



Citi Global Wealth

UK FRC Stewardship Code 2020: Principles for asset owners and asset managers

Stewardship is the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

The Financial Reporting Council's Stewardship Code 2020 ('the Code') requires that a firm, other than a venture capital firm, which is managing investments for a professional client that is not a natural person must disclose clearly on its website, or if it does not have a website in another accessible form:

1. the nature of its commitment to the Code; or
2. where it does not commit to the Code, its alternative investment strategy.

The Code took effect on 1 January 2020.

Citi Investment Management ('CIM'), acting through Citibank N.A., London Branch provides portfolio management services and operates a global investment decision making process. CIM is not a signatory to the Code given the small number of professional clients that are not natural persons which it offers its services to, as well as the small volume of transactions, however we have assessed the set of 12 Principles for asset owners and asset managers and have determined that some of the principles can be meaningfully applied to CIM, as set out below.

Principle 1: Purpose, strategy and culture

As Citi Global Wealth's discretionary investment management organization, CIM has designed, delivered, and managed customized portfolios and investments since 1935. Our global investment management organization delivers investment advice designed to meet clients' goals and objectives. We construct long term oriented diversified investment portfolios across different asset classes that may be complemented by opportunistic investments seeking to take advantage of timely and relevant market opportunities.

Our open architecture platform delivers a range of core, opportunistic and thematic strategies across asset classes from our own proprietary strategies and strategies managed by extensively vetted third-party managers.

We combine Citi's global reach with local expertise to provide clients with the widest range of opportunities in both emerging and developed markets, allowing us to craft diversified core portfolios complemented by timely, opportunistic investments that seek to deliver enhanced, risk-



adjusted returns. Our holistic advice incorporates clients' personal goals, from legacy planning to sustainability and for eligible clients, we also offer wholly bespoke portfolios.

Citi has long been a leader in the sustainability space, from co-founding the Equator Principles in 2003 to supporting the Paris Agreement in 2019 and sourcing 100% of the company's energy needs from renewable sources by the end of 2020.

CIM embeds the consideration of financially material sustainability risks in its investment process no matter where it provides portfolio management services in the world. Ultimately, CIM's goal in taking account of these risks – and in integrating them across the organisational, governance and risk management aspects of investment decision-making process – is to support long-term investment returns for its clients.

“Investing with purpose” (IwP) is the natural extension of our years of customizing portfolios for CIM clients. Our proprietary and third-party IwP portfolio managers are experienced at integrating environmental, governance and social (ESG) considerations into the investment process to quantify risks, opportunities and durable competitive advantages. In addition to our existing oversight standards, in the case of third-party managers we apply additional layers of scrutiny around sustainability practices and performance. Each manager must demonstrate an engagement strategy with the companies they invest in whether through shareholder activism or proxy voting. We also rely on the expertise of Citi Global Wealth's Global Investments Committee and Global Investments Lab for tactical adjustments and opportunistic investments to develop customized portfolios and strategies that meet clients' investment objectives and risk tolerances.

Citi's corporate culture is focused on advancing racial equality and ongoing diversity priorities. We not only consider diverse representation among team members, but also work to ensure all colleagues feel a sense of belonging and inclusion. Citi ran several pilot programs on how to have meaningful conversations on race to equip senior managers with the tools that will allow them to engage their teams with empathy in challenging, yet constructive, dialogues.

Citi has been accelerating the use of diverse slates in our recruiting, with a focus on having at least one female candidate in interviews for global hires. In 2021, Citi expanded this standard to include at least two women in interviews for global hires. The interview panels for these roles are also required to meet the same criterion.

Citi also launched a new Global Talent Acquisition Diversity Effectiveness team to provide guidance, tools and expertise to the recruiting team and hiring managers to promote more effective inclusive hiring practices across Citi.

Principle 2: Governance

Citi's governance structures, policies and processes serve employee, client and community needs, promote a culture of accountability and ethical conduct across the firm, and support Citi's commitment to address global challenges through its core business.



CIM believes in the importance of regular and in-depth stakeholder engagement and has established a governance oversight framework consisting of several forums. These forums meet regularly during which issues and negative trends brought to their attention are discussed. Matters of concern are appropriately escalated in line with the Escalation Policy. Oversight of CIM globally is ultimately governed by the CIM Global Oversight Forum ("GOF"), which is responsible for CIM enterprise-wide risk management and oversight globally with focus on compliance and operational risk. Additionally, the GOF is the point of escalation for underlying CIM forums and meetings and reviews substantive issues/matters arising from those forums and meetings.

Principle 3: Conflicts of interest

CIM operates in compliance with Citi's Conflicts of Interest Management Policy.

Citigroup's Board is ultimately accountable for the management of risk within the Group, including those related to conflicts of interest. Failure to adhere to Citi's Conflicts of Interest Management Policy may be held to be a breach of an employee's contract. Failure of a person to declare a conflict of interest will be regarded as misconduct and may lead to disciplinary action being taken against the individual concerned.

Potential conflicts of interest include:

- Personal trading in a security that is an investment for the CIM portfolios
- Directorship or outside business interests in companies that are investments
- Trading with a Citi entity
- Trading in Citi stock

Certain of these conflicts are significantly mitigated or eradicated given the open architecture that CIM uses and also on account of the fact that CIM does not trade with any Citi entity and instead uses third-party brokers or providers. A blackout period for the discretionary business employees also exists as part of the standard Citi pre-clearance process for trading in personal accounts. CIM does not invest into or hold Citi securities.

Where CIM does exercise its discretion to vote for or against a particular proposal or co-operate with other shareholders, it will be in a manner consistent with its relevant underlying clients' best interests and when not in violation of anti-trust or any other laws or CIM policies. Any actual or potential conflict of interest that may arise would be managed in line with Citi's Conflicts of Interest Management Policy, which is updated on an annual basis. The Policy sets out a framework and identifies the requirements to manage, mitigate, monitor, escalate, and report conflicts that can arise with clients, customers and counterparties (collectively "clients"). The Policy further defines the governance structure, policies, procedures and/or processes to manage conflicts of interest related to the provision of products and services to clients.

Principle 4 - Promoting well-functioning markets



At Citi, we have come to understand ESG and sustainable investing through our own experience as a global company striving to meet these goals ourselves. Citigroup has been a big part of the sustainability conversation over the past 20 years to help drive progress across the financial sector by taking leadership roles, shaping and framing the conversation, and setting policy standards.

CIM invests only into liquid investments and prohibits the lending, selling or otherwise transferring of assets in fiduciary accounts to related parties. Whilst portfolios invest principally in individual equity and fixed income securities, CIM also uses mutual funds and ETFs as well as hedge funds. The universe of investable alternative investments and mutual funds is restricted to funds approved for use in CIM portfolios by the CIM Forum for Review and Approval of Managers. These are open-ended funds which trade on at least a quarterly basis.

On a broader level, Citi provides regular consultation to financial regulators with more frequent update calls and inputs during the height of the COVID-19 pandemic. Citi's objective is to collaborate with institutions and the financial regulators in regard to ongoing development of the regulatory framework with the aim of ensuring that market participants and policymakers alike work together to develop and maintain the most suitable regulatory environment for the ultimate benefit of investors.

Specifically during 2020 and through 2021 in relation to the Covid-19 pandemic, Citi Global Wealth (CGW) responded to the risks presented by COVID-19 by initiating the remote strategy of each business lines' Continuity of Business strategy. This was co-ordinated locally by the CGW EMEA Business Risk and Control team with each Business Manager and Continuity of Business Co-ordinator.

Initiating the remote strategy enabled the CIM team to continue to manage client portfolios effectively and execute trades with counterparties as BAU.

Principle 5 – Policy Review

Citi Policies reflect our core principles and requirements and help ensure that we operate in accordance with applicable laws, regulations, principles of safety and soundness, and our commitment to responsible finance. Each business, function and region has its own governance and approval process, in accordance with Citi policy governance requirements.

CIM has recently performed a global review of its regional Investment Structure and Standards Policies, consolidating them into a global Investment Structure Standard to provide for the satisfactory discharge of its fiduciary and investment responsibilities.

Policy documents, as defined by the Citi Policy Governance Policy, include Frameworks, Policies, Standards and Procedures. Standards and Procedures must be reviewed by the document owner at



least once every two years. Frameworks and Policies must be reviewed by the document owner either annually or every two years based on policy classification. CIM documents which are not defined as policy documents are reviewed by the business on a regular basis.

Principle 6 – Client and beneficiary needs

CIM's client centric model is designed to use its investment capabilities to satisfy specific client needs. Client communication is initiated by the client's CGW Relationship Manager via client proposals, and discussions are held together with the CIM Portfolio Manager. Once the portfolio is opened and invested, we ensure assets are managed in line with the signed investment management mandate, providing updates via client review decks and update meetings. Clients are provided the option to view their portfolios, statements as well as a variety of client reporting tools via our online platform, InView.

Citi Global Wealth conducts an annual 'Voice of the Client' survey where the views of clients provide insight into our client and beneficiary needs. These help us to calibrate our stewardship activity to ensure that as well as engaging on issues that our investors view as being material to generating long-term sustainable value, we take into account our clients' needs ultimately leading to a better client experience.

Principle 7 – ESG Integration

CGW has built a dedicated Sustainable Investment team working across its investment divisions to develop and embed a global framework along the full spectrum of sustainability to ensure alignment with Citi's best thinking on portfolio management, research and asset allocation. This includes environmental, social and governance integration, and the identification of socially responsible, thematic and impact investments.

Our global head of sustainable investing is an observing member of the Global Investment Committee and oversees Investing with Purpose, our sustainable investing platform. She is also a representative on Citi's Net Zero Task Force, entrusted with the group's goal of reaching net zero emissions by 2050.

CIM integrates sustainability risk into its investment selection process. It does so for bonds, ETFs and equities by obtaining an environmental, social and governance (ESG) risk rating, where available, from an ESG specialist third-party data provider. It is considered by the analyst team alongside other financial metrics (such as historical performance, expected performance, valuation, and credit rating) to reach an assessment of the merit of the investment.

CIM also conducts ongoing monitoring in respect of the above instruments. As part of this process, CIM assesses whether there have been any material changes in the sustainability risk profile associated with the asset, alongside other matters.



For alternative funds, Citi's specialist teams consider sustainability risk in their investment decision-making process by implementing a two-tier assessment covering both the third-party manager and the fund. At manager level, the relevant investment research and operational due diligence teams will assess how far sustainability risk is embedded into the organisation, its governance, the day-to-day running of the fund, and the manager's investment decision-making process. At fund level, the investment research team will assess the extent to which the manager has integrated sustainability risk into its investment decision-making process for the fund. The manager level and fund level sustainability risk assessments are then combined to produce an overall sustainability risk profile.

As part of Citi's specialist teams' approval process for including third party funds in its investment universe, the overall sustainability risk profile of the manager and the fund is considered along with other factors, including the depth and breadth of experience within the investment team, a consistent and disciplined investment approach, track record, market opportunity, and other risk factors. Accordingly, sustainability risk is considered in the round on an integrated basis, along with these other factors, which collectively drive an overall assessment of the fund.

Citi's specialist teams also review managers of third-party funds on a periodic basis. As part of these reviews, they assess whether there have been any material changes to the sustainability risk profile associated with the fund or third-party manager, and where this is the case, may escalate matters internally to determine any appropriate action.

Third-party data providers: As the use of third-party data is embedded in CIM's investment research and decision-making process for ETFs, equities, and fixed income investments, CIM takes care in selecting data providers. CIM undertakes due diligence both before entering a business relationship with the data provider and annually thereafter, which assesses the data provider's performance against CIM's key selection criteria. Amongst other things, as part of CIM's selection criteria, CIM requires that the data provider be a leading ESG data provider in the industry, have expansive global company, sovereign and agency coverage, and use a broad range of data sources.

CIM reviews its processes on a regular basis to make sure they are informed by industry practice.

CIM's portfolio management team are continuously monitoring companies and holdings to ensure that they remain appropriate and aligned with their investment mandates. The team may engage with management or investor relations of investee companies, but not other stakeholders, as CIM does not typically hold significant positions in companies it invests in. Meetings may be held with companies to discuss specific results or events as well as more informal dialogue incorporating site visits and other research initiatives. These meetings may cover a range of topics from corporate strategy, risk management, corporate governance, board composition and remuneration issues.

Principle 8 – Monitoring



CIM's Fiduciary Review Forum ensures that fiduciary responsibilities are carried out in accordance with account mandates and applicable regulations, including self-dealing and conflicts of interest situations. The Forum provides Senior Portfolio Management, Risk and Independent Compliance Risk Management with metrics that summarize the daily surveillance results and other key data, in order to identify trends and facilitate the escalation of corrective actions.

The Business Risk and Control Group and the Fiduciary Oversight Group provide oversight to the investment process on a pre-trade and post-trade basis, as applicable. These units are independent of CIM and monitor to ensure compliance with both internal and account mandated guidelines.

On a quarterly basis, the Investment Strategy Review Meeting performs a detailed review of investment strategy, portfolio positioning, investment risks and realized performance of the various CIM investment products. The focus is on the investment aspect of the strategies, in many cases represented by model portfolios, and not on the implementation of individual accounts.

For individual accounts, Implementation Review Meetings are held within which detailed reviews concerning the implementation of accounts managed by CIM are conducted. The implementation review meetings are separated into two types of meetings: standardized accounts and customized accounts reviews.

Third-party providers are monitored in accordance with the Citi Third Party Management Policy and Standard which establishes the Citi-wide control framework and minimum standards for effective, risk-based management of Third-Party Relationships in accordance with Citi's own values and principles, applicable laws, and regulatory guidance. A standardised Third-Party Risk Assessment Process is utilised to evaluate the inherent risk of activities and then determine the risk level associated with Third Party Relationships. Business Activity Owners are assigned and must ensure the performance of ongoing monitoring of a Third-Party Relationship once a contract is in place by performing periodic assessments.

Principle 9– Engagement

CIM does not currently liaise directly with stakeholders because CIM does not currently hold any significant positions in any companies. Where stakeholders' rights are likely to have a significant impact on the fortunes of investee companies such factors are taken into account via our ESG analysis.

Principle 10 – Collaboration

CIM has not participated in any collaborative engagement to include issuers.

Principle 11 – Escalation

CIM has not escalated any stewardship activities to influence issuers.



Principle 12 – Exercising rights and responsibilities

Institutional Shareholder Services ('ISS') is retained as our third party service provider for the management of the proxy voting process and acts as the voting agent for the securities held in portfolios managed by CIM. This allows us to take advantage of the extensive research carried out by ISS and our default instruction gives ISS consent to vote on our behalf in line with their expert recommendation.

The ISS annual policies are reviewed by CIM on a periodic basis and voting analysis reviewed in conjunction with the publication of the SRD II Annual Report.

The voting process is implemented by ISS at the safekeeping account level in accordance with the annual policies which can be access here: <https://www.issgovernance.com/policy-gateway/voting-policies/>. Where ISS is unable to vote, these are referred to the CIM portfolio manager who will review the terms of the vote and will subsequently advise of the vote.

On a monthly basis, the votes for the month are provided to CIM and on an annual basis, the Stewardship report and Board Statistics report are provided to CIM in order for CIM to prepare its shareholder engagement report in accordance with the SRD II annual report update.

CIM is currently working with ISS to implement sustainability considerations into the proxy voting service.