

LASTING IMPACT

2019 Sustainability Report



Gallagher

Insurance | Risk Management | Consulting



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Letter from Pat Gallagher

While this is our inaugural Sustainability Report, Gallagher has had a long-standing commitment of sustainability. For more than 90 years, Gallagher has been committed to maintaining high standards of ethical behavior. Improving the sustainability of our global operations and supporting the communities where we live and work is now an increasingly important part of that commitment.

In 1984, our former Chairman and CEO, and my uncle, Robert E. Gallagher, captured this sentiment and outlined our corporate culture when he wrote “The Gallagher Way.” Today, it’s our cornerstone for the ethical behavior we expect in everything we do. You can find all 25 tenets on page 14 of this document.

We became members of the United Nations Global Compact in 2013, the voluntary initiative based on CEO commitments to implement universal sustainability principles. Along with other members of the global business community, we’ve taken concrete steps to support the UN’s Sustainable Development Goals and incorporate them into our business. You can read more about the Global Compact at UNglobalcompact.org.

We also try to practice what we preach. In 2016, we completed a top-to-bottom renovation of our worldwide headquarters in Rolling Meadows, Illinois, which features a café with healthy and better-for-you food options, plus a fitness center for our employees. Through our Gallagher Green initiative, we strive to minimize any environmental hazards, manage our energy usage and reduce the environmental impact of our global operations.

We’re excited to share our efforts and achievements to date, and I’m particularly proud our success is recognized by others. For example, in February 2019, Ethisphere named us as one of the World’s Most Ethical Companies® for the eighth consecutive year. In addition, Forbes named Gallagher one of “World’s Best Employers,” the only company in our industry to receive this distinction.

When we published our 2018/2019 Corporate Social Responsibility Report, we shared some of our sustainability activities and other achievements that support what we call the “three Ps”: People, Planet and Profit. We wanted to provide more in-depth information about our ongoing sustainability efforts, so we decided to commission this report.

At its core, this report isn’t about policies and procedures, as much as it is about our greatest asset: our people — from our frontline employees all the way up to our Board of Directors. They do the work, set the policies and make the everyday decisions that drive our reputation and impact our clients, our partners and our communities. It is my honor to share the great work they are doing.

Sincerely,



J. Patrick Gallagher, Jr.

Chairman, President and CEO

Facts and Figures (as of December 31, 2018)

30K
employees

\$6.8B
total company
revenue

Publicly
traded on New
York Stock
Exchange
under ticker
symbol
AJG

Member of the
**Fortune
500**

Market
capitalization
(as of Dec. 31, 2018)
\$13.6B

Company Overview

Arthur J. Gallagher & Co. (“Gallagher”) is an international service provider that plans, designs and administers a full array of customized, cost-effective property/casualty insurance and risk management programs. The company also furnishes a broad range of risk management services including claims and information management, risk control consulting and appraisals to help corporations and institutions reduce their cost of risk. In addition, the company assists clients in all areas of their employee health/welfare and retirement plans, including plan design, funding and administration.

Gallagher has direct operations in 35 countries, and through a network of correspondent brokers and consultants, offers client-service capabilities in more than 150 countries around the world. The company is headquartered in Rolling Meadows, Illinois.

Corporate Strategy

Arthur J. Gallagher & Co. and its subsidiaries provide insurance brokerage, consulting and third-party claims settlement and administration services to both domestic and international entities.

Our brokers, agents and administrators act as intermediaries between underwriting enterprises and our clients. We believe that our major strength is our ability to deliver comprehensively structured insurance and risk management solutions, superior claim outcomes and comprehensive consulting services to our clients.

We do not assume underwriting risk on a net basis, other than with respect to minimum amounts necessary to organize captives, pools, specialized underwriters or risk-retention groups. Capital necessary for events of loss coverages is provided by underwriting enterprises.

We have three reportable segments: Brokerage, Risk Management and Corporate.

- Our Brokerage segment operations provide brokerage and consulting services to companies and entities of all types, including commercial, not-for-profit and public entities, and, to a lesser extent, individuals, in the areas of insurance placement, risk of loss management and management of employer-sponsored benefit programs.
- Our Risk Management segment operations provide contract claim settlement, claim administration, loss control services and risk management consulting for commercial, not-for-profit, captive and public entities, and various other organizations that choose to self-insure property/casualty coverages or choose to use a third-party claims management organization rather than the claim services provided by underwriting enterprises.
- Our Corporate segment reports the financial information related to our debt, clean energy investments, external acquisition-related expenses and other corporate costs. Clean energy investments consist of our investments in limited liability companies that own 34 commercial clean coal production facilities that produce refined coal using Chem-Mod LLC’s proprietary technologies.

Investment income and other revenues are generated from our premium financing operations and our investment portfolio, which includes our invested cash and restricted cash we hold on behalf of our clients, as well as clean energy investments.

Company History

The story of Arthur J. Gallagher & Co. is more than 90 years in the making, comparable to few and as unique in strengths as it is rich in history. Since our founding in 1927, we have grown from a one-person insurance agency to the world's fourth-largest insurance broker based on revenues, and one of the world's largest property/casualty third-party claims administrators.

1920s THE BEGINNING

Arthur Gallagher founded Arthur J. Gallagher & Co. in Chicago on Oct. 1, 1927. Already a successful insurance agent when he decided to build a business of his own, Art focused on commercial insurance and also pioneered the concept of risk management. Art knew that by understanding his customers and helping them save money by identifying and reducing their risks, he would build strong relationships.

1930s SUCCESS THROUGH PERSISTENCE

The agency continued to expand and Arthur hired two new producers. It also continued to focus on loss control. In the late 1930s, Gallagher helped create The Hartford Group's groundbreaking Retrospective Rating Program, which rewarded customers who minimized their losses. Gallagher also wrote Chicago's first large-deductible fire policy for Bowman Dairy Co. Both concepts were considered radical ideas in that era, and Gallagher was at the forefront.

1940s THE NEXT GENERATION

In the early 1940s, the United States entered World War II. All three of Art Gallagher's sons — John, James and Robert — enlisted in the U.S. Navy. At the war's end, his sons all joined the company, setting the stage for the next generation of leaders.

1950s AT THE FOREFRONT

In 1950, Art decided to incorporate the company, giving each of his sons an equity interest. In 1957, Gallagher landed its largest client to date — Chicago's Beatrice Foods Co. This accomplishment cast Gallagher in the limelight, as it bested Beatrice's incumbent insurance broker, then the largest broker in the U.S.

1960s REVOLUTION AND RESPONSIVENESS

In 1962, asked by Beatrice to help the client self-insure, Gallagher partnered with Sterling Bassett to form a new claims management subsidiary, Gallagher Bassett Services, Inc., to provide services to self-insured clients. This changed the landscape of commercial insurance. In 1963, Robert E. Gallagher was named President and CEO of Gallagher, positions he held into the 1990s. The '60s also brought Gallagher's earliest forays into the life insurance and benefits business.

**1970s
INTERNATIONAL
EXPANSION**

The '70s were a period of rapid growth. Gallagher established an international presence in 1974 when it co-founded Lloyd's broker, Gallagher, Hinton & Vereker Ltd. in London. Gallagher later purchased the remaining interest. In 1975, Gallagher also opened an office in Bermuda to provide access to many offshore alternative markets. In that same year, Gallagher's employee benefits division wrote Gallagher's first self-funded employee benefits plan. By 1976, Gallagher's revenues had topped \$10 million and by 1978, they had more than doubled to \$25 million.

**1980s
PROSPERING
AS A PUBLIC
COMPANY**

In 1981, Gallagher, Hinton & Vereker became the first subsidiary of a U.S. broker to be accepted as a Lloyd's broker in its own right. In 1984, Gallagher went public with an initial common stock offering, and in 1987, Gallagher was invited to join the prestigious New York Stock Exchange. Traded under the symbol "AJG," industry publications often highlighted Gallagher as one of the fastest-growing brokers. Gallagher also finalized a major step in the evolution of Gallagher Bassett during this decade. In 1988, to enable GB to grow and prosper, the decision was made to "unbundle" and market GB's services to non-Gallagher brokers, allowing them to be purchased on a stand-alone basis.

**1990s
THE FOURTH-
LARGEST BROKER**

In 1990, CEO Bob Gallagher was named Chairman of the Board, and his brother, John, was named Vice Chairman. John's son, J. Patrick Gallagher, Jr., became President in 1990 and CEO in 1995. In 1997, Gallagher formed a domestic wholesale brokerage division, Risk Placement Services, Inc., to market wholesale services to retail insurance agents and brokers, including Gallagher's. Gallagher also established a presence in Australia. By 1999, based on 1998 revenues of more than \$500 million, Gallagher was recognized by Business Insurance magazine as the world's fourth-largest broker.

**2000s
TECHNOLOGY
INFUSED
SOLUTIONS**

In 2002, Gallagher celebrated its 75th anniversary and hit \$1 billion in revenues. It also was recognized by Fortune magazine among the Fortune 1000 Largest Companies. Gallagher was named to Forbes magazine's Platinum 400 List of Best Big Companies in America for 2004 and 2005. In 2006, J. Patrick Gallagher, Jr. was appointed Chairman of the Board.

**2010s
GROWING
THROUGH OUR
STRENGTHS**

Gallagher completed nearly 300 acquisitions from Jan. 1, 2010 through Dec. 31, 2016, which fueled strong revenue growth and significant international expansion. By 2016, 34 percent of Gallagher's Brokerage revenues and 15 percent of Gallagher's Risk Management revenues were generated outside of the U.S. For eight consecutive years, from 2012 to 2019, Gallagher was recognized by the Ethisphere Institute as one of the World's Most Ethical Companies™. In 2018, Gallagher was the only insurance brokerage to be named a "World's Best Employer" by Forbes Magazine.

Let me tell you why I have the best job at Gallagher.

I have the privilege to serve as the Company's global representative for Ethics and Sustainability. This position enables me to learn and implement the best practices from key organizations around the world, including the Ethisphere Institute, the Boston College Center for Corporate Citizenship and the United Nations Global Compact. This demonstrates the deep commitment Gallagher makes to this stewardship, that the company created a senior role to oversee it, reporting directly to our Chairman, President and CEO, Pat Gallagher.

In this position, I am able to share the recommendations, best practices and guidance from leading global organizations with everyone at Gallagher. This affords us the ability to ensure we make all the changes we collectively agreed we "should" make. That's what Ethics is all about. Compliance tells us what we "must" do, and Ethics gives us the roadmap to establish what we "should" do. Sustainability is an important part of our ongoing commitment to ethics, and has been since I joined Gallagher more than a decade ago.

In addition, I have the honor of traveling to visit our employees to solicit their ideas and suggestions. Good ideas come from anywhere and the foundation of our corporate culture encourages sharing. My role gives me the opportunity to collect the very best ideas and bring them directly to our senior executives who can take immediate action.

As we continue to grow, we want to emphasize that we are not trying to "Gallagherize the Globe," rather, we are trying to "Globalize Gallagher." We incorporate the very best ideas from around the world, and work tirelessly to blend those characteristics into a Global Community dedicated to delivering the best possible client service and maintaining the highest level of integrity in the industry.

We wrote this report to include the recommended disclosures established by the Global Reporting Initiative (GRI). This international independent standards organization helps businesses, governments and other organizations understand and communicate their impact on a range of sustainability issues. Specifically, Gallagher adopted the standards outlined in GRI 102.

At their core, insurance and sustainability share a common vision: safeguarding the future. So it's not surprising to see how we all embrace and demonstrate Gallagher's shared commitment to operate in a sustainable fashion each and every day.



Tom Tropp
Corporate Vice President
Ethics and Sustainability



Combined Efforts

Sustainability can start with the smallest of decisions—our Gallagher colleagues have implemented these decisions into their everyday lives! From carpooling with coworkers, picking up trash while running, or even planting community and backyard gardens, every effort helps in making a lasting impact on the world around us.



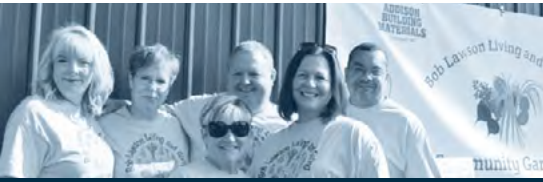
Backyard Garden

Richard Allan, Australia, is growing a garden in his backyard that he shares with his housemates and coworkers!



Recycling Run

Valentine Verrijken, United Kingdom, picks up trash and recycling while she runs. Here she is picking up trash during her 40 mile fundraising run!



Elk Grove Living Green Community Garden

Joan Arrington, United States, started a nonprofit community garden that provides produce to three local food pantries.



Carpooling

Sandie Hord and Iris Bermudez, United States, carpool to work everyday!



Southwestern Volunteer of the Year

Kelly Bradley, United States, has volunteered at her local lake for 8 years.



Girl Scout Gardening

Julie Bush, United States, works with her local girl scouts troupe to educate them on sustainable efforts and maintain a community garden with them!



Beach Cleanup

Vivianne Pulido-Price, United States, took part in a beach cleanup near our Irvine Office.



Friends of Shirati

Dale Ressler, United States, volunteers with Friends of Shirati, a nonprofit that has focuses on sustainable energy projects for the Shirati community in Tanzania.



Free Store

Kerry Stafford, United States, helps out at the Free Store, a nonprofit focused on repurposing materials, produce, products that would have otherwise been thrown out.



COMMITMENT TO PEOPLE

Clients, employees, partners and communities

A place. A passion. Our promise to our people.

We are global leaders in insurance, risk management and consulting services. As such, we are an international sales and marketing company that plans and administers cost-effective, differentiated property/casualty and human resource risk management programs as brokers, consultants and third-party administrators.

At our core, we help people and communities at risk by offering sound solutions to identify, mitigate and manage risk.

At Gallagher, we're committed to people. We put our expertise and exceptional service at the center of everything we do — for our clients, partners, employees and within our local communities. Here's how:

- We provide superior, cost-effective risk management products and services that meet the ever-changing needs of our current and prospective clients, while continuing to strive for the highest professional excellence in the delivery of those products and services.
- We provide all our employees opportunities for professional growth, personal satisfaction and financial security.
- We establish, build and maintain long-lasting, consistent, honest and profitable relationships with our insurance markets to surpass our clients' risk management needs.
- We grow shareholder value by increasing our client base and dedicating ourselves to increased productivity, profitability and professionalism, resulting in long-term earnings-per-share growth.

Our leadership sets the bar for our distinct corporate culture. We adhere to rigid moral and ethical standards for all aspects of our business. Recognized by Ethisphere as one of the World's Most Ethical Companies® for the past eight years — and the only insurance brokerage on this list — Gallagher is at work in over 150 countries helping to protect and sustain businesses, relationships and communities. Our success gives us the confidence to face future challenges head on, because our team is the very best at what we do.

How the Gallagher way drives our business.

When Arthur J. Gallagher founded the company in 1927, he knew exactly what it would stand for and how it would make a difference in the lives of people, businesses and communities. He defined how to deliver the best solutions, while always giving clients the very best service. This exemplary service underscores the core of our business and explains how our shared values that motivate our decision-making process.

“Gallagher is the only insurance broker to receive Ethisphere’s World’s Most Ethical Company® honor, underscoring the company’s ongoing commitment to leading with integrity and prioritizing ethical business practices.”

Our Commitment

As Gallagher expands and evolves, we remain rooted in these principles that guide our actions and obligations every day. In 1984, then Chairman and CEO Robert Gallagher took the time to write these principles down and share The Gallagher Way with the entire company. This is the foundation of our company's culture, motivates our decision-making process and guides our actions every day. Our team passionately adheres to these tenets, which allows our employees to thrive, our organization to succeed and our clients to prosper. This is what our clients, employees and partners expect from Gallagher.

The Gallagher Way

1. We are a sales and marketing company dedicated to providing excellence in risk management services to our clients.
2. We support one another. We believe in one another. We acknowledge and respect the ability of one another.
3. We push for professional excellence.
4. We can all improve and learn from one another.
5. There are no second-class citizens—everyone is important and everyone's job is important.
6. We're an open society.
7. Empathy for the other person is not a weakness.
8. Suspicion breeds more suspicion. To trust and be trusted is vital.
9. Leaders need followers. How leaders treat followers has a direct impact on the effectiveness of the leader.
10. Interpersonal business relationships should be built.
11. We all need one another. We are all cogs in a wheel.
12. No department or person is an island.
13. Professional courtesy is expected.
14. Never ask someone to do something you wouldn't do yourself.
15. I consider myself support for our sales and marketing. We can't make things happen without each other. We are a team.
16. Loyalty and respect are earned—not dictated.
17. Fear is a turnoff.
18. People skills are very important at Arthur J. Gallagher & Co.
19. We're a very competitive and aggressive company.
20. We run to problems—not away from them.
21. We adhere to the highest standards of moral and ethical behavior.
22. People work harder and are more effective when they're turned on—not turned off.
23. We are a warm, close company. This is a strength—not a weakness.
24. We must continue building a professional company—together—as a team.
25. Shared values can be altered with circumstances—but carefully and with tact and consideration for one another's needs.



Santa Fe, New Mexico Office

Our Santa Fe, New Mexico office truly looks to make a lasting impact and already has within their community. The Santa Fe office is our first ever office entirely powered by solar energy! Their efforts do not stop there; they seek out other renewable and reusable ways to be waste conscientious through reusable water systems, recycled office products and much more.

Our Commitment

Workplace Culture

We are pleased to be the only insurance brokerage firm recognized by Forbes as a “World’s Best Employer” for 2018. We recognize that becoming an employer of choice is a matter of steady improvement, not instant perfection, so this honor acknowledges our steadfast commitment to our employees.

We strive to instill a strong sense of purpose in our people and build an environment that helps them face their own future with confidence. We’re focused on providing our employees with meaningful experiences; making sure they can bring their true self to work, have tools and resources to fuel their growth, and are able to drive real impact both at work and in the communities they call home.

We attribute our long-standing success to our people. They are our best asset, helping clients navigate an increasingly complex insurance market in a no-nonsense way. Our employees are a global force for change, using their considerable experience, confidence and knowledge to reduce risk and provide expertise for our clients, wherever we go. We achieve this by forming lifelong partnerships, maximizing business objectives and securing the best insurance cover for all different needs.

Career Growth

Becoming a destination employer is a means — not an end. We enable our employees to cultivate their skills and grow their careers through strategic professional development and sound investments in their growth.

Developing Young Talent

The Gallagher Summer Internship Program began in 1965 with a single intern. More than 50 years later, our program has grown to employ more than 400 interns each summer. We take pride to cultivate interns’ expertise and our program provides limitless opportunities to accelerate their career growth.

Our program is competitive and also ranks on the list of the 2018 Top 100 Internship Programs, as published by career site WayUp.com. Nearly 25,000 interns rated their experiences. Gallagher sits in good company with different technology, logistics, hospitality and other Fortune 500 companies, voted as great places to learn and work.

Work Environment

At Gallagher, we foster teamwork, entrepreneurialism and success. Everyone is expected to stand by our exacting standards and principles, guided by our founder's values of personal integrity, innovative thinking, deep commitment to clients, openness, empathy and respect for each other.

Our employees enjoy different opportunities to chart their own courses and build exciting and lucrative careers. We recognize there are concerns about pay equity, and we remain committed to removing all barriers so our employees can succeed.

Inclusion and Diversity

We work hard to foster a fair, respectful and inclusive culture, and we see diversity as our greatest strength. We strive to create a culture where all team members genuinely feel they belong, and are empowered and supported to achieve their professional goals and life's ambitions.

Gallagher is the official Title Partner of Premiership Rugby in the United Kingdom. In November 2018, we supported Rainbow Laces, an initiative by Stonewall UK to promote LGBT inclusion in sport. We continue to look for opportunities that reflect of our company's culture and values — hard work, teamwork and doing the right thing.

Safety

We're in the risk management business and safety is of utmost importance. At Gallagher, we offer our clients useful information to share with their employees to better manage their risks across a host of industries. For 11 years, we've published Minute for Safety newsletters (in English and Spanish). Topics range from working safely with solvents to carpal tunnel syndrome to aggressive driving. We also share Risk Management Safety Insight newsletters online as downloadable PDFs, featuring recent and/or topical information about risk management issues that could impact clients' business.

Community Service

To celebrate Gallagher's 90th Anniversary, employees across 35 countries were encouraged to volunteer in their local communities. Thanks to their efforts, the company contributed more than 112,706 hours of service.



Recycling with Schools

Carolyn Budelman, United States, organized a recycling program in her children's school. Through the efforts of everyone involved, including coworkers, they collected over 500 pounds of thin plastic!



Give Kids the World

Gallagher Bassett Colleagues, United States, volunteered time at Give Kids the World Village, a park for families with terminally ill children. They made repairs to the grounds as well as planted new trees.



Recycling Effort at Nagshead Nature Reserve

Our Business Operations team, United Kingdom, volunteered at the Nagshead Nature Reserve in the Forest of Dean. The team's time and energy went into demolishing damaged fencing and carrying it to a suitable collection point.

“ Employees, merger partners and clients choose Gallagher not just for our expertise, but because we treat people with respect and work hard to help them grow and succeed. When you get down to what makes us excellent at what we do—it comes down to people who have always been at the center of The Gallagher Way. ”

SUSAN E. PIETRUCHA, CHIEF HUMAN RESOURCES OFFICER



COMMITMENT TO PLANET

Environmental and sustainability efforts

Our Purpose

“We help you face your future with confidence.” It’s the “why” of everything we do for our clients and our employees. And make no mistake; this is not a tagline. This is a simple articulation of what separates Gallagher from our competitors. Our core purpose is something we’ve always lived by—and is

a reflection of the tenets of The Gallagher Way, the experience of working at Gallagher, and the way each of our colleagues shows up in every office around the world. For more than 90 years, we’ve been helping businesses, communities and our people prepare for their futures.

Our Service

The Gallagher Way

Gallagher’s mission to improve the world transcends borders and cultures. Whether on or off the grid, our teams strive to leave the communities they serve better than they found them.

Disaster Relief

When Hurricane Maria hit Dominica in 2017, representatives from Gallagher organized aid and jumped on the first plane to help our four Gallagher employees and 250 clients in desperate need.

Volunteer Contributions

As a company with a global footprint, Gallagher strives to preserve, enrich and serve in our local communities. A yearlong effort for Gallagher employees worldwide to reach 90,000 hours of volunteerism culminated in early October 2018. To celebrate Gallagher’s 90th Anniversary, employees across 35 countries were encouraged to volunteer in their local communities. The efforts totaled 112,706 volunteer hours between Oct. 1, 2017 and Oct. 3, 2018.

“True to our values and culture, it was fitting to mark this special milestone by supporting communities around the globe through volunteerism and giving to charities and causes near and dear to our employees and clients,” said J. Patrick Gallagher, Jr., chairman, president and CEO.

“ We adhere to the highest standards of moral and ethical behavior. ”

THE GALLAGHER WAY TENET #21

AMERICAS

BOSTON, MASSACHUSETTS: Goodwill Industries Toy Drive

As part of their annual toy drive, the Boston office collected and delivered more than 200 gifts for our client, Morgan Memorial Goodwill Industries', youth holiday party. The team also decorated the organization's headquarters to mark the fifth anniversary of our partnership.

CHICAGO, ILLINOIS: Neighborhood Cleanup

As part of our partnership with the Chicago Cubs, 500 employees from our global headquarters in Rolling Meadows, IL, volunteered to clean up the Wrigleyville neighborhood as part of a beautification project. Chicago Cubs Chairman, Tom Ricketts, and former Cubs second baseman and Baseball Hall of Famer, Ryne Sandberg, joined in the effort as well.

PORTLAND, MAINE: Lifesaving Service

Christy O'Hare of Risk Placement Services, Portland, Maine, spent a week in Bangladesh with Light for Life USA, a nonprofit organization serving individuals and orphans in the country's poorest communities.

ROCHESTER, NEW YORK: Delivering Supplies

Kristin Sampson, the Area Vice President for Global HR Services at our Rochester, New York office, delivered needed supplies to orphanages and communities in Haiti.

ASIA PACIFIC

AUSTRALIA: Cancer Council

Every year our employees volunteer for Daffodil Day, to sell daffodils, the international symbol of hope, as well as collect donations to help raise funds for cancer research.

INDIA: Dictionary Drive

As part of our ongoing literacy efforts, our employees provided dictionaries to 140 students.

EUROPE, MIDDLE EAST, AFRICA

RWANDA: School Supply Drive

To help Rwandan students thrive at school, we organized a drive to donate hundreds of books and essential supplies.

UK: Charity Bike Ride

Colleagues from our UK Retail-South West offices (including their CEO), hopped on their bikes in memory of a colleague who was lost to cancer. The team cycled over 170 miles and raised a phenomenal £40,000 for Cancer Research UK.

UK: Alesco Number Partners

For the past two years, 15 members of our London office have been volunteering their lunchtimes to help elementary-aged children develop their math skills.

Crombie Lockwood

Our New Zealand division, Crombie Lockwood, has been working hard to make a lasting impact in their communities through volunteering efforts working with plant nurseries, bird sanctuaries and the Department of Conservation. Check out some of the photos below to find out more about the amazing efforts our Crombie Lockwood employees have been up to all year round.



Helping Create a
Wildlife Preserve

The Manawatu Branch, New Zealand, helped prepare the new Wildbase facility for opening day by shoveling mulch & preparing the outside rehabilitation areas.



Planted Trees During Conservation Week

The Wanganui Branch, New Zealand, planted 200 native trees with the Department of Conservation during Conservation Week.



Supporting Sirocco

Crombie Lockwood worked with partners at the New Zealand Department of Conservation to put together a special package to ensure the travel of the endangered parrot, Sirocco, around New Zealand.



Volunteer Nursery

Maria Bossa and Michelle Quin, New Zealand, volunteered at the Shade house to assist with restoration projects of native forest species in the far north.

Our Strategy

Sustainability is The Gallagher Way

Gallagher is committed to sustainability. We comply with applicable laws and regulations, and we seek to reduce the environmental impact of our operations and services. Through our Gallagher Green initiative and in other ways, we show our respect for the environment by striving to minimize any environmental hazards, managing our energy usage and reducing the environmental impact of our global operations.



Our Approach

Environmental Topics

Preserving the environment is more than a moral imperative, it's a sound business strategy. We strive to connect the dots between our environmental impact and best practices.

In 2017, we finished our new 315,000-square-foot corporate headquarters in Rolling Meadows, Illinois, near O'Hare International Airport. Our close proximity to a major transportation hub in the Northwest suburbs benefits our clients by minimizing travel time and cost, as well as gives us the opportunity to reduce our carbon footprint.

The new building houses 1,500 employees (with a capacity for 2,000), while an additional 270 employees in our IT and mail departments work in a separate two-story brick building on our campus. Employees who work in the main building can use a treadmill or bike desk. We also feature an on-site fitness center and a café that offers healthy food options for our HQ employees.





GLOBAL OPERATIONS

Economics, governance, global standards of
business conduct and reporting

Our Organization

Location

Our worldwide headquarters for both the executive offices of our corporate segment, as well as certain subsidiary and branch facilities of our brokerage and risk management segments are located 2850 Golf Road, Rolling Meadows, Illinois. We own approximately 360,000 square feet of space that can accommodate nearly 2,000 employees.

Ownership and Legal Form

We are a holding company and, therefore, may not be able to receive dividends or other distributions in needed amounts from our subsidiaries.

We are organized as a holding company, a legal entity separate and distinct from our operating subsidiaries. As a holding company without significant operations of our own, we depend on dividends and other payments from our operating subsidiaries to meet our obligations. This includes paying principal and interest on outstanding debt obligations, paying dividends to stockholders, repurchasing our common stock and paying our corporate expenses. If our operating subsidiaries are unable to pay sufficient dividends and other payments to us, we may not be able to service our debt, pay our obligations, pay dividends on or repurchase our common stock.

Further, we derive a significant portion of our revenue and operating profit from operating subsidiaries located outside the U.S. Since the majority of our financing obligations as well as dividends to stockholders are paid from the U.S., it is important to access the cash generated by our operating subsidiaries located outside the U.S. in the event we are unable to meet these U.S.-based cash requirements.

Funds from our operating subsidiaries outside the U.S. may be repatriated to the U.S. via stockholder distributions and intercompany financings, where necessary. A number of factors may arise that could limit our ability to repatriate funds or make repatriation cost prohibitive, including, but not limited to the imposition of currency controls and other government restrictions on repatriation in the jurisdictions in which our subsidiaries operate, fluctuations in foreign exchange rates, the imposition of withholding and other taxes on such payments and our ability to repatriate earnings in a tax-efficient manner.

In the event we are unable to generate or repatriate cash from our operating subsidiaries for any of the reasons discussed above, our overall liquidity could deteriorate and our ability to finance our obligations, including to pay dividends on or repurchase our common stock, could be adversely affected.

Our Values

Ethics and Integrity

The Global Standards of Business Conduct apply to all Gallagher directors, officers and employees. We expect Gallagher Global Alliance members, strategic vendors, suppliers and other business partners or agents acting on our behalf to adhere to similar high standards of behavior.

Our Ethics and Compliance Hotline is managed by an outside company and is available 24 hours a day, seven days a week.

We ensure that callers to the Hotline can remain anonymous if they choose, and if they do not choose to remain anonymous, their identity will be kept confidential to the extent permitted by law, and the information will be relayed to the appropriate Company Resources for further investigation. Please note, however, that it may be more difficult for Gallagher to thoroughly investigate reports that are made anonymously.

Our Governance

Corporate Structure

The Board of Directors (the “Board”) of Arthur J. Gallagher & Co. (the “Company”) oversees the management of the Company and its business. The Board selects the senior management team, which is responsible for operating the Company’s business, and monitors the performance of senior management. The Board has adopted the governance guidelines set forth below (the “Guidelines”) as a framework for the governance of the Company.

Delegating Authority

Board members are responsible to designate one person to serve as Chairman of the Board. The powers and responsibilities of the Chairman are outlined in the Company’s bylaws, which can be supplemented at times by a resolution of the Board. The position of the Board members is that it is in the best interests of the Company for a single person to serve as Chairman of the Board and CEO. Board members may recommend separating the two roles, if the members deem it advisable, and in the Company’s best interests, to do so.

Company Committees

At all times the Board will have three organizations: an Audit Committee, Nominating/Governance Committee and Compensation Committee. All committee members shall be independent directors under the listing standards of the New York Stock Exchange.

In addition, members of the Audit and Compensation Committees shall meet according to the additional, heightened independence standards applicable to audit and compensation committee members under the NYSE listing standards. From time to time, the Board may form a new committee or disband a current committee depending upon circumstances.

Committee members are recommended to the Board by the Nominating/Governance Committee in consultation with the Chairman and CEO. Committee members shall possess such skill and experience as is appropriate for the committee or committees on which they serve.

Each of the Audit, Nominating/Governance and Compensation Committees will have its own charter. The charters will set forth the purposes, goals and responsibilities of these committees as well as qualifications for committee membership, procedures for committee member appointment and removal, committee structure and operations, and committee reporting to the Board. Each committee will assess the adequacy of its charter annually and recommend changes to the Board as appropriate.

Chairman of the Board

J. Patrick Gallagher, Jr., Chairman of the Board,
President and Chief Executive Officer

“ Shared values can be altered with circumstances—but carefully and with tact and consideration for one another’s needs. ”

THE GALLAGHER WAY TENET #25

Board Nominations

The Nominating/Governance Committee reviews director candidates' qualifications according to Gallagher's guidelines, as well as current business needs, and makes recommendations as appropriate. The Board presents a slate of candidates for election at the annual meeting. The Committee also considers candidate nominations by Company stockholders in compliance with the procedures set forth in the Company's proxy statement.

Board Selection

The Board seeks members from diverse professional backgrounds who have broad expertise combined with a reputation for integrity. Directors should have experience in positions with a high degree of responsibility, serve as leaders in their respective organizations, can make considerable impact on the Board and be free from relationships or conflicts of interest that could interfere with the director's duties to the Company and its stockholders.

The Board uses the requirements for directors under the Securities Exchange Act of 1934 and the listing standards of the NYSE, and it may take into consideration additional appropriate factors and criteria, including the nominee's judgment, qualifications, attributes, skill, integrity, diversity and international business or other experience relevant to the Company's global activities.

Conflicts of Interest

At Gallagher, every employee is responsible to serve in our company's best interests. We must avoid situations where our personal interests and loyalties are — or even appear — at odds with the best interests of our company. While potential conflicts do arise on occasion, they are not necessarily prohibited. We require that any actual or potential conflict be disclosed immediately so it can be addressed and resolved quickly. Questions about potential conflicts of interest, and disclosures of these situations, should be discussed with the Legal Department right away, so they may be reviewed, documented and resolved appropriately.

Exchange of Business Gifts

Gallagher recognizes business gifts and entertainment are exchanged to develop and encourage strong working relationships with existing and potential clients, vendors, insurance companies, suppliers and other business partners. In order to avoid even the appearance of a conflict of interest, good judgment and moderation serves as our guide.

Giving or receiving a gift, or an offer of entertainment, is not an appropriate activity if it creates a sense of obligation, puts us in a situation where we may appear biased or is given with the intent to influence a specific business decision improperly. Concerns about whether a gift or entertainment is in violation of our standards should be referred to the Legal Department.

The Board of Directors' Purpose

Our Board of Directors oversees the management of the Company and its business. The Board selects the senior management team, which is responsible for operating the Company's business, and monitors the performance of senior management. The Board has adopted the governance guidelines set forth in the Governance Guidelines, a framework for the governance of the Company. The Nominating Governance Committee annually reviews these Guidelines and recommends changes to the Board for approval.

The Board of Directors' Independence

The Company shall have a substantial majority of directors who meet the criteria for "independence" established by the NYSE. The Board makes an affirmative determination regarding the independence of each director annually, based upon the recommendation of the Nominating/Governance Committee.

The Board of Directors' Evaluations

The Board will conduct an annual self-evaluation to determine whether it and its committees are functioning effectively.

The Audit, Compensation and Nominating/Governance Committees will conduct annual self-evaluations to assess their performance.

The Nominating/Governance Committee shall be responsible for reviewing with the Board, on an annual basis, the requisite skills and characteristics of prospective Board members as well as the Board's composition. Such review shall include a review of the qualifications of each Board member other than the Chairman and CEO, whose annual evaluation in his capacity as Chairman shall be conducted by the Lead Director together with the other independent directors.

Identifying Environmental Impact

Gallagher is committed to environmental protection. In addition to complying with applicable laws and regulations, we look for ways to reduce the environmental impact of our operations and services.

Through our Gallagher Green initiative and in other ways, we show our respect for the environment by striving to minimize any environmental hazards, managing our energy usage and reducing the environmental impact of our global operations.

Communicating Critical Concerns

We all share the responsibility to report suspected misconduct where local law allows and to ask pertinent questions if help or guidance is needed. This helps Gallagher minimize, mitigate or avoid the consequences of any legal or ethical misconduct before it becomes an issue. It can also prevent a situation from escalating. In addition, reporting helps Gallagher prevent future misconduct.

Remuneration Policies

The Compensation Committee of the Board of Directors of the Company shall be appointed by the Board pursuant to the Board's overall authority to discharge responsibilities relating to the compensation and benefits of the Company's executive officers and to perform the established authorities, duties and responsibilities. The Committee shall seat three or more directors. Each member of the Committee shall meet the independence requirements of the NYSE, including requirements specific to compensation committee members, and at least two members shall meet (i) the requirements for a "non-employee director" contained in Rule 16b-3 under the Securities Exchange Act of 1934, as amended, and (ii) the requirements for an "outside director" for purposes of Section 162(m) of the Internal Revenue Code of 1986, as amended.

Determinations as to whether a director satisfies the requirements for membership of the Committee shall be made by the Board.

The Committee's duties include:

- Annually review and approve corporate goals and objectives relevant to CEO compensation, evaluate the CEO's performance and establish the individual elements of the CEO's total compensation based on this evaluation. In determining the long-term incentive component of the CEO's compensation, the Committee shall consider, among other things, the Company's performance and stockholder returns, including relative to comparable companies, the value of similar incentive awards to CEOs at comparable companies and the awards given to the CEO in past years.
- Review and approve the compensation and benefits of the Company's executive officers.
- Consult on the setting of compensation for such other officers as the Committee deems appropriate.

In addition to competitive salaries, Gallagher offers such benefits as a variety of health insurance options and well-being programs, 401(k) retirement savings program, flexible spending accounts for healthcare and dependent care, employee stock purchase plan, commuter benefits, long-term care insurance and more.

Annual Total Compensation Ratio

Each executive officer of the Company who has served in such capacity for at least five years should own stock in the Company having an aggregate value of not less than a multiple of his or her annualized base salary. If an executive officer is promoted and becomes subject to a different targeted multiple or if the targeted multiple for a position is increased by the Board, an additional two-year period is provided to meet the standard.

The targeted multiples vary among executive officers depending on their position and responsibilities:

- Chief Executive Officer — six (6) times annualized base salary;
- Chief Financial Officer — four (4) times annualized base salary;
- All other executive officers — three (3) times annualized base salary.

OUR BOARD MEMBERS

J. Patrick Gallagher, Jr.

Chairman of the Board, President and Chief Executive Officer

Sherry S. Barrat

Retired Vice Chairman of Northern Trust Corporation

William L. Bax

Former Managing Partner of PricewaterhouseCoopers' Chicago office

D. John Coldman

Former Chairman of The Benfield Group

Frank E. English, Jr.

Former Managing Director and Vice Chairman of Investment Banking, Morgan Stanley & Co.

Elbert O. Hand

Former Chairman of the Board and Chief Executive Officer, Hartmarx Corporation

David S. Johnson

Lead Director, Arthur J. Gallagher & Co., Chief Executive Officer of North America, Aryzta AG

Kay W. McCurdy

Retired Partner, Locke Lord LLP

Ralph J. Nicoletti

Senior Vice President and Chief Financial Officer, The AZEK Company

Norman L. Rosenthal, Ph.D.

President, Norman L. Rosenthal & Associates, Inc.

Our Reporting

Financial Statement Entities

Our retail brokerage operations are organized and operate within certain key niche/practice groups, which account for approximately 73 percent of our 2018 retail brokerage revenues. These specialized teams target areas of business and/or industries in which we have developed a depth of expertise and a large client base. Significant niche/practice groups we serve are as follows:



Financial Accounting Period

Gallagher's fiscal year runs January 1 through December 31, concurrent with the calendar year.

Most Recent Report

We published our fourth-quarter and full-year financial results for the period ending December 31, 2018, on January 31, 2019.

Point of Contact

Communications regarding direct stock purchases, dividends, lost stock certificates, direct deposit of dividends, dividend reinvestment and changes of address should be directed to:

Computershare Trust Company, N.A.

P.O. Box 50500

462 South 4th Street

Louisville, KY 40233-5000

312.360.5386

Online Inquiries: www-us.computershare.com/investor/contact



Insurance | Risk Management | Consulting



Gallagher has been named as one of the World's Most Ethical Companies® by the Ethisphere® Institute, a global leader in defining and advancing the standards of ethical business practices, eight years in a row.

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Between the forest and the final user, products may undergo many stages of processing, manufacturing and distribution. FSC Chain-of-Custody certification traces the path of products from forests through the supply chain, verifying that FSC-certified material is identified or kept separated from non-certified material throughout the chain.

Any company in this supply chain, including harvesters, processors, manufacturers, distributors, printers, retailers* or anyone that is taking ownership of the forest product before the end user, needs to be FSC certified to be able to label or promote their products as FSC certified.