



Chartis' ClimateWise Annual Report Response - 2011

Chartis¹ is a world leading property-casualty and general insurance organisation serving more than 70 million clients around the world. With a 90-year history, one of the industry's most extensive ranges of products and services, deep claims expertise and excellent financial strength, Chartis enables its commercial and personal insurance clients alike to manage virtually any risk with confidence.

Chartis incorporates environmental and climate change considerations across its businesses, focusing on the development of insurance solutions to help Chartis and its clients respond to the worldwide drive to cut greenhouse gas (GHG) emissions. Climate change is increasingly recognized as an ongoing, significant global environmental problem with risks to the global economy and ecology, and to human health and wellbeing, including risks to adequate water supply for human consumption and agricultural use. Chartis is pursuing new opportunities where we have the expertise and capacity to do so in ways that benefit our customers, employees, stakeholders and the global community.

Climate change and related legal and regulatory initiatives have the potential to increase both the frequency and severity of claims and/or, in some cases, the cost of defending such claims. The Chartis insurers' policies are written primarily for 12-month periods, enabling us to modify underwriting practices and pricing procedures in a timely manner to limit the financial impact of any such increase in frequency or severity. Each line of business and individual policyholders may have different exposures related to the effects of climate change. While it is not possible to quantify precisely the impact of climate change on a particular policyholder's operations, underwriters actively evaluate the potential effect of GHG emissions on climate and weather patterns in the underwriting process, both for new and renewal business.

This systematic approach to measuring climate and weather-related risk includes, among other methods, sophisticated catastrophe exposure modelling. The underwriting process routinely recalculates and re-evaluates risks for our clients, and adjusts coverages and rates accordingly, while simultaneously managing our accumulated exposures. We do this to provide the best possible risk management services to our clients, while also pursuing proper enterprise risk management.

It should be noted that this document may contain projections, goals, assumptions and other forward-looking statements that may constitute "forward-looking statements" within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. These projections, goals, assumptions and statements are not historical facts but instead represent only AIG's belief regarding future events, many of which, by their nature, are inherently uncertain and outside AIG's control. Actual future events may differ, possibly materially, from those referred to in this document. Factors that could cause future events to differ include changes in market conditions, the occurrence of catastrophic

¹ Chartis is the marketing name for the worldwide property-casualty and general insurance operations of Chartis Inc. For additional information, please visit our website at www.chartisinsurance.com. All products are written by insurance company subsidiaries or affiliates of Chartis Inc. Coverage may not be available in all jurisdictions and is subject to actual policy language. Non-insurance products and services may be provided by independent third parties. Certain coverage may be provided by a surplus lines insurer. Surplus lines insurers do not generally participate in state guaranty funds and insureds are therefore not protected by such funds.

events, significant legal proceedings, concentrations in AIG's investment portfolios, judgments concerning casualty insurance underwriting and reserves, and such other factors as discussed in "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Risk Factors" in AIG's Quarterly Report on Form 10-Q for the quarter period ended March 31, 2011 and in "Risk Factors" and in "Management's Discussion and Analysis of Financial Condition and Results of Operations" of AIG's Annual Report on Form 10-K for the year ended December 31, 2010. AIG is not under any obligation (and expressly disclaims any such obligations) to update or alter any projection, goal, assumption or other statement, whether written or oral, that may be made from time to time, whether as a result of new information, future events, or otherwise.

PRINCIPLE 1 – LEAD IN RISK ANALYSIS

1.1 *Evidence that the member has supported or undertaken research during the year in question, with a brief description of the research focus and outcomes and an explanation of how this research has been used to inform business strategies.*

- Chartis' ecoPractice is dedicated to undertaking research on emerging climate-related risks and identifying potential opportunities for new products and services to address these risks. This research includes, but is not limited to, analyzing the climate change risk profiles and exposures of individual, small, mid-sized, and multinational clients across many lines of business internationally. Over the past year, support and knowledge of research undertaken on green building trends and local green building standards has highlighted consideration of new business opportunities and overall strategy, including new property product development efforts and risk management support in the UK.
- Chartis continues to support research efforts led by the United Nations Environment Programme Finance Initiative (UNEP FI) through participation in the Climate Change and Insurance work streams.
- Lexington Insurance Company (Lexington), a Chartis company, is the largest U.S.-based surplus lines insurer and a property and casualty market leader. Lexington has a dedicated group of individuals who research and advise on developing trends. Research has focused on the climate change trend to assess its impacts on the company's business strategies and to help tailor the products and services offered. As one of the largest U.S. catastrophe-exposed property insurers, climate change and the resulting impacts on coastal property directly influence Lexington's business strategies and risk management practices. Climate change and the resulting pressure to reduce carbon emissions have led to the development of new markets such as carbon trading and alternative energy. Lexington has approached these developments as an opportunity and has introduced products and services to help support the growth of these new markets. Climate change has influenced the consideration and development of additional regulation, as well as novel liability theories, all of which affect policyholders and their related exposures.

1.2 *Evidence that the member has supported more accurate national and regional forecasting (either through their own work or through collaboration with/support of others), with a brief description of the relevant activity.*

In the UK, Chartis is a member of the Association of British Insurers, and is actively involved in UK flood-related strategies, including adhering to the agreement regarding insurance for areas at risk of flooding. Tools and databases are also used to assess various property-related risks (e.g., flood and subsidence). As such, the Probable Maximum Loss (PML) is calculated for windstorm and flood exposures, involving collaboration with brokers and external models provided by third parties. Chartis is also represented on the ABI Property Committee, which will host a Flood Summit July 18, 2011.

1.3 *Narrative confirming that the member has used its research or improved data quality on climate to inform levels of pricing, capital and reserves.*

- Although we generally consider the way in which our carriers determine pricing and set reserves to be confidential and proprietary in nature, Chartis acknowledges that climate change research, including that from risk modelling agencies and risk analysis tools, is important and beneficial to

helping shape core insurance business decisions related to underwriting, pricing, setting reserves, handling claims, and developing new products.

- Chartis works with and supports the risk management and forecasting services of Risk Management Services (RMS), which offers expertise in the quantification and management of catastrophe risks, including hurricanes and floods. The catastrophe models that Chartis uses for wind are based upon RMS's short-term perspective on hurricane frequency and hurricane severity. Research has shown that there are several things that may impact hurricane frequency and severity, including items that may be associated with overall changes in climate. RMS utilizes industry experts to review this on an annual basis and updates its models accordingly. Chartis monitors these changes and updates, as we incorporate RMS models into our underwriting and risk management objectives. Moreover, the work undertaken with RMS feeds into our carriers' obligations in connection Solvency II, and the aggregation quantification is related to our carriers' pricing, reserve setting and capital requirements.
- Lexington applies state-of-the-art catastrophe modelling to assist in its assessment levels of risk in property portfolios and to relay to policyholders pricing, capital and reserve requirements. Model output data is shared with insureds and their advisors so that they can be informed of the financial exposure that the modelling suggests they may have. Such data may then be used by insureds in the development and implementation of risk management programs. Lexington also provides input to modelling vendors in the form of actual loss data post-catastrophe to support model calibration and facilitate improved modelling predictability.

1.4 Evidence that the member offers goods and/or services that support the development of new technologies for tackling climate change.

- Chartis is committed to developing and offering insurance solutions that respond to emerging climate change risks, including products that support the development of new technologies for tackling climate change. For example, Chartis' Environmental division continues to offer environmental risk solutions for Carbon Capture and Storage (CCS) operations via an endorsement to the Chartis insurers' Pollution Legal Liability Select policy, which includes coverage for capturing carbon dioxide at industrial sources, compressing and transporting it, and injecting it into geologic formations for permanent storage.
- Chartis' Global Marine and Energy division offers flexible, comprehensive solutions for the new frontiers of energy risks through its Advanced Energy Solutions group, a leading underwriter of alternative and renewable energy-related risks worldwide. Along with market-leading insurance solutions, Advanced Energy Solutions provides specialized risk management, crisis management, engineering, loss control and claims services. Clients include waste-to-energy, geothermal, solar, wind and biofuel production facilities.
- This year, Advanced Energy Solutions created an energy warranty product offered by the Chartis insurers that helps shift technology risk away from wind and solar project sponsors and their lenders, thereby improving the likelihood of funding and ultimately making more renewable energy projects possible in the market. More specifically, this unique coverage includes break/fix, serial defect, power curve and availability, with the latter two being particularly relevant for funding sources to protect the integrity of cash flow. Strong engineering skills of the Chartis companies allow us to underwrite this risk and support the development of renewable energy technologies that reduce carbon emissions and address climate change concerns.

1.5 Evidence that research has been shared.

- Chartis is a signatory to the United Nations Environment Programme Finance Initiative (UNEP FI), which is dedicated to identifying, promoting, and realizing the adoption of best environmental and sustainability practices at all levels of financial institution operations. Chartis has participated in research with the UNEP FI, the findings and results of which are publicly shared through the extended UNEP FI network and its website, as well as on the Chartis website (www.chartisinsurance.com). In addition, marketing highlight sheets that reflect product development research are available for each of the "green" products offered by the Chartis insurers. These informational documents are utilized by brokers and clients.
- Lexington maintains a CAT Information Center at <http://www.lexingtoninsurance.com/pgCATCenter.php>, where brokers, policyholders, and the public in general can access information about catastrophe risks, including hurricanes. At the CAT Information Center,

brokers, policyholders, and the public can find research findings and other content developed by Lexington, as well as links to additional catastrophe-related resources.

- Lexington sponsored an A.M. Best-hosted roundtable discussion and webcast entitled, *Winds of Change – The Shifting Landscape of Catastrophic Risk*. The roundtable discussion among leading catastrophe and insurance industry experts focused on the continued aggregation of coastal property values and how the ongoing assimilation of physical assets in highly vulnerable areas around the country have created increasing levels of volatility for the property and casualty insurance industry. The webcast can be found at <http://www.ambest.com/multimedia/catrisk10.html>. Following the webcast, Lexington developed a whitepaper that provides an overview of the changing nature of catastrophe losses, one chapter of which was devoted to the hurricane peril. The whitepaper attempts to sound an alarm about the increasing asset values exposed to catastrophic loss and the economic impact that a major event might have on the communities affected, as well as the property and casualty insurance industry. The whitepaper is intended to inform brokers and policyholders of the increasing exposures arising out of catastrophe events. The *Winds of Change* whitepaper can be accessed at Lexington's CAT Information Center at <http://www.lexplorations.com/WOC/>.
- In addition, Lexington developed a brief videocast entitled, *Winds of Change – The Growing Complexity of Global Catastrophic Risk Protection*. The videocast talks about climate change, increasing glacial melt, rising sea temperatures and the resulting impact on catastrophe risk. This videocast can be found at <http://www.lexingtoninsurance.com/pgCATCenter.php>.

PRINCIPLE 2 – INFORM PUBLIC POLICY MAKING

2.1 Evidence that the member has worked with policymakers nationally AND/OR internationally to help them with climate resilience, with a brief description of the relevant activity.

Lexington's Chief Innovation Officer, Karen O'Reilly, served on the Climate Change Adaptation Advisory Committee, which was created as a result of Massachusetts Chapter 298 of the Acts of 2008, An Act Establishing the Global Warming Solutions Act. The Committee was charged with analyzing strategies for adapting to the predicted impacts of climate change in the Commonwealth of Massachusetts. The Committee filed a report of its findings and recommendations regarding strategies for adapting to climate change. Information about the Committee and its recommendations can be found at <http://www.mass.gov/dep/public/committee/ccaac.htm>.

2.2 Evidence that the member has promoted, actively engaged in, or supported representative organisations in public debate on climate change and the need for action.

- AIG² is one of over 3,000 organizations across 60 countries that participate in the annual Carbon Disclosure Project (CDP), a forum in which companies measure and disclose their GHG emissions, water management and climate change strategies so that they can set reduction targets and make performance improvements. Although AIG did not calculate GHG emissions for 2010, the 2011 CDP response on other aspects of climate change strategy is a contribution to the broader public debate on climate change and the need for action.
- As noted in response to question 1.5, Chartis is a signatory to the UNEP FI. Within the UNEP FI, Chartis is an active participant and contributor to the Insurance Commission Board and its work on the Principles for Sustainable Insurance (PSI) initiative, as well as the Working Groups on Climate Change and Investment.
- Chartis continues to participate in ClimateWise Collaborations and other member initiatives based on thematic areas derived from the ClimateWise Principles. Most recently, Chartis Insurance UK Limited (Chartis UK) participated in a ClimateWise Progress Meeting with His Royal Highness The Prince of Wales. Chartis is also currently participating in the North America Outreach Strategy, an initiative to identify and reach out to a pioneer group of North American insurers to identify their collaborative learning needs and share benefits of ClimateWise membership.

² Because the information is utilized by shareholders and institutional investors, AIG, rather than Chartis, is designated as the official respondent to the CDP.

- Finally, over the past year, Chartis UK has worked with the Building Research Establishment Environmental Assessment Method (BREEAM) organization to inform business opportunities related green building, as well as the Association of British Insurers (ABI), the Fire Protection Association (FPA), and the Loss Prevention Certification Board (LPCB) Building Products Steering Group to consider potential emerging risks related to sustainable driven building materials and techniques.

2.3 *Evidence that the member has supported work to set and achieve national and global emissions reductions targets.*

Through its participation in the UNEP FI and ClimateWise, Chartis generally supports the work that each organization undertakes to set and achieve national and global emissions reductions targets, particularly as part of the UN's annual Conference of the Parties processes. For example, in mid-2009, Chartis became a signatory to the Copenhagen Communiqué on Climate Change, an initiative of The Prince of Wales' Corporate Leaders' Group on Climate Change, which is run by The University of Cambridge Programme for Sustainability Leadership. The Communiqué was widely considered to be the definitive progressive statement from the international business community on climate change, published in advance of and targeted for the UN climate change conference in Copenhagen in December 2009. The two-page document secured the support of over 950 companies, including Chartis, from over 60 countries. It set out the business case for an ambitious, robust, effective and equitable UN climate framework; offered a progressive global consensus on the shape of an agreement; and warned that business would suffer if a credible deal was not reached in Copenhagen. Among other provisions, the Communiqué called for the establishment of a long-term global emissions reduction pathway of all greenhouse gas emissions for the period 2013 to 2050, with interim targets.

2.4 *Evidence of work with Government.*

As mentioned in response to question 2.1, Karen O'Reilly, Lexington's Chief Innovation Officer, served on the Climate Change Adaptation Advisory Committee. The Committee was charged with analyzing strategies for adapting to the predicted impacts of climate change in the commonwealth of Massachusetts. The Committee filed a report of its findings and recommendations regarding strategies for adapting to climate change. Information about the Committee and its recommendations can be found at <http://www.mass.gov/dep/public/committee/ccaac.htm>.

2.5 *Examples of how the member has worked with the emergency services to make the process of recovery after an incident as efficient and effective as possible.*

Chartis has an organized process within its Property Claims department to deal with natural incidents and disaster recovery. In addition to daily monitoring of storms in the U.S. and around the world, Chartis actively responds to catastrophes. Chartis also maintains corporate disaster plans and business continuity plans, which contain parameters to ensure that Chartis and its employees can function in the event of a catastrophe that affects its insurance operations.

One example of how Chartis has worked with emergency services towards efficient disaster recovery is its participation in Property Partners in Recovery, a U.S.-based group comprised of insurers, vendors and the Florida Insurance Council. The group was established following Hurricane Andrew, and continues to meet regularly on catastrophe, hurricane and disaster recovery-related matters. One key outcome of the group has been the development of the Florida Model, a streamlined approach to how insurers interact with regulators and local emergency services following a catastrophic incident. Chartis is among those insurers provided with special badges issued by the Florida Office of Insurance Regulation, which allow immediate access to disaster sites in order to assess damage quickly and triage recovery needs. This has proven to be a much more efficient process than sending in hundreds of insurance adjusters to a site to assess damage.

PRINCIPLE 3 – SUPPORT CLIMATE AWARENESS AMONGST CUSTOMERS

3.1 *Description of the ways in which the member informs its customers of climate risk, with concrete examples of tools that the member provides to customers to assess*

their own levels of risk. New initiatives that have taken place during the year should be given particular emphasis, but a description of the latest progress of existing initiatives is also important.

- Chartis continues to maintain its RiskTool[®] system, a revolutionary risk management software solution that helps policyholders of the Chartis insurers identify and mitigate environmental, health, safety and property risks in the workplace. With the RiskTool system, policyholders have a single source to help manage safety policies, programs, audits and training, as well as obtain information to assist with complying with government health and safety regulations.
- In late 2010, Chartis UK created a “Green Matters Insight” tool for property clients, providing important information about climate change, sustainable building, green building standards, and the potential additional property risks associated with sustainable building materials. As an accompaniment to the enhanced property policy wording for green buildings in the UK (see response to question 3.2 for more information), this tool helps customers assess their own levels of risk based on their building and energy choices, while emphasizing the support that Chartis’ Risk Engineers can provide to help manage their risks and meet their goals. A sister tool called “Riskfix” was launched shortly thereafter to help support our Local Authority clients in the UK.
- On June 1, 2011, the official first day of the 2011 Atlantic hurricane season, Lexington launched a catastrophe information campaign on the social networking site Twitter, available at www.twitter.com/Lex_Ins. This campaign was developed to provide policyholders, brokers, and others following Lexington on Twitter with timely information on hurricane forecasts, ongoing storm preparation, and post-event recovery.

3.2 *Description of insurance products and services provided by the member that are designed to encourage customers to adapt to climate change or reduce carbon emissions. The focus should be on specific progress during the year, whether increased take-up of existing products and services or launch of a new product or service, bearing in mind market conditions.*

During 2010 and the first half of 2011, the Chartis insurers continued to offer the existing suite of insurance products designed to encourage customers to be more sustainable and reduce carbon emissions. Examples of new product launches include:

- In early-2011, Chartis UK Property launched a new Greening Endorsement for manufacturing clients, which provides an environmentally friendly property reinstatement in the event of a covered loss, in a manner required to minimize the potential harm to the environment. The Endorsement allows customers to incur extra costs to reinstate in an environmentally friendly manner and seek BREEAM certification. This, in turn, encourages customers to reduce carbon emissions through energy efficiency and use of sustainable building materials.
- In addition to continuing to offer the Ecosurance[®] portfolio of green products, in support of the developing alternative energy market, Lexington introduced ITC Energy-48SM, an Energy Investment Tax Credit insurance program, which consists of ITC Energy-48 Mobile Property Insurance and ITC Energy-48 Professional Liability Insurance. This new suite of products is designed to protect owners, developers and investors against financial losses arising from the loss or damage to energy property. It also responds to the resulting recapture of investment tax credits that were granted for such property, pursuant to Section 48 of the Internal Revenue Code. The coverage was developed to support and protect incentives provided by federal and state governments to encourage the development of alternative energy projects. Coverage is provided for investment tax credits, production tax credits, and renewable energy certificates.

3.3 *Description of the system in place to ensure that repairs are carried out in a sustainable way and waste is minimised.*

- The newly launched Chartis UK Property Greening Endorsement contains a provision extending coverage for the removal or disposal of debris from the portion or portions of an insured’s property that have sustained damage.
- Lexington’s Upgrade to Green for Commercial Property continues to include a provision that, in the event of a loss, contributes towards the insured’s expenses to sort and transport recyclable debris to recycling facilities.

- Lexington's Senior Science Advisor, Laurie A. Johnson, Ph.D., AICP, co-authored *Clear as Mud: Planning for the Rebuilding of New Orleans*, a recently-released book examining the people, events and actions that shaped the recovery of the City of New Orleans after Hurricane Katrina. *Clear as Mud* demonstrated that recovery from a catastrophe like Hurricane Katrina is an extremely complex process. By documenting the challenges of the first 22 months of New Orleans' historic rebuilding effort, the authors hope to help businesses, individuals and governments learn from this experience and become better prepared for future crises.

3.4 Evidence of engagement and action on climate change issues in the developing world.

- Chartis continues its important work of offering micro insurance in Uganda, India, Indonesia and elsewhere. Since first launching microinsurance in Uganda over ten years ago, Chartis has provided more than 2.25 million microinsurance policies worldwide, translating to at least \$45 million in premiums since 2007.
- Chartis continues to examine the issues of financial inclusion, how climate change affects underserved populations in the developing world, and how microinsurance solutions can address these emerging risks. To achieve a more targeted focus on insurance offerings in the developing world, through its recent reorganization, Chartis has focused one of its four regional divisions on Growth Economies. In this region, additional microinsurance opportunities may be further explored, as well as other opportunities unique to local needs and requirements.
- Over the past year, Chartis also participated in the ClimateWise Collaboration on Developing World Insurance, intended to enhance the understanding of the role insurance can play in disaster risk reduction in the developing world.
- In late 2010, Chartis participated in and completed the Phase I effort of identifying the four broad themes for the Adaptation in the Developing World Working Group. Chartis is now supporting the Phase II Proposal for the ClimateWise Collaboration on Adaptation in the Developing World.

PRINCIPLE 4 – INCORPORATE CLIMATE CHANGE INTO INVESTMENT STRATEGIES

4.1 Narrative that clearly recognises where climate change is a driver of financial value for a range of sectors across their whole portfolio and shows this to be incorporated into the investment decision-making process.

In 2006, AIG Asset Management Group (AMG), the investment arm of AIG which manages a majority of the Chartis companies' investments, adopted a sustainability policy, citing that the performance of assets and portfolios can be impacted by various Environmental, Social and Governance (ESG) risks and opportunities, including those related to climate change. Sustainability factors are now required considerations in all public and private corporate fixed income investments made by AMG on behalf of the Chartis companies.

4.2 Evidence that the member has, either directly or through its fund manager, encouraged its investee companies to disclose information on their carbon emissions.

AMG seeks quantitative and qualitative information regarding how its investments might be impacted by various environmental issues, including climate change. AIG was a signatory to the Carbon Disclosure Project (CDP) from 2005 to 2008, and has been a respondent since the report's inception through 2011. Since AMG's investment and credit professionals are required to consider various ESG risks and opportunities for all fixed income corporate investments, when forming their investment thesis, AMG analysts routinely make related inquiries of investee companies' management, rating agencies, and other third party vendors who review such factors. AMG encourages the companies in which it invests, both directly and indirectly, to provide appropriate disclosure regarding all associated risks and opportunities, in an attempt to reduce risk and maximize its returns.

4.3 Narrative to explain how the member seeks to improve energy efficiency and climate resilience in the properties in its investment portfolio.

Within its investment portfolio, AIG Global Real Estate (GRE) continues to strive towards the most sophisticated innovations in design, with an emphasis on environmental sustainability. In fact, the GRE group routinely performs research and analysis on emerging green technologies, products and companies. GRE seeks out and benefits from market-based incentives, including tax credits, abatements and exemptions, and provides information and guidance to development partners on renewable materials and energy sources. Internally, we report on environmental criteria for all projects in the global portfolio, and we frequently review our portfolio for opportunities to increase energy efficiency, enhance building performance and reduce carbon emissions.

Through GRE, Chartis has participated in numerous investments involving energy efficient and environmentally sustainable real estate projects, some of which have since been monetized. Green buildings have proven to be a solid financial investment, especially as environmental concerns require and incentivize sustainable development. As high-quality, well-designed buildings, they last longer, cost less to operate and maintain, and provide greater occupant satisfaction and investor value. Not only do green buildings enhance communities and benefit the environment, but they also reward our investors. Notable investments include, among others:

- Spruce Peak at Stowe, Vermont, U.S., the first mountain resort to win Audubon International's Green Community Award. Charter member of the National Ski Area Association Sustainable Slopes program. In 2000, the project received the Golden Eagle Award, the U.S. ski industry's highest achievement for environmental excellence. Over 2,000 acres surrounding Spruce Peak at Stowe have been permanently protected.
- AIG Centre in Dublin, Ireland, is an office building with passive solar design and solar shading to reduce heat gain during the day and improve the building's energy performance. River water extraction is used to reduce cooling loads. High performance glass and a five-story atrium allows a maximum five meter distance to natural daylight for tenants, and an underfloor air distribution system provides a high degree of flexibility in laying out space – space under the floor is used as plenum/supply duct and occupants can individually adjust air flow with floor registers easily relocated. High-efficiency lighting systems are tied to motion sensors with dimmable lighting controls. Task lighting reduces general overhead light levels.
- The Chartis building on Fenchurch Street, London, an 18-story office building with street level retail and underground parking, received a BREEAM award for green features, including: under-floor power systems that allow for greater flexibility and individual controls, floor-to-ceiling windows that allow natural light into offices, and fixed louvers and screens on the roof and façade to provide shading and block direct sunlight.

In addition, AIG has received other environmental recognition for the incorporation of green building elements that move towards energy efficiency and climate resilience in some of its more recent buildings, including, among others:

- Quadrum Office Park in Budapest, near Ferihegy airport, which consists of four Class A office buildings, surrounded by gardens, lakes and parks. The building was the first in Central Europe to be built according to BREEAM. This system measures the performance of buildings in land, materials, energy and water use. The Quadrum Office Park project buildings have been assessed as "Very Good" on the BREEAM scale.
- International Finance Centre (IFC) in Seoul, where AIG partnered with the Seoul Metropolitan Government to create a 5.4 million square foot development on an 8-acre site in Seoul's financial district. IFC Seoul features four Class A commercial office towers ranging from 29 to 55 stories high and featuring 30-foot high lobbies, large floor plates with open plans, and floor-to-ceiling windows with views of the city and the Han River. The site is crowned by an atrium leading to a 3-level luxury mall and a multiplex cinema. The project includes a 5-star hotel, significant new public parks and a direct link to the subway. It is pursuing both LEED and Korean Green Building Council certifications.

Finally, AMG clients are investors in renewable energy projects. In particular, AMG, on behalf of its clients, currently has over \$600 million invested in debt project financings, including seven wind investments, eight hydro investments, four geothermal investments and one solar investment. Following a recent asset allocation review, Chartis has decided to increase its private-placement exposure, and, therefore, Chartis expects to participate in more privately-placed renewable energy deals in the future.

4.4 Proactive communication of investment strategies on climate change to customers and shareholders. NOTE: It is not sufficient to state that the investment strategy is available but not actively communicated.

It is clear that climate change is important to many of Chartis' constituents. In addition to AIG's response to the CDP each year, Chartis maintains an active dialogue about its investment strategies with appropriate parties. Because Chartis, together with its investment advisor, AMG, views the risk-reward relationship related to climate change as part of normal due diligence in which multiple risks and opportunities are explored, it does not pro-actively seek to single out its response specifically with respect to climate change.

4.5 Evidence that the member has shared its assessment of the impacts of climate change with its own pension fund trustees (and potentially also with pension fund trustees who are clients).

Third-party asset manager PineBridge is responsible for managing AIG's corporate pension assets. Following PineBridge's divestiture from AIG, PineBridge has continued to incorporate ESG (Environmental, Social, and Governance) issues in its investment management process. Importantly, the primary objective in managing AIG's Retirement Plan assets is to seek investment returns with the appropriate risk/return characteristics to provide for participant benefits and pay expenses for managing the assets and administering the Plan. Currently, PineBridge reviews the asset allocation with AIG's Investment Committee on a quarterly basis and discusses individual asset classes throughout the year. As part of those discussions, PineBridge periodically discusses ESG, which includes, but is not limited to, climate change, with the Investment Committee of the Retirement Board of AIG.

PRINCIPLE 5 – REDUCE THE ENVIRONMENTAL IMPACT OF OUR BUSINESS

5.1 Description of processes in place to select or monitor suppliers on the sustainability of their products and services.

- Supply chain management activities across Chartis emphasize our commitment to environmental responsibilities and best practices in the sourcing of materials to deliver insurance products and services. This commitment includes implementing an environmental management system to pursue sustainability and continuous improvement, as well as seeking innovative ways of meeting environmental objectives.
- Chartis UK maintains the previously adopted internal supply chain management and Environmental Policy Statement, which outlines commitments to 1) review all activities and operations to better understand the direct and indirect environmental aspects and effects of all sourcing activities, 2) work with suppliers to support continuous environmental improvement by establishing demanding but achievable and measurable environmental performance targets that are reviewed externally and reported annually, and 3) reduce energy and resource consumption by promoting effective and efficient reduction methods consistent with best practices.
- In addition, part of the Chartis UK supply chain such as cleaning, catering, office, waste services and mechanical and electrical maintenance is procured through the services of Balfour Beatty, an infrastructure and support services business specialist, which has developed a sustainability agenda that complements our own. Balfour Beatty's "Sustainability Roadmap 2020 Vision" and framework outline specific sustainability goals, including carrying out reviews within supplier assessment processes; agreeing to mutual sustainability aspirations in preferred supplier selection criteria; working with preferred suppliers to understand and manage sustainability risks and opportunities through full supply chains; adopting recognized accreditation schemes such as the government's flexible framework for sustainable procurement; and obtaining feedback from suppliers on performance in sustainability.
- By working with Balfour Beatty for supply chain management, Chartis, in turn, also benefits from Balfour Beatty's expressed commitment to sustainability for office services and waste management. As with all of our suppliers, Chartis regularly and closely monitors Balfour Beatty and its services and supply chain initiatives through established key performance indicators and regular meetings with Facilities Management.

5.2 Description of how the member is measuring the environmental impact of its operations; and, explanation of steps that the member is taking to reduce the environmental impact of its own operations.

- In the UK, In order to measure the environmental impact of the offices that we occupy, we are measuring energy consumed in electricity and gas (scope 1 and 2 Green House Gas emissions). We do this through existing utility metering, the data for which is collated on an online database and reported on a monthly basis.
- It is also our intention in the UK to roll out advanced meters to all of our office sites so that automated data are captured on a daily basis and reporting can be more easily facilitated. This will feed into the same database which is accessible to our engineering and facilities management staff.
- During the course of this year, Chartis UK has pushed ahead with various initiatives that were highlighted through surveys and reports referenced in the 2010 ClimateWise submission. The main activities undertaken are focused on the optimizing existing plant and equipment in our buildings and sub-metering. The Head of Facilities Management in the UK leads this effort and has specific responsibility for these initiatives.
- In cooperation with the external consultancy, targeted efforts are also being implemented to achieve overall reductions in the use of electricity and gas, thus reducing carbon emissions. For example, at our two largest Chartis buildings in the UK, Fenchurch Street and Croydon Street, we carried out work on the way we control our heating and cooling systems. The most recent energy report for May 2011 revealed that they had consistently healthy reductions in energy consumption, even during the warmer months of April and May 2011, which required a net increase in the requirement for cooling. For gas usage, the Fenchurch Street and Croydon Street offices also show very healthy reductions in consumption.
- Where we have larger buildings in the UK, we have implemented a sub-metering program in order to further understand the energy breakdown in the different areas of our buildings and target energy reduction measures more accurately. These meters feed into our online database on a daily basis for reporting and alarming. For example, at our Fenchurch Street office, we meter the cooling, mechanical and electrical plant, heating plant and various office floors. Through this we have identified where savings can be made in our heating and cooling strategies and we are able to use this information to raise staff awareness of the environmental impact of the equipment they control.
- Across the company, Facilities Management teams are committed to implementing initiatives and practices to reduce the environmental impact of our business, including encouraging our suppliers to improve the sustainability of products and services, increasing the efficiencies of our internal operations and physical assets under our control, and reducing energy usage. As a result, we expect that AIG's GHG emissions will not increase over the next five years and could possibly decrease over that period. To help ensure this goal, as well as to comply with regulatory requirements such as the UK's Carbon Reduction Commitment (see response to question 5.3), Chartis UK continues to track emissions for its buildings. Over the past year, the main projects in the UK related to this effort (discussed above) have led to a to a 9.8% reduction in emissions at the Fenchurch Street location, year-to-date, and a 5.3% reduction at the Croydon Street location, year-to-date. Chartis recognizes the importance of tracking direct GHG emissions for all of its operations using a globally recognized standard, and may consider inventory tracking and disclosure as a future business commitment.

5.3 Evidence that the member has disclosed its direct emissions of greenhouse gases, using a globally recognised standard.

- AIG was the first U.S.-based insurance organization to adopt a public statement on the environment and climate change and to commit resources to addressing the climate change challenge. In 2006 and 2007, AIG completed a full inventory of its global GHG emissions, and then offset a portion of GHG emissions related to operations by supporting carbon credit generating projects in China. Recent organizational changes make it difficult to identify a single company-wide emissions reduction target. However, regional initiatives and regulatory requirements such as the UK's Carbon Reduction Commitment (CRC) Energy Efficiency Scheme are fully supported.
- The CRC's Energy Efficiency Scheme applies to large non energy-intensive UK organizations in the public and private sectors, and aims to reduce carbon emissions in large non-energy

intensive organizations by around 1.2 million tonnes per year by 2020. The CRC's Energy Efficiency Scheme requires participants to declare CRC emissions and purchase carbon allowances for each of tonne of CO₂ emitted.

- The government first committed to cutting UK carbon emissions by 60% by 2050, compared to 1990 levels, then in October 2008 changed the commitment to 80%, over the same period. The CRC's Energy Efficiency Scheme applies to organizations that have half-hourly metered electricity consumption greater than 6,000MWh per year, which includes Chartis UK.
- Chartis UK, as the AIG-nominated representative for all AIG activities in the UK, is the registered participant in the CRC. In order to be compliant with the CRC, two reports need to be submitted in July 2011 – the Footprint Report and the Annual Report – as well as an “evidence pack,” which requires maintaining with up to date information.
- For each tonne of CO₂ emitted and reported on in the annual report, participants must purchase allowances, currently at £12 per tonne.
- In addition to the purchase of allowances, Chartis UK's emissions will be published in a league table each year to compare with all other CRC participants (estimated at around 3,000 public and private organizations).

5.4 Description of steps that have been taken during the year to engage employees with indication of impact/take-up.

Within the last year, Chartis UK has organized a Corporate Social Responsibility Committee, presided over by Chartis UK's Chief Administrative Officer. Four forums feed into the CSR Committee: Environmental, Diversity, Charity and Health & Safety. The main objective of the Environmental Forum is to assist the CSR Committee with fulfilling its responsibilities to environmental matters arising out of Chartis activities. More specifically, the Environmental Forum ensures the compliance of all environmental and legal requirements applicable to Chartis; sets objectives and targets to prevent pollution and mitigate Chartis' significant environmental impacts, including developing a carbon reduction target and strategy following relevant published industry guidelines; ensures integration of environmental and sustainable principles into operational and business procedures and promoting best practices at every level; promotes awareness of the need to achieve sustainable practice in the performance of activities that may include the use and disposal of materials, energy; and assists with and advises on the development of environmental business products.

More broadly, the mission of the Environmental Forum is to create awareness and a strong sense of environmental responsibility among the Chartis community. The Environmental Forum aims to manage our impact on the environment by energy-saving and emission reduction initiatives, provide environmental best practice guidelines to employees such as recycling, promote the development of “green” insurance products, implement simple eco-friendly solutions in the workplace to reduce Chartis' carbon footprint, and to support charitable organizations that actively encourage environmental health and safety. Recent examples of engaging employees in environmental awareness and participation include “Walk to Work” week, Recycling Week, and other upcoming initiatives.

PRINCIPLE 6 – REPORT AND BE ACCOUNTABLE

6.1 Identification of Board level sponsor for climate change strategy and evidence for incorporation of climate risk into business strategy and planning.

The highest responsibility for climate change resides at the senior executive level of Chartis' business units. Chartis' ecoPractice (www.chartisinsurance.com/ecopractice) also leads the review of ecological and climate change issues related to Chartis' risk management and corporate governance processes. Senior executives are apprised of the status of climate change priorities, as well as the activities and responsibilities of the business units that are involved in the daily management of climate change initiatives.

In addition to the ecoPractice and business unit senior executive involvement and oversight of climate change priorities, Chartis has established the Advanced Energy Solutions Group within its Global Marine and Energy division (http://www.chartisinsurance.com/us-advanced-energy-solutions-group_295_182636.html), which specializes in addressing the needs of alternative and renewable energy risks.

From an investment perspective, AMG requires an assessment and consideration of environmental risk as part of any new issue credit memorandum and industry credit review, for the Investment Grade, High Yield, and Private Placements asset classes. As a signatory to the Carbon Disclosure Project, AIG generally supports disclosure by companies of their environmental risks, as this disclosure contributes to our internal risk assessment process.

Responsibility for climate change is also managed at the regional level. In the UK, for example, the Environmental Forum, comprised of members from Chartis' business units, Marketing, and Facilities Management, has responsibility for local climate change management insofar it relates to internal resource management and product offerings. The Environmental Forum also reports into the broader Corporate Social Responsibility Committee, which is led by the Chief Administrative Officer of Chartis UK.

6.2 *Annual statement that systematically details actions taken (specific or ongoing) against each element of each of the Principles.*

AIG's Annual Report on Form 10-K for the year ended December 31, 2010 (AIG's 2010 10K) includes a statement on climate change and related regulatory initiatives, and their potential effects on the frequency and severity of claims. AIG's 2010 10K also discusses the effects of changing climate conditions on the unpredictability and frequency of natural disasters and other catastrophic events.

An intranet site for employees in the Chartis UK office was established in 2009, and is used to post relevant stories on climate-related activities, as well as broader initiatives that address the ClimateWise Principles.

The ecoPractice website (www.chartisinsurance.com/ecopractice) serves as the focal point for the latest information on climate-related news and activities, a listing of existing green products, as well as all product development launches. This site is currently under construction, with plans to expand accessible information and resources for employees, clients, brokers, and the public in general.