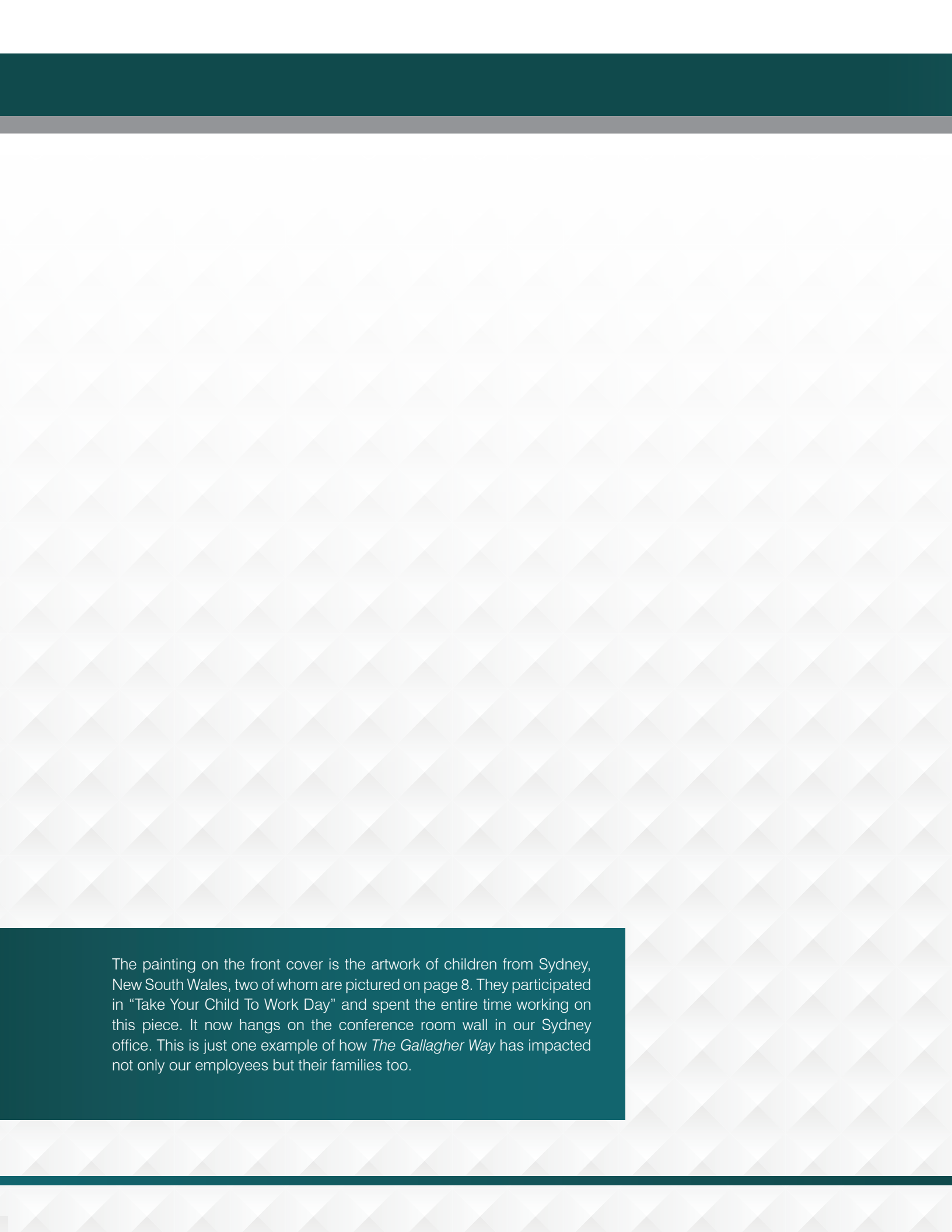


# CORPORATE SOCIAL RESPONSIBILITY 2013



Arthur J. Gallagher & Co.





The painting on the front cover is the artwork of children from Sydney, New South Wales, two of whom are pictured on page 8. They participated in "Take Your Child To Work Day" and spent the entire time working on this piece. It now hangs on the conference room wall in our Sydney office. This is just one example of how *The Gallagher Way* has impacted not only our employees but their families too.

Social responsibility and a sound commitment to ethical behavior have been cornerstones of our operating philosophy ever since my grandfather, Arthur J. Gallagher, founded this company in 1927. We have always believed in running our business with integrity and strong values.

The last four years have been particularly challenging for the global economic community. We have watched as companies with great histories and honored names have crumbled and fallen as a result of inappropriate actions and poor ethical decision making. During this difficult time we at Gallagher have worked hard to maintain our moral compass and to continue the course set by our founder. I am happy to report to you that our people have answered the call and maintained the values in which we all believe. And, in 2012, as we celebrated Arthur J. Gallagher & Co.'s 85th anniversary, we were delighted to receive word that our company had been named to the Ethisphere Institute's list of the *World's Most Ethical Companies*.

Our position on Social Responsibility is best shared in a document that we call *The Gallagher Way*, which was written in 1984 by my uncle, Bob Gallagher, and then promoted throughout our organization by my father, John P. Gallagher. Today, it remains our company's most important document. You will find *The Gallagher Way* at the end of this report and I invite you to read it in its entirety; it will help you to understand who we are and why we choose to work at Gallagher. Several times over the years people have suggested to me that we rewrite *The Gallagher Way* to make it more relevant to the 21st Century. Quite frankly, no better words come to me. It is true that the document was not composed by a professional writer and that is clear when you read it. But the message is timeless and I see no reason to make a change. The values expressed by my uncle in 1984 are the same as those established by my grandfather in 1927 and they will carry us through this century as well.

- "We support one another. We believe in one another. We acknowledge and respect the ability of one another."
- "Loyalty and respect are earned — not dictated."
- "We are a warm, close company. This is a strength — not a weakness."

I invite you to read this Corporate Social Responsibility report in the spirit in which it was written. This is not a story about our company as much as it is a story about our people. When you stop to think about it, the greatest asset our company has is our people: They do the work, they control the relationships and they build our reputation. It is my great honor to share with you some of the great things that they are doing.



J. Patrick Gallagher, Jr.  
Chairman, President and CEO



# How Are We Doing?



What a pleasure it is for me to have the opportunity each year to visit well over 100 of our branch offices throughout the world to meet with more than 6,000 of our employees. Those visits have confirmed to me that our company's values are known and practiced in every Gallagher office around the world. I have seen those values demonstrated from the most isolated city in the world, Perth, Australia; to one of our smallest branch offices in Roosevelt, Utah; and on to the bustle of our London operations. Our people live these values every day and are proud to be a part of the Gallagher family.

We divide our Social Responsibility into four main categories: Ethical Conduct, Employee Health and Welfare, Environmental Integrity and Community Service. Each area is addressed in the pages that follow, but I would first like to highlight a few personal stories of how these values are demonstrated on a daily basis.

- We believe in **Environmental Integrity**: In one of our offices in a small rural community, there is no facility for disposing of recyclable materials from office buildings. So, without asking for special treatment or recognition, one of our employees distributed recycle baskets around the office, empties them every few days and drives them to a local recycling center.
- In another office an employee's young son was diagnosed with an incurable disease and given a short time to live. The entire office rallied around that family and provided support and service through the entire experience. Afterwards, the father said, "We could not have gotten through this without the support of our Gallagher family." We **Respect and Support** one another.

- **Community Service** is the norm for our employees. Early last year, Pat Gallagher asked us to come up with a way to quantify the number of hours our people spend in service to others outside the walls of our company. We asked our employees to report their service hours and it appears that we are averaging in the area of 15,000 hours per month globally.
- As a company that employs more than 13,500 people, we believe we have a responsibility to encourage our employees to live healthy lives. Our Wellness Program is now in its third year and our participation level is over 85% of eligible employees. In one of our branch offices on the West Coast of the United States, an employee shared with me that his wellness exam revealed a condition of which he had not been aware. His physician told him that if our program had not discovered this condition, it could have proven fatal. We will continue to enhance our wellness program and to find new ways to encourage our people in this area.

As human beings, we are not perfect. But we believe that our basic values are sound and we are convinced that our people respect, appreciate and practice those values. We are proud to share some of their stories with you on the following pages.

A handwritten signature in black ink that reads "Thomas J. Tropp". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Thomas J. Tropp  
V.P. Corporate Ethics and Sustainability



## Ethical Conduct

Each year every Gallagher employee reviews and commits to a *Code of Conduct and Ethics*, a document that describes our obligation to conduct ourselves in accordance with legal and ethical guidelines. But we view that document as setting just a minimum standard of behavior.

We call upon our employees to embody ethical behaviors that go beyond legal compliance. In our view, ethics is all about values; it is what we as a group of people have agreed that we *should do*. Those values are spelled out in *The Gallagher Way*, and we witness them in the actions of our employees each and every day. We also remind our employees on a regular basis of the commitment we have made to live by those values. Here are some of the things that we do in that regard.

- *The Gallagher Way* hangs in a prominent place on the wall of every office within our company all over the world, and it is also posted prominently on our website and on our intranet. Employees are encouraged to take time on a regular basis to read this document and recommit to its principles.
- If our employees witness potential lapses in ethical conduct, we encourage them to share their concerns with their managers or with any other person of authority within the company. In the event that an employee is uncomfortable communicating his or her concerns in person, an anonymous reporting system is in place via a toll-free hotline. The information is then routed to our legal department and directed to the most appropriate department within the company for investigation and action.
- We employ a highly skilled team of professionals within each of our operating divisions who are responsible for monitoring and assessing Professional Standards.

They help to ensure that all insurance activities are completed in accordance with our corporate guidelines to protect our clients and our business partners.

- Each year, our Vice President of Corporate Ethics and Sustainability visits approximately 100 of our domestic and international offices to hold small group meetings with employees to discuss Gallagher's shared values and to listen to their hopes and concerns. Although the identities of these individuals are kept confidential, their feedback is communicated directly to Gallagher's senior management team. These meetings provide valuable information regarding the morale of our employees and the effectiveness of our programs.

As it says in *The Gallagher Way*, "Shared values at Arthur J. Gallagher & Co. are the rock foundation of the company and our culture."

# Employee Health and Wellness



## Employee Health and Wellness

*The Gallagher Way* reminds us to support and take care of each other. We view our employees as our greatest assets, and we offer a variety of benefits aimed at protecting their physical, financial and emotional health.

Since the longevity of our employees is influenced by the lifestyle choices that they make, we also offer tools and incentives that encourage them to adopt or maintain healthy lifestyles.

Gallagher provides a host of work/life resources to help employees and their household family members who are dealing with major life transitions and crises. These range from free counseling to referrals to legal and financial services professionals.

To incentivize employees to become more aware of their health and address any areas of concern, we also introduced a Wellness Program in 2010 that extends to employee spouses and domestic partners; and we offer an annual reduction in the cost of their health insurance premiums if they choose to participate in the program. In 2012, we enhanced the program by adding a Wellness Portal with points-based activities to engage employees in health awareness and provide helpful, online resources.

Knowledge is power. We believe that if we offer opportunities for our employees to become better aware of any health issues they may face early on, they will frequently move to correct them.

Under the Gallagher Wellness Program, a health risk assessment and a basic, no-cost biometric screening are offered annually to all U.S. employees at no charge. Spouses or domestic partners also have access to these services. Additional tests and flu shots are available from the screening vendor.

Wellness Plan participants receive individualized reports offering simple explanations for any detected health conditions, along with practical tips for improvement, and 12 months of secure online access to medical information and wellness advice. This information focuses on things over which our employees have control and can address. They can choose to share the report with their medical providers or simply use it as a starting point to make any needed lifestyle changes.

We will continue to expand our Wellness Program in the years ahead and look for ways to build in new incentives for all of us to live healthier lives.



## Environmental Integrity

Gallagher is committed to protecting and even improving the environment for the benefit of current and future generations. Environmental protection and preservation makes sound business sense. It not only enriches the lives of our employees, our clients and their loved ones, it can also reduce our expenses and improve our bottom line.

Although our company chooses to lease rather than purchase office space, wherever possible we look for energy-efficient properties. We have implemented various other environmental initiatives, such as reducing our reliance on paper through online document management systems and working with certified, environmentally friendly furniture vendors. Where feasible, we also support employee telecommuting arrangements, which can improve morale, increase productivity and reduce fuel consumption.

We are continuing efforts to use Forest Stewardship Counsel Certified paper, and to reduce our electrical usage by installing automatic light switches, and energy-efficient lighting and computer equipment. A carpool program will offer employees the opportunity to share rides with Gallagher employees in nearby offices to reduce carbon emissions and gasoline consumption.

Over the last two decades, we have also provided substantial funding for research and commercialization of new and innovative clean-air technologies. Our pioneering efforts have led to industry-leading commercial installations at a significant portion of power plants in the United States and we are now dramatically reducing emissions of mercury, sulfur dioxide and other heavy metals. In addition, we are funding the development of technologies that aid in the safe elimination of carbon dioxide from power plants. These investments directly improve our environment and demonstrate Gallagher's commitment to environmental protection.

Over the years, we have actively sought out opportunities to preserve and protect the environment, and we will continue to explore and pursue new and creative ways to make positive impacts in this area.

# Community Involvement



Arthritis Foundation Jingle Bell Run/Walk

## Community Involvement

In addition to our employees, clients, business partners and stockholders, we view the people residing within all of the communities in which we live and work as stakeholders in our company. As such, we believe that it is critical for Gallagher to support our employees' efforts to enrich the lives and contribute to the welfare of others. We do this in a number of ways.

We support The Gallagher Foundation, which matches the personal contributions of our employees to qualified charitable organizations, from a minimum of \$50 per organization to an annual maximum of \$1,000. We also support and recognize, wherever possible, the thousands of hours of community service undertaken by our employees around the world every year.

Here are some of the highlights of our community involvement on a corporate and an employee level:

- In the six-year period from 2006 through 2012, with our support, The Gallagher Foundation matched approximately \$8 million in contributions by Gallagher employees to charitable causes, for a total impact of more than \$15 million. These funds were directed to religious, educational, social services, health, cultural, youth and environmental organizations.
- When disasters of enormous magnitude strike, we respond by supporting special matching gift programs through The Gallagher Foundation that are not subject to the Foundation's annual match caps. Over the last several years, with our support, the Foundation has matched special employee contributions to the Red Cross for such devastating events as:
  - » The December 2004 Indonesian tsunami
  - » Hurricane Katrina in 2005
  - » The 2010 Haitian Earthquake International Relief Effort
  - » The 2011 Tohoku earthquake and subsequent tsunami in Japan
  - » Hurricane Sandy in 2012.
- In addition to supporting The Gallagher Foundation's matching program for our employees, Arthur J. Gallagher & Co. makes many direct charitable contributions. From 2006 through 2012, Gallagher made direct contributions totaling approximately \$5 million to more than 2,900 charitable organizations.

In total, more than \$1.1 million was contributed to the Red Cross through these special matches.





- Our employees around the world are involved in a sweeping array of charitable activities on a volunteer basis, both individually and as teams. These efforts include, but are not limited to, support of:
  - » Schools, day care and after-school programs, ranging from teaching classes to tutoring to coaching to donating supplies and recreational equipment
  - » Habitat for Humanity and a broad range of other building and rebuilding projects to benefit individuals, families and entire communities
  - » Environmental cleanup, protection and preservation projects
  - » Food, clothing and gift drives to assist the poor and the homeless
  - » Programs and activities to assist youth, the elderly, the sick and the physically or mentally impaired
  - » Service men and women
  - » Animal shelters and animal rescue programs.

In the past, we have had no means of calculating the thousands of hours of community service provided annually by our employees, although many of our employees have shared their stories with us. Beginning in the fall of 2011, however, we implemented an automated system for calculating and recognizing those efforts. We are asking our employees to “self-report” the time that they contribute to various charitable activities, and we are keeping a running total on our employee intranet to encourage others to get involved. Since employees started recording their service hours in 2011, we have calculated that employees are averaging 15,000 hours per month globally.

# The Gallagher Way



## The Gallagher Way

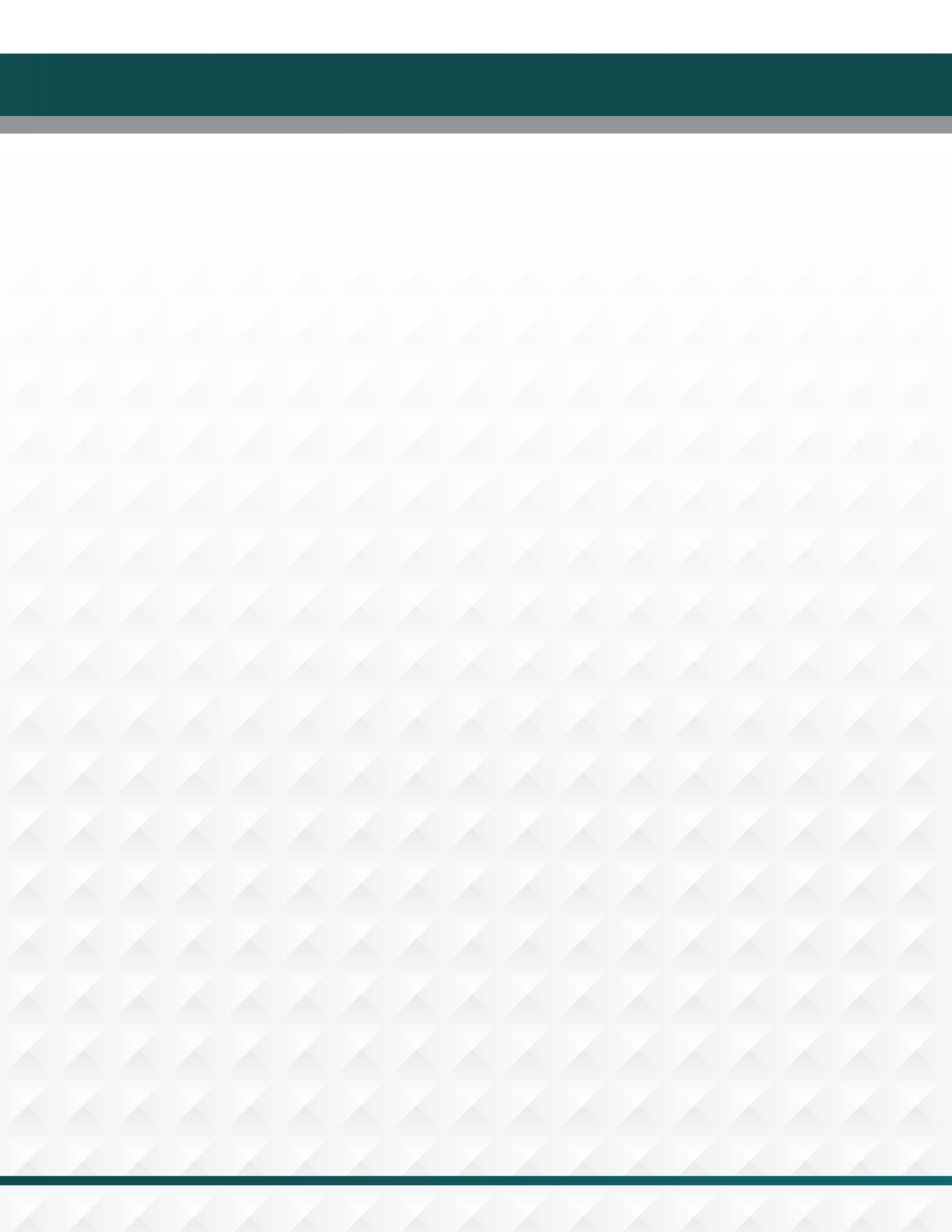
Shared values at Arthur J. Gallagher & Co. are the rock foundation of the Company and our Culture. What is a Shared Value? These are concepts that the vast majority of the movers and shakers in the Company passionately adhere to. What are some of Arthur J. Gallagher & Co.'s Shared Values?

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.

*Robert E. Gallagher*  
Robert E. Gallagher

When accepted Shared Values are changed or challenged, the emotional impact and negative feelings can damage the Company.

Robert E. Gallagher – May 1984





Arthur J. Gallagher & Co.

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