

**FAIRFAX FINANCIAL HOLDINGS LIMITED**

**ANTI-CORRUPTION POLICY**

**Approved by the Board of Directors on March 1, 2017**

# FAIRFAX FINANCIAL HOLDINGS LIMITED

## ANTI-CORRUPTION POLICY

For more than 30 years, the Guiding Principles of Fairfax 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.” As stated in the Code of Business Conduct and Ethics, this means that competitive advantage or profit must not be sought through unlawful, dishonest, or unethical business practices. Accordingly, Fairfax expects legal and ethical business practices, regardless of any impact on the bottom line.

It is in this spirit that the Board of Directors of Fairfax Financial Holdings Limited (“Fairfax”) has adopted this Anti-Corruption Policy (the “Policy”) to provide concrete guidance regarding compliance with relevant anti-bribery laws and regulations, including Canada’s Corruption of Foreign Public Officials Act (the “CFPOA”), the U.S. Foreign Corrupt Practices Act (the “FCPA”) and the U.K. Bribery Act (the “Bribery Act”). The overarching message of these and other anti-corruption statutes, as well as this Policy, is simple: as a matter of law and corporate policy, we always act with integrity and we never bribe.

### **Application**

1. This Policy applies to all directors, officers, and employees of Fairfax and of every subsidiary of Fairfax. Fairfax and its subsidiaries are referred to collectively as “Fairfax” and each director, officer and employee of Fairfax and its subsidiaries is referred to as a “Covered Person.” All Covered Persons, wherever located, will adhere to the letter and spirit of all applicable corruption and bribery laws in all countries in which Fairfax operates. Fairfax will attempt to ensure that this Policy is brought to the attention of all Covered Persons.

This Policy sets forth a baseline standard that applies to all subsidiaries of Fairfax. Each individual subsidiary may implement anti-corruption guidance that is more restrictive than this Policy, but no subsidiary may implement anti-corruption guidance that is less restrictive than this Policy. To the extent that there is any conflict between this Policy and a separate policy implemented by a subsidiary, the more restrictive of the two governs as to the directors, officers, and employees of that subsidiary.

### **Compliance with this Policy**

2. This Policy sets out Fairfax’s minimum anti-corruption standards. Because no policy can anticipate every possible situation or business practice, when in doubt, each Covered Person should discuss the situation with supervisors or seek the guidance of Fairfax’s Vice President and Chief Legal Officer (the “Vice President and Chief Legal Officer”) until he or she is satisfied that all the relevant facts are known and have been considered and that the course of action chosen is consistent with this Policy.

3. Violations of this Policy may result in disciplinary action, up to and including potential termination of employment, depending on the particular circumstances. Appropriate disciplinary action will also be taken against Covered Persons who authorize, condone, or negligently fail to prevent violations of this Policy. Retaliation against those who refuse to violate this Policy or who in good faith report suspected violations of this Policy will not be tolerated.

### **Prohibition on Bribery**

4. Fairfax strictly prohibits bribery. Accordingly, Covered Persons may not, directly or indirectly, promise, give, offer, or authorize the provision of a **bribe** to anyone, regardless of whether it involves the use of Fairfax funds or whether it involves personal or third-party funds in relation to Fairfax's business.

A **bribe** involves giving a **thing of value** to secure an improper advantage, such as obtaining a contract, government action, or commercial benefit, to induce anyone to improperly perform a function or duty, to reward anyone for the improper performance of a function or duty, or with the belief that the acceptance of the thing of value is improper. There is no minimum amount exception for bribes.

A **thing of value** includes money but may include anything that the recipient would find beneficial or useful. Examples include, but are not limited to, cash and cash equivalents, gifts, favors, donations, tickets, benefits for family members, meals, entertainment, travel expenses, discounts on products or services, employment offers or internships, and business opportunities.

5. Fairfax also prohibits Covered Persons from requesting or accepting a thing of value as a reward or in exchange for improperly performing any activity related to Fairfax's business or if doing so reasonably could be viewed as compromising the Covered Person's ability to make objective business decisions on behalf of Fairfax.
6. Covered Persons may not use third parties to do something indirectly that they are not allowed to do directly under this Policy. Accordingly, a third party cannot be used as a channel for bribes or to otherwise violate this Policy. Covered Persons cannot promise, give, offer, or authorize the provision of a thing of value to a third party while knowing, believing, or suspecting that any portion of the thing of value will be provided to another person for an improper purpose.

### **Government Officials**

7. Although Fairfax prohibits corrupt payments to anyone, dealings with **government officials** require special care. The CFPOA and FCPA prohibit giving, promising, offering or authorizing the provision of money or anything of value to any foreign official for the purpose of influencing a decision or obtaining business. Under the CFPOA and FCPA, government officials are broadly defined and can include any employee, officer, or person

acting in an official capacity for (i) a local or national government; (ii) a government department or agency; (iii) a commercial enterprise owned or controlled by a government; or (iv) a public international organization, like the United Nations. Foreign political parties, their employees and officials, and even candidates for foreign political office are considered foreign officials under the FCPA.

8. The CFPOA and FCPA further prohibit giving money or items of value to any third party when there is reason to believe that any portion of it will be passed on to a government official for this purpose.
9. It is not always easy to identify who are government officials. If you are unsure or cannot ascertain the person's employment, you should seek appropriate guidance from the Vice President and Chief Legal Officer.

### **Business Amenities**

10. Although not prohibited outright, business amenities such as paying for another's meals or entertainment always must be reasonable under the circumstances, properly documented and supported with receipts, and never give the appearance of improper influence.
11. Business amenities involving government officials generally are permissible if the value is less than \$50 and otherwise consistent with customary business practice in the pertinent region. All expenditures on business amenities beyond this threshold amount are prohibited under this Policy without the express prior written approval of the Vice President and Chief Legal Officer. Under no circumstance should a business amenity be provided under circumstances that would cause embarrassment to Fairfax if its provision became public knowledge.
12. Covered Persons must avoid the appearance that business decisions or governmental action could be or have been influenced by providing business amenities. Business amenities, including gifts, meals, and entertainment, should not be offered, accepted, or permitted in a commercial context or by virtue of the Covered Person's position with Fairfax, unless it (i) is consistent with customary business practices; (ii) is not excessive in value; (iii) cannot reasonably be construed as a bribe or payoff; (iv) does not violate any laws or regulations; and (v) would not be embarrassing to Fairfax if its provision became public knowledge.
13. Many organizations have their own policies regarding giving and accepting business amenities. Covered Persons should not offer or provide business amenities to another person if the Covered Persons knows that this would violate the policies at the recipient's organization (and should ask first if the Covered Person does not know).
14. Covered Persons may not request, agree to accept, or accept a business amenity that would compromise the Covered Person's ability to make objective business decisions on behalf of Fairfax, could be construed as an improper payment, or would violate any law or regulation.

## **Facilitating Payments**

15. Facilitating payments are usually small, unofficial payments to a foreign official to expedite or secure the performance of non-discretionary, routine governmental duties, such as processing visa applications, permits, or licenses to which the payor is already entitled. Facilitating payments are permitted under the FCPA but may violate the Bribery Act, CFPOA, and local laws. Consequently, this Policy generally prohibits facilitating payments except in extremely limited circumstances. For example, there may be situations in which a payment otherwise prohibited by this Policy may be made in response to an imminent threat to a person's physical health or safety. Employees who believe that a facilitating payment is necessary must obtain prior written approval from the Vice President and Chief Legal Officer, unless the circumstances make this impossible, in which case the payment must be reported to the Vice President and Chief Legal Officer as soon as reasonably possible thereafter.

## **Political Contributions**

16. In countries in which political contributions by companies are permitted by law, political contributions may be made only upon the prior written approval of the Vice President and Chief Legal Officer. Covered Persons may not make any political contribution as a representative of Fairfax.
17. Covered Persons may participate in any political activities of their choice on an individual basis, with their own money and time, in accordance with all applicable laws, unless a purpose of the political contribution is to obtain or retain business or to secure an improper advantage for Fairfax.

## **Charitable Contributions**

18. Fairfax is committed to the communities in which it does business and supports charitable organizations. However, charitable donations cannot be used as a pretense to funnel bribes to government officials or customers. Any charitable contributions made on behalf of Fairfax must be given only to bona fide charities and intended for proper charitable purposes. In addition, they must not be made in violation of this Policy, other applicable policies, or local law. Charitable contributions may never be used to influence any official action or decision.

## **Business Partners**

19. Fairfax's commitment to honesty and integrity extends to its relationships with our business partners. Third parties are strictly prohibited from paying bribes in connection with their work on behalf of Fairfax.
20. Because under certain circumstances Fairfax and Covered Persons may face liability for the improper actions of our business partners, when considering a business relationship with our partners we must take steps to ensure that the partner does not raise a significant risk of unethical conduct. These steps include performing appropriate due diligence into

the reputation and background of the third party and ensuring that the engagement is pursuant to a written agreement fully describing the services to be provided and the fees to be paid.

### **Recordkeeping**

21. Keeping detailed and accurate records is an important component in preventing the misuse of company funds, and is required by anti-bribery laws including the CFPOA and FCPA. All transactions involving Fairfax's funds or assets must be recorded accurately and in reasonable detail in Fairfax's books and records, in accordance with applicable accounting principles and law. The use of fictitious, inaccurate, or misleading documentation to support Fairfax's business transactions is strictly prohibited, as are any undisclosed or unrecorded payments, assets, funds, or accounts.

### **Seeking Guidance**

22. If you have any questions or concerns about this Policy or about compliance with any anti-corruption laws, it is your obligation to contact your supervisor or the Vice President and Chief Legal Officer to resolve those questions or concerns.

### **Reporting Concerns and Cooperating with Investigations**

23. It is the obligation of every Covered Person to report any known or suspected violations of this Policy and to cooperate with any investigations that arise therefrom. Reports should be made to:
  - the Covered Person's supervisor (unless the supervisor may be suspected of wrongdoing), or
  - their immediate supervisor's manager, or
  - the Vice President and Chief Legal Officer at [chieflegalofficer@fairfax.ca](mailto:chieflegalofficer@fairfax.ca) or 416-367-4941, including in a situation where the Covered Person is not satisfied with the actions taken by his or her supervisor or supervisor's manager, or
  - on a confidential and anonymous basis to the Audit Committee of Fairfax by telephone (toll free in North America: 1-888-444-1196 or outside North America: 1-416-642-2613).
24. Supervisors who receive reports of known or suspected violations of this Policy must contact the Vice President and Chief Legal Officer at [chieflegalofficer@fairfax.ca](mailto:chieflegalofficer@fairfax.ca) or 416-367-4941 to report the concern, as well as any follow-up action taken in response thereto.
25. Fairfax will treat all reports seriously and will investigate them as appropriate. It is the obligation of each Covered Person to cooperate in these investigations.

## **Non-Retaliation**

26. Fairfax does not tolerate retaliation against anyone who has refused to violate this Policy, reported a concern in good faith, or participated in an investigation related to potential misconduct.