

To: ClimateWise

From: Tricia Holly Davis, Director of Commercial Sustainability, Willis Group

Re: ClimateWise Member Report--2011

Overview

Willis Group recognises the need to become a sustainable organisation and that the position of the company at the centre of the risk management economy heightens the importance of our need to adopt a sustainable approach to both our internal operations, as well as the solutions and advice we provide to our clients. Other major industry participants, especially certain insurance carriers, are already demonstrating their unique ability to direct capital towards sustainable practices, through a combination of the implementation of risk management and by the creation of specialist underwriting functions for renewable energies and other sustainable industries. In order to be able to successfully deliver on The Willis Cause (the Group's mission statement on meeting our clients' needs), Willis must be an industry leader in the field of sustainability in order for it to continually adapt and renew its processes in the face of emerging risks.

Willis believes that sustainability goes beyond the more traditional, societal impacts a company has on the communities and wider world in which it operates. Minimising our impact on the environment and behaving in a socially responsible manner are, of course, critical to our future as a company. At the same time, we believe we also have a duty to our stakeholders to protect our long-term financial position, as well as that of our clients by helping them to ensure their own operations are run in a sustainable manner and are prepared for current and future risks. We term our approach Commercial Sustainability.

Specifically, Commercial Sustainability means, "Ensuring Willis and its clients are prepared for current and future risks, including financial, environmental, social and political, to secure our respective commitments to our shareholders, clients, employees and the communities in which we operate."

Principle 1—Lead in Risk Analysis

The Willis Research Network (WRN) is the world largest collaboration between science and the finance and insurance sectors.

Through our partnerships with more than 50 of the world's leading universities and research institutions in North America, Asia Pacific, Europe and Latin America, the WRN delivers leading edge solutions to corporate sustainability and financial resilience.

Our network focuses on confronting the full spectrum of risks faced by corporations, governments and insurers, from the risks posed by natural hazards and changing regulatory environments, to business interruption and supply chain concerns, to emerging threats posed by climate change, population growth, and rapid urbanisation. Combining this knowledge with our analytics and catastrophe and financial modelling teams enables Willis to analyse our clients' needs and offer the most appropriate solutions to mitigate the risks they face, avoid losses from natural and manmade catastrophes, and build the resilience and strength of their company.

The WRN is divided into FOUR main Hubs:

1) Climate and Weather Risk Hub

Working with institutions such as the National Centre of Atmospheric Research, Boulder Co; GFD Laboratory at Princeton, Florida State University and the Severe Storms Laboratory at Oklahoma University and overseas partners the WRN has become leaders in understanding how to manage

- US Hurricane Risk across Gulf, SE and NE exposures
- Tornado, Hail and convective storm
- Wildfire
- Californian Winter Storm

2) Flood Risk Hub

A growing concern for firms across the United States and Canada our teams at Princeton University, the Wharton School at U Penn and NCAR have supported the environmental, economic and public policy questions associated with understanding and managing flood risk and its direct and derivative impact.

3) Seismic Risk Hub - Earthquake, Volcano, Tsunami

Willis is a founder member of the \$35m Global Earthquake Model programme and an acknowledged leader of earthquake risk modelling with WRN partners in the US including the University of Colorado and a range of overseas institutions in Japan, Italy, the UK and Germany.

Willis has developed leading expertise in applying and interpreting models and providing risk management and insurance solutions on the West Coast, New Madrid and other exposed locations.

Meanwhile Willis has been supporting a global tsunami research programme for the past two years including teams based at the University of Tohoku in NE Japan.

4) Financial Risk Hub

Managing extremes of financial risks to corporate sustainability. Credit risk modelling, operational risk modelling and liquidity risk all encompass our financial risk hub.

Ultimately this forms part of a wider agenda of Economic Capital Modelling, the fusion of corporate balance sheets with risk modelling.

Willis Research Network partners at Georgia State University, Temple University, Wharton and Risklab ETH Zurich are at the heart of our science programme to confront these extremes.

This science is steered and translated via Willis's analytics and broking teams to support our core business of risk identification, evaluation, management and transfer. Much of our science is translated into decision support tools, including risk mapping, portfolio management applications and risk models which complement our international team of roughly 150 Analytics professionals and Catastrophe Modellers.

For further information on the WRN and access to a wide range of

*research outputs and materials please visit
www.willisresearchnetwork.com*

Principle 2—Inform Public Policy

In addition to ClimateWise, Willis participates in a number of national and international organisations dedicated to ensuring public policy decisions reflect mounting challenges posed by climate change and more extreme weather events. These include:

The United Nations International Strategy for Disaster Reduction, a global, multi-stakeholder campaign to reduce the risks related to natural disasters and develop public-private solutions to share the burden and costs of those risks; b) United Nations Environment Programme-Finance Initiative (UNEP-FI) Principles for Sustainable Insurance: In 2010, Willis was selected to join a select panel of the world's leading insurers and reinsurers to help shape principles that will embed Environmental, Social and Governance factors in the risk assessment and decision-making process. Willis is the only in/reinsurance broker on the UNEP-FI advisory panel.

The United Nations International Strategy for Disaster Risk Reduction (UNISDR): Willis is the Co-Chair of UNISDR's Private Sector Advisory Group, whose aim is to bring together public and private sector stakeholders to share both the consequences and risks of disasters, and encourage companies to act to reduce them. Willis launched the Private Sector's commitment to this effort at the May United Nations Global Platform in Geneva. ***For more information, please see the attached Private Sector Statement and visit <http://www.unisdr.org/partners/private-sector>.***

Global Assessment Report on Disaster Risk Reduction Peer Reviewer: Launched by United Nations Secretary-General Ban Ki-moon in 2009, the primary purpose of the bi-annual report is to improve our understanding of extreme events in order to reduce the risks linked to major disasters. We have been appointed to the peer review board to represent the re/insurance industry perspective. The aim of the review is to improve the quality of the Report, strengthen the results of its data analysis and increase the credibility of its recommendations.

United Nations Framework Convention on Climate Change loss and damage work programme. ***Please see more information attached.***

Rowan Douglas, the Chairman of the WRN and CEO of Willis Group Analytics, is also a member of the UK Council for Science & Technology, the UK Prime Minister's top-level independent advisory body on science and technology policy issues. *For more information, please visit <http://www.bis.gov.uk/cst>.*

Principle 3—Support Climate Awareness amongst Customers

Environmental issues are increasingly becoming a major challenge for our clients. A shifting national and international regulatory landscape coupled with a dramatically evolving cultural focus on climate change initiatives has created a situation where risk managers are more often being asked by their senior leadership for strategic input on a corporate environmental strategy.

As the third largest global insurance broker and risk consultant, Willis engages with some of the world's most environmentally-intensive industries, from mining and oil exploration, to electricity producers and airlines. Our global Environmental Practice is dedicated to helping these clients understand the physical impacts of their operations, both in terms of the environment and society. We leverage our significant environmental depth and make this subject part of our ongoing dialogue with our Risk Solutions and Global Solutions clients and prospective clients. This year, we began embedding sustainability-related services and solutions into every RFP, as a matter of course, even if we are not specifically asked for this information.

We have also created a Sustainability Committee, led by our Group President, focussed on exploring how we can help our most climate-intensive clients and industries to further minimise their impacts on the environment and society.

Our focus goes beyond just risk assessment. We are also dedicated to playing a strategic role in the mitigation and adaptation of climate change by offering our clients solutions that de-risk emerging technologies such as Wind Power and Carbon Capture and Storage technology. Indeed, Willis is at the forefront of the clean energy revolution, acting as one of the world's leading risk consultants and brokers in this area

For example, Willis has been selected by the UK's Department of Energy and Climate Change as the risk consultant to the world's largest Carbon Capture

and Storage demonstration plant, to be located at the Longannet power station in Scotland. It will be operational in 2014.

This coal burning plant, owned by Scottish Power, puts out enough power to keep the lights on in 2 million British homes. It is the second largest coal power station in the UK, and also one of the dirtiest – it is Scotland’s largest source of environmental pollution, pumping out 4 million tons of carbon emissions per year. If successful, the Carbon Capture and Storage unit will eliminate 90% of these emissions by injecting the CO₂ into a depleted gas field under the North Sea, equivalent to taking 1 million cars off the road.

Working in conjunction with Vattenfall and Scottish Power, we are the broker for the world's most ambitious offshore wind project to date located off the coast of East Anglia, which will deliver 7.2 GW (7,200 MW) of clean energy--enough to light some 5 million British homes, equal to about 10% of household energy needs.

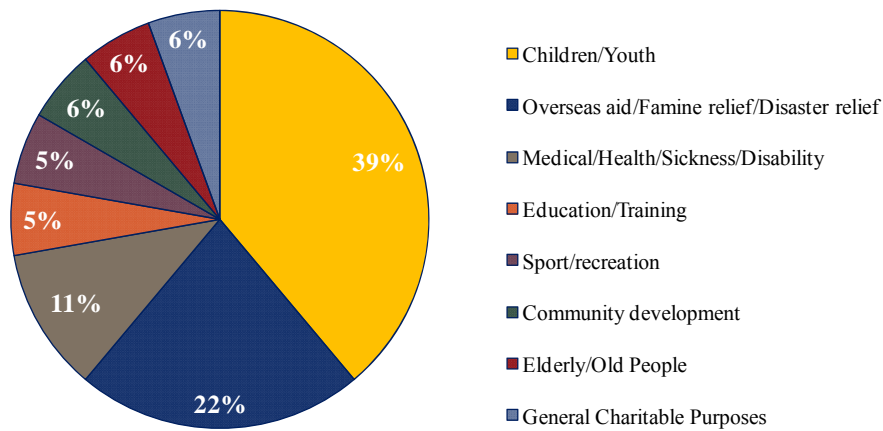
In addition, Willis actively hosts and participates in a number of climate-related events to help further educate our clients and prospects about the changing risk landscape and emerging risks posed by climate change. For example, in September 2011, we are hosting The Economist’s annual Risk Summit, which will highlight the challenges posed by climate change and discuss how the insurance industry’s involvement, both in terms of risk transfer and risk financing, can offer new and needed solutions to these challenges.

Principle 4: Incorporate Climate Change into Investment Strategies

As an insurance broker, Willis does not take premiums. Therefore, our corporate investment decisions are not on the scale of insurance companies, whose premium income represent a significant proportion of the equity market—second only to pension funds, according to some analysts.

However, Willis has modelled its sustainability approach on that of the investment community, in that we have a strategic focus across Environment, Social and Governance issues. Our investments in our people and the communities in which we operate reflect a commitment to acting in a responsible manner across these ESG issues. We also work extremely closely with our investors to ensure our behaviour reflects their own sustainability agenda. For example, significant contributions are made to charities focused on health and disability and on providing aid to developing countries and supporting famine and disaster relief, with 22% and 11% of charities of choice belonging to these groups, respectively.

Within the charities selected by Willis's offices, 72% are local organisations. See graph below.



Principle 5—Reduce the Environmental Impacts of Our Operations

At the start of 2011, Willis created a permanent Commercial Sustainability role, which is supported by a part-time team of nine associated globally and reports directly into the Group President and a Sustainability Committee. Willis has also produced its first sustainability report, which covers our Environment, Social and Governance activities and commitments. We intend to publish this report at the end of 2011 and renew it on an annual basis.

We also engaged the Fox Business School at Temple University to help us understand our position compared to that of our peers and benchmark us against recognised leaders in sustainability across the wider financial services industry. The findings of this report are commercially sensitive as they are intended to create a roadmap for how Willis can further its existing sustainability related client solutions to become the world's leading broker in this field. The aforementioned Sustainability Committee, led by our Group President, which is focussed on exploring how we can help our most climate-intensive clients and industries to further minimise their impacts on the environment and society, is a critical part of our broader strategic Commercial Sustainability approach.

Willis has some 17,000 employees across 100 countries. Our initial sustainability report has covered our largest operations in the UK, North America and Asia Pacific, with a view that we will eventually assess our entire portfolio to ensure all of our operations are aligned with our sustainability goals. As this report is still in the editing stage, we cannot share the full findings at this point. However, here is an overview of our activities and internal recommendations:

ENVIRONMENTAL

- Willis's commitment to the environment will lower operating costs, reduce energy consumption and curtail greenhouse gas emissions. Environmental initiatives can be a strong component of Willis's Sustainability plan, and help Willis comply with the evolving, global environmental legislation.
- Like many professional services firms, business related travel is a major contributor to Willis's Carbon emissions. Consequently, we have challenged our global travel agency to help us explore alternatives to business travel that can reduce Willis's Carbon impact and lead to savings in both the short and long term.
- Despite the excellence of some of the Environmental schemes run by the offices discussed in our report, there are still potentially significant improvements which can be made in all the locations studied, principally in the area of data collection on energy usage and related carbon assessment and reporting.

SOCIAL

- Within the Willis regional offices under study, 32% holds a record of charitable giving, with the majority of chosen charities (39%) being local not-for-profit organisations supporting children and young people. 50% of total charitable contributions comes in the form of monetary donations.
- At a global level, Willis has launched two disaster relief campaigns, the Willis "Cause for Haiti" Campaign in 2010 and the Willis Group Japan Relief Fund in 2011. At closure of the appeals, the total contributions amounted to \$207,629 and \$198,783, respectively.
- In most cases, Willis matches Associates' charitable contributions on a one-for-one basis up to a specified variable maximum.

GOVERNANCE

Our own corporate governance function plays an integral role in directing and allocating resources to ensure that current and future risks are identified and overcome and to ensure that Willis's responsibilities to key stakeholders are upheld. The governance function covers an array of policies, procedures and initiatives that have been implemented across the Group that go above and beyond what is required of Willis, as a major financial services firm, by domestic and international regulators. This commitment to ensuring our own sustainable existence and that of the environments that we operate in is embodied in the Willis Cause.

The Willis Cause consists of 5 key points:

1. Thoroughly understanding the needs of their clients and the industries in which those clients operate.
2. Developing client solutions with the best markets, prices and terms.
3. Relentlessly delivering quality client service.
4. Ensuring that claims settlements are paid quickly to clients.
5. The concept underlying all of the above points is that of integrity.

Willis has initiated a number of programmes and policies designed to build the sustainability of the organisation, as well as make it a commercially viable one that delivers on its responsibilities to its shareholders. For instance, the Willis Excellence Model pushes services standards to ever greater levels through clear expectations of performance by Willis's Associates and defines targets that must be met, whilst also satisfying regulator concerns over contract certainty. The Willis Academy, which has been designed along academic lines, helps to educate and develop the key skills and competencies of Associates. This concept in itself is sustainable as education will foster a greater commitment to and understanding of The Willis Cause.

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