



DIVISION OF
CORPORATION FINANCE

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

March 7, 2022

Shelley J. Dropkin
Citigroup Inc.

Re: Citigroup Inc. (the "Company")
Incoming letter dated December 23, 2021

Dear Ms. Dropkin:

This letter is in response to your correspondence concerning the shareholder proposal (the "Proposal") submitted to the Company by John C. Harrington and Boston Common Asset Management for inclusion in the Company's proxy materials for its upcoming annual meeting of security holders.

The Proposal requests that the board adopt a policy by the end of 2022 committing to proactive measures to ensure that the Company's lending and underwriting do not contribute to new fossil fuel supplies inconsistent with fulfilling the IEA's Net Zero Emissions by 2050 Roadmap and the United Nations Environmental Program Finance Initiative recommendations to the G20 Sustainable Finance Working Group for credible net zero commitments.

We are unable to concur in your view that the Company may exclude the Proposal under Rule 14a-8(i)(3). We are unable to conclude that the Proposal, taken as a whole, is so vague or indefinite that it is rendered materially misleading.

We are unable to concur in your view that the Company may exclude the Proposal under Rule 14a-8(i)(7). In our view, the Proposal does not seek to micromanage the Company.

Copies of all of the correspondence on which this response is based will be made available on our website at <https://www.sec.gov/corpfin/2021-2022-shareholder-proposals-no-action>.

Sincerely,

Rule 14a-8 Review Team

cc: John C. Harrington
Harrington Investments, Inc.

Shelley J. Dropkin
Managing Director
Deputy Corporate Secretary
and General Counsel,
Corporate Governance

Citigroup Inc.
388 Greenwich Street
17th Floor
New York, NY 10013

T 212 793 7396
dropkins@citi.com



December 23, 2021

BY E-MAIL [shareholderproposals@sec.gov]

U.S. Securities and Exchange Commission
Office of Chief Counsel
Division of Corporation Finance
100 F Street, NE
Washington, D.C. 20549

**Re: Stockholder Proposal to Citigroup Inc. from John C. Harrington and
Boston Common Asset Management**

Ladies and Gentlemen:

Citigroup Inc. (the “Company”), in accordance with Rule 14a-8(j) under the Securities Exchange Act of 1934, as amended, is filing this letter with respect to the stockholder proposal and supporting statement (attached hereto as Exhibit A, the “Proposal”) from John C. Harrington and Boston Common Asset Management (collectively, the “Proponent”) for inclusion in the proxy statement and form of proxy (together, the “2022 Proxy Materials”) to be furnished to stockholders in connection with the Company’s 2022 annual meeting of stockholders. The Company hereby advises the staff of the Division of Corporation Finance (the “Staff”) that it intends to exclude the Proposal from its 2022 Proxy Materials. The Company respectfully requests confirmation that the Staff will not recommend enforcement action to the Securities and Exchange Commission (the “Commission”) if the Company excludes the Proposal for the reasons discussed below.

We have concurrently sent copies of this correspondence to the Proponent. In accordance with Rule 14a-8(j) and Staff Legal Bulletin No. 14D (November 7, 2008) (“SLB No. 14D”), we are submitting by electronic mail (i) this letter, which sets forth our reasons for excluding the Proposal, and (ii) the Proponent’s letter submitting the Proposal.

Pursuant to Rule 14a-8(j), we are submitting this letter not less than 80 days before the Company intends to file its 2022 Proxy Materials. The Company intends to commence printing its Notice and Access materials on or about March 9, 2022 and to file its 2022 Proxy Materials on or about March 16, 2022. A copy of this letter and its attachments are also being sent on this date to the Proponent in accordance with Rule 14a-8(j) to inform the Proponent of the Company’s intention to omit the Proposal from the 2022 Proxy Materials. For purposes of the following analysis, references to the Company shall include the Company’s direct and indirect subsidiaries.

Rule 14a-8(k) and SLB No. 14D provide that the Proponent is required to send the Company a copy of any correspondence the Proponent elects to submit to the Commission or the Staff. Accordingly, we are hereby informing the Proponent that if the Proponent elects to submit additional correspondence to the Commission or the Staff with respect to this Proposal, a copy of that correspondence should be furnished concurrently to the Company.

Should the Staff disagree with the conclusions set forth in this letter, or should any additional information be desired in support of the Company's position, we would appreciate the opportunity to confer with the Staff concerning these matters prior to the issuance of the Staff's response. Please do not hesitate to contact the undersigned at (212) 793-7396.

Very truly yours,



Shelley J. Dropkin
Deputy Corporate Secretary and
General Counsel, Corporate Governance

cc: John C. Harrington
Harrington Investments, Inc.
1001 2nd Street, Suite 325
Napa, CA 94559
john@harringtoninvestments.com

Boston Common Asset Management
200 State Street, 7th Floor
Boston, MA 02109
Attention: Lauren Compere
LCompere@bostoncommonasset.com

THE PROPOSAL

The Proposal submitted for inclusion in the Company's 2022 Proxy Materials provides as follows:

Resolved: Shareholders request that the Board of Directors of Citigroup adopt a policy by the end of 2022 committing to proactive measures to ensure that the company's lending and underwriting do not contribute to new fossil fuel supplies inconsistent with fulfilling the IEA's Net Zero Emissions by 2050 Roadmap and the United Nations Environmental Program Finance Initiative recommendations to the G20 Sustainable Finance Working Group for credible net zero commitments.

BASIS FOR EXCLUSION

The Company intends to exclude this Proposal from its 2022 Proxy Materials and respectfully requests that the Staff concur that the Company may exclude the Proposal on the following grounds.

Rule 14a-8(i)(7) – The Proposal May Be Excluded Because It Deals With A Matter Relating To The Company's Ordinary Business Operations.

A. Background on The Ordinary Business Standard Under Rule 14a-8(i)(7).

Rule 14a-8(i)(7) allows a company to exclude a proposal from its proxy materials if the proposal "deals with a matter relating to the company's ordinary business operations." As articulated in Commission Release No. 34-40018 (May 21, 1998) (the "1998 Release"), the purpose of the exception is "to confine the resolution of ordinary business problems to management and the board of directors, since it is impracticable for shareholders to decide how to solve such problems at an annual shareholders meeting" and that the term 'ordinary business' refers to matters that are "not necessarily 'ordinary' in the common meaning of the word" but rather the term is "rooted in the corporate law concept providing management with flexibility in directing certain core matters involving the company's business and operations."

The 1998 Release, as well as Staff Legal Bulletin No. 14L (November 3, 2021) ("SLB 14L"), states that the ordinary business exclusion rests on two central considerations: (1) whether the proposal concerns certain tasks that are "so fundamental to management's ability to run a company on a day-to-day basis that they could not, as a practical matter, be subject to direct shareholder oversight" and (2) whether the proposal "seeks to 'micro-manage' the company by probing too deeply into matters of a complex nature upon which shareholders, as a group, would not be in a position to make an informed judgment." Furthermore, the Commission has outlined in the 1998 Release that a proposal may probe too deeply into matters of a complex nature if it "involves intricate detail, or seeks to impose specific time-frames or methods for implementing complex policies."

B. The Proposal Seeks to Micromanage the Company and Asks Shareholders To Consider Matters Of A Complex Nature Upon Which Shareholders, As A Group, Would Not Be In A Position To Make An Informed Judgment

The Proposal calls for the board of directors of the Company to adopt a policy that would impose inflexible and far-reaching restrictions on the Company's day-to-day business without any understanding or study as to whether the policy would achieve the underlying objective. In SLB 14L the Staff noted that as part of evaluating companies' micromanagement arguments, a proposal would need to "afford discretion to management as to how to achieve such goals."

The Proposal, although directed at important objectives, would, at its core, provide stockholders with the authority to determine which clients the Company can provide its lending and underwriting services. The implementation of the policy underlying the proposal would result in the stockholders on their own directing the Company to cease to provide its banking services to whole range of its existing clients, without consideration of strategic interests of the Company. For a global financial services company, the development, generation and selection of clients is a core function of management that involves a range of considerations that stockholders are not in a position to address.

The Proposal would not provide management with any discretion to assess the risks and opportunities associated with the implementation of the underlying policy objectives, to leverage the extensive work it has done to establish its own existing climate-related business policies and to develop strategies in conjunction with its clients that could support a clean-energy transition and improved climate sustainability. Rather, stockholders are being asked to assume this managerial responsibility and dictate, by institutional policy, which companies are suitable to be the Company's clients.

Without providing any analysis of the impact of the Proposal on the Company, the Proponent prescribes the specific method of implementing the Proposal in its supporting statement—ending all funding of fossil fuel exploration and development. While the Company is committed to advancing solutions that address climate change around the world to support a transition to a low-carbon economy, the Proposal advocates a singular method of implementing this complex objective – namely, having stockholders decide that the Company cannot provide its core services to existing customers, which the Proponent believes will reduce the new fossil fuel supply. Implementing a sweeping policy such as the one proposed is a simplistic approach to address the critical and complicated objective of reducing fossil fuel dependence. The Proposal has not addressed any of the dynamics that would be important to consider as part of a complex strategy to assist in the transition to a low carbon economy. Cutting off access to the Company's lending and investment banking services could have significant and uncertain consequences for the Company and its customers, all while neither the Company nor its stockholders know whether this policy will achieve any objective related to responsible climate policy. The Proposal is not supported by any facts or data that suggest that by terminating relationships with any of these companies, the Company will do anything to promote a realistic and effective transition to a new climate-focused economy.

The Company is committed to managing climate risks and implementing the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD). In March 2021, the Company announced its commitment to net zero greenhouse gas emissions by 2050 and has committed to publish its initial plan related to this important commitment (the "Net Zero by 2050 Plan") in the first quarter of 2022, which will include interim emissions targets for 2030 for the Company's fossil fuel industry clients,

including the Company's energy and power portfolios. The Company will continue to test the resilience of its lending portfolios to transition and physical risks related to climate change, including measuring the climate impact of its lending portfolios and alignment with 1.5°C and 2°C scenarios. These analyses will help the Company better understand the climate risks faced by its clients and the possible pathways for transition to a low-carbon economy. The Company will also seek to explore opportunities to collaborate with its clients and peers to develop industry-wide methodologies for climate risk analysis and disclosure.

The Company has a long-standing Environmental and Social Risk Management ("ESRM") Policy which has added in recent years specific restrictions and timetables designed to support its climate risk policies, including outright prohibitions on providing certain financing for thermal coal mines and coal-fired power plants, which are consistent with the policy outlined in the Proposal. The ESRM policy, however, provides more nuanced approaches to the addressing the Company's role in the climate transition challenge that would allow the Company to continue to support companies while they transition, whereas the Proposal seeks to have the Company exit immediately. The ESRM policy allows the Company to support clients in transactions pursued as a part of their low-carbon transition strategy. It also imposes requirements on clients with coal-fired power generation related to emissions with respect to disclosure and engagement with the Company to discuss their low-carbon transition strategy. The development of the Company's ESRM policy was thoughtful and deliberative and reflects a desire to support the fossil fuel industry in connection with this transition.

. Many of the Company's fossil fuel clients recognize the reality of the collective effort needed to address our global climate challenges. These companies have committed, or are expected to announce commitments, to plans and targets to adapt their business models. The Company believes that it can support these companies and others as they take on these fundamental shifts to their businesses in the coming years. The Company has expertise that it believes it can use to responsibly support these companies in this process. The Proposal, however, assumes, without any factual or empirical support, that terminating lending and underwriting relationships is the best strategy to fulfill the IEA's Net Zero Emissions by 2050 Roadmap, and refers in their supporting statement to the United Nations Environmental Program Finance Initiative ("UNEP FI") Recommendations for Credible Net-Zero Commitments from Financial Institutions. In fact, the UNEP FI recommendations acknowledge that immediate divestment is not necessarily the right approach for achieving net zero goals.¹ Further, the UNEP FI recommendations acknowledge that methodologies for portfolio emission reductions can be "measured and deployed through a variety of approaches (methodologies and metrics), all of which are still evolving."²

As noted in SLB 14L, the Staff expects a stockholder proposal to include the level of detail "to enable investors to assess an issuer's impacts, progress towards goals, risks or other

¹ United Nations Environmental Program Finance Initiative, "High-Level Recommendations for Credible Net-Zero Commitments from Financial Institutions" (October 2021) <<https://g20sfwg.org/wp-content/uploads/2021/10/2021-UNEP-FI-Recommendations-for-Credible-Net-Zero-Commitments.pdf>> at para 15.

² *Ibid* at para 21.

strategic matters appropriate for shareholder input.” Decarbonization is a highly complex topic that requires in-depth analysis on the best way to achieve decarbonization over time. The Company has been diligently conducting such analysis in preparation for the release of its Net Zero by 2050 Plan. The Proponent, however, seeks to have stockholders decide on the Proposal without conducting any such analysis on the benefit of the Company’s Net Zero by 2050 Plan. The policy’s consequences would undoubtedly be far-reaching and affect the Company’s profitability, cause the Company to incur financial and other costs to implement the policy and pose other unknown risks to the company’s business, prospects, and stockholders. Additionally, stockholders are being asked to approve a policy without any understanding of how it would be implemented in different countries, markets or industries. The Company provides lending and underwriting services on a global basis. The Proposal does not acknowledge, or provide any flexibility to address, the different stages of the climate transition journey at which different countries are sitting. The Company believes that it has a role to support countries along this important transition and the Proposal would force the Company to cut off countries that are just beginning this transition. To even consider a policy as outlined in the Proposal, the Company would need to study how a policy like this could be implemented across its business, how it would impact its workforce and what impact it would have on the communities in which the Company operates.

In the development of its ESRM policy, the Company considered how its business practices and relationships with its clients can support climate transition. The Company’s ESRM policy has taken into account both the need to set aggressive objectives for the Company and the role the Company can serve to facilitate the transition efforts of its clients. The policy described in the Proposal does not provide any flexibility in implementation. It operates like a blunt tool that would not afford the board of directors of the Company with the appropriate latitude to exercise its business judgment to best achieve the stated goals of the policy.

The Proposal attempts to micromanage the Company and intrudes on management’s operation of the Company’s day-to-day business. Moreover, the Proponent does not include the level of detail and analysis required to enable stockholders to appropriately assess the impact and effect of the Proposal on the Company and its goals. The Proposal seeks to have stockholders approve a policy that could not possibly be based on an informed judgment.

Rule 14a-8(i)(3) – The Proposal May Be Excluded Because It Is So Vague And Indefinite That Neither The Stockholders Voting On The Proposal, Nor The Company In Implementing The Proposal, Would Be Able To Determine With Any Reasonable Certainty Exactly What Actions Or Measures The Proposal Requires.

A. Background on Vagueness and Indefinite Standard Under Rule 14a-8(i)(3).

Rule 14a-8(i)(3) permits exclusion of a proposal if the proposal or supporting statement is contrary to any of the Commission’s proxy rules, including Rule 14a-9, which prohibits materially false or misleading statements in proxy soliciting materials. As described by the Staff in Staff Legal Bulletin No. 14B (September 15, 2004) (“SLB 14B”), a proposal can be excluded under Rule 14a-8(i)(3) if “neither the stockholders voting on the proposal, nor the company in implementing the proposal (if adopted), would be able to determine with any reasonable certainty exactly what actions or measures the proposal requires.” Following this standard, the

Staff has regularly permitted companies to exclude proposals that fail to provide either stockholders or management with sufficient clarity or guidance to understand how the proposal would be implemented.

B. The Proposal is Inherently Vague and Indefinite

The Proposal asks that the board of directors of the Company implement a policy to restrict its lending and underwriting lines of business to ensure they “do not contribute to new fossil fuel supplies.” The Proposal provides no clear guidance as to what is intended by the term “contribute”, and it is not reasonably ascertainable from either the Proposal itself or the supporting statement.

While certain companies, such as fossil fuel exploration and extraction companies, may be said to contribute *directly* to new fossil fuel supplies, the Proposal contains no such limitation. As such, it is unclear whether companies that contribute *indirectly* to new fossil fuel supplies should be covered by the policy. Companies and entities that could also possibly be subject to the Proposal would include the following:

- energy generation companies, which are significant purchasers of global fossil fuels;
- companies that provide the equipment and other materials to exploration and extraction companies, such as heavy machinery manufacturers;
- direct and indirect participants in the transportation sector, which are among the largest consumers of fossil fuels in the United States³;
- national and sub-national governments that implement policies that permit, facilitate or incentive the extraction of fossil fuels from their territories;
- companies and other entities that provide services to exploration and extraction companies and any other direct participants in the fossil fuel exploration and extraction industries, such as professional service providers, like legal service providers and accountants; and
- any other business or individual that is a consumer of fossil fuels, and thus contributes to global demand for fossil fuels.

The Proposal does not provide a limitation as to what level of involvement in the fossil fuel industry is necessary to be subject to policy. In fact, the Proposal would require the Company to cease to provide banking services to companies that have or are developing a strategy to reduce their participation in the fossil fuel industry.

Without more specificity as to what policy the Proposal is asking stockholders to endorse, stockholders would have difficulty determining how to vote. Moreover, management would not

³ U.S. Energy Information Administration (EIA), Monthly Energy Review (April 2021), <https://www.eia.gov/totalenergy/data/monthly/>.

have reasonable certainty as to exactly how the Proponent or stockholders intended such a policy to be implemented. Stockholders deserve to understand the proposed scope and breadth of the policy before voting on the Proposal, especially in light of its possible far-reaching effects on the Company's business.

CONCLUSION

In light of the foregoing considerations, the Company believes that the Proposal is properly excludable under Rule 14a-8(i)(7) and Rule 14a-8(i)(3), consistent with the frameworks set forth in the 1998 Proposal and SLB 14L and SLB 14B, respectively, and, therefore, may be excluded from the 2022 Proxy Materials. The Company respectfully requests confirmation that the Staff will not recommend enforcement action to the Commission if the Proposal is excluded on such grounds.

EXHIBIT A

Ending New Fossil Fuel Financing

Resolved: Shareholders request that the Board of Directors of Citigroup adopt a policy by the end of 2022 committing to proactive measures to ensure that the company's lending and underwriting do not contribute to new fossil fuel supplies inconsistent with fulfilling the IEA's Net Zero Emissions by 2050 Roadmap and the United Nations Environmental Program Finance Initiative recommendations to the G20 Sustainable Finance Working Group for credible net zero commitments.

Supporting Statement

Citigroup, as a member of the Net Zero Banking Alliance (NZBA), commits to align financing with a maximum temperature rise of 1.5 degrees Celsius.¹ To close the gap between words and action, a change in policy is needed on financing of fossil fuel exploration and development.

The United Nations Environmental Program Finance Initiative (UNEPFI), which convenes the NZBA, published an Input Paper to the G20 Sustainable Finance Working Group which defines *credible* net zero commitments of financial institutions, including: "A financial institution establishing a net-zero commitment should begin aligning with the required assumptions and implications of IPCC 1.5°C no/low overshoot pathways as soon as possible....All no/low overshoot scenarios indicate an immediate reduction in fossil fuels, signaling that investment in new fossil fuel development is not aligned with 1.5°C."² The International Energy Agency (IEA) has concluded, "There is no need for investment in new fossil fuel supply in our net zero pathway."³

Citigroup has not committed to end funding of fossil fuel expansion. It reportedly recently financed an expanding coal operation in Russia. In September 2021 Bloomberg reported that Russia's largest coal producer and coal plant operator, JSC SUEK, had mandated nine banks, including Citigroup, for a bond issuance with a 5-year maturity.⁴ JSC SUEK produces over 100 million tons of coal per year. It is expanding coal mining operations for an additional 25 million tons per year. SUEK's coal exports are set for expansion by around 28 million tons per year.

An observer noted, "SUEK plays a central, if not THE central role in Russia's scheme to profit as much as possible from the coal industry before the fossil era ends. It is outrageous that US and German banks are still helping to raise money for one of the world's largest coal companies only two months before COP26 in Glasgow."⁵

Ernst-Jan Kuiper of BankTrack added: "The participation of US and German banks in this bond issuance is particularly surprising given their net-zero pledges.... we need to see more from

¹ <https://www.unepfi.org/wordpress/wp-content/uploads/2021/04/UNEP-FI-NZBA-Commitment-Statement.pdf>

² <https://g20sfwg.org/wp-content/uploads/2021/10/2021-UNEP-FI-Recommendations-for-Credible-Net-Zero-Commitments.pdf>, at 15.

³ <https://www.iea.org/reports/net-zero-by-2050>

⁴ Bloomberg Terminal: [https://blinks.bloomberg.com/news/stories/QYRCFLDWLU6U\(link is external\)](https://blinks.bloomberg.com/news/stories/QYRCFLDWLU6U(link%20is%20external)) Public Source: Anthropocene Fixed Income Institute, [https://anthropocenefii.org/afii-suek-bofa-citi-cmzb\(link is external\)](https://anthropocenefii.org/afii-suek-bofa-citi-cmzb(link%20is%20external))

⁵ Urgewalt spokesperson.

banks than signing showy net-zero initiatives."

Financing of new *oil and gas* exploration and development is also inconsistent with the global goals. A study in Nature that found oil and gas production needs to fall by 3% each year until 2050 to meet the goals of the Paris Agreement.⁶

⁶ <https://www.nature.com/articles/s41586-021-03821-8>



November 16, 2021

Corporate Secretary
Citigroup, Inc.
Office of the Corporate Secretary
388 Greenwich Street,
New York, New York 10013
Via email: shareholderrelations@citi.com, jonesp@citi.com

Dear Corporate Secretary:

I, John C. Harrington, am filing the enclosed proposal at Citigroup, Inc. as the lead filer, and Boston Common Asset Management will be a co-filer, for the enclosed proposal for inclusion in the 2022 proxy statement, in accordance with Rule 14a-8 of the General Rules and Regulations of the Securities Exchange Act of 1934. I have been a shareholder continuously for over 3 years, since and including November 16, 2018, holding at least \$2,000 in market value and will continue to invest in at least the requisite number of shares for proxy resolutions through the annual shareholders' meeting. The verification of ownership by our custodian, a DTC participant, will be sent separately. I, or a representative, will attend the Annual Meeting to present the resolution as required by SEC rules.

We look forward to having productive conversations with the company. Per SEC requirements, I am available to meet with the company via teleconference on November 29 or November 30 at 11 am PT, respectively. Boston Common Asset Management have delegated us to engage with the Company in this meeting on their behalf; some may participate in the meeting if they are available. Please direct all future correspondence regarding this proposal to me via the information below.

Sincerely,

A handwritten signature in blue ink, appearing to read "John C. Harrington", is written over a light blue circular stamp.

John C. Harrington

President and CEO

CC: LCompere@bostoncommonasset.com



November 16, 2021

Account [REDACTED]

Questions: Please call Schwab Alliance at
1-800-515-2157

John Harrington
1001 2nd Street Suite 325
Napa, CA 94559
US

Corporate Secretary

Citigroup, Inc.

Office of the Corporate Secretary

388 Greenwich Street,

New York, New York 10013

Re: Shareholder proposal submitted by John C. Harrington

Dear Corporate Secretary:

I write concerning a shareholder proposal (the "Proposal") submitted to Citigroup, Inc. by John C. Harrington, President and CEO of Harrington Investments, Inc.

As of November 16th, 2021, John C. Harrington beneficially owned, and had beneficially owned continuously for at least three years, shares of the Company's common stock (C) worth at least \$2,000 (the "Shares").

Charles Schwab has acted as record holder of the Shares and is a DTC participant. If you require any additional information, please do not hesitate to contact me at 855-943-6159.

Sincerely,

Sean Bothwell
Sr Specialist, Institutional
Sean.Bothwell@schwab.com

8040 South 48th Street
Phoenix, AZ 85044

Independent investment advisors are not owned by, affiliated with, or supervised by Charles Schwab & Co., Inc. ("Schwab").

Schwab Advisor Services serves independent investment advisors and includes the custody, trading, and support services of Schwab.

Paula F. Jones
Assistant Secretary
& Associate General Counsel,
Corporate Governance

Citigroup Inc.
388 Greenwich Street
17th Floor
New York, NY 10022

T 212 793 3863
jonesp@citi.com



VIA Email

November 16, 2021

Mr. John C. Harrington
President and C.E.O.
Harrington Investments, Inc.
1001 2nd Street, Suite 325
Napa, CA 94559

Dear Mr. Harrington:

Citigroup Inc. acknowledges receipt of your stockholder proposal for submission to Citi's stockholders at the Annual Meeting in April 2022. Based on the proposed dates and times in your letter, we are in the process of reviewing schedules to identify participants that will be available to discuss the issues raised in your proposal. We will contact you with the meeting logistics shortly.

Very truly yours,

A handwritten signature in blue ink, appearing to read "Paula F. Jones". The signature is stylized with a large, sweeping initial "P" and a long horizontal stroke.

Paula F. Jones
Assistant Secretary and
Associate General Counsel, Corporate Governance

November 17, 2021

Corporate Secretary Citigroup, Inc.
Office of the Corporate Secretary
388 Greenwich Street,
New York, New York 10013
Via email: shareholdereations@citi.com jonesp@citi.com

Dear Corporate Secretary,

Boston Common Asset Management is a global investment manager that specializes in sustainable and responsible global equity strategies. Boston Common urges the companies we invest in to improve their sustainable business practices and to promote transparency, accountability, and inclusivity in the way they conduct business with their employees, customers, suppliers, and other partners. The Boston Common ESG Impact US Equity Fund, a long-term investor, is currently the beneficial owner of shares of Citigroup.

Boston Common has been engaging Citigroup on financed emissions and climate risk for many years and expressed concern at the continued financing trajectory of Citi to fossil fuel expansion ahead of our November 2019 report. We understand that Citigroup has not committed to end funding of fossil fuel expansion. It reportedly recently financed an expanding coal operation in Russia. In September 2021 Bloomberg reported that Russia's largest coal producer and coal plant operator, JSC SUEK, had mandated nine banks, including Citigroup, for a bond issuance with a 5-year maturity. JSC SUEK produces over 100 million tons of coal per year. It is expanding coal mining operations for an additional 25 million tons per year. SUEK's coal exports are set for expansion by around 28 million tons per year.

Given this, Boston Common Asset Management is a co-filer to the Harrington Investments shareholder proposal. Harrington Investments is the lead filer for the enclosed proposal for inclusion in the 2022 proxy statement, in accordance with Rule 14a-8 of the General Rules and Regulations of the Securities Exchange Act of 1934. The Boston Common ESG Impact US Equity Fund has been a shareholder continuously since and including January 4, 2020, holding at least \$2,000 in market value and will continue to invest in at least the requisite number of shares for proxy resolutions through the annual shareholders' meeting. The verification of ownership by our custodian will follow under separate cover. One of the filers will attend the Annual Meeting to present the resolution as required by SEC rules.

We look forward to having productive conversations with the company. As a co-filer we will participate if available but authorize Harrington Investments to engage with the Company on our behalf, within the meaning of Rule 14a-8(b)(iii)(B).

Sincerely,

Lauren Compere
Managing Director/Head of Stewardship & Engagement
lcompere@bostoncommonasset.com



VIA EMAIL

November 17, 2021

Boston Common Asset Management
200 State Street, 7th Floor
Boston, MA 02109
Attention: Lauren Compere, Managing Director

Dear Ms. Compere:

Citigroup Inc. (the "Company") acknowledges receipt of the stockholder proposal (the "Proposal") submitted by Boston Common Asset Management pursuant to Rule 14a-8 of the Securities Exchange Act of 1934 ("Rule 14a-8") for inclusion in the Company's proxy statement for its 2022 Annual Meeting of Stockholders (the "Annual Meeting"). Please note that, in 2020, the U.S. Securities and Exchange Commission adopted final rules amending the shareholder proposal rules in Rule 14a-8 (see Enclosure 1). The final rules will apply to proposals submitted for an annual meeting to be held on or after January 1, 2022, which includes Citi's 2022 Annual Meeting.

Please note that your submission contains certain procedural deficiencies. Rule 14a-8(b) requires that, to be eligible to submit a proposal, a stockholder must have continuously owned: (i) at least \$2,000 of the company's securities entitled to vote on the proposal for at least one year as of January 4, 2021 and continuously maintained a minimum investment of at least \$2,000 of such securities from January 4, 2021 through the date the proposal is submitted; or (ii) at least \$2,000 in market value of the company's securities entitled to vote on the proposal for at least three years as of the date the proposal is submitted; or (iii) \$15,000 in market value of the company's securities entitled to vote on the proposal for at least two years as of the date the proposal is submitted; or (iv) \$25,000 in market value of the company's securities entitled to vote on the proposal for at least one year as of the date the proposal is submitted (each an "Ownership Requirement" and together, the "Ownership Requirements"). November 17, 2021 is considered the date you submitted the Proposal. The Company's records do not indicate that you are the record owner of the Company's shares, and we have not received other proof that you have satisfied one of the Ownership Requirements. In order to remedy this deficiency, you must submit sufficient proof that you have satisfied one of the Ownership Requirements set forth above. You may satisfy this proof of ownership requirement by submitting either:

- A written statement from the “record” holder of your shares (usually a broker or bank) verifying that, as of the date you submitted the Proposal, you continuously held the required share value to satisfy one of the Ownership Requirements, or
- If you have filed a Schedule 13D, Schedule 13G, Form 3, Form 4 or Form 5, or amendments to those documents or updated forms, demonstrating that you have satisfied one of the Ownership Requirements, (i) a copy of the schedule and/or form and any subsequent amendments reporting a change in your ownership and (ii) a written statement that you continuously held the required share value for a period of time sufficient to satisfy one of the Ownership Requirements.

Based on the proposed dates and times in Mr. Harrington’s letter, we are in the process of reviewing schedules to identify participants that will be available to discuss the issues raised in your proposal. We will contact you with the meeting logistics shortly.

The response to this letter, correcting the procedural deficiency noted above, must be postmarked, or electronically transmitted, no later than 14 days from the date you receive this letter. Please address any response to my attention at: Citigroup Inc., 388 Greenwich Street, 17th Floor, New York, NY 10013. You may also transmit it to me by email at jonesp@citi.com. For your reference, I have enclosed a copy of Rule 14a-8.

If you have any questions with respect to the foregoing requirements, please contact me at (212) 793-3863.

Very truly yours,



Paula F. Jones
Assistant Secretary and
Associate General Counsel, Corporate Governance
Enclosures

ENCLOSURE 1

RULE 14A-8 OF THE SECURITIES EXCHANGE ACT OF 1934

§ 240.14a-8 Shareholder proposals.

This [section](#) addresses when a company must include a shareholder's proposal in its [proxy statement](#) and identify the proposal in its form of [proxy](#) when the company holds an annual or special meeting of shareholders. In summary, in order to have your shareholder proposal included on a company's [proxy](#) card, and included along with any supporting statement in its [proxy statement](#), you must be eligible and follow certain procedures. Under a few specific circumstances, the company is permitted to exclude your proposal, but only after submitting its reasons to the Commission. We structured this [section](#) in a question-and-answer format so **that it is easier to understand. The references to "you" are to a shareholder seeking to submit the proposal.**

(a) *Question 1:* What is a proposal? A shareholder proposal is your recommendation or requirement that the company and/or its board of directors take [action](#), which you intend to present at a meeting of the company's shareholders. Your proposal should state as clearly as possible the course of [action](#) that you believe the company should follow. If your proposal is placed on the company's [proxy](#) card, the company must also provide in the form of [proxy](#) means for shareholders to specify by boxes a choice between approval or disapproval, or abstention. Unless otherwise **indicated, the word "proposal" as used in this [section](#)** refers both to your proposal, and to your corresponding statement in support of your proposal (if any).

(b) *Question 2:* Who is eligible to submit a proposal, and how do I demonstrate to the company that I am eligible? (1) To be eligible to submit a proposal, you must satisfy the following requirements:

(i) You must have continuously held:

(A) At least \$2,000 in market value of the company's securities entitled to vote on the proposal for at least three years; or

(B) At least \$15,000 in market value of the company's securities entitled to vote on the proposal for at least two years; or

(C) At least \$25,000 in market value of the company's securities entitled to vote on the proposal for at least one year; or

(D) The [amounts](#) specified in [paragraph \(b\)\(3\)](#) of this [section](#). This paragraph (b)(1)(i)(D) will expire on the same date that § 240.14a-8(b)(3) expires; and

(ii) You must provide the company with a written statement that you intend to continue to hold the requisite [amount](#) of securities, determined

in accordance with paragraph (b)(1)(i)(A) through (C) of this [section](#), through the date of the shareholders' meeting for which the proposal is submitted; and

(iii) You must provide the company with a written statement that you are able to meet with the company in person or via teleconference no less than 10 calendar days, nor more than 30 calendar days, after submission of the shareholder proposal. You must include your contact information as well as [business days](#) and specific times that you are available to discuss the proposal with the company. You must identify times that are within the regular business hours of the company's principal executive offices. If these hours are not disclosed in the company's [proxy statement](#) for the prior year's annual meeting, you must identify times that are between 9 a.m. and 5:30 p.m. in the time zone of the company's principal executive offices. If you elect to co-file a proposal, all co-filers must either:

(A) Agree to the same dates and times of availability, or

(B) Identify a single lead filer who will provide dates and times of the lead filer's availability to engage on behalf of all co-filers; and

(iv) If you use a representative to submit a shareholder proposal on your behalf, you must provide the company with written documentation that:

(A) Identifies the company to which the proposal is directed;

(B) Identifies the annual or special meeting for which the proposal is submitted;

(C) Identifies you as the proponent and identifies the person acting on your behalf as your representative;

(D) Includes your statement authorizing the designated representative to submit the proposal and otherwise act on your behalf;

(E) Identifies the specific topic of the proposal to be submitted;

(F) Includes your statement supporting the proposal; and

(G) Is signed and dated by you.

(v) The requirements of [paragraph \(b\)\(1\)\(iv\)](#) of this [section](#) shall not apply to shareholders that are entities so long as the representative's authority to act on the shareholder's behalf is apparent and self-evident such that a reasonable person would understand that the agent has authority to submit the proposal and otherwise act on the shareholder's behalf.

(vi) For purposes of [paragraph \(b\)\(1\)\(i\)](#) of this [section](#), you may not aggregate your holdings with those of another shareholder or group of shareholders to meet the requisite [amount](#) of securities necessary to be eligible to submit a proposal.

(2) One of the following methods must be used to demonstrate your eligibility to submit a proposal:

(i) If you are the registered holder of your securities, which means that your name appears in the company's records as a shareholder, the company can verify your eligibility on its own, although you will still have to provide the company with a written statement that you intend to continue to hold the requisite [amount](#) of securities, determined in accordance with paragraph (b)(1)(i)(A) through (C) of this [section](#), through the date of the meeting of shareholders.

(ii) If, like many shareholders, you are not a registered holder, the company likely does not know that you are a shareholder, or how many shares you own. In this case, at the time you submit your proposal, you must prove your eligibility to the company in one of two ways:

(A) The first way is to submit to the company a written statement **from the "record"** holder of your securities (usually a broker or bank) verifying that, at the time you submitted your proposal, you continuously held at least \$2,000, \$15,000, or \$25,000 in market value of the company's securities entitled to vote on the proposal for at least three years, two years, or one year, respectively. You must also include your own written statement that you intend to continue to hold the requisite [amount](#) of securities, determined in accordance with paragraph (b)(1)(i)(A) through (C) of this [section](#), through the date of the shareholders' meeting for which the proposal is submitted; or

(B) The second way to prove ownership applies only if you were required to [file](#), and filed, a Schedule 13D ([§ 240.13d-101](#)), Schedule 13G ([§ 240.13d-102](#)), Form 3 ([§ 249.103](#) of this chapter), Form 4 ([§ 249.104](#) of this chapter), and/or Form 5 ([§ 249.105](#) of this chapter), or amendments to those documents or updated forms, demonstrating that you meet at least one of the [share](#) ownership requirements under paragraph (b)(1)(i)(A) through (C) of this [section](#). If you have [filed](#) one or more of these documents with the SEC, you may demonstrate your eligibility to submit a proposal by submitting to the company:

(1) A copy of the schedule(s) and/or form(s), and any subsequent amendments reporting a change in your ownership level;

(2) Your written statement that you continuously held at least \$2,000, \$15,000, or \$25,000 in market value of the company's securities entitled to vote on the proposal for at least three years, two years, or one year, respectively; and

(3) Your written statement that you intend to continue to hold the requisite [amount](#) of securities, determined in accordance with paragraph (b)(1)(i)(A) through (C) of this [section](#), through the date of the company's annual or special meeting.

(3) If you continuously held at least \$2,000 of a company's securities entitled to vote on the proposal for at least one year as of January 4, 2021, and you have continuously maintained a minimum investment of at least \$2,000 of such securities from January 4, 2021 through the date the proposal is submitted to the company, you will be eligible to submit a proposal to such company for an annual or special meeting to be held prior to January 1, 2023. If you rely on this provision, you must provide the company with your written statement that you intend to continue to hold at least \$2,000 of such securities through the date of the shareholders' meeting for which the proposal is submitted. You must also follow the procedures set forth in [paragraph \(b\)\(2\)](#) of this [section](#) to demonstrate that:

(i) You continuously held at least \$2,000 of the company's securities entitled to vote on the proposal for at least one year as of January 4, 2021; and

(ii) You have continuously maintained a minimum investment of at least \$2,000 of such securities from January 4, 2021 through the date the proposal is submitted to the company.

(iii) This paragraph (b)(3) will expire on January 1, 2023.

(c) *Question 3:* How many proposals may I submit? Each person may submit no more than one proposal, directly or indirectly, to a company for a particular shareholders' meeting. A person may not rely on the securities holdings of another person for the purpose of meeting the eligibility requirements and submitting multiple proposals for a particular shareholders' meeting.

(d) *Question 4:* How long can my proposal be? The proposal, including any accompanying supporting statement, may not exceed 500 words.

(e) *Question 5:* What is the deadline for submitting a proposal? (1) If you are submitting your proposal for the company's annual meeting, you can in most cases find the deadline in last year's [proxy statement](#). However, if the company did not hold an annual meeting last year, or has changed the date of its meeting for this year more than 30 days from last year's meeting, you

can usually find the deadline in one of the company's quarterly reports on Form 10-Q ([§ 249.308a](#) of this chapter), or in shareholder reports of [investment companies](#) under [§ 270.30d-1](#) of this chapter of the [Investment Company Act of 1940](#). In order to avoid controversy, shareholders should submit their proposals by means, including electronic means, that permit them to prove the date of delivery.

(2) The deadline is calculated in the following manner if the proposal is submitted for a regularly scheduled annual meeting. The proposal must be received at the company's principal executive offices not less than 120 calendar days before the date of the company's [proxy statement](#) released to shareholders in connection with the previous year's annual meeting. However, if the company did not hold an annual meeting the previous year, or if the date of this year's annual meeting has been changed by more than 30 days from the date of the previous year's meeting, then the deadline is a reasonable time before the company begins to print and send its [proxy](#) materials.

(3) If you are submitting your proposal for a meeting of shareholders other than a regularly scheduled annual meeting, the deadline is a reasonable time before the company begins to print and send its [proxy](#) materials.

(f) *Question 6:* What if I fail to follow one of the eligibility or procedural requirements explained in answers to Questions 1 through 4 of this section?

(1) The company may exclude your proposal, but only after it has notified you of the problem, and you have failed adequately to correct it. Within 14 calendar days of receiving your proposal, the company must notify you in writing of any procedural or eligibility deficiencies, as well as of the time frame for your response. Your response must be postmarked, or transmitted electronically, no later than 14 days from the date you received the company's notification. A company need not provide you such notice of a deficiency if the deficiency cannot be remedied, such as if you fail to submit a proposal by the company's properly determined deadline. If the company intends to exclude the proposal, it will later have to make a submission under [§ 240.14a-8](#) and provide you with a copy under Question 10 below, [§ 240.14a-8\(j\)](#).

(2) If you fail in your promise to hold the required number of securities through the date of the meeting of shareholders, then the company will be permitted to exclude all of your proposals from its [proxy materials](#) for any meeting held in the following two calendar years.

(g) *Question 7:* Who has the burden of persuading the Commission or its staff that my proposal can be excluded? Except as otherwise noted, the

burden is on the company to demonstrate that it is entitled to exclude a proposal.

(h) *Question 8: Must I appear personally at the shareholders' meeting to present the proposal?* (1) Either you, or your representative who is qualified under state law to present the proposal on your behalf, must attend the meeting to present the proposal. Whether you attend the meeting yourself or send a qualified representative to the meeting in your place, you should make sure that you, or your representative, follow the proper state law procedures for attending the meeting and/or presenting your proposal.

(2) If the company holds its shareholder meeting in whole or in part via electronic media, and the company permits you or your representative to present your proposal via such media, then you may appear through electronic media rather than traveling to the meeting to appear in person.

(3) If you or your qualified representative fail to appear and present the proposal, without good cause, the company will be permitted to exclude all of your proposals from its [proxy materials](#) for any meetings held in the following two calendar years.

(i) *Question 9: If I have complied with the procedural requirements, on what other bases may a company rely to exclude my proposal?* (1) Improper under state law: If the proposal is not a proper subject for [action](#) by shareholders under the laws of the jurisdiction of the company's organization;

NOTE TO PARAGRAPH (I) (1):

Depending on the subject matter, some proposals are not considered proper under state law if they would be binding on the company if approved by shareholders. In our experience, most proposals that are cast as recommendations or requests that the board of directors take specified [action](#) are proper under state law. Accordingly, we will assume that a proposal drafted as a recommendation or suggestion is proper unless the company demonstrates otherwise.

(2) *Violation of law:* If the proposal would, if implemented, cause the company to violate any state, federal, or foreign law to which it is subject;

NOTE TO PARAGRAPH (I) (2):

We will not apply this basis for exclusion to permit exclusion of a proposal on grounds that it would violate foreign law if compliance with the foreign law would result in a violation of any state or federal law.

(3) *Violation of proxy rules:* If the proposal or supporting statement is contrary to any of the Commission's [proxy](#) rules, including [§ 240.14a-9](#), which prohibits materially false or misleading statements in [proxy](#) soliciting materials;

(4) *Personal grievance; special interest*: If the proposal relates to the redress of a personal claim or grievance against the company or any other person, or if it is designed to result in a benefit to you, or to further a personal interest, which is not [shared](#) by the other shareholders at large;

(5) *Relevance*: If the proposal relates to operations which account for less than 5 percent of the company's total assets at the end of its most recent [fiscal year](#), and for less than 5 percent of its net earnings and gross sales for its most recent [fiscal year](#), and is not otherwise significantly related to the company's business;

(6) *Absence of power/authority*: If the company would lack the power or authority to implement the proposal;

(7) *Management functions*: If the proposal deals with a matter relating to the company's ordinary business operations;

(8) *Director elections*: If the proposal:

- (i) Would disqualify a nominee who is standing for election;
- (ii) Would remove a director from office before his or her term expired;
- (iii) Questions the competence, business judgment, or character of one or more nominees or directors;
- (iv) Seeks to include a specific individual in the company's [proxy materials](#) for election to the board of directors; or
- (v) Otherwise could affect the outcome of the upcoming election of directors.

(9) *Conflicts with company's proposal*: If the proposal directly conflicts with one of the company's own proposals to be submitted to shareholders at the same meeting;

NOTE TO PARAGRAPH (I) (9):

A company's submission to the Commission under this [section](#) should specify the points of conflict with the company's proposal.

(10) *Substantially implemented*: If the company has already substantially implemented the proposal;

NOTE TO PARAGRAPH (I) (10):

A company may exclude a shareholder proposal that would provide an advisory vote or seek future advisory votes to approve the compensation of executives as disclosed pursuant to Item 402 of Regulation S-K ([§ 229.402 of this chapter](#)) or any successor to Item 402 (a "say-on-pay vote") or that relates to the frequency of say-on-pay votes, provided that in the most recent shareholder vote required by § 240.14a-21(b) of this chapter a

single year (*i.e.*, one, two, or three years) received approval of a majority of votes cast on the matter and the company has adopted a policy on the frequency of say-on-pay votes that is consistent with the choice of the majority of votes cast in the most recent shareholder vote required by [§ 240.14a-21\(b\)](#) of this chapter.

(11) *Duplication*: If the proposal substantially duplicates another proposal previously submitted to the company by another proponent that will be included in the company's [proxy materials](#) for the same meeting;

(12) *Resubmissions*. If the proposal addresses substantially the same subject matter as a proposal, or proposals, previously included in the company's [proxy materials](#) within the preceding five calendar years if the most recent vote occurred within the preceding three calendar years and the most recent vote was:

- (i) Less than 5 percent of the votes cast if previously voted on once;
- (ii) Less than 15 percent of the votes cast if previously voted on twice; or
- (iii) Less than 25 percent of the votes cast if previously voted on three or more times.

(13) *Specific amount of dividends*: If the proposal relates to specific [amounts](#) of cash or stock dividends.

(j) *Question 10*: What procedures must the company follow if it intends to exclude my proposal? (1) If the company intends to exclude a proposal from its [proxy](#) materials, it must [file](#) its reasons with the Commission no later than 80 calendar days before it [files](#) its definitive [proxy statement](#) and form of [proxy](#) with the Commission. The company must simultaneously provide you with a copy of its submission. The Commission staff may permit the company to make its submission later than 80 days before the company [files](#) its definitive [proxy statement](#) and form of [proxy](#), if the company demonstrates good cause for missing the deadline.

(2) The company must [file](#) six paper copies of the following:

- (i) The proposal;
- (ii) An explanation of why the company believes that it may exclude the proposal, which should, if possible, refer to the most recent applicable authority, such as prior Division letters issued under the rule; and
- (iii) A supporting opinion of counsel when such reasons are based on matters of state or foreign law.

(k) *Question 11*: May I submit my own statement to the Commission responding to the company's arguments?

Yes, you may submit a response, but it is not required. You should try to submit any response to us, with a copy to the company, as soon as possible after the company makes its submission. This way, the Commission staff will have time to consider fully your submission before it issues its response. You should submit six paper copies of your response.

(l) *Question 12:* If the company includes my shareholder proposal in its [proxy](#) materials, what information about me must it include along with the proposal itself?

(1) The company's [proxy statement](#) must include your name and address, as well as the number of the company's [voting securities](#) that you hold. However, instead of providing that information, the company may instead include a statement that it will provide the information to shareholders promptly upon receiving an oral or written request.

(2) The company is not responsible for the contents of your proposal or supporting statement.

(m) *Question 13:* What can I do if the company includes in its [proxy statement](#) reasons why it believes shareholders should not vote in favor of my proposal, and I disagree with some of its statements?

(1) The company may elect to include in its [proxy statement](#) reasons why it believes shareholders should vote against your proposal. The company is allowed to make arguments reflecting its own point of view, just as you may express your own point of view in your proposal's supporting statement.

(2) However, if you believe that the company's opposition to your proposal contains materially false or misleading statements that may violate our anti-fraud rule, [§ 240.14a-9](#), you should promptly send to the Commission staff and the company a letter explaining the reasons for your view, along with a copy of the company's statements opposing your proposal. To the extent possible, your letter should include specific factual information demonstrating the inaccuracy of the company's claims. Time permitting, you may wish to try to work out your differences with the company by yourself before contacting the Commission staff.

(3) We require the company to send you a copy of its statements opposing your proposal before it sends its [proxy](#) materials, so that you may bring to our attention any materially false or misleading statements, under the following timeframes:

(i) If our no-action response requires that you make revisions to your proposal or supporting statement as a condition to requiring the company to include it in its [proxy](#) materials, then the company must provide you with a copy of its opposition statements no later than 5

calendar days after the company receives a copy of your revised proposal; or

(ii) In all other cases, the company must provide you with a copy of its opposition statements no later than 30 calendar days before its [files](#) definitive copies of its [proxy statement](#) and form of [proxy](#) under [§ 240.14a-6](#).

[[63 FR 29119](#), May 28, 1998; [63 FR 50622](#), 50623, Sept. 22, 1998, as amended at [72 FR 4168](#), Jan. 29, 2007; [72 FR 70456](#), Dec. 11, 2007; [73 FR 977](#), Jan. 4, 2008; [76 FR 6045](#), Feb. 2, 2011; [75 FR 56782](#), Sept. 16, 2010; [85 FR 70294](#), Nov. 4, 2020]

EFFECTIVE DATE NOTE:

At [85 FR 70294](#), Nov. 4, 2020, § 240.14a-8 was amended by adding paragraph (b)(3), effective Jan. 4, 2021 through Jan. 1, 2023.



Global Fund Services

777 East Wisconsin Avenue
Milwaukee, WI 53202

usbank.com/globalfundservices

November 18, 2021

Corporate Secretary of Citigroup
388 Greenwich Street
New York, NY 10013

Re: Shareholder proposal submitted by Boston Common

Dear Citigroup Corporate Secretary,

I write concerning a shareholder proposal (the "Proposal") submitted to Citigroup (the "Company") by Boston Common.

As of January 4, 2021, Boston Common ESG Impact U.S. Equity Fund (BCAMX) had continuously held shares of the Company's common stock with a value of at least \$2,000 for at least one year, and Boston Common has continuously maintained a minimum investment of at least \$2,000 of such securities (the "Shares") from January 4, 2018 through November 17, 2021.

US Bank has acted as record holder of the Shares and is a DTC participant. If you require any additional information, please do not hesitate to contact me at Jennifer.smith19@usbank.com.

Sincerely,

A handwritten signature in black ink, appearing to read "J Smith".

Jennifer Smith
Mutual Funds Administrator
U.S. Bank Global Fund Services

SANFORD J. LEWIS, ATTORNEY

PO Box 231
Amherst, MA 01004-0231
413 549-7333

January 20, 2022
Via electronic mail

Office of Chief Counsel
Division of Corporation Finance
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549

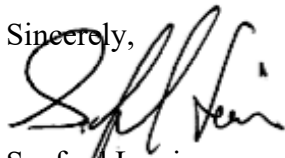
Re: Shareholder Proposal to Citigroup Inc. Regarding Fossil Fuel Financing
on Behalf of Harrington Investments, Inc.

Ladies and Gentlemen:

Harrington Investments, Inc. (the "Proponent") is the beneficial owner of common stock of Citigroup Inc. (the "Company") and has submitted a shareholder proposal (the "Proposal") to the Company. I have been asked by the Proponent to respond to the letter dated December 23, 2021 ("Company Letter") sent to the Securities and Exchange Commission by Shelley J. Dropkin. In that letter, the Company contends that the Proposal may be excluded from the Company's 2022 proxy statement. The response follows. A copy of this letter is being emailed concurrently to Ms. Dropkin.

The materials attached demonstrate that the Company has no basis under Rule 14a-8 for exclusion of the Proposal. As such, we respectfully request that the Staff inform the Company that it is denying the no action letter request.

Sincerely,



Sanford Lewis

Response to No Action Request of December 23, 2021

Citigroup Proposal on Fossil Fuel Lending and Underwriting

Table of Contents

SUMMARY	1
BACKGROUND	3
RULE 14a-8(i)(7)	5
Ordinary Business According to the Commission	5
Micromanagement Analysis Under Staff Legal Bulletin 14L	6
A DELIBERATION APPROPRIATE TO SHAREHOLDERS	7
Global guidelines	7
Prominence of discussion	9
Investor interests in the subject matter of the proposal	11
ISSUER SPECIFIC RISKS	12
Stranded asset risk	12
Reputational risk	13
SYSTEMIC AND PORTFOLIOWIDE RISKS <i>The Company's fossil fuel financing may be inconsistent with an investor's commitment to alignment with global climate goals</i>	15
ESG DUE DILIGENCE <i>Ensuring that investment firms, asset managers and other fiduciaries have information necessary for due diligence on any ESG related claims.</i>	18
FLEXIBILITY, DISCRETION, VAGUENESS	19
The proposal is neither too directive for purposes of Rule 14a-8(i)(7) nor too vague for purposes of Rule 14a-8(i)(3).	19
The proposal does not require divestment from particular companies	21
RULE 14a-8(i)(3)	23
CONCLUSION	24
THE PROPOSAL	25

SUMMARY

The Proposal (attached as an Appendix) asks the Board of Directors to adopt a policy by the end of 2022 committing to proactive measures to ensure that the company's lending and underwriting do not contribute to new fossil fuel supplies inconsistent with the IEA's Net Zero Emissions by 2050 Roadmap and the United Nations Environmental Program Finance Initiative recommendations to the G20 Sustainable Finance Working Group for credible net zero commitments.

The Company asserts first that the proposal is too prescriptive, micromanaging because it leaves no discretion to the board. The company also later asserts that the proposal is too flexible, leaving discretion for board and management to decide what *proactive measures* are appropriate to *not contribute to* new fossil fuel supplies. In straddling both of these arguments, the Company Letter effectively cancels out its own arguments.

The Proposal appropriately threads the needle between vagueness and ordinary business by providing necessary details but also sufficient flexibility for board and management discretion.

On ordinary business and micromanagement, the proposal is consistent with the Commission's 1998 release and Staff Legal Bulletin 14 L. The Proposal benchmarks company activities against the most prominent and credible applicable international guidance - the International Energy Agency's net zero roadmap and the UNEP FI recommendations regarding what a financial institution's "credible net zero commitments" necessitate. In asking the Company to adopt a policy on the financing of new fossil fuel supplies in alignment with IEA and UNEP FI benchmarks, the Proposal addresses an issue that does not probe too deeply for investors, but rather provides an appropriate opportunity for investors to weigh in on key risks and strategy, and to encourage the Company to establish an internal strategy in alignment with its public statements on climate.

Although the Company has made various climate commitments including "net zero by 2050" the Company is one of the leading financiers of fossil fuel development. Numerous international assessments have concluded that current financing of new fossil fuel supplies are on a trajectory that overshoots the amount of fossil fuels that need to stay in the ground to contain global temperature increase to 1.5°C. The Company's current financing policies appear inconsistent with the global goals.

Implications for its investors include risks to the Company's finances such as stranded asset and reputational risk, systemic and portfolio-wide risk, and special risks related to due diligence and enforcement exposure for ESG investors and fiduciaries. The Company reported that 20% of its assets are at highest risk from climate change. No doubt, these assets at risk include any continued financing of new fossil fuel supplies. This is a direct risk to the Company's own financial future, and of reasonable concern to investors. The Company also faces reputational risk to the extent it espouses a "net zero" commitment but fails to adopt credible constraints on funding of new fossil fuel supply.

Many investors are also actively monitoring and engaging on systemic and portfolio-wide risk. The company has a major role in the global financing of new fossil fuel supplies. Therefore, whether the company funds new fossil fuel development is of appropriate concern to investors who seek to align their portfolios with the 1.5° scenario. ESG investors will reasonably seek to ensure that portfolio companies like Citigroup are engaging in aligned activities. Despite the Company's focus on financing clean energy and demand related activities, ample evidence suggests that in the absence of the requested commitment, the company's activities will continue to be misaligned with global goals to curtail climate change.

Finally, with a focus on the veracity of ESG claims by issuers like Citigroup and by investment fiduciaries who would vote on this proposal, the Proposal supports the necessary due diligence of investors to ensure that any ESG or climate alignment claims are credible and not subject to enforcement action by the SEC or private parties.

The wording of the proposal is not too specific or constraining of board and management discretion. The Proposal leaves ample flexibility for the Board to identify the means of implementation: what kind of "*proactive measures*" does the board, in its discretion, believe are appropriate in the company's lending and underwriting activities "*to ensure that the company is not contributing to new fossil fuel supplies*" inconsistent with the referenced international guidance?

UNEP FI in its credible net zero commitments guidance notes that there are multiple possible pathways to credible alignment by financial institutions including an absolute contraction approach, an economic intensity-based approach, a capacity or technology-based approach, a portfolio coverage approach and sectoral alignment. *Whichever of these pathways the board and management should choose, new fossil fuel development is excluded – it's not consistent with 1.5° C alignment.*

Contrary to the Company Letter, the proposal does not prescribe or request divestment from fossil fuel companies. Rather, the Proposal only seeks to ensure that the Company's lending does not support new fossil fuel development.

Therefore, because the Proposal does not micromanage the board, but in fact raises appropriate issues for shareholder deliberation, it is not excludable under Rule 14a-8(i)(7).

Separately, the Company Letter asserts that the expression "do not contribute to new fossil fuel supplies" is vague and subject to exclusion under Rule 14a-8(i)(3). To the contrary, the Proposal focuses on the key benchmarks of IEA and UNEP FI guidance, while leaving appropriate flexibility for Board interpretation and implementation. The flexibility provided by the Proposal is proof of leaving the board and management with appropriate discretion. It is not a vagueness defect.

As such, the Proposal is neither too prescriptive, nor too vague, and therefore is not excludable under Rule 14a-8(i)(7) or Rule 14a-8(i)(3).

BACKGROUND

In the global effort to mitigate climate change, many countries and corporations have committed to achieving net zero by 2050 and to align with the Paris Agreement climate goals of constraining global temperature increase. Citigroup is among the banks that have committed to “net zero by 2050.”¹ While corporate and national climate pledges to achieve net zero by 2040 or 2050 proliferate, most actions and policies from both nations and companies do not align with the pledges or with a 1.5° C scenario. Despite the pledges, GHG emissions continue to rise, and the current amount of planned fossil fuel development would exceed the projected “carbon budget” to constrain global temperature increases.

Since the concept was introduced in 2011 by the nongovernmental organization Carbon Tracker, the carbon budget reflects the amount of fossil fuels that can enter global commerce without violating global goals to contain temperature increase. In 2021, a prominent research report published in *Nature* indicated that, for a 50% chance of global temperature increase to remain below 1.5 °C — the aspirational goal of the 2015 Paris agreement — the world cannot emit more than 580 gigatonnes of carbon dioxide before 2100. As part of the report, researchers calculated that 89% of coal reserves, 58% of oil reserves and 59% of gas reserves must remain unextracted to ensure that not more than 580 gigatonnes of carbon dioxide is emitted before 2100. The report notes that their estimate of the carbon budget:

...implies that most regions must reach peak production now or during the next decade, rendering many operational and planned fossil fuel projects unviable. We probably present an underestimate of the production changes required, because a greater than 50 per cent probability of limiting warming to 1.5 °C requires more carbon to stay in the ground and because of uncertainties around the timely deployment of negative emission technologies at scale.²

Currently, neither corporate nor national commitments align with this carbon budget projection and with the amount of fossil fuels that must remain in the ground to meet it. In its “Net Zero by 2050” roadmap, the International Energy Agency (IEA) reported that current climate pledges would still create 22 billion tons of CO₂ emissions before 2050. Emissions consistent with a temperature rise of 2.1°C by 2100.³ Therefore, to reach the collective 1.5° C goal, more aggressive policies would need to be implemented.

The financial sector, including Citigroup as one of the leading financiers of fossil fuel development, faces a significant challenge to redirect financial flows and align with the net zero/1.5°C scenario.

The United Nations Environmental Program Finance Initiative (“UNEP FI”), and IEA have identified the containment of supply growth above the world’s carbon budget as a critical factor in corporate and government policies to achieve the global goals. As mentioned in the proposal, the UNEP FI issued

¹ See Environmental and Social Policy Framework, *found at* <https://www.citigroup.com/citi/sustainability/data/Environmental-and-Social-Policy-Framework.pdf>

² Welsby, D., Price, J., Pye, S. *et al.* Unextractable fossil fuels in a 1.5 °C world. *Nature* **597**, 230–234 (2021). <https://doi.org/10.1038/s41586-021-03821-8>

³ See Net Zero by 2050—A Roadmap for the Global Energy Sector, *found at*. https://iea.blob.core.windows.net/assets/deebef5d-0c34-4539-9d0c-10b13d840027/NetZeroBy2050-ARoadmapfortheGlobalEnergySector_CORR.pdf

recommendations for credible net-zero commitments from financial institutions, which included a benchmark of credibility for financial institutions that have made net-zero commitments to “align as soon as possible”:

A financial institution establishing a net-zero commitment should begin aligning with the required assumptions and implications of IPCC 1.5°C no/low overshoot pathways as soon as possible. This is because the pathways require immediate actions to have a realistic chance of limiting warming to 1.5°C. ***This would include, for example, the immediate cessation of any new fossil fuel investments, and rapid decommissioning of remaining fossil fuel production as indicated by the scenarios.***[Emphasis added]

The UNEP FI also notes in its recommendations that “All no/low overshoot scenarios indicate an immediate reduction in fossil fuels, *signaling that investment in new fossil fuel development is not aligned with 1.5°C.*” [Emphasis added]

Banks and fossil fuel expansion

The severity of the climate crisis requires that banks must urgently take steps to disengage from financing all business activities and projects that continue the world's reliance on fossil fuels. Banks must therefore *immediately end support for expansion of fossil fuel extraction or infrastructure, whether through project finance or general corporate support.*

The world's top three financiers of fossil fuel expansion are all based in the United States. JPMorgan Chase is the number one, having financed fossil fuel expansion with a total of USD 143 billion since the signing of the Paris Climate Agreement (2016-2020). JPMorgan Chase is followed by Citi (USD 108 billion) and Bank of America (USD 93 billion).

Despite its climate pledges, Citigroup remains one of the largest financiers of the fossil fuel sector, including new fossil fuel development. The Company's opposition to this proposal provides ample evidence that the company is not actually planning on taking actions necessary to meet the UN credibility benchmarks.

The Proposal offers investors a key opportunity to voice their opinion on the issue and in doing so, advise the company as to whether investors believe the Company should meet this IEA/UNEP FI credibility standard.

RULE 14a-8(i)(7)

The Company Letter asserts that the Proposal addresses the ordinary business of the Company. However, when examining the Proposal against the Commission and Staff's guidance on shareholder proposals, including ordinary business and micromanagement, it is evident that the proposal addresses a transcendent policy issue and does not micromanage or otherwise inappropriately address the Company's ordinary business.

Ordinary Business According to the Commission

In 1998, the Commission issued a rulemaking release ("1998 Release") updating and interpreting the ordinary business rule, by both reiterating and clarifying past precedents. That release was the last time that the Commission discussed and explained at length the meaning of the ordinary business exclusion. The Commission summarized *two central considerations* in making ordinary business determinations – whether the proposal addresses a significant social policy issue, and whether it micromanages.

First, the Commission noted that certain tasks were generally considered so fundamental to management's ability to run a company on a day-to-day basis that they could not be subject to direct shareholder oversight (e.g., the hiring, promotion, and termination of employees, as well as decisions on retention of suppliers, and production quality and quantity). However, proposals related to such matters but *focused on sufficiently significant social policy issues* (i.e. significant discrimination matters) generally would not be excludable.

Second, proposals could be excluded to the extent they seek to "micromanage" a company by probing too deeply into matters of a complex nature upon which shareholders, as a group, would be unable to make an informed judgment. This concern did not, however, result in the exclusion of all proposals seeking detailed timeframes or methods. As the 1998 Release indicated:

Timing questions, for instance, could involve significant policy where large differences are at stake, and proposals may seek a reasonable level of detail without running afoul of these considerations.

Proposals that passed the first prong but for which the wording involved some degree of micromanagement could be subject to a case-by-case analysis of *whether the proposal probes too deeply* for shareholder deliberation. The Staff's interpretation of micromanagement has evolved over the years, most recently articulated in the November 3, 2021 Staff Legal Bulletin

14 L.⁴ To assess micromanagement going forward, the bulletin notes that the Staff:

will focus on the level of granularity sought in the proposal and whether and to what extent it inappropriately limits discretion of the board or management. **We would expect the level of detail included in a shareholder proposal to be consistent with that needed to enable investors to assess an issuer's impacts, progress towards goals, risks or other strategic matters appropriate for shareholder input.**

Additionally, in order to assess whether a proposal probes matters "too complex" for shareholders, as a group, to make an informed judgment, we may consider the sophistication of investors generally on the matter, the availability of data, and the robustness of public discussion and analysis on the topic. The staff may also consider references to well-established national or international frameworks when assessing proposals related to disclosure, target setting, and timeframes as indicative of topics that shareholders are well-equipped to evaluate.

This approach is consistent with the Commission's views on the ordinary business exclusion, which is designed to preserve management's discretion on ordinary business matters but not prevent shareholders from providing high-level direction on large strategic corporate matters.

While the analysis in this bulletin may apply to any subject matter, many of the proposals addressed in the rescinded SLBs requested companies adopt timeframes or targets to address climate change that the staff concurred were excludable on micromanagement grounds. Going forward we would not concur in the exclusion of similar proposals that suggest targets or timelines so long as the proposals afford discretion to management as to how to achieve such goals.

Micromanagement Analysis Under Staff Legal Bulletin 14L

Thus, the Staff Legal Bulletin's analysis of issues of micromanagement comes down to two basic tests to determine whether a proposal "probes to deeply" for shareholders' consideration:

First, does the proposal frame the investor deliberation in a manner consistent with market discussions, available guidelines and the state of familiarity/expertise on the issues in the investing marketplace?

⁴ The Staff Bulletin notes an evolution in the staff's thinking. In rescinding prior staff legal bulletins, the bulletin notes that: we believe that the rescinded guidance may have been taken to mean that any limit on company or board discretion constitutes micromanagement.

Second, does it leave sufficient flexibility for board and management discretion?

We will take each of these questions in turn. The second question also overlaps with the company's exclusion argument regarding vagueness so will respond there to the company's argument regarding Rule 14a-8(i)(3) as well.

A DELIBERATION APPROPRIATE TO SHAREHOLDERS

It is appropriate for shareholders to deliberate on whether the company should live up to credible global fossil fuel supply development requirements.

Staff Legal Bulletin 14 L notes that in considering ordinary business challenges and micromanagement, the Staff will consider whether the deliberation posed by the proposal in question is consistent with current investor discourse and credible national or international guidelines:

We would expect the level of detail included in a shareholder proposal to be consistent with that needed to enable investors to assess an issuer's impacts, progress towards goals, risks or other strategic matters appropriate for shareholder input.

...in order to assess whether a proposal probes matters "too complex" for shareholders, as a group, to make an informed judgment, we may consider the sophistication of investors generally on the matter, the availability of data, and the robustness of public discussion and analysis on the topic. **The staff may also consider references to well-established national or international frameworks when assessing proposals related to disclosure, target setting, and timeframes as indicative of topics that shareholders are well-equipped to evaluate.** [Emphasis added]

Global guidelines

The core benchmark of the Proposal is consistency with global guidelines on an aggressive, 1.5° C trajectory. The Proposal asks the Company to adopt a fossil fuel development strategy that is "not inconsistent" with the IEA and UNEP FI guidelines. These are the most credible global benchmarks for an aggressive 1.5° C scenario and response on climate change.

The Net Zero Emissions by 2050 Roadmap was established by the International Energy Agency (IEA).

The IEA is at the heart of global dialogue on energy, providing authoritative analysis, data, policy recommendations, and real-world solutions to help countries provide secure and sustainable energy for all.

The IEA was created in 1974 to help coordinate a collective response to major disruptions in the supply of oil. While oil security remains a key aspect of our work, the IEA has evolved and expanded significantly since its foundation.

Taking an all-fuels, all-technology approach, the IEA recommends policies that enhance the reliability, affordability and sustainability of energy. It examines the full spectrum issues including renewables, oil, gas and coal supply and demand, energy efficiency, clean energy technologies, electricity systems and markets, access to energy, demand-side management, and much more.

Since 2015, the IEA has opened its doors to major emerging countries to expand its global impact, and deepen cooperation in energy security, data and statistics, energy policy analysis, energy efficiency, and the growing use of clean energy technologies.⁵

The IEA has established various scenarios for global climate change responses, with its latest Net Zero by 2050 Roadmap providing a detailed description of an ambitious global project to alter the world's energy infrastructure and align with net zero and 1.5° C goals. That roadmap includes the statement that **“that no fossil fuel exploration is required and no new oil and natural gas fields are required beyond those that have already been approved for development.”**⁶

The United Nations,⁷ as the body that has convened the global climate talks and agreements is authoritative. **Among other things, the United Nations Environment Program (UNEP) is the home for the Net Zero Banking Alliance, of which Citigroup is a member.**

The UNEP FI 2021 report entitled “Recommendations for Credible Net-Zero Commitments from Financial Institutions” provides clear guidance and benchmarks for issuers and their investors in assessing whether current company pledges are matched by credible commitments considering

⁵ <https://www.iea.org/about/mission>

⁶ See World Energy Outlook 2021, found at <https://iea.blob.core.windows.net/assets/88dec0c7-3a11-4d3b-99dc-8323ebfb388b/WorldEnergyOutlook2021.pdf>

⁷ The UN Secretary-General António Guterres has commented that: “Recent announcements by the world’s largest economies to end international financing of coal are a much-needed step in phasing out fossil fuels. But... there is still a long way to go to a clean energy future. It is urgent that all remaining public financiers as well as private finance, including commercial banks and asset managers, switch their funding from coal to renewables to promote full decarbonization of the power sector and access to renewable energy for all.”

the global agreements and goals. The UNEP FI report is geared toward a clear benchmark of financial institution credibility on their net zero commitments, making it clear that one of the most important benchmarks of credibility is to “align as soon as possible”:

A financial institution establishing a net-zero commitment should begin aligning with the required assumptions and implications of IPCC 1.5°C no/low overshoot pathways as soon as possible. This is because the pathways require immediate actions to have a realistic chance of limiting warming to 1.5°C. **This would include, for example, the immediate cessation of any new fossil fuel investments, and rapid decommissioning of remaining fossil fuel production as indicated by the scenarios.** [Emphasis added]

Thus, the Proposal is grounded in and benchmarked against key international programs and guidelines. As SLB 14L notes, “The staff may also consider references to well-established national or international frameworks when assessing proposals related to disclosure, target setting, and timeframes as indicative of topics that shareholders are well-equipped to evaluate.” This is not a question of “investors probing too deeply” into company management, but rather asking the company to come into line with the most prominent global benchmarks of the most proactive response scenario on climate change.

Prominence of discussion

These issues have also been addressed in media coverage, investor publications, and in international guidance. Therefore, the introduction of this issue as a topic for the Company’s shareholder meeting is appropriate and pitched consistent with shareholder understanding and deliberation. Public debate and analysis regarding the proper path towards a net zero future are robust and ongoing.

For example, on May 18, 2021, The New York Times covered the IEA’s World Energy Outlook with a headline “*Nations Must Drop Fossil Fuels, Fast, World Energy Body Warns: A landmark report from the International Energy Agency says countries need to move faster and more aggressively to cut planet-warming pollution.*”⁸

Nations around the world would need to immediately stop approving new coal-fired power plants and new oil and gas fields and quickly phase out gasoline-powered vehicles if they want to avert the most catastrophic effects of climate change, the world’s leading energy agency said Tuesday.

The article also noted the importance for investors:

⁸See <https://www.nytimes.com/2021/05/18/climate/climate-change-emissions-IEA.html>

That's significant, given the fact that the influential agency is not an environmental group but an international organization that advises world capitals on energy policy. **Formed after the oil crises of the 1970s, the agency's reports and forecasts are frequently cited by energy companies and investors as a basis for long-term planning.** [emphasis added]

The New York Times also covered the nuances and complexities of investing in the development of fossil fuels in a prior article in April 2021 headed "*Why Investing in Fossil Fuels Is So Tricky: Demand for oil and gas is rising, yet it is expected to decline in the future as the world responds to global warming. Where does that leave investors?*"⁹. That article highlighted the tension central to Citigroup's own dilemma, in which oil investments may be profitable in the short term despite being a risky bet in the long term. Thus, the current proposal, asking the company to clarify its trajectory into the long-term need to face down fossil fuels is consistent with this New York Times summary of the situation for investors:

As concerns about climate change push the world economy toward a lower-carbon future, investing in oil may seem a risky bet. For the long term, that may be true. Yet for the moment, at least, oil and gas prices appear likely to continue to rise as the economy recovers from the pandemic-driven shutdown of millions of businesses, big and small. These countervailing trends — increasing demand now and falling demand at some point, perhaps in the not-too-distant future — create a dilemma for investors.

The New York Times also covered the UN sponsored Production Gap report and it to the IEA Net Zero Scenario in October 2021 "*Fossil Fuel Drilling Plans Undermine Climate Pledges, U.N. Report Warns: Countries are planning to produce more than twice as much oil, gas and coal through 2030 as would be needed if governments want to limit global warming to Paris Agreement goals.*"

The International Energy Agency recently looked at what would be needed to hold global warming to 1.5 degrees Celsius. All of the world's nations would have to drastically cut their fossil-fuel use over the next three decades until they are no longer adding any greenhouse gases to the atmosphere by 2050, essentially achieving "net zero" emissions.

Under that scenario, the agency said, the world's nations would not approve the development of any new coal mines or new oil and gas fields beyond what has already been committed today.

⁹ See <https://www.nytimes.com/2021/04/09/business/investing-oil-gas-fossil.html>

A January 7, 2022 opinion piece in the Financial Times highlights the dilemma of banks who are part of the UN's net zero banking alliance but have yet to commit to a phaseout of new fossil fuel development titled: *"Banks risk becoming new fossil fuel villains in 2022: Financing climate change culprits is becoming more visible and troublesome than ever before."*¹⁰

Definitions of green financing can be generous, but the direction of greenward travel seems clear — except for one thing. Banks may be turning on the taps for green finance but they are far from closing them for fossil fuels. The world's 60 largest private sector banks have put more than \$3.8tn into the oil, gas and coal sectors since the 2015 Paris agreement, according to NGO research. And a lot has gone to oil and gas companies with big expansion plans.

With no sign of rapid change, banks face a double difficulty in exposing their fossil financing to more scrutiny — and charges of climate villainy without showing how they might eventually wind it back.

In theory, the problem should be solved by a group like the Net Zero Banking Alliance, whose 98 members account for more than 40 percent of global banking assets. They have to set out plans for zeroing out emissions. The trouble is the brutal maths. Scientists have established it is much safer to limit global warming to 1.5°C. So human-made carbon emissions, much of which come from burning oil, gas and coal, should nearly halve by 2030 and fall to net zero by around 2050.

Banks have reduced backing for coal over time. But very few net zero alliance members have issued detailed plans showing how and when they might wind down support for oil and gas...

This broader context is comprehensible by Citigroup investors, appropriate for discussion in the debate and not outside of the grasp of investor deliberation and engagement.

Investor interests in the subject matter of the proposal

The financing of continued fossil fuel development by the Company poses important questions for its shareholders: stranded assets and reputational risk to the company, systemic and portfolio wide risk for diversified investors, and due diligence concerns for ESG investors. It is salient for investors to ask the company, as one of the largest financiers of fossil fuels, to come into alignment with the leading global benchmarks for an aggressive climate change mitigation response. The following discussion addresses each of these in turn:

¹⁰ Financial Times, Pilita Clark, January 7, 2022.

1) Issuer-specific risks. Reducing the extent to which Citigroup’s fossil fuel financing places the Company’s assets at risk, including risks of stranded assets and reputational damage.

2) Portfoliowide and Systemic risks. Reducing the extent to which the Company’s fossil fuel financing may be inconsistent with an investor’s commitment to manage systemic risk by aligning with global climate goals.

3) ESG Due diligence risks. Ensuring that fiduciaries including investment firms, asset managers, analysts and trustees have necessary information from Citigroup as a portfolio company, to conduct due diligence on the fiduciaries’ ESG related claims.

ISSUER SPECIFIC RISKS

Citigroup is reported to be the biggest funder of 100 key companies with the most ambitious fossil fuel expansion plans, such as ExxonMobil.¹¹ Expansion of those assets with new fossil fuel development poses risks to the company including stranded assets in its portfolio and reputational risk associated with an appearance of greenwashing.

Stranded asset risk

Data is available to both shareholders and the public that show Citi is increasing the risk of asset stranding by investing in fossil fuels. The report “Banking on Climate Change 2020”, reported that Citi is one of the most prominent investors in fossil fuel expansion companies.¹² Citi invests in projects that fund offshore oil and gas, and was described as the worst coal power funder outside of China. Between 2018 and 2019, Citi’s fossil fuel finance increased by \$6.3 billion.¹³ This data is publicly available, and thereby allows Citi shareholders to make informed decisions regarding this big-picture Proposal on the company’s investing policies.

Asset stranding resulting from the early retirement of fossil fuel assets is both an impact and risk of the company's actions. Stranded assets are therefore a likely consequence of the approaching energy transition.

The Company itself has noted its exposure to “high transition risk” assets:

¹¹ See Many Banks Committing to Climate Goals Are Engaging in Greenwashing, <https://www.sierraclub.org/sierra/many-banks-committing-climate-goals-are-engaging-greenwashing-banking-on-climate-chaos>

¹² See *Banking on Climate Change, Fossil Fuel Finance Report 2020*, found at https://www.ran.org/wp-content/uploads/2020/03/Banking_on_Climate_Change_2020_vF.pdf

¹³ *Ibid.*, *Banking on Climate Change, 2020*

Based on our climate risk heat map, approximately 23% of our total exposure and 20% of our funded exposure are categorized as facing high transition risk while 15% of our total exposure and 18% of our funded exposure are categorized as facing high physical risk as of September 30, 2020. This includes energy-related exposure within the public sector and transportation sector.¹⁴

The Federal Reserve Bank of New York modeled climate risk for banks using a simulation based on falling energy prices. Using these tools, the Reserve determined that Citigroup was very exposed:

Specifically, we develop a measure called CRISK, which is the expected capital shortfall of a financial institution in a climate stress scenario...we use stranded asset portfolio return as a proxy measure for transition risk...The stress scenario that we consider is a 50% drop in the return on stranded asset portfolio over six months. This corresponds to the first percentile of historical return on stranded asset portfolios ...The measured CRISKS for some of the banks were economically substantial. For instance, Citigroup's CRISK increased by 73 billion US dollars during the year 2020. In other words, the expected amount of capital that Citigroup would need to raise under the climate stress scenario to restore a prudential capital ratio increased by 73 billion US dollars in 2020.¹⁵

As the Wall Street Journal reported in November 2021,¹⁶ “Trillions in Assets May Be Left Stranded as Companies Address Climate Change: Write-downs of power plants, auto factories and fossil-fuel reserves could cause big losses in transition to renewable energy”.¹⁷ Thus, the current shareholder proposal can be construed as an opportunity for shareholders to protect their investments by asking for a policy that restricts Citigroup from violating a credible 1.5° C pathway.

Reputational risk

In addition, the proposal is also aligned with investor interest in reputational risk, and ensuring that the company is not vulnerable to charges of greenwashing given its participation in efforts like the Net Zero Banking Alliance.

The Company's reported involvement in support for new coal development, despite its policies on restricting new thermal coal investments, provides further demonstration of the need for the policy that the proposal suggests. It has been reported that CitiGroup is one of the 9 banks

¹⁴ <https://www.citigroup.com/citi/sustainability/data/finance-for-a-climate-resilient-future-2.pdf?ieNocache=548#page57>, at 50.

¹⁵ https://www.newyorkfed.org/medialibrary/media/research/staff_reports/sr977.pdf, at 2.

¹⁶ <https://www.wsj.com/articles/trillions-in-assets-may-be-left-stranded-as-companies-address-climate-change-11637416980>

¹⁷ See also <https://www.theguardian.com/environment/2021/sep/08/climate-crisis-fossil-fuels-ground>

involved in this bond issuance for SUEK. The banks will place a new US dollar denominated bond offering for SUEK, with a 5-year maturity.

Critics reviewing the Company's existing thermal coal policy noted numerous loopholes even in that policy. One loophole is the exclusion of existing clients planning to build new coal plants. As a result, Citi will continue to support "Sumitomo (\$2.1 billion of loans provided between October 2018 and October 2020) until at least 2025, when Citi will require a low-carbon transition strategy from its clients".¹⁸ The Company also reports that it will continue to support coal mine developers like Glencore and Adani.

In sum, the Company's resistance to ending new fossil fuel development is inconsistent with a global transition consistent with 1.5°C warming, and the Company cannot escape this reality through "nuanced" policies of funding additional fossil fuel development projects.

Tim Buckley, former Citi managing director, has asserted that the bank is currently failing to heed the warning signs regarding the impacts of climate change on its financial configuration.¹⁹ He pointed out that the SUEK deal is:

In direct contradiction to the Paris Agreement and the findings of the International Energy Agency's (IEA) recent Net Zero by 2050 roadmap, which couldn't be clearer, that to avoid impending climate catastrophe, there must be "no investment in new fossil fuel supply projects, and no further final investment decisions for new unabated coal plants." It also contradicts the spirit of Citi's Commitment to Net Zero by 2050, which CEO Jane Fraser announced on the first day on the job.

Buckley continued to assert that the Company should commit to a clear end date beyond which the bank will not provide any financial assistance across its advisory, debt, equity and capital market services, to any company still building out greenfield oil, gas, and coal operations (including associated facilitation of rail and port infrastructure)

The Office of the Comptroller of the Currency has recognized this risk in its recent proposal²⁰ on climate accountability of banks, noting that:

[W]here banks engage in public communication of their climate-related strategies, boards and management should ensure that any public statements about their banks' climate-related strategies and commitments are consistent with their internal strategies and risk appetite statements.

¹⁸ See Citi becomes the first US bank to announce a partial coal phase-out, *found at* <https://reclaimfinance.org/site/en/2021/03/16/citi-becomes-the-first-us-bank-to-announce-a-partial-coal-phase-out/>

¹⁹ IEEFA: Will CEO Jane Fraser clean up Citi's climate record?, *found at* <https://ieefa.org/ieefa-will-ceo-jane-fraser-clean-up-citis-climate-record/>

²⁰ <https://www.occ.treas.gov/news-issuances/news-releases/2021/nr-occ-2021-138a.pdf> at 3.

Citigroup engages in many such communications, including as a signatory to the UN Principles for Responsible Investment and in committing to reduce its carbon footprint to net zero by 2050. As we discussed above, UNEP FI has defined a *credible financial institution's net zero commitment* as necessitating alignment with global goals including the need to halt financing of new fossil fuel supplies. The Principles for Responsible Investment²¹ endorsed by the Company articulate six key points of “commitment” for endorsers,²² some of which directly bear on the current proposal.

For instance, Principle two states: “We will be active owners and incorporate ESG issues into our ownership policies and practices.” The principle describes possible actions including filing “shareholder resolutions consistent with long-term ESG considerations.”

Principle three states that: “We will seek appropriate disclosure on ESG issues by the entities in which we invest.” Among the possible implementing actions are to **“ask for information from companies regarding adoption of/adherence to relevant norms, standards, codes of conduct or international initiatives** (such as the UN Global Compact),” and “Support shareholder initiatives and resolutions promoting ESG disclosure.”

Citigroup CEO Jane Fraser has herself told the Wall Street Journal’s CEO Council Summit that the bank will have to cut off some clients to meet its climate goals.²³ But in seeming contradiction to this statement, it has also been reported by Reuters that Citigroup and other banks are actually in the process of propping up failing oil and gas companies, creating mechanisms to buy oil and gas development companies that are failing as the shale gas boom goes bust. The Proposal provides a key opportunity for the Company’s investors to inquire more deeply and encourage the company to sustain the credibility of its net zero commitments, by aligning its policies and moving beyond its current equivocal approach to oil and gas sector supply development.

SYSTEMIC AND PORTFOLIOWIDE RISKS

The Company’s fossil fuel financing may be inconsistent with an investor’s commitment to alignment with global climate goals

Many investors and fiduciaries have undertaken policies and commitments to align their portfolios and individual holdings with global climate goals. The BankTrack website which focuses on analysis of banking and climate change summarizes this systemic view in its analysis:

²¹ The principles note they “[were developed by investors, for investors.](#)”

²² <https://www.unpri.org/pri/what-are-the-principles-for-responsible-investment>

²³ <https://www.wsj.com/articles/citigroups-jane-fraser-expects-to-shed-some-clients-for-climate-purposes-11638912251#:~:text=Ms.,posts%20in%20the%20next%20year.>

The Paris Climate Agreement, which was signed in 2015, aims to “avoid dangerous climate change by limiting global warming to well below 2°C and pursuing efforts to limit it to 1.5°C”. The scientific basis for limiting global warming to 1.5°C instead of 2°C was further strengthened in 2018 by the IPCC’s special report on global warming of 1.5°C. This report clearly showed that all negative effects of global warming such as sea level rise, water and food insecurity, damage to ecosystems and ocean acidification are less severe at warming of 1.5°C compared to 2°C.

To estimate the amount of carbon dioxide that still can be emitted until reaching a certain temperature threshold, like 1.5°C of warming, climate scientists work with ‘carbon budgets’. Analysis by Oil Change International shows that the currently developed fossil fuel reserves for gas, oil and coal are already double the remaining carbon budget for a 50% chance of staying below 1.5°C of global warming. In the beginning of 2021, the International Energy Agency came to the same conclusion and stated that there was 'no need for more fossil fuels' in their Net Zero by 2050 Roadmap.

Based on this analysis, it can be concluded that *all fossil fuel expansion is incompatible with the goals agreed upon in the Paris Climate Agreement*. (Fossil fuel expansion encompasses all development of untapped fossil fuel sources and building the infrastructure to bring these fossil fuels to the market.) In this context, any further exploration for new reserves and the construction of new fossil fuel infrastructure is indefensible and should not be pursued by any government or company, or financed by any bank. Unfortunately, many banks continue to finance fossil fuel expansion, while the policies of most banks to limit or stop their finance for expansion remain weak or often even non-existent.

Thus, shareholders and investment fiduciaries monitoring the global impacts of climate change, in voting on the current proposal, provide important input to the board and management as to how to balance these short and long-term interests, and to encourage companies as well as countries to exercise leadership in the urgent need for a phase down in new fossil fuel development.

To the growing portion of institutional and diversified investors who take seriously their fiduciary obligations to consider and engage on the systemic, economy and portfolio wide implications of their holdings, the Proposal provides a key opportunity to engage with a major fossil fuel funder.

In addition, failure to address these broad concerns poses systemic economic risks.

A recent report, “Wall Street’s carbon bubble: the global omissions of the US financial sector” has noted that banks’ fossil fuel assets reflect a new market bubble, analogous to subprime mortgages prior to the housing market crash of 2008:

In order to keep global warming under 1.5 degrees Celsius, there is a finite limit to total emissions, known as the “carbon budget.” To remain within that budget, global net anthropogenic CO₂ emissions must decline by 45 percent from 2010 levels by

2030. This will require a rapid phase-out of the largest sources of emissions, including emissions from fossil fuel production.

Unfortunately, the potential emissions from currently operating oil, gas, and coal fields and mines alone would send the world past 2°C of warming. Instead of heeding warnings, the fossil fuel industry plans to increase production through 2030, producing twice as much emissions as the carbon budget allows. This means that, if the world is to achieve the 1.5°C warming limit, a portion of existing fossil fuel projects will turn into “stranded assets,” defined by the International Energy Agency as “those investments which have already been made but which, at some time prior to the end of their economic life... are no longer able to earn an economic return.” Companies are therefore raising and spending capital for projects that will not provide the returns investors expect.

The market is now carrying a significant amount of “unburnable carbon.” This means, according to Ben Caldecott, there is a “disconnect between the current value of the listed equity of global fossil fuel producers and their potential commercialisation under a strict carbon budget constraint.” This disconnect is termed the “carbon bubble.”

As described in a paper by David Comerford and Alessandro Spignati:

[A]nalogously to the subprime mortgage problem that precipitated the 2008-09 Financial Crisis, the global economy is once again mis-pricing assets as markets overlook this ‘unburnable carbon’ problem. This issue is termed the ‘Carbon Bubble’ because the imposition of climate policy consistent with the Potsdam Climate Institute’s calculations would mean the fundamental value of many fossil fuel assets must be zero as they cannot be used. Their current market value must therefore be made up of a zero fundamental value, and a ‘bubble’ component: the Carbon Bubble.²⁴

The scale of this mispricing problem is significant. According to Carbon Tracker Initiative, “governments and global markets are currently treating as assets reserves equivalent to nearly 5 times the carbon budget for the next 40 years.” Based on some estimates, the impact of losses from stranded fossil fuel assets may “amount to a discounted global wealth loss of \$1-4 trillion.”
[emphasis added]

Thus the continued refusal by companies and financial institutions to adapt their business activity to align with a carbon-constrained future in a timely manner may lead to large losses in value throughout the global financial system. If asset repricing occurs abruptly, this inaction will lead to sudden, painful financial and economic shocks that could precipitate a global financial crisis.

²⁴ <https://www.bankofengland.co.uk/-/media/boe/files/events/2016/november/the-carbon-bubble-climate-policy-in-a-fire-sale-model-of-deleveraging-speaker-paper.pdf?la=en&hash=F6FC6E38ED1334A006F9658A605E77946C8BDE83>

This appropriate systemic and portfolio wide concern is connected with fiduciary duties of investors, specifically the fiduciary duty of impartiality which necessitates a balancing of interests of beneficiaries who may draw on the assets in the near term and those for whom retirement or other need for the assets are longer-term and may be undercut by a carbon bubble and related market shocks.²⁵

ESG DUE DILIGENCE

Ensuring that investment firms, asset managers and other fiduciaries have information necessary for due diligence on any ESG related claims.

On March 4, 2021, the SEC initiated a new Task Force focused on climate and ESG issues looking primarily at the “veracity of issuers’ ESG disclosures as well as those of investment fiduciaries.”²⁶ In the present instance, the current proposal speaks directly to the credibility of Citigroup’s climate change pledges and claims, and therefore advances the objectives of the Task Force in ensuring that the credibility of issuer claims on climate change are defensible.

Based on the United Nations “credible action” document, the credibility of Citigroup’s climate commitment is on the line in any claims to be aligned with global climate goals without a concurrent commitment to eliminating the funding of new fossil fuel development.

The shareholder proposal provides an opportunity for the company’s investors to guide company policy in a manner that would address what appears to be a fundamental flaw in current company plans. In addition, the shareholder right to file and vote on this proposal offers the best available opportunity for ESG investment fiduciaries to act on their due diligence responsibilities, to ensure that their ESG commitments are backed with the data and verification necessary to make any ESG claims. To the extent that investment fiduciaries claim that stock holdings in Citigroup are ESG or net zero assets, the request of the proposal provides a central opportunity to back that claim with due diligence in engagement and stewardship.

This investor due diligence that is enabled by the proposal is responsive to the demands and scrutiny placed on ESG investors according to the report of the SEC “Division of Examinations’ Review of ESG Investing, April 9, 2021. That review noted that numerous investment products

²⁵ A law review article reviewing this duty of impartiality noted in particular that with regard to the potential conflict between long or short term bias: “As a practical matter, such communication is done through stockholders’ resolutions, allowing stockholders to express their preferences for certain corporate actions...the fiduciary duty of impartiality provides an analytic framework for the consistent resolution of stockholders’ conflicts of interest. It is a balancing test that provides a corporation’s board of directors a flexible tool with which to weigh various, and often conflicting, interests of stockholders to reach a resolution that maximizes the value of the enterprise as a whole. Shachar Nir, One Duty to All: The Fiduciary Duty of Impartiality and Stockholders’ Conflict of Interest, 16 Hastings Bus. L.J. 1 (2020).

Available at: https://repository.uchastings.edu/hastings_business_law_journal/vol16/iss1/2

²⁶ See SEC Announces Enforcement Task Force Focused on Climate and ESG Issues, *found at* <https://www.sec.gov/news/press-release/2021-42>

and financial services have incorporated environmental, social, and governance (“ESG”) to meet demand. The division noted that it will be monitoring the accuracy of disclosures on ESG investing, and that examinations of firms claiming to engage in ESG investing will focus on, among other matters, a review of a firm’s policies, procedures, and practices related to ESG and its use of ESG-related terminology; due diligence and other processes for selecting, investing in, and monitoring investments in view of the firm’s disclosed ESG investing approaches; and whether proxy voting decision-making processes are consistent with ESG disclosures and marketing materials. The division also noted that 5 Advisers Act Section 206 imposes a fiduciary duty on investment advisers to provide full and fair disclosure of all material facts relating to the advisory relationship and to provide advice that is in the best interest of the client. Investment advisers also have antifraud liability with respect to communications to clients and prospective clients under Advisers Act Section 206. See Commission Interpretation Regarding Standard of Conduct for Investment.²⁷

In short, proponents believe that the growing responsibilities of ESG investors to walk their talk necessitates support for the current proposal, to ensure that a large portfolio holding in a financial institution like Citigroup does not leave an ESG investor vulnerable to enforcement actions on failure to exercise due diligence on portfolio company practices inconsistent with ESG, net zero, 1.5° C alignment and similar commitments.

FLEXIBILITY, DISCRETION, VAGUENESS

The proposal is neither too directive for purposes of Rule 14a-8(i)(7) nor too vague for purposes of Rule 14a-8(i)(3).

The second of the micromanagement evaluations, regarding affording sufficient flexibility to board and management, is where the Company Letter places emphasis in its Rule 14a-8(i)(7) argument. But the letter subsequently also claims that the proposal is *too* flexible or vague - leaving too much discretion for the board and management.

²⁷ The Review also noted, despite claims to have formal processes in place for ESG investing, a lack of policies and procedures related to ESG investing; policies and procedures that did not appear to be reasonably designed to prevent violations of law, or that were not implemented; documentation of ESG-related investment decisions that was weak or unclear; and compliance programs that did not appear to be reasonably designed to guard against inaccurate ESG-related disclosures and marketing materials. They noted further:

- *Portfolio management practices were inconsistent with disclosures about ESG approaches.*
- *Controls were inadequate to maintain, monitor, and update clients’ ESG-related investing guidelines, mandates, and restrictions.*
- *Inadequate controls to ensure that ESG-related disclosures and marketing are consistent with the firm’s practices.*
- *Policies and procedures that addressed ESG investing and covered key aspects of the firms’ relevant practices. Controls were inadequate to maintain, monitor, and update clients’ ESG-related investing guidelines, mandates, and restrictions.*

Because this tension between flexibility and specificity overlaps the company's Rule 14a-8(i)(7) and Rule 14a-8(i)(3) arguments, we will address these together.

How flexible or specific should a shareholder proposal be?

To begin, the shareholder proposal rule itself states that a proposal should “state as clearly as possible the course of action” that the proponent believes “the company should follow”²⁸ as an advisory “request” for company action. Rule 14a-8(a). Thus, any claim that the proposal is overly inflexible must be evaluated against this fundamental guidance in the rule itself. Moreover, as the Company letter itself demonstrates, failure to be specific invites a company challenge based on vagueness, that either the company or its shareholders will not understand the scope of the proposal or how it will be implemented.

At the other pole is the potential for the proposal to encroach too far onto the board and management discretion. But as an advisory proposal, the board and management's discretion is seldom encroached by a proposal. Even after a majority of support on an advisory proposal, the board and management are *expected* to exercise discretion to act as fiduciaries in the interests of the corporation. The request of the current proposal is advisory, it is not directive.

The Company Letter asserts that the proposal would provide management with no discretion to assess the risks and opportunities associated with lending²⁹. However, there is actually substantial flexibility within the guidance of the proposal for the company to *identify proactive activities* to ensure that the company's lending and underwriting *do not contribute to new fossil fuel supplies*.

In an argument in the alternative that stretches credulity, the Company's Rule 14a-8(i)(3) vagueness assertions treat the Proposal as inappropriately vague, citing separate grounds for exclusion, rather than recognizing that the proposal leaves discretion to the board and management. The Company Letter notes that there are both direct and indirect contributors to new fossil fuel supplies, and that the range of lending or underwriting recipients that could be subject to the Proposal could include: energy generation companies, which are significant purchasers of global fossil fuels; companies that provide the equipment and other materials to exploration and extraction companies, such as heavy machinery manufacturers; direct and indirect participants in the transportation sector, which are among the largest consumers of fossil fuels in the United States; national and sub-national governments that implement policies that

²⁸ See Rule 14a-8(a).

²⁹ The Company Letter mistakenly asserts: “The Proposal would not provide management with any discretion to assess the risks and opportunities associated with the implementation of the underlying policy objectives, to leverage the extensive work it has done to establish its own existing climate-related business policies and to develop strategies in conjunction with its clients that could support a clean-energy transition and improved climate sustainability. Rather, stockholders are being asked to assume this managerial responsibility and dictate, by institutional policy, which companies are suitable to be the Company's clients.”

permit, facilitate or incentive the extraction of fossil fuels from their territories; companies and other entities that provide services to exploration and extraction companies and any other direct participants in the fossil fuel exploration and extraction industries, such as professional service providers, like legal service providers and accountants; and any other business or individual that is a consumer of fossil fuels, and thus contributes to the global demand for fossil fuels.

Thus, the Company Letter has effectively acknowledged that the proposal offers extensive flexibility to the board and management to determine what types of lending activities, and what types of proactive measures, are appropriate to avoid supporting new fossil fuel development.

The proposal does not require divestment from particular companies

The Company Letter argues that even though the Proposal is directed at important objectives and a transcendent policy issue it micromanages because:

The proposal would *provide stockholders with the authority to determine which clients the company can provide its lending and underwriting services to*, and to cease providing banking services to a whole range of its existing clients without consideration of strategic interests of the company.

But this suggestion is inconsistent with the Proposal. To the contrary, this advisory proposal asks the Company only to adopt a policy consistent with global climate constraints already articulated by authoritative bodies UNEP FI and IEA – that have both indicated that new fossil fuel development is not compatible with the 1.5° scenario.

The Proposal does not delineate acceptable clients for the Company, but rather whether the activities that it finances should be aligned with key global climate benchmarks which are considered by many investors and experts to be a litmus test for the credibility of commitments by large financial institutions – the extent to which their financing is aligned with or in conflict with the need to keep undeveloped fossil fuels in the ground.

The wording of the proposal is not consistent with the Company's interpretation.³⁰ Nothing in the Proposal contemplates or demands divestment from current oil and gas companies; it only

³⁰ We note that the Company Letter cherry picks the UNEP FI “credible commitments” document to reference the idea that the credible commitments document did not contemplate “divestment” from fossil fuel companies by financial institutions. Specifically, the Company Letter states:

The Proposal, however, assumes, without any factual or empirical support, that *terminating lending and underwriting relationships* is the best strategy to fulfill the IEA's Net Zero Emissions by 2050 Roadmap, and refers in their supporting statement to the United Nations Environmental Program Finance Initiative (“UNEP

asks the Company to establish a policy of proactive measures to ensure that its financing services do not support new fossil fuel development. The proposal is agnostic as to which clients the Company provides financing to. For instance, to the extent that oil and gas companies are developing renewable or clean energy segments, there is no requirement in the proposal that would necessitate ending the financing of those initiatives. Indeed, as the IEA has itself pointed out:

The expertise of the oil and natural gas industry fits well with technologies such as hydrogen, CCUS and offshore wind that are needed to tackle emissions in sectors where reductions are likely to be most challenging.³¹

A compelling demonstration of the flexibility and discretion afforded by the Proposal is contained in the UNEP FI “credible commitments” document. UNEP FI in its credible zero commitments guidance notes that there are multiple possible pathways to credible alignment by financial institutions including an absolute contraction approach, an economic intensity-based approach, a capacity or technology based approach, a portfolio coverage approach and sectoral alignment. *Whichever of these pathways the board and management should choose, new fossil fuel development is excluded – it is not consistent with 1.5° C alignment.*³²

FI”) Recommendations for Credible Net-Zero Commitments from Financial Institutions. **In fact, the UNEP FI recommendations acknowledge that immediate divestment is not necessarily the right approach for achieving net zero goals.** [Emphasis added]

This is a misdirected point, since the current proposal is not oriented around divestment. And UNEP FI also made it clear that a credible net zero commitment includes “alignment as soon as possible,” including ending support for new fossil fuel development.

³¹ <https://www.iea.org/reports/net-zero-by-2050>

³² The UNEP FI notes that there is no universal pathway to 1.5 degrees and that each company must tailor its pathway to its own circumstances. UNEP FI discusses five approaches that a financial institution may take to achieve a 1.5 degree no/low overshoot alignment: 1. 'Absolute contraction' approach a. Reducing the absolute amount of carbon in the portfolio. This can involve early divestment from major sources of carbon. 2. 'Economic intensity-based' approach c. Achieving a greater carbon efficiency per dollar invested. This can involve investing new funds in more carbon efficient companies and/or ceasing to finance major sources of carbon. 3. A 'capacity- or technology-based' approach. This involves identifying fossil fuel sources (or technologies) in the portfolio or loan book and working towards the cessation or replacement of those capacities/technologies. 4. 'Portfolio coverage' approach - providing increasing amounts of capital to companies with transition plans and their own net-zero commitments, either through analyzing asset level data and/or engaging with companies to encourage, track and accelerate company-level net-zero commitments, or taking a bottom-up approach to increase the number of companies which are credibly net-zero aligned as a percentage of the portfolio or loan book 5. 'Sectoral alignment' e.g. 'sector decarbonization approach' in which, over time, all companies in the portfolio or loan book for that sector would be expected to achieve the benchmark carbon/GHG efficiency (as a result this transitions to a portfolio coverage approach over time but has the added benefit of supplying capital to the more efficient companies in the near-term) This can involve overweighting (providing greater amounts of financing to) companies which have a lower energy demand or carbon/GHG emissions per unit of product/output, and underweighting (providing lesser amounts of financing to) those which are less energy or carbon/GHG efficient." Credible commitments guidance at 11-12.

To the extent that an oil and gas major is developing a substantial renewable energy project, or developing resources other than fossil fuels, the proposal is agnostic as to the continuation of or initiation of lending activities. The CEO on January 19 made a statement that the Company will “prioritize partnering on transition strategies before turning to client exits as a last resort.”³³ The current proposal offers flexibility to pursue that approach – but the proposal is not consistent with the company’s apparent plan to continue financing of new fossil fuel supply as part of that “partnering,” because that is inconsistent with the global benchmarks.

The Proposal is squarely on target for a shareholder assessment of this key vulnerability in the company’s strategy to date. As Staff Legal Bulletin 14 L put it: “This approach is consistent with the Commission’s views on the ordinary business exclusion, which is designed to preserve management’s discretion on ordinary business matters but not prevent shareholders from providing high-level direction on large strategic corporate matters.”

RULE 14a-8(i)(3)

After its micromanagement assertions, the Company Letter also asserts that the proposal is vague in that it does not dictate precisely what types of lending should be restricted by the Company, but rather leaves it to board and management discretion to assess. This is, as noted above, inconsistent with the argument that the company makes in its first assertion that the proposal micromanages.

The Company Letter Rule 14a-8(i)(3) argument is based on the idea that it is unclear which companies and entities that could “possibly be subject to the Proposal”, such as companies that provide the equipment and other materials to exploration and extraction companies, and national and sub-national governments that implement policies that permit, facilitate or incentive the extraction of fossil fuels from their territories. The Company letter notes that the “Proposal does not provide a limitation as to what level of involvement in the fossil fuel industry is necessary to be subject to policy.”

Rather than seeing this as an unacceptably vague element of the proposal, as we noted above, the proponent believes that it clearly demonstrates that the board and management has adequate discretion to ascertain how to implement the proposal appropriately, including, for instance,

Nevertheless, no matter which method a financial institution utilizes, new fossil fuel development is excluded from any 1.5 degree pathway. Proponents do not specify a pathway, either. They merely request that the Board craft a credible pathway.

³³ <https://blog.citigroup.com/2022/01/our-approach-to-net-zero-by-2050/>

providing conditions on loans to any of those entities, or integrating nuanced policies as the company has demonstrated it is well capable of developing on its thermal coal related policies.

The proposal merely places a stake in the ground on new fossil fuel development calling for shareholder deliberation on whether the Company, beyond its current proclamations, still needs to make credible commitments aligned with the global 1.5° C temperature goal, as articulated by IEA and UNEP FI. The proposal is clear, unambiguous, and stockholders would have no difficulty determining how to vote on the proposal, nor would the board or management have difficulty implementing the policy within their discretion.

CONCLUSION

Ultimately, the ability of a shareholder proposal to produce beneficial change at a corporation is grounded in a fundamental test – whether shareholders vote in favor of the proposal. This inevitably turns on shareholders’ assessment of whether the proposal will advance value on a short- or long-term basis, whether at the individual company or across the economy. For this reason, the corporate bar’s alleged concern that the shareholder proposal process could turn into a plebiscite on general issues of political or social debate is entirely unfounded.

The current proposal is consistent with the rights and responsibilities of investors to assess the congruence of portfolio companies’ performance with their climate pledges. It is an investor due diligence action for the fiduciaries who have adopted ESG principles. The proposal is neither too prescriptive nor too vague, and therefore is not excludable under Rule 14a-8(i)(7) or Rule 14a-8(i)(3). Based on the foregoing, we believe the Company has provided no basis for the conclusion that the Proposal is excludable from the 2022 proxy statement pursuant to Rule 14a-8.

THE PROPOSAL

Ending New Fossil Fuel Financing

Resolved: Shareholders request that the Board of Directors of Citigroup adopt a policy by the end of 2022 committing to proactive measures to ensure that the company's lending and underwriting do not contribute to new fossil fuel supplies inconsistent with fulfilling the IEA's Net Zero Emissions by 2050 Roadmap and the United Nations Environmental Program Finance Initiative recommendations to the G20 Sustainable Finance Working Group for credible net zero commitments.

Supporting Statement

Citigroup, as a member of the Net Zero Banking Alliance (NZBA), commits to align financing with a maximum temperature rise of 1.5 degrees Celsius.¹ To close the gap between words and action, a change in policy is needed on financing of fossil fuel exploration and development.

The United Nations Environmental Program Finance Initiative (UNEPFI), which convenes the NZBA, published an Input Paper to the G20 Sustainable Finance Working Group which defines *credible* net zero commitments of financial institutions, including: "A financial institution establishing a net-zero commitment should begin aligning with the required assumptions and implications of IPCC 1.5°C no/low overshoot pathways as soon as possible....All no/low overshoot scenarios indicate an immediate reduction in fossil fuels, signaling that investment in new fossil fuel development is not aligned with 1.5°C."² The International Energy Agency (IEA) has concluded, "There is no need for investment in new fossil fuel supply in our net zero pathway."³

Citigroup has not committed to end funding of fossil fuel expansion. It reportedly recently financed an expanding coal operation in Russia. In September 2021 Bloomberg reported that Russia's largest coal producer and coal plant operator, JSC SUEK, had mandated nine banks, including Citigroup, for a bond issuance with a 5-year maturity.⁴ JSC SUEK produces over 100 million tons of coal per year. It is expanding coal mining operations for an additional 25 million tons per year. SUEK's coal exports are set for expansion by around 28 million tons per year.

An observer noted, "SUEK plays a central, if not THE central role in Russia's scheme to profit as much as possible from the coal industry before the fossil era ends. It is outrageous that US and German banks are still helping to raise money for one of the world's largest coal companies only two months before COP26 in Glasgow."⁵

Ernst-Jan Kuiper of BankTrack added: "The participation of US and German banks in this bond issuance is particularly surprising given their net-zero pledges.... we need to see more from banks than signing showy net-zero initiatives."

Financing of new *oil and gas* exploration and development is also inconsistent with the global goals. A study in Nature that found oil and gas production needs to fall by 3% each year until 2050 to meet the goals of the Paris Agreement.⁶

1 <https://www.unepfi.org/wordpress/wp-content/uploads/2021/04/UNEP-FI-NZBA-Commitment-Statement.pdf>

2 <https://g20sfwg.org/wp-content/uploads/2021/10/2021-UNEP-FI.-Recommendations-for-Credible-Net-Zero-Commitments.pdf>, at 15.

3 <https://www.iea.org/reports/net-zero-by-2050>

4 Bloomberg Terminal: <https://blinks.bloomberg.com/news/stories/QYRCFLDWLU6U>(link is external) Public Source: Anthropocene Fixed Income Institute, <https://anthropocenefii.org/afii-suek-bofa-citi-cmzb>(link is external)

5 Urgewalt spokesperson.

6 <https://www.nature.com/articles/s41586-021-03821-8>



January 28, 2022

BY E-MAIL [shareholderproposals@sec.gov]

U.S. Securities and Exchange Commission
Office of Chief Counsel
Division of Corporation Finance
100 F Street, NE
Washington, D.C. 20549

**Re: Stockholder Proposal to Citigroup Inc. from John C. Harrington and
Boston Common Asset Management**

Ladies and Gentlemen:

Citigroup Inc. (the “Company”) is writing to supplement our letter, dated December 23, 2021 (the “Original Request”) seeking confirmation from the staff of the Division of Corporation Finance (the “Staff”) that it will not recommend enforcement action to the Securities and Exchange Commission (the “Commission”) if the Company excludes a stockholder proposal (the “Proposal”) submitted by John C. Harrington and Boston Common Asset Management (collectively, the “Proponent”) from the proxy statement and form of proxy (together, the “2022 Proxy Materials”) to be furnished to stockholders in connection with the Company’s 2022 annual meeting of stockholders. The Company reiterates each of the grounds upon which it based the request as set forth in the Original Request. This letter is intended to respond to the letter from the Proponent, dated January 20, 2022 (the “Proponent Letter”), that addresses to the Original Request. We also renew our request for confirmation that the Staff will not recommend enforcement action to the Commission if the Company excludes the Proposal from the 2022 Proxy Materials in reliance on Rule 14a-8(i)(7) and/or Rule 14a-8(i)(3). We have concurrently sent copies of this correspondence to the Proponent.

The Proponent Letter mischaracterizes the Proposal. While the Proponent Letter claims that the Proposal provides “sufficient flexibility for board and management discretion”, it does not such thing. In fact, the Proposal requires the Board of Directors of the Company (the “Board”) to adopt a policy on a specified timeline – “adopt a policy by the end of 2022” – that prescribes a very specific outcome – “ensure that the company's lending and underwriting do not contribute to new fossil fuel supplies inconsistent with fulfilling the IEA’s Net Zero Emissions by 2050 Roadmap and the United Nations Environmental Program Finance Initiative recommendations to the G20 Sustainable Finance Working Group for credible net zero commitments.” The Proponent

asserts that because the Proposal would allow the Board to design a policy that is consistent with the IEA's Net Zero Emissions by 2050 Roadmap and the United Nations Environmental Program Finance (UNEP) Initiative recommendations to the G20 Sustainable Finance Working Group, the Board has discretion to choose the how to comply with it. In the supporting statement to the Proposal, the Proponent states that "The International Energy Agency (IEA) has concluded, "There is no need for investment in new fossil fuel supply in our net zero pathway." The Proponent further notes in the Proponent Letter, the IEA and UNEP recommends "the immediate cessation of any new fossil fuel investments, and rapid decommissioning of remaining fossil fuel production as indicated by the scenarios." The Proponent is presenting to stockholders a Proposal with only one way to implement it. For the Company to comply with the Proposal, the Company would have to, in 11 months, "cease providing lending and underwriting" services to any person or entity that could possibly be investing in, supporting, supplying or advising any person or entity associated with the fossil fuel industry. The Proponent has not presented a proposal asking the Board to prepare a report on how the Company could implement a policy consistent with the Proposal. The Proponent is now trying to suggest that the Company and the Board have broad discretion, but, in fact, the Proposal makes clear that there is just one path to comply.

The Company is a signatory of the UNEP's Principles for Responsible Banking and, as described in the Original Request, it has a long-standing Environmental and Social Risk Management policy that includes specific restrictions and timetables designed to support its climate risk policies, including outright prohibitions on financing the expansion of thermal coal mines and coal-fired power plants. These initiatives are important to the Company and ones the Board takes seriously. The Company believes that it should continue to be able to determine the scope of these initiatives, taking into account its business practices and relationships with its clients, in a manner that can best support climate transition.

As such, the Company continues to believe that the Proposal may be excluded from the 2022 Proxy Materials and respectfully renews its request that the Staff concur in this view.

We would be pleased to provide any additional information and answer any questions that the Staff may have regarding this submission. If the Staff does not concur with the Company's position, we would appreciate the opportunity to confer with the Staff concerning this matter prior to the determination of the Staff's final position.

Please do not hesitate to contact the undersigned at (212) 793-7396 to discuss any questions you may have regarding this matter.

Very truly yours,



Shelley J. Dropkin
Deputy Corporate Secretary and
General Counsel, Corporate Governance

cc: John C. Harrington
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February 1, 2022
Via electronic mail

Office of Chief Counsel
Division of Corporation Finance
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549

Re: Shareholder Proposal to Citigroup Inc. Regarding Fossil Fuels Financing on Behalf of John C. Harrington

Ladies and Gentlemen:

John C. Harrington (the “Proponent”) is beneficial owner of common stock of Citigroup Inc. (the “Company”) and has submitted a shareholder proposal (the “Proposal”) to the Company. The proponent previously responded to the Company’s no action request on January 20, 2022. I have been asked by the Proponent to respond to the supplemental letter dated January 28, 2022 (“Supplemental Letter”) sent to the Securities and Exchange Commission by Shelly J. Dropkin. A copy of this response letter is being emailed concurrently to Ms. Dropkin.

The Supplemental Letter goes out of its way to rewrite the Proposal to find micromanagement. It is not the proponent’s prior response, but the Company’s correspondence, that dramatically rewrites and over-interprets the Proposal to try to establish a micromanagement defense. According to the Company’s latest correspondence, “The Proponent is presenting to stockholders a Proposal with only one way to implement it.” The Company Supplemental Letter radically overstates the prescriptiveness of the Proposal:

For the Company to comply with the Proposal, the Company would have to, in 11 months, “cease providing lending and underwriting” services to any person or entity that could possibly be investing in, supporting, supplying or advising any person or entity associated with the fossil fuel industry.

This is an extreme rewrite of the proposal. Under the Proposal’s plain language asks the company to *commit to proactive measures* and leaves discretion as to what the specific proactive commitments the Company would make:

Resolved: Shareholders request that the Board of Directors of Citigroup adopt a policy by the end of 2022 committing to proactive measures to ensure that the company's lending and underwriting do not contribute to new fossil fuel supplies inconsistent with fulfilling the IEA's Net Zero Emissions by 2050 Roadmap and the United Nations Environmental

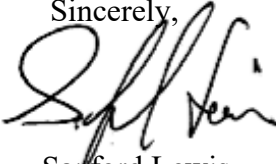
Program Finance Initiative recommendations to the G20 Sustainable Finance Working Group for credible net zero commitments.

What is requested by the proposal is that by the end of 2022 the company makes a *commitment to proactive measures in line with the global benchmarks*. The Proposal does not dictate the details or time frames for implementation of those policies, it certainly does not say and cannot be construed to say that the company has to cease providing lending and underwriting services to “any person or entity that could possibly be investing in supporting supplying or advising any person or entity associated with the fossil fuel industry.” This extreme rewrite of the language of the proposal in the Company’s latest correspondence is instructive. It shows that the Company can only prevail by rewriting the current proposal into something far more restrictive than written by the Proponent. Our initial letter described at length some of the many nuances of timing, policy and implementation that are possible within the framework of the Proposal’s request, and aligned with the Company’s own record of climate policies and nuances

Further, as an advisory proposal this does not and cannot force the company to take any particular action, and especially within a certain time frame. To the extent that the Company reiterates the lie that the Proposal requires the board to do anything, it does no such thing. It is advisory. The board legally can do anything it chooses in its discretion, even if the resolution receives 100% shareholder approval.

What is lacking in the Company’s argument and in its opposition to the proposal is respect for the clear rights and duties of investors to ask the company to match its practices to respected global benchmarks. Because the Company’s declared strategies fall far short of those global benchmarks, there is clearly room for the debate framed by the Proposal, and the Company has not made a compelling case for exclusion under Rule 14a-8(i)(7).

The Proponent stands by our initial correspondence and urges the Staff to reject the Company’s no action request.

Sincerely,

Sanford Lewis