



AIG's Policy and Programs on Environment and Climate Change

AIG is actively seeking to incorporate environmental and climate change considerations across its businesses, focusing on the development of products and services to help AIG 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 potential risks to the global economy and ecology, and to human health and wellbeing. AIG recognizes the scientific consensus that climate change is a reality and is likely in large part the result of human activities that have led to increasing concentrations of greenhouse gases in the earth's atmosphere. At the same time, market-based environmental policies and potential new investments provide business opportunities for AIG to address the problem. We will pursue these new opportunities where we have the expertise and capacity to do so in ways that mutually benefit AIG, its shareholders, employees, customers, and the global community.

AIG companies continually factor in changes in climate and weather patterns as an integral part of its underwriting process – a systematic approach to measuring weather risk that includes, among other methods, sophisticated catastrophe exposure modeling. The underwriting process constantly recalculates and revalues risks for our clients, and adjusts coverages and rates accordingly, while simultaneously managing our exposures. We do this to provide the best possible risk management services to our clients while protecting long-term shareholder value. Perhaps no other industry responds as quickly to changes in climate patterns as the insurance industry.

AIG will continue to dedicate resources to the development of market-based solutions that address climate change. AIG is exploring an investment strategy, for example, to leverage both the financial value derived from reducing greenhouse gas emissions and other incentives for lower emissions and to develop products and services that facilitate emissions reductions for clients and support the emerging market for tradable carbon credits. These and other new opportunities are emerging in insurance underwriting as well as in investments, risk management, consulting and financial products.



Examples of Specific Actions and Initiatives

Investments

Over the next eighteen to twenty-four months, AIG Global Investment Group will allocate additional private equity investments to projects, technologies or other assets that contribute to greenhouse gas (GHG) emission mitigation. This allocation will add to investments that have already been made in these areas. The intent is to include projects that generate tradable carbon credits. For example, the allocation may include forestry assets; renewable energy resources; energy efficiency and other GHG mitigation technologies; and “green” real estate.

Work is under way within AIG Global Investment Group to enhance the already established environmental and climate related criteria, where appropriate, for new private equity and project finance investments.

In terms of real estate activities, AIG companies invest in the development and acquisition of buildings that conform to the U.S. Green Building Council’s Leadership in Energy and Environmental Design (LEED) standards or equivalent local standards that emphasize cutting-edge efficiency and clean energy technologies. In Atlanta, AIG Global Real Estate was co-developer of a project that converted contaminated land in the city’s center into a large office-retail-residential complex. AIG companies have also developed award-winning “green” office buildings in Zurich and Hong Kong.

AIG Global Investment Group recently became an institutional investor signatory to the request for information on the fourth Carbon Disclosure Project (CDP), a global non-profit forum for institutional investor collaboration on the business implications of climate change and related effects on their investments.

AIG Global Investment Group is also evaluating the development of a new investment product that includes climate change and GHG related criteria. For example, together with JF Asset Management, an AIG subsidiary recently launched the first Green Fund in the Hong Kong Mandatory Provident Fund Market to invest in environmentally friendly companies.

Financial Products

AIG’s Capital Markets operations have the capability to participate in GHG trading of compliance instruments within the European Union’s emissions trading system. A business plan is being prepared. Consideration is being given to developing the following activities:



- Acquisition of rights to develop Clean Development Mechanism (CDM) and Joint Implementation (JI) projects in developing countries and economies in transition that earn carbon credits recognized within the EU emissions trading system or other trading systems;
- Development of risk management/derivative products to support the carbon market, including serving as an intermediary for risk transfer;
- Providing brokerage and GHG management services to AIG companies' clients that have compliance obligations.

Insurance

Several insurance divisions are working with the AIG Product Development unit to design the following new or customized insurance initiatives:

- Customization, “bundling” and/or targeted marketing of existing insurance products for developers of renewable energy (e.g. wind, biomass, solar), other mitigation technologies and projects that generate carbon credits within the EU and other emissions trading systems;
- Development of new products to insure against, for example, the failure of a project to generate tradable carbon reductions.

The AIG companies will continue work in the areas of environmental remediation and environmental liability insurance.

Consulting

AIG, through its HSB Solomon Associates, LLC subsidiary, provides an approach to drive energy improvements in the refining, petrochemical and power sectors through performance benchmarking, best practice reviews, action plan development, and implementation support. It is actively marketing to clients a program to identify energy efficiency improvements that translate directly into carbon reductions, including supporting the registration process for CDM and JI projects, exploring funding options and assisting with the sale of carbon credits.

AIG Consultants, Inc. is pursuing additional consulting opportunities to provide technical support to rating agencies, project developers and other relevant businesses in reviewing various projects that generate tradable carbon credits for the carbon market.



Implementation, Internal Activities, and Communications

To coordinate AIG's environmental and climate change program, an Office of Environment and Climate Change has been established to be the focal point on these efforts. The office is headed by Alice LeBlanc reporting to Oakley Johnson, Senior Vice President, Corporate Affairs. Ms. Leblanc, an economist by training and an expert on climate change, has worked in different capacities over the past 15 years to promote market mechanisms as tools for environmental protection and sustainable development. Before joining the AIG companies in 2005, she was an independent consultant on climate issues, senior vice president of the Chicago Climate Exchange and senior economist at the Environmental Defense Fund.

The Office of Environment and Climate Change maintains links to management in Insurance, Investments and Financial Services and provides input to the Public Policy and Social Responsibility Committee of the AIG Board. It also maintains internal and external communications and monitors environmental and climate change programs.

AIG's climate change activities will be communicated through this website and through its continued response to the Carbon Disclosure Project annual questionnaire.

AIG also has established a climate and weather forum for AIG companies' experts to review and assess risks and impacts of weather and climate change on investments and businesses; to consider relevant product opportunities; and to assess and understand forecasts and projections from the scientific community.

The AIG organization will address its own internal GHG and environmental footprint. The amount of purchased electricity in owned and leased buildings that AIG companies use for business activities will be estimated and data compiled, where feasible, as part of the response to the CDP questionnaire. We will continue to document existing energy efficiency measures, waste recycling, and use of recycled materials in major new construction projects in owned and leased buildings used for its business activities in the U.S. AIG will assess the feasibility of expansion of these programs.

AIG companies will consider as part of its philanthropic efforts contributing to multi-benefit forestry projects that verifiably mitigate carbon dioxide emissions.