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## Why Corporate Social Responsibility Matters

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The Role of the Multinationals in a Globalised World

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Vice Chairman



# Why does CSR Matter? Relevance in a Globalised World

Globalisation brings opportunities and challenges. The forces of global trade, technological advances, demographic and climate change require the drivers and beneficiaries of globalisation to champion Corporate and Social Responsibility.



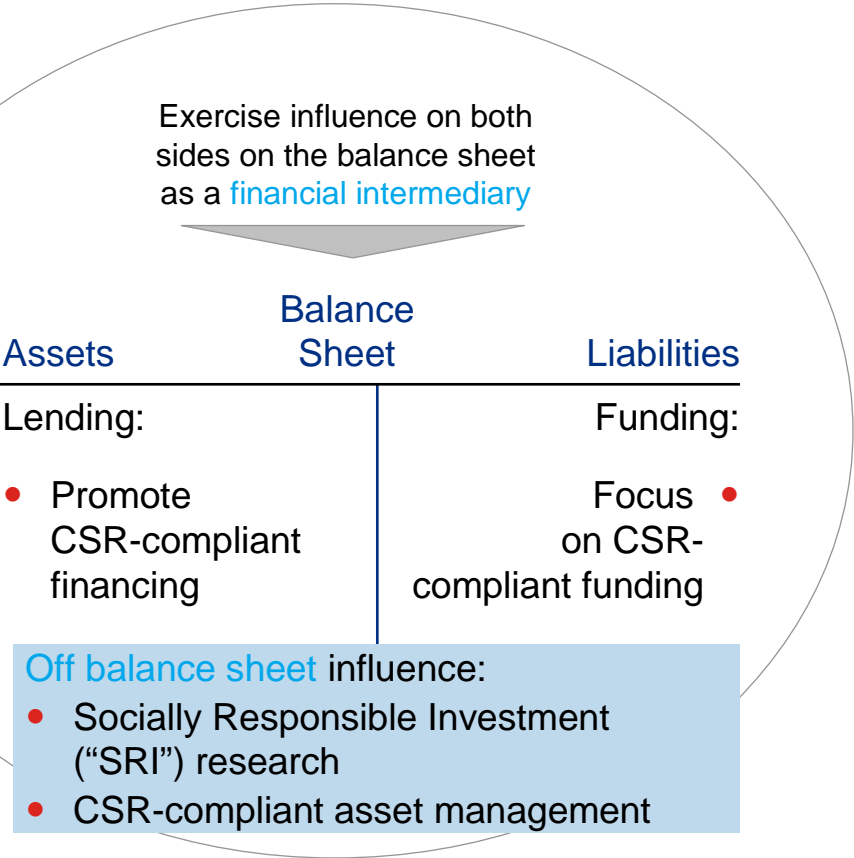
# The Role of Multinationals and in Particular Financial Institutions

Multinationals should be CSR leaders. Their global footprint and reach positions them to influence a global audience and lead by example with greater impact and immediacy than individual governments, supranational organisations or NGOs. Financial Institutions, as the guardians of financial flows, can be particularly influential.

## Role of Multinationals



## Role of Financial Institutions



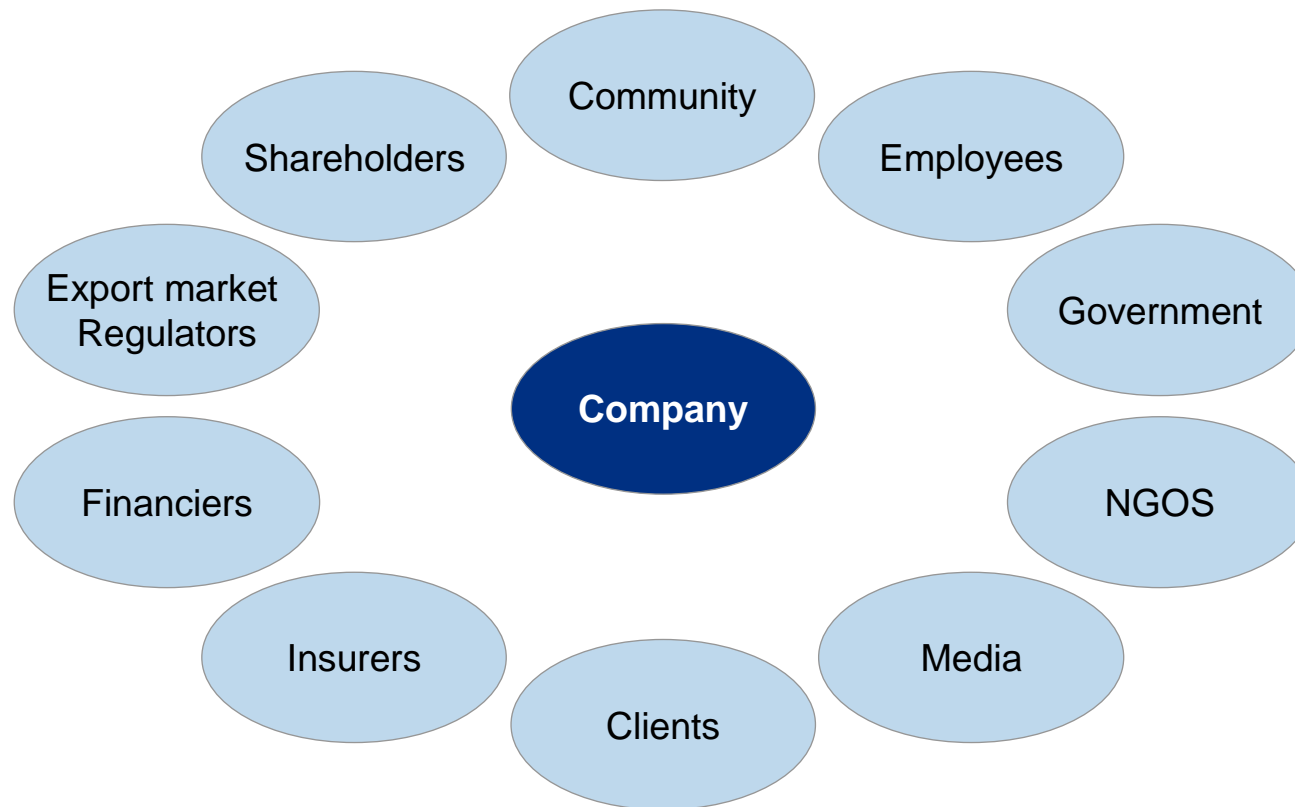
# The Evolution of CSR: Interacting with Multiple Stakeholders

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CSR has evolved and grown more sophisticated. Today's companies need to manage a complex network of global stakeholders focused on their contribution to the community.

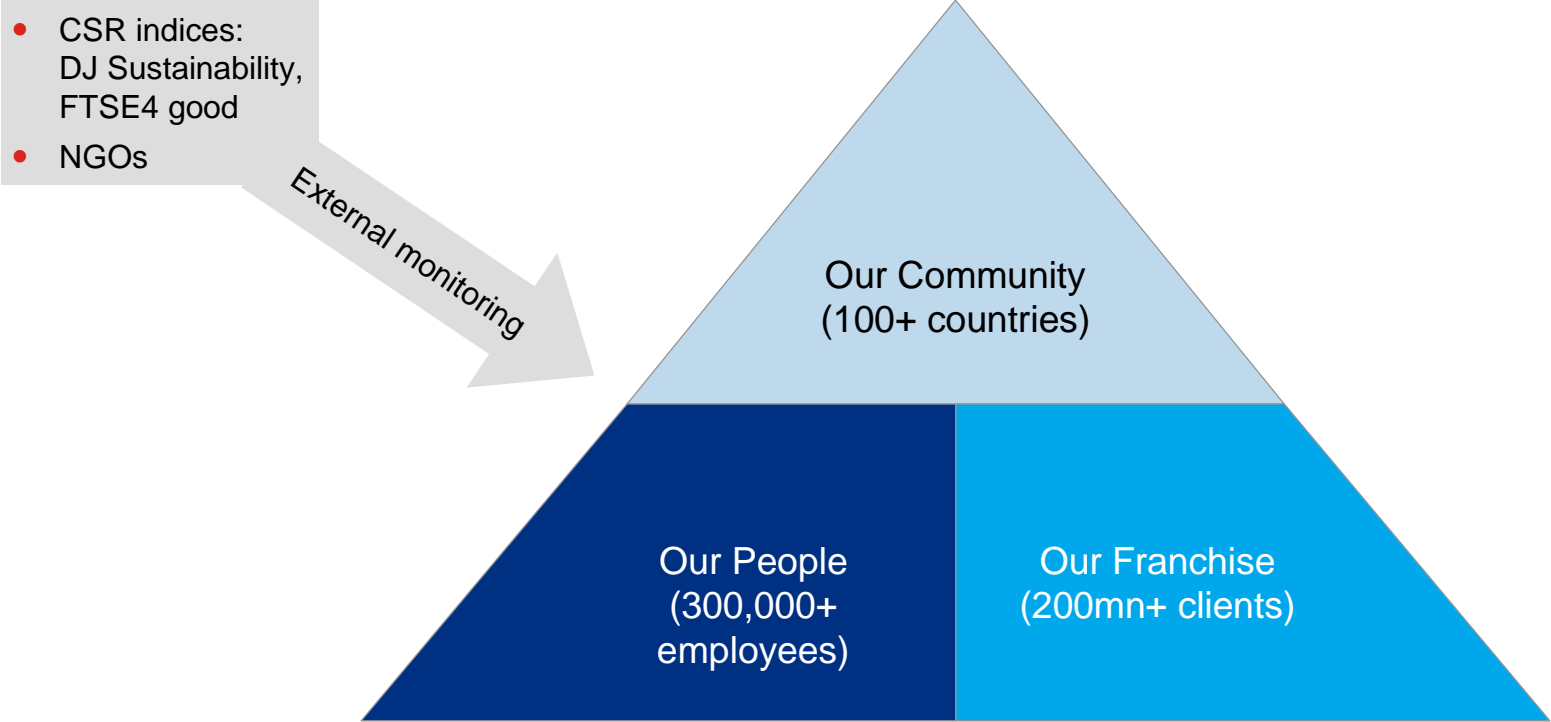
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## The Influence of Key Stakeholders



# Citi's Approach to CSR

Citi's goal: to be the most respected global financial services company.



*"We have been recognized for our efforts and are pleased once again to be included in the Dow Jones Sustainability World Index and the FTSE4Good Index for 2007, which acknowledge our leadership in setting standards in sustainable growth and in demonstrating exceptional environmental, social and economic performance."*

Chuck Prince (Chairman and Chief Executive Officer, Citi Inc.)



## Citigroup Foundation – 3 Pillars of Engagement

### Citi Foundation

#### 1. Financial Education

Developing personal financial management skills; using financial products effectively; building a sound financial future

- The Debt Line Germany: 3.2mn private households in Germany are over indebted  
⇒ Citi's debt helpline

#### 2. Educating the Next Generation

Empowering young people to achieve great results; investing in innovative teaching techniques

- Personal Economics Study shows low levels of financial awareness among teenagers  
⇒ Fit für die Wirtschaft

#### 3. Building Communities and Entrepreneurs

Revitalising low-income neighbourhoods; encouraging economic development

- Citi Micro Entrepreneurship Awards  
⇒ US\$ 5.5mn committed in 2006

Example

# Citi Micro Entrepreneurship Awards Example



THERE'S NOTHING  
**MICRO**  
ABOUT IT.



## THE CITI MICROENTREPRENEURSHIP AWARDS: BUILDING COMMERCE AND ALLEVIATING POVERTY THROUGHOUT THE WORLD.

A program that originated in one country, but in a matter of years has grown to over 20 countries on 5 continents, the Citi Microentrepreneurship Awards are spreading hope and opportunity throughout the world. These awards, among the first of their kind, recognize and financially bolster those who take the initiative to reverse circumstance. They promote awareness – and celebrate the growth – of microfinance as a means to alleviate poverty and enable families and communities around the world to flourish. The grants that come with the awards provide further financial backing to those who have borrowed as little as 12 dollars and transformed a life of poverty into a life of possibility. It doesn't take a business as large as Citi to help; that's just how it began. The alleviation of poverty through microfinance is something we all can support. Microfinance lends more than just money.

Citi Foundation



[citimicroawards.com/it](http://citimicroawards.com/it)

THERE'S NOTHING  
**MICRO**  
ABOUT IT.



Georgiy Miron, Russia

## CITI WOULD LIKE TO CONGRATULATE THE WINNERS OF THE CITI MICRO ENTREPRENEURSHIP AWARDS.

One person, with the help of microfinance, can make a world of difference. The city of Komsomolskon-Amur is on the far eastern edge of Russia – a remote area surrounded by taiga, tundra, and swampy, deciduous forests. Since many residents in the region cannot afford to purchase cars of their own, Georgiy Miron introduced a bus service to help people commute. His service was so successful that Georgiy needed to expand his routes. He took out a microloan from the First Far Eastern Credit Cooperative to purchase additional buses and employ more drivers. Georgiy's buses now run essential bus routes throughout the city, and also run to smaller, more isolated areas outside of town where there had never been any public transportation. Congratulations, Georgiy. We applaud your achievements and hope for continued success in everything you do.

Citi Foundation



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# Commitment to our People



Employer Of Choice survey: “Do employees really care about Corporate Social Responsibility?” 78% of employees would rather work for an ethical and reputable company than receive a higher salary. In competing for employees employers increasingly need to demonstrate their CSR commitment in order to attract and retain talent.

## The Power of Volunteering Employees Around the Globe

- **Global Community Day (Nov 2006):** 45,000 volunteers in 450 cities in 100 countries participated in over 800

Volunteering activity

- 500,000 lives improved
- 100,000 meals served
- 8,000 tons of food collected
- 10,000 trees planted



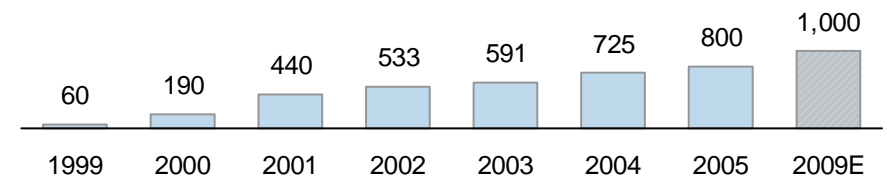
- **Volunteer Day:** Permanent employees can take one Volunteer Day each calendar year to volunteer for organisation of their choice

- **Volunteer Incentive Program:** Employees who volunteer 50 or more hours in a 12-month period for an eligible organisation will be recognised – Citigroup will contribute US\$500 to that organisation

## The Business Case for Employee Diversity

- Attraction, development and retention of top **talent**
- Greater **creativity**, innovation and versatility
- Stronger **client relationships**
- Enhanced **reputation** ('employer of choice')
- Reflecting global **demographics**

## Citi's Influence – Expenditure with Diverse Suppliers (US\$ mn)



- Started in US 1977, “Minority Purchasing Programme”
- Today recognised as a US leader in Financial Services for Supplier Diversity
- Currently rolling out programme across parts of Europe



# Commitment to our Franchise



Citi addresses social, environmental and climate change issues in the market through its regular business dialogue with 200mn+ clients.



- Citi was one of 3 companies to establish these principles 3 years ago to create higher standards in project finance
  - Citi committed to 10 guiding principles, for example, not to lend to projects where the borrower cannot comply with environmental and social policies
  - Today there are 33 signatories who represent 80% of all project financing world-wide
- Being a leader in this field, gives Citi a competitive edge in assessing environmental and social issues and thereby winning client mandates

## Citi's internal environmental commitment

- Commitment to reduce greenhouse gas emissions by 10% of our 2005 baseline by 2011
- Purchase of 52,283 MWh of green power for our operations
- Commitment to target LEED Silver certification for construction of new office facilities

## Environmental Business Opportunities

- Sustainable Development Investment Programme
  - Citi makes private equity investments in renewable energy, energy efficiency and clean technology
- Citi Investment Research
  - Citi's SRI research team issues global reports on topics such as sustainable mining and climate change
  - Citi's "Towards Sustainable Mining" report earned the Farsight Award (best integration of traditional financial analysis with social issues)
- CitiMortgage - Sharp Electronics cooperation
  - Joint marketing agreement to offer homeowners a new financing option for solar electric systems (US\$ 31,500)
  - CitiMortgage program enables customers to take out a home equity loan or line of credit for financing



# Business Opportunities: Microfinance

According to a World Bank estimate, currently 1.5 billion people (23% of the global population) do not have access to basic financial services.

## About Microfinance

- Microfinance is the provision of financial services to low income individuals. Microfinance Institutions (MFI) promote micro enterprise and expand access to financial services
- The microfinance sector dating back to the 1970s is now commercially viable with an estimated US\$ 10bn outstanding micro-credit loans
- C. 10,000+ MFIs serve over 80mn borrowers globally

## Microfinance Loan Syndication for Kashf Foundation, Pakistan

- Citi was instrumental in setting up the first commercial syndication for a Pakistani microfinance credit (US\$ 22mn)
- The Kashf Foundation was set in 1996 to provide microfinance services to women in rural/sub-urban localities
- This allows Kashf to tap new sources of funding, previously only available from donors or subsidised financing

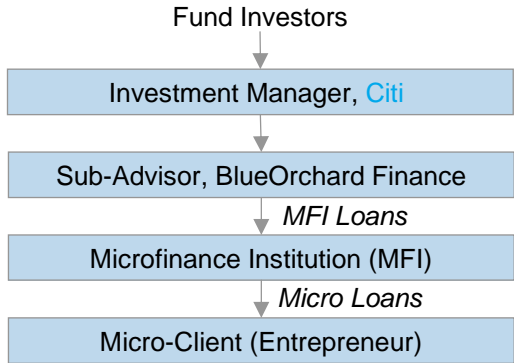
## Citi Global Microfinance Fund

Target Region: 58 Developing Countries  
 Target Size: US\$ 100mn

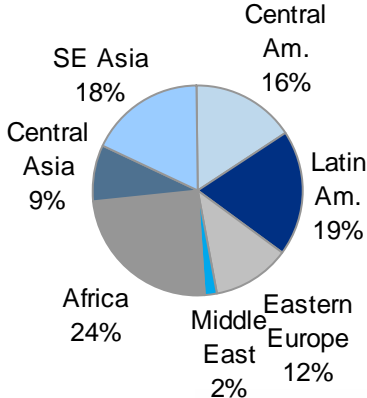
The funds objectives are both social and financial:

- **Social Benefits:** Supports small-scale economic activities generating income and employment
- **Financial Returns<sup>(1)</sup>:** The Fund seeks to earn Libor Plus investment returns with low volatility and low correlation to traditional asset classes

### Flow of Capital to the Micro-Entrepreneur



### Proposed Allocations by Region



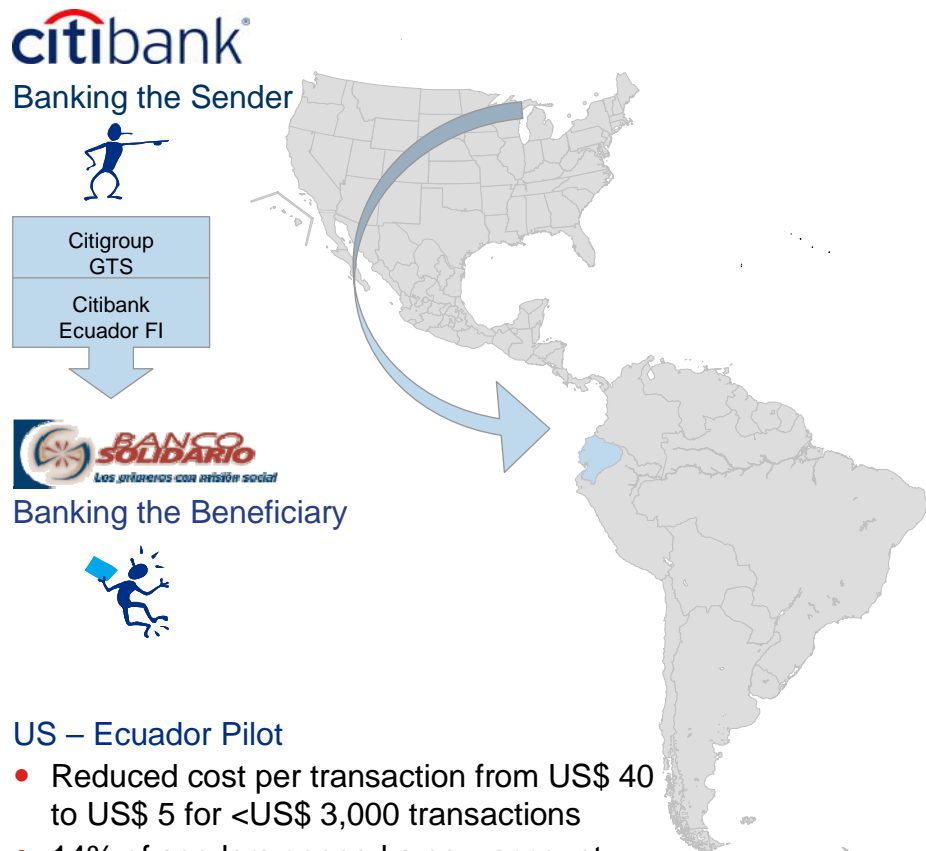
Note:  
 (1) Expected returns may be lower than those of other alternative investments with comparable risk expectations.



# Business Opportunities: Remittances and Social Housing

Increasing the cost efficiency of remittance payments is a major global business opportunity, which benefits the receiving economies. Increasing the cost efficiency of social housing funding promotes social inclusion and benefits the community.

## Citi's Contribution to Remittances Costs Reduction for US Immigrants from Latin America: Ecuador Example

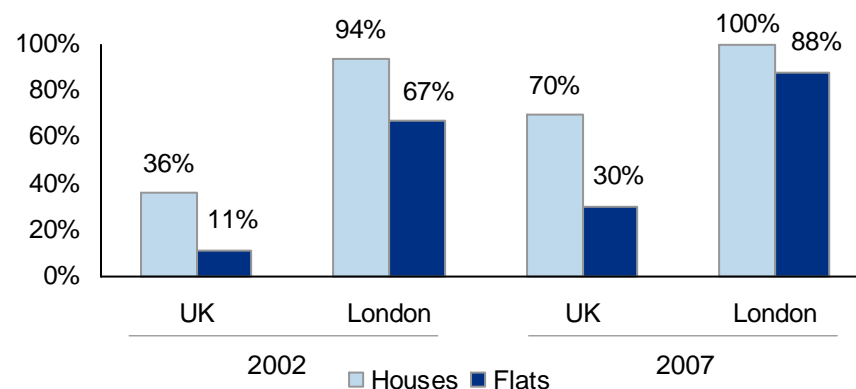


### US – Ecuador Pilot

- Reduced cost per transaction from US\$ 40 to US\$ 5 for <US\$ 3,000 transactions
- 14% of senders opened a new account
- 24% of senders took an additional product

## Funding of Social Housing

### Houses and Flats Not Affordable<sup>(1)</sup> for Key Public Sector Workers<sup>(2)</sup>



- The problem of non-affordable housing for key public sector workers also arises in Continental Europe centres, e.g. Paris Madrid or Amsterdam
- Banks can help governments/social housing associations by
  - Providing cheap funding via mortgage backed securities
  - Pool loans to reduce risk and achieve critical mass

Source: Halifax.

Notes:

(1) Classified as 'not affordable' if the average house price/income ratio across all occupation types of public sector workers is above the ratio of UK first time buyers.

(2) Consists of fire services, police officers, teachers, nurses and ambulance staff.



# Conclusions

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1. Globalisation offers significant opportunities, but imposes considerable responsibility on multinationals
2. CSR policies need to be seen as an integral part of a company's responsibilities to the community and environment. Equally, however, CSR is a business opportunity
3. Multinationals, and financial institutions in particular, given their influence on financial flows, have a critical role to play in promoting social inclusion with the globalisation agenda
4. CSR has developed into a cornerstone of brand and reputation for businesses
5. CSR requires dedicated resources able to develop and implement CSR policies and interact with external monitors
6. Citi's CSR approach is focused on responsibility to our community, our people and our franchise
7. CSR brings with it business opportunities that benefit not only the community and environment, but also shareholders, e.g. remittances, social housing, microfinance and emissions trading

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