through modeling, pricing and hedging;
- manage and reduce Citi's energy, water and materials use;
- assess weather-related risks when selecting locations for our facilities;
- apply sustainable principles to new building and existing facility upgrades; and
- maintain up-to-date business recovery strategies and systems.

PURSuing BUSINESS OPPORTUNITIES

We are developing products and services to help our clients transition to and succeed in a carbon-constrained economy. We

- provide strategic advice to clients on climate-related opportunities;
- finance and invest in renewable energy and clean technology;
- conduct carbon trading in Clean Development Mechanism, Joint Implementation and EU Emission Trading Scheme markets; and
- partner with Energy Services companies (ESCOs) and utilities to finance client energy-efficiency retrofits.

Our 10-year, \$50 Billion Initiative to Combat Global Climate Change



Energy-efficiency data has been historically restated and has been adjusted on a *pro forma* basis to reflect the pending third quarter 2008 sale of CitiCapital to GE Capital.

Citi will finance, invest and mobilize \$50 billion over 10 years to address global climate change. This is a significant effort to increase our activities in alternative energy, clean technology and other GHG reduction activities. A portion of this overall investment will finance our ongoing facility environmental initiatives.

Citi will track progress toward meeting the \$50 billion target using an accounting methodology to assist each business in tracking its individual commitments. We have developed "Climate Positive" criteria to better identify transactions that should be counted toward the \$50 billion target. Climate Positive transactions are divided into three groups (equity investments, direct lending and capital mobilized) and must reduce GHG emissions and support improvement over existing technologies.

Institutional Clients Group	<p>The Citi Markets & Banking group will finance, invest and mobilize more than \$30 billion over 10 years to support companies pursuing alternative energies such as solar, wind, hydro and geothermal; commercialize energy-efficiency ideas; and facilitate investments in clean and efficient technology upgrades for aging infrastructure.</p> <p>Citi entered the emissions trading market in 2007 and has already become a key intermediary in trading European Union Allowances and Certified Emission Reductions (CERs) created pursuant to the Kyoto Protocol Joint Implementation and Clean Development Mechanism. We expect significant growth in this market and expansion of business opportunities.</p>
Citi Alternative Investments	<p>Active since 2004, the Sustainable Development Investments group became a standalone investment center in April 2007. Over 10 years, Citi expects to increase its capital commitment to more than \$2 billion of private equity in renewable and alternative energy, clean technologies, energy efficiency, carbon credit markets, waste and water management and sustainable forestry.</p>
Global Consumer Group	<p>Citi offers climate-friendly mortgage products to its clients.</p>
Global Wealth Management	<p>Citi Investment Research issues climate-related research notes to highlight investment opportunities and implications of a changing climate. Approximately 300 climate-related reports were issued in 2007.</p>
Corporate	<p>Citi will allocate \$10 billion to reduce the environmental impacts of company buildings and facilities. We will purchase green energy, pursue LEED certification for new office and operations buildings and upgrade existing facilities.</p>

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Climate change partnerships

Partnerships with NGOs and academic institutions are an important part of Citi's approach to identifying and developing climate change solutions. We learn from our partners and also benefit from sharing best practices with other corporate members. Citi participates in partnerships with:

- Ceres
- Columbia University's Global Roundtable on Climate Change (GROCC)
- Equator Principles Financial Institutions (EPFIs) via the EPFI Network and EPFI Steering Committee
- Pew Center on Global Climate Change Business Environmental Leadership Council
- Vattenfall 3C (Combat Climate Change) Initiative
- World Resources Institute
- The Renewable Energy and International Law Project

Citi named a leader in climate disclosure among global banks

In September 2007 Innovest's Climate Disclosure Leadership Index named Citi as a leader among global banks for our disclosure of climate change risks and opportunities and the quality and effectiveness of our programs to reduce GHG emissions. The index is based on FT500 company responses to the Carbon Disclosure Project, a coalition of 315 global investors with more than \$41 trillion in assets. Citi's responses to the Carbon Disclosure Project are available at the website. [www](#)

In a separate January 2008 report from Ceres and RiskMetrics on climate change governance, Citi was ranked as the top U.S. bank. This report analyzed 40 banks and their approaches to the challenges and opportunities related to climate change. [www](#)

2007 carbon emissions from project financings

Citi reports annually on the aggregate carbon dioxide emissions from thermal power plants that it finances through project finance. We recognize that proactive disclosure of climate-related risks is a good business practice and are proud to be viewed as a leader on this issue in the banking sector.

Our annual assessment includes emissions data on our project financing of new capacity only, including expansions of existing plants, but not refinancings or deals that have not yet closed. Project-specific emissions are

calculated for both a 30- and 60-year plant lifetime and are derived from the plant's capacity and heat rate, the carbon content of the fuel (a publicly available figure) and projected capacity utilization. In previous reporting years, Citi was allocated the percentage of total emissions of the project equivalent to the percentage of the debt that Citi provided. In 2007 we reassessed this method of reporting, however, and determined that it is more accurate to report the percentage of total emissions equivalent to the percentage of total project costs (debt plus equity) that Citi provided.



To allow consistent comparison against previous reporting years, in 2007 we are reporting the data using both methods. In subsequent years, we will only report results using this new method.

In the past three years, our project finance unit financed three thermal power projects: two in 2007 and one in 2006. The numbers are reported as a range, the lower number for a 30-year plant life, the higher number for a 60-year plant life.

Citi's Share of CO₂ Emissions (mmtCO₂*) Equivalent to:

Reporting Year	Citi's Share of Total Project Costs (Debt + Equity)	Citi's Share of Total Project Debt
2007	39.7–79.5 mmtCO ₂	96.4–192.8mmtCO ₂
2006	8.5–17.0 mmtCO ₂	10.6–21.3 mmtCO ₂

* mmtCO₂ = million metric tons of carbon dioxide