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ACE Group Environmental Report 2012

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THE ACE GROUP

The ACE Group is one of the world's largest multiline property and casualty insurers, distinguished by its broad product and service capabilities, exceptional financial strength, underwriting and claims handling expertise and local operations in 53 countries globally.

ACE provides commercial property and casualty insurance, personal accident and supplemental health insurance, reinsurance and life insurance to a diverse group of clients. With more than \$87 billion in assets and nearly \$21 billion of gross written premiums in 2011, ACE's core operating insurance companies maintain financial strength ratings of AA- (Very Strong) from Standard & Poor's and A+ (Superior) from A.M. Best.

The insurance companies of the ACE Group serve multinational corporations and local businesses with property and casualty insurance; companies and affinity groups providing or offering accident and health insurance programs and life insurance to their employees or members; insurers managing exposures with reinsurance coverage; and individuals purchasing life, personal accident, supplemental health, homeowners, automobile and other specialty insurance coverage.

ACE Limited, the parent company of the ACE Group, is listed on the New York Stock Exchange (NYSE: ACE) and is a component of the S&P 500 index. The ACE Group maintains executive offices in Zurich, Bermuda and New York, among other locations, and employs more than 16,000 people worldwide.

Introduction

As one of the world's largest multiline property and casualty insurers, ACE has a responsibility not only to provide solutions that help clients manage environmental and climate change risks, but also to control our own ecological impact and contribute to environmental causes. We also believe that the well-being of society depends on a healthy environment and that a proper ethic strives for a sustainable balance between development and preservation.

Climate change continues to be an important and serious issue for the global insurance industry because it is our business to provide security against many of the property-related risks posed by such change. Natural catastrophes – in the form of hurricanes, windstorms, flooding, drought and other weather-related events – may be increasing in both frequency and severity due to climate change.

Weather related events such as the floods in Thailand and Australia and severe storms in the U.S. were a significant cause of damage and insured loss from natural catastrophes in 2011, the costliest year on record. As a major provider of crop insurance in the United States, ACE's coverage provides important support for farmers, particularly when crops are impacted by unusual climate conditions, such as the severe drought during 2012 in the Midwestern U.S. Additionally, as companies in sectors with potentially high environmental impact (e.g., energy, aviation, chemical) respond and adapt to their changing responsibilities and opportunities, the exposure to casualty coverages – such as general liability and directors and officers liability – will likely increase as well.

We recognize that climate change affects everyone – our customers, employees, shareholders and the community. Therefore, we continue to be at the forefront in addressing environmental issues and the implications of climate change for all areas of our business – internally and externally.

ACE has been a pioneer in developing advanced environmental risk insurance solutions, including coverages for premises-based exposures, contractors' and project pollution liability, and renewable energy and environmental

cleanup projects. The company also offers green building consulting services and a property policy that enables rebuilding to greener standards after a loss.

Our company is also focused on reducing its carbon footprint around the world and has achieved a 25% per employee reduction in global greenhouse gas emissions since 2006.

To engage our employees in our environmental efforts, ACE promotes the "ACE Green" program, through which employee committees in offices around the world are taking steps such as powering off office equipment, coordinating recycling programs and participating in volunteer cleanup days in their local communities.

The environment is a priority in our corporate philanthropy as well. Grants from the ACE Charitable Foundations in 2011 helped to train farmers and improve agricultural yields in Indonesia; teach and implement sustainable agricultural techniques in the Peruvian Andes; and preserve sensitive lands and habitats across the U.S.

ACE has received recognition for its environmental efforts from [Newsweek's Green Rankings](#) of U.S. and global companies, the Carbon Disclosure Project and the U.S. Green Building Council and the U.S. Environmental Protection Agency.

As ACE's Corporate Environmental Program enters its sixth year, we are proud of the progress we have made thus far and are committed to taking further steps to make meaningful improvements in the environment.

Climate Change Risks: The Holistic View

There is evidence of an increasing trend in extreme weather events – floods, drought, heat waves and hurricane intensity – and climate change is potentially a contributor to the trend. Global surface temperatures have risen over the last century at an increasing rate, with 9 of the 10 warmest years since 1880 occurring since 2000. Extreme changes in temperatures, such as heat waves (the 2003 European heat wave resulted in 35,000 deaths) and more intense and longer droughts (Australia, U.S.) have also become more prevalent over the last 50 years.

The U.S. Environmental Protection Agency notes that the sea level has risen six to eight inches (15 to 20 cm) in the last 100 years. If the Arctic ice cap continues shrinking at the approximately 2.7% per decade rate (1979-2007), it will have implications for sea levels and coastal flooding.

According to the Intergovernmental Panel on Climate Change's 2012 ["Managing the Risk of Extreme Events and Disasters to Advance Climate Change Adaptation"](#) report, "a changing climate leads to changes in the frequency, intensity, spatial extent, duration and timing of extreme weather and climate events. It is very likely that mean sea level rise will contribute to upward trends in extreme coastal high water levels in the future."

Destructive weather of all kinds accounted for nearly 90% of all property losses paid by insurers in the last 25 years. Over the past 40 years, six of the 10 most expensive catastrophes for the property and casualty industry were weather events (Hurricanes Katrina, Andrew, Ivan, Wilma and Ike, and the Thailand flood) that occurred over the past nine years, causing a total of more than \$165 billion of insured losses (in 2012 USD).

Many of these natural catastrophes are affecting human environments that are now more densely populated and more

vulnerable. Exposure growth is compounded by increases in population and economic wealth concentrated in high-risk areas such as the coastal regions of the developed and developing world. Examples include the East Coast of the U.S., Florida in particular; in and around the Thames Estuary of the United Kingdom; and along the East Coast of China around the Guangzhou and Shanghai economic zones.

Beyond natural disasters and weather events, some experts also believe that changes in temperature and precipitation are likely to cause mutation and survival of viruses and bacteria with increased virulence, resistance to treatment and unpredictable infectious routes. While not linked to climate change, the outbreak of SARS in 2003 and the swine flu pandemic in 2009 demonstrated the impact of viral outbreaks on travel, communication and economic activity with ensuing insured losses.

It is clear that a societal response is required – from legal and regulatory issues, to corporate responsibility – to address the liabilities and the opportunities presented by climate change. Climate change will also require a holistic or comprehensive risk management approach. As a leading insurer and reinsurer, ACE is implementing innovative ways to engage with its policyholders and other constituencies in managing climate change risk. These include:

- Advising policyholders in catastrophe-prone areas of the potential risk management benefits of mitigation, including the transition away from such areas;
- Providing innovative risk-mitigating insurance solutions to companies that must operate with climate change risks;
- Working with governmental agencies on mutually beneficial insurance capacity solutions in catastrophe-prone areas, and;
- Consulting with policyholders on a targeted basis regarding their own carbon footprint management.

Our Risk Management Process

As a global insurance company, assessing risk is a core competency for ACE. With operations in 53 countries, ACE's business and operating models are exposed to the full impact of global climate change. The potential physical effects of climate change present a significant risk to the company, and therefore, have been integrated into ACE's overall risk management process.

Modeling

ACE has been a leading proponent and user of catastrophe models to quantify natural catastrophe risk for product pricing, risk management and capital allocation purposes. ACE uses these models to aggregate and monitor its natural catastrophe exposures across its portfolio and to ensure that its capital base is sufficiently strong to meet the expectations of regulators, rating agencies and policyholders and to provide shareholders with an appropriate risk-adjusted return.

ACE's risk management modeling and underwriting practices continue to adapt to the developing risk exposures attributed to climate change. For example, due to the fact that Earth's climate appears to be changing in ways inconsistent with the historical record upon which catastrophe models draw data, ACE has adopted a more short-term view of event frequency that is higher than the long-term historical frequency. Our underwriters use state-of-the-art, proprietary catastrophe modeling tools as part of their underwriting process, and we strictly regulate the concentration of those risks we are willing to underwrite.

A stark risk management aspect of the natural catastrophe losses in 2011 was the underlying cause of loss from non-modeled events (e.g., Thailand and Australia floods) or difficult-to-model coverages (e.g., business interruption). These types of losses are not typically considered in the risk and pricing model framework used by the insurance industry to project natural catastrophe losses and this has led to an overall rise in the industry's perception of risk.

With lessons learned from recent events – such as new assessments of building performance and improved understanding of how a convergence of conditions can increase losses in a severe catastrophe – we incorporate this latest knowledge in our modeled loss estimates.

Pricing

ACE also incorporates risk mitigation services through its risk management and site surveys, specification of terms and conditions in policies and the development of sound underwriting guidelines into the underwriting of catastrophe-exposed prod-

ucts (e.g., property, energy, marine or crop coverage). ACE's modeling and underwriting approach allows for risk – and hence price – differentiation across our client base.

Clients that mitigate risk – through retrofitting buildings to comply with updated building codes, installation of hurricane shutters and relocating exposures away from coastlines and flood plains – will have lower insurance costs than those that do not. ACE also makes use of terms and conditions such as sub-limits, coverage restrictions and deductibles to ensure appropriate risk selection and potentially reward certain policyholder behavior.

The company is also actively engaged with regulators to ensure that pricing is actuarially sound and can be adapted to meet new and emerging climate change risks and the capital implications of these risks. For ACE to continue to offer coverage under climate change conditions, pricing must always be set at sound actuarial rates that cover loss costs, expenses and risk margins on exposed capital. Thus, pricing must be flexible over time and by geography. Unfortunately, many regulatory regimes impose the functional equivalent of price controls, which are not built to respond to developments in risk assessment and signal the wrong incentives to consumers who are encouraged to increase exposures.

Reinsurance

We mitigate our exposure to climate change risk by actively hedging catastrophe risk in both the reinsurance and capital markets. We are committed to the development of the capital markets as an alternative or complementary mechanism to hedge risks. Insurers can play a key role in the origination and underwriting of risk and its placement into the capital markets. Such a partnership, in conjunction with the public sector, will help transfer and spread the risks posed by climate change. We have demonstrated this commitment with the issuance of our own catastrophe bond, which provides fully-collateralized protection against U.S. earthquake and hurricane exposures.

In addition, our investment portfolio, which backs the risks assumed through our insurance businesses, is highly diversified by risk, industry, location and type and duration of security.

Successful risk transfer from policyholders to insurance and capital markets also requires industry standards around exposure data. We are committed to helping the industry improve standards that will ultimately help increase risk transfer capacity and provide additional incentive for risk mitigation behavior by policyholders.

Supporting Solutions

ACE has participated in and supported scientific-based research to enhance the loss modeling response to climate change and is participating in leading environmental information forums. Specific activities include:

- Membership in the Geneva Association (www.genevaassociation.org/), an international insurance think tank representing 90 global insurance organizations, whose Climate Risk and Insurance project has been outspoken on climate change issues. ACE was one of over 50 signatories of the Geneva Association's Kyoto Statement, which offered to work with policymakers on communicating with customers about their climate risk levels, and urged policymakers to collect and make available robust data to allow risk assessment and facilitate efficient solutions where premiums are risk-based;
- Completion of the Carbon Disclosure Project's annual survey to further support our commitment to reducing our carbon emissions (www.cdproject.net/);
- Participation in ClimateWise (www.climatewise.org.uk/), a U.K.-based organization of insurance companies committed to taking action on climate change and to reporting publicly on their performance;
- Participation in ClimateResolve, the United States Business Roundtable's (BRT) initiative that seeks to have companies in every sector of the U.S. economy take voluntary actions to control GHG emissions. Each year, ACE Chairman and CEO Evan Greenberg outlines ACE's environmental commitment and achievement in the BRT's Sustainability Report;
- Representation on the Board of the International Society of Catastrophe Managers (ISCM), an organization that promotes catastrophe management professionalism within the insurance industry; and membership in the Reinsurance Association of America's (RAA) Extreme Events Committee, which focuses on catastrophe modeling improvements to reflect climate change;
- Board representation and membership in the Institute for Business and Home Safety, a U.S.-based non-profit scientific and educational organization sponsored by the property insurance industry that supports the sharing of expertise in loss mitigation-related public policy areas, including wind-related loss events.

Our Environmental Products and Services

ACE is among the largest and most advanced global underwriters of environmental liabilities and pollution risk, with environmental risk units in North America, Europe, Asia and Latin America. We have made a commitment to developing insurance products and risk management services that facilitate market-based solutions to current and pending environmental and climate-related issues. A full range of environmental and sustainability property and casualty products and services is now available, including:

- Carbon Capture and Storage Insurance
- Emissions Reduction Project Insurance
- Environmental Professional Indemnity
- Environmental Risk Products
- Global Weather Insurance
- Green Property Insurance
- Political Risk and Trade Credit
- Renewable Energy Construction, Technical lines, Energy and Marine Insurance

These products and services fall primarily into three areas – Environmental Risk; Renewable Energy; and “Green” initiatives – which touch on virtually all lines of coverage worldwide.

Our Environmental Risk Initiative

ACE is fully aware that specialized environmental risks present a unique combination of scientific, political and financial factors that require specific technical expertise and local knowledge. In recent years, ACE bolstered its environmental underwriting staff and launched several multiline products that met strong demand. For example, in the U.S. the company launched the ACE Green Contractors Pollution Liability program, which combines insurance with technical support to help contractors reduce their environmental exposures. ACE also introduced its Hazardous Material/Waste Transportation product line, which offers safety and claims services for hazardous materials and hazardous waste transporters. Both of these products received Risk Innovator Awards from *Risk & Insurance* magazine.

Other product innovations include the Global Premises Pollution Liability (PPL) and Contractors Pollution Liability Policies for U.S. multinational corporations doing business at home and abroad, niche PPL products focusing on public entities

and healthcare and expanded Contractors, and Premises Pollution policies.

The company also recently expanded its product line to include catastrophe management coverage, which handles the cost of services to maintain and restore public confidence following an environmental catastrophe. And in response to the growing awareness of the role of GHG emissions in climate change, ACE created the Carbon Capture and Storage (CCS) and the Emission Reduction Project insurance products for organizations involved in the harvesting or reducing of carbon dioxide and other GHGs. CCS and [emissions reduction projects](#) present unique risk profiles and heightened technical, political and financial risk.

ACE’s Environmental Risk business outside the U.S. also continues to experience significant increases in submission activity, policies bound and gross written premiums. ACE’s core environmental products continue to be launched through ACE Global Markets at Lloyd’s in London, and interest has surged in various regions, including Asia and Latin America. To respond to the growing global demand, ACE has established environmental specialty practices in two additional offices internationally – Sao Paulo, Brazil, and Milan, Italy – and has introduced 10 new multiline products to the marketplace.

As environmental regulation and awareness increase, these coverages are growing in demand, not only from traditional “polluting” industries, such as energy and chemical companies, but also from other organizations that own land or have potential liability. These include governments, real estate owners and developers, manufacturers, agricultural entities and global consumer brands. ACE is also currently monitoring more than 3,400 new environmental regulations awaiting attention from legislators and regulators around the globe, all with the potential to alter how commercial clients conduct their business. These include both new initiatives, as well as increased enforcement of existing laws and regulations. Additionally, ACE has sponsored a whitepaper titled, [“Global Environmental Regulation: Big Demands, Bigger Challenges,”](#) which highlights the changes in environmental regulations around the world and how ACE’s products and services can help protect against the risks associated with these regulations.

Our Environmental Products and Services *(continued)*

ACE's U.S. environmental risk insureds can select any of the following programs to reduce their risk and ensure compliance with federal and state regulations:

- Spill Prevention, Control and Countermeasure (SPCC) Plans
- Safety Training
- OSHA Hazard Communication Program Preparation
- Environmental Property Audits
- Environmental Regulatory Gap Analysis
- Customized Moisture Intrusion and Mold Prevention Management Plans and Mold Awareness Training

Renewable Energy Initiative

The renewable energy sector is another major product area for ACE, particularly in light of the increased global attention to climate change. The urgent desire to develop clean, efficient alternative sources of energy is leading to the planning and construction of renewable energy projects all around the world. These projects take many different forms: biomass/biofuel, biogas, energy from waste, fuel cell, as well as solar, wind and hydro energy. Combining the product and risk management expertise from a number of ACE industry groups, including Construction, Energy and Marine, the company addresses the risks that occur in the two main phases of a typical renewable energy project – construction and operation. Construction risks range from delay in start-up to public or employer liability, whereas operation risks range from business interruption to premises pollution.

Green Initiatives

ACE continues its work with public and private stakeholders worldwide to develop risk transfer and risk management services that allow for innovative responses to the additional risks associated with implementing green initiatives. ACE's stand-alone Green Property Insurance policy provides coverage for commercial businesses that desire to rebuild to a "greener" standard in the event of a loss to an existing building. Greener

buildings by their nature consume approximately 20% less energy and subsequently an estimated 500 pounds of carbon dioxide-equivalent emissions per MWh used (assumes electricity generated from coal fired plant). The anticipated reduction from these projects is expected to deliver savings over the lifetime of the building, which is estimated to be 25 to 50 years.

Consulting Services

ACE clients also receive a full complement of traditional environmental consulting services, including industrial hygiene assessments, regulated and hazardous materials management and remediation oversight, environmental due diligence for the real estate and finance markets, and Leadership in Energy and Environmental Design (LEED) and regulatory compliance consultation. Customized Occupational Safety and Health Administration (OSHA) compliance training programs and services are also provided, with programs in asbestos, lead-based paint and microbial management, and water intrusion prevention programs. Accredited compliance staff are also available to augment clients' environmental and safety staff at their locations as necessary to meet their HSE objectives.

Other Coverages

Coverages such as property catastrophe, crop and business interruption insurance are significant businesses for ACE, and the company continues to invest in these businesses and in developing solutions to help clients manage the physical risks posed by climate change. For example, ACE has expanded its crop and related agricultural insurance businesses with the purchase of Rain and Hail Insurance Service, one of the leading crop insurers in the U.S., and Penn Millers, which insures companies that manufacture, process and distribute agricultural products. In addition, our Global Weather coverages help clients insure against unpredictable weather conditions and climate change, protecting their assets around the world against damage or loss due to adverse weather conditions.

Internal Operations: Doing Our Part

As an insurance company, ACE's "environmental footprint" is modest. However, through our Corporate Greenhouse Gas (GHG) Inventory Program, we aim to reduce our mark on the environment even further. Climate change responsibility at ACE involves all of our employees in a global effort to reduce the environmental impact of our internal operations. This includes efforts to reduce the direct and indirect GHG emissions generated from heating, cooling and lighting our offices and from company owned or leased vehicles, as well as the reduction, reuse or recycling of resources.

One of the primary objectives of ACE's Corporate Environmental Program is to measure, record, and reduce its GHG emissions. In 2007 ACE joined the voluntary U.S. Environmental Protection Agency-sponsored Climate Leaders initiative and developed a comprehensive GHG Inventory Management and Reduction Program which included corporate-wide emissions reporting, the establishment of a reduction goal, and a strategy for achieving the goal. Using the Climate Leaders methodology, ACE set a GHG reduction goal of 8% per employee from 2006 – 2012, and achieved it three years ahead of schedule. In 2010 and 2011, we achieved a further decrease in GHG emissions, bringing our overall reduction to 25% per employee.

While this significant reduction is due, in part, to the large increase in employees worldwide, the 2011 data alone, which were third-party verified to ISO 14064 standards, showed a 17% absolute reduction from the 2006 base year level – the equivalent of 2,300 cars being taken off the road. Based on these achievements, a new absolute corporate-wide goal and reduction strategy are currently under development.

Achieving Our Emissions Goals

To achieve our GHG reduction goals, ACE has aggressively worked to make reductions within its organization. As indicated on the chart on the next page, the majority of ACE's emissions – approximately 70% – result from energy consumption, electricity use and stationary combustion (oil/natural gas) by our offices.

As a result, ACE's Global GHG Inventory Management and Reduction Plan concentrates primarily on reducing our energy consumption at the facility level – specifically, in our owned buildings and larger, long-term leased spaces. In 2010 and 2011, ACE voluntarily implemented several building efficiency projects at our owned facilities; specifically LED lighting projects and improvements to HVAC systems. These projects are estimated to save approximately 340 mtons of CO₂e each year.

Another approach to reducing our GHG emissions was through decreasing our overall real estate square footage by condensing office locations and reducing the size of work spaces. Applying new company standards for the number and size of office and cubicle spaces not only reduces total real estate per-person square footage, but allows more light into the space, which decreases electricity consumption.

Emissions from mobile combustion – which account for 15% of ACE's GHG inventory – include our global fleet of vehicles and aircraft.

In the United States, emissions from ACE's vehicle fleet are actively being reduced through a mandated switch from six to four cylinder engines, increasing fuel efficiency to 26 mpg from an average of 21 mpg. In 2011, 80% of our general fleet had been switched to the more efficient vehicles, saving an estimated 66 mtons of CO₂e per year and approximately \$200,000 in vehicle and fuel costs.

ACE manages its flight-related emissions by operating new, ultramodern jet aircraft equipped with the latest engines, wings and avionic design technologies, making them leaders in their respective aircraft categories for efficient flying. These advanced capabilities allow ACE's aircraft to operate at very high altitudes and consume less fuel. These advanced aircraft also fly optimal routes, which have shorter distances between world destinations, saving fuel and ultimately the release of GHGs.

While the EPA's Climate Leaders program was discontinued in late 2011, our Corporate GHG Inventory Program is still

ACE Group 2011 GHG Inventory Data			
	2006 (base)	2011	Change
Total Emissions (CO ₂ -eq. (metric tons))	72,441	60,356	- 17%
Normalization Factor (FTE employees)	13,226	14,651	11%
Normalized Emissions (CO ₂ -eq/NF units)	5.48	4.12	- 25%

Internal Operations: Doing Our Part *(continued)*

active using its methodology, which is based on the World Resources Institute and the World Business Council for Sustainable Development (WRI/WBCSD) GHG Protocol for data collection and analysis. ACE has gained invaluable knowledge and skill related to climate change issues through the Climate Leaders initiative and is proud to have been one of only a few insurance company partners in the program.

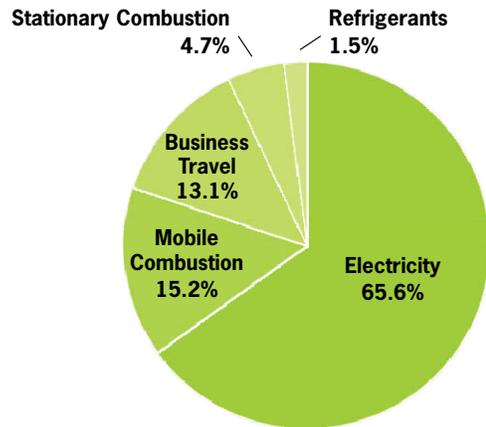
Also, in continuation of our efforts in the reduction of GHG emissions, ACE is a participant in the Carbon Disclosure Project (CDP), an independent, not-for-profit organization that gathers and scores primary corporate carbon emissions information for thousands of businesses around the world. In 2011, ACE's submissions to the CDP resulted in a disclosure score of 82, up from 75 in 2010, and a performance grade of B.

Our Green Building Practices

ACE has also implemented green building practices and pursued U.S. Green Building Council's (USGBC) LEED certification when applicable. Green building practices, such as those required for LEED certification, help improve indoor air quality, address resource management, and reduce building water use.

After years of energy and water conservation improvements and recycling efforts, our North American executive offices in Philadelphia, [earned LEED Silver certification](#) in 2009, becoming the city's first LEED-certified existing building. In July 2011, our Bermuda executive office earned another "first" for the company when it was awarded [LEED Gold certification](#) under the LEED existing building (EB): Operations and Maintenance rating system and was the first building on the island to be awarded LEED certification. In addition to high levels of energy efficiency, both of these buildings have a comprehensive indoor air quality program, a green cleaning program, a commitment to sustainable purchasing and waste management, and an integrated pest management plan which combine to provide ACE employees a safe and comfortable working environment with minimal impact to the natural world.

ACE Group 2011 GHG Emissions Profile



Employee Engagement

As ACE continues to expand its environmental program beyond emissions reduction, our employees play a key role in helping the company become truly "green." To harness their creativity and energy the company created an employee environmental education and awareness program.

This program has led to the formation of local volunteer committees that work in a grassroots effort to address the individual environmental needs of that office. In recent years these committees have worked to achieve the following five corporate initiatives that have a meaningful impact on the company's environmental footprint:

- Establish recycling programs in all eligible offices.
- Discontinue the use of disposable plastic water bottles.
- Remove all disposable Styrofoam products in offices.
- Purchase only sustainable copy paper in all offices.
- Reduce paper consumption by 5%.

To date, approximately 70% of our offices have achieved all five goals and have set a positive example for others to follow. More than 90% of the offices have established recycling and sustainable paper purchasing programs and have eliminated plastic water bottles and Styrofoam, while over 80% have reduced paper consumption.

Philanthropy and Volunteer Efforts

Various ACE Foundations support ACE Group's philanthropic efforts through a mission to assist communities where employees live and work. With the environment designated as one of three areas of focus, the ACE Foundations are committed to promoting a healthy and sustainable planet.

One approach to environmental philanthropy is the support of conservation efforts, such as reforestation projects and the conservation of land, water and wildlife. In 2010 the ACE Charitable Foundation made a two-year, \$300,000 commitment to The Conservation Fund for new initiatives aimed at protecting key watersheds, expanding wildlife migration corridors, and investing in local green economies in the U.S. With this funding commitment, ACE has provided \$1 million since 2005 to The Conservation Fund initiatives including the ACE Land Legacy Fund, a revolving pool of capital within The Conservation Fund that has been leveraged with other capital sources to protect more than 300,000 acres of the nation's most threatened lands and waters. Areas the ACE Land Legacy Fund has helped protect this year include: the Big River and Salmon Creek in California; the Rocky Mountain Front in Montana; the Kishwaukee River Corridor in Illinois; the Gualala River Forest in California; and the Nanticoke River within the Delaware Bay Watershed.

In addition to this conservation initiative, ACE's grants support The Conservation Fund's ShadeFund™ program, which provide financing to green business entrepreneurs in the U.S. The ShadeFund™ program provides small loans to promising green entrepreneurs by pooling contributions from individuals, companies and foundations. As entrepreneurs repay their loans, capital is redeployed to help other entrepreneurs grow their businesses, thus creating jobs, preserving working forests and supporting rural communities across the country.

The ACE Charitable Foundation also supported The Nature Conservancy's work to conserve native and rare fish species in the Yangtze River in China. The findings from this project are strengthening the Conservancy's strategic dialogue with the Chinese government and hydropower developers, and is helping to provide influence toward a more sustainable and holistic approach to water resources management and hydro-power development in the basin.

ACE's Environmental Risk business unit also supports conservation efforts; 2011 marked the fourth consecutive year the group has contributed to American Forests for the

planting of over 7,000 trees – one for each environmental insurance policy the unit wrote – throughout the U.S. on Earth Day (April 22).

Another approach to environmental support is fostering sustainability and resource management. The ACE Charitable Foundation provided grants for two World Food Programs – Food for Work Indonesia and Food for Work Colombia. Each project received \$100,000 for activities in 2011. In the Nusa Tenggara Barat region of Indonesia, the program helped the community to plant crops that would withstand alternating periods of flood and drought. In Colombia, 31 acres of horticulture gardens were built and over 32,000 people were provided with agriculture and farming training.

ACE also continues to partner with the Bren School of Environmental Science & Management at the University of California, Santa Barbara, with the ACE Group Project Fund. The Fund supports Bren's master's program students in select group projects that promote a healthy and sustainable environment. Projects supported in 2011 focused on developing fire management strategies in support of adaptive management at Tejon Ranch in California, and an ecological and economic assessment of sustainable visitorship at the Angeles National Forest.

Volunteer Efforts

The company also organizes a variety of employee volunteer projects with an environmental focus. For example, in Philadelphia, ACE has maintained a significant partnership with the Fairmount Park Conservancy and its Growing the Neighborhood Program. Fairmount Park is one of the largest and oldest municipally-operated park systems in the United States, encompassing 9,200 acres and 63 neighborhood and regional parks. In addition to financial assistance over the past eight years including support to projects in local parks, significantly improving various aspects from cleanliness and aesthetics to neighborhood safety, ACE employees have volunteered on Park Clean-up Days throughout the year.

Twenty ACE New York employees participated in the 2011 Insurance Industry Charitable Foundation (IICF) Volunteer Week by planting bulbs and doing weeding at Liberty State Park in Jersey City. As part of IICF Volunteer Week in the Midwest, 40 employees from ACE's Chicago office worked to clean up debris and trash from Chicago's Lake Michigan beach area.

Philanthropy and Volunteer Efforts *(continued)*

ACE employees in Bermuda have volunteered their time to several environmental projects on the island, including the Keep Bermuda Beautiful charity, which combines clean-up and education activities. Additionally, the ACE Bermuda building facilities team volunteered in the Trunk Island Project with the Bermuda Zoological Society. The project goal was the removal of invasive plant species found on the island. The ACE Bermuda property also team volunteers at Windreach Recreational Village assisting with keeping the grounds clean and tidy, weeding and sifting the gardens, putting down compost and preparing the gardens for planting; and ACE Tempest Re Bermuda employees supported environmental charity Greenrock in the annual Give Back Games in September.

The annual beach Olympics event sees executives and employees from some of Bermuda's leading insurance companies compete to raise money for their charity of choice. ACE Tempest Re took second place, generating \$9,000 in donations for Greenrock.

While these examples represent some of ACE's more significant environmentally-focused funding and volunteer projects, there are numerous other ongoing and pending projects around the world that represent ACE's community and philanthropic dedication to critical environmental issues.