1. Introduction

- My name is Francesco Vanni d’Archirafi. I am a Vice Chairman of Citigroup, and I am here to speak on behalf of my friend and colleague Gene Mcquade, who unfortunately is not able to be here today.

- Speaking for both Gene and me, as bankers whose careers have spanned several decades, we have seen at close range the power and influence that the financial services industry can bring to bear on driving effective – and cost-effective -- solutions to global challenges.

- We also appreciate the singular importance of grounding financial decisions in prudent risk management.

- In his presentation, Janez Potocnik clearly laid out a daunting array of global challenges, highlighting the most acute risks posed by climate change, deepening income inequality and strained natural resources.

- He also issued an eloquent and well-reasoned call for our global society to decouple personal well-being from excessive resource exploitation and consumption.

- Mr. Potocnik referred to the United Nations Sustainable Development Goals, or SDGs, as a North Star to help guide us in tackling these global challenges – a view with which we would wholeheartedly concur, and on which we, as an institution, have done considerable work - I will return to the theme later.

- As global leaders, I know that we are all struck both by the urgency of the challenges that Mr. Potocnik laid out, and by the need for the private sector to play a significant role in addressing these challenges from both a risk and an opportunity perspective.

- And one, I should add, not just commensurate with our capabilities and responsibilities, but which the financial community is perhaps uniquely positioned to tackle.

- From a business continuity standpoint, climate change and the other challenges impacting our natural world are clearly threatening our global economy and our society’s stability. Indeed, it is becoming increasingly clear that these societal, and financial risks are in many ways interchangeable – and hence all elements of our society have a key role to play.
• As a lifelong banker, I am also keenly aware of the financial sector’s responsibility to thoughtfully assess not only the foreseeable risks to our business model – and those to our clients – but more importantly, the opportunities these challenges provide banks and bankers to leverage our core competencies and work with our clients to finance the urgently needed transition to a low-carbon economy.

• Citi’s own journey on the path to greater sustainability and a more central role in addressing the opportunities and risks posed by climate change represents a case study in how conscious actors in the financial sector have recognized this challenge.

• And how one responsible actor has taken a series of proactive steps to take these inherent risks and transform them into opportunities for us, our clients, and for society.

2. The banking sector

• Operating at the intersection of finance and climate change, many responsible actors in our sector have followed a common trajectory:
  - Managing the environmental footprint of the institution’s direct operations, with a focus on energy use, greenhouse gas reduction, and implementing green building principles
  - Managing risks associated with climate change – risks to financial institutions and well as risks to our clients
  - Financing climate change solutions and the transition to a low-carbon economy, to facilitate a much broader systemic impact than that simply resulting from our own institutions activities.

• Like many in the financial sector, Citi began our efforts on sustainability and climate change by focusing on our own operations.

• In the early 2000s, we began measuring and reporting our own environmental footprint, starting with our energy use, for what is now over 7,000 facilities in 98 countries. By 2002, we were reporting on our environmental footprint in our annual Global Citizenship Report, including energy use, associated greenhouse gas emissions, and water use.

• We also began analyzing the impacts of our financing and understanding the environmental and social risks associated with that.
  - In June 2003, Citi was one of four banks to establish the Equator Principles, which are an environmental and social risk management process for project-related finance. Now, 96 financial institutions in 37 countries have adopted the Equator Principles, and Citi has a broad
Environmental and Social Risk Management (ESRM) Policy that includes ESRM due diligence and requirements for project-related financial services. We also have established sector standards for higher-risk sectors like coal mining, coal-fired power, forestry and palm oil.

- While pollution and impacts on the local environment were always a focus in our policies, the analysis of systemic risks associated with climate change has been emphasized more recently.

- In 2007, Citi set its first energy and greenhouse gas reduction targets.

- Since the 2017 release of recommendations from the G20 Financial Stability Board’s Task Force on Climate-related Financial Disclosures (TCFD), this deeper and more systemic risk analysis has grown in importance and has attracted the attention of financial regulators worldwide. These more sophisticated forms of risk analysis are dramatically and rapidly changing the methods the financial and other sectors use to and disclose and assess risks related to climate change.

- The TCFD recommendations call upon businesses in all sectors to evaluate two kinds of risk: physical risk and transition risk posed to their business as a result of climate change and societal and policy efforts to mitigate it.

- Physical risks to business models are those posed by the effects of climate change, such as the increased frequency and intensity of extreme weather events, sea level rise or changes in temperature that could impact crop yields.

- Transition risks to business are those related to changes in the regulatory and technological responses to climate change, such as the enhanced adoption of energy efficiency standards in vehicles and real estate, or regulatory interventions, like carbon pricing or restrictions on certain technologies and subsidies on others.

- Equally importantly is the work the financial sector is doing to help drive sustainable finance solutions and to direct capital to environmental and climate change related projects. In 2007, recognizing the importance to our business and our sector of our role in financing solutions to society’s greatest challenges, we established our first target in this space, a 10-year, $50 billion climate finance goal. We hit that goal three years early, and in 2014 we began work on our next goal, a $100 billion environmental finance goal, where we are again, significantly ahead of schedule.

- Financing climate change solutions

  - The banking sector is leveraging a full suite of financial solutions to tackle environmental and climate change challenges. To finance utility-scale renewable energy projects, we utilize project finance, commodities
hedging, and in the U.S., tax equity investment. For smaller, distributed energy projects, such as distributed solar, we have taken individual loans for these small projects and bundled them into securities to raise over $800 million from investors. Similarly, we have pioneered energy efficiency finance solutions that enable corporates and homeowners to finance these energy efficiency improvements off balance sheet.

- Our corporate finance team has also underwritten and issued green bonds as well as green loans and sustainability-linked loans.

- I would like to share a couple of recent examples of sustainable finance that Citi has helped support:

  o In 2018, Citi led the structuring and placement of the debt financing – the largest-ever project financing in the global renewable sector – as co-debt financial advisor and co-placement agent and sole export credit agency arranger to Ørsted and Global Infrastructure Partners on a £3.6 billion debt financing package for Hornsea 1, a greenfield UK offshore wind farm project located in the southern part of the North Sea. Hornsea 1 will be the world’s largest offshore wind farm when commissioned, with a total capacity of 1,218 megawatts, and will supply clean energy to more than 1 million UK homes.

  o In 2018, Citi served as joint bookrunner on the Republic of Poland’s €2 billion dual-tranche green bond offering, formed of 10- and 30-year tenors – the latter being the longest ever green bond issued by a sovereign.

- We are also leveraging our capabilities to help support sustainable cities and meet their infrastructure needs, ranging from mass transit to clean water systems. Last year, one such engagement included a bond issuance for the City of Atlanta in the United States, for whom we were proud to serve as the lead manager of $290 million water and wastewater bonds that were issued to support the Clean Water Atlanta program.

- Others in our sector are similarly engaged, and sustainable finance has become a race to the top. Globally, banks committed $247 billion total in 2018 in sustainable and climate finance, according to Bloomberg New Energy Finance.

- This trend – of finance being seen as a key driver of sustainability performance and climate solutions, and of specialized products being developed to help accelerate this trend – is an important indicator of how the finance sector and larger business community is responding to the challenge of climate change and the challenge set out by the UN Sustainable Development Goals.
- Policy solutions are also essential to create an enabling environment so that the right incentives are in place. Citi has been supportive of the Paris Agreement since it was founded. We have reiterated that support even as the U.S. has sought to distance itself. Last month, we took the additional step of signaling our support for a price on carbon, as one of the signatories of the Guiding Principles for Federal Action on Climate.

3. Vision for the future

- Some of you might have been surprised to hear about the positive actions that the finance community is undertaking in response to this global challenge.
- Citi and many other major institutions in our industry are committed to leveraging the power of finance and capital markets to bring much-needed financial, intellectual and human capital to bear on these challenges.
- As a longtime Citi banker, I both acknowledge and strongly support this call to collective action.
- I see Citi’s commitment as well as that of the sector as continuing to expand, driven by our clients, our investors, and importantly, our employees.
- We need to follow through on the actions that we as a global community have started – related to both risk and innovation – and accelerate them.

4. Conclusion

- Janez Potocnik asks us to contemplate what will be required of all of us to live by our consciences in this “Full World.”
- One of the most memorable observations that he makes is that we won’t get to our goal by walking faster – particularly if we are walking in the wrong direction!
- That’s why he refers to the UN Sustainable Development Goals as our societal GPS, making sure that we are on the right track to a more sustainable and responsible future..
- But The SDGs themselves are complex. They are arguably all inextricably linked, with numerous feedback loops, not all of them positive. Trillions of dollars of capital wants to invest sustainably but struggles to translate an investment philosophy, which desires alignment with the SDGs, into a practical investment strategy given that complexity.
- With this in mind, Citi has developed and published a framework for the financial community, which tries, as far as possible, to simplify the SDGs – to examine those interlinkages, to determine the driving forces and resulting benefits, and thereby determine a set of critical paths – our so-called
'pathways to success' — which can lead quickly and most effectively to the achievement of the goals.

- It allows us to identify who is best placed to do what, from the public sector to the private sector to the investment community, and what their route in might be. We examine the goals individually, attempting to lay out both the incremental financial cost/opportunity of achieving the goal, and the human benefit that might be gained by solving it. In a world of scarce resources, it also provides an indication of which paths might achieve the broadest human, environmental and systemic benefit for the least financial cost — though this does not mean these are the most important — it is not by accident that all roads on our 'pathways to success' lead to the eradication of poverty.

- We identify incremental physical investment needs or opportunities in water, energy, and the circular economy alone of $1.5 trillion per year, while social investment areas of education, health, and hunger add up to an annual incremental opportunity of $800 billion.

- To be sure, these are enormous sums, but much smaller than the sums of capital looking to invest sustainably — indeed some $30 TRILLION of assets under management around the world is now being screened for Environmental, Social, and Governance factors (so called ESG factors), and targeted at sustainable investments.

- Moreover these investment needs are tiny in relation to the human benefits that could be achieved.

- The SDGs represent the challenge of our generation but a challenge which we should embrace, as the benefits for those suffering most, as well as to the whole global community, would be immeasurable if we were to succeed. By identifying the lowest hanging fruit, the feedback loops, the critical paths, the scale of the opportunity in both human and financial terms, and who might do what, we hopefully break the sometimes daunting SDGs down into a roadmap — a framework which allows all elements of society, from policymakers, to corporates and the financial community, to set out in partnership down a pathway to a better, fairer, wealthier, more inclusive, cleaner, and more sustainable world, that we can be truly proud to leave for our children.

- We in the financial community are perhaps uniquely placed in the privileged position of having the opportunity to bring together that capital, with the need for investment — and we recognize the significance of that responsibility, and take the obligation seriously.

- “The challenges we face,” Mr. Potocnik assures us, “require a deep system change and a rethinking of how we operate our society.”
• Speaking for all of us at Citi, and speaking as a responsible member of both the human and the financial communities, we can all agree that even more fresh thinking and creative solutions are required to advance along the right path.

• The financial community is working to bring new solutions to the table to help address this global challenge. Our $100 billion environmental finance goal is but one example of our sector’s commitment, and the new generation of sustainable finance products that has been ushered in gives me hope.

• Because in our resource-constrained world, new insights, new knowledge, new vehicles and new incentives to change and transform are the only resources we have left that can be rightly regarded as limitless in their potential. And these insights and incentives must also be augmented by partnership across the public and private sectors, working together with civil society to exercise leadership on these challenges.