



# Fairfax Financial Holdings Limited (Fairfax)

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Environment, Social & Governance (ESG)  
Performance Report 2023



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## ABOUT THIS REPORT

The contents of this report are the culmination of feedback from our Environmental, Social and Governance (ESG) survey. Our 22 consolidated insurance companies<sup>1</sup> participated in this survey and actively engaged in the feedback and consultation process. We are committed to ESG as an activity and measurable deliverable, both at the head office and entity level, and have developed a gap analysis and action plan for this critical business imperative. Throughout this report, we share our approach, progress, and key achievements across our operations globally. Moreover, we highlight areas of focus and attention emanating from the data collected, all of which forms our ESG Progression Strategy. For convenience, all currency related items are in U.S. dollars unless otherwise noted. This report presents both established and more recent initiatives for the fiscal year ending December 31, 2022.

<sup>1</sup> These consolidated operating companies include Allied World, ARX, Brit, Bryte, Colonnade, Crum & Forster, Eurolife FFH, Fairfax Asia (AMAG, Fairfirst, Falcon - Hong Kong, Pacific, and Singapore Re), Fairfax Brasil, Fairfax LATAM (Meridional, SBI, SBS, and Southbridge), Northbridge, Odyssey Group, RiverStone, Universalna and Zenith.

# A Message from Our Chief Executive Officer

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At Fairfax, the values we embrace are fully aligned with the concepts underpinning ESG. While the formality of the reports and their related ratings are still fairly new, Fairfax was built on the foundation of many of ESG's key concepts back in 1985.

As supported by our Guiding Principles, our company culture is rooted in the philosophy of "doing good, by doing well" and has enshrined a value-based approach to business, consistent with the objectives that ESG seeks to promote.

Fairfax and our subsidiaries have always operated for the long-term benefit of our employees, customers, shareholders, and communities. For 38 years, we've taken a long-term, value-based approach to everything that we do – because as trends tend to come and go, we know true sustainability requires a deep sense of purpose, dedication, and the foresight to build for future success.

Through our decentralized structure, each of our operating companies pursues the goals of environmental stewardship, social justice, and responsible governance in a manner appropriate to their business activities. With nearly two dozen of our

insurance companies operating on the ground in over 50 countries, you will find an impressively diverse collection of initiatives tailored to local needs and conditions.

I am delighted to share our updated report, which illuminates the many ways in which our companies support and advance the objectives on which ESG is focused.

I hope you enjoy our report and find it revealing of the commitment we have to operate our businesses with a deep sense of social responsibility.

Thank you,



Prem Watsa

Chief Executive Officer

# Our Guiding Principles

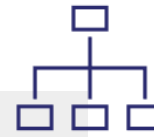
Our Guiding Principles have not changed since their inception and they are the foundation on which our company was built.

## OBJECTIVES



- We expect to compound our mark-to-market book value per share over the long-term by 15% annually by running Fairfax and its subsidiaries for the long-term benefit of customers, employees, shareholders, and the communities where we operate – at the expense of short-term profits if necessary.
- Our focus is long-term growth in book value per share and not quarterly earnings. We plan to grow through internal means as well as through friendly acquisitions.
- We always want to be soundly financed.
- We provide complete disclosure annually to our shareholders.

## STRUCTURE



- Our companies are decentralized and run by the Presidents except for performance evaluation, succession planning, acquisitions, financing, and investments, which are done by or with Fairfax. Investing will always be conducted based on a long-term value-oriented philosophy. Cooperation among companies is encouraged to the benefit of Fairfax in total.
- Complete and open communication between Fairfax and subsidiaries is an essential requirement at Fairfax.
- Share ownership and large incentives are encouraged across the Group.
- Fairfax will always be a very small holding company and not an operating company.

## VALUES



- Honesty and integrity are essential in all our relationships and will never be compromised.
- We are results oriented – not political.
- We are team players – no “egos”. A confrontational style is not appropriate. We value loyalty – to Fairfax and our colleagues.
- We are hardworking but not at the expense of our families.
- We always look at opportunities but emphasize downside protection and look for ways to minimize loss of capital.
- We are entrepreneurial. We encourage calculated risk taking. It is all right to fail but we should learn from our mistakes.
- We will never bet the company on any project or acquisition.
- We believe in having fun – at work!



# A Fairfax Snapshot

Fairfax is a holding company which, through its subsidiaries, is primarily engaged in property and casualty (P&C) insurance and reinsurance and the associated investment management.

Fairfax’s corporate objective is to achieve a 15% growth in book value per share over the long term. Fairfax seeks to differentiate itself by combining disciplined underwriting and investing its assets on a long-term, value-oriented total return basis, believing that this approach will provide above-average returns over the long term.

Fairfax was founded in 1985 by the present Chairman and Chief Executive Officer, Prem Watsa (Prem). Prem refinanced a small Canadian insurance company and changed the name to Fairfax Financial, which was derived from the principles of *fair and friendly acquisitions*, based on the golden rule of ‘treating others as we would like to be treated ourselves’.

Through fair and friendly acquisitions, Fairfax has grown into a leading global commercial lines insurance and reinsurance group, compounding book value per share by 17.8%+ annually since 1985 - all with a dual focus on underwriting profitability and long-term return value investing.

Fairfax head office is led by Prem, along with a small team of 12 Officers who, on average, have been with Fairfax for 20 years. Our companies operate on a decentralized basis and are run by the Presidents, except for performance evaluation, succession planning, acquisitions, financing, and investments, which are done by or with Fairfax. The holding company is also responsible for financial reporting requirements, aggregating the total risk across insurance operations and promoting corporate culture throughout our operating companies.

Over the last 37 years, Fairfax has written cumulative premiums of \$229 billion and has donated more than \$288 million since beginning its donation program in 1991.

Since inception, Fairfax has been focused on the long-term view, and not on short-term earnings - to the benefit of all shareholders.

## KEY METRICS

<i>(in USD millions)</i>	1985	2022
Net premiums written	\$10	\$21,927
Investment portfolio	\$24	\$55,480
Common shareholders’ equity	\$8	\$17,780

## LEARN MORE

[Fairfax.ca](https://www.fairfax.ca)

[2022 Annual Report](#)

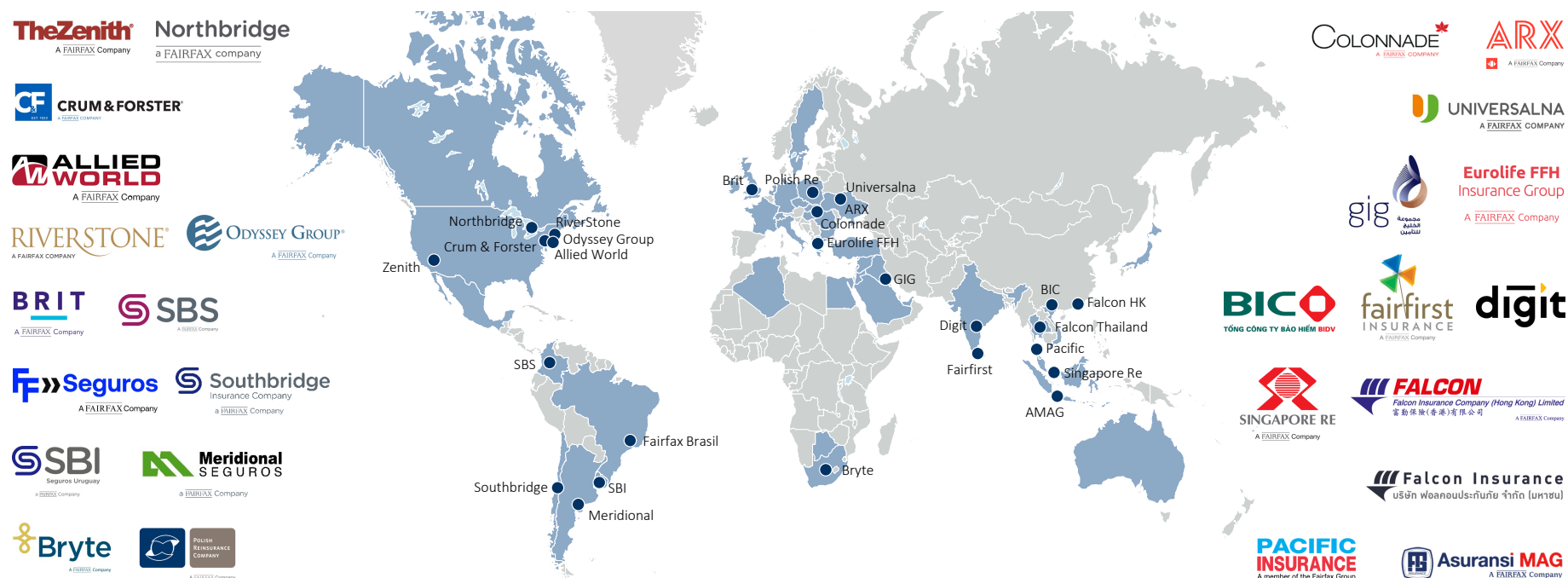
[2022 AGM Presentation](#)

# Insurance Operations

Built over 35+ years, Fairfax has over 22 insurance operating companies across the world with exceptional Presidents responsible for running these companies with the Fairfax culture.

Together, our companies have an established presence in over 50 countries, across six continents and wrote \$28 billion in gross premiums in 2022. They provide a full range of P&C products, maintaining a diversified portfolio of risks across all classes of business, geographic regions, and types of insureds.

We have attracted and retained an exceptionally strong and talented leadership team. This capability is further reinforced by the long-term tenure of our Presidents, averaging 14 years, with three of our Presidents being with us for over 25 years!



\*All companies are wholly owned except for Allied World (83%), Brit (86%), Odyssey Group (90%), Pacific (85%), AMAG (80%), Fairfirst (78%), Digit (49%), Falcon Thailand (41%), BIC (35%), Fairfax Ukraine (ARX and Universalna) (70%), Eurolife (80%) and Gulf Insurance (44%).

\*For the purposes of this report we will only be reporting our consolidated companies (50%+ ownership).

# Responsible Investment Process

Hamblin Watsa's investment practices have been aligned with Fairfax's Guiding Principles and culture since inception.

Our goal has always been to operate for the long-term benefit of our customers, employees, shareholders, and communities and we believe successful investing is dependent on a long-term view as well. We focus on our investment's ability to generate long-term cash flows with sustainability underpinning our approach as long-term cash flows require sustainable business practices.

As ESG becomes more defined, we continually find similarities between its concepts and the ones we've always applied. In 2022, we reviewed our ESG policies and procedures, and found that evaluating the risks and opportunities (including many ESG factors) of an investment's business practices is, in fact, already embedded – and essential in our work.

After taking time to understand the ways ESG and its related measurements already overlapped with our existing investment process, we wanted to figure out how best to communicate our findings to the team and the ways we could document and archive our work, further embedding ESG analysis into our existing process. Therefore, in 2022, we provided comprehensive ESG training to every member of Hamblin Watsa – including its investment committee, traders, analysts, and portfolio managers.

Hamblin Watsa also has a Chief Research Officer, who, with the support of the Investment Committee and senior

management, coordinates the implementation of our updated process.

A summary of our process, as it pertains to ESG considerations for all material fixed income, public and private equity, and real estate investments across all geographies, is described below:

- Together with our Legal and Compliance teams, we identify any “red flags” and ensure that: (i) investments are cleared from an anti-money laundering, anti-terrorist financing and sanctions perspective; and (ii) investments do not appear on our investment exclusions list.
- Hamblin Watsa focuses on the long-term cash flows of the underlying business or asset and sustainable business practices. Consequently, in 2022, we began highlighting the ESG component of our investment evaluation, paying particular attention to the risks and opportunities of environmental, social and governance factors.
- Hamblin Watsa also conducts our investment business with a focus on social and economic development within the countries in which we invest. Deficiencies or excessive environmental, social or governance risks will result in the rejection of investment opportunities or the sale of existing positions. With any investment,

## HAMBLIN WATSA INVESTMENT COUNSEL LTD.

Hamblin Watsa Investment Counsel Ltd. (Hamblin Watsa) is a wholly owned subsidiary of Fairfax, serving as the investment manager for Fairfax, the insurance and reinsurance operations, Run-off, and Fairfax India Holdings Corporation. Hamblin Watsa operates as a separate investment management entity and is responsible for making investment decisions, subject to applicable regulatory guidelines and constraints.

good governance and the honesty and integrity of management is fundamental and will never be compromised for short-term gains or benefits.

- For all material investments, we document the risks and opportunities associated with an investment including ESG factors. We communicate our assessment to the Investment Committee (which includes our Chairman and CEO) and archive our analysis. The investment committee reports directly to the Fairfax Board of Directors (the Board) through our Chairman and CEO. Board discussion includes investment risks and opportunities, including those associated with ESG.
- In addition, all of Fairfax's insurance and reinsurance subsidiaries have investment management policies mandating that all investments satisfy all regulatory requirements, including ESG factors. Hamblin Watsa also has a proxy voting policy, which establishes requirements to ensure that we meet our fiduciary obligations by voting delegated proxies in the best interest of our clients.

Hamblin Watsa is committed to enhancing our ESG policies, processes, and training over time to further promote ESG principles within our company.

# Sustainable Investment Highlights

Many of Hamblin Watsa's portfolio companies have sustainable initiatives – and we wanted to highlight two in particular: AGT Food and Ingredients and Kennedy Wilson.

Both companies have successfully incorporated sustainability into their business strategy, and below you'll find examples of some specific ways they've implemented on this.

## AGT Food and Ingredients

AGT Food and Ingredients (AGT) is one of the largest suppliers in the world of plant-based products, including value-added pulses, staple foods, and food ingredients. They operate over 45 facilities located in the best agricultural growing regions in Canada, the U.S., Turkey, Australia, and South Africa, with sales and origination offices in India, Europe, and China. AGT exports their products to over 120 countries worldwide.

Fairfax first invested in AGT in 2017, then acquired a controlling interest in 2019 as part of a management-led take-private transaction. As of December 31, 2022, Fairfax holds a 58% equity interest in AGT.

## Sustainability From the Ground Up

For most of its history, Western Canadian agriculture typically would summer fallow (not plant a crop) every second year, then alternate between cereals (e.g., wheat) and oilseeds (e.g., canola) in those growing years to preserve long-term soil nutrient and moisture levels. In the 1990s and 2000s, new zero/no-till farming technologies and agronomy practices enabled the move away from summer fallow, wherein legumes

such as peas, lentils and chickpeas were included into a three-crop rotation with cereals and oilseeds. Legumes can not only stabilize nutrient needs, but also actively sequester nitrogen into the soil, increasing long-term yields while simultaneously reducing the amounts of fertilizer inputs used.

AGT was founded in 2001 and built with a focus on sustainability. It marketed pulses – dried legumes grown by farmers on the Canadian Prairies – to incentivize the adoption of the three-crop rotation and establish more sustainable farming practices. This approach was successful, and pulse production in Canada rose from less than a million metric tonnes (mt) per year in the 1990s and to over four million mt today. Quantification of the carbon emissions impact of this change is imprecise, but one study found that adoption of pulses alone reduced the carbon footprint of Canadian agriculture by over one million mt of CO<sub>2</sub>e per year<sup>2</sup> (approximately two percent of Canadian Agriculture emissions). Since its founding, AGT has grown into one of the largest suppliers of plant-based products, including value-added pulses, staple foods, and food ingredients, in the world.

## Research and Development Driving Sustainable Growth

AGT operates their Research, Development and Commercialization division primarily to support the ingredient division of their business, which produces flours,



AGT's sustainable food product lines.

proteins, starches, and fibres derived from plant-based sources for use in sustainable food ingredients and branded feed products, including pet food and aquaculture. Their R&D activities include customer-facing product development; applied research efforts to improve the taste, texture, and functionality of their product lines; and novel processing techniques to create unique and innovative products.

AGT is an active member of Protein Industries Canada (PIC), the industry-led, not-for-profit organization created to position Canada as a global source of high-quality plant protein and plant-based co-products. AGT was instrumental in championing the establishment of PIC and has invested significantly in tandem

<sup>2</sup>MacWilliam, S. et al. 2018. A meta-analysis approach to examining the greenhouse gas implications of including dry peas (*Pisum sativum* L.) and lentils (*Lens culinaris* M.) in crop rotations in western Canada. *Agricultural Systems*, 166:101-110.



with PIC funds for three collaborative R&D projects, each focusing on the production of novel plant-based products.

One of these PIC-funded projects is a 2019 collaboration between AGT and Vancouver-based Lucent Biosciences (Lucent) towards the creation of a “smart” micronutrient fertilizer. This partnership developed an innovative fertilizer (Soileos) that binds bioavailable nutrients (such as iron, manganese, copper, and boron) to the otherwise “waste” cellulose pea, lentil, and oat hulls that AGT regularly produces large volumes of during their pulse cleaning processes. This process ensures that the nutrients stay in the rootzone, allowing the plant to take up nutrients throughout their growth cycle. This is unlike current synthetic fertilizers, which simply release a stream of nutrients for a limited time, regardless of whether the plant requires them or not. Soileos not only returns 300 kg of carbon back to the soil per tonne of application – making it more than carbon neutral – but also allows greater nutrient uptake by the plant, resulting in healthier and more nutrient-dense crops. Longer-term, this may allow farmers to reduce the amount of synthetic fertilizer they use while maintaining yields.

In 2022, AGT and Lucent built upon this PIC-supported R&D to announce a \$19 million joint-venture to construct a manufacturing facility in Rosetown, Saskatchewan, which will produce 6,500 metric tonnes of Soileos annually. This facility has now completed commissioning and will begin operating in Fall 2023.

### **From Farm to Fuel and Back Again**

On the agriculture sector’s path to Net Zero by 2050, electrifying heavy industrial machinery such as tractors, combines and swathers is likely not efficient or possible. Renewable drop-in fuels for this machinery

are one of the best pathways for lowering emissions. Federated Co-operatives Limited (FCL), which owns and operates an oil and gas refinery and a wide fuel distribution network in Western Canada, has announced construction of a 15,000-barrel-per-day renewable diesel plant as a part of an Integrated Agriculture Complex in Regina, Saskatchewan.

AGT has partnered with FCL in the proposed construction and operation of a canola crushing plant at a planned Integrated Agriculture Complex. For this project, AGT would source 1.1 million metric tonnes of the lowest carbon intensity canola available each year, minimizing transport emissions by leveraging their bulk rail transportation network, as the feedstock for this renewable diesel destined to go back to the producers themselves, lowering their Greenhouse Gases emissions.

AGT has developed a novel method of processing the canola meal produced by the plant. AGT can economically process canola meal originally destined for cattle feed into a low-carbon canola protein concentrate used for aquafeed, pet foods and human consumption. Such a protein facility would be built by AGT alongside the canola crush and renewable diesel plants at the Integrated Agriculture Complex, demonstrating that locally produced canola can be processed into both lower carbon intensity fuel and food at a scale that is both economic and sustainable.

### **Feeding the World**

In 2016, in response to growing refugee crises in many regions worldwide, AGT went to the United Nations’ World Food Programme (UNWFP) and the International Red Cross and Red Crescent Movement to propose using AGT’s worldwide supply chain, logistics and facilities in Turkey to produce complete food parcels supplying humanitarian aid programs in Afghani-

stan, Yemen, Sudan, Syria and other distressed regions, that can be easily distributed to the people in need and create financial and other efficiencies for these partner not-for-profits and non-governmental organizations.

Each of these parcels assembled by AGT includes staples such as pulses, pasta, rice, vegetable oil, flour, and other food items families need. Since the program began, the company has put together millions of these parcels, providing hundreds of millions of meals to refugees. For example, through these programs, AGT has delivered hundreds of thousands of parcels into Ukraine and surrounding countries, with a production capacity of over 100,000 parcels per day. In providing these parcels, AGT saved their partner organizations like the UNWFP millions of dollars through efficient procurement and distribution and by minimizing their loss of products.

### **Feeding Canada**

In September 2023, AGT, in partnership with Food Banks Canada and Drive Away Hunger, announced the *AGT Food Bank Crop Exchange Program*. The program allows Saskatchewan producers to donate a portion of their crop delivery when they deliver to AGT Foods, the proceeds from which are donated to food banks in their communities. Producers are issued a tax receipt for the market value of their donation, which in turn AGT converts “dollar-for-dollar” into credits the food bank can use to order retail products from AGT, including pasta, rice, pulses, and staple foods. The program will help alleviate growing food security issues in Canada by adding a new revenue stream for food banks and giving them access to a greater variety of products on their shelves. The program will benefit all Saskatchewan food banks, with hopes to eventually expand the program across Canada.

## Kennedy Wilson

Kennedy Wilson (NYSE:KW) is a global real estate investment company that owns, operates, and invests in real estate on their own and through their investment management platform across the Western United States, United Kingdom, and Ireland. They primarily focus on multifamily and office properties as well as industrial and debt investments in their investment management business. Fairfax and Kennedy Wilson began their relationship in 2010 when Fairfax made a \$100 million equity investment in the company. Since then, Fairfax has invested over \$1 billion in real estate and, more recently, over \$4.5 billion in first mortgage and construction loans in partnership with Kennedy Wilson. Fairfax currently has an equity ownership interest in Kennedy Wilson of approximately 20% on a fully diluted basis.

### Sustainability Priorities in Direct Real Estate Portfolio

Together, with our long-standing partner Kennedy Wilson, we have direct real estate interests in seven commercial properties in the United States (U.S.) and the United Kingdom (U.K.). Kennedy Wilson provides ongoing management of this portfolio, including ensuring ESG best practices are implemented. All these assets are included in Kennedy Wilson's "Measure and Manage" program, where energy, water, and waste usage as well as Scopes 1 and 2 of their carbon emissions are measured and managed on a quarterly basis. Set out below is a case study of the work done at one of the portfolio assets, The Heights in the U.K. As a co-investor with Kennedy Wilson, we have been pleased to support an investment program which is already delivering significant ESG and investment benefits.

### Enhancing Value at The Heights

The Heights, located in Weybridge, a commuter town just outside of London, is a prestigious and well-established office destination, comprising five office buildings across a 25-acre campus. Home to renowned brands, tenants are attracted to the area's excellent transport links, considerable leisure amenities and thriving business community. Built in 2000, the five buildings offer just under 350,000 square feet (sq ft) of Grade A flexible open plan office space, set within extensive landscaping and amenities such as an on-site café and gym, car parking provision, a dedicated estate management team and tenant app, and shower and cycling facilities. Since acquisition in 2019, the Kennedy Wilson team have implemented continuous improvements including a campus-wide LED lighting upgrade program and a Cat A fit-out refurbishment of almost 70,000 sq ft of vacant space in buildings one and five, replacing the plant in each building under lifecycle replacement for a modern efficient equivalent, and reusing existing fixtures and fittings as much as possible. Therefore, improving those areas Environmental Performance Certificate (EPC) ratings from an E to a B.

Solar photovoltaic systems have been installed on the roofs of all five buildings in 2022 (installed capacity of 847 kilowatts peak (kWp)) designed for generated electricity to be prioritized for use within each building, with any surplus exported to the grid. To date, more than 99% of the generated electricity is being used by the buildings and in 126 days, 62 tCO<sub>2</sub> was avoided, the equivalent to planting 936 trees.

At Building Four, Kennedy Wilson seized an opportunity to complete a more comprehensive refurbishment to improve its environmental credentials, attract



Aerial view of The Heights's 25-acre campus.



Building 1's terrace.



Building 5's reception.

### Key targets from the refurbishment and fit-out of Building Four:

- 99.6% refurbishment and demolition waste diverted from landfill
- 509-560 kgCO<sub>2</sub>e/m<sup>2</sup> whole life embodied carbon
- BREEAM Excellent<sup>3</sup>
- Fitwel 3 Star
- EPC A

sustainability conscious tenants and enhance the value of the asset. A high efficiency variable refrigerant flow ventilation system was installed to remove any dependency on natural gas and ultimately, reduce energy costs. Due to reach practical completion in December 2022, this is the first building on the campus to be fully electric, also benefitting from the newly installed onsite solar photovoltaic systems on the lower and upper roofs with an installed capacity of 218 kWp. As a result, the building's EPC rating is expected to improve from an E to an A.

Throughout the work, measures were taken to limit the embodied carbon associated with the refurbishment process, from maintaining the existing building struc-

ture including the façade and roof, sourcing local materials, and minimizing waste to repurposing fittings and donating unused items and materials to local organizations. As a result, 99.6% of refurbishment and demolition waste is targeted to be diverted from landfill. The project's whole life embodied carbon target has been calculated as between 509-560 kgCO<sub>2</sub>e/m<sup>2</sup> by an expert third-party, which is equivalent to an A+ Low Energy Transformation Initiative (LETI) rating and exceeds both LETI and Royal Institute of British Architects 2030 design targets.

Building Four is also targeting BREEAM Excellent<sup>3</sup>, Fitwel 3-star, ActiveScore Gold and WiredScore Gold. These credentials demonstrate its strong environmental performance and management of energy and water efficiency, health and well-being benefits to occupants, circular economy principles, sustainable transport access, support of local biodiversity and resilience to risks such as climate change and digital connectivity. Once operational, the asset will implement best practice environmental management, in line with ISO 14001, and energy consumption data will be closely monitored and optimized through submetering.

To support lower emission commuting choices, Kennedy Wilson commenced the rollout of electric vehicle (EV) chargers. In 2022, 20 EV fast chargers were installed at two of the buildings, with rollout planned to

continue at the remaining buildings in 2023. This is a timely project as Kennedy Wilson has one tenant already in the process of transitioning to an electric fleet and anticipates further demand for this infrastructure. They have also installed 10 electric bike chargers and offer tenants' employees the use of an onsite bike share scheme, with 40 bikes available to book through a dedicated tenant app for transport between campus and Weybridge train station.

### OTHERS

In addition to the above, a substantial number of our other investee companies have sustainability initiatives which are either published on their websites or outlined in their own ESG reports. For convenience, we have included links to this information for eight more of our portfolio companies below:

[Atlas](#)

[Blackberry](#)

[Dexterra](#)

[Eurobank](#)

[Fairfax India](#)

[Foran Mining](#)

[Farmers Edge](#)

[Stelco](#)

<sup>3</sup>BREEAM UK Non-Domestic Refurbishment and Fitout 2014 for Offices.



# Environment



Our long-term approach to business views climate change as being a substantial risk for our organization over the long-term.

We consistently monitor the effects of climate change on our customers, including assistance with and mitigating exposure to climate risk. In addition, we continually monitor exposures from climate change, with particular attention to the effects it has on weather patterns from a frequency and severity perspective.

We have worked hard to adapt, embracing, and bringing forward several environmental actions, including the acceleration of paperless initiatives across the group through new technologies. We remain mindful of the environment in construction and refurbishment projects, an example being the eco-design of Crum & Forster's new head office. As we continue to focus on the reduction of our carbon footprint, several of our operations have also been proactive in partnering with ecological organizations.

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# Climate Change Risk Mitigation

## Governance

The strategic plan for the direction of Fairfax associated with climate related risks is set by senior management and reviewed by the Board. Climate risks are a major component of senior management’s responsibility within risk management which includes setting and monitoring our risk tolerance at the Fairfax group level. The Audit Committee, a subcommittee of the Board, receives quarterly reports from the Fairfax Enterprise Risk Management (ERM) team, including climate related risks and opportunities, where the President and COO and other members of the Executive Committee attend every Audit Committee meeting to ensure adequate risk controls are in place and the risk management process is effective.

While our operating companies carefully manage their own climate related exposures and risk appetite, Fairfax senior management also closely monitors them to ensure they are in line with the strategic plan. Through the work of senior management and our actuarial and ERM teams, we aggregate our company wide exposures and compare this to our established risk tolerance. Management constantly discusses and reviews climate related risks with the operating companies and at the management level. Understanding climate change is not only critical to managing risks at a Fairfax level but also the opportunities arising from them.

## Strategy

We examine both physical and transitional risks associated with climate change. Physical risks arise from changing exposures due to weather-related events, whereas transition risks arise from changes in legal policies and

market behaviour during the transition to a low-carbon economy. We are very aware of the potential risks, both physical and transitional, associated with climate change – and that’s why we take a rigorous approach to how we manage and monitor our exposure over a range of time horizons.

## Risk Management

Fairfax uses a three-pronged approach to risk management. The first prong is our operating companies who, with our decentralized structure, all manage their climate related risks on an individual siloed basis. The second prong is at a group level where the actuarial and risk management team at Fairfax head office performs independent global oversight of our operating companies.

We carefully evaluate and manage the aggregate risk across the group to ensure we are within an acceptable risk tolerance as set out by senior management and reviewed by the Board. The final prong of risk management is done by the Board who regularly reviews key risk indicators from across the Fairfax group to ensure we are meeting rigorous risk management standards.

Our operating companies manage their catastrophe exposure first by being scrupulous selecting risks, including but not limited to, assessing risk location (including historical and ever evolving flood and wildfire risk), construction type, local building codes and rebuilding costs while also providing expert hazard and risk management services to their insureds once risks are

Time Horizon	Risks	Opportunities
Short-term	<ul style="list-style-type: none"><li>Unpredictability of frequency, severity, and nature of severe weather events (<i>physical</i>).</li><li>Changes in regulatory requirements for current products (<i>transition</i>).</li></ul>	<ul style="list-style-type: none"><li>Increased demand for insurance as fundamentally changing weather events drives public awareness (<i>physical</i>).</li><li>Increased opportunities for insuring green technology and renewable energy sources (<i>transition</i>).</li></ul>
Medium-term	<ul style="list-style-type: none"><li>Increase in exposures due to a variety of climate change factors such as sea level rise, inland flooding, droughts, and wildfire zones (<i>physical</i>).</li><li>Climate change litigation costs (<i>transition</i>).</li></ul>	<ul style="list-style-type: none"><li>New market sectors emerging as a shift to a low carbon economy occurs (<i>transition</i>).</li></ul>
Long-term	<ul style="list-style-type: none"><li>The devaluation of assets that we hold in sectors susceptible to transition risk (<i>transition</i>).</li></ul>	<ul style="list-style-type: none"><li>Using our expertise to help our clients adapt to the changing markets by developing strategies and technology (<i>transition</i>).</li></ul>

bound. Our operating companies also diversify catastrophe risk across geographic regions, catastrophe types and lines of business, factoring in reinsurance protection availability, adjusting the amount of business written based on capital levels and adhering to risk tolerance guidelines. These guidelines are monitored frequently and updated regularly to monitor the risk and take advantage of opportunities.

Along with our operating companies' strict methods for evaluating their physical risks, they also closely monitor their transition risks as the economy shifts to a low carbon outlook. They do this by carefully assessing underwriting risks and opportunities as the economy continues to develop. Given the annual nature of most policies, they can continue to adapt to the transition and ensure we are consistently innovating and meeting current trends.

To stress test their portfolios, our operating companies use state of the art, industry recognized tools, including geospatial capabilities, to monitor and quantify risk exposures. Additionally, many perform scenario analysis of climate related risks including suggested scenarios from government bodies such as the *Bank of England Climate Biennial Exploratory Scenario (CBES)*. These scenarios are also used to calculate the Climate Value at Risk to quantify the size of loss attributed to climate related financial risks by comparing scenarios in which climate change is present versus climate change not being present.

At a group level, we prioritize managing climate related risks by evaluating exposure limits by product and geography in aggregate. We use a 1-in-250-year event as our benchmark for risk tolerance but also consider and assess events with more remote probabilities. Our rigor is to ensure our companies will be here to serve our clients and communities for the long-term. Additionally, given the (re)insurance contracts we issue are generally annual in duration - we can monitor the risks carefully. Due to the

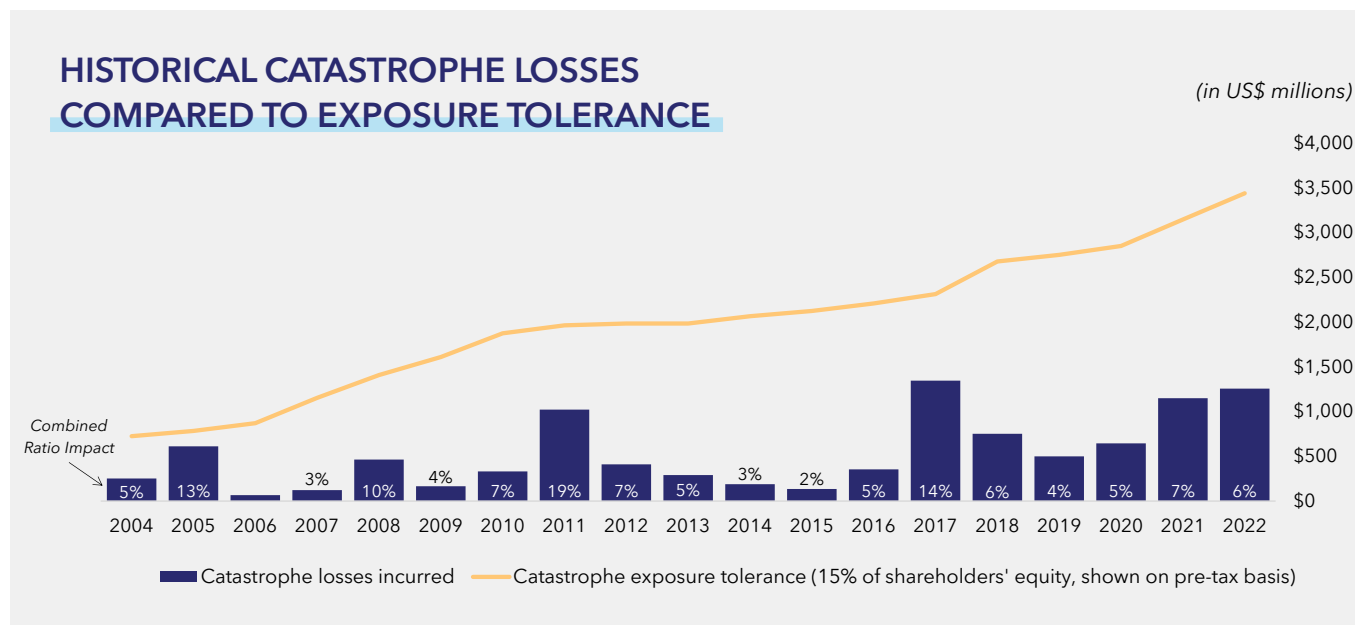
perpetual and dynamic nature of climate change and the (re)insurance market, we know it is something that will play out over time, and we weigh the risks and opportunities. Our approach allows us to manage our risk exposure and refine our pricing and risk appetite. While we make refinements to our process based on current trends and innovations, like all our business, we take the long-term view which we adjust over time.

For the third prong, the Board provides top level oversight of our risk management strategies and execution. The Board strongly supports comprehensive risk management policies with formal reporting. Risk management review is set in the Board agenda quarterly, including climate related risks, or more frequently if issues of significance are identified. The Board and senior management are familiar with the process employed to identify, assess, monitor, interpret and forecast risk.

## Metric and Targets

In our 35-year history, catastrophic losses have never represented a significant number relative to Fairfax capital and earnings, or those of any of our operating companies. At the Fairfax level, senior management has set our risk tolerance to one year's worth of normalized net earnings before income taxes (15% return on common shareholders' equity, adjusted to a pre-tax basis). The modeled probability of aggregate catastrophe losses in any one year exceeding this amount is targeted at more than once in every 250 years.

In this changing landscape we are continually assessing our exposures, and which risks and opportunities are accepted while supporting our clients' needs. We approach this by carefully deploying our capital and capacity in the face of the uncertain impacts of climate change, always keeping in mind the long-term sustainability of the company.



# Sustainable Underwriting

In addition to managing climate change risk, our companies consider other environmental and sustainable factors within their underwriting processes to reduce risk.

Allied World, our largest operating company, is committed to playing their part regarding global climate change. To reduce the impact of thermal coal on our planet, they are aligning their underwriting guidelines with the Paris Agreement. They will generally not provide coverage on risks related to the construction and operation of new coal-fired plants, to insureds that derive over 30% of their projected revenue from thermal coal mining, or to insureds that generate more than 30% of their energy production from coal, taking into consideration the alternative energy sources available within the respective territory. Any remaining in-force coverage for insureds that do not meet these thresholds will be phased out by 2024 or sooner, or non-renewed.

Additionally, Allied World's underwriters understand that an important aspect of undertaking any risk, including those with environmental considerations, is to consider potential moral and reputational risks associated with the company. As such, in addition to its position on coal described above, Allied World has limited its exposure to oil (tar sands), and Arctic energy exploration. Additionally, its Global Market Insurance division has put in place underwriting guidelines for its Europe and Asia Pacific operations consistent with the Paris Climate Agreement objectives to reduce carbon dioxide emissions, increase renewable energy and increase energy efficiency. This division comprises about 20% of Allied World's gross premiums written.

Brit, our global market-leading Lloyd's of London operation, actively considers the potential implications of climate change and sustainability on underwriting strategies. Brit has been working with Dunn & Bradstreet (D&B) who are a provider of commercial data, analytics, and insights for businesses. D&B already provide Brit with a range of data services and Brit has been ingesting ESG scores across each of the three subsets on risks written from December 2022, using c.300 datapoints that make up the E, S and G scores. Brit has started to ingest these scores to better understand the composition of the portfolio, as well as looking into the drivers behind these scores. The ESG score can be broken down into individual E, S and G scores for accounts with Data Universal Numbering System (DUNS) codes, to inform underwriting decisions and better understand Brit's ESG status. This scoring framework provides underwriters with more tangible information when deciding to write a risk and aids portfolio management and optimization for both performance and reporting purposes. It also allows Brit to track progress against ESG objectives.

Crum & Forster, our national commercial P&C insurance company in the U.S., has an Environmental profit centre where underwriters are charged with grading the quality of a business with respect to its potential impact to the environment. Coverage can be provided to those who remediate, monitor, and clean up environmental issues, to facilities that might have an environmental release, or to other aspects of the management of environmental liabilities. Underwriting incorporates several analytical points, including benefits for clients with good environmental practices and protocols.

# 83%

**of our companies  
have implemented  
at least one or more  
of the following into their  
underwriting processes:**



- Commitment to integrating environmental standards within underwriting
- Managerial responsibility for the integration of environmental standards within underwriting
- Environmental risk assessment
- Underwriting operating guidelines includes environmental factors
- Employee training and awareness on environmental factors
- Exclusion of clients based on environmental factors
- Monitoring and measurement of environmental impacts

# Engagement with Insureds to Mitigate Risk

Each of our companies engage with their customers on the benefits of sustainable operations as well as provide education on environmental factors and risks to their operations. Below we outline a few examples from our companies.

Zenith, our workers' compensation insurer based in California, as part of their loss control services to commercial P&C policyholders in the agriculture industry, presents the advantages of both solar and wind power to assist in mitigating their overall energy costs and operational risk profiles as well as identifying exposures to climate and weather-related hazards. The importance of disaster planning and recovery programs is emphasized given its exposure to large natural disasters, such as earthquakes, wildfires, windstorms, tornados, floods, and hurricanes.

Redwoods, a division of Crum & Forster, insures community and youth-serving organizations throughout the U.S. Many of these insureds, particularly summer overnight and day camps, have operations in areas with ever-increasing exposure to wildfires or hurricanes. Redwoods has taken substantial steps to inform insureds of their operations' increasing exposure to wildfires and coastal wind and has provided numerous risk consulting services to impacted insureds to help mitigate exposure to such perils. The information campaign has included mass-marketing and targeted elec-

tronic communications, personalized interactions with specific insureds, and public-facing educational campaigns done largely through webinars. Redwoods has encouraged insureds to implement wildfire and hurricane mitigation practices such as routine arborist inspections, thoughtful property management, developing environmental-risk specific emergency action plans and establishing close relationships with local emergency services, regular inspections of facilities to ensure adequate drainage and roof integrity, and application of fire-retardant products to roofs and buildings.

Allied World's Environmental Risk Management Group develops online webinars and white papers for clients, risk managers and brokers on the topics of environmental risk and the impact it has to their operations. These resources are available online year-round to customers and brokers at Allied World's Risk Management Educational Portal. The Healthcare Group develops online webinars and white papers in APAC, Europe and North America all available via [alliedworldinsurance.com](https://alliedworldinsurance.com). These value-added tools provide the readers with tips to improve their understanding of associated risk and exposures. When customers express additional interest, this Risk Management Group provides additional resources or direct access to subject matter experts as needed to mitigate the frequency and severity of those risks.

## CLIMATE CHANGE RESEARCH

Allied World is committed to protecting people and property and natural approaches have been proven to be an effective and sustainable way to reduce risk, while also protecting wildlife and natural habitats. For many years, Allied World has worked alongside the National Wildlife Federation (NWF) to develop research reports related to the environment. The new report, ['The Protective Value of Nature'](#), synthesizes the latest science from across the U.S., evaluating the performance of natural systems such as wetlands and forests in the face of hurricanes, floods, wildfires, and other natural disasters.

The lessons from the report were further amplified in a joint podcast with Allied World's Environmental team and NWF's top scientists, titled ['Harnessing Natural Infrastructure to Protect the Built Environment'](#), which was republished by [Risk & Insurance](#). Additionally, Allied World's President, has co-authored several opinion pieces with the President & Chief Executive Officer of the NWF. ['Sow Nature's Lessons, Reap Better Protection'](#), was republished by The Hill and Risk & Insurance publications; ['Nature is the environment's original infrastructure plan. Use it to make us more resilient'](#) was published by the Miami Herald; and ['A natural ally for climate resilience, disaster mitigation'](#) was published by The Hill. Overall, Allied World's engagement with the NWF has enabled Allied World to gain a better understanding of how natural systems can be used as a risk mitigation tool.

Additionally, Eurolife FFH, our market leading insurer in Greece, supports the Athens Climate Lab, an initiative addressing climate change in Athens, organized by a network of people working together to address local, regional, and global challenges. The project comprised of four workshops among citizens and public institutions' representatives, showcasing the main challenges in Athens around climate change and highlighting key action areas towards mitigating coastal erosion, extreme weather phenomena, air pollution, and forest fires through continuous education, accuracy of information, and citizens' participation.



# Environmental Initiatives

Across Fairfax, our companies and employees are proud to do what they can to help keep our planet healthy. Whether it's utilizing solar power in California or supporting local biodiversity in Brazil, the Fairfax family continues to find new and innovative ways to give back to our planet. All our companies have green initiatives in place, a few of which are outlined below.

Zenith has many ongoing green initiatives including projects that utilize solar energy and reduce employee commuting and business travel. In 2021, Zenith installed solar parking covers for its main campus in Woodland Hills, California that will generate over one gigawatt of energy at peak performance over its expected lifespan. Zenith expects to offset at least 40% of its current electricity bill using solar for this facility, and the project will – over its expected 25-year lifespan – reduce total carbon output by several million pounds. Additionally, following a successful COVID-19 hybrid work period, employees can now primarily work from home, resulting in less commuting, less consumption of paper and other office products and less business travel as the workforce continues to leverage the digital technology that enables remote work. In addition to lower consumption of paper, all waste from paper products is recycled monthly, energy efficient appliances and water conservation strategies are used throughout Zenith's locations.

Fairfax Brasil, based in Brazil, supports, and works closely with the Onçafari: Jaguar Conservation program. This program conserves biodiversity in the places where they are located and was focused on Pantanal, the World's largest tropical wetland. The daily work of monitoring jaguars allows for the collection of data never observed. This data is important to better understand the relationship between species enabling improved strategies for biodiversity conservation. The work of rehabilitation and

reintroduction of jaguars into the wild may be the key to saving critically endangered jaguar populations, such as those in the Atlantic Forest. The program succeeded for the first time in history to successfully reintroduce a big feline into the wild evidenced through the confirmation of the birth of baby jaguars to these parents over the last year. Notably, the increased jaguar population increases tourism and particularly ecotourism with associated benefits to entire communities. This program has expanded to three other Brazilian biomes: Amazon, Cerrado and Atlantic Forest with a goal of reaching all biomes, extending to the Pampas and the Caatinga.

Since 2014, Northbridge, one of the largest Commercial P&C insurers in Canada based on gross premiums written, has worked with Tree Canada to plant and maintain 6,922 trees across Canada to help create greener communities. The planted trees have helped green communities in need, increased urban forests, increased the number of schoolyard trees, and allowed orchards to grow in order to build a more sustainable place in the future. Additionally, within Northbridge's offices they have implemented several initiatives to help decrease their carbon footprint. One of the ways is keeping their paper waste low and they've adopted a few methods to help with this. First, they encourage their transportation and logistics brokers and customers to use their EZCert online tool to produce certificates of insurance instead of printing them out. They also use eDocs to deliver policy documentation to brokers through their broker management systems. Additionally, with their transition back to the office, they continued their print-on-arrival program, Follow Me Printers. Since introducing this initiative at the end of 2017, they've significantly reduced their paper waste.

# 100%

**of our companies  
have in place at  
least one or more  
of the following  
environmental initiatives:**



- Waste reduction scheme
- Recycling facilities
- Travel reduction targets
- Employee commute reduction targets
- Commitment to reduction of paper
- Environmental training & awareness
- Energy efficient appliances
- Environmental employee events

## CALCULATING GREENHOUSE GAS EMISSIONS

As additional regulations to mandate the disclosure of our Greenhouse Gas (GHG) emissions come into effect in the coming years, Fairfax and our operating companies will ensure compliance with all applicable GHG reporting obligations.

To prepare for these disclosure requirements and to facilitate the calculation of our carbon footprint across our operating companies, we have built a carbon accounting engine that enables our entities to calculate, report, and monitor their carbon emissions. Our carbon accounting engine is built on the GHG Protocol and a set of common emissions factors that ensure a consistent methodology across all of our companies.

Below we have highlighted how Southbridge in Chile has calculated all three scopes of GHG emissions and offset their carbon emissions. Several of our other subsidiaries have also calculated their Scope 1 and Scope 2 GHG emissions using our carbon accounting engine and, throughout 2024, we will work with all of our operating subsidiaries to begin utilizing our calculation tool.

In 2021, Southbridge, a Fairfax LATAM entity based in Chile, became Chile's first carbon-neutral insurance company by measuring and offsetting their carbon footprint. To calculate their carbon footprint, Southbridge worked with Carbon Neutral, an organization focused on the development of climate change strategies and carbon neutrality certification through the CarbonNeutral® protocol and certification. In 2022, to offset their carbon footprint, Southbridge financed the "Cuel Wind Power Portfolio Chile" project supplying clean energy to 55,000 homes. Southbridge is also dedicated to reducing its environmental impact through employee-driven initiatives like sustainability awareness campaigns and carpooling incentives, aligning with its triple-impact strategy as a certified B corporation (see [page 42](#) for more details).



# Employees

Fairfax continually invests in its employees to ensure the ongoing progression and long-term retention of our workforce by providing meaningful development.

In 2022, Fairfax continued to develop its people with over **395,000+ training hours** being made available throughout our operations. All our operating companies provide employee training, however, not all companies completely capture their total training hours, which will be an area of focus for us going forward. Notwithstanding this, we are satisfied with the substantial levels of training and associated senior management support throughout our global companies.

- 20 Our Employees at a Glance
- 22 Learning & Development
- 27 Employee Engagement
- 28 Employee Well-being
- 30 Diversity & Inclusion







**15,800+**  
**Employees worldwide**

 **+4%** Growth in total workforce



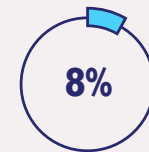
**Asia**



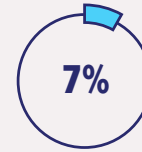
**Canada**



**Europe**



**Latin America**



**Other**  
(International)



**United States**

## OUR EMPLOYEES AT A GLANCE



**54%**  
**Women**

**44%** Management level positions held by women  
**26%** Executive level positions held by women




**8 YEARS**  
**Average employee tenure**



**13 YRS** Average executive level tenure



**10.1%**  
**Voluntary turnover rate**

**12.2%** Overall turnover rate 



**2,550**  
**Full-time employees hired in 2022**



**43** Total employee overall average age



# EMPLOYEE AGE DEMOGRAPHICS



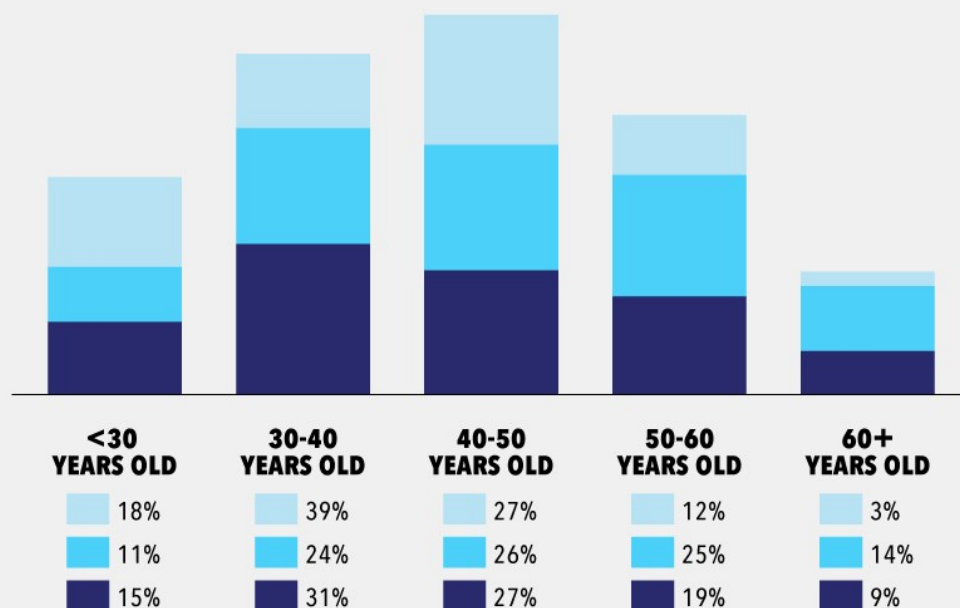
OVERALL  
WORKFORCE



NORTH AMERICAN  
EMPLOYEES

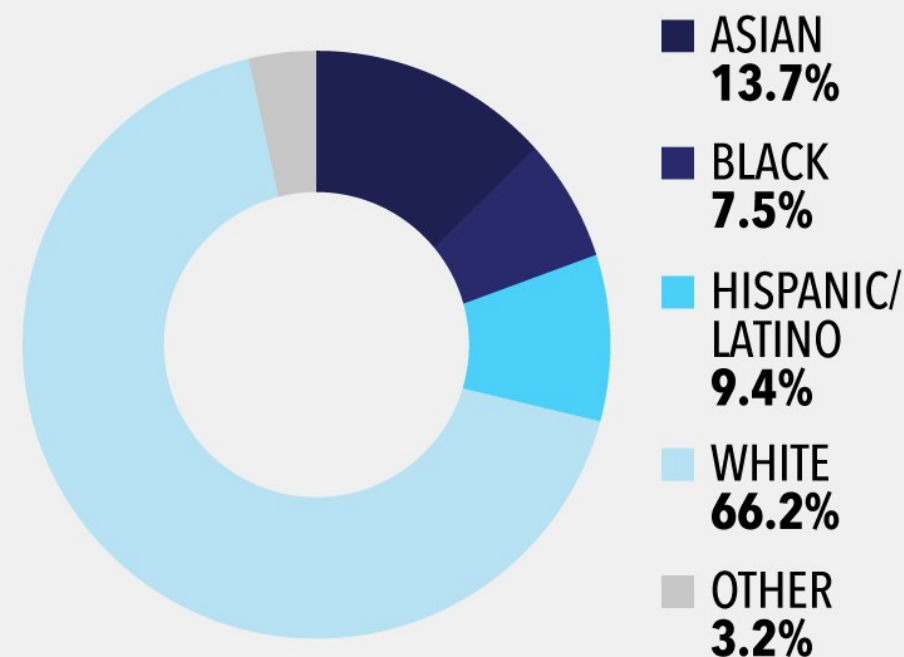


INTERNATIONAL  
EMPLOYEES



North America includes Allied World, Crum & Forster, Northbridge, Odyssey Group, RiverStone and Zenith.  
International includes ARX, Brit, Bryte, Colonnade, Eurolife FFH, Fairfax Asia (AMAG, Fairfirst, Falcon - Hong Kong, Pacific, and Singapore Re), Fairfax Brasil, Fairfax LATAM (Meridional, SBI, SBS, and Southbridge), and Universalna.

# U.S. COMPANIES' ETHNIC DEMOGRAPHICS



Includes employees at Allied World, Crum & Forster, Odyssey Group (only U.S. based employees), RiverStone and Zenith, that makes up ~40% of our employees. Other includes other races not listed and employees who have not disclosed race/ethnicity.

# Learning & Development

At Fairfax, we work hard to ensure that our employees have access to strong learning and development programs at every level of seniority. We recognize employees' requirements vary depending on subsidiary, department, and specialty, therefore we rely on our decentralized structure to ensure flexible, local, and personalized programs appropriate to the workforce of the particular entity. Below we outline examples of such programs.

1

## Students & Interns

Allied World supports students with an annual eight-week internship program focused on insurance for college students. This program is open to third-year undergraduate students in the U.S., as well as second, third, and fourth-year students in Bermuda, who are looking to pursue a career in insurance. It consists of weekly learning sessions (approximately three hours per week) with business leaders across various departments and weekly collaboration sessions with HR and the respective intern peers to review the week's learnings. Five of the 19 interns in their 2022 class were hired as Underwriter Trainees and started their careers with Allied World in June 2023.

Odyssey Group, our largest reinsurance company, recognizes the high cost of post-secondary education in the U.S. and the burden this often places on students entering the workforce. To alleviate this pressure and attract top talent, Odyssey Group offers tuition reimbursement to full-time employees after one year of tenure, paying up to 90% for business-related degrees at accredited universities and 100% book cost reimbursement.

Over the last decade, Zenith has continued to be an engaged corporate partner to Thrive Scholars, whose mission is to provide high-achieving students of colour from economically under-resourced communities the opportunities they need to thrive at top colleges and in their chosen careers. Zenith has sponsored, mentored, and provided internships for dozens of Thrive Scholars, several of whom are now part of the Zenith family as full-time employees. During the student's college years, the mentor helps provide support with navigating both academic and personal obstacles, ensuring a strong mentoring relationship during this critical time. This is also a time to introduce Thrive Scholars to new networks and professional development opportunities that foster early career exploration. The opportunity for Zenith's employees to volunteer their time mentoring Thrive Scholars, which closely aligns with Zenith's community initiatives, also provides employees with a rewarding personal growth experience.

## PARTNERED UNIVERSITIES & OTHER POST-SECONDARY INSTITUTIONS

Over the last several years, we're proud to have partnered with over 50 leading universities and other post-secondary institutions across 15 countries. These relationships have been invaluable in enabling us to remain updated and market focused, in terms of competency development. Moreover, it has made possible a consistent intake of well-educated talent through several well-established intern and Co-operative programs.

Operating Company	Institution	Institution Location
Allied World	Dublin City University	Ireland
Allied World	Temple University	USA
AMAG	Institut Pertanian Bogor	Indonesia
ARX	Kyiv National Economic University	Ukraine
Brit	University College London	UK
Bryte	Maharishi Institute	South Africa
Colonnade	Ukrainian Catholic University	Ukraine
Colonnade, Polish Re	University of Warsaw	Poland
Colonnade, Polish Re	Warsaw School of Economics	Poland
Colonnade, Polish Re	Warsaw University of Technology	Poland
Crum & Forster	Caldwell University	USA
Crum & Forster	Susquehanna University	USA
Crum & Forster, Odyssey	St. John's University	USA
Eurolife FFH	American College of Greece	Greece
Eurolife FFH	Aristotle University of Thessaloniki	Greece
Eurolife FFH	University of Piraeus	Greece
Fairfax Brasil	Escola de Negocios e Seguros	Brazil
Fairfax Brasil	Institute of Management Foundation	Brazil
Fairfax Brasil	Universidade Mackenzie	Brazil
Fairfax, Crum & Forster, Odyssey, Northbridge, Zenith	University of Waterloo	Canada
Falcon - Hong Kong	Lingnan University	Hong Kong
Meridional Seguros	Instituto Tecnológico de Buenos Aires	Argentina
Meridional Seguros	Universidad de Belgrano	Argentina
Meridional Seguros	Universidad del Salvador	Argentina
Northbridge	CEGEP du Vieux Montreal	Canada
Northbridge	CEGEP Edouard-Montpetit	Canada
Northbridge	Centennial College	Canada
Northbridge	College Montmorency	Canada

## Fairfax Co-op Program

The Fairfax Co-op Program was established in 2013 with the goal of fostering enhanced talent acquisition development across the Fairfax group. This involved the establishment of a quality, long-term partnership with the University of Waterloo, which has one of the most extensive co-op programs in the world and attracts the highest caliber of students. Since inception, over 1,000 students have been placed across Fairfax companies with students travelling to a number of countries for their four- or eight-month terms.



### Early Career Employees

Northbridge offers a seven-month intensive trainee program for new university graduates wishing to pursue a career in insurance. Each year, 12 to 14 trainees join the program and choose to specialize in either claims or underwriting. They complete four Chartered Insurance

Professional courses during the program and spend three months on-the-job within a business unit to gain exposure to the type of work they'll do. Upon completion, a permanent placement is offered to successful candidates.

Odyssey Group facilitates an Actuarial Student Program that encourages new employees to gain further education by offering paid study time and bonuses for passing actuarial exams. Attaining an actuarial designation (country specific) is an important endeavor for anyone pursuing an actuarial career and is necessary to achieve higher level actuarial positions. Odyssey Group has several programs that are tailored to the local actuarial designations available with each providing paid study time for 25-45% of the expected study time per exam, bonuses for passing exams on the first time, and/or salary increases associated with attaining designations.

For over 15 years, Zenith has offered robust trainee programs to attract and develop young-in-career talent. More than 200 individuals have participated in these programs focused on careers in claims, underwriting, premium audit and claims legal. A combination of classroom and on-the-job training alongside accelerated salary and promotional reviews ensure participant success over the long-term. 30 individuals, half internal promotions, and half external hires, were selected for the trainee programs in 2022. These programs have proven extremely successful in building talent and successful careers with Zenith, with past participants currently holding key positions, such as Assistant Underwriting Manager and Claims Supervisor.

Northbridge	Concordia University	Canada
Northbridge	Fanshawe College	Canada
Northbridge	Humber College	Canada
Northbridge	McMaster University	Canada
Northbridge	Mohawk College	Canada
Northbridge	O'Sullivan College	Canada
Northbridge	University of Ottawa	Canada
Northbridge	University of Saskatchewan	Canada
Northbridge	Univertise de Montreal	Canada
Northbridge, Zenith	University of Toronto	Canada
Odyssey	Princeton University	USA
SBI	Universidad de Montevideo	Uruguay
SBS	Instituto Colombiano de Aprendizaje	Colombia
SBS	Servicio Nacional de Aprendizaje	Colombia
SBS	Universidad Javeriana	Colombia
Southbridge	Universidad Adolfo Ibanez	Chile
Southbridge	Universidad de Chile	Chile
Southbridge	Universidad Inacap	Chile
Zenith	Cheyney University of Pennsylvania	USA
Zenith	Florida A&M University	USA
Zenith	Florida State University	USA
Zenith	Gallaudet University	USA
Zenith	Huston-Tillotson University	USA
Zenith	Oklahoma Baptist University	USA
Zenith	Pepperdine University	USA
Zenith	St. Joseph's University	USA
Zenith	University of Central Florida	USA
Zenith	University of Southern California	USA
Zenith	University of Texas	USA

AMAG, our Fairfax Asia operation in Indonesia offers sponsorship for Actuarial, Insurance, and other professional certifications as well as sponsorship for overseas training. This is in addition to an interest-free loan facility to financially assist employees with university admission and tuition fees. Additionally, AMAG developed a unique 'Management Trainee Program' to attract fresh graduates with strong potential with the goal of developing these candidates to become future leaders within AMAG.

Fairfirst, a Fairfax Asia entity based in Sri Lanka, developed the 'Fairfirst Academy' in 2016, with programs in three certification stages. The training courses provide employees with an opportunity to develop their technical insurance knowledge within claims and underwriting, as well as sales and branch management and support services areas Marketing, HR, Finance, Legal, Risk, Compliance, IT and Customer Service. The Fairfirst Academy was built by combining the expertise and capabilities of internal and external subject matter experts. In addition to extensive modules on insurance, Fairfirst Academy also hosts sessions on other essential life skills, including wellness, mental and physical well-being, health and safety, and other soft skills.

### 3

#### Management

Brit partnered with the University of Chicago Booth School of Business to offer a tailored three module 'Brit Mini MBA' to provide senior managers with sharp business judgement and the confidence to make high stakes decisions that create lasting value. The modules, written in collaboration with Brit's executive team, focus on 'Strategic Thinking and Strategy', 'Organizational Leadership', and 'Innovation and Decision Making'. 36 senior managers from across all business areas at Brit have completed the program and are looking at new ways to support the business using the knowledge and experiences gained.

To support its management, Eurolife FFH, launched an initiative for managers and supervisors to advance their coaching and feedback skills. The program lasted two months and gave participants the opportunity to learn fundamental methods and coaching tools, to apply them in real cases and to return to the classroom with feedback and examples to share with the team. This way, knowledge and experience was shared among participants, while at the same time they realized that all managers face similar challenges. Following the successful completion of the program, new cycles have been organized for other participants.

## INITIATIVES & PROGRAMS

Below shows the percentage of our total workforce that have access to the following types of human capital development initiatives and programs.



**97%**

Talent and leadership development programs



**100%**

Employee training programs



**92%**

New employees or graduate programs



**93%**

Educational assistance to employees



**93%**

Professional fee assistance to employees





## Leaders

Zenith offers internally developed managerial and leadership training programs that provide employees at different levels of professional experience with the core skills required to progress their career. For more than a decade, Zenith has offered 'Steps to Success,' a year-long, cohort-based learning and development program that readies high potential, new and emerging supervisors with the knowledge and skills needed to continually progress both personally and from a career perspective. 'Leadership Ladder' is a similar program for directors and above that broadens perspectives while participants work on real world business problems. Zenith's core leadership program, 'The Heart of Leadership,' has been in place for more than 20 years and is attended by all leaders to embed Zenith's values and culture throughout the organization.

At Bryte, our operating company in South Africa, Bryte Academy was launched in 2019 and continues to see great success as it focuses on leadership and development and building employees core skills required to excel as leaders. The focus of their leadership development programs is to enable leaders to thrive, achieve excellence in the new world of work and develop a leadership pipeline. Since the launch of the Bryte Academy, they have introduced several programs that are aligned with the culture they want to drive as an organization and ensure that their leaders are qualified.

Throughout 2021 and 2022 Fairfax Asia brought 68 of its senior leaders through a Fairfax Strategy Program which has been hugely beneficial in terms of enhancing leadership capability and immersing those participants in the Fairfax culture. Prem actively contributed to every session making strong inputs on topics such as 'doing good, by doing well' and business being 'a force for good'.

### ***Fairfax Leadership Workshop***

Since 2012, an annual Fairfax Leadership Workshop takes place with invitees from across the globe. The Fairfax Leadership Workshop was created to enable high potential leaders across Fairfax companies to come together for one week for leadership interventions and training. The focus of this workshop is to gain an understanding of Fairfax's history and culture, connect with Fairfax's senior leaders, explore Fairfax leadership styles, and gain a greater appreciation of how our Guiding Principles can support and sustain strong business into the future. The workshop is also meant to create a meaningful opportunity for participants to network and build close relationships with peers across the globe.

## TRAINING PROGRAMS

All our operating companies provide training to their employees. Below shows the percentage of our total workforce that have access to the following types of employee training programs. **395,000+** training hours completed in 2022.



**92%**  
Business skills



**98%**  
Technical skills



**95%**  
Management skills



**97%**  
Soft skills



**97%**  
Personal skills



**100%**  
Legal or compliance

This intensive five-day program guides participants through an array of topics and principles centered around the Guiding Principles and several interconnected themes such as Leadership, Culture, 'Doing Good, by Doing Well', Entrepreneurialism, 'Being Results Orientated' and Collaboration. Prem and top executives at Fairfax and the operating companies run sessions with the participants that give them access to differing leadership styles, encouraging self-reflection, and highlighting the value and importance of participants embracing their own authentic and unique leadership style. To date, 252 senior Fairfax Leaders have attended this program. All past participants of this program also meet annually through a one-day Leadership Reunion.

## LEARNING & DEVELOPMENT PLANNING

We believe that attracting, retaining, and developing our employees are the key factors to both our employees' personal success as well as our success as a company. We will continue to develop and implement recruitment, learning and development and leadership programs that address these factors from the beginning of an employee's career until they retire. Each entity will continue their process of identifying the most suitable learning initiatives and programs for their workforce through an annual and iterative training needs analysis. We will continue to host our annual Leadership Workshop and facilitate the Fairfax Co-op Program as well as continually investigate other ways that we can support our companies with the development of their employees.

## LEARNING & DEVELOPMENT RISKS AND MITIGATION STRATEGIES

A key risk mitigation strategy undertaken throughout our North American and International entities within learning and development is the creation of a Human Resources (HR) Working Group. These groups are made up of key HR management from each of our companies and is an opportunity for them to share ideas, challenges, and opportunities, enabling companies to learn from one another and replicate or iterate pre-existing initiatives. One such example of this is the Fairfax Asia leadership program, the content of which has been shared through the working group model with a view of it being adopted by other companies throughout the group.

Other risk mitigation strategies include strengthening relationships with current and additional educational partners to ensure we have a strong talent base to recruit from and continually supporting our employees with new learning and development programs to ensure they are progressing.

## SUCCESSION PLANNING

While we operate on a decentralized basis and allow our Presidents to manage their operations independently, Fairfax manages and holds ultimate responsibility for the succession planning process. As discussed above, all our entities engage in various key talent programs with an ongoing focus on competency and career progression. We annually review this progression and collect data on key successors for each entity along with associated conversations and engagement with the Presidents on suitability and readiness. This ensures adequate bench strength across the group in the event of the unforeseen loss, whether permanent or temporary, of any of our leaders at our companies.

# Employee Engagement

Integrated employee engagement programs together with a strong culture have helped us to stay connected to our workforce and enables our valued employees to feel part of Fairfax, their employer and to each other. Continuous engagement with our workforce will continue to be a priority for Fairfax and our companies evidenced through multiple initiatives, several of which are highlighted below.

## CEO Town Halls

Fairfax values the opportunity to check in with employees and welcome them into the Fairfax family. After an acquisition, or some time has passed since his last visit, Prem hosts town halls with our operating companies. Always energetic, open, and inspiring, Prem generally gives an overview of Fairfax, shares personal stories, and reminds employees of our long-term vision. Employees also can ask him any questions they may have.

With COVID-19 restrictions and precautions in effect around the world, Prem took his town halls virtual in 2020. Since the restrictions have lifted, Prem has continued in-person visits again supplemented by virtual town halls. It is fantastic to be able to visit our offices around the globe again, but there are benefits to hosting the town halls virtually as they are much more efficient for Prem as he can meet with all the companies quicker and more regularly. They also provide more employees with the opportunity to have access to the conversation. Since town halls are usually hosted at the head offices of our companies, employees who work in other regions with smaller offices are often not able to participate.

## Fairfax Newsletter & Blog

With 15,000+ employees across 22+ companies in 50+ countries, our Fairfax Newsletter and blog are one of the ways we help keep our employees connected to one another and engaged with our company values. Whether it's a Q&A series with our Presidents, topics on mental health or specific company initiatives, we strive to tell stories with purpose.

From articles on acquisitions to infographics detailing the ways we give back to our communities, the newsletter explores and celebrates the people and operations that make up our Fairfax family. In our decentralized environment, our newsletter provides a unique space for our employees to share their stories across continents.

## EMPLOYEE SHARE OWNERSHIP PLAN

We encourage all employees to be owners of our company through our Employee Share Ownership Plan (ESOP). Employees purchase Fairfax shares by way of payroll deduction and are supplemented by contributions from their employer. Our ESOP is open to all employees of our consolidated operating companies.

### LED BY FAIRFAX



**100%**  
CEO townhalls



**100%**  
Newsletter & blog

### LED BY THE OPERATING COMPANIES



**82%**  
Employee engagement survey



**97%**  
President/executive townhalls



**99%**  
Internal newsletter/intranet site



**90%**  
Process in place for employees to provide anonymous feedback

*Percentage of total employees that have access to the above employee engagement initiatives.*

# Employee Well-being

Fairfax and all our operating companies have implemented a variety of programs focused on our employees' well-being including mental, physical, and financial well-being initiatives, medical insurance, subsidized healthy meals and collaborative fitness facilities. Fairfax has partnered with Cleveland Clinic Canada over the last number of years. Cleveland Clinic continues to educate and partner with us in the development and dissemination of innovative solutions for employee health and wellness programs. These include assessments of current programs, executive physicals, virtual care and offering professional second opinions. In addition, Fairfax worked with Cleveland Clinic to develop a program entitled "Trailblazer" that focuses on improving employee, team and organizational performance through health and wellness. The program consists of multiple 90-minute sessions that can be done virtually or in person. Our companies' investments and focus on employee well-being together with these strategic partnerships demonstrate our commitment to the well-being of all our employees and their families'. Below we outline a few excellent examples of our companies' well-being programs and initiatives.

Crum & Forster offers a comprehensive and inclusive benefits program which recognizes the needs of a diverse workforce. Three healthcare plans are the foundation of the program, each offering extensive healthcare support but with different levels of affordability, making health care more accessible to everyone. In 2022, Crum & Forster continued enhancing their health and wellness services, by introducing resources to help employees manage student loan debt, increasing the lifetime maximum benefit for fertility care, adding free employee memberships to the Headspace

mindfulness app, and expanding virtual behavioural health resources under all medical plans. Additionally, a subsidized Weight Watchers® program, a comprehensive maternity support program, and team activity challenges help ensure Crum & Forster employees and their families have proper support. Crum & Forster was recognized in 2022 by leading organizations for their employee-focused programs, including the American Heart Association's Platinum level award for Workforce Well-being, Aetna's Gold Workplace Well-being Award and Dave Thomas Foundation's 100 Best Adoption Friendly Workplaces Award.

In 2022, Allied World's US employees were offered to participate in 12 one-hour-long Financial Wellness Education seminars hosted by Prudential; and 12 one-hour-long wellness sessions hosted by FitPros, which consisted of fitness classes and health talks. In addition, a one-hour Financial Wellness webinar was held in partnership with Allied's 401k administrator and retirement plan investment advisor. Additionally, monthly, all US Allied World employees are sent a "VitaMin" newsletter with wellness support information – topics have included "How to Prepare for your Annual Medical Check Up", "Cutting Costs on Health Care Bills" and "The Advantages of Antioxidants."

Zenith has a long-standing commitment to a culture of health. The cornerstone of their approach is a fully integrated medical and wellness plan that helps employees manage their costs through healthy actions, such as getting appropriate preventive care, engaging in physical activity, and knowing their health numbers. This approach has successfully managed their health care cost trend and allowed Zenith to keep employee contributions flat for eight

## GREAT PLACE TO WORK

RiverStone, a manager of global run-off business in the U.S., received certification from Great Place to Work® (GPTW), recognized as the global authority on benchmarking workplace culture. For more than 30 years, GPTW has been in the business of reviewing organizational programs, practices, and communications to identify what makes a great workplace.

RiverStone is committed to making RiverStone a great place to work and has been certified each time the survey has been conducted, since 2012. Flexibility in work arrangements, employee's ability to take time off when necessary, maintaining a commitment to the spirit of diversity, equity, and inclusivity, and participating in a range of community initiatives are some of the reasons RiverStone has consistently earned high engagement scores. All associates are engaged in crafting action plans to maintain and improve the culture and work environment when results of the survey are released.

GPTW provides a detailed response as to why a company has been selected and particularly called out RiverStone's strengths in making people feel welcome, and the integrity of the management team. 96% of RiverStone associates responded to the survey. With the overwhelmingly positive feedback received from the employees who participated in the GPTW survey. Notably, 80% of survey participants believe RiverStone is a great place to work, compared to 59% for the average U.S. company.

In addition to RiverStone, Crum & Forster, Southbridge (Chile), SBS (Colombia), and SBI (Uruguay) are GPTW certified.



years while adding valuable benefits such as fertility coverage, hearing aids and telemedicine for mental health. Since 2015, Zenith has emphasized holistic well-being for the employees and their families with robust benefit programs in four key areas: physical, financial, emotional and community. Examples include expert financial advisory for employees, emergency loan program, teen suicide prevention and eldercare resources, and a company-paid vendor that helps identify 529 college savings programs.

## EMPLOYEE BENEFITS

We are clear on the need to recognize and reward our people in line with performance, adopting a total compensation model across all our operations. We offer basic salaries benchmarked with the market, strong, competitive benefits and a discretionary bonus scheme that is simple, non-bureaucratic and based on company and individual performance. External benchmarking is utilized on an entity basis to ensure competitive and fair results focused compensation.



**100%**  
Healthcare benefits



**94%**  
Employee assistance programs



**78%**  
Part-time working options



**76%**  
On-site fitness center/  
subsidy towards  
gym membership



**100%**  
Flexible working hours



**99%**  
Working from home arrangements

## Employee Communication

Employee communication is a key focus throughout Fairfax, evidenced through numerous multifaceted communication initiatives within our companies. Two-way communication is facilitated throughout Fairfax through a commitment to scheduled performance conversations supplemented by informal catchups and communication sessions with our employees. Further examples of strong communication initiatives within Fairfax are outlined below.

Eurolife FFH introduced an innovative working model for the Greek insurance market, PLA|E, Plan - Learn - Adapt - Enjoy. PLA|E is a cultural transformation program and a new, fresh way of working that encourages people to stop doing what does not add value to their daily work while promoting a continuous improvement mindset. After four successful years, more than 400 initiatives have been implemented, half of which have direct customer impact and, to date, have resulted in a total of €2.4M in benefits and a 13% FTEs efficiency. The programs' Return on Investment has reached 32%. These ideas have

been carefully designed from Eurolife FFH employees to be results oriented and foster work life balance, improve x-functional cooperation, boost teamwork, reinforce honesty and transparency, but most of all create a work environment that people can enjoy and where they feel productive!

Additionally, to further foster employees' engagement and improve internal communication, Eurolife FFH has transformed its intranet to an interactive online environment, exploiting the collaboration tools provided by Microsoft Teams. The platform, MxEuDi, named to utilize the symbolic "union" of the names of the companies of the Eurolife FFH Group (**E**urolife **D**esignia **I**ntranet), while the Mx prefix emphasizes their commitment towards diversity, equality, inclusivity and being accessible to all on all devices. MxEuDi has become a hub for all aspects of the company including employee relationships and strengthens communication between employees, serving as a strong proof point for their teamwork, cohesion, and efficiency.

# Diversity & Inclusion

We highly value our employees' diversity of opinion, invaluable insight, and dynamic skills within our organization. With over 54% of our global workforce being female, we understand the importance of the multifaceted insight, talent, and diversity of opinion each of our employees bring to Fairfax. In addition to the programs and initiatives listed below within Fairfax's BIAC, our companies have implemented many other diversity and inclusion initiatives that encompasses the range of similarities and differences each individual brings to the workplace, including national origin, language, race, colour, disability, ethnicity, gender, age, religion, sexual orientation, gender identity, socioeconomic status, veteran status, and family structures. A few of these are highlighted below.

Brit has partnered with 'Code First Girls,' sponsoring seven interns who are completing their CFG (Code First Girls) Degrees (Nano degrees helping them to pivot into tech and data roles). Brit is committed to investing in coders of the future and creating space for more female tech talent within the industry.

Crum & Forster's sponsored Aetna medical plans has long provided coverage for a diverse range of health services, including supporting transgender individuals, such as expanding travel and lodging benefits to include gender affirming services and a dedicated support center to assist individuals through all phases of their experience. Additionally, Crum & Forster's inclusive gender pronoun initiative champions and supports LGBTQ+ inclusivity by making the use of gender pronouns an option for employees in their work environment, communications, and interactions with colleagues and policyholders it proudly serves which nor-

malizes the practice of sharing and respecting gender pronouns.

In London, Allied World piloted a 4-week internship program, along with a partnership with Career Ready (a UK-based social mobility charity focused on supporting young people who face barriers in education and employment due to their socioeconomic situation). Six interns participated in the program, including four students from Career Ready. The program had many structured sessions, department presentations, networking opportunities, external training sessions, and career talks. Interns also attended the company's "Our World" onboarding presentations, which gave them an opportunity to learn more about Allied World globally.

The 'Learnership Program' at Bryte has been in place for many years - selecting young people from severely disadvantaged backgrounds with an associated absence of education to participate in a work induction program incorporating basic etiquette, communication, and technical skills. The aim of this program is to transition these participants into roles within Bryte.

Zenith has implemented Business Resource Groups (BRGs) that are company-approved organizations of employees with common interests, backgrounds, or goals, such as ethnicity/race, generations, caregivers/parents, veterans, or sexual orientation. BRGs leverage the talent and skills of employees from various cultures, support Zenith's business initiatives, enhance the company's brand, encourage innovation and multicultural marketing insights, improve collaboration and information sharing, offer employees a sense of

## BLACKNORTH INITIATIVE

Fairfax has worked hard to drive the Black North Initiative forward in a meaningful way. Established in June 2020 by Wes Hall, the BlackNorth Initiative seeks to drive social change starting in Canadian boardrooms. To ensure maximum accountability, the pledge was signed not only by each participating company, but by the President as well. Companies and Presidents all over the world have opted to take local responsibility to use this platform to make a difference and Fairfax is proud to be a part of the conversation and to help drive change.



community, belonging, and familiarity with the organizational culture, and increase employee satisfaction and retention.

Northbridge launched their second annual voluntary Diversity, Inclusion, and Belonging (DI&B) Survey allowing them more insight into the issues, challenges, and perspectives of their employees. They received solid scores on the Inclusion Index, which measures whether employees feel valued, are comfortable being themselves, feel like they belong, and feel they're

# FAIRFAX BLACK INITIATIVES ACTION COMMITTEE

In 2020, Fairfax launched the Fairfax Black Initiatives Action Committee (BIAC) tasked with developing recommendations on what Fairfax could do to address anti-Black systemic racism.

1

## FOUNDATIONAL

- Established D&I Committee
- Hosted listening sessions with employees
- Policy language prohibiting any form of discrimination and process for reporting
- Provide employee assistance programs for support discussing experiences
- Conducted an employee engagement survey including perception of inclusion and diversity
- Diversity resource hired or consultant engaged

### HIGHLIGHTS



Launched voluntary self-identification demographic data collection  
(Odyssey and Northbridge)



Launched Employee Resource Groups (ERGs)  
(Brit, Crum & Forster, Riverstone, Zenith and Northbridge)

2

## EXPANDING THE TALENT POOL

- Increased recruitment activities/partnerships with colleges, universities (in U.S. HBCUs), professional associations, non-profits that are focused on black and visible minority groups
- Enhanced external careers page with diversity and inclusion messaging
- Internship/apprenticeship programs created or enhanced to increase diverse representation

### HIGHLIGHTS



Provided anti-bias training for recruiters and hiring managers and/or removed bias from recruitment practices  
(Crum & Forster, Northbridge, Riverstone and Brit)



Launched Employee Resource Groups (ERGs)  
(Brit, Crum & Forster, Riverstone and Northbridge)

3

## MENTORING/ COACHING

- Mentorship program created or enhanced to attract historically under-represented groups

### HIGHLIGHTS



Implemented reverse mentoring programs  
(Brit, Odyssey and Zenith)

4

## COMMUNITY ALLIANCES & PARTNERSHIPS

- Support charitable organizations that provide support for diverse communities

### HIGHLIGHTS



Review of procurement process completed to ensure D&I principles are being applied  
(Allied World, Brit, Crum & Forster, Northbridge and Riverstone)



Provided scholarships for visible minority youth  
(Crum & Forster and Northbridge)



Zenith donated \$1M to Thrive Youth programs



Mentorship for high school students from at risk backgrounds in partnership with Foundation for C.H.O.I.C.E  
(Allied World)

5

## EDUCATION

- Communications/events celebrating Black History Month and other cultural awareness celebrations

### HIGHLIGHTS



Unconscious bias training  
(Brit, Northbridge, Odyssey, Riverstone and Zenith)



Monthly micro-learning sessions  
(RiverStone)

6

## PROMOTION & ENRICHMENT

- Implemented DI&B strategies with long term focus of diversifying talent pipeline and driving representation in leadership

### HIGHLIGHTS



Sponsored four employees in the Lloyd's leadership program  
(Brit)



Partnered with NAAIA/Korn Ferry Leadership U; a six month three-phase leadership program  
(Crum & Forster)



treated fairly. Additionally, they saw progress in their recruiting efforts to hire more diverse people, especially in the categories of people who self-identified as newcomers to Canada, being part of the LGBTQ2S+ community, or having a disability. Overall, their scores for many questions in the survey have increased year-over-year and most of their results benchmark well above others in the industry and across Canada.

The entity-based initiatives outlined above represent Fairfax's commitment to diversity and inclusion with 92% of our employees being exposed to at least one diversity and inclusion initiative annually. Notably, our North American companies have led the way with 100% of employees having access to diversity and inclusion programs.

## Gender Equality

We are committed to ensuring that gender pay equality exists within our head office as well as in all our operating companies. We have worked continuously to address the gender pay gap at all levels of our institutions and there are many examples of how gender pay equality is achieved in our companies.

RiverStone is committed to ensuring equity within gender pay and provides training and guidance to all employees to achieve this goal. To monitor their progress and stay accountable RiverStone performs an

annual gender pay gap audit and compensation review. To inform this process, RiverStone subscribes to an annual international benchmarking survey which provides market specific data not only within the U.S. but also internationally. In addition, RiverStone considers other factors such as market data surveys provided by other sources and economic factors such as skills shortages and labour demand. RiverStone uses this data as a guide when reviewing compensation within their organization to ensure that they remain market competitive and fair.

Fairfax LATAM, which provides general insurance through its subsidiaries located in Argentina, Chile, Colombia, and Uruguay, has successfully eliminated the gender pay gap within their organization. To achieve this, they have implemented a specific DE&I policy, and a yearly payroll review to validate that all employees are remunerated in an egalitarian manner. Notably, Fairfax LATAM is close to achieving a 50/50 split in all key management positions.

# 92%

**of our employees  
have access to at  
least one or more  
of the following diversity  
initiatives:**



- Managerial or board responsibility for diversity initiatives
- Training and guidance regarding diversity and inclusion
- Diversity councils
- Mentorship programs in place
- Employee affinity groups/networking groups
- Diversity monitoring or audits
- Organization ensures an equitable path for all employees to qualify for advancement

# Customers

Fairfax continues to deliver a customer-centric experience by placing the customer's needs at the heart of our service offerings.

We achieve this by maintaining an open and interactive relationship with all our customers and brokers by conducting surveys, providing educational material, and engaging in two-way feedback initiatives enabling a greater understanding of their evolving requirements. Our companies also provide their employees with customer service training to ensure they are providing effective communication and service to all customers. Within the following sections we outline examples of how our companies are continually engaging with their customers.

**34 Risk Services**

**35 Improving Customer Experiences with the Use of Technology**

**37 Sustainable Insurance Initiatives**



# Risk Services

Several Fairfax insurance companies provide value-added Risk Control services that support underwriting excellence, claim cost reduction, and customer experience. Many of our operating companies employ safety and risk control professionals who operate with a blend of deep technical skill, industry knowledge, and customer focus.

Risk Control teams contribute to sound risk selection and pricing by providing Underwriters timely and comprehensive risk profiles of prospect, new, and renewal customers. This gives Underwriters valuable insight into policyholder business operations, management, hazards, prior claims, and the adequacy of safety controls.

Risk Control professionals also consult with customers to help them keep their business safe and productive. They periodically visit customer locations and meet with management to define and address risk control priorities. Value-added technical assistance, training, and recommendations are provided to help customers prevent incidents and control their claims costs.

In addition to on-sight consultation, our operating companies also offer customers comprehensive safety and risk control information, tools, and resources through

online, virtual platforms. This gives current customers 24/7 self-serve access to valuable employee training programs, sample policies, forms, checklists, compliance tools, program templates, and Best Practices guides. Below are examples of Risk Services Teams at our operating companies and the work they do to prevent client losses.

In 2022, Crum & Forster's risk engineers conducted over 3,200 surveys with insureds to evaluate individual risk profiles, design customized risk improvement programs, and provide special safety and fire protection services. To support safety culture/risk improvement development and maintain risk awareness, Crum & Forster's risk engineers provided over 120 in person training events. Risk engineering also offered free access to two online safety video portals containing 800 titles with built in quizzes to validate knowledge. Over 600 clients have registered for/ utilized the free video training portals. The training helped insureds to educate employees on safety and fire protection, achieve regulatory compliance, and promote loss mitigation. The free client resource website "CF Connect" was launched in 2022 offering various safety, fire protection, and regulatory compliance supportive resources for contractors, restaurants, hotels, and healthcare. To be sure its insureds were satisfied with its

training and educational programs/tools, Crum & Forster sent 1,000 customer surveys to solicit feedback and identify additional training opportunities.

Northbridge's Risk Services team includes almost 70 dedicated risk management and loss prevention professionals. This group of industry-specific experts work proactively to help their customers understand and manage their risks. In 2022, their Risk Services experts completed nearly 6,000 risk assessments and service visits for Canadian businesses. During these assessments, risk consultants assist customers with developing best practices, detecting potential hazards, and identifying where operations may not be compliant with codes and industry standards. Their customers trust them to help them build out comprehensive strategies that help protect their business.

Zenith's safety and health consultants identify employee injury and illness exposures and provides workers' compensation workplace safety services. They recognize workplace hazards and implement corrective actions before injuries occur, review policyholder employee management practices, including hiring, training, orientation, and supervisor accountability, and enhance safety controls to help policyholders reduce claims and overall business costs. Zenith helps its customers through evidence-based consulting to understand causation of accidents to make workplaces safer, which protects people from serious injury, protects their livelihood and ensures that customers do not have the disruption and cost of injuries and accidents to their business.



Percentage of operating companies engaged in the customer initiatives listed above.



# Improving Customer Experiences with the Use of Technology

Many of our companies continue to improve their customer experiences and enhance their operations using technology, introducing cutting-edge machine learning tools to optimize and tailor each individual customer's experience. Below we discuss some of the unique programs and technological advancements our organizations have put in place with a clear focus on our customers.

Brit partners with the Geospatial Insurance Consortium, an aerial imagery provider that produces high-resolution images before and after a natural catastrophe, such as a hurricane or tornado. Brit's Data Science team then applies machine learning techniques to these images which then classifies the extent of damage to Brit's property exposures following the catastrophe. Setting up a collaborative working group across Data Science, Claims and Risk Aggregation teams, a solution was designed to run in the aftermath of a hurricane or tornado over Brit's entire impacted portfolio. This classification provides Underwriting, Claims, and Actuarial teams with a high-level understanding of the extent of the damage in a short timeframe and provide a valuable dataset to support delegated adjusters. By understanding the level of a catastrophe sooner, Brit can pay claims quicker, allocate resources more efficiently and provide faster and more objective support to underwriters.

Brit has also implemented a 'Faster Claims Payment' initiative, which is a transformative solution to allow delegat-

ed claims administrators to make payments on request, drawing down on Lloyd's managing agents funds directly. Faster Claims Payment has been adopted by the Lloyd's Market and so this is now benefiting a wider group. This innovation won the 'Best use of Technology' at the 'British Claims Awards', and 'Claims initiative of the year' at the 'Insurance Times Claims Excellence awards'.

With a strong emphasis on exceptional service and innovative products, Northbridge continues to seek new ways to help Canadian businesses and brokers succeed. In 2022, Northbridge Insurance launched its largest digital investment for their broker partners. Partnering with leading Broker Management System (BMS) vendors, they successfully launched an automated submission and quoting process for Small Business customers. This innovation investment delivers full submission and quote integrations utilizing API (application programming interface) connectivity and enables brokers to obtain a bindable quote within their management systems. For customers, this translates to a streamlined quoting process so they can receive fast, simple, and fair coverage.

Northbridge also launched their express mobile claims tool for simple claims like a minor fender bender that leaves drivers unscathed but their cars in need of a paint touch-up. The tool can help customer's document damages in real time and communicate with an adjuster to get the claim process started within minutes. By snapping a photo of the damage with a smartphone and sending it



directly to Northbridge's Claims team, they can get started right away and their appraisers can create a report of the damages that helps their expert adjusters settle the claim in as little as one business day.

Universalna, a P&C insurer based in Ukraine, has built a modern telematics system that users can download onto their smartphone for measuring driving behaviour. This innovation means there is no requirement for an additional installation of a device in the vehicle and the client can receive auto insurance discounts for driving style and frequency of vehicle use.



The Fairfax Innovation Award was created in 2017 to recognize teams at Fairfax operating companies whose innovations have had a transformative and positive impact on their organizations. In 2022, an impressive 25 initiatives from 12 Fairfax companies around the world were submitted. A diverse range of innovative projects were received, and it was evident that technology is being used to improve the customer experience by several of our companies. Below are details on the winning innovation as well as the finalists.

#### ***Gulf Insurance Group (GIG) - Auto Parts Solution | Our 2022 Fairfax Innovation Award Winner***

GIG Jordan identified the opportunity to improve their motor claims process, through developing the “GIG Auto Parts” digital solution. This solution leverages GIG Jordan's direct integration with the police and traffic department to collect accurate accident data instantly and automate the parts

ordering and repair process. It also offers real-time tracking and updates to customers, improved pricing and repair quality control, and the ability to estimate correct pricing based on previously entered motor parts information.

#### ***Brit - Faster Claims Payment***

Brit has streamlined the claims process and moved another step closer to fully digitalizing, where appropriate, the claims adjusting and settlement process. By coupling the power of its in-house built machine learning algorithm, with the ability to pay agreed claims faster through instant access to funds via the Lloyd's Faster Claims Payments solution, Brit has helped transform property claims adjusting.

#### ***Digit - Instant Customer Sentiment Detection Model***

Digit's Sentiment Analysis is an AI-based customer sentiment detection model which has been built in-house and has been trained to capture live audio as well as text-based sentiment when a customer calls their customer care number. The Sentiment Analysis Dashboard highlights the real-time sentiment of the customer along with key call parameters which lets the Team Leads monitor all ongoing calls for any instances where the customer might be irate and make timely interventions during these live calls to help the agent resolve the issue immediately.

#### ***Eurolife FFH - PLA|E***

Eurolife FFH introduced a new working model for the Greek insurance market, PLA|E, Plan - Learn - Adapt - Enjoy. PLA|E is a continuous improvement and cultural transformation program that encourages their employees to stop doing what doesn't add value to their daily work and promotes an innovative mindset. After four successful years, more than 400 initiatives have been implemented from employees' ideas, half of which have direct customer impact and have brought cumulative €2.4M in benefit and a 13% FTEs efficiency, to date.

#### ***Northbridge - Business Operations Model (BOM)***

Northbridge's BOM solution leverages AI/machine learning to support underwriting in validating their customers' operations. BOM leverages a natural language processing model to find information about the company and uses the information to provide five predicted industry codes that aids in risk selection. A second model leverages deep learning to review information to flag high hazard operations that may not be in their risk appetite. By validating the industry code and flagging high hazard operations, the advanced data driven solution helps Northbridge have confidence to automate underwriting.

# Sustainable Insurance Initiatives

At Fairfax, we pursue various types of sustainable insurance initiatives including affordable insurance schemes that serve low-income social groups in developed and/or developing countries as well as others that support the environment. Many of our companies have these types of initiatives in place. Below we provide details on examples of what our companies have implemented.

Fairfax Brasil provides coverage for small farmers who participate in the National Program for Strengthening Family Agriculture, who receive special support from the public and private sectors to keep small production regions sustainable. Fairfax Brasil also provides better rates for farmers that protect the forest areas of rivers. Working in tandem with another Fairfax company, Farmers Edge, they utilize satellite technology to monitor farmland and ensure the proper usage of water. The other strategic ESG advantage they offer is aimed at helping jaguars – who hold a significant role at the top of the food chain. For farmers in Brazil, jaguars are a threat to their livestock. Usually, insurers will start to pay after 50 losses, so farmers often kill jaguars to protect their livestock. To protect the endangered animal, Fairfax Brasil offers coverage starting with the first loss.

Redwoods (part of Crum & Forster) exclusively insures community and youth-serving organizations, the majority of which are mission-driven non-profits that focus on creating positive change within their local communities. Because of this narrow focus on specific, socially responsible customer groups, Redwoods has developed underwriting standards that require

an investigation into both the community-focused mission of the insured/potential insured, as well as their operational and governance practices. Specific factors investigated include the organization's employment practices, leadership involvement in the organization's mission, equity and inclusion practices, and the demographic groups served by the organization. This investigation is generally done pre-quote as a means of integrating factors regarding ethical and socially conscious business practices into the underwriting process and decision. This investigation requires the insured's leadership to be involved, so that they are bought into Redwoods model and values.

Zenith is involved in over 100 agricultural associations, educational institutions, and community organizations in California in support of their largest business segment – California Agriculture. The value of their support goes beyond financial contributions and membership fees, and includes active participation, dedicated resources, and volunteerism of time. The engagement helps Zenith keep abreast of key issues that impact the agricultural industry such as environmental, political, labour, economic and climate issues. Zenith's engagement with agricultural associations is enabling the team to reach a diverse population, such as future agricultural leaders, farmworkers, various types and sizes of agricultural businesses, including small family farms. Zenith is committed to helping their customers and the industry as a whole with their long-term sustainability, including the health and safety of the employees.

## BUSINESS CHOICE

### ENVIRONMENTAL UPGRADE

Northbridge offers a Business Choice Environmental Upgrade, a program they developed to cover the additional costs of upgrading a building using Green Certified products after a property loss. They also offer an environmental upgrade extension under their core property wording that allows a customer to rebuild using 'green certified' products (products, materials or modes of construction that are Energy Star or Canada Green Building Council/LEED Canada rated or accredited). These costs would normally be outside the definition of replacement cost and not covered.



# Community

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We believe that, as a company, being successful also means supporting our communities.

As family values lay at the center of Fairfax, giving back to those in need is part of Fairfax and all our subsidiaries' DNA.

Fairfax is dedicated to supporting the communities in which its employees and customers live and work as we believe in doing good by doing well. Serving those most in need through volunteerism, corporate and employee contributions, regional events, matching gifts, and responses to disasters brings the company's values to life.

- 39 Ukraine Support**
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# Ukraine Support

The Fairfax Ukraine Support Operation continues, as it has since the early days of the invasion in February of 2022. Behind the leadership of our three local Presidents, Fairfax, along with our entire global network, have been working together to do whatever we can to support our employees, their families, our customers, shareholders, and communities at large – just as we always do.

Our three insurance companies in Ukraine – Colonnade Ukraine (acquired in 2015), ARX (acquired in 2019), and Universalna (acquired in 2019) – collectively form the largest property and casualty insurer in Ukraine, writing approximately \$140 million in gross premiums in 2022.

The Fairfax Ukraine Support Operation, led by our global corporate resilience and readiness team, continues to advise, and assist our leaders on the ground, supporting both our employees who are in Ukraine and those who have relocated to neighbouring countries. These crisis response and readiness experts, in conjunction with the strong foundational support provided by the regional Colonnade executive leadership group, have been assigned ongoing roles to manage the ongoing joint support operation, collaborating directly with our Presidents in Ukraine and our global operating companies around the world.

The ongoing support efforts can be categorized into five primary “Lines of Effort”:

1. Contingency Planning
2. Emergency Evacuation
3. Relocation & Resettlement
4. Equipment & Supply Logistics
5. Special Events

## Contingency Planning

Early on, the three Presidents and the Fairfax Ukraine Support Team created and implemented a robust contingency plan, including training and preparing for:

- Evacuation protocols
- Safe-house operations
- Medical response
- Contingency communications
- Critical equipment procurement and distribution

A sophisticated satellite communications network was also established, and equipment was issued to key Fairfax and local company stakeholders across the country to ensure communications capabilities remained intact in case the networks go down due to damage or signal jamming.

## Emergency Evacuation

To further support the contingency plan, a specialized evacuation team was formed, capable of reaching the front lines of the war to provide emergency evacuation services or equipment delivery. This team has recently received training in basic CBRN (Chemical, Biological, Radiological, Nuclear) awareness and support contingency operations. The team consists of former Ukrainian military service members and is appropriately equipped to move through dangerous areas to distribute critical medical support or evacuate employees and families.

## Relocation & Resettlement

The housing and ancillary support infrastructure, both within Ukraine and across surrounding countries, con-



tinues to serve as a safety net for any displaced employees or family members. Fairfax has invited all Ukrainian employees and their families to utilize the housing portfolio, based on their own individual needs, choice, and comfort. Professional support coordinators have been assigned in most of the surrounding countries to provide wraparound services including both educational assistance, language support and refugee family services. Coordinators speak both Ukrainian as well as the native language of their respective country, to ease the transition and assist with relocation.

As of August of 2023, we have evacuated 56 Fairfax families, including 11 families who were transported directly from the front-line. We’ve also assisted dozens of employees and their families with arranging and booking public transportation, private vehicle transportation, and special charter service, both to and from Ukraine.

## Equipment & Supply Logistics

Critical equipment continues to flow to our Ukrainian insurance companies as well as their employees and families. To date, 209 metric tons of food, medical/protective equipment, clothing, power, and communications equipment have been delivered throughout Ukraine. Equipment ranges from medical supplies to mobile backup power, and from satellite communications to heating systems. Additional drivers remain on call with thousands of liters of diesel and gasoline (reserves) stockpiled throughout Ukraine to facilitate the continuity of operations despite likely supply chain difficulties. To support these supply efforts, the team established a Ukrainian-based NGO to serve as a logistics partner to augment the relief team's capacity to sustain cross-border and in-country operations.

## Special Events

To continue to provide comprehensive support, the operations teams have organized and led eight "Family Field Days" (mental health therapy and medical training events) in Ukraine and Poland, attended by 1,129 participants (employees and family members) from across the three companies. Additionally, there were seven mental health webinars, the delivery and translation of Cornerstone's open-source disaster ready mental health material as well as Cleveland Clinic's mental health material and the coordination of host-nation language classes and schooling for children.

As the war wages on, we remain committed to the ongoing support effort behind our Ukrainian company leaders, their employees, our extended Fairfax families, and the communities in which they live and serve. Our thoughts and actions remain directed at the Ukraine Support Operation, as we commend the resilience and leadership demonstrated by our employees in-country and are deeply grateful for the unwavering contribution from those who continue to give so much of their time, resources, and energy to this worthy cause.

## COLONNADE'S SUPPORT

As the Fairfax company in closest proximity to the war in Ukraine, Colonnade's primary focus of charitable action in 2022 was to support our Ukrainian employees and their families, as well as Ukrainian society at large. In 2022, Colonnade assisted and financed several staff and their families to find safe short or long-term shelter in Poland, Slovakia, Hungary, Czech Republic, Romania, and Bulgaria and made financial contributions to cover housing and general daily expenses. Colonnade also built a donation fund and organized donation campaigns where employee's donations were matched by Colonnade. This has been used to purchase lifesaving medical equipment for Ukrainian hospitals.

Colonnade also offered various types of support, including transportation, clothing, food, groceries, household equipment and volunteered to be mentors for families and individuals in need. Working with the wider Fairfax Group, they are also providing schooling, medical and mental health support, housing, social events, and support for those who choose to seek a safe place outside Ukraine.



# Community Programs

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Brit's Outreach Program is run in partnership with GT Scholars, working with young people in schools (aged 11-16), giving them exposure to insurance as a future career choice through challenge gamification. This program gives back to our communities by targeting children from Black, Asian and minority ethnic backgrounds, mostly in lower socio-economic geographies. As a result of the program nearly 800 schools took part in the challenge and 25 winners spent a day at Brit's offices meeting employees, listening to presentations, and using the Geospatial Technology mentioned above to complete a new task. Brit also provided employment to over 200 people in East Africa, over half of whom were women, by providing and sponsoring the provision of environmentally friendly burn efficient cookstoves.

AMAG participated in a project to ensure constant and sustainable access to clean water in the southernmost province of Indonesia by funding the construction of wells and sanitation facilities for access to clean water and hygiene. AMAG also participated in planting 1,000 mangrove seeds as a concrete example of AMAG's commitment to realizing sustainable development goals through environmental aspects. Additionally, in collaboration with local philanthropic institution, AMAG has launched an Empowerment Vocational Student Program in four schools across two cities in the West Java province to help develop students' skills in Digital Marketing and Graphic Design as well as their leadership and creativity. In 2022, AMAG initiated fundraising for victims of a 5.6 magnitude earthquake in western Java. Funds collected were distributed to the disaster victims in the form of personal hygiene items, baby supplies, and blankets.

Northbridge supports and encourages its employees to give back to the community through its Volunteer Grant program. The program rewards any employee who commits 40 hours of their spare time to a charitable initiative by donating C\$500 to that organization. Northbridge also has committed to match any employee donation for charities that fall within their donation guidelines, up to C\$1,000 annually. Just as they pledge to double their employees' donations, they increase the impact of contributions from their Inner Circle broker partners by matching the donations made by their brokerages up to C\$5,000 per year. Northbridge introduced the Broker Donation-Matching Program in 2015, and they've seen incredible results since it began. In 2022, they matched over C\$118,000 in donations.

Eurolife FFH in Greece and HOPEgenesis, a non-profit company operating in the health and social welfare sector, joined forces against low birth rates in remote areas within Greece, an issue with many socioeconomic effects. Through this collaboration, Eurolife FFH supports HOPEgenesis' efforts, by "adopting" 10 remote areas and their permanent residents. The company assists young couples who want to have children in several ways including maternity expenses coverage, support during pregnancy and safe transport to hospitals and maternity clinics. Eurolife FFH is also supporting the creation of nursery schools in each area, and they are trying to raise awareness on the issue by conducting research in collaboration with academic institutions, highlighting the factors that prevent a young couple from having children. So far, the program has resulted in the birth of 150 babies with another 30 being due, and four nurseries inaugurated with six being under construction.

# Volunteerism

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Our organizations and employees take an active role in volunteerism by joining various community initiatives and organizing events to raise donations. We empower and encourage our employees to engage in our communities by volunteering actively. Our North American companies have led the way within Fairfax as 100% of our employees in the region are offered volunteer days to give back to their local communities or charitable organizations, they feel passionate about. Globally, over 72% of our employees are also offered the same benefit.

The Odyssey Group Foundation held an Earth Day event in Stamford, Connecticut this April to demonstrate support for environmental protection. Odyssey teamed up with its charitable partner, Future 5, for a Coastal Cleanup at Stamford's Bocuzzi Park organized by SoundWaters, a community group dedicated to protecting and preserve the Long Island Sound. Together, volunteers collected and removed over 300 pounds of garbage and debris. In June, eight OdysseyRe and Hudson employees raised \$45,000 by shaving their heads to raise awareness and support of juvenile cancer research for the St. Baldrick's Foundation. The Company's support of St. Baldrick's dates back to 2007, and Odyssey has raised more than \$1.1 million to date. In July, London Market employees participated in the Standard Chartered Great City Race, London's premier corporate running challenge. Team OdysseyRe/Newline chose to fundraise for Fuel Bank Foundation, which provides emergency financial support for those with no heating or the means to cook hot food.



Zenith is dedicated to supporting the communities in which its employees, customers and agents live and work. Zenith employees came together in 2022 for their third annual Give Together Campaign, during which employees participate and build camaraderie in charitable engagement activities. Each year, Zenith selects two or three charity partners to support. For example, in 2022, the theme was “Connect Together,” and the goal was to spread wellness and encourage employees to participate in meaningful volunteer experiences for their two nationally selected charity partners – Boys and Girls Clubs of America and Meals on Wheels America. Zenith is excited to engage as a united community to support Boys and Girls Clubs of America, whose club programs seek to ensure the academic and personal success of every member while encouraging good character and a healthy lifestyle. Meals on Wheels is a nationwide network of community-based, non-profit programs dedicated to providing seniors in their communities with the support that enables them to remain living in their own homes, where they want to be.

Giving back to those in need is part of the Northbridge DNA and team volunteer days are something Northbridge encourages employees to participate in. They offer a day off for both teams gathering to volunteer together, and for individuals from their offices across the country to serve their communities. Here’s a couple examples on how some of their employees demonstrated their support. Members of the Customer Innovation & Experience Team got together at Dress for Success’ Toronto boutique to sort through donated clothing and accessories and helped get the boutique organized for their clients. Dress for Success is a charity that empowers women to achieve economic independence by providing a network of support, professional attire, and development tools. To support childhood nutrition, the Actuarial and Underwriting teams participated in the Feeding Our Future program. The team worked on the assembly lines packing food to help the program reach their goal of distributing over 17,000 nutritious food kits to children in need. These deliveries have become increasingly important to children experiencing food insecurity during the last few years.

## **SOUTHBRIDGE - CERTIFIED B CORPORATION**

Building a more sustainable future has been at the heart of Southbridge’s strategy since joining the Fairfax family several years ago. With a clear focus on the economic, social, and environmental impact of their business – Southbridge became the first B Corp-certified insurance company in Latin America in 2022.

With high standards around things like inclusion, diversity, accountability, and transparency – B Corp companies have a personal, institutional, and legal commitment to make decisions that consider the long-term consequences of their actions on the community and the environment.

One of the ways Southbridge is putting its community first in Chile is by making insurance more accessible to people who don’t usually have access to it – including seniors, new immigrants, and single mothers. Not only are they developing new insurance products that are tailored to the needs of their community, but they’re also providing them access to an entire ecosystem of support.

By embracing the original purpose of insurance (to mitigate risk and to aid people in need), Southbridge is helping to build a more inclusive economy and a more sustainable future in Chile – and beyond.

### **B Impact Score**

Based on the B Impact assessment, Southbridge earned an overall score of 87.7 (a score of 80 qualifies for B Corp Certification). The median score for ordinary businesses who complete the assessment is currently 50.9.

[\*\*Learn More About Southbridge’s B Corporation Certification\*\*](#)

# Philanthropy

With a target of 2% of our pre-tax earnings going to charitable causes, our donations program continues to thrive across the communities all over the world where we do business. In 2022, we donated \$26 million, for a total of \$288 million since we began our donations program in 1991. This excludes the personal donations and time given by our leaders and employees. Over the 32 years since we began our donations program, our annual donations have gone up approximately 147 times at a compound rate of 17% per year. Our history of donations is consistent and entrenched in our culture, further evidenced by strong employee engagement in our charitable initiatives and donations.

A core principle of our philanthropy effort is not just supporting causes but supporting our employees to support their causes. A mechanism we use to do this is through offering a donation matching program. In 2022, all our top seven companies offered donation matching programs. Globally, over 73% of our employees are also offered the same benefit.

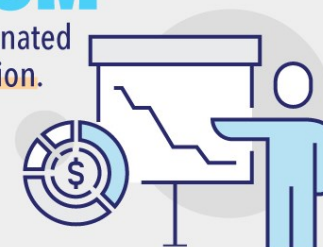
Each organization has autonomy to decide which charity they would like to donate to, which results in our employees becoming engaged and passionate about raising funds for causes they feel strongly towards and often includes local causes. These charities and organizations include Make-A-Wish Foundation, Blood Cancer UK, Soweto Academy Kibera, HOPEgenesis, Jack.org, SickKids Foundation, UNICEF, America Red Cross, Thrive Scholars, Food Banks Canada, and Boys and Girls Clubs of America. In addition, there are numerous philanthropic efforts our organizations are proud of, several of which are detailed below.

In May 2023, Odyssey Group announced a new partnership with the University of Washington Foundation to support the continuation of the Kelsey Dickson Team Science Courage Research Award with a pledge of \$1.5 million over the next three years. The Kelsey Dickson Team Science Courage Research Award was established in 2015 when the Odyssey Group Foundation and Fairfax issued a grant of \$1 million in support of ongoing research into the causes of, and treatment for Merkel Cell Carcinoma (MCC). This research has resulted in one-year survival rates for MCC rising by a factor of 10 (from 5% to 50%), with immunotherapy becoming the new standard care for advanced MCC, and the first-ever FDA-approved drug for the treatment of the disease. 2023 also marked the Foundation's biennial Employee Nomination Campaign, which directs \$2.7 million to over 150 global charities. Through this campaign, the Foundation supports local charitable organizations that are focused on disaster relief, cancer research, healthcare, human services, and education.

Crum & Forster is committed to supporting the local communities where its employees live and work and donated over \$2.5 million to charitable organizations throughout the U.S. in 2022. Corporate giving included an emphasis on supporting education for all stages of a person's life through organizations such as Tri-County Scholarship Fund and the National Merit Scholarship Corp. Crum & Forster is committed to providing support to those interested in careers in Insurance by supporting The Actuarial Foundation's S.T.E.M. Stars Program and St. John's University. In addition, the employee-led Charitable Impact Committee supported homeless shelters, animal rescues,

## ANNUAL DONATIONS

Over  
**\$288M**  
has been donated  
since inception.



LGBTQ+ centers and educational institutions. Crum & Forster's seven Employee Resource Groups focused charitable giving on organizations aligned with their respective missions, including SAGE (the country's oldest and largest organization dedicated to improving the lives of LGBTQ+ older people), United Negro College Fund (whose mission is to build a robust and nationally recognized pipeline of underrepresented high-school students who become highly-qualified college graduates), Heart of Dinner (whose mission works to directly address food insecurity and isolation experienced by Asian American seniors) and Girls on the Run (an organization that reaches girls at a critical stage, addressing the connection between physical and emotional health and strengthen their confidence).

During 2022, Matthew Wilson (former President of Brit) and his family established The Matthew Wilson Multiple Myeloma Fund, working closely with Blood Cancer UK to support the search for earlier detection of blood cancers, enhanced quality of life for patients and research for new cures. Brit donated £550,000 to the Fund in 2022 and helped raise £2.5 million at a gala with a target of raising a further £2.5 million in 2023. Also in 2022, Brit donated to the Disaster Emergency Committee supporting the Ukraine Humanitarian Appeal, which aids those displaced by the conflict both inside Ukraine and in neighbouring countries, and continued to support its flagship initiative, the Soweto Academy, a school situated in the largest impoverished area in Africa, in order to fund teachers' salaries, school uniforms, equipment and pupil transport so that the Academy could continue its vital work in providing education and a safe haven from abuse and poverty.

Allied World supported a variety of charities and community projects focused on education, healthcare and addressing social challenges in 2022. Beneficiaries included the Family Center, Habitat for Humanity, Make-A-Wish Foundation, The Matthew Wilson Multiple Myeloma Fund, Society for the Blind, St. Baldrick's Foundation and Support Dogs. A significant donation was also given to the International Rescue Committee to support critical aid for families displaced by the war in Ukraine. Additionally, Allied World continues to support the National Wildlife Federation to research how natural systems can be used as a risk mitigation tool, as well as Career Ready, a charity committed to providing every young person, regardless of background, the opportunity to kickstart a prosperous and rewarding future.

In 2022, Zenith made donations of \$1.2 million focused on serving those most in need through volunteerism, corporate and employee contributions, regional events, matching gifts, and responses to disasters. Many organizations have multi-year commitments from Zenith and include the American Red Cross, and institutions that support a variety of causes such as children with special needs, mentoring and university scholarships for high-achieving students of colour, leadership training for the California Agricultural industry, various community food banks, and support for other at-risk populations, as well as educational and community healthy related organizations.

RiverStone donated to over 60 organizations in 2022 focusing on reducing food insecurity, providing educational opportunities, supporting veterans' needs and more in the communities where its associates live and work; made a special donation to aid the humanitarian crisis in Ukraine; and made its first-ever environmental grant to support the conservation of land, water and wildlife in southern New Hampshire; and continued its 3:1 donation matching benefit grant program and the associate-led Community Support Committee providing significant financial support to causes and organizations that are important to its associates.

Following one of the most devastating floods in South Africa's history, affecting the KwaZulu-Natal Province, Bryte supported the affected communities by donating to Gift of the Givers, which coordinated community support and recovery. Bryte also continued its focus on supporting youth development through ongoing investment in its partnership with the Maharishi Institute.

At Fairfax LATAM and its subsidiaries in 2022, employees worked as a team to refurbish a neglected rural school in Colombia, giving more than 40 children a better place to study; through the Corazon Verde Foundation, educational support was provided to more than 100 orphans of the Colombian National Police force; ten scholarships were granted to young people from one of the most vulnerable areas of Uruguay to help foster a brighter future and break the cycle of poverty; and assistance was provided to children in Chile (and Ukraine) in various vulnerable situations, including children in foster homes, children with disabilities and children from 33 vulnerable communities.



# Governance



Our decentralized company is led by a Board-appointed Lead Director to ensure the independent functioning of the Board and empowered Presidents running each of our 22+ insurance companies independently at the local level.

Being close to the business allows them to make the right decisions quickly versus relying on a disconnected home office. We believe there are many benefits to this somewhat unique structure. Not only does it reduce bureaucracy and headcount at the home office, but it also creates a separation of powers that enhances our spread of risk, gives each President operating control of that President's company, allows for internal peer review at each company and creates an unmatched breadth of global senior talent.

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On a quarterly basis our Board of Directors (the Board) convenes to discuss long-term strategic objectives, fulfillment of responsibilities to stakeholders and to provide the direction and oversight of our business affairs. Other mandates of the Board include evaluating performance of our management team against the Guiding Principles and corporate objectives, succession planning and ensuring that it understands the principal risks of the business and that appropriate systems to manage these risks are in place and effectively implemented.

Fairfax has in place corporate governance practices that comply with all applicable rules and policies of the Canadian Securities Administrators and the practices set out therein.

To date, our Board has:

- Adopted a set of Corporate Governance Guidelines.
- Established an Audit Committee.
- Established a Governance and Nominating Committee and a Compensation Committee.
- Approved written charters for all its committees.
- Approved and implemented a Code of Business Conduct and Ethics.
- Approved and implemented an Anti-Corruption Policy.
- Approved and implemented a policy on Discrimination.
- Approved and implemented a policy on Accessibility.
- Approved and implemented a Whistleblower Policy.

All the above are applicable to all directors, officers, and employees of the company.

# Enterprise Risk Management

Our primary financial risk management goals are to ensure that the outcomes of activities involving elements of risk are consistent with our objectives and risk tolerance, while maintaining an appropriate balance between risk and reward and protecting our consolidated balance sheet from events that have the potential to materially impair its financial strength. Our potential loss exposure from insurance and reinsurance operations and investment activities primarily relates to underwriting risk, credit risk, liquidity risk and various market risks. Balancing risk and reward are achieved through identifying risk appropriately, aligning risk tolerances with business strategy, diversifying risk, pricing appropriately for risk, mitigating risk through preventive controls and transferring risk to third parties.

Financial risk management objectives are achieved through a two-tiered system, with detailed risk management processes and procedures at our primary operating subsidiaries and investment management subsidiary combined with the analysis of the company-wide aggregation and accumulation of risks at the holding company. In addition, although we and each of our operating subsidiaries have an officer with designated responsibility for risk management, we regard each President as the chief risk officer of their company; each President is the individual ultimately responsible for risk management for his or her company and its subsidiaries.

Our President & Chief Operating Officer, Peter Clarke, reports on risk considerations to the Fairfax Executive Committee and provides a quarterly report on key risk exposures to our Board of Directors. The Executive Committee, in consultation with Peter Clarke, approves certain policies for overall risk management, as well as policies addressing specific areas such as investments, underwriting, catastrophe risk and reinsurance. The Investment Committee approves policies for the management of market risk (including currency risk, interest rate risk and other price risk) and the use of derivative and non-derivative financial instruments and monitors to ensure compliance with relevant regulatory guidelines and requirements. A discussion of our risks and the management of those risks is an agenda item for every regularly scheduled meeting of the Board of Directors.

## MORE INFORMATION

### [2022 Annual Report](#)

See “Financial Risk Management” page 97 & “Risk Management” page 187.

The Fairfax ESG Team (ESG Team), led by a Fairfax executive oversees ESG processes within Fairfax and our operating companies, is responsible for producing this report and reports semi-annually to the Governance Committee as well as annually to the Board. The ESG Team has contact points with Fairfax senior management within the Governance, Climate Risk, Cybersecurity, and Investments pillars that report annually to the ESG Team supplemented with regular communication throughout the year.

Investments – Page 7

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# Communication within Fairfax

While there is a formal reporting structure (outlined above), we find informal, open, and regular interaction free of bureaucracy to be more meaningful and effective. Fairfax encourages open communication between the Board and Fairfax's executive team as well as operating company senior management. The Board has access to anyone within our organization – with no one being more than a phone call away.

Communication and collaboration are also highly encouraged between Fairfax senior management and our operating companies. While the formal process includes bi-weekly meetings and at least two annual off-site meetings, Fairfax's executives and Presidents talk regularly in a free and open manner. This type of complete and open communication is critical to the success of our decentralized model.

Our operating company senior management teams not only uphold our shared communication and collaboration style, but they also deeply appreciate it. In addition to the regularly scheduled meetings among our Presidents mentioned above, all our operating companies participate in various cross-company working groups that we've created over the last ten years. These working groups allow us to greatly benefit from the shared knowledge and talent within our global organization – all while preserving our decentralized structure.

As outlined in the Structure section of our Guiding Principles, complete and open communication is an essential requirement at Fairfax.

## ACQUISITION PHILOSOPHY

Fairfax has a long track record of successful acquisitions, underpinning its growth from a small Canadian trucking insurer 37 years ago into a leading global insurance and reinsurance group with operations in over 40 countries. As stated above, the Fairfax name is derived from the principles of fair and friendly acquisitions, based on the golden rule of treating everyone as we want to be treated ourselves. Therefore, following this, Fairfax does not under any circumstances take part in hostile takeovers, bidding wars, undue delays, or renegotiation tactics. Additionally, after an acquisition, the proven management teams of any acquiree (as applicable) continue to run their companies independently within Fairfax's decentralized structure. Fairfax believes this structure and reputation allows it to continually attract and retain exceptional management teams.

In addition, all acquisitions are done in accordance with Fairfax's Guiding Principles, meaning no acquisition should ever put the entire company at risk and the price paid should adequately compensate for the risks assumed. The company's decentralized structure limits the risks associated with integrating or merging the acquiree as forecasted synergies or expense savings typically do not form part of the strategy or valuation. Fairfax can also draw upon the 15,000+ employees in its insurance and reinsurance operations when selecting a due diligence team with the necessary skill set and experience to evaluate the operational risks associated with a prospective acquiree.

Given the size and scale of its operations today, Fairfax is focused on organic growth within its existing global underwriting platform.

## Supply Chain

Globally, we do our best to source supplies from local, ethical, and environmentally focused suppliers with associated commitment to ESG. This will be an area of increased focus in 2024 and beyond as we gather more detailed and comprehensive information regarding ethical supply chains.

# Cyber Risk Management

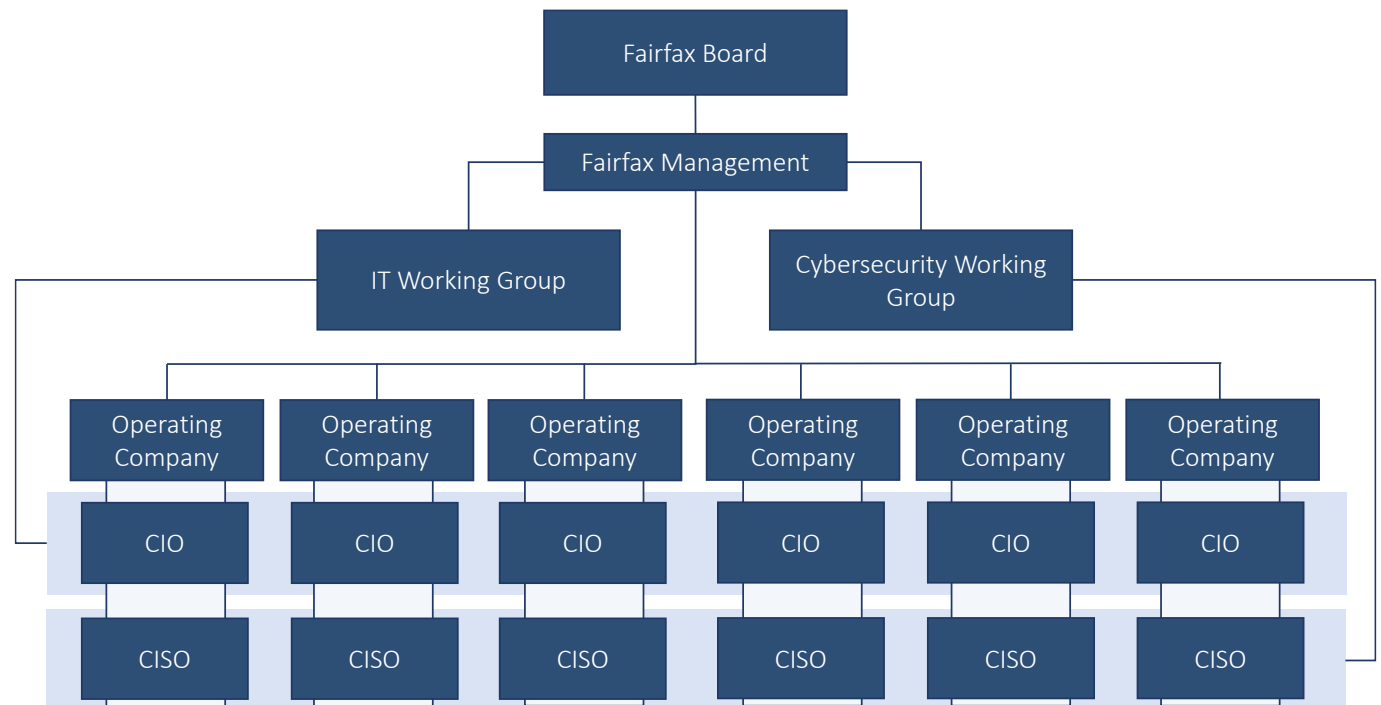
Cyber threats are serious, ongoing concerns and Fairfax is committed to mitigating these risks to protect its enterprise. As a Top 20 provider of cyber insurance in the U.S., Fairfax has an innate understanding of the risk management requirements and intelligence tools needed to stay at the forefront of these exposures. By underwriting cyber risks around the world, Fairfax possesses best-in-class expertise and experience that provides a strong foundation for prevention and response strategies. While Fairfax operates on a decentralized basis, it does encourage its affiliate companies to share knowledge and best practices, and to collaborate when it comes to threats to one or more components of its enterprise. Cyber risk falls under this umbrella and an IT Working Group comprised of technology leaders across Fairfax convenes monthly. A subcommittee focused on Cybersecurity also meets monthly, while CISO (Chief Information Security Officer) Roundtable meetings occur on a weekly basis. The Cybersecurity committee directly reports to Fairfax management. Fairfax's decentralized technological infrastructure is a natural defense against systemic cyberattacks. The information below summarizes Fairfax's approach to security views and reporting, affiliate cybersecurity programs, training, and data protection.

## Cyber Risk Oversight

Consistent with the decentralized business model, the subsidiaries of Fairfax are directly responsible for ensuring that their respective organization addresses cyber risk and the potential impact on their operations. Fairfax recognizes that each subsidiary is unique and because of such, a customized approach to cy-

bersecurity will better mitigate the cyber risk exposure being faced by our insurance and reinsurance operations. In addition to having oversight of the cybersecurity function at the head office level, a member of the Fairfax management team also serves as the main conduit of information from the subsidiaries to the Fairfax senior management team and the Board of Directors. A defined communication process is in place to ensure that the head office is notified in a timely manner of any material cybersecurity incident that occurs at the subsidiary level. Every quarter, the senior management team and the Board of Directors

receive a formal update of various cybersecurity related issues. The frequency of this reporting would increase if an incident were deemed significant enough to warrant such. At the subsidiary level, procedures are in place to ensure that their senior management team is informed of any relevant cyber risks which are impacting their operations. If an incident involves potential exposure of private personal information, each entity will adhere to the regulatory reporting requirements in their respective jurisdictions.





## Decentralized Structure

One of the primary benefits of the decentralized structure is the way in which it serves as a natural defense against systemic cyberattacks. The segregation of our networks, the use of a wide array of security products and external security parties which address the specific needs of the subsidiary combined with the open lines of communication established with the other members of the information technology leadership teams across Fairfax substantially mitigates the risk of a cyber incident impacting other entities within the group. Each organization has in place qualified individuals (CISO) who lead a team that has oversight of their cybersecurity initiatives. The CISO reports directly into the senior management team of their respective organization.

## Working Groups

The manner in which Fairfax has embraced the importance of collaboration within its decentralized structure is demonstrated by the formation of working groups involving the leadership of its subsidiaries. With respect to information technology, there are two such groups.

The first is the Information Technology Working Group (ITWG) which is comprised of members of the senior IT leadership (at a Chief Information Officer level) from our core business entities. This group meets monthly, and topics covered range from shared procurement to cybersecurity issues to new trends and considerations within the IT world to personnel issues. All matters are discussed in a confidential manner to facilitate open dialogue.

The second working group is the Cybersecurity Working Group which is made up of the CISOs of our core

businesses. The CISOs of our seven largest insurance and reinsurance subsidiaries meet on a weekly basis and the larger group encompassing all other core business entities meet once a month. The primary objective of the meetings is to facilitate discussion on cybersecurity issues which pose a threat to the organization. The collaborative nature of this group ensures that relevant security information discovered by one entity is shared immediately to the other CISOs to ensure appropriate actions can be taken. Similar to the ITWG, the manner in which the group members interact allow for lessons learned to be shared to the appropriate individuals across the entire Fairfax group of companies.

## CIS

For the past several years, the insurance and reinsurance entities within Fairfax have performed an annual self-assessment exercise to a known cybersecurity standard. The purpose of this exercise is twofold – it provides the head office with an overall picture of the cybersecurity posture of its key subsidiaries and for the specific subsidiary, the exercise highlights potential vulnerabilities which need to be addressed.

As the importance of cybersecurity continued to increase in the business world, a decision was made to benchmark to The Center for Internet Security's Critical Security Controls Version 8 (CIS) on an annual basis. In addition to CIS, we also leveraged other recognized standards to add in a section of assessment relating to information technology governance. Acknowledging the uniqueness of our organization and the size of the CIS framework, Fairfax engaged the CISOs of our largest insurance and reinsurance entities to identify the controls they would deem to be critical for all organizations within Fairfax to have in



place. A publicly available rating scale has been used and a total of 168 controls from the CIS (including the additional Governance section) are deemed as critical. In the event an organization does not obtain a pre-established minimum score, it must provide details of mitigating controls, an explanation as to why the control is not critical to their organization, or a roadmap to reach the minimum score in the future.

## IT Infrastructure & Information Security Management Systems Reviews

Our seven largest insurance and reinsurance subsidiaries perform a self-assessment of their security posture when benchmarking against CIS and the results are reviewed for consistency and reasonability. For our other core business subsidiaries, to ensure accuracy and consistency, a review component has also been built into the CIS benchmarking process whereby a team of independent qualified cybersecurity specialists reporting directly into the head office, will review each company's self-assessed score and after consulting with the CIO/CISO, adjust the scores accordingly.

Due to the sensitive nature of the information within the final report, its distribution is limited to select members of the senior management team. The content will highlight the various scores of the participants and for each entity, break down specific deficiencies that were noted and incorporate the entity's management response to the weakness. This exercise not only provides the head office with a clear view of our consolidated cybersecurity position but also allows the participants to direct their resources to address any exposure points.

## **Certification to Widely Recognized Standards**

As mentioned previously, the primary standard to which all core entities adhere is CIS. The Center for Internet Security provides mapping from CIS to other popular industry frameworks, including PCI DSS, SOC2, NIST 800, COBIT 19, HIPAA, ISO/ISC 27001, Mitre ATT&CK. In addition, CIS also includes mapping to regulatory frameworks such as NY DFS Part 500, CCPA, GDPR, and Cyber Essentials. The Secure Controls Framework is also used as a reference and provides mapping across over 100 statutory, regulatory, and contractual frameworks. Depending upon the organization, frameworks, and standards other than CIS are also used based on regulatory requirements, company need or preference.

## **Cybersecurity Programs**

Under our decentralized model, Fairfax entrusts all cybersecurity related decisions to the qualified individuals at each organization and empowers each to determine the specific security products which are best suited to their environment. As discussed previously, minimum cybersecurity controls based on CIS

and other known standards set a minimum level of controls for our core business operations to meet but, with that being said, it is up to the individual subsidiary to best determine how adherence is achieved.

The vast majority of the core business entities utilize the following techniques and solutions:

- Information security and privacy policies
- Annual third-party penetration testing
- End point protection
- Network security including multi-factor authentication
- Phishing protections
- Web filtering
- Data protection in transit and at risk
- Encryption
- Training programs to reinforce a security culture
- Intrusion detection and prevention
- Incident response, disaster recovery and business continuity plans

## **Training Programs**

Fairfax recognizes that the first, and often best, line of defense in cybersecurity rests with our employees. We believe that it is imperative that we not only have a highly skilled and qualified team leading our cybersecurity initiatives at each company but also to have a general workforce which is cognizant of the existing threats that exist. Each entity is charged with ensuring that a suitable education program for their employees and contract workers is in place which can include such things as internal phishing exercises, in-person mandatory training sessions, and on-line training modules. For their information technology professionals,

each subsidiary follows a customized approach to ensure current qualifications are maintained and their team members receive relevant training each year. At the Head Office, all employees (full and part-time), contractors and interns participate in mandatory cybersecurity training sessions and are also required to complete on-line training which focuses on best security practices which can be applied to both their professional and personal lives. In addition, internal phishing exercises are conducted randomly throughout the year which allows our staff to put their training to practice.

## **Third Party**

Whenever a new product is introduced into our environment, it is the responsibility of the individual organization to ensure proper due diligence surrounding security of the product is performed. If the product is already in use at another entity within the group, any due diligence already completed can be leveraged accordingly. At the Fairfax head office level, a security assessment of any significant product is performed by qualified cybersecurity professionals before contracts are signed. At a subsidiary level, compliance with the regulatory guidelines of the jurisdiction in which they operate is kept in mind when assessing their third-party vendor relationships particularly if the product would involve handling personal confidential information of their employees and customers.

## **Data Breach / Incident Response Plan**

In the event of a data breach or other cybersecurity incident at a subsidiary level, the onus is placed on the CIO or CISO of impacted entity to ensure that the designated member of the Fairfax management team is immediately informed. That individual will then serve as a conduit of relevant information to other senior

# Data Protection

executives of Fairfax as well as to the Board of Directors. Any regulatory reporting requirements relating to the incident are handled by the legal team of the impacted entity who will also advise Fairfax's General Counsel of such. As soon as the relevant indicators of compromise are known, the CISO working group is informed and will take the necessary steps in case similar exposures exist within their respective environment.

At the Head Office, a formal business continuity plan is in place which is reviewed and updated on an annual basis. In addition, key members of the senior management and IT teams participate in roundtable discussions moderated by an external third party who have expertise in cybersecurity breaches. The objectives are to ensure that the leaders within the organization are prepared and understand their individual roles as well as to make sure that any areas where the existing plan is silent will be addressed within the next iteration of the plan.

Consistent with our decentralized structure, data protection, from both a data security and privacy perspective, is customized at the respective subsidiary level where it meets the regulatory requirements of the various jurisdictions in which they operate. The policies in place are shared both internally and externally and reviewed on a systematic basis to ensure ongoing relevance for the business from both an operational and regulatory perspective. Data protection is an important obligation owed to employees, clients, and business partners globally, and is key to protecting company and personal data. Each insurance group's policies include relevant controls for data protection compliance and cover critical factors such as transparency, data minimization, data usage, security measures, vendor management, data transfers, data privacy rights and other aspects of data processing. In addition, our entire organization acknowledges the importance of providing timely responses to any investigation or required notifications should an incident arise, as well as to any data privacy access requests. Where relevant, some of our subsidiary entities have data privacy and/or data security officers to lead their data protection compliance and monitoring initiatives.

## DATA PROTECTION POLICIES

Links to company specific policies:

[Allied World](#)

[Meridional](#)

[AMAG](#)

[Northbridge](#)

[ARX](#)

[Odyssey Group](#)

[Brit](#)

[Pacific](#)

[Bryte](#)

[RiverStone](#)

[Colonnade](#)

[SBI](#)

[Crum & Forster](#)

[SBS](#)

[Eurolife FFH](#)

[Singapore Re](#)

[Fairfax Brasil](#)

[Southbridge](#)

[Fairfirst](#)

[Universalna](#)

[Falcon - Hong Kong](#)

[Zenith](#)



# Our Guiding Principles and Core Values are the Foundation for our Corporate Governance Policies

For more than 35 years, Fairfax's Guiding Principles have been the foundation of our business and culture. The Guiding Principles include our core value that "honesty and integrity are essential in all our relationships and will never be compromised." This core value forms the underlying basis for our corporate governance policies.

- Our Code of Business Conduct and Ethics provides a detailed elaboration on this core value, including that competitive advantage or profit must not be sought through unlawful, dishonest, or unethical business practices, regardless of any impact on the bottom line. The Code requires every director, officer, and employee of Fairfax to report any violation of the Code which is known to or reasonably suspected by that individual. Directors, officers, and employees must report any other known or reasonably suspected improper conduct or incident in relation to Fairfax, including any questionable accounting, internal accounting controls or auditing matters or potential violations of the law. The Code provides an assurance from Fairfax that it will not carry out or, to the fullest extent reasonably within its power, permit any retribution or retaliation of any kind for reports made in good faith regarding known or reasonably suspected violations of the Code. All officers and employees are required to review and attest their understanding of, and compliance with, the Code on an annual basis. Fairfax's Board is ultimately re-

sponsible for monitoring compliance with our Code.

- Our Anti-Corruption Policy was adopted to provide concrete guidance regarding compliance with relevant anti-bribery laws and regulations. While the overarching message of this policy is that we always act with integrity and we never bribe, it also provides guidance on dealings with government, as well as political and charitable contributions. The Anti-Corruption Policy also outlines a reporting mechanism for any suspected violations of the policy and imposes an obligation to cooperate with related investigations. Finally, our Anti-Corruption Policy contains an assurance that Fairfax does not tolerate retaliation against anyone who has refused to violate the policy, reported a concern in good faith, or participated in an investigation related to potential misconduct.
- Our Whistleblower Policy imposes an obligation on directors, officers, and employees of Fairfax to report improper activities, including violations of our Code of Business Conduct and Ethics. The policy outlines the various reporting procedures available to individuals, as well as the applicable investigation procedures. All whistleblower complaints are thoroughly reviewed and investigated, as appropriate, and are ultimately reported to the Board and the Audit Committee on a quarterly basis. Our external auditor reviews all whistleblower reports on a quarterly basis. The policy is intended to en-

courage directors, officers, and employees of Fairfax to raise serious good faith concerns without fear of adverse consequences to them by virtue of raising those concerns. Accordingly, our Whistleblower Policy includes a commitment that Fairfax will not carry out or, to the fullest extent reasonably within its power, permit any retribution or retaliation of any kind against any individual for submitting any report in good faith.

- Our Anti-Money Laundering, Sanctions & Anti-Terrorist Financing Policy establishes requirements for employees to follow and to comply with applicable anti-money laundering, anti-terrorist financing and sanctions laws, regulations, and requirements.
- Our Policy on Workplace Violence, Harassment, Discrimination, Certain Relationships and Accessibility confirms Fairfax's commitment to human rights and to ensuring a respectful workplace and to providing work in a dignified, discrimination-free, respectful, accessible, violence-free, and harassment-free environment.



# Board Composition, Diversity & Director Independence

Our Board of Directors currently consists of twelve (12) members. We believe a small board size provides the most effective governance mechanism for Fairfax. The Board has determined that nine (9) of its twelve (12) Directors are independent in that each of them has no material relationship with Fairfax, that is, a relationship which could, in the Board's view, be reasonably expected to interfere with the exercise of the Director's independent judgment.

The Board appointed William McFarland as the Lead Director of Fairfax. The Lead Director is responsible for ensuring the independent functioning of the Board, including establishing, in consultation with our CEO, the agenda for each Board meeting, acting as spokesperson for the independent directors collectively in communications with the Chairman and presiding over meetings of the independent directors. All committees, including the Audit Committee, Compensation Committee and Governance and Nominating Committee, are com-

posed solely of independent directors. All members of our Audit Committee are financially literate.

Over the past 10 years we have committed to tackling our Board's gender imbalance. From solely male directors in 2012 to 19% female directors in 2017, the board currently has three (25%) female directors. Additionally, one of our 13 executive officers is female and there are currently three directors (25%) on our Board who are members of visible minorities, and three of our 13 executive officers are members of visible minorities.

Through Prem and his participation in founding and becoming a member of the Canadian Council of Business Leaders Against Anti-Black Systemic Racism, in 2020 we joined, as founding members, The BlackNorth Initiative. Recognizing that diversity is essential and beneficial for introducing different perspectives into discussions and decision making, we have acknowledged the existence of anti-Black systemic racism and the need to create opportunities within our company for Black people.

## Information on Board of Director's Biographies:

[Fairfax.ca-About](https://www.fairfax.ca/About)

# Shareholder Rights, Ownership Structure & Director Elections

All Directors are elected by our shareholders to serve on the Board on an annual basis. Duration of board tenure is one year and if re-elected board members are permitted to serve consecutive terms. In uncontested elections, the Board has adopted a majority voting policy. If any nominee for director is not elected by at least a majority (50% + 1 vote) of the votes cast with respect to his or her election, he or she will immediately be, following the meeting, tender their resignation. The Majority Voting Policy outlines the process surrounding such resignations, but also requires the Governance and Nominating Committee to consider the resignation and recommend to the Board whether there are exceptional circumstances which would warrant rejecting such resignation.

Fairfax has two classes of voting securities: subordinate voting shares and multiple voting shares. Each subordinate voting share carries one vote per share at all meetings of shareholders except for separate meetings of holders of another class of shares. As of March 10, 2023, there were 22,479,323 subordinate voting shares and 1,548,000 multiple voting shares outstanding. Since August 31, 2015, the votes attached to the multiple voting shares have been maintained at their then current level of representing 41.8% of the votes attached to all outstanding multiple voting shares and subordinate voting shares. The subordinate voting shares currently represent 58.2% of

the votes attached to all outstanding multiple voting shares and subordinate voting shares.

The continuing preservation of the 41.8% voting power of the multiple voting shares is subject to a majority of the minority shareholder ratification vote (i) at the annual meeting of shareholders following the period ending December 31, 2020 and any one or more consecutive five-year periods thereafter during which the number of our outstanding shares (multiple voting shares plus subordinate voting shares) has increased by at least 25%, or following any calendar year more than five years after the last ratification vote (or after August 31, 2015) if the number of our outstanding shares (multiple voting shares plus subordinate voting shares) has increased by at least 50% since the last ratification vote (or after August 31, 2015); (ii) if we intend to issue more than 50% of our outstanding shares in a single transaction; and (iii) within five years after Prem is, for whatever reason, neither our Chairman nor our CEO.

The Sixty-Two Investment Company Limited owns 50,620 subordinate voting shares and 1,548,000 multiple voting shares, representing 41.9% of the total votes attached to all classes of our shares (100% of the total votes attached to the multiple voting shares and 0.2% of the total votes attached to the subordinate voting shares). Prem, our Chairman and Chief Executive Officer, controls Sixty-Two and himself beneficially

owns an additional 741,985 subordinate voting shares and exercises control or direction over an additional 2,100 subordinate voting shares. These shares, together with the shares owned directly by Sixty-Two, represent 43.9% of the total votes attached to all classes of our shares (100% of the total votes attached to the multiple voting shares and 3.5% of the total votes attached to the subordinate voting shares). To the knowledge of our directors and officers, there are no other persons who (directly or indirectly) beneficially own, or control or direct, shares carrying 10% or more of the votes attached to any class of our voting shares.

The multiple voting shares allow us to better control our future and focus on long-term growth. They limit the ability of activists and large external shareholders to pressure our senior leaders into short-sighted activity at the cost of long-term sustainability and growth.

# Executive Compensation

Our executive compensation program is designed to align the interests of its executives and shareholders by linking compensation with Fairfax's performance and to be competitive on a total compensation basis to attract and retain executives. We evaluate the performance and compensation of executives and senior management by examining their accomplishments in conjunction with the Guiding Principles for Fairfax. The non-salary components of executive compensation are based on Fairfax's overall performance to align individual interests with the company's long-term interests and our overall business objectives. The Compensation Committee of the Board of Directors annually reviews the compensation of the CEO and senior executives. Key elements of our compensation program are outlined in more detail below:

- Compensation is principally linked to Fairfax's goals of underwriting profitability and long-term growth in book value of 15%. There are no incentives tied to premium volume or other top line incentives.
- Officer-level compensation is comprised of three components: (1) annual base salary; (2) cash bonus; and (3) long-term participation in our fortunes by ownership of shares through the equity compensation plan.
- The base salaries of Fairfax's executive officers are intended to be competitive but to remain relatively constant, generally increasing only when the executive assumes greater responsibilities. Prem's compensation varies from the other executive officers and is discussed below.

- Since 2000, Prem has agreed that his aggregate compensation from Fairfax will consist solely of an annual salary of Cdn\$600,000 (and standard benefits provided to our executives generally), with no bonus or other profit participation, and no participation in any equity plans (other than the employee payroll share purchase plan). This arrangement will remain in effect until the end of 2025.
- A discretionary bonus as a percentage of base salary, if and to the extent appropriate, is awarded annually. Commencing with the bonuses for 2013, the annual bonus is generally paid partly in cash and partly in options on our previously issued subordinate voting shares. In awarding bonuses, the Compensation Committee considers the performance of Fairfax's executive team during the year considering its accomplishments and relative to Fairfax's Guiding Principles. The annual bonus is a percentage of the annual base salary, which percentage in any year is identical (except rarely in special individual circumstances) for all executive officers: there are no corporate (beyond the company's Guiding Principles) or individual performance goals or objectives set or evaluated.
- Bonus amounts are determined based on overall company performance, which mitigates the risk of an individual taking excessive risks to increase his or her bonus award. There is no formula to qualify for a bonus. The focus on long-term objectives is supported by executives who consider themselves long-term employees.

- With respect to equity awards, an award made to any individual (other than as part of an annual bonus) is on a one time or infrequent basis, with any additional award regularly reflecting an increase in responsibilities. Awards are not made upon accomplishment of a task while the risk to Fairfax from that task extends over a significantly longer period. Awards typically do not vest until at least five years have passed. Fairfax's directors and officers, as well as all other employees, are not permitted to purchase financial instruments that are designed to hedge or offset any decrease in market value of Fairfax's equity securities granted as compensation or otherwise held by the individual. The benefit of these awards over time will derive from long-term value creation rather than from short-term gains.

The combination of the above strategies is self-selecting to ensure key executives have significant personal wealth tied to the success of Fairfax.

# Forward-Looking Statements

Certain statements contained herein may constitute forward-looking information (within the meaning of Canadian securities legislation) and forward-looking statements (within the meaning of the United States Private Securities Litigation Reform Act of 1995). These statements can be identified by expressions of belief, expectation or intention, as well as those statements that are not historical fact. Forward-looking statements are based upon assumptions, estimates, opinions and analysis made by management in light of its experience, current conditions and its expectations of future developments that management believe to be reasonable and relevant, and are subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Fairfax to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, but are not limited to: our ability to complete acquisitions and other strategic transactions on the terms and timeframes contemplated, and to achieve the anticipated benefits therefrom; a reduction in net earnings if our loss reserves are insufficient; underwriting losses on the risks we insure that are higher than expected; the occurrence of catastrophic events with a frequency or severity exceeding our estimates; changes in market variables, including unfavourable changes in interest rates, foreign exchange rates, equity prices and credit spreads, which could negatively affect our investment portfolio; the cycles of the insurance market and general economic conditions, which can substantially influence our and our competitors' premium rates and capacity to write new business; insufficient reserves for asbestos, environmental and other latent claims; exposure to credit risk in the event our reinsur-

ers fail to make payments to us under our reinsurance arrangements; exposure to credit risk in the event our insureds, insurance producers or reinsurance intermediaries fail to remit premiums that are owed to us or failure by our insureds to reimburse us for deductibles that are paid by us on their behalf; our inability to maintain our long-term debt ratings, the inability of our subsidiaries to maintain financial or claims paying ability ratings and the impact of a downgrade of such ratings on derivative transactions that we or our subsidiaries have entered into; risks associated with implementing our business strategies; the timing of claims payments being sooner or the receipt of reinsurance recoverables being later than anticipated by us; risks associated with any use we may make of derivative instruments; the failure of any hedging methods we may employ to achieve their desired risk management objective; a decrease in the level of demand for insurance or reinsurance products, or increased competition in the insurance industry; the impact of emerging claim and coverage issues or the failure of any of the loss limitation methods we employ; our inability to access cash of our subsidiaries; our inability to obtain required levels of capital on favourable terms, if at all; the loss of key employees; our inability to obtain reinsurance coverage in sufficient amounts, at reasonable prices or on terms that adequately protect us; the passage of legislation subjecting our businesses to additional adverse requirements, supervision or regulation, including additional tax regulation, in the United States, Canada or other jurisdictions in which we operate; risks associated with applicable laws and regulations relating to sanctions and corrupt practices in foreign jurisdictions in which we operate; risks associated with government investigations of, and litigation and

negative publicity related to, insurance industry practice or any other conduct; risks associated with political and other developments in foreign jurisdictions in which we operate; risks associated with legal or regulatory proceedings or significant litigation; failures or security breaches of our computer and data processing systems; the influence exercisable by our significant shareholder; adverse fluctuations in foreign currency exchange rates; our dependence on independent brokers over whom we exercise little control; operational, financial reporting and other risks associated with IFRS 17; impairment of the carrying value of our goodwill, indefinite-lived intangible assets or investments in associates; our failure to realize deferred income tax assets; technological or other change which adversely impacts demand, or the premiums payable, for the insurance coverages we offer; disruptions of our information technology systems; assessments and shared market mechanisms which may adversely affect our insurance subsidiaries; and risks associated with the global pandemic caused by COVID-19 and the conflict in Ukraine; and risks associated with recent events in the banking sector. Additional risks and uncertainties are described in our most recently issued Annual Report, which is available at [www.fairfax.ca](http://www.fairfax.ca), and in our Base Shelf Prospectus (under "Risk Factors") filed with the securities regulatory authorities in Canada, which is available on SEDAR at [www.sedar.com](http://www.sedar.com). Fairfax cautions readers not to place undue reliance on these forward-looking statements, which speak only as of their dates. Fairfax disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable securities law.