

Internally-Driven Ethical Reconstruction: Is it Happening?

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Global corporations – and in particular, those in the financial services sector – face a broadening wave of public scrutiny and a rising level of societal expectations. According to the [2015 Edelman Trust Barometer](#), financial services and banking remain among the least trusted industries worldwide in the eyes of the public – placing it below the chemicals, pharmaceuticals and energy industries. In the United States, Occupy Wall Street and other protest movements sought to bring public attention and reform to what they identified as a leading contributor to social and economic inequality.

Banks are still recovering from the loss of trust and faith resulting from the global financial crisis. During a time when the financial services sector continues to recover and works to rebuild its reputation, restoring and strengthening public confidence and trust is essential to the future of the global financial system.

The public understands well that we are all stakeholders of the decisions and actions taken within large, powerful financial institutions; and that these decisions have the ability to affect our lives – for good and for ill – whether we are customers or not. Citi shares the public’s awareness along with the desire to live up to the responsibilities of which it derives. Core to Citi’s mission and values is a commitment to responsible finance and stewardship, which informs our culture of ethics that drive both how we operate, conduct business, and lead at Citi.

Beginning at the level of the corporation

For Citi, as for all financial institutions, trust is the necessary foundation of our business. It is our license to operate. Simply put, we cannot effectively do our jobs without the ability to maintain the confidence and trust of the people, communities, and institutions we serve. Citi has a number of internal and external efforts underway that mirror many of the recommendations of Fondazione Centesimus Annus Pro Pontifice’s (FCAPP) report entitled, *“The Dublin Proposals on Finance and the Common Good”*.

Citi's Chief Executive Officer, Michael Corbat, has led and increased our corporate-wide campaign to strengthen Citi's culture of ethics and trust in how we serve stakeholders by building a globally-consistent approach to ethics training and setting global standards for suitability and sales practices. At every level of the business, we work with our employees to meet and exceed the highest standards of ethical behavior at all times, operating with integrity, honesty, and transparency. To instill this value and expectation in the workplace, Citi's CEO and senior leadership frequently communicate corporate ethics values to employees. In addition, Citi employees receive training workshops, access to an array of resources, and incentives that enable them to act with integrity. At the same time, we encourage our employees to raise concerns when encountering a task or activity that seems at odds with our values. We have a number of mechanisms that enable Citi employees to report questionable or inappropriate conduct of peers and managers without fear of reprisal.

Our commitment to fostering a culture of ethical decision-making begins with the values outlined in our [Code of Conduct](#), we ask our employees and all those who work on Citi's behalf to meet three tests in making decisions: 1) that they be in the clients' interests; 2) create economic value; 3) and are always systemically responsible. First published in 1997, the Board-approved Code functions as an ethical guide for Citi's global workforce. The Code sets forth the values and principles that direct our conduct when dealing with clients, business colleagues, shareholders, communities and each other. It demonstrates Citi's commitment to a culture of ethics and integrity and applies to all of our corporate directors, officers and employees. The Code is available to the public and published in 26 languages, covering a broad range of topics including: Conflicts of Interest, Fair Employment Practices and Diversity, Safeguarding Personal, Proprietary and Confidential Information, Anti-Money Laundering Compliance, Commitment to Sustainability, Commitment to Human Rights and Responsibility to Raise Ethical Issues. All new employees must acknowledge that they have read, understand, and will comply with the Code of Conduct, and we ask that they reaffirm this commitment periodically through mandated trainings conducted on a regular basis.

In addition, individuals performing services for Citi may be subject to comply with the Code by contract or agreement. In 2014, we revised our Code training courses for all employees and

non-employees. The Code training course aims to strengthen understanding of our principles, values and standards of professional behavior across our workforce, helping employees become familiar with and act in accordance with Citi's policies and procedures. It also provides an overview of certain key legal and regulatory requirements.

The Code of Conduct is powerful, indispensable in guiding how we conduct our business. It does more than simply establish rules or dictate the behaviors that we expect of our employees. It is equally important to empower employees, support their courage, and provide mechanisms that enable them to fulfill those expectations. The Code provides a detailed guide to the structures and processes that Citi has put into place to detect, collect, and address incidents that may pose a legal or reputational risk to the bank. As previously mentioned, Citi has procedures and resources available to employees who may encounter potentially unethical situations at work. The Code also outlines those resources and offers specific guidance about how to raise these concerns in a safe and efficient manner with the designated entities within Citi – such as Compliance Officers – that are able to address or escalate those concerns for resolution.

To underscore the importance of and reinforce ethical standards and behaviors, Citi, with the oversight of our Board's Ethics and Culture Committee, developed and championed a company-wide ethics and culture campaign. Launched in 2014, the global initiative included:

- In-person trainings for nearly 5,000 of our most senior managers to foster ethical decision-making and underscore the importance of escalating issues. Citi has recently updated and rolled-out this training to some 40,000 additional senior employees, globally.
- Updates to the internal Citi Ethics Office website, providing employees with easier access to resources, including an ethical decision-making tool, the Code of Conduct, and methods to report concerns.
- A new video series focused on ethics featuring insights and illustrative examples from Citi's senior management team. All employees can access and replay these videos via multiple distribution channels, including internal email and the employee website.

- A Conduct Risk Program to assess and manage the risks associated with inappropriate conduct of employees and agents that can lead to negative outcomes for consumers, clients, and financial markets.

Meeting Regulatory Expectations and External Stakeholder Engagement

We also conduct business in compliance with legal, regulatory and human rights requirements in the countries in which we operate. Upon learning of any investigations regarding our business operations, Citi works cooperatively with local authorities. In the United States, Citi works with the Federal Reserve Board, Office of the Comptroller of the Currency, the Consumer Financial Protection Bureau and Federal Deposit Insurance Corporation to ensure that we comply with established laws and regulations, including Fair Lending and the Community Reinvestment Act (CRA).

In alignment with Citi's commitment to ethical standards and fulfill increased regulatory obligations and expectations in communities, our commitment extends deep into how we partner with stakeholders and support inclusion and economic progress broadly. Thoughtful engagement with our many stakeholders, including acting on their needs and feedback, is critical to our success. We engage directly with stakeholder groups, including consumers, governments, advocates, employees, and others, to ensure that we continue to be of service and refine our services and programs to meet the needs of the marginalized communities and support environmental sustainability.

For example, Citi launched its *Sustainable Progress* strategy in 2015, a measurable commitment to lend, invest, and facilitate \$100 billion in projects that provide environmental solutions, doubling our 2007 commitment to direct \$50 billion toward climate-friendly projects—a goal that Citi met 3 years earlier than expected. Citi continues to engage socially-responsible investors regarding its sustainability performance and approach to carbon risk.

To model its social responsibility and commitment to equitable treatment of all people, Citi promotes its global diversity and inclusion policies. It has taken public actions to communicate its support for the extension of civil rights of its LGBT employees in partnership

with the Human Rights Campaign and a host of other organizations working to achieve equity and dignity on behalf of the broader community.

In partnership with internal business units and the Citi Foundation, Citi Community Development and Inclusive Finance aim to restore faith and rebuild Citi's reputation in communities. Together, these departments fortify Citi's on-the-ground, institutional commitment to improve the lives of low-income, often vulnerable communities in cities where we operate, leveraging business contributions and philanthropic grants programs to provide greater economic opportunity and enable access to mainstream financial services.

Citi Community Development is a founding member of the [Asset Building Policy Network](#) (ABPN), a coalition of the U.S.'s leading civil rights and advocacy organizations committed to improving the economic security, particularly through policy and advocacy to reduce income inequality and racial wealth gap, among racial and ethnic minority households in America. In addition, to promote the integration of eligible immigrants in the US, Citi is the Founding Corporate Partner of [Cities for Citizenship](#), a national campaign with the goal of unlocking the economic asset of attaining citizenship for the nearly 9 million legal permanent residents in the United States. Since launching alongside the mayors of New York City, Chicago and Los Angeles, fifteen additional cities and Miami-Dade County have joined the program.

Most demographic forecasts predict that more than 50 percent of the world's inhabitants will reside in major cities by 2030, and the population of young people will increase by 100 million globally. As an example of Citi's aim to promote economic progress among young people, the Citi Foundation in collaboration with the Economist Intelligence Unit (EIU) launched *Accelerating Pathways*, the first-of-its-kind index that compares the efforts of 35 global cities to contribute to young people's economic prospects. The project offers a snapshot of young people's ambitions and perceptions of their opportunity as well as factors that contribute to an enabling economic environment for their success. This effort is an extension of the Foundation's *Pathways to Progress* initiative in the U.S., which works to help urban youth build an entrepreneurial mindset, acquire leadership, financial and workplace skills, and begin to participate in the formal economy through a first job. Policymakers as well as business and civic

leaders have the opportunity to use the project's data and findings to formulate and strengthen their policies and programs to include more young people as meaningful contributors to society.

As a global institution with a long-standing history in more than 100 countries, Citi's initiatives move beyond internal campaigns to include authentic partnerships with community organizations, municipalities, and nonprofits that influence policies to improve the quality of vulnerable people and better position them with the skills, tools, and resources to achieve their goals and aspirations.

[Responsible and Inclusive Finance](#)

A culture of ethics for a global financial institution includes more than just a commitment to discourage, prevent and respond to wrongful activity – it also includes the drive to conduct business that engages positively with society and drives tangible, sustainable impact. At Citi, that commitment comes to life in the leadership role we play in tackling entrenched economic, social and environmental challenges facing cities and communities around the world. As a global bank that operates in some of the most complex urban environments in the world, we understand that the strength and vitality of cities depend on core urban ecosystem needs, such as housing, social services, energy, economic empowerment, financial inclusion and infrastructure. Financial institutions play a critical role in addressing all of these needs, and Citi is committed to investing in systemic efforts that enable urban economic progress for people.

[Citi Inclusive Finance](#) is a specialist team that works across Citi businesses globally to develop solutions that enable the bank, its clients and partners to expand access to financial services and advance economic progress in underserved communities. Leading more than 150 commercial partnerships with microfinance institutions in 40 countries, the team represents the broadening of Citi's focus to meet the challenges of affordability, access and resiliency through building a new generation of scalable services, systems and technologies in service of expanding financial access and stimulating economic development. Inclusive Finance goes beyond philanthropy by leveraging cross-sector partnerships and supporting innovative

approaches to embed investments that make a social impact into Citi's core businesses to the benefit of clients and communities.

Among many achievements, we arranged the first capital markets transactions for microfinance institutions in a number of countries. We structured the [first investment grade bond](#) for microfinance in Mexico with a partial guarantee from the IFC (FT 2004 deal of the year). As the industry and our client's needs have expanded, so have the services and products Citi provides. For example, Citi is pioneering [affordable and accessible mobile payments](#) that connect some of the largest companies with the smallest producers and distributors. In 2014, Citi Inclusive Finance partnered with the IDB to launch a \$500 million [Education, Youth and Employment \(EYE\) bond](#). This first-of-its-kind instrument enables investors to finance programs across Latin America that support early childhood care, primary and secondary education, vocational training and job placement.

Working with the U.S. government's Overseas Private Investment Corporation (OPIC), Citi's decade-plus partnership has provided USD\$406 million in direct financing to 44 microfinance institutions in 25 countries to date, funding more than 1.2 million microbusinesses; of which [more than a million are owned by women](#). In 2014, Citi created a new [\\$220 million loan framework](#) that will expand access to financial services for micro- and small businesses in our corporate clients' value chains. Over the life of the partnership, Citi and OPIC have executed 16 different frameworks totaling \$2.8 billion in guarantee capacity.

In California, Citi joined with the San Francisco Mayor's Office, the Office of the Treasurer, the Department of Children, Youth, & Their Families and the San Francisco Unified School District to launch *Kindergarten to College*—the first publicly-funded, universal children's college savings account program in the United States. To date, families have invested more than \$1,000,000 of their own money into nearly 19,000 savings accounts, which are held at Citibank. Some 50% of contributing families qualify for the National School Lunch Program as they earn less than \$40,000 annually for a family of four people. In New York, Citi Inclusive Finance partnered with Grameen America in 2014 to help provide over 7,000 women entrepreneurs in Harlem, New York, with small business loans through 2020. Citi offers savings

accounts with no service fees to help women participating in the program build their financial identity and save while Grameen America provides microloans to help grow their businesses. To date, Citi has opened 12,162 savings accounts for Grameen members.

Conclusion

Every day, Citi strives to meet and exceed our responsibilities to our clients, shareholders, regulators, communities and global partners through strong governance, thoughtful and frequent engagement, and by doing business according to the highest standards of professional and ethical conduct. At Citi we are absolutely convinced that ethics pays. It is exactly what we need to do to provide confidence to the marketplace, to our customers and to our employees, that we are focused on doing the right thing. We strive to act with integrity and to meet and exceed our responsibilities in all that we do. When we don't, we hold ourselves accountable and we expect that our stakeholders will hold us accountable as well. We understand that nurturing a culture that promotes and lives up to a high ethical standard of doing business and engaging with society both strengthens the long-term sustainability of our financial institution and, ultimately, benefits the communities we serve – because without trust, our company and sector cannot succeed.

“Citi's mission is to serve as a trusted partner to our clients by responsibly providing financial services that enable growth and economic progress. Our core activities are safeguarding assets, lending money, making payments and accessing the capital markets on behalf of our clients...”

...These capabilities create an obligation to act responsibly, do everything possible to create the best outcomes, and prudently manage risk. If we fall short, we will take decisive action and learn from our experience.

We strive to earn and maintain the public's trust by constantly adhering to the highest ethical standards. We ask our colleagues to ensure that their decisions pass three tests: they are in our clients' interests, create economic value, and are always systemically responsible. When we do these things well, we make a positive financial and social impact in the communities we serve and show what a global bank can do.”

Citi's Mission and Value Proposition