



Citi's Letter to Investors Regarding the Dakota Access Pipeline

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The following was sent in response to a letter from investors regarding the Dakota Access Pipeline.

We appreciate the opportunity to engage with our investors on important issues such as this one. We would like to provide you with some background on our due diligence practices, engagement activities, and how we have sought to use our leverage in this difficult situation.

The DAPL project was reviewed under our Environmental and Social Risk Management (ESRM) Policy and the Equator Principles and was rated a Category A for high environmental and social risk. During the due diligence phase, we reviewed the Environmental Assessment report and engaged an independent consultant to review the permitting and approval process to confirm compliance with U.S. law. As part of this review, we considered the Lake Oahe/Missouri River crossing, and understood that the project sponsors – Energy Transfer Partners and Sunoco Logistics – proposed using horizontal directional drilling to go more than 95 ft. under the river crossing to minimize impacts and risks, in line with industry best practice for water crossings. Following our comprehensive review,

we determined that the project met our ESRM Policy, and the transaction was closed with a total of 17 banks participating. However, shortly after close, controversy surrounding the project grew and continued to escalate last fall.

As the situation deteriorated, we met with a number of stakeholders from the human rights, academic, investor and non-governmental organization communities, as well as the Standing Rock Sioux Tribe. These engagements were intended to understand the different perspectives and how we might use our leverage to help. In an instance like this when a transaction is already closed, we have limited leverage. Nevertheless, we engaged directly with our clients to understand the situation from their point of view, share our concerns, and advocate for steps towards a peaceful, constructive resolution that prioritized the safety of both the protestors and pipeline workers. We also posted a series of public statements, including one that voiced our support for the efforts of the federal government last fall to work directly with Native American tribes to improve the consultation process.

We have helped to engage an independent human rights expert, Foley Hoag LLP, to advise the lenders involved in the project and to evaluate legal matters related to permitting as well as the project sponsors' policies and procedures in the areas of community engagement (including engagement with Native Americans), evaluation of cultural heritage, and security management. This review is an effort to understand the many complexities of the DAPL situation and will also result in recommendations for companies to consider in the future. Citi, along with TD Bank, is playing a leadership role in coordinating the study and the bank group.

We understand that some of the investor signatories are also investors in the DAPL project sponsors, and that they have chosen to remain invested so that they can engage directly with the companies. We share their belief in the value of engagement. We have met with the Standing Rock Sioux Tribe in person at our headquarters in New York City to hear their concerns and learn more about social and economic issues on the Standing Rock Reservation. Last week, we also joined a call between the tribe and a broad group of banks that have financed either the project or the sponsors; the call was organized so that the tribe's message and concerns could be shared more broadly. While a reroute of DAPL

does not appear to be feasible at this late stage of construction, we have remained committed to engaging with and learning from the tribe and other stakeholders and experts, and voicing our concern for maintaining the safety of all involved.

Separately, Citi has also hired a third-party social consultant – Monkey Forest Consulting – to advise us on strengthening our internal due diligence on social risk, including on issues related to Indigenous Peoples in the United States. We expect this to help inform an enhanced due diligence process to be developed during 2017.

View Citi's Statement on the Dakota Access Pipeline (Originally Posted November 8, 2016, updated November 30, 2016)

View Citi's Letter to BankTrack (December 23, 2016)

View Citi's Letter to Stakeholders on the Dakota Access Pipeline (January 30, 2017)

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