



Social Finance Framework

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Introduction

Citi is the leading global bank, with a mission to serve as a trusted partner to clients by providing responsible financial services that enable growth and economic progress. Citi does business in over 160 countries and jurisdictions.¹ The World Bank estimates that 1.7 billion people around the globe, in both developing and developed markets, remain outside the formal banking sector.² Citi aims to drive positive social impact and financial innovations that enable sustainable economic growth and benefit underserved communities around the world.

Founded over 15 years ago as Citi Microfinance, Citi Social Finance is the bank's group dedicated to expanding access through supporting social inclusive finance globally, with an emphasis on emerging markets. The team works across Citi businesses to develop solutions that enable the company and its clients to expand access to financial services and advance economic progress in underserved market segments through innovative partnerships with mission-driven financial institutions, telecommunications and fintech providers, government agencies and consumer goods companies.

The group supports its Institutional Client Group (ICG) and Commercial Bank in providing banking and financing solutions across segments including microfinance, Micro Small and Medium Enterprises (MSME), sustainable agribusiness, affordable housing, clean energy, and education, healthcare, and sanitation.

The group facilitates Citi's institutional corporate, financial institutions and public sector clients to achieve their business and strategic goals supporting their ability to 'reach the last mile-client, micro and small businesses' in their value chain across these emerging market low-income and medium-low income communities. As of 2021, Citi Social Finance has mobilized over \$4.21 billion in total funds including debt, capital markets, and equity to support expanding financial inclusion for those living in the world's most vulnerable communities.

Case Study: Credit Access Grameen (India)

Citi has funded Credit Access Grameen since 2016. The term debt has been used to fund loans to over 500,000 female entrepreneurs otherwise excluded from the financial system in India. The average loan size is just \$225 USD.



¹ Citigroup, <https://www.citigroup.com/citi/about/countries-and-jurisdictions/>

² World Bank Group, *The Little Data Book on Financial Inclusion 2018*, <https://openknowledge.worldbank.org/bitstream/handle/10986/29654/LDB-FinInclusion2018.pdf>

The Definition of Social Finance

Citi's Social Finance Framework supports lending to social inclusive businesses across Citi's emerging market footprint. The International Finance Corporation defines inclusive business as businesses bringing people living at the base of the economic pyramid into value chains as suppliers, distributors, retailers, or customers.³ Financial Inclusion is defined by the World Bank as individuals and businesses having access to useful and affordable financial products and services that meet their needs, including transactions, payments, savings, credit and insurance. The World Bank also notes that these products must be delivered responsibly and sustainably.⁴

Citi defines inclusive finance as the provision of funding or other facilities for the sourcing of services/ supplies from or the distribution of services/products to low income self-employed individuals or micro and small enterprises. Such qualifying facilities may be part of existing Citi business parameters or be required to meet regulatory and expected franchise requirements. They promote community and small enterprise development and environmental sustainability.

Obligors include local corporations, subsidiaries of global corporations and financial institutions (banks, non-bank regulated financial intermediaries, finance companies, co-operatives, credit unions and funds) which are either segment specific or have operations in the microfinance, agribusiness, affordable housing, clean energy, healthcare, education and water/sanitation sectors, as well as NGOs and not-for-profits which foster inclusive economic growth in emerging markets.

For details about how Citi defines and identifies social/ inclusive finance loans and investments, refer to the **Use of Proceeds** and **Process for Asset Evaluation and Selection** sections.

Case Study: Jaipur Rugs (India)

Citi India client Jaipur Rugs in partnership with their NGO Jaipur Rugs Foundation provides over 40,000 female artisans in rural India the inputs including looms and wools to craft handmade rugs from their homes. The women are empowered to be creative, and artisans are regularly spotlighted and rewarded on the global stage for their designs.



Funding compassion in commerce

³ FC, *Inclusive Business - Private sector solutions to ending poverty* (May 2020), https://www.ifc.org/wps/wcm/connect/6520a542-ddf3-4e33-817a-5327beb49f31/IB_2Pager_MAY2020.pdf?MOD=AJPERES&CVID=n8F3RGX

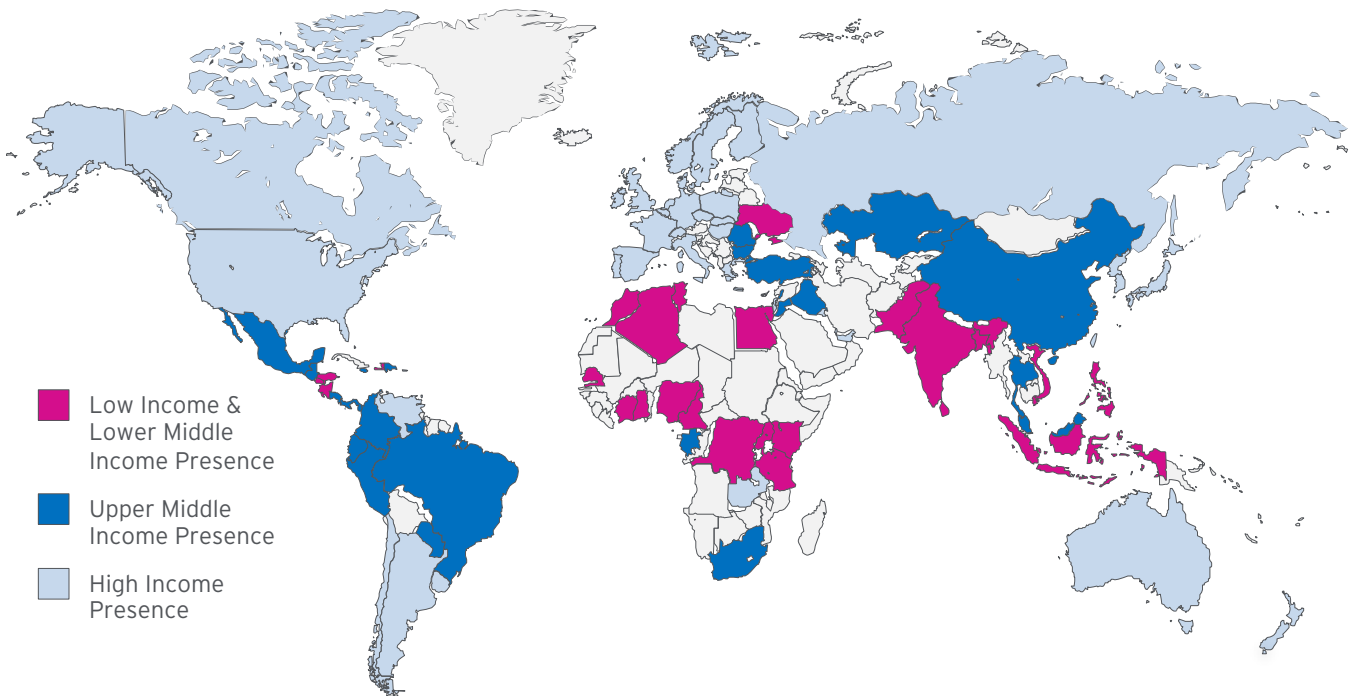
⁴ World Bank Group, <https://www.worldbank.org/en/topic/financialinclusion/overview>

Citi's Social Finance Activities in Emerging Markets

Citi itself is present in 95 economies, with non-presence coverage in an additional 66. In Emerging Markets, Citi has coverage in 53 of the 82 countries listed as “Low Income” or “Lower Middle Income” by the World Bank, with on-the-ground presence in 25 of these countries. Citi’s global footprint and capabilities make the bank uniquely able to provide a consistent and developed approach to local currency funding in support of the economies benefitting the world’s most underserved communities.

Citi Global Network

Key regions: EMEA, LATAM, APAC



Citi Global Footprint

Latin America		Mexico	Europe, Middle East & Africa				Asia Pacific	
Argentina	Paraguay	Mexico	Algeria	Gabon	Lebanon	Senegal	Australia	Taiwan
Bahamas	Peru		Austria	Germany	Luxembourg	Slovakia	Bangladesh	Thailand
Brazil	Puerto Rico	North America	Bahrain	Ghana	Mauritius	South Africa	China	Vietnam
Chile	Trinidad/		Belgium	Greece	Morocco	Spain	Hong Kong	
Colombia	Tobago		Bulgaria	Hungary	Netherlands	Sweden	India	
Costa Rica	Uruguay		Cameroon	Iraq	Nigeria	Switzerland	Indonesia	
D.R.			Congo, DR	Ireland	Norway	Tanzania	Japan	
Ecuador			Cote D'Ivoire	Israel	Pakistan	Tunisia	Macau	
El Salvador			Czech Rep	Italy	Poland	Turkey	Malaysia	
Guatemala			Denmark	Jersey	Portugal	UAE	New Zealand	
Haiti			Egypt	Jordan	Qatar	UK	Philippines	
Honduras			Finland	Kazakhstan	Romania	Ukraine	Singapore	
Jamaica		France	Kenya	Russia	Zambia	South Korea		
Panama		Gabon	Kuwait	Saudi Arabia		Sri Lanka		

- World Bank Low Income and Lower Middle Income Countries with Citi Presence
- Upper Middle Income Countries with Citi Presence
- High Income Countries with Citi Pres

Alignment with the UN Sustainable Development Goals

The United Nations Sustainable Development Goals (SDGs)⁵ were adopted in September 2015 and form an agenda for achieving sustainable development by the year 2030. Given Citi's global footprint and role in financing economies around the world, the company has an important role to play in achieving the UN Sustainable Development Goals (SDGs).

Citi's social finance activities and the use of proceeds from Citi's Social Finance Bond(s) are particularly relevant to the following Sustainable Development Goals:

■ **SDG 1 - No Poverty:** End poverty in all its forms everywhere

■ **SDG 2 - Zero Hunger:** End hunger, achieve food security and improved nutrition and promote sustainable agriculture

■ **SDG 3 - Good Health and Well Being:** Ensure healthy lives and promote well-being for all at all ages

■ **SDG 4 - Quality Education:** Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all

■ **SDG 5 - Gender Equality:** Achieve gender equality and empower all women and girls

■ **SDG 6 - Clean Water and Sanitation:** Ensure availability and sustainable management of water and sanitation for all

■ **SDG 7 - Affordable and Clean Energy:** Ensure access to affordable, reliable, sustainable and modern energy for all

■ **SDG 8 - Decent Work and Economic Growth:** Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

■ **SDG 9 - Industry, Innovation and Infrastructure:** Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation

■ **SDG 11 - Sustainable Cities and Communities:** Make cities and human settlements inclusive, safe, resilient and sustainable

Case Study: Compartamos (Mexico)



In 2021 Citi supported \$70 Million in Mexican Pesos to Banco Compartamos, Mexico's largest microfinance institution.

Empowering over 135,000 entrepreneurs, 90% of whom are female.



Alignment with the UN Sustainable Development Goals

⁵ United Nations, *Sustainable Development Goals Knowledge Platform*, <https://sustainabledevelopment.un.org/>

Citi Social Finance Framework

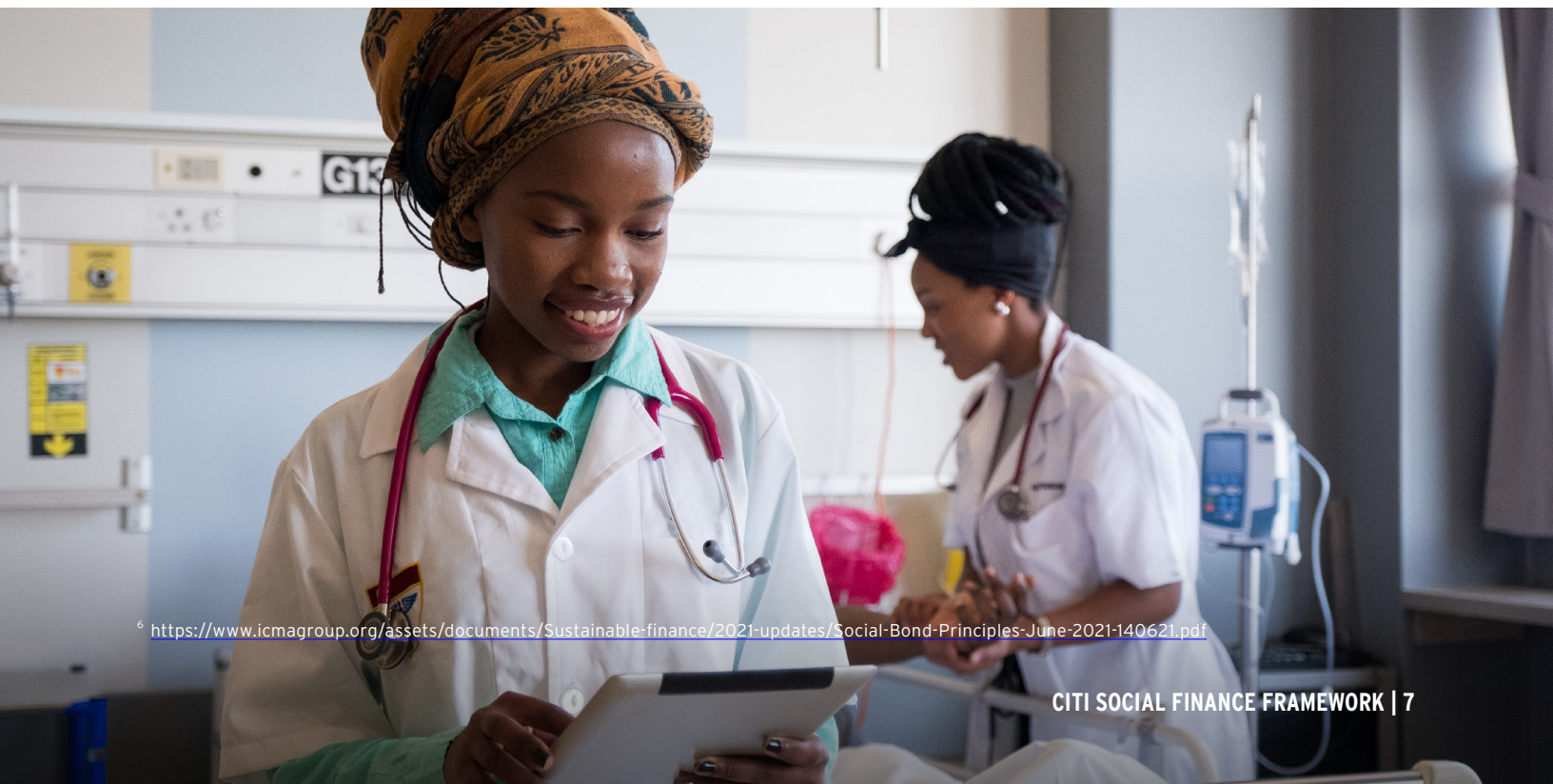
Citi's Social Finance Framework for use in emerging markets has been developed in line with the International Capital Market Association (ICMA) Social Bond Principles 2021⁶ and includes four key components: use of proceeds; process for project evaluation and selection; management of proceeds; and reporting. Citigroup Inc. and/or its subsidiaries may issue Social Finance Bonds in accordance with this framework.

Case Study: Gradian Health (Africa)

In the height of the 2020 COVID pandemic, Citi began financing Gradian Health Systems with \$1.5 million for the procurement and distribution of anesthesia machines and ventilators for use in low-resource hospitals and clinics across Kenya, Tanzania, Zambia, Nigeria and Benin.



Gradian Health Systems







⁶ <https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Social-Bond-Principles-June-2021-140621.pdf>




Use of Proceeds

An amount equivalent to the net proceeds of Citi’s Social Finance Bond(s) are allocated to finance or refinance a portion of Citi’s portfolio of social finance assets (“Social Finance Asset Portfolio”). All eligible assets in this portfolio are located in Emerging Markets as defined in the **Citi’s Social Finance Activities in Emerging Markets** section. Eligible assets must meet the eligibility criteria outlined below for inclusion in Citi’s Social Finance Asset Portfolio.



Social Finance Asset Portfolio Eligibility Criteria

Social Finance Project Categories	Eligibility Criteria	Target Population	Alignment with the UN SDG Targets
<p>Access to Essential Services</p> <p><i>Financing and Financial services/ Financial Inclusion</i></p>	<p>Proceeds may be allocated towards expanding access to financial services to unbanked and underserved individuals and SMEs* including costs related to:</p> <ul style="list-style-type: none"> • Maintenance and growth of productive loan portfolios • Provision of non-credit financial products including payments, savings and insurance • Financing of female owned SMEs in low-income and lower middle-income geographies <p>Micro SME* Financing/ Productive self-employment/ Employment generation</p> <p>*SMEs and Micro SMEs as defined by the International Finance Corporation (IFC) - MSME: (i) an enterprise is defined as Micro if it has less than 10 employees, or if total assets or annual sales are less than USD 100,000, (ii) an enterprise is defined as Small if it has between 10 and 49 employees, or if total assets or annual sales are between USD 100,000 and less than USD 3 million link.</p>	<p>Focus on underserved populations, including females and youth borrowers, and create decent employment opportunities for their gainful engagement</p>	<div style="display: flex; flex-direction: column; gap: 10px;"> <div>  <p>SDG 1.1: By 2030, eradicate extreme poverty for all people everywhere, currently measured as people living on less than \$1.25 a day</p> </div> <div>  <p>SDG 5.1: End all forms of discrimination against all women and girls everywhere</p> <p>SDG 5.5 : Ensure women’s full and effective participation and equal opportunities for leadership at all levels of decision making in political, economic and public life</p> <p>DG 5.C: Adopt and strengthen sound policies and enforceable legislation for the promotion of gender equality and the empowerment of all women and girls at all levels</p> </div> <div>  <p>SDG 8.3: Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services</p> <p>SDG 8.6: By 2020, substantially reduce the proportion of youth not in employment, education or training</p> </div> <div>  <p>SDG 9.3: Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets</p> </div> </div>



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Social Finance Project Categories	Eligibility Criteria	Target Population	Alignment with the UN SDG Targets
Affordable Housing	<p>Proceeds may be allocated towards companies and financial service providers enabling access to housing for underserved purchasers including costs related to:</p> <ul style="list-style-type: none"> • Offering mortgages to underserved buyers • Providing house improvement loans to underserved home owners 	<p>Underserved marginalized home buyers and owners in emerging markets defined as individuals or households with income lower than the median income as per their local jurisdiction</p>	 <p>SDG 11.1: By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums</p>
Affordable Basic Infrastructure	<p>Proceeds may be allocated towards companies that expand availability of water, sanitation, or clean energy including costs related to:</p> <ul style="list-style-type: none"> • Provision of access to safe and affordable drinking water • Provision of adequate and equitable sanitation and hygiene • Provision of access to clean, safe, and affordable energy. (Energy generated through fossil fuel is excluded) • Development of telecom network and related infrastructure in underserved areas 	<p>Off-grid communities in emerging markets</p>	 <p>SDG 6.1: By 2030, achieve universal and equitable access to safe and affordable drinking water for all</p> <p>SDG 6.A: By 2030, expand international cooperation and capacity-building support to developing countries in water- and sanitation-related activities and programmes, including water harvesting, desalination, water efficiency, wastewater treatment, recycling and reuse technologies</p>  <p>SDG 7.1: By 2030, ensure universal access to affordable, reliable and modern energy services</p>  <p>SDG 11.2: By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities</p>

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Social Finance Project Categories	Eligibility Criteria	Target Population	Alignment with the UN SDG Targets
<p>Access to Essential Services</p> <p><i>Healthcare</i></p>	<p>Proceeds may be allocated towards companies that expand access to inclusive healthcare, ensure healthy lives and promote well-being including costs related to:</p> <ul style="list-style-type: none"> • Emerging market Covid response • Reduction in maternal mortality • Prevention of preventable deaths of newborns and children under 5 • Ending epidemics of AIDS, tuberculosis, malaria and neglected tropical diseases and combat hepatitis, water-borne diseases and other communicable diseases. • Expanding universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all. • Increasing health financing and the recruitment, development, training and retention of the health workforce • Expanding capacity for early warning, risk reduction and management of national and global health risks 	<p>Underserved individuals lacking access to healthcare and education in emerging markets</p>	 <p>SDG 3.C: Substantially increase health financing and the recruitment, development, training and retention of the health workforce in developing countries, especially in least developed countries and small island developing States</p>
<p>Access to Essential Services</p> <p><i>Education</i></p>	<p>Proceeds may be allocated towards companies and organisations* that deliver and promote inclusive lifelong learning opportunities for all including costs related to:</p> <ul style="list-style-type: none"> • Provision of affordable and quality pre-primary, primary and secondary education • Maintenance and upgrade of education facilities that are child, disability and gender sensitive and provide safe, non-violent, inclusive and effective learning environments for all • Supply of teachers, teacher training and materials <p><i>*these may include social enterprises in the education sector who may charge a nominal fee affordable in the local context</i></p>	<p>Underserved individuals lacking access to healthcare and education in emerging markets</p>	 <p>SDG 4.1: By 2030, ensure that all girls and boys complete free, equitable and quality primary and secondary education leading to relevant and effective learning outcomes</p>

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Social Finance Project Categories	Eligibility Criteria	Target Population	Alignment with the UN SDG Targets
<p>Access to Essential Services</p> <p><i>Smallholder Farmer Finance</i></p>	<p>Proceeds may be allocated towards social enterprises that deliver products and services to smallholder farmers including costs related to:</p> <ul style="list-style-type: none"> • Provision of agricultural inputs • Expanding access to markets of agricultural products • Provision of credit • Training and other extension services 	<p>Smallholder farmers in emerging markets</p>	<div data-bbox="1052 306 1127 382">  </div> <p>SDG 2.4: By 2030, ensure sustainable food production systems and implement resilient agricultural practices that increase productivity and production, that help maintain ecosystems, that strengthen capacity for adaptation to climate change, extreme weather, drought, flooding and other disasters and that progressively improve land and soil quality</p> <div data-bbox="1052 642 1127 718">  </div> <p>SDG 9.3: Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets</p>

Exclusionary Criteria

Citi has developed exclusionary criteria for the proceeds of the Social Finance Asset Portfolio. Citi commits to not intentionally including any of the following projects or activities in the Social Finance Asset Portfolio:

1. Loans or investments for projects in high income economies as designated by the World Bank
2. Loans or investments to institutions not meeting locally designated employment regulations
3. Loans or investments supporting fossil fuel energy generation for last mile clients
4. Investments where the financial strength and potential for economic loss to Citi on the investment has been assessed and classified as “Substandard”, “Doubtful”, or “Loss”
5. Any activities which are incompatible with the social mission of Citi Social Finance or which are directly or indirectly generating significant adverse social impacts
6. Loans or investments that have matured
7. Loans and investments in prohibited activities⁷

⁷ See Appendix - List of Prohibited Activities

Process for Asset Evaluation and Selection

Citi will identify a unique Social Finance Asset Portfolio for the Social Finance Bond(s) issued during a given reporting period. More specifically, Citi's specialist Social Finance team will review assets to check they meet the Social Finance Eligibility Criteria (and do not meet the Exclusionary Criteria) in the **Use of Proceeds** section above, and designate any or all of those assets to comprise the Social Finance Asset Portfolio. Overtime, Citi's Social Finance team will also periodically remove assets from the Social Finance Asset Portfolio that no longer qualify, and may include additional eligible assets in the Social Finance Asset Portfolio.

Citi Social Finance (previously Citi Inclusive Finance) is designated as a specialist industry within Citi's core risk policies. By policy, all Citi clients interacting with the inclusive end client space must be deferred to Citi Social Finance for risk and due diligence evaluation. The inclusive risk specialists opine on the adherence of the relevant client names to established criteria centered around end-client protection in inclusive business practices. Evaluation includes due diligence regarding performance of the client against social Key Performance Indicators (KPIs) dependent on industry, including average product size/cost compared to Gross National Income (GNI) per capita, number of people served, segment of the population supported, % gender mix of client pool etc. All assets included in the Social Finance Asset Portfolio will have been evaluated on the basis of adherence to core inclusive finance principles in line with Citi's embedded core inclusive finance credit policies.

Citi Social Finance is also governed by local risk approval guidelines and credit monitoring standards. The portfolio is managed across local balance sheets in all of Citi's 162 stated geographies depending on the client. Citi Social Finance manages the global portfolio oversight and evaluates individual borrowers on a social impact basis which is adjusted to suit the portfolio's individual and varying business models with protection and empowerment of the end client as the foremost priority.

Management of Proceeds

Citi established a Sustainable Bond Working Group (the Group) in 2021, which is co-chaired by Citi's Chief Sustainability Officer and Citi's Head of Capital Markets in Treasury. The Group's membership also includes colleagues from the following teams; Treasury, Banking, Capital Markets and Advisory (BCMA), Social Finance, Community Capital, Environmental and Social Risk Management and Sustainability & ESG.

The Group is responsible for oversight of the Social Finance Asset Portfolio, and its responsibilities include monitoring the total aggregate amount of Citi Social Finance Bond(s) issued and tracking the associated Social Finance Asset Portfolio using an internal asset management system, which is connected to several other Citi systems. The Group aims to ensure that the aggregate amount in the Social Finance Asset Portfolio is equal to or greater than the aggregate amount raised by Social Finance Bond(s) during the associated reporting period by reviewing the continuing eligibility and aggregate size of the Social Finance Asset Portfolio each quarter.

If for any reason the aggregate amount in the Social Finance Asset Portfolio is less than the total outstanding amount of Citi Social Finance Bond(s) issued during the associated reporting period, Citi will assign the unallocated balance to cash, cash equivalents and/or other liquid marketable instruments (including U.S. Treasury securities) until the amount can be allocated towards the Social Finance Asset Portfolio.

Reporting

Citi will publish a Sustainable Bond report on its website within one year from issuance of Citi's inaugural Social Finance Bond and will renew annually until full allocation and in case of any material changes. The report will cover allocation and impact reporting for all Citi Social Finance Bond(s) issued during the reporting period specified therein, and provide updated information should a material change in the Social Finance Asset Portfolio occur.

Allocation Reporting

Citi will provide information on the allocation of the net proceeds of the Citi Social Finance Bond(s). The information will contain at least the following details:

- Total outstanding par amount of the Citi Social Finance Bond(s) issued during the reporting period
- Total outstanding amount of funded financial assets that comprise the Social Finance Asset Portfolio allocated to the bond(s)
- Subject to confidentiality considerations a list of the Eligible Projects financed through the Citi Social Finance Bond(s), including a description of the projects and allocated amounts
- The proportional allocation of proceeds between existing projects (refinancing) and new projects
- Total amount of unallocated bond proceeds (if any) assigned to cash, cash equivalent and/or other liquid marketable instruments



Impact Reporting

Citi will address the social impact of the bonds by providing information, which may include the following:

- A qualitative description of the inclusive business models financed
- SDG related objectives of selected inclusive social businesses
- A breakdown of inclusive social businesses by the nature of funding (capex, operating expenditures, loans to women etc.)
- Distribution of social inclusive lending by geography
- Distribution of social inclusive lending by sector

Furthermore, Citi will provide impact reporting at the level of each Social Finance Project Category and may include the following estimated impact reporting metrics:

Social Finance Project Categories	Use of Proceeds	Impact Metrics ⁸
Access to Essential Services <i>Financing and Financial services/ Financial Inclusion</i>	SME Financing/ Productive self-employment/ Employment generation	<ul style="list-style-type: none"> • # loans supported • # loans supported to women • % women of end borrowers • # jobs created • % jobs created for women
Affordable Housing	Affordable and improved housing projects for emerging markets	<ul style="list-style-type: none"> • # housing loans supported
Affordable Basic Infrastructure	Support sustainable infrastructure in emerging markets addressing needs for water, sanitation, safe clean energy, and telecom connectivity	<ul style="list-style-type: none"> • Population enabled with access to infrastructure • # households supported with access to safe energy • # people with access to rural telecom services • # sanitation products provided
Access to Essential Services <i>Healthcare</i>	Expand access to inclusive healthcare, ensure healthy lives and promote well-being	<ul style="list-style-type: none"> • # clients with access to health services
Access to Essential Services <i>Education</i>	Deliver and promote inclusive lifelong learning opportunities for all	<ul style="list-style-type: none"> • # students supported
Access to Essential Services <i>Smallholder Farmer Finance</i>	Invest in raising productivity of small farm agriculture, build resilience to climate change, improve access to markets, and strengthen capacity	<ul style="list-style-type: none"> • # farmers supported

⁸ Impact metrics based on IFC, https://www.ifc.org/wps/wcm/connect/corp_ext_content/ifc_external_corporate_site/about+ifc_new/investor+relations/ir-products/ifc+social+bond+framework#.ftn3

External Review

Citi will identify a unique Social Finance Asset Portfolio for the Social Finance Bond(s) issued during a given reporting period. More specifically, Citi's specialist Social Finance team will review assets to check they meet the Social Finance Eligibility Criteria (and do not meet the Exclusionary Criteria) in the Use of Proceeds section above, and designate any or all of those assets to comprise the Social Finance Asset Portfolio. Overtime, Citi's Social Finance team will also periodically remove assets from the Social Finance Asset Portfolio that no longer qualify, and may include additional eligible assets in the Social Finance

Second Party Opinion

Sustainalytics, an independent provider of sustainability research, analysis, and services to investors and other financial institutions globally, has provided a second party opinion on this framework, which can be found [here](#). Sustainalytics' opinion intends to provide an assessment of Citi's Social Finance Framework's alignment with the transparency and reporting requirements of the [Social Bond Principles](#), as well as assess Citi's overall performance and its alignment with the framework.

External assurance on allocation reporting

Citi will engage external independent accountants to review that the assets included in the Citi Social Finance Asset Portfolio meet the Eligibility Criteria in this framework and are not invested in assets as defined by the Exclusionary Criteria. Further, the independent accountants will be engaged to review that the aggregate amount in the Social Finance Asset Portfolio is equal to or greater than the aggregate amount raised by Citi Social Finance Bond(s) and to the extent the total amount of the outstanding bonds is less than the aggregate amount in Citi's Social Finance Asset Portfolio, the difference will be held in cash, cash equivalents and/or other liquid marketable instruments (including U.S Treasury securities) in Citi's liquidity portfolio.



Appendix

List of Prohibited Activities

No portion of the Citi Social Finance Bond(s) shall be used to support any of the following:

1. Conversion or degradation of critical forest areas⁹ or forest-related critical natural habitats.¹⁰
2. Leasing or financing of logging equipment, unless an environmental and social impact assessment indicates that; (i) all timber harvesting operations involved will be conducted in an environmentally sound manner which minimizes forest destruction; and (ii) the timber harvesting operations will produce positive economic benefits and sustainable forest management systems.
3. Construction of dams that significantly and irreversibly: (a) disrupt natural ecosystems upstream or downstream of the dam; or (b) alter natural hydrology; or (c) inundate large land areas; or (d) impact biodiversity; or (e) displace large numbers of inhabitants (5,000 persons or more); or (f) impact local inhabitants' ability to earn a livelihood.
4. Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements or subject to international phase-outs or bans such as pharmaceuticals,¹¹ pesticides/herbicides,¹² ozone depleting substances,¹³ polychlorinated biphenyls¹⁴ and other hazardous substances,¹⁵ wildlife or wildlife products regulated under the Convention on International Trade and Endangered Species of Wild Fauna and Flora¹⁶ and trans-boundary trade in waste or waste products.¹⁷
5. Resettlement of 5,000 or more persons.
6. Any impact on natural World Heritage Sites¹⁸ unless it can be demonstrated through an environmental assessment that the project (i) will not result in the degradation of the protected area and (ii) will produce positive environmental and social benefits.

⁹ A type of natural forest that qualifies as critical natural habitat. Critical forest areas include, but are not limited to, primary Forests and old growth Forests that may serve as critical carbon sinks.

¹⁰ 1) Existing internationally recognized protected areas, areas initially recognized as protected by traditional local communities (e.g., sacred groves), and sites that maintain conditions vital to the viability of protected areas (as determined by the environmental assessment procedure); and (2) Sites identified on supplementary lists by authoritative sources identified by OPIC. Such sites may include areas recognized by traditional local communities (e.g., sacred groves), areas with known high suitability for biodiversity conservation and sites that are critical for vulnerable, migratory or endangered species. Listings are based on systematic evaluations of such factors as species richness, the degree of endemism, rarity, and vulnerability of component species, representativeness and the integrity of ecosystem processes.

¹¹ A list of pharmaceutical products subject to phase-outs or bans is available at <http://www.who.int>

¹² A list of pesticides and herbicides subject to phase-outs or bans is available at <http://www.pic.int>

¹³ A list of the chemical compounds that react with and deplete stratospheric ozone together with target reduction and phase-out dates is available at <http://www.unep.org/ozone/montreal/>

¹⁴ Polychlorinated biphenyls are likely to be found in oil-filled electrical transformers, capacitors, and switchgear dating from 1950 to 1985.

¹⁵ A list of hazardous chemicals is available at <http://www.pic.int>

¹⁶ A list of CITES species is available at <http://www.cites.org>

¹⁷ As defined by the Basel Convention; see <http://www.basel.int>

¹⁸ <https://www.unep-wcmc.org/resources-and-data/world-heritage-information-sheets>

7. Any impact on areas on the United Nations List of National Parks and Protected Areas¹⁹ unless it can be demonstrated through an environmental assessment that the project (i) will not result in the degradation of the protected area and (ii) will produce positive environmental and social benefits.
8. Extraction or infrastructure in or impacting: protected area Categories I, II, III, and IV (Strict Nature Reserve/Wilderness Areas and National Parks, Natural Monuments and Habitat/ Species Management Areas), as defined by the International Union for the Conservation of Nature (IUCN). Projects in IUCN Categories V (Protected Landscape/Seascape) and VI (Managed Resource Protected Area) must be consistent with IUCN management objectives²⁰ unless it can be demonstrated through an environmental assessment (i) there is no degradation of the protected area and (ii) there are positive environmental and social benefits.
9. Production of or trade in radioactive materials²¹, including nuclear reactors and components thereof.
10. Production of, trade in or use of un-bonded asbestos fibers.²²
11. Marine and coastal fishing practices, such as large-scale pelagic drift net fishing and fine mesh net fishing, harmful to vulnerable and protected species in large numbers and damaging to biodiversity and habitats.
12. Use of forced labor²³ or harmful child labor.²⁴
13. Projects or companies known to be in violation of local applicable law related to environment, health, safety, labor, and public disclosure.
14. Projects or companies where the primary business activities are in the following prohibited sectors: gambling; media communications of an adult or political nature; military production or sales; alcoholic beverages (if contrary to local religious or cultural norms); or tobacco and related products.
15. Companies found by a court or administrative body of competent jurisdiction engaging in unlawful monopolistic practices.
16. Projects or companies that provide significant, direct support to a government that engages in a consistent pattern of gross violations of internationally recognized human rights, as determined by the U.S. Department of State.

¹⁹ <https://www.unep-wcmc.org/resources-and-data/wdpa>

²⁰ <https://www.iucn.org/theme/protected-areas/about/protected-area-categories>

²¹ This does not apply to the purchase of medical equipment, quality control (measurement) equipment, and any equipment for which OPIC considers the radioactive source to be trivial and adequately shielded.

²² This does not apply to the purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%.

²³ Forced labor means all work or service, not voluntarily performed, that is exacted from an individual under threat of force or penalty, such as but not limited to indentured labor, bonded labor, or similar labor-contracting arrangements.

²⁴ Child labor means the employment of children (persons below the age of 18) that is economically exploitative, or is likely to be hazardous to or interfere with the child's education, or be harmful to the child's health or physical, mental, spiritual, moral, or social development.

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