



Citi's Forest Products Policy

Presented by

Courtney Lowrance

Environmental and Social Risk
Management



What is a Forest Product Obligor?

Forest Product Obligor

Customers that are directly involved in logging or primary processing of timber:

Includes milling of logs for pulp, paper, sawn wood, plywood, or veneer;

Includes timber plantations, but does not include oil palm or other agriculture



Citi's Forest Products Policy

Risk Management at two levels:

1. CLIENT LEVEL: Forest Products Risk Assessment/ Annual Reviews
2. TRANSACTION LEVEL: May also be subject to broader Environmental and Social Risk Management (ESRM) Policy

Two criteria must be met in order for the ESRM Policy to apply:

- Does the facility meet the \$\$ threshold?
- Do we know the use of proceeds?



ESRM Covered Transactions
Corporate or Govt Loans
Project Finance
Existing Projects & Refinancings
Project Finance Advisory Mandates
LCs, Bid Bonds, & Performance Bonds
Debt Securities Placements or Underwritings
Equity Investments or Underwritings

Sustainable Forestry Policy

<p>Level 1 – All Forest Product Obligors</p>	<ul style="list-style-type: none"> • During the annual review, complete the FPO Questionnaire and confirm compliance with local and national laws and regulations
<p>Level 2 – Operations in “high risk” countries</p> <p>(source: World Bank)</p>	<ul style="list-style-type: none"> • FPO required to submit an Action Plan to achieve independent sustainable forestry certification within 3-5 years • During the annual review, progress on the Action Plan, including completion of intermediary milestones, will be reviewed
<p>Level 3 – Legality of operations is in question</p>	<ul style="list-style-type: none"> • FPO required to submit an Action Plan to achieve Forest Stewardship Council (FSC) certification within 3-5 years
<p>Level 4 – Operation significantly converts or degrades a critical natural habitat</p>	<ul style="list-style-type: none"> • Precluded under Citi ESRM Policy