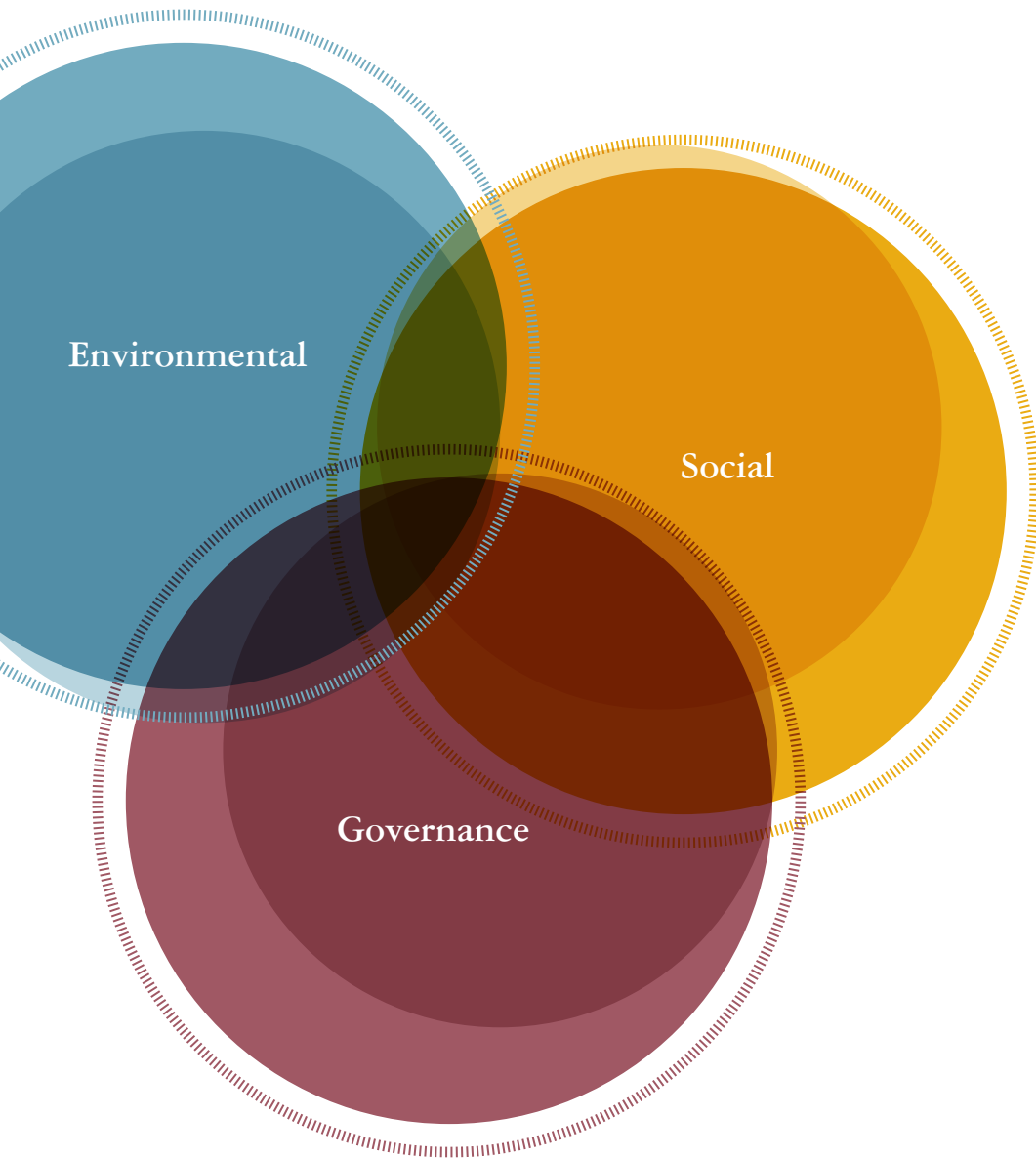


Putting Our Strength Behind Sustainability.

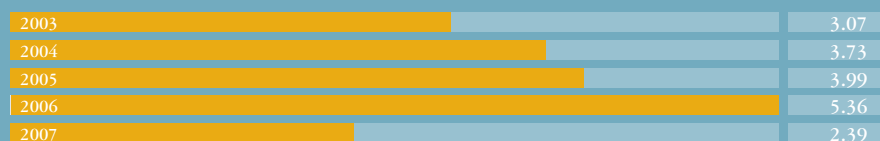


Financial Highlights

(in millions, except per share data and ratios)	2007	2006	% Change
Net income ^(a)	\$6,200	\$14,048	(55.9)
Net realized capital gains (losses), net of tax	(2,386)	33	—
Capital Markets other-than-temporary impairments, net of tax ^(b)	(418)	—	—
FAS 133 gains (losses), net of tax	(304)	(1,424)	—
Cumulative effect of an accounting change, net of tax	—	34	—
Adjusted net income^(c)	9,308	15,405	(39.6)
Net income, per common share — diluted	2.39	5.36	(55.4)
Adjusted net income, per common share — diluted ^(c)	3.58	5.88	(39.1)
Book value per common share	37.87	39.09	(3.1)
Revenues ^{(d)(e)(f)}	\$110,064	\$113,387	(2.9)
Assets	1,060,505	979,410	8.3
Shareholders' equity	95,801	101,677	(5.8)
General Insurance combined loss and expense ratio	90.33	89.06	
General Insurance combined loss and expense ratio, excluding catastrophe losses	89.73	89.06	



Net Income^(a)
billions of dollars



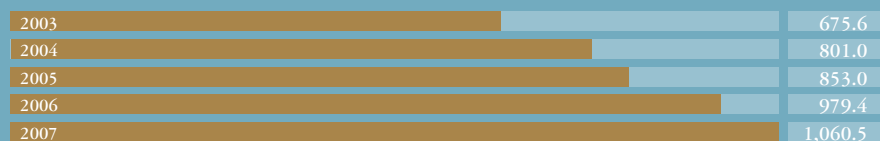
Net Income per
Common Share – Diluted
dollars



Book Value per
Common Share
dollars



Revenues^{(d)(e)(f)}
billions of dollars



Assets
billions of dollars



Shareholders' Equity
billions of dollars

Certain reclassifications have been made to prior period amounts to conform to the current period presentation.

(a) In 2007 and 2006, includes out of period increases (decreases) of \$(399) million and \$65 million, respectively.

(b) Represents Capital Markets other-than-temporary impairments on securities available for sale.

(c) In 2007 and 2006, includes out of period increases (decreases) of \$(261) million and \$85 million, respectively.

(d) In 2007 and 2006, includes other-than-temporary impairment charges of \$4.7 billion and \$944 million, respectively. Also in 2007 and 2006, includes gains (losses) of \$(1.44) billion and \$(1.87) billion, respectively, from hedging activities that did not qualify for hedge accounting treatment under FAS 133, including the related foreign exchange gains and losses.

(e) In 2006, includes a \$730 million increase in revenue for out of period adjustments related to the accounting for UCITS.

(f) In 2007, includes an unrealized market valuation loss of \$11.5 billion on AIGFP's super senior credit default swap portfolio.

A History of Commitment

Since our founding nearly a century ago, the AIG Companies (collectively “AIG”) have committed resources to developing products and services that address the needs of our clients and have promoted a corporate culture that values integrity, diversity, innovation and excellence. AIG recognizes that investments in support of our customers, employees and the communities in which we operate are critical to our success. AIG’s ongoing efforts to be an outstanding corporate citizen and promote responsible and sustainable business practices are essential to our long-term business objective of creating value for our shareholders and serving the interests of our clients.



Then.

No. 17 The Bund in Shanghai, home of the AIG predecessor companies from 1927 until the onset of World War II.



Now.

AIG headquarters at 70 Pine Street in New York City is a landmark building and an icon of AIG’s global stature in the insurance and financial services businesses.

Company Structure

AIG

General Insurance

American Home Assurance Company

National Union Fire Insurance Company of Pittsburgh, PA

New Hampshire Insurance Company

Lexington Insurance Company

The Hartford Steam Boiler Inspection and Insurance Company

Transatlantic Reinsurance Company

United Guaranty Residential Insurance Company

American International Underwriters Overseas, Ltd.

AIU Insurance Company

Life Insurance & Retirement Services

Domestic:

- American General Life Insurance Company
- American General Life and Accident Insurance Company
- The United States Life Insurance Company in the City of New York
- The Variable Annuity Life Insurance Company
- AIG Annuity Insurance Company
- AIG SunAmerica Life Assurance Company

Foreign:

- American Life Insurance Company
- AIG Star Life Insurance Co., Ltd.
- AIG Edison Life Insurance Company
- American International Assurance Company, Limited, together with American International Assurance Company (Bermuda) Limited (AIA)
- American International Reinsurance Company Limited
- Nan Shan Life Insurance Company, Ltd.
- The Philippine American Life and General Insurance Company

Financial Services

International Lease Finance Corporation

AIG Financial Products Corp. and AIG Trading Group Inc. and their respective subsidiaries (collectively, AIGFP)

American General Finance, Inc.

AIG Consumer Finance Group, Inc.

Imperial A.I. Credit Companies

Asset Management

AIG SunAmerica Asset Management Corp.

AIG Global Asset Management Holdings Corp. and its subsidiaries and affiliated companies (collectively, AIG Investments)

AIG Private Bank Ltd.

AIG Global Real Estate Investment Corp.



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About This Report

This is AIG's second written report summarizing our efforts and achievements in corporate responsibility. AIG has used the Global Reporting Initiative (GRI) as a guide in developing the content for this report as well as input from numerous stakeholder groups.

About AIG

American International Group, Inc. (AIG), a world leader in insurance and financial services, is the leading international insurance organization, with operations in more than 130 countries and jurisdictions. AIG companies serve commercial, institutional and individual customers through the most extensive worldwide property-casualty and life insurance networks of any insurer. In addition, AIG companies are leading providers of retirement services, financial services and asset management around the world. AIG's common stock is listed on the New York Stock Exchange, as well as the stock exchanges in Ireland and Tokyo.

AIG is putting our **global strength** in insurance and financial services behind ensuring the long-term sustainability of our business. In doing so, we are allocating resources to effectively manage the risks and **capture the opportunities** presented by emerging social, environmental and governance concerns. We believe our **sustainability initiatives** will help grow our business and produce strong financial results well into the future.

Putting Our **Strength** Behind [Sustainability](#).

Letter from the CEO



Martin J. Sullivan
President and
Chief Executive Officer

“AIG is devoting the resources necessary to manage our risks while developing innovative solutions to help our clients better manage their own risks.”

AIG’s vision is to be the world’s first-choice provider of insurance and financial services. In order to realize this vision, we rely on a fundamental set of values: confidence in our people, customer focus, performance, integrity, respect and entrepreneurship. Our vision and values have driven our success for more than 85 years and have helped us achieve a market strength that is second to none in our industry.

More than ever, AIG is committed to putting our strength behind ensuring the long-term sustainability of our business. Sustainability will be determined in large part by how companies respond to emerging environmental, social and governance (ESG) concerns. These issues present serious risks for the business community, but also provide significant new growth opportunities. Only those companies that both properly manage the risks and capture the opportunities presented by ESG issues will be sustainable as businesses over the long-term.

AIG’s vision and values guide our approach to ESG issues. We are devoting the resources necessary to manage our risks while developing innovative solutions to help our clients better manage their own risks. At the same time, the spirit of entrepreneurship is helping us seize new markets in critical ESG areas, particularly the environment.

In 2007, AIG was recognized for our sustainability initiatives. For example, AIG was named as an insurance sector component of the Dow Jones Sustainability Index North America. Additionally, Corporate Knights Inc. and Innovest Strategic Value Advisors Inc. recognized AIG as one of the “Global 100 Most Sustainable Companies in the World.” These two honors validate the approach we take in managing critical issues that challenge the company’s sustainability.

Some of the more notable actions we are taking include putting AIG’s strength behind:

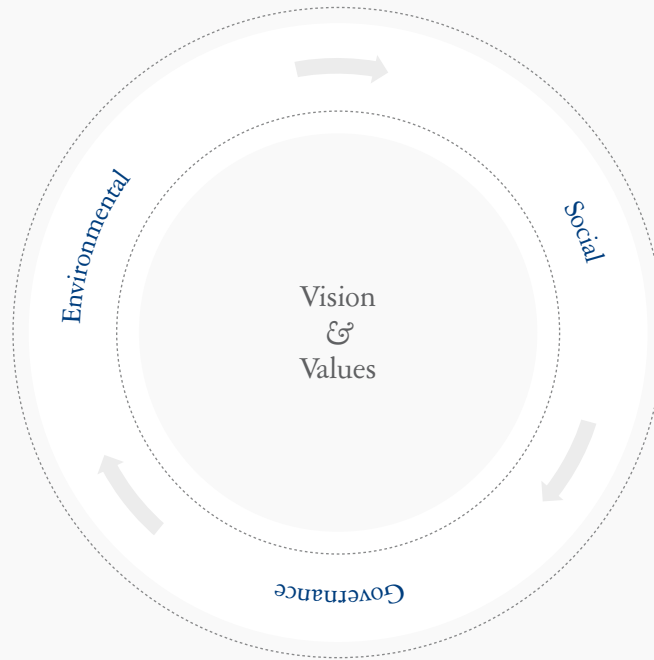
A sustainable investment strategy as we integrate ESG analysis into our investment process. This approach advances our goal of earning the best risk-adjusted returns while helping us identify emerging investment risks and opportunities.

Environmental responsibility as we develop new insurance products that address client needs related to alternative energy and limiting carbon emissions, as well as products that support the growing carbon market. AIG was the first U.S. insurance organization to issue a policy statement that publicly recognizes the impact of climate change, and to call for federal legislation to reduce greenhouse gas emissions. These efforts follow decades of ongoing environmental leadership in supporting the reclamation of polluted properties and the development of green real estate.

Entrepreneurship and empowerment as we continue to deliver financial services to the world’s working poor. AIG has been active in the field of microfinance for more than a decade since launching a pioneering micro-insurance program in Uganda. We are now growing our products and services and financial literacy programs that benefit low-income entrepreneurs. In 2007, AIG developed a new strategy of investing in institutions that make microloans to small business owners. These initiatives will help build wealth in the communities where we do business, and facilitate our expansion in key emerging markets as microentrepreneurs grow local economies.

Building a diverse workforce, client base and supply chain as we foster innovation. Diversity is not just an exercise in political correctness, it is essential for business success. Companies with diverse employees, clients and suppliers are better positioned to develop creative solutions to complex business challenges. In 2007, AIG made progress in formalizing our diversity framework throughout the company. This will enhance our ability to attract and retain top talent and maximize opportunities to expand our customer base and utilize certified diverse suppliers.

Our Vision and Values have driven our success and have helped us achieve market strength that is second to none in our industry.



Our corporate giving as we strive to make a difference in the communities where we do business by partnering with charitable organizations that promote entrepreneurship, innovation, diversity and empowerment. In 2007, AIG provided significant support to organizations around the world that are empowering women, promoting innovative education programs and providing opportunities for diverse populations.

As you read the following report, you will see how our corporate responsibility initiatives are creating value for our customers, colleagues, business partners and shareholders, as we contribute to the growth of sustainable, prosperous communities.

Martin J. Sullivan
President and
Chief Executive Officer

OUR VISION

To be the world's first-choice provider of insurance and financial services. We will create unmatched value for our customers, colleagues, business partners and shareholders, as we contribute to the growth of sustainable, prosperous communities.

VALUES

People

- Develop diverse talent
- Reward excellence

Customer Focus

- Anticipate their priorities
- Exceed their expectations

Performance

- Be accountable
- Manage risks
- Deliver AIG's strengths

Integrity

- Work honestly
- Enhance AIG's reputation

Respect

- Value all colleagues
- Collaborate with one another

Entrepreneurship

- Seize opportunities
- Innovate for and with customers

Corporate Responsibility At-A-Glance



Corporate Governance & Compliance

AIG has adopted measures to keep us in the forefront of good corporate governance. We have also conducted an assessment of the compliance organization and designed a plan for taking it to an enhanced global function.



Sustainable Investments

AIG Investments is building on its robust due diligence process to integrate environmental, social and governance considerations into investment analysis.



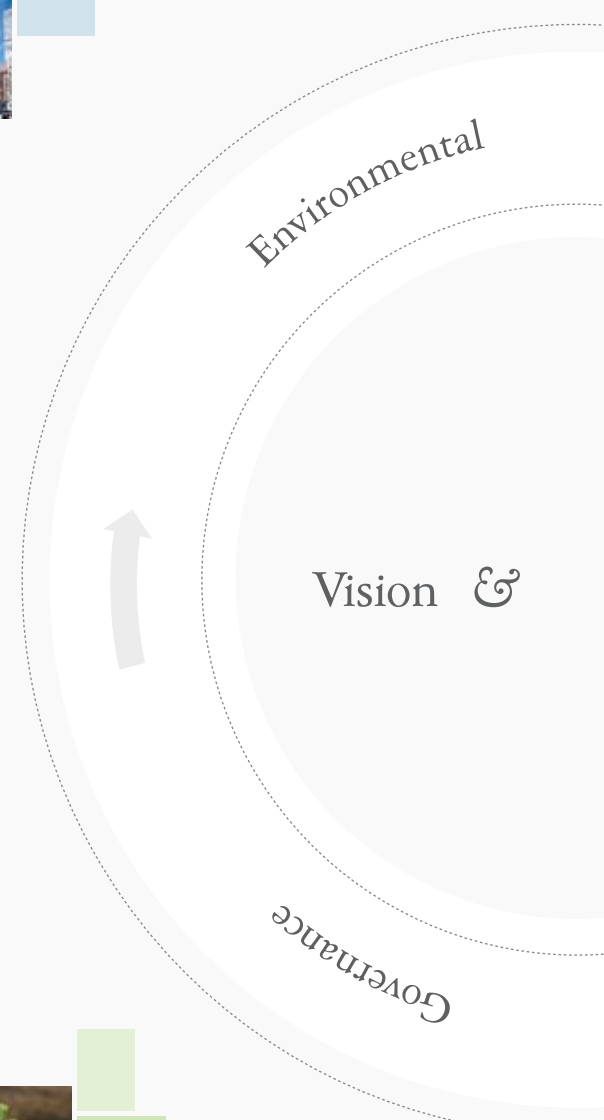
Access to Financial Services

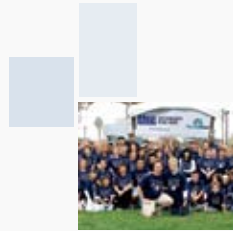
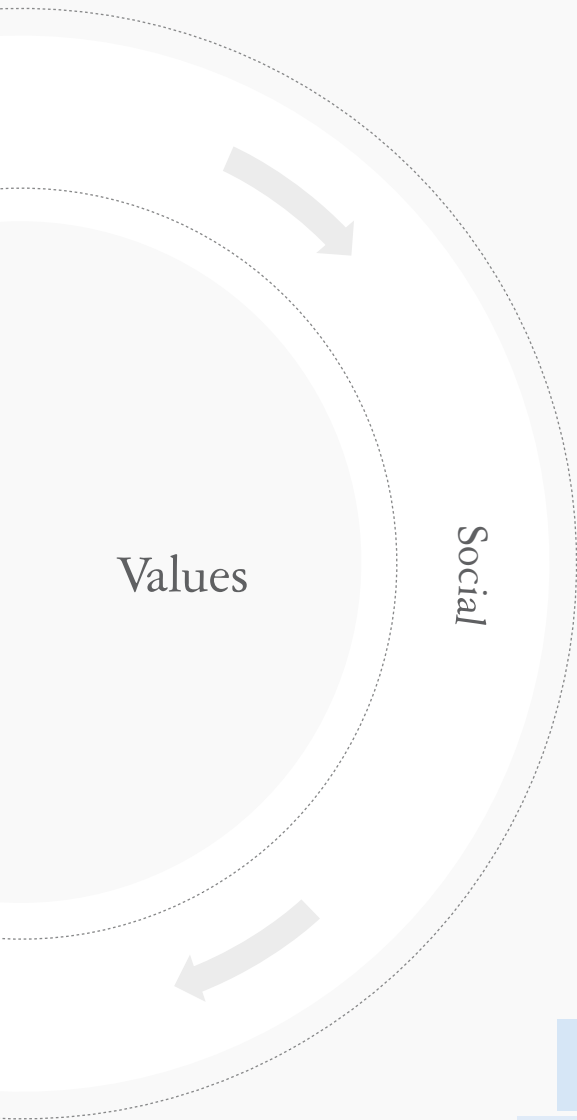
AIG continues to expand its global reach of microinsurance and microfinance services, opening new doors for clients in emerging markets around the world.



Environmental Responsibility

AIG is focusing on the environment by increasing our energy efficiency, advocating for climate change legislation and helping clients improve their environmental stewardship.





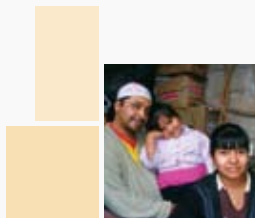
Investing in Our People

AIG is investing in our employees through a competitive benefits program as well as training and development.



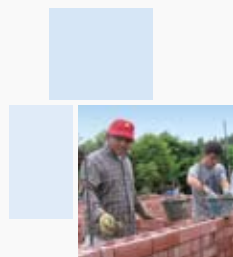
Diversity

AIG is providing employee diversity training to increase awareness of the benefits of a diverse working environment. We are also increasing the products that serve diverse communities as well as the diversity of suppliers.



Corporate Giving

AIG supports communities worldwide through corporate giving programs that focus on entrepreneurship, innovation, diversity and empowerment.



Disaster Response & Preparedness

AIG is working with nonprofit organizations and governments worldwide to develop innovative disaster response and preparedness programs.



Moving Forward



Progress

Future Plans



1. Corporate Governance & Compliance

Adopted corporate governance measures and established a corporate governance structure intended to ensure the independent and effective functioning of AIG's Board of Directors, foster transparency and clear communication with stakeholders, promote high ethical standards and financial reporting integrity. Conducted an assessment of AIG's compliance organization and designed a plan for taking it to an enhanced global function. Revised and enhanced our Code of Conduct.

Continue to explore corporate governance initiatives to keep AIG in the forefront of good corporate governance. Build out a new regional compliance structure to help guide and assist local initiatives; launch global programs covering anti-money laundering, anti-corruption, political contributions, economic sanctions compliance, global privacy and records management; publish and train organization on new Code of Conduct.



2. Sustainable Investments

Developed and implemented an ESG Education Program; obtained third party ESG data to support analysis; launched an internal Sustainability Portal to provide employees global access to ESG communications, training and resources; began enhancing investment process by integrating ESG considerations.

Develop tracking and reporting standards for sustainability efforts; continue monitoring ESG risk and opportunity analysis while integrating ESG data for specific asset classes; provide ongoing education on specific industry and ESG issues; extend global outreach on ESG analysis internally, as well as with clients and other stakeholders.



3. Access to Financial Services

Formed agreement with Bank Rakyat Indonesia to provide a Group Policy on behalf of its microfinance customers; provided broader coverage of medical care, personal property and livestock insurance to microinsurance offerings; launched microinsurance program in Latin America; partnered with non-governmental organizations on financial literacy programs.

Expand microinsurance sales from 12 to 25 emerging markets; launch new microfinance lending programs in Vietnam, Mexico, Argentina and India; innovate new products; create centers of microfinance and insurance education in Asia, Latin America, Central and Eastern Europe, the Middle East and South Asia.



4. Environmental Responsibility

Advocated with other organizations for legislation to reduce greenhouse gas emissions; sponsored and participated in conferences and forums on the business implications of climate change; participated in collaborative efforts to support climate change solutions; completed first greenhouse gas emissions inventory and started funding an equal number of emissions reductions; developed solutions to help clients address climate change and the challenges of operating in a carbon-constrained world.

Continue to support the development of new climate change-related products and services across AIG business units; continue to advocate for stronger public policy to limit greenhouse gas emissions; spearhead the Be Green initiative to reduce and monitor the environmental impacts of our business operations.



5.

Investing in Our People

Progress

Enhanced internal Career Navigator website; conducted a survey on employee involvement in defined contribution plans; named one of *BusinessWeek*'s "Best Places to Launch a Career" and "50 Best Internships;" ranked 30th on *Barron's* list of the "World's Most Respected Companies."

Future Plans

Expand paid maternity and adoption benefits for US-based employees; assess which benefits programs may be applicable for international operations, such as the wellness program.

6.

Diversity

Provided online training to increase employee awareness on the benefits of a diverse working environment; assessed AIG markets needing enhanced diversity programs; continued student educational support to foster entrepreneurship and diverse talent; launched new Supplier Diversity Program to improve sourcing effectiveness and encourage certified diverse suppliers to do business with AIG.

Establish objectives to achieve diversity goals; invest in initiatives to retain a diversified workforce and increase return on employee investment; create more diverse product offerings; launch a website on supplier diversity process; host and sponsor supplier diversity events; educate sourcing providers and minority businesses about Supplier Diversity Program.

7.

Corporate Giving

Continued multi-year capacity building grants to microfinance leaders ACCION and FINCA; announced a major grant to Pro Mujer, a pioneer in supporting women entrepreneurs; enabled DonorsChoose.org to expand nationally by upgrading their website; joined boards of Committee Encouraging Corporate Philanthropy and helped establish Insurance Industry Charitable Foundation — New York Division.

Continue to build upon investments in organizations that promote entrepreneurship, innovation, diversity and empowerment; actively look for new partners and identify new programs that provide creative solutions to the economic and social challenges facing the 130 countries and jurisdictions around the world where AIG does business.

8.

Disaster Response & Preparedness

Partnered with nonprofit organizations and worked with government officials to develop comprehensive disaster preparedness programs including the International Rescue Committee; the National Organization on Disability's Emergency Preparedness Initiative; American Red Cross/Greater New York Catastrophic Incident Responsive Initiative, New York City Office of Emergency Management; and the Big City Emergency Management Learning & Exchange Forum.

Continue to develop comprehensive and innovative strategies to help communities around the world better prepare for disasters; incorporate principles of risk management, encourage the cooperative use of resources, and coordinated response actions between governments, nonprofits and the private sector.

Global Presence



AIG Volunteerism

AIG employee volunteers support programs worldwide; including these employees who participated in a holiday toy drive in Houston, Texas.



AIG Goals for Kids: Manchester United Football Club

Program provides contributions to children's charities for each goal scored by Manchester United, the popular football club sponsored by AIG. The 2006/2007 season supported charities in the United Kingdom and Ireland as well as UNICEF. The program is now expanding to support nonprofits in Asia, and around the globe.

AIG Disaster Relief Fund

Recipients of aid from the AIG Disaster Relief Fund in Peru express appreciation.





**AIG Expands
Microfinance Initiatives**

Craftsmen in Africa are using microcredit services to grow their businesses.

**Strengthening International
Emergency Response**

AIG provides funding to the International Rescue Committee to enhance the preparedness abilities of the Emergency Response Team.



**AIG Alternative Energy
Practice**

AIG provides property, casualty and marine insurance to a wide range of operations — including hydro, solar, geothermal, wind, waste-to-energy, biomass, landfill gas, IGCC, and biofuel facilities worldwide. Our products can support facilities from construction through operation.

Corporate Governance & Compliance



Our vision is to be the world's first-choice provider of insurance and financial services. To achieve this, AIG is committed to the principle that good corporate governance and effective oversight enhances business performance. In addition, we believe that AIG must demonstrate responsible and ethical business practices throughout the organization and adherence to our own stated principles.

GOVERNANCE STRUCTURE

AIG has adopted corporate governance measures and established a corporate governance structure intended to ensure the independent and effective functioning of AIG's Board of Directors, foster transparency and clear communication with stakeholders, and promote high ethical standards and financial reporting integrity.

Corporate governance measures adopted by AIG include:

- A separate Chairman of the Board and CEO
- Chairman of the Board will be an independent director
- At least two-thirds of the directors will be independent
- Annual election of all directors
- A majority voting bylaw that requires director nominees who receive more votes "against" than "for" election to tender their resignations
- A mandatory director retirement age of 73
- An executive session of the independent directors held at each regularly scheduled Board meeting
- General limits on the number of Boards on which a director and CEO may serve
- Annual evaluations of the Board, each member of the Board and of each standing committee of the Board
- A commitment to the full, fair and transparent disclosure of executive compensation
- CEO compensation subject to the approval or ratification of the Board.

Contacting the AIG Board of Directors

AIG's Board of Directors and its Audit Committee have established procedures for the receipt, retention and treatment of complaints.

To contact the non-management members of AIG's Board of Directors as a group or the other members of the Board of Directors with respect to concerns or matters not related to accounting, internal accounting controls or auditing matters you may do so:

By writing:

c/o Special Counsel and
Secretary to the Board
American International Group, Inc.
70 Pine Street, 27th Floor
New York, NY 10270

e-mail: boardofdirectors@aig.com

To report complaints with respect to AIG's accounting, internal accounting controls or auditing matters you may do so:

By writing:

Michael H. Sutton, Chairman
Audit Committee
c/o Internal Audit Division—
Investigations Group
American International Group, Inc.
32 Old Slip
New York, NY 10005

e-mail: accountinghotline@aig.com

By calling: The AIG Accounting Hotline at (877) 244-2210

(To access the AIG Accounting Hotline from outside the United States, dial the appropriate country code, wait for the prompt, then dial the number.)



Corporate Code of Conduct

Our Code of Conduct was revised to reflect best practices and respond to the needs of our global workforce.

COMPLIANCE

As a responsible corporate citizen, we strive to comply with the letter and spirit of the laws and regulations governing all of our business activities. We are committed to building an integrated compliance program that supports our business consistent with that standard.

CODE OF CONDUCT/ETHICS

Our uncompromising commitment to act with integrity and conform to the highest ethical standards depends on individual decisions made every day. We all are responsible for the way business is conducted, as well as how policyholders, customers, shareholders, business partners and employees perceive AIG. To function properly and maintain public confidence, each company officer and employee must act with honesty and integrity, and adhere to our Code of Conduct.

PROGRESS

We have conducted an assessment of our Compliance organization and have designed a plan for taking it to an enhanced global function. We benchmarked AIG's Code of Conduct and conducted a global review of employee values and ethics standards to revise and enhance our Code of Conduct. We are moving from a rules based code to a principles based code to better reflect the values and ethics of all our constituencies.

FUTURE GOALS

In 2008, AIG's Compliance function will initiate broad compliance enhancements, including the build out of a regional structure that will provide the operating units with sources of expertise to help guide and assist local initiatives. In addition, Corporate Compliance will be launching several global programs including anti-money laundering, anti-corruption, political contributions, economic sanctions compliance, global privacy and records management.

We will be publishing and training our organization on our new Code of Conduct. In addition, we will launch a Vision and Values campaign in an effort to drive sustainable growth and profitability, while ensuring that our conduct and the way we work together meet the highest standards.

AIG Compliance Help Line

The AIG Compliance Help Line (877-244-2210) is an anonymous reporting service that allows employees, customers and third parties to freely voice their concerns — at any time — to legal representatives on such topics as conflicts of interest, gifts and entertainment, securities laws, theft and fraud, intellectual property, environmental issues, health and safety violations, political contributions, workplace violence, data protection and privacy. The Help Line is answered by an independent service provider that offers translators for more than 75 languages. The Compliance Help Line is also accessible at www.aigcompliancehelpline.com. AIG prohibits retaliation against any employee who in good faith reports suspected or potential violations of the Code of Conduct or law.

Contacting Corporate Compliance

In addition, compliance matters, complaints and questions may be reported to Corporate Compliance by telephone to (646) 857-1877, by fax to (646) 857-1876 or by sending an e-mail to CorporateLegalCompliance@aig.com.

Committees of the AIG Board of Directors

<p>Nominating & Corporate Governance Committee</p>	<ul style="list-style-type: none"> • Identifies individuals qualified to become Board members, consistent with the criteria approved by the Board, and recommends individuals to the Board for nomination, election, or appointment as members of the Board and its committees • Advises the Board on corporate governance matters, including developing and recommending to the Board a set of Corporate Governance Guidelines for AIG • Oversees the evaluation of the Board of AIG and its committees.
<p>Compensation & Management Resources Committee</p>	<ul style="list-style-type: none"> • Oversees the administration of AIG’s compensation programs • Determines and approves the compensation of the CEO in accordance with AIG’s Bylaws • Approves the compensation of other senior executives under its purview • Makes recommendations with respect to the compensation programs applicable to senior executives and other employee compensation • Oversees AIG’s management development and succession planning programs
<p>Finance Committee</p>	<ul style="list-style-type: none"> • Assists the Board in its oversight responsibilities by reviewing and making recommendations to the Board with respect to AIG’s financial and investment policies • Provides strategic guidance to management as to AIG’s capital structure, use of capital in its businesses, methods of financing its businesses and other related strategic initiatives • Approves certain issuances, investments, dispositions and other transactions and matters
<p>Audit Committee</p>	<p>Assists the Board in its oversight of:</p> <ul style="list-style-type: none"> • The integrity of AIG’s financial statements and AIG’s compliance with legal and regulatory requirements • The qualifications, independence and performance of AIG’s independent auditors • The performance of AIG’s internal audit function.
<p>Public Policy & Social Responsibility Committee</p>	<ul style="list-style-type: none"> • Responsible for reviewing the position and policies of AIG that relate to current emerging corporate social responsibility and political and public policy issues of significance to AIG, that may affect AIG’s business operations, performance or corporate reputation.
<p>Regulatory, Compliance & Legal Committee</p>	<ul style="list-style-type: none"> • Assists the Board in its oversight of AIG’s handling of legal, regulatory and compliance matters.



2.

AIG Investments' approach to sustainability is based on the fundamental view that the management of economic and financial factors, as well as environmental, social and governance (ESG) challenges, is critical to long-term growth and value creation. Material ESG issues include how a company manages the impact of emerging environmental and climate change regulations, stakeholder engagement, or corporate governance practices.

To address material ESG issues in a rapidly changing world, AIG Investments is integrating the analysis of ESG factors into our investment process. This analysis advances our goal of earning the best risk-adjusted returns, while responding to emerging risks and opportunities.

We have formally adopted a sustainability policy that states: "AIG Investments believes that the consideration of sustainability must be an integral part of the analysis and management of investment portfolios. The long-term economic viability of business and investments can be greatly impacted by the risks and opportunities related to the physical and social environment in which we operate."



AIG INVESTMENTS' SUSTAINABILITY INITIATIVE

The goal of AIG Investments' Sustainability Initiative is to implement AIG Investments' Sustainability Policy and formally integrate ESG assessment into our investment process. ESG analysis is not new to AIG Investments and we are building on existing due diligence procedures.

PROCESS AND ORGANIZATION

The Sustainable Investment (SI) Steering Committee was formed in 2006 to support AIG Investments' ESG integration. The Committee is advised by two senior executives, Win Neuger, Executive Vice President and Chief Investment Officer of AIG, and Robert Conry, Managing Director of Global Business Strategy for AIG Investments, and is composed of 17 global representatives from each asset class (Alternatives, Fixed Income, Equities, and Real Estate) and functional area (Business Development, Organizational Development, Legal & Compliance, Enterprise Risk Management and Information Technology).

Each asset class determines how to best integrate ESG considerations into its investment process. The Sustainable Investment Steering Committee supports the asset classes by monitoring and communicating the full scope of the SI implementation. The Committee also provides education and strategic review for the initiative.

What is ESG? What are the issues that increasingly are impacting economic viability?

- **E**—Environmental issues include companies' impact on the physical environment, such as how they manage greenhouse gas (GHG) emissions, vulnerability to climate change regulations, waste generation and management, product use impact and environmental footprint reduction.
- **S**—Social issues include workforce diversity, labor issues, health and safety compliance, supply chain management, product safety, consumer relations and community involvement.
- **G**—Governance issues include management compensation, transparency, accountability, stakeholder engagement, and financial reporting and internal controls.

PROGRESS

The Sustainability Initiative has defined five core strategies to support ESG investment integration.

AWARENESS / KNOWLEDGE BUILDING

A key component of ESG integration is education and training. In 2007, AIG Investments developed an ESG Education Program aimed at achieving the following goals:

- Create broad awareness and understanding of emerging ESG issues among investment professionals
- Establish a common ESG vocabulary
- Enhance investment analysis processes
- Facilitate industry-specific ESG approaches
- Establish the foundation for ongoing education and skill development

The Education Program began with four training sessions for global investment teams in New York City, London, Houston and Asia. Education on the importance and potential impacts of ESG issues was provided to analysts and portfolio managers, business development, legal and compliance staffs. Ongoing education and skill development continue to be priorities to support integration.

AIG Investments also hosted a global Fixed Income Credit Conference that drew 200 employee participants. Breakout sessions focused on establishing sector-level ESG guidelines. AIG Investments also collaborated with AIG's Office of Environment and Climate Change on a forum to analyze emerging international and US-domestic climate change regulations.

DATA / TOOLS

During 2007, the asset class business units completed Risk and Control Assessments of their current processes. Based on these assessments, each asset class identified an approach to ESG integration. These approaches are being implemented through multi-phased projects.

These internal assessments also led AIG Investments to engage external ESG data services providers to support environmental and governance analysis.

In addition, an internal Sustainability Portal was launched to provide global access to ESG resources, communications and training.

CLIENT / BUSINESS PARTNERS

One of AIG Investments' goals is to ensure we are responsive to client requests for information on ESG strategies. To accomplish this, we work closely with the Request for Proposal (RFP) team to provide ESG information and understand clients' needs.

AIG Investments views proxy voting as an important shareholder right and believe that these rights need to be properly and timely exercised. AIG Investments implements our proxy policy in adherence to specific voting guidelines drafted by the AIG Investments Proxy Committee. This Committee is comprised of members of the firm's Legal and Compliance Team and Investment Management Team. The guiding principle is to vote proxies in the best economic interest of our clients. ESG issues will be taken into account when they have a material economic impact on clients.

While AIG Investments generally abstains from voting on issues that are purely social in nature, we believe there are cases where ESG issues can have a potential significant economic cost to clients. Therefore, we may vote in favor of some of these resolutions, particularly those that relate to disclosure of important information which we believe has, or may have, a meaningful economic impact.

REPORTING

Monitoring and reporting are important components of ESG integration to facilitate internal and external communications about sustainability. Our goals are to assess asset class progress on integration, highlight areas for growth, and identify potential new opportunities. AIG Investments has responded to the Dow Jones Sustainability Index, and other industry-related requests for information.



Five Core Strategies for AIG Investments' Sustainability Initiative

1. Building awareness and knowledge of ESG issues among investment professionals.
2. Integrating ESG data and tools where applicable.
3. Focusing on meeting clients' needs and interests on sustainability and ESG issues.
4. Ensuring that we have reporting systems to track the integration of ESG issues.
5. Developing and providing thought leadership on ESG topics.

PRODUCTS AND INVESTMENTS

In addition to enhancing the investment process, AIG Investments has introduced sustainable investment products and is investing in opportunities driven by changes in ESG factors:

Fixed Income	<ul style="list-style-type: none"> • Project Finance investments in renewable energy operations
Equity	<ul style="list-style-type: none"> • Sub-advisor to Social Awareness and Socially Responsible Mutual Funds offered through AIG VALIC <ul style="list-style-type: none"> • VALIC Socially Responsible Fund • VALIC Global Social Awareness Fund • Corporate Social Responsibility Equity Funds offered in Japan <ul style="list-style-type: none"> • AIG-SAIKYO Japan Equity CSR Fund • AIG/Resona Japan CSR Fund • AIG/Hirogin Japan Equity CSR Fund • AIG Japan Equity SRI Fund
Real Estate	<ul style="list-style-type: none"> • Acquisition and development of properties following U.S.G.B.C. LEED guidelines, with emphasis on environmental innovation and energy-efficient technologies • Leadership in green building around the world including brownfield remediation, historic preservation, and collaboration with local stakeholders; exemplified by <ul style="list-style-type: none"> • Atlantic Station, Atlanta • Spruce Peak at Stowe, Vermont • AIG Tower, Hong Kong • 17 The Bund, Shanghai
Private Equity and Hedge	<ul style="list-style-type: none"> • Capital investments in developing markets • Direct investments in microfinance projects and a developer of greenhouse gas (GHG) abatement projects • Established AIG Sustainable Investment Team

LEADERSHIP

AIG Investments works actively to engage its stakeholder community by maintaining strategic partnerships, including the Asset Management Working Group of the United Nations Environmental Program Finance Initiative (UNEP-FI), Investor Network on Climate Risk (INCR) and the Carbon Disclosure Project (CDP). AIG Investments sponsored the New York launch of CDP Reports in 2006 and 2007. Such relationships ensure that AIG Investments is at the forefront of identifying and analyzing market trends, understanding ESG risk management and collaborating with other thought leaders on ESG issues.

FUTURE GOALS

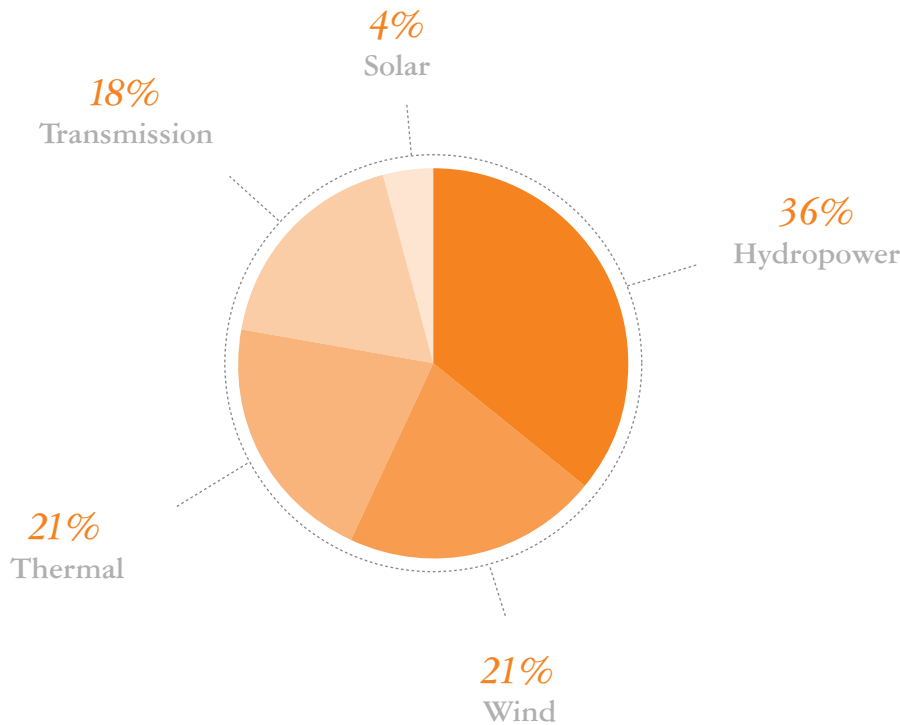
To further support ESG integration, we aim to:

- Develop tracking and reporting standards for our sustainability efforts.
- Continue monitoring of ESG risk and opportunity analysis across our businesses, including systematically integrating ESG data within specific asset classes.
- Provide ongoing education with programs on specific industry and ESG issues.
- Extend global outreach and communications about ESG analysis internally and externally with our clients and other stakeholders.
- Continue work with key external stakeholders, including the Carbon Disclosure Project, Investor Network on Climate Risk and UNEP-FI Asset Management Working Group.

As of December 31 2007, AIG Investments and its affiliates managed \$3.34 billion in investments specifically related to ESG factors.¹

¹Excludes real estate assets.

AIG Investments' Renewable Energy Project Finance
(% of Investments in Renewable Energy, by project type)



An Example of Private Equity Carbon Consulting / Financing:

The carbon credit and allowance market is gaining momentum with approximately \$60 billion of carbon traded in 2007. With the rapid growth in the carbon markets, AIG Global Emerging Markets Viaduct Fund has acted on new opportunities in this market. Environmental commodities are quickly becoming an established asset class as the financial markets are now placing a value on greenhouse gas reductions. Cap and trade systems allow the marketplace to reduce greenhouse gas or pollutant emissions in a cost-effective manner, by creating incentives for emission reductions through pricing pollution.

AIG Investments participated in this market by investing in London-based Sindicatum Carbon Capital Ltd. (SCC). SCC is a global financier and developer of greenhouse gas (GHG) abatement projects, and has created a unique end-to-end project development strategy, taking projects through commissioning and operation. It uses capital and technology to convert GHG emissions into long-term sources of revenue in this rapidly emerging market. SCC can leverage its pool of new capital to accelerate the development of GHG reduction projects and invest in emerging technologies.

An Example of Solar Power: Providing Energy in Spain

AIG Financial Products Corp. is an equity provider and part owner of an 18-megawatt solar plant, the Olivenza plant constructed by SunPower Corp., in Spain's Badajoz region.

The project uses technology that tracks the sun as it moves across the sky, which can deliver more energy than traditional designs. The plant's feasibility is augmented by feed-in tariffs in Spain, initiated in 2004 to reach the European Union's goal of increasing renewable energy use to 20 percent by 2020.



Strengthening Local Economies

3.

Providing access to financial services is a major source of sustained growth both for AIG and the millions of people living in developing countries around the world. Building and protecting the assets of just one small business can help transform entire villages into thriving economies. It also allows AIG to tap a potential client base of more than a half billion people in the world's largest emerging markets.

As one of the pioneers of microinsurance, AIG has developed unique products for more than a decade that help the working poor reduce risks, grow their businesses and accumulate assets. AIG is now expanding the products and services targeting microentrepreneurs.

MICROINSURANCE

Microinsurance can serve as a catalyst for economic growth in developing nations. With the assurance that their resources can be protected, small business owners are more likely to innovate, acquire assets and save for the future.

Since launching a pioneering microinsurance program in Uganda more than 10 years ago, AIG has insured microinsurance clients in 12 countries. We offer small policies to owners of micro-enterprises, covering the loss of everything from livestock to equipment. We partner with microfinance institutions to train both their staff and clients on the fundamentals of insurance.

MICROFINANCE

AIG continues to seek ways to provide financial services to the working poor and increase our customer base. AIG's Financial Services companies currently provide unsecured financing to microentrepreneurs in the various emerging markets where they have operations. In addition, AIG is now actively supporting microlending via strategic investments and joint-ventures with leading microfinance institutions that have established successful business models.

By investing in projects that increase financial access, AIG is looking to open new doors for micro-clients in emerging markets around the world.

Microfinance Statistics

Average Loan:
\$300 to \$500

Average Term:
4 to 6 months

Average Default:
2 to 5%

Clients:
Micro-entrepreneurs

FINANCIAL LITERACY

Education and financial literacy is one of the cornerstones to understanding the value that AIG's products provide to prospective clients, most of whom are unfamiliar with the basic concept of financial services. With tools such as educational videos, classroom training modules, educational marketing materials, and on-site training for our microfinance partners, AIG offers dynamic educational programs that explain the value of microinsurance, the procedures for making a claim and the benefits that are provided.



Supporting Entrepreneurs

PROGRESS

The following summarizes progress AIG has made expanding our financial services and products worldwide:

- Established an agreement with Bank Rakyat Indonesia (BRI) to provide a Group Policy on behalf of its microfinance customers, expanding our client base in that region by as many as six million individuals.
- Transcended traditional microinsurance offerings by providing broader coverage of critical and emergency medical care, diagnostics healthcare, personal property and livestock insurance.
- Launched a microinsurance program in Latin America to provide accident and health insurance to 200,000 recipients.
- Partnered with nongovernmental organizations that have sustainability as a mutual goal to serve as information and distribution sources of our financial services programs.

FUTURE GOALS

In the coming year, AIG endeavors to:

- Expand selling microinsurance products from 12 to 25 emerging markets.
- Launch new microfinance lending programs in Vietnam, Mexico, Argentina and India.
- Continue to innovate new insurance and lending products.
- Develop and deliver financial literacy programs in Asia, Latin America, Central & Eastern Europe as well as the Middle East and South Asia.



AIG partners with microfinance organizations around the world to support microentrepreneurs

► **A Decade of Helping the Poor Protect Their Assets**

In tandem with AIG’s commitment to microfinance to build financial capacity among individuals across the globe, we are dedicated to helping microfinance institutions and their clients understand the need to insure those investments. Our microinsurance team partners with microfinance institutions to develop and deliver appropriate products to clients. We also train partners on financial literacy, risk management, underwriting, distribution, sales, collecting premiums and paying claims.

One of AIG’s earliest microinsurance projects was offering a low-cost credit life insurance policy, in partnership with FINCA, in Uganda. A decade later, our products and coverage have expanded to include family members. Basic personal property insurance for natural disasters is now offered as well.

More recent projects in India and Latin America are providing similar benefits. Altogether, these programs extend financial literacy to communities and help protect families from extreme financial stress in the event of an unforeseen death or natural disaster. Ultimately, AIG’s microinsurance products contribute to building a sound network of financial preparedness in some of the world’s burgeoning economic regions.



Helping Impoverished South Africans Become Self-Sufficient

Millions of people worldwide have no access to formal banking because of lack of traditional collateral, the high costs of small transactions and geographic isolation. To better serve the need for individuals, small enterprise and rural organizations to access small loans and credit, a more specialized microfinance industry has gradually emerged.

In 2007, a private equity fund sponsored by AIG Investments purchased a minority stake in Blue Financial Services, a leading Pan-African microfinance company based in South Africa that provides microlending products to people with limited access to formal banking. This investment will expedite Blue Financial’s expansion into other underserved countries while capitalizing on the depth of AIG’s expertise in private equity transactions in emerging markets.

Environmental Responsibility



AIG is putting its strength behind sustainability with key initiatives to protect and improve the environment through our corporate policy, our commitment to the highest level of environmental responsibility in our global business operations, and our core business offerings.

Our major environmental activities include:

- AIG's global corporate policy and programs on the environment and climate change.
- AIG Environmental[®] insurance products that expedite and facilitate cleanup of former industrial sites (brownfields) and other environmentally impacted areas.
- AIG Global Real Estate's leadership as an investor in and practitioner of sustainable building principles.
- New insurance policies and practices, such as EcoPractice, Advanced Energy Solutions, and Lexington Insurance Company's EcoSurance Suite that focus on climate change solutions.

AIG'S POLICY AND PROGRAMS ON ENVIRONMENT AND CLIMATE CHANGE

As the first U.S.-based insurance organization to adopt a public statement on the environment and climate change, AIG recognizes the scientific consensus that global climate change is a reality, that it is highly likely in large part the result of human activities that have led to increasing concentrations of greenhouse gases in the earth's atmosphere and that it poses risks to mankind.

In our view, market-based environmental policies and potential new investments provide great opportunities for AIG, its employees, shareholders and customers. AIG dedicates resources to pursue new business opportunities and other initiatives that support market-based solutions to address climate change.

AIG established an Office of Environment and Climate Change to be a focal point within the organization on these issues. The three primary areas of its activity are:

- Support the development of new climate change-related products and services in insurance, investments, financial products and consulting
- Coordinate internal and external communications and nonprofit initiatives and advocate for stronger public policy to limit greenhouse gas emissions
- Spearhead an effort to reduce and monitor the environmental impacts of AIG's business operations.



Strengthening the Environment

Above and top right: AIG employees help plant trees to enhance the local environment.

▶ AIG is committed to developing insurance, investment and financial solutions to help our clients mitigate causes of climate change and improve environmental stewardship. A few of the many new practices and products include: AIU's ecoPractice, Global Marine and Energy's Advanced Energy Solutions, Lexington's EcoSure suite of products including Upgrade to Green, AIG Environmental's Sustain-A-BuildSM Program, AIG Risk Finance's Carbon Credit Delivery Insurance, System Performance Insurance for alternative fuels, and other products in the personal lines. Investment activities related to climate change include an equity investment into Sindicatum Carbon Capital, and establishment of the Sustainable Investment Team.

ADVOCACY AND DIALOGUE

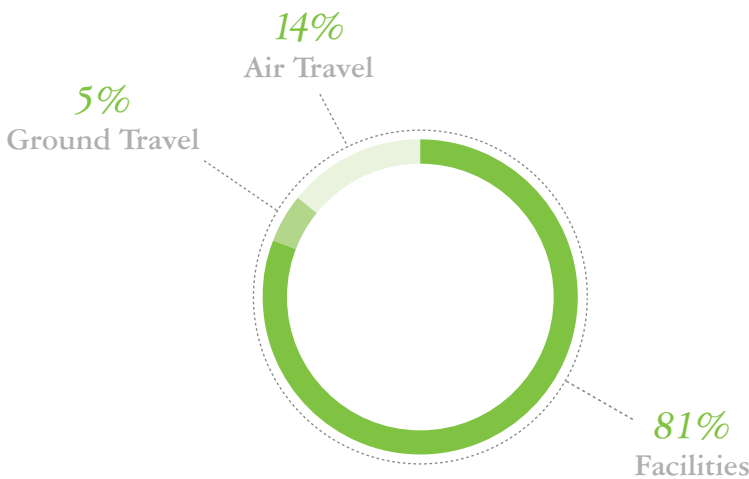
In 2007, AIG joined United States Climate Action Partnership (USCAP) an alliance of major businesses and leading climate and environmental groups that is calling on the federal government to promptly enact legislation requiring reductions of greenhouse gas emissions to be implemented through a "cap and trade" mechanism. We also participated in advocacy efforts in Europe and internationally through the EU Corporate Leaders' Group of the University of Cambridge and the Association of British Insurers' ClimateWise program and Combat Climate Change (3-C).

In 2007, we sponsored or co-sponsored:

- A conference on Changing Climatic Dynamics and Catastrophe Model Projections, convened by the Center for Health and the Global Environment at Harvard Medical School and the Insurance Information Institute. The event engaged climate change scientists, catastrophe modelers, and insurance companies to assess how climate change risk can be incorporated into catastrophe modeling.
- AIG's "International Forum on Climate Change: China's Business and Policy Challenges" in Beijing with invited guests from business, government, academic and civic leadership.
- Internal events including a climate change forum on the legislative outlook in the U.S. and internationally and an Executive Green Forum on carbon offsets.

AIG is a member of the advisory board and a funder for Resilient Coasts: Reducing Risks and Adapting to Climate Change, a project run by the H. John Heinz III Center for Science, Economics and the Environment and Ceres.

▶ **Recognition received:** AIG was added to the Dow Jones Sustainability Index North America, was named to the 100 Most Sustainable Companies in the world list two years in a row, and was featured in the latest Ceres report on the insurance industry's response to climate change.



AIG's GHG Emission by Emissions Source.

In 2007, AIG conducted an inventory of 2006 Greenhouse Gas emissions from our operations and categorized it by source. Our facilities account for the largest percentage of emissions.



We participated in several collaborative efforts to support climate change solutions. These included the United Nations Environmental Program (UNEP) Finance Initiative Insurance Working Group, the Climate Group, the Corporate Council of World Resources Institute, the International Emissions Trading Association, The World Business Council for Sustainable Development, the Global Roundtable on Climate Change of Columbia University, the World Economic Forum Gleneagles dialogue follow up process to provide input on climate change policy to the G-8, and the Advisory group for the Carbon Disclosure Standards Board.

As a corporation, we reported our climate change activities through the Carbon Disclosure Project as we have done every year since its inception. Additionally, AIG's Office of Environment and Climate Change participated in a number of conferences in the U.S. and abroad.



▶ AIG Global Real Estate is a leader in green building around the world including brownfield remediation, historic preservation, and collaboration with local stakeholders exemplified by Atlantic Station, Atlanta (pictured above and top right).

ENVIRONMENTAL STEWARDSHIP

To promote our own environmental stewardship, we completed our first greenhouse gas emissions inventory in 2007 and estimated that 620,000 metric tons of carbon dioxide were emitted from our global operations in 2006. We are in the process of funding projects in the agricultural and forestry sectors in China and the U.S. that will generate an equal number of emission reductions.

In 2007, AIG began developing an internal initiative, Be Green, to reduce AIG's environmental impacts. We have employees around the world working on five committees to identify and implement a number of measures related to energy efficiency, renewable energy, procurement practices, recycling, water use, and travel. Be Green includes a comprehensive employee engagement program and a volunteer network of employee Green Ambassadors who will help implement the initiative.

FUTURE GOALS

In 2008, we plan to:

- Launch the Be Green initiative and engage and educate employees worldwide about climate change and environmental issues.
- Continue to develop products to help our clients address climate change and the challenges of operating in a carbon-constrained world.
- Continue to advocate for climate change legislation in the U.S. and abroad, and to work with NGOs and like-minded companies in advancing policy debate and in supporting the development of the carbon market.
- Continue our annual GHG emissions inventories and implement a plan to reduce our GHG emissions through energy efficiency, purchase of renewable energy and funding of multi-benefit carbon offset projects.



Fort Ord

The 3,500-acre former military base is being developed into a sustainable, mixed-use community.

AIG GLOBAL REAL ESTATE

Dedicated to smart growth and quality building and design for 20 years, AIG believes that sustainable development complements a successful long-term real estate investment strategy. We incorporate sustainable materials and methods into our development projects around the world, following U.S. Green Building Council’s LEED (Leadership in Energy and Environmental Design) guidelines in addition to stringent local equivalents. As an investor and developer, AIG Global Real Estate is a stakeholder in environmental strategy and is dedicated to practices such as:

- Remediation and redevelopment of contaminated property
- Use of environmentally sustainable construction materials
- Incorporation of energy-efficient design and technology in development of new projects.

AIG Global Real Estate’s environmental emphasis is supported by an in-house team of investment and real estate professionals dedicated to green building practices and smart growth initiatives.

► **From Military Site to Sustainable Community**

In 2007, AIG Environmental designed an innovative insurance product to cover specific risks associated with the clean-up and reuse of Fort Ord, a former U.S. Army base in California contaminated with munitions and explosives. AIG Environmental’s comprehensive solution enabled the Fort Ord Reuse Authority (FORA) to enter into a contract for munitions removal, leading to a multimillion-dollar mixed-use development plan which covers over 3,500 acres. The FORA site plan is to create a sustainable community that incorporates endangered species habitat conservation as well as retail, residential and light industrial development.

Sustain-a-Build™ Program

AIG Environmental has created the new Sustain-a-Build™ Program which is designed to encourage environmentally-friendly construction and building operations. Unveiled at the end of 2007, Sustain-a-Build provides customers discounts of up to 10% on premiums for new Pollution Legal Liability policies for properties certified under the U.S. Green Building Council’s LEED® green building rating system. With Sustain-a-Build, AIG Environmental hopes to help builders, owners and operators become better stewards of the environment and manage their environmental risk in a more effective manner.

Atlantic Station

When midtown Atlanta’s Atlantic Steel Mill closed in 1998, it became a polluted eyesore. With AIG Global Real Estate as the master developer for the 138-acre brownfield, it has become a “city within a city” with a strong environmental and community commitment.

Now almost 50% complete, the site preserves 11 acres of open space, housing approximately 10,000 people and creating 40,000 jobs. A free shuttle service links to the mass-transit system, and the Center for Disease Control will be studying residents to determine to what extent the walkable community benefits their health.

In 2007, the landmark office building 201 17th Street was completed and pre-certified at U.S. Green Building Council’s Leadership in Energy and Environmental (LEED) — Gold level.

Community engagement is an important component of Atlantic Station’s success. To date, Atlantic Station and its partners have raised \$10 million for local charities. Architects and government officials from Japan to Argentina have inquired about best practices that can be duplicated in their communities.

Investing in Our People



AIG strives to be an employer of choice by offering a competitive compensation and benefits package, while fostering a culture of entrepreneurship, learning and development. Our goal is to attract the best talent and to tap the unique abilities of each employee.

AIG has spent nearly a century building and cultivating a talented and diverse workforce. Today, more than 116,000 AIG employees work in 130 countries and jurisdictions around the world. In order to retain and attract talent we are continually improving our work culture and benefit programs to allow employees to thrive, contribute and grow.

COMPENSATION / BENEFITS

AIG provides a comprehensive package of benefits that can span an entire career — including medical and dental coverage, fertility and adoption benefits, wellness and personal counseling, college planning and financial support, as well as retirement planning services. We work to optimize all contributors to employee satisfaction — including pay and benefits, professional development and recognition, and work-life balance.

GLOBAL PRESENCE AND LOCAL TALENT

With offices around the globe, cultural awareness is a critical element in our business success as well as our human resources strategy. AIG adapts practices to local cultures, norms and regulations.

DEVELOPMENT

AIG encourages all employees to share professional aspirations to identify key strengths and achieve career goals. To ensure employees have the required skills and expertise to perform optimally, we invest considerable resources for training and development programs.

HEALTH AND SAFETY

We keep abreast of emerging health and wellness issues to protect employee safety and welfare.

Our robust pandemic preparedness program anticipates and plans for possible impacts of influenza on staff and business units. Strategies are being developed to mitigate financial risks, strengthen channels of communication with public health and government authorities, and develop infection-control and safe workplace practices.

COMMUNITY INVOLVEMENT

AIG has a long-standing tradition of giving back to the communities in which we operate. From health walks and educational mentoring programs, to rebuilding efforts in the wake of natural disasters or programs to fight hunger, poverty and disease, AIG employees have lent their support. AIG values volunteerism and is proud to acknowledge the active role our employees take in their communities. For example, AIG American General and AIG Retirement Services recognize outstanding employee volunteer efforts through a Community Spirit Award that allows recipients to designate a grant to the eligible charitable organization of their choice.

PROGRESS

AIG continually seeks to realize the full potential of our employees by providing opportunities for advancement and skills training. We also constantly explore ways to improve the package of benefits we provide. For example, in 2007 we enhanced our internal Career Navigator website, which features career development resources for employees, and includes tools, tips and resources for managers. We also conducted a survey to determine the level of involvement employees want to have in their defined contribution plans; the results will provide the basis for changes in the future.

Accomplishments for the year included:

- Investing significant resources on training and development for employees.
- Honoring employee volunteers for their exceptional support of communities.
- Providing up to \$3,000 per employee through AIG's Matching Grants Program to qualified charitable institutions.
- Being named by *BusinessWeek* as one of the "Best Places to Launch a Career" and one of the "50 Best Internships."
- Being ranked 30th on *Barron's* list of the "World's Most Respected Companies," up from 84th in 2006.



Volunteering

AIG volunteers support programs worldwide, including these employees who participated in the United Way's HomeWalk event in Los Angeles

Nurturing Employee Wellness

AIG developed a customized wellness program to help U.S.-based employees reduce risk factors for diabetes, heart disease and other ailments. Through Nurture, a wellness coach meets with individuals to develop fitness and nutrition programs aligned with their needs. The coach then monitors progress, provides support and makes refinements when needed. AIG plans to take this program a step further by surveying employees about their health issues. By doing so, we can develop tailored programs for combating more diseases.

Coastal Cleanup

More than 200 AIGSS employees and their families in India volunteered during International Coastal Cleanup Day.



AIGSS Shows Commitment to Environment on International Coastal Cleanup Day

AIG Systems Solutions (AIGSS) in Chennai, India, was recognized by the United Nations Environment Programme (UNEP) and the South Asia Co-operative Environment Programme (SACEP) for its co-sponsorship of and participation in International Coastal Cleanup Day.

International Coastal Cleanup Day is among the world's largest single-day volunteer efforts to improve the health of the ocean and its wildlife. In addition to cleaning up waterways and beaches, volunteers collect important data on the types, quantity and location of marine debris that will be used in an ongoing effort to prevent marine debris through year-round education and outreach.

FUTURE GOALS

Our plans for 2008 include:

- Expanding paid maternity coverage for U.S.-based employees to at least eight weeks, which will be paid at 100 percent of base pay regardless of the woman's length of service with AIG. Both mothers and fathers will receive full pay during two additional weeks of bonding, which is also available to parents who adopt.
- Assessing which benefits programs may be applicable for international operations, such as the wellness program.

Diversity



Diversity is not just an exercise in political correctness; it is essential for business success. For AIG, diversity of thought fosters innovation, intelligent decision making and improved performance. It guides business goals, allows employees to flourish and enhances our position as an employer of choice.

Since our founding in China in 1919, AIG has woven the principle of diversity through workforce composition to product development. We understand, value and respect the cultures and customs of our employees and clients around the world.

To continue this tradition, AIG developed a formal framework from which to develop and execute diversity initiatives in 2007. We appointed a chief diversity officer charged with expanding initiatives in four key areas: employees, clients, products and services, and suppliers. With the support of an Executive Steering Committee, Corporate Diversity Council and Business Unit Councils, key company-wide goals and objectives are being set.

Additionally, we solicited the counsel of respected industry leaders to gather insight on diversity-related achievements and challenges to help in the design of new programs. This knowledge established a benchmark from which to identify the resources and tactics required to help managers implement best practices.

WORKPLACE

Diversity at AIG is about creating a truly inclusive work environment reflective of the people we serve. Investing in a diverse talent base and cultivating an inclusive environment for all people — regardless of race, gender, sexual orientation, physical ability, background or tenure — is the best way to recruit and retain a premier global workforce.

Recent analyses have revealed several areas of excellence at AIG. For instance, we reach out to employees with disabilities to cultivate their potential through educational forums, products and services. Our analyses also identified programs needing improvement. While we were one of the first insurance organizations to offer same-sex benefits, we are formulating action plans to enhance these benefits and other programs.

SUPPLIERS

AIG is working towards building a supplier base as diverse as our product mix, client base and geographic span. We cultivate relationships with suppliers that provide the highest quality products and services at a reasonable cost. Contracting with third-party certified minority and women-owned companies optimizes our business performance and provides a competitive advantage. A “Second Tier” program encourages non-diverse suppliers to create or maintain diversity initiatives. Together, these programs leverage AIG’s significant annual spend with suppliers to sustain those categories of businesses, and contribute to economic growth in underrepresented communities.

PRODUCTS

AIG’s product development architecture encourages new ideas through broker interaction and employee incentives. We remain an industry leader by offering innovative products to diverse customers. Two such products we’re poised to bring to the marketplace include: personal identity theft coverage for African-American and Hispanic women — two groups that more commonly fall victim to identity theft; and travel insurance for people with disabilities that replaces mobile devices — wheelchairs or scooters — damaged en route to their destination.

AIG Scholarships for Success

To foster the next generation of entrepreneurial leaders, we seek to provide early and sustained educational support to promising students. In 2007, AIG launched a program to provide 10 scholarships to diverse students at Baruch College and John Jay College of Criminal Justice. Scholarship recipients also will participate in summer internships to receive training and mentoring. The ultimate objective is to hire students into full-time, rewarding positions. Because of the strong demand, AIG’s team is considering awarding significantly more scholarships in coming years.



PROGRESS

Following are highlights of progress AIG made in 2007 to advance diversity throughout the organization:

- Online training to increase employee awareness about the benefits of a diverse working environment.
- Visited AIG markets needing enhanced diversity programs to identify areas for improvement.
- Continued providing early and sustained educational support to promising students to foster the next generation of entrepreneurial leaders and diverse talent.
- Launched a new Supplier Diversity Program to improve sourcing effectiveness and maximize the opportunity for certified diverse suppliers to do business with AIG. Our mission is to ensure all U.S. business units embrace the Program, which will be implemented globally over the next three years.
 - Developed the AIG Corporate Supplier Diversity Policy and Sourcing Procedures that provide internal guidelines for effectively implementing the Program.
 - Developed a comprehensive questionnaire to assess all prospective suppliers. The tool communicates AIG’s commitment to ensuring a diverse supplier base, and assesses diversification at the ownership and organizational level, including their diversity hiring and career development results.
 - Launched an aggressive internal education campaign to explain the new policy; to discuss the resources available for identifying certified diverse suppliers and to review the procedures that should be employed to achieve their supplier diversity objectives.
 - Developed a mechanism to track spending with diverse suppliers to evaluate progress.
- Invited 20 minority brokerage firms from across the U.S. to participate in an inaugural Diversity Producer Advisory Board.

FUTURE GOALS

AIG believes incorporating diversity considerations must have the same priority as allocating capital, controlling expenses or any other critical management function. In the coming year, our aim is to:

- Establish specific objectives to achieve diversity goals, and arm leadership with specific guidelines to execute.
- Invest in initiatives to retain a diversified workforce and increase return on employee investment.
- Create more diverse products and services that will attract new clients and build AIG’s existing portfolio.
- Launch a website to provide detailed information about our supplier diversity process, including an online registration application.
- Develop affinity groups to further the mission of increasing the diversity of our employees, products and services, clients and suppliers.
- Enhance mentorship opportunities for AIG employees to further promote growth and development.
- Expand global diversity outreach by working with diversity champions in the jurisdictions where AIG operates.

► **2007 Diversity Highlights**

In 2007, AIG:

- Was named by *Black Professionals* magazine as one of the “Top 100 Companies for Diversity.”
- Was a member of Diversity Best Practices, the pre-eminent organization for diversity thought leaders to share best practices and develop innovative solutions for culture change.
- Received the Title I American with Disabilities Act Employment Award in recognition for our disability initiatives from New York Mayor Michael Bloomberg.
- Received the 2007 National Business & Disability Commitment to Excellence Award.
- Became national corporate members of the leading supplier diversity advocacy organizations: The National Minority Supplier Development Council (NMSDC) and The Women’s Business Enterprises National Council (WBENC).

Corporate Giving

Disabled Sports USA

AIG is the lead National Corporate Partner of Disabled Sports USA.



We also encourage individual employee contributions by matching their support to eligible nonprofits up to \$3,000 per person each year through the AIG Matching Grants Program. Our ultimate aim is to be recognized as a leader in both business and society by making a difference in the communities where we live and work.

ENTREPRENEURSHIP AND ECONOMIC EMPOWERMENT

AIG has long been at the forefront of microfinance, which empowers poor entrepreneurs by helping them build businesses to support themselves and their families. AIG became a pioneer in the field over ten years ago when we developed a microinsurance program in Uganda. The success of that initiative convinced us that microfinance has matured to a point where it is ready to shift from a focus on credit to meeting other client needs, like building assets, making well-informed financial decisions and managing risk. The problem is that many microfinance organizations need resources to carry out the shift beyond credit. AIG is committed to making philanthropic investments in this area that “build capacity”—for example, grants that help organizations develop commercial tools, grow the market and reach a scale that will allow them to become commercially sustainable. Over the past two years, we have announced major, multi-year capacity building grants to ACCION and FINCA, two global leaders in the field of microfinance. In 2007, we announced a major grant to Pro Mujer, a pioneer in combining financial services with healthcare and training for the poorest women entrepreneurs.

Philam Foundation

Tilapia farmers in the Philippines have benefited greatly from the financial assistance and training provided by the Philam Foundation.



Philam Group Recognized for Corporate Responsibility Initiatives

The GoodWell Fund of the Philam Foundation, the corporate social responsibility (CSR) arm of AIG's Philam Group of Companies, has garnered an award for CSR excellence from the American Chamber of Commerce of the Philippines.

Serving as a form of venture capital for social entrepreneurs and livelihood programs, the GoodWell Fund has assisted more than 3,000 households with approximately US\$485,000 in financial assistance.



Using the same skills that drive our business success, we leverage our global reach to partner with organizations that promote entrepreneurship, innovation, diversity and empowerment. AIG's corporate giving is integral to creating shareholder value and brand awareness, while serving the interests of clients, employees and communities.

AIG has a longstanding history of investing in organizations that leverage our business expertise, contribute to economic growth and enhance civic life. The AIG Corporate Giving Program is focused on forming partnerships with innovative nonprofits to address some of today's most pressing global challenges. In addition, AIG companies around the world play an active role in their local communities and contribute to local needs and priorities.

► **African Initiative Builds Bridges**

AIG Investments in Dublin launched “Project Africa,” a charitable initiative that aims to improve the lives of those in need in Africa. Project Africa’s first objective was to raise money for the construction of a bridge over the River Galana in Malindi, Kenya. The river serves as the only barrier between the Kisiki community and the local medical center and school. Every time locals wade across the 150 meter river, they run the risk of crocodile attack. At present, the only alternative is not to attend the school or medical center.

AIG Investments has partnered with Gorta, one of the leading Irish charities that work in developing countries, to aid the Kisiki community. Gorta will be responsible for the planning, logistics and construction of the bridge. AIG Investments staff in Dublin and AIG Investments employees based in Nairobi, Kenya will raise funds for the effort.



Project Africa

Project Africa is set to change the lives of one Kenyan community—providing safe access to education and healthcare.

PROGRESS

We are committed to devoting significant resources and executive expertise to our corporate giving program. A representative listing of our 2007 partners is provided in this report. We are particularly proud of the leadership positions we assumed in the following organizations:

- Committee Encouraging Corporate Philanthropy (CECP). AIG joined the Board of Directors for the CECP, the only international forum of business CEOs and Chairpersons focused exclusively on corporate philanthropy.
- Insurance Industry Charitable Foundation—New York Division. AIG helped establish and is leading the newly formed foundation in New York, which is the first industry-wide charitable initiative focused on the tri-state area. In 2007, the foundation made significant contributions to local organizations that address the environment and financial literacy.

FUTURE GOALS

AIG will continue to build upon its investments in organizations that promote entrepreneurship, innovation, diversity and empowerment. We are actively looking for new partners and identifying new programs that provide creative solutions to the economic and social challenges facing the 130 countries and jurisdictions around the world where we do business.

INNOVATIVE HEALTH AND EDUCATION INITIATIVES

AIG believes many factors contribute to economic empowerment, including access to quality education and healthcare. We continually seek out new initiatives that test conventional thinking about enduring challenges in these areas, particularly as they relate to underserved populations. For example, in 2007 AIG became the National Leadership Partner for DonorsChoose.org, an award-winning nonprofit that connects teachers and donors so students in underfunded schools receive the materials and equipment they need to learn. AIG’s support enabled DonorsChoose.org to expand nationally by upgrading their website to serve more than 4 million students in 100,000 public schools in the United States.

Opportunity NYC

In March 2007, AIG pledged \$2 million to Opportunity NYC, a \$53.8 million initiative focused on helping families in New York City break the cycle of intergenerational poverty through an experimental conditional cash transfer program.

Opportunity NYC provides cash to households that meet specific targets in three key areas: education, health, and employment and training. The goal is to increase participation in targeted activities and programs that mitigate poverty and long-term dependency.

Opportunity NYC is a privately funded pilot program led by the Center for Economic Opportunity, which was established by Mayor Michael Bloomberg to implement innovative ways to reduce poverty. At AIG, we are proud that our support will help test the effectiveness of such a bold and creative approach to poverty alleviation.

2007 AIG Corporate Giving Highlights

ACCION International	Provides microfinance services to the poor in 25 countries. \$5.25 million multi-year grant will enable ACCION to expand its operations and help their partner institutions move beyond credit.
AIG Goals for Kids / Manchester United Football Club	Provides contributions to children's charities for each goal scored by Manchester United, the popular football club sponsored by AIG. £133,000 raised in the 2006/2007 season for charities in the United Kingdom and Ireland as well as UNICEF. The program is now expanding to support nonprofits in Asia and around the globe.
Count Me In For Women's Economic Independence	Provides business resources and education for women entrepreneurs in the United States. \$4.7 million multi-year grant supports the microloan fund and business education programs. AIG is also a lead sponsor of the Make Mine A Million \$ Business initiative that helps women entrepreneurs grow microbusinesses into million dollar enterprises.
Disabled Sports USA	Helps rebuild the lives of permanently disabled youth, adults and United States veterans through sports rehabilitation. \$250,000 grant supports programs and services throughout the United States as the lead National Corporate Partner.
Donorschoose.org	Connects teachers and donors to help students in need. \$2 million multi-year grant for the national expansion of its website that will reach 100,000 public schools and serve more than 4 million children.
East Meets West Foundation	Partners with Vietnamese organizations to improve health, education and economic conditions. \$300,000 grant to the Operation Healthy Heart program, which provides life-saving surgery to children who suffer from congenital heart disease.
FINCA International	Provides microfinance services to the poor in 21 countries. \$1.5 million multi-year grant supports innovative product design and service delivery systems.
Lincoln Center	Leading performing arts center. \$1 million multi-year grant to provide greater access for people with disabilities. The grant funds Braille and large-type concert materials, assistive listening devices and sign language interpretations.
Orbis International	Fights unnecessary blindness worldwide by ensuring access to eye care. \$5 million multi-year grant for the expansion of sight-saving programs throughout Asia and Latin America.
The Pushkin Trust	Provides creative educational programs for children in Northern Ireland and the Republic of Ireland. \$300,000 grant to support innovations in National Curricula to better prepare students for future employment opportunities.
Starfinder Foundation	Promotes children's personal growth and development through recreation and education, with an emphasis on character development and academic achievement. \$100,000 grant supports leadership programs for at-risk youth.
Students in Free Enterprise (SIFE)	Establishes student teams on university campuses in 40 countries who develop community outreach programs on market economics, success skills, entrepreneurship, financial literacy and business ethics. \$990,000 multi-year grant for financial literacy and credit counseling programs.



Empowering Women Entrepreneurs

In 2007, AIG announced a \$1 million multi-year grant to Pro Mujer, a leading women's microfinance network in Latin America that is a pioneer in combining financial services, business training and healthcare for the poorest women entrepreneurs.

Pro Mujer provides poor women with business loans, access to savings accounts, and intensive pre-credit training sessions, allowing clients to plan their new businesses and determine how to invest their loans. It uses repayment meetings to educate women about business skills and preventive health topics such as hygiene and nutrition. Healthcare is crucial for women microentrepreneurs because an illness can deplete savings and threaten their livelihoods and families.

Giving small loans to poor women has a huge multiplier effect. Women use the income to enhance their own and their children's health and education and improve the lives of their families and communities. AIG believes there is no better return on an investment.

Disaster Response & Preparedness



AIG's disaster response and preparedness programs exemplify our mission to assess and minimize risk as well as our commitment to provide relief for the victims of natural and manmade disasters.

Throughout its history, AIG has made it a priority to invest in the countries where we do business. Our goal is not only to contribute to the vibrancy of local economies, but also to the greater social well being of the local populations. Through our disaster response and preparedness programs, we are helping to rebuild and ensure the economic and social vitality of communities around the world impacted by disasters.

DISASTER RESPONSE

AIG's disaster response initiatives are made possible by AIG and the AIG Disaster Relief Fund ("DRF"). The AIG DRF, a private 501(c)(3) charitable foundation, combines employee and corporate contributions to quickly provide relief to communities around the world affected by disasters.

Since its inception in 2003, the DRF has contributed over \$10 million to emergency relief organizations that deliver critical aid for initial response and long-term recovery efforts. In 2007, the DRF responded to the severe earthquake in Peru and the devastating wildfires in southern California. In addition, DRF was nominated for an award for funding a highly successful disaster response initiative in Pakistan following the 2005 Southeast Asia Earthquake.



Strengthening Response

AIG's Disaster Relief Fund provided aid after earthquakes in Pakistan and Peru.

PROGRESS – DISASTER PREPAREDNESS

One of AIG's core businesses is helping clients manage risk. Just as we help individual clients mitigate loss, we hope to help communities do the same through programs that prepare them for responding to catastrophic events. Therefore, we are partnering with nonprofit organizations and working with government officials to develop comprehensive disaster preparedness programs. Following are key initiatives AIG launched in 2007 at the local, national and international levels.

INTERNATIONAL RESCUE COMMITTEE (IRC)

AIG made a major contribution to the IRC for the establishment of a logistics and storage base in Dubai, U.A.E. From this strategic location, the IRC is able to rapidly dispatch supplies to Africa, Asia and Europe at a moment's notice, enabling teams on the ground to quickly begin services that could save thousands of lives in the first days following a crisis.

This centrally located hub is stocked with water supply equipment, medical supplies, plastic sheeting, blankets, tents, and other critical materials. AIG's support also funded innovative training and technology to strengthen the preparedness abilities of the IRC Emergency Response Team.

NATIONAL ORGANIZATION ON DISABILITY (NOD)

In recognition of the special needs of people with disabilities during an emergency, AIG provided a grant to the NOD Emergency Preparedness Initiative, which works to ensure that the special needs population is taken into account during emergency planning and preparedness.

AIG funding enables NOD to continue national public outreach efforts and establish a Technical Assistance Center (TAC) Help Desk to address concerns from emergency managers, responders, planners, businesses and the special needs community.

Building a Better Peru

In August, an earthquake measuring 7.9 on the Richter scale struck Peru, killing over 500 people and destroying close to 95,000 homes. The extent and scale of the physical destruction, combined with the large number of people in urgent need of assistance, were major challenges. In response, AIG immediately donated \$300,000 to the AIG Disaster Relief Fund (“DRF”) for early emergency relief. In turn, the DRF partnered with CHF International, a nonprofit organization dedicated to assisting low and moderate income communities around the world struck by catastrophes. CHF quickly organized clean-up activities in affected communities in order to avert a public health crisis, which also generated 5,000 days of paid, short-term employment for those suddenly without means to support themselves. CHF constructed 700 transitional shelters, 135 latrines, 17 temporary classrooms, four community dining centers and a day care center.

The DRF-CHF partnership in Peru has also focused on long-term recovery. Working closely with local communities, CHF is helping more than 10,000 Peruvians recover and rebuild their lives through DRF funding. Nearly 325 microgrants have been awarded to local entrepreneurs to re-establish productive enterprises or repair damaged infrastructure. In addition, CHF trained volunteers on how to help mitigate the impact of future disasters. This effort inspired a group of volunteer civil engineering students to form their own non-governmental organization dedicated to infrastructure improvements that will help continue ongoing disaster mitigation and recovery efforts.



AMERICAN RED CROSS IN GREATER NEW YORK (ARC/GNY)

AIG provided funding towards ARC/GNY’s Catastrophic Incident Responsive Initiative, intended to ensure that ARC/GNY is ready to meet the needs of the communities it serves in times of extreme crisis. This Initiative includes recruiting and training a larger volunteer force, creating community-wide dialogue to make preparedness a civic imperative, and procuring necessary supplies and distribution capabilities for disasters at the largest scale.

NEW YORK CITY OFFICE OF EMERGENCY MANAGEMENT (OEM)

As part of New York City’s ongoing effort to encourage all New Yorkers to prepare for emergencies, NYC’s Office of Emergency Management (OEM) and Department of Education created two *Ready New York Kids* guides. One guide is designed for elementary school children, and the other targets middle and high school kids. AIG funded the printing and distribution of these new emergency preparedness guides, which were translated into nine languages: English, Spanish, Russian, Chinese, Korean, Haitian-Creole, Urdu, Arabic and Bengali. As part of OEM’s kickoff to National Preparedness Month, these two guides were distributed to all 1.1 million New York City public school students in the City’s five boroughs and their families throughout the month of November.

BIG CITY EMERGENCY MANAGEMENT LEARNING & EXCHANGE FORUM

AIG was a major corporate sponsor for The Council for Excellence in Government’s Learning & Exchange Forum, held in Philadelphia, PA. The Forum provided a venue for directors of emergency management from cities around the country to discuss best practices on disaster preparedness with experts, government and business leaders. The agenda included topics such as pandemic flu planning, working with the private sector, information sharing, lessons from Hurricane Katrina, and working with FEMA. Participating localities included Boston, New York City, Los Angeles, Chicago, the District of Columbia, Philadelphia, Harris County TX, San Francisco, Denver, San Diego County and Miami-Dade County.

FUTURE GOALS

AIG will continue to develop a comprehensive and innovative strategy to help communities around the world better prepare for disasters. The strategy will incorporate principles of risk management, encourage the cooperative use of resources, and more coordinated response actions between governments, nonprofits and the private sector.

Website Links for Further Information

AIG Website Information

To learn more about AIG, please visit our website: www.aig.com

For further information about the corporate responsibility initiatives of AIG, we encourage you to visit our website: www.aig.com/responsibility which offers more comprehensive information and is frequently updated with our latest news. Here you will find our online corporate responsibility report with links to:

Corporate Governance & Compliance

- Board of Directors & Contact Information
- Corporate Governance Guidelines
- Director Independence Standards
- Board Committees & Charters
- Code of Business Conduct and Ethics

Sustainable Investments

- Socially Responsible Investment Funds
- Sustainability Initiative

Access to Financial Services

- Microfinance
- Economic Development

Environmental Responsibility

- Policy and Programs on Environment and Climate Change
- Environmental Insurance
- Sustainable Real Estate
- Facilities Management

Investing in Our People

- Employee Training and Development
- Health & Safety, Benefits & Scholarship
- Volunteerism

Diversity

- Employees
- Supplier Diversity
- Disability Initiatives

Corporate Giving

- AIG Corporate Giving Program
- AIG Disaster Relief Fund

Disaster Response & Preparedness

- Programs for Emergency Preparedness & Disaster Relief

AIG Stakeholder and Community Engagement

Listed here are some of the organizations mentioned in this report that AIG either supports or is a member of:

ACCION International – www.accion.org
American Red Cross – www.redcross.org
Blue Financial Services – www.blue.co.za
Carbon Disclosure Project Report – www.cdproject.net
ClimateWise – www.climatewise.org.uk
Count Me In For Women's Economic Independence – www.countmein.org

FINCA International – www.villagebanking.org
International Rescue Committee (IRC) – www.theirc.org
Investor Network on Climate Risk (INCR) – www.incr.com

National Minority Supplier Development Council (NMSDC) – www.nmsdc.com
National Organization on Disability – www.nod.org
Orbis International – www.orbis.org
Pro Mujer – www.promujer.org
United Nations Environmental Program Finance Initiative (UNEP-FI) – www.unepfi.org
United States Climate Action Partnership (USCAP) – www.us-cap.org
Women's Business Enterprise National Council (WBENC) – www.wbenc.org

To contact AIG for more information about its corporate responsibility initiatives, send an e-mail to:
Corporate.responsibility@aig.com

Global 100

AIG was again named one of the Global 100 most sustainable companies in the world in January 2008 by Corporate Knights Inc. and InnoVest Strategic Value Advisors Inc., a leading research firm specializing in analyzing “non-traditional” drivers of risk and shareholder value, including companies’ performance on social, environmental and strategic governance issues.



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