

Financing Extractives in Southern Africa: Questions on Human Rights Due Diligence

The [UN Guiding Principles on Business and Human Rights](#) make clear that all companies have a responsibility to respect human rights. This includes avoiding negative impacts on people affected by their operations and business relationships, including throughout their supply chains, and addressing negative impacts when they do occur.

Financial institutions play a critical role in determining which projects and companies receive access to capital. This survey aims to better understand the current approach banks and investment firms take to assessing their clients with respect to human rights issues in the extractive industries. Human rights issues in the sector include the rights to land, access to clean water, livelihood, fair and safe working conditions, and consultation about the use of land and other natural resources. They also include respect for indigenous land rights and adherence to the process of securing free, prior and informed consent.

It is our hope that you will view this invitation as an opportunity share your institution's best practices with the investor community and a chance to exchange knowledge. Thank you for your time.

Name of company: _Citigroup_____

1. What policies and procedures does your institution have to undertake human rights due diligence regarding the companies and projects it finances, beyond what is publicly available on your website?

Our Environmental and Social Policy Framework

[<https://www.citigroup.com/citi/sustainability/data/Environmental-and-Social-Policy-Framework.pdf>] is a publicly available synthesis of all existing policies relevant to our human rights due diligence of our clients and projects; this is complemented by our Statement on Human rights, noted above and accessible here:

https://www.citigroup.com/citi/citizen/data/citi_statement_on_human_rights.pdf

2. Do you require new clients or new projects in the extractives sector to have undertaken human rights due diligence prior to providing financing?

Citi's Environmental and Social Risk Management (ESRM) Policy fully incorporates the Equator Principles (EPs) (co-founded by Citi in 2003) to determine, assess and manage environmental and social risks for project-related finance. The EPs form the backbone of our approach to project-related transactions. General corporate purposes transactions or client relationships subject to the ESRM Policy are subject to corporate-level review of their policies regarding environmental and social issues, as well as a review of their track record, to assess client commitment and capacity. This applies to extractive project-related transactions above certain financial thresholds, typically \$10 million and above (see Environmental and Policy Framework, p. 4).

Client relationships flagged as “ESRM watchlisted” due to elevated environmental, social or reputational risks associated with, for example, the ESRM Areas of High Caution (see pp. 6-7 of Policy Framework), controversial projects or industry lagging policies and performance on environmental or social issues. Citi’s ESRM unit will review individual transactions and/or annual client credit reviews (frequency dependent on the relevant risks identified) for these clients, prioritizing them for engagement on ESRM issues.

3. Which human rights issues are included in your risk assessment process for extractive projects?

For transactions in high-income OECD countries, Citi requires compliance with all relevant local and national environmental laws, including those on impact assessment, public consultation and stakeholder engagement processes, and permitting conditions. Furthermore, we screen projects in these countries against relevant industry good practice.

For projects in non-high-income OECD countries, we review for areas included in the IFC Performance Standards:

- PS 1 — Assessment and Management of Environmental and Social Risks and Impacts
- PS 2 — Labor and Working Conditions
- PS 3 — Resource Efficiency and Pollution Prevention
- PS 4 — Community Health, Safety and Security
- PS 5 — Land Acquisition and Involuntary Resettlement
- PS 6 — Biodiversity Conservation and Sustainable Management of Living Natural Resources
- PS 7 — Indigenous Peoples
- PS 8 — Cultural Heritage

We also more generally consider the application of the UN Guiding Principles on Business and Human Rights and have policy prohibitions against financing activities when due diligence indicates that the client is active in production or activities involving human trafficking, forced labor or harmful child labor.

In addition, we conduct enhanced due diligence for all project-related transactions with risks related to particular Areas of High Caution, including when projects involve areas with Critical Habitat, Areas of High Conservation Value and Significant Cultural Heritage Value; Conflict Risk; Large-scale Resettlement; Indigenous Peoples and other human rights impacts, such as projects developed in countries or regions with both the presence of significant vulnerable populations and with a history of known human rights abuses relevant to the sector; projects in countries or regions with a history of known human rights abuses relevant to the sector and weak enforcement of labor laws, especially occupational health and safety and freedom of association; projects involving in-migration of large labor forces, which can lead to a higher risk of human trafficking or forced labor.

4. Does your institution adapt its human rights policies and procedures for the specific sector of investment in order to account for the varied risks across sectors? If so, do you have specific policies on the mining sector?

We do have certain sector approaches (see pp. 7-8 of Policy Framework) that apply distinct, well-established sector-focused best practices or industry standards to projects and clients in that sector (e.g., RSPO for palm oil clients, among others). Our Areas of High Caution, including approach to Indigenous Peoples and Human Rights risks apply to all sectors and we tailor the nature of our due diligence based on the inherent risks to a given sector. Particular to mining, we recognize the importance of cultural heritage for current and future generations, and seek to protect areas of significant cultural heritage and value from the adverse impacts of project activities and we will not directly finance new mining projects within the boundaries of a World Heritage Site or ones that utilize submarine waste disposal.

5. Does your institution adapt its human rights policies and procedures for the specific country of investment in order to account for the varied risks across nations? If so, do you have specific policies for any countries or areas in Southern Africa?

Our main distinctions are focused on broad categories of development/income status, following the approach in the Equator Principles. However, we do not apply the Equator Principles' distinction between Designated and Non-Designated Countries in the context of projects involving risks to Indigenous Peoples. We do not typically finance projects in Southern Africa, but if we did, we would consider such opportunities under the above framework.

In addition, in practice we are extremely cautious doing business in a countries that are experiencing conflict or have high rates of organized crime; in these instances we try to ensure the implementation of the Voluntary Principles on Security and Human rights. In countries in which there is a well-established pattern of forced or child labor we focus more acutely on policies and procedures that prohibit passport retention or exploitative labor recruitment practices for instance.

6. Who assesses human rights risks at your bank (departments, positions, internal/external, etc.)?

(see p. 5 of Policy Framework):

Implementation of the ESRM Policy is a shared responsibility across Citi:

ESRM unit – The ESRM unit serves as a global technical resource and in-house counsel for risk managers, senior management, and bankers. ESRM Champions are Credit Risk Officers based in the regions who can provide regional advice on ESRM issues. The ESRM unit reviews, categorizes and advises on transactions and clients subject to the ESRM Policy;

Banker – The Banker is the main client contact and leads transactions and client relationships. The Banker is responsible for complying with the approval, analysis, documentation, and process requirements for ESRM-covered transactions and clients. The ESRM unit provides a quality control function;

Risk Manager and Portfolio Banker – The Risk Manager and Portfolio Banker are members of Citi's Independent Risk Management team who review ESRM covered transactions from a credit perspective, ensuring they meet Citi's credit policy and requisite standards. In the course of their credit review, the relevant Risk Manager independently determines whether requisite ESRM process requirements have been fulfilled in consultation with bankers and the ESRM unit.

7. Do you require companies to have grievance mechanisms in place for each extractive project and if so, what do you see as essential in an effective grievance mechanism?

Yes – this would be considered a requirement for development of any large-scale extractive project and would be incorporated into a client's Environmental and Social Action Plan that would then be included in a binding covenant in project-related loan agreements that would be subject to ongoing monitoring and compliance.

Citi has also recently recommended to clients the adoption of cutting-edge technology platforms for community and worker grievance reporting to be integrated by clients into large-scale infrastructure projects and would also propose such technology to extractive clients as well (see p. 51 of 2017 Global Citizenship Report, mention of infrastructure project in the Middle East –

https://www.citigroup.com/citi/about/citizenship/download/2017/2017_citi_global_citizenship_report.pdf?ieNocache=891).

8. Have you ever taken any steps to require or support a client in remediating a human rights impact?

Yes, we do so on a routine basis. See, e.g., case study on a gold mining company in Russia in our 2017 Global Citizenship Report, p. 51. We have worked with large infrastructure projects to raise labor standards for subcontractors such that subcontractors are prohibited from retaining passports or engaging in exploitative or deceptive recruitment practices. Worker accommodations have also improved in these projects. When one of our clients was unwilling to work with us on improved labor conditions on their plantation we were forced to exit the relationship (See Citizenship Report p 48). We led a webinar series on labor rights on palm oil plantations in an effort to improve the understanding of the RSPO membership on labor rights and strengthen the language in the principles and criteria. We also developed enhanced fire management and prevention questionnaires and saw better fire management systems at our clients plantation as a result (See Citizenship report p. 57)

9. Have you ever withheld loans or other financial services as a result of a human rights assessment or allegation?

Yes. See Citizenship Report p. 48 as an example

10. Do you undertake any form of on the ground assessment of conditions at project sites?

All Category A and certain Category B EP-covered project finance transactions, and any EP-covered project related corporate loans that trigger EP 7 “high risk impacts” Citi requires review by an independent environmental and/or social expert with relevant expertise, not associated directly with the borrower. Independent Review may also be required of other ESRM Covered Category A transactions, especially those involving “areas of high caution” as deemed appropriate by the ESRM unit. Independent Review contributes to Citi’s due diligence by reviewing the environmental and social assessment documentation and consultation process documentation, assessing ESRM Policy compliance, identifying any gaps in compliance and proposing corrective actions to fill those gaps. Citi will at times accompany Independent Reviewers or do its own site visits when appropriate.

Further information and guidance:

[UN Guiding Principles on Business and Human Rights](#)

[OECD Guidelines for Multinational Enterprises](#)

[Mapping of Sustainable Development Goals to human rights instruments and issues](#)

[OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas](#)

[EU Regulation on Due Diligence in Mineral Supply Chains - Civil Society Guidance for Companies](#)