

FAIRFAX FINANCIAL HOLDINGS LIMITED

COMPENSATION COMMITTEE CHARTER

Approved by the Board of Directors on February 17, 2005

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1. Statement of Purpose

The Compensation Committee of Fairfax Financial Holdings Limited has been established by the Board for the purposes of (1) reviewing and approving the compensation of the CEO and the other executive officers of Fairfax, (2) establishing the compensation of the directors of Fairfax, and (3) reviewing and making recommendations to the Board with respect to equity and incentive based plans and with respect to any other compensation matters that require approval of the Board.

2. Committee Membership

Members

The Committee will consist of as many members of the Board as the Board may determine but in any event, not less than three members. Members of the Committee will be appointed by the Board, taking into account any recommendation that may be made by the Governance and Nominating Committee. Any member of the Committee may be removed and replaced at any time by the Board, and will automatically cease to be a member if he or she ceases to meet the qualifications set out below. The Board will fill vacancies on the Committee by appointment from among qualified members of the Board, taking into account any recommendation that may be made by the Governance and Nominating Committee. If a vacancy exists, the remaining members of the Committee may exercise all of its powers so long as there is a quorum.

Chair

The Board will designate one of the members of the Committee to be the Chair of the Committee, taking into account any recommendation that may be made by the Governance and Nominating Committee.

Qualifications

All of the members of the Committee must be independent, as determined in accordance with the rules of applicable stock exchanges and securities regulatory authorities. Members must have suitable experience and must be familiar with the compensation practices of public companies.

Ex Officio Members and Management Attendance

The Committee may invite, at its discretion, members of management to attend a meeting of the Committee. Any member of management will attend a Committee meeting if invited by the Committee. The Lead Director, if not already a member of the Committee, will be entitled to attend each meeting of the Committee as an observer.

3. Committee Operations

Frequency of Meetings

The Chair, in consultation with the other members of the Committee, will determine the schedule and frequency of meetings of the Committee.

Agenda and Reporting to the Board

The Chair will establish the agenda for meetings in consultation with the other members of the Committee, the Chairman of the Board and the Lead Director. To the maximum extent possible, the agenda and meeting materials will be circulated to the members in advance to ensure sufficient time for study prior to the meeting. The Committee will report to the Board at the next meeting of the Board following each Committee meeting.

Secretary

The Corporate Secretary of Fairfax will, subject to any contrary direction of the Committee, act as secretary of the Committee.

Minutes

The secretary of the Committee will keep regular minutes of Committee proceedings and will circulate them to all Committee members, the Chairman of the Board and the Lead Director (and to any other director that requests that they be sent to him or her) on a timely basis.

Quorum

A quorum at any meeting will be a simple majority.

Procedure

The procedure at meetings will be determined by the Committee.

Transaction of Business

The powers of the Committee may be exercised at a meeting where a quorum is present or by resolution in writing signed by all members of the Committee.

Absence of Chair

In the absence of the Chair, the Committee may appoint one of its other members to act as Chair of that meeting.

Exercise of Power Between Meetings

Between meetings, the Chair of the Committee, or any member of the Committee designated for this purpose, may, if required in the circumstance, exercise any power delegated by the Committee. The Chair or other designated member will promptly report to the other Committee members in any case in which this interim power is exercised.

4. Committee Duties and Responsibilities

The Committee is responsible for performing the duties set out below and any other duties that may be assigned to it by the Board and performing any other functions that may be necessary or appropriate for the performance of its duties.

(a) Evaluation and Compensation of the CEO

The Committee will annually evaluate the performance of the CEO relative to the Guiding Principles and corporate objectives approved by the Board and review and approve the compensation of the CEO. In reviewing and approving the compensation of the CEO, the Committee will consider the following:

- The CEO's remuneration currently consists solely of a fixed annual salary of Cdn\$600,000 (and benefits generally provided to the executive officers of Fairfax), with no bonus or other payroll participation and no participation in any equity plans (other than the employee payroll share purchase plan) or other equity incentives; and
- The Committee's evaluation of the CEO's performance.

It is not currently intended that the CEO's remuneration be increased. In any year that it is proposed that the CEO's remuneration be increased, the Committee will also consider the following:

- Compensation provided to the chief executive officers of similar companies; and
- Any other factors considered relevant by the Committee, including any specific performance objectives the Committee may establish.

The CEO may decline to accept the full compensation approved.

(b) Evaluation and Compensation of Non-CEO Executive Officers

The Committee will annually evaluate the performance of each non-CEO executive officer relative to the Guiding Principles and corporate objectives approved by the Board (taking into account the specific responsibilities of that executive officer) and review and approve the compensation of each non-CEO executive officer, including any equity or incentive based payments, taking into account the recommendations of the CEO.

(c) Compensation of the Directors

The Committee will establish the compensation to be paid to the directors of Fairfax, including any equity or incentive based payments. In doing so, the Committee will consider the following:

- The time commitment associated with being a director of Fairfax, including, as applicable, committee (and committee Chair) work and Lead Director work;
- The responsibilities and risks associated with being a director of Fairfax;

- Compensation paid to directors by companies similar to Fairfax; and
- Any other factors the Committee considers relevant.

The Chairman of the Board will not receive any compensation for acting as a director or as Chairman of the Board separate from the compensation the Chairman receives in his capacity as CEO.

(d) Equity and Incentive Based Plans

The Committee will review and make recommendations to the Board regarding any equity or incentive based plans proposed by management of Fairfax that do not otherwise require the approval of this Committee. The Committee will also review and make recommendations regarding any other compensation arrangement that requires approval of the Board.

(e) Reporting

The Committee will oversee the preparation of any disclosure about the compensation practices of Fairfax, including any report required to be included in the proxy materials for the annual meeting of Fairfax shareholders.

5. The Committee Chair

In addition to the responsibilities of the Chair described above, the Chair has the primary responsibility for monitoring developments with respect to compensation practices in general and reporting to the Committee on any significant developments.

6. Committee Evaluation

The performance of the Committee will be evaluated by the Governance and Nominating Committee as part of its annual evaluation of the Board committees.