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Company report review

Citigroup

Citizenship Report 2004

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Note

This review is based on information contained in the hard copy version of Citigroup's Citizenship Report 2004. An electronic version of this document is available online at: <http://www.citigroup.com>. This review is intended as a summary only and does not provide full and complete discussion of all the issues contained in the report.

1 Introduction

Citigroup is one of the world's largest financial services companies, with some 200 million customer accounts and 300,000 employees in more than 100 countries. Citigroup is the largest of the global financial service firms operating in South Africa and also has significant presence in Asia, Europe, Latin America, the Middle East and North America.

Citigroup publishes an annual report for shareholders with detailed financial information on the company. Annual reports are also published by Citigroup's Diversity Department and the Citigroup Foundation containing more information on some of the programmes highlighted in the present Corporate Citizenship report.

2 Vision and strategy

Citigroup's stated goal is 'to be the most respected global financial services company.' The report emphasizes the importance of reputation in meeting this objective: 'our reputation brings with it responsibilities that are *as important* to our success as our extraordinary financial performance' [emphasis added] (p1).

In 2004, senior management held in-person forums with thousands of employees around the globe, resulting in a 'Five Point Plan' designed to foster a greater appreciation of the company's history and to highlight the company's responsibilities. The Plan focuses on five areas: training; talent and development; performance appraisal / compensation; communications; and control. Each initiative has an objective, as well as a series of specific steps with timelines for implementation. As a result of this process, Citigroup also defined the Shared Responsibilities of all employees, namely to clients, each other and the franchise.

3 Main developments

3.1 Community

In 2004, Citigroup:

- Committed \$200 million over ten years in support of **financial education initiatives** around the world. An Office of Financial Education was established to select programmes to support that will have the greatest impact. Financial education initiatives target individuals, small businesses and institutions.
- Launched **Global Microfinance**, a new business group focused on developing financial products and services for microfinance institutions. Citigroup has a three-pronged strategies approach to microfinance: 1. Expand access to capital for MFIs; 2. Develop human resources for MFIs; 3. Promote microfinance as a way to alleviate poverty, in particular by supporting the 2005 UN Year of Microcredit initiative.
- Launched a **Global Volunteer Initiative** that gives each employee a paid day off to do volunteer work at a non-profit organisation of their choice. An online volunteer management tool that helps employees find local projects to get involved in has also been enhanced.

3.2 Environment

Citigroup's **Environmental and Risk Management System** is based on nine components: external listening; internal policy; organization and people; environmental footprint; training and communication; risk management; NGO partnerships; business making a difference; and evaluation and future planning.

In 2003, Citigroup developed an **Environmental and Social Risk Management (ESRM)** Policy to help address environmental and social issues from both a credit risk perspective and a reputation and franchise risk perspective. In the present report, Citigroup refers to three 'Category A' (high risk) projects in the oil and gas sector. Under the ESRM Policy, the following measures were undertaken: environmental assessment; public consultation; Environmental Management Plan; independent expert review.

In 2004, Citigroup revised risk management policies, issued guidance tools, developed an ESRM intranet site to ease policy implementation, and launched an ESRM training programme to ensure adherence to the Equator Principles.

Citigroup developed a comprehensive process to track, report and manage environmental performance in 2002. Thus in 2004, Citigroup completed its **third year of data collection** to track use of electricity, heat, water and waste production, and the resulting CO₂ emissions, in Citigroup's more than 11,800 facilities worldwide. Relevant data is presented in a Global Consumption Report within the present report.

Citigroup has created the **Sustainable Development Investment Programme** to target investment opportunities in sectors that reduce the environmental impact of industry. In 2004, Citigroup made its first investment under the initiative: \$23 million in Suzlon Energy Limited, Asia's leading wind turbine manufacturer.

Citigroup refers to a number of **NGO partnerships**, namely the Aspen Institute and World Resources Institute, Conservation International, Ecologic Finance, E+Co, Forest Trends, Rainforest Alliance, Sustainable Northwest, Tropical Forest Trust and the World Resources Institute.

Environmental goals for 2005 include:

- Refine criteria for Sustainable Development Investment Programme;
- Set targets for use of energy (Citigroup has opted to track consumption and emission levels on a per-employee basis);
- Continually revise environmental and social risk management criteria;
- Improve reporting and implementation of Equator Principles

3.3 Workplace

In 2004, Citigroup administered its **Voice of the Employee (VOE)** Survey in more than 40 languages. Questions cover such topics as manager effectiveness, workload, teamwork, leadership and diversity.

The report also includes key data on diversity information, work/life balance and health programs focusing in particular on Citigroup's operations in the United States.

4 Our comment

Rating: ★★★★★

Citigroup has produced an excellent citizenship report. As a signatory of the Equator Principles, Citigroup is pursuing a leading role in the financial services sector in the area of corporate citizenship. Citigroup was selected for inclusion in the Dow Jones Sustainability Index, FTSE4Good and Innovest's Climate Leadership Index. The report also highlights a number of significant NGO partnerships and awards.

Most striking in Citigroup's report this year are developments in management structures and procedures. As outlined in this review, Citigroup has recently developed a Five Point Plan and identified its 'Shared Responsibilities', appointed an Environmental and Social Risk Management (ESRM) Director, developed an ESRM intranet site, revised risk management policies, formed Global Microfinance and launched a Global Volunteer Initiative.

There remains room for improvement. Citigroup has not yet set environmental targets (it plans to do so in 2005), and the report would benefit from more detailed disclosure on the bank's financing activities and implementation of the Equator Principles, although progress has been made in this area.

The report itself is of a manageable length (52 pages), clearly structured and printed on recyclable paper. Selected indicators from the GRI Guidelines are included, notably several from the Financial Services Sector Supplement. Further information is available in separate reports published by Citigroup's Diversity Department and the Citigroup Foundation, as well as on the corporate website.



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