

Task Force on Climate-Related Financial Disclosures (TCFD) Report



Gallagher

GOVERNANCE

<p>Describe the board's oversight of climate-related risks and opportunities.</p>	<p>Board of Directors. The Board has ultimate oversight of sustainability matters, including climate-related risks and opportunities, to the extent they may be material to the company. In addition, board committees oversee sustainability matters within their scope of responsibility and report to the full Board as appropriate. From time to time, the full Board receives presentations regarding key sustainability topics, including climate-related risks and opportunities. To the extent material to the company, the Board, both directly and through its committees as appropriate, will consider climate-related risks and opportunities in a variety of contexts including business strategy, planning, enterprise risk management, budgeting, objective-setting, performance monitoring, emissions reduction goals and mergers and acquisitions.</p> <p>Audit Committee. The Audit Committee oversees the company's enterprise risk management (ERM) program with the assistance of the Risk and Compliance Committee, which covers a wide range of risk exposures, including climate-related risks.</p> <p>Risk and Compliance Committee. The Risk and Compliance Committee assists the Audit Committee in overseeing the company's ERM program. In such capacity, it reviews and discusses with management a variety of sustainability-related risks and mitigation strategies. To the extent they may be material to the company, these include climate-related risks and mitigation strategies identified by management.</p>
<p>Describe management's role in assessing and managing climate-related risks and opportunities.</p>	<p>ERM Committee. Our ERM committee, comprised of senior personnel representing functional, business and geographic areas across the company, has broad oversight of the company's ERM program. In such capacity, the ERM committee reviews, assesses and monitors climate-related risks and mitigation strategies identified by the business. The chair and other key members of the ERM committee attend regularly scheduled senior executive meetings and each meeting of the risk and compliance committee of the board to report on our most significant risk exposures. These reports may include climate-related risks when appropriate. Climate-related opportunities, to the extent material, would be discussed at regularly scheduled meetings of the senior executive team and the full board level.</p> <p>Sustainability Team. The leader of our sustainability team reports directly to our Chief Financial Officer and is responsible for overseeing climate-related matters across the company. This includes collecting and reporting emissions data and implementing controls and policies regarding climate-related matters. The sustainability team collaborates closely with other teams, including the legal department and the ERM team, to assess the impact of climate-related regulations and identify and monitor climate-related risks and opportunities.</p> <p>Sustainability Leadership Committee. The leader of our sustainability team also chairs our sustainability leadership committee, which is comprised of senior personnel from across our global businesses and corporate departments. The sustainability leadership committee coordinates and communicates climate-related initiatives and other matters across different divisions and jurisdictions. Sustainability committees comprised of senior personnel from each region provide local oversight and coordination and report to the sustainability leadership committee as needed.</p>

STRATEGY

The CROs identified over the short, medium, and long term and processes used to determine potential financial impact

The As part of our ERM process, we approach risk management strategically according to the following time horizons:

1. Short term — current year to three years
2. Medium term — more than three years to five years
3. Long term — more than five years

We acknowledge that climate-related risks and opportunities are complex and may have interdependencies with — and in some cases may influence or exacerbate — other risks and opportunities. We have identified the climate-related risks and opportunities described below as potentially relevant to our business. As such, through our ERM program, we consider them across all time horizons as emerging risks. Following our ERM processes, we have determined that such climate-related risks and opportunities are not currently material to our business, strategy or results of operations. However, we expect to continue to monitor and assess their impact on the company. Climate change is highly complex, and there is no assurance we will not be impacted by these or other climate-related risks and opportunities in the future.

- If underwriting enterprises merge, fail or withdraw from offering certain lines of coverage, particularly due to large payouts from climate or weather events, overall risk-taking capital capacity could be negatively affected, which could reduce our ability to place certain lines of coverage, reduce demand from the insurance company clients of our reinsurance and third-party claims administration operations and, as a result, reduce our revenues and profitability.
- Our climate-related aspirations, goals, initiatives and disclosures expose us to numerous risks, as differing views on these matters have made compliance with regulations, frameworks and stakeholder expectations increasingly complex. Intense scrutiny from investors, clients, employees, regulators and other stakeholders — along with potential accusations of “greenwashing” or “greenhushing,” backlash from anti-ESG groups, or failure to meet evolving standards — could harm our reputation, erode trust, lead to litigation or enforcement actions, and negatively impact our ability to attract clients, employees, investors, or acquisition targets.
- Disruptions to the infrastructure supporting our business, including third-party vendors, could arise from factors such as natural disasters, adversely affecting our operations.
- Failure to innovate and provide climate-focused solutions could result in loss of market share to competitors or new entrants.
- The transition to a lower-carbon economy could harm traditional energy industries, reducing client demand for insurance and consulting services and negatively affect our revenues. Larger acquisitions with differing sustainability programs and compliance strategies may pose challenges in aligning with our sustainability approach and regulatory requirements.
- Differing sustainability regulations across jurisdictions and the global nature of our operations increase compliance complexity and costs due to differing legal standards and stakeholder expectations, requiring additional staffing, policies, procedures, internal controls, employee training and significant compliance efforts. Navigating these inconsistent and evolving rules may demand substantial effort and resources, potentially diverting management’s attention and harming our reputation and straining relationships with regulators, investors, clients, and other business partners, which may adversely affect our business, operating results and financial condition. We also closely monitor climate-related opportunities, particularly the growing market for climate-advisory products and services.

STRATEGY

<p>The CROs identified over the short, medium, and long term and processes used to determine potential financial impact</p>	<p>We also closely monitor climate-related opportunities, particularly the growing market for climate-advisory products and services.</p> <p>While Gallagher has not identified climate-related opportunities that have materially impacted our business and financial planning, we are focused on helping our clients manage their climate-related risk and realize opportunities in the transition to a lower-carbon economy and decarbonization. We recognize the market opportunity to drive new revenue through innovative product delivery and advisory services by addressing growing client concerns around physical weather risks. By leveraging emerging technologies and product innovations, we are working to support our clients' energy transition goals and decarbonization efforts while monetizing the management of climate-related risks and exposures. Our differentiated strategy integrates climate offerings into existing product lines and business units, supported by a dedicated "hub and spoke" model that ensures specialized expertise across the organization. We believe we are well-positioned to innovate and further develop our model by focusing on advancements in analytics, modeling, data and AI, training, communication, and marketing support.</p>
<p>The impact of CROs on business, strategy, and financial planning</p>	<p>Following our ERM processes, we determined that the climate-related risks identified are not material to Gallagher, and thus we have not conducted scenario analysis for physical and transitional climate risks. As noted, we expect to continue to monitor climate-related risks, and as such, we continue to assess whether performing a scenario analysis would be a valuable exercise, balancing the needs of our ERM program, the maturity of our climate-related initiatives and the development of a reliable and consistent methodology.</p> <p>We have not identified climate risks and opportunities that have materially affected our business, strategy or financial planning. To date, climate risks and opportunities do not serve as inputs for financial planning. If determined to be necessary, we expect to incorporate climate risks and opportunities into financial planning and prioritize them as we deem appropriate relative to other business risks and opportunities. While it is not possible to accurately estimate either a timetable or our future costs in connection with climate-related risks due to their complexity and uncertainty, as noted above, they could still have a material impact on our financial performance and financial position.</p>

RISK MANAGEMENT

Processes for identifying and assessing climate risks

As noted above, our climate-related risks are assessed through our ERM program. Our ERM team maintains a risk register and follows a structured risk assessment process that supports strategic decision-making. We identify, categorize, assess, mitigate and monitor risks first by identifying risks during an annual risk assessment. We assess risks based on a scoring mechanism focused on severity and magnitude, assigning a score from 1 to 5 (with 1 being the least likely or severe and 5 being the most likely or severe). Magnitude is calculated across several factors, such as financial and reputational impact. Likelihood is rated based on the probability of occurrence in a given year and actual occurrences. Additionally, we assess the potential speed of the risk event and our risk appetite to determine appropriate mitigation measures. We determine inherent risk levels based on our assessments of impact and likelihood and residual risk levels reflecting the impact of our mitigation strategies and activities. We determine further mitigation actions to address residual risks that remain at a level above our risk appetite baseline. The ERM committee meets periodically to review emerging risks, which may not yet be addressed by our ERM program, and to discuss actions that may be necessary to address such risks in the future. Specifically with respect to climate-related risks, the precise information and analysis that goes into decisions to mitigate, transfer, accept or control such risks are important to our strategy, and such disclosure could compromise commercially and competitively sensitive information.

Our sustainability team, working closely with our legal department, monitors and assesses emerging climate-related regulatory developments and provides updates to the ERM committee and the audit committee from time to time as appropriate.

METRICS AND TARGETS

The metrics used to assess CROs in line with strategy and risk management processes

We have set a global operational net zero goal for direct operations CO²e emissions (Scope 1 and Scope 2) by 2050 and an interim goal of reducing consolidated Scope 1 and Scope 2 CO²e emissions on an average per-employee basis by 50% by 2030. For purposes of this report, operational net zero means the reduction of Scope 1 and Scope 2 greenhouse gas emissions, as those terms are defined in the Greenhouse Gas Protocol: A Corporate Accounting and Report Standard (revised edition) (GHG Protocol) published by the World Resources Institute and the World Business Council for Sustainable Development, to zero tons of CO²e on a net basis, either by reducing gross volumes of those emissions to zero or by addressing any emissions not reasonably able to be reduced to zero through other methods, which may include the use of carbon credits. Operational net zero does not include Scope 3 greenhouse gas emissions as defined in the GHG Protocol. Without limiting the foregoing, the term “operational net zero” does not have the meaning given to “net zero emissions” in the SBTi Glossary published by the Science Based Targets initiative (SBTi) or in any other framework, methodology or other applicable publication. Our global goal is not a “net zero science-based target” within the meaning given in the SBTi Glossary and is not aligned with the SBTi corporate net zero standard published by the SBTi.

These goals aimed at reducing our environmental footprint are designed to align with business initiatives, including the development of our energy transition and decarbonization advisory business; risk management and resiliency client solutions; reducing operational costs; and strengthening relationships with key stakeholder groups, including our clients, employees, regulators and the communities in which we operate.

We track our Scopes 1, 2 and relevant categories of Scope 3 CO²e emissions to track and evaluate progress against our emissions reductions goals. Please refer to our Impact Report with respect to the disclosure of Gallagher’s Scopes 1, 2 and 3 carbon dioxide equivalent (CO²e) emissions.

REPORTING SCOPE

This report has been prepared by Arthur J. Gallagher & Co. and its subsidiaries on a consolidated basis (“Gallagher”) based on the Final Report of Recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) (2017) and is presented in table form, indicating to which of the TCFD’s recommendations each disclosure corresponds. Except where specifically noted, this report covers subject matter and data for the fiscal year ended December 31, 2024, and is limited to the operations owned, leased or operated by Gallagher. References to the company, our, we or us mean Gallagher, unless the content indicates otherwise.

INFORMATION CONCERNING FORWARD-LOOKING STATEMENTS

This report contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. When used in this presentation, the words “anticipates,” “believes,” “contemplates,” “see,” “should,” “could,” “will,” “estimates,” “expects,” “intends,” “plans,” and variations thereof and similar expressions are intended to identify forward-looking statements. Examples of forward-looking statements in this report include, but are not limited to, statements regarding our interim CO₂e emissions reduction goal and our operational net-zero goal and the expected impact that our policies and initiatives may have on our business, our employees, our suppliers, our clients or the communities in which we operate.

Actual results may differ materially. Readers are cautioned against relying on any of the forward-looking statements, which are neither statements of historical fact nor guarantees or assurances of future performance. Important factors that could cause actual results to differ materially from those in the forward-looking statements include compliance with increasingly complex climate-related regulations and expectations, including potential reputational backlash in connection

with these expectations; unexpected delays, difficulties and expenses in executing against our goals; greater than expected energy and other resource needs to grow our business; the cost and availability of renewable energy; climate-related conditions and large natural events; our ability to gather and verify data; inability to identify suitable suppliers, grantees, partners, and community investments and negotiate acceptable terms to execute climate-related initiatives; the compliance of various third parties with our policies and procedures; heightened competition for talent and increased compensation costs; risks related to our international operations; our ability to apply technology, data analytics, and artificial intelligence effectively and potential increased costs and CO₂e emissions resulting from such activities; changes in insurance markets generally; changes in the insurance brokerage industry’s competitive landscape; changes in worldwide and national economic conditions, including the onset of a recession or economic downturn; fluctuating interest, inflation and exchange rates; political volatility, trade wars and political unrest in the US or other countries around the world.

Please refer to our filings with the US Securities and Exchange Commission (SEC), including Item 1A, “Risk Factors,” of our most recently filed annual Report on Form 10-K and subsequent quarterly reports on Form 10-Q for a more detailed discussion of these and other factors that could impact our forward-looking statements. Any forward-looking statement we make in this report speaks only as of the date on which it is made. Except as required by applicable law, we do not undertake to update the information included herein.

OTHER DISCLAIMERS

As explained herein, certain elements of the TCFD framework, including quantitative climate scenario modelling, are not included in this report for this reporting cycle.

No part of this report shall be deemed to constitute an invitation or inducement to invest in Gallagher. The inclusion or exclusion of information in this report should not be construed as a characterization regarding the materiality or financial impact of such information under the securities or other laws of the United States or any other jurisdiction, or as used in our periodic, current or any other types of reports or filings we file, from time to time, with the SEC.

Any goals, commitments, incentives and initiatives outlined herein, including with respect to related timelines, are, unless explicitly stated otherwise, purely voluntary and aspirational, not binding on us, our business, or management, and do not constitute a guarantee, promise, commitment, assurance, representation or warranty regarding the accuracy, completeness or reasonableness of the related calculations or the actual or potential positive impacts or outcomes.

Similarly, there can be no assurance that our policies and procedures as described in this report will continue; such policies and procedures could change, even materially. We are permitted to determine in our discretion that it is not feasible or practical to implement or complete certain of our initiatives, policies, and procedures based on cost, timing or other considerations.

Statistics and metrics may be based on assumptions or developing standards, and actual results could differ materially. Climate-related terms can be subjective in nature, and there is no representation or guarantee that these terms will reflect the views, policies, frameworks or preferred practices of any particular investor or other third party or reflect market trends.

In addition, historical, current and forward-looking climate-related statements may be used based on standards for measuring progress that are still developing, internal controls and processes that continue to evolve, and assumptions that are subject to change in the future.

