MARCH 2025

INVESTOR BRIEF:

FAIRFAX FINANCIAL HOLDINGS LTD.

FINANCED EMISSIONS DISCLOSURE RESOLUTION

INVESTORS *for* PARIS COMPLIANCE

CONTENTS

FILER

Investors for Paris Compliance

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VOTING INFORMATION

Meeting date: **April 10, 2025, 9:00 am (EDT)**
Proxy cut off date: Intermediaries must receive instructions by **5:00 pm EST, April 8, 2025**
Voting information: here

NOTE: This is NOT a solicitation of your proxy; it simply provides contextual information from public sources regarding the proposal. Please do not send us your proxy card—we are not able to vote your proxies nor does this communication contemplate such an event. We recommend shareholders follow voting instructions provided in management's proxy mailing.

ABOUT INVESTORS FOR PARIS COMPLIANCE

Investors for Paris Compliance (I4PC) is a shareholder advocacy organization that works to hold Canadian publicly-listed companies accountable to their net zero commitments. More information can be found here.

SUMMARY

- Fairfax acknowledges that climate change poses a material risk to its business, yet, it has not provided shareholders with a basic accounting of its financed emissions, a well-accepted first step in climate risk accounting.
- Instead of disclosing its climate risk, Fairfax has failed to minimize its exposure. The company remains deeply tied to high-emitting investments and insurance activities, actively financing industries that accelerate climate change. Meanwhile, the financial consequences are already evident: in 2024 alone, Fairfax reported USD $1.1 billion in catastrophic losses. Climate change is driving trillions in global economic losses, jeopardizing long-term shareholder value.
- In contrast, global peers and other Canadian insurers are not only disclosing their financed emissions but have also set net-zero targets and developed clear transition strategies.
- As emissions disclosure regulations in Canada, and globally, tighten, Fairfax will need to address regulatory compliance risks, particularly as more subsidiaries become exposed.
- This misalignment between Fairfax's climate risk acknowledgement and its climate risk disclosure also raises a threat to its reputation, as investors are left in the dark.

FAIRFAX'S RECOGNITION OF CLIMATE RISKS VS. LIMITED DISCLOSURE OF RISK

Fairfax acknowledges that climate change presents material financial risks, citing rising reinsurance costs,[1] increased catastrophe losses,[2] and the impacts of climate-related events on equity markets.[3] The company explicitly states that understanding climate change is not only critical to managing risks at a Fairfax level but also the opportunities arising from them,[4] and that climate-related risks are a senior management priority.

Yet, despite this recognition, Fairfax has not disclosed any financed scope 1, 2, or 3 emissions at the holding company level, nor disclosed any plan to provide these in the future.

This selective approach—acknowledging risk while refusing to measure and disclose it—is inconsistent with best practices in risk management. Shareholders cannot effectively assess Fairfax's climate risk exposure without access to this data.

1 Fairfax, 2023 Annual Report (March, 2024) at 107.
2 Ibid at 201.
3 Ibid at 205.
4 Fairfax, 2023 ESG Report (n.d.) at 13.

Few Fairfax subsidiaries, either owned or partially owned by the holding company, provide any emissions disclosures:

- Brit Insurance (10% of Fairfax's insurance operations) discloses only Scope 1 & 2 emissions, with no reporting on Scope 3, where the majority of climate risk lies for insurers.[5]
- Southbridge (1% of insurance operations) reports Scope 1, 2, and 3 emissions, but represents only a small fraction of Fairfax's business.[6]
- Some investment associates (subsidiaries), such as Recipe, Thomas Cook, Poseidon, and Eurobank Ergasias, report limited emissions data.[7]
- Hamblin Watsa Investment Management, Fairfax's investment arm, does not disclose any financed emissions, despite Fairfax's extensive financial exposure to high-emitting industries.

For a full breakdown, see table in Fairfax: An Assessment of Climate Risks, for the climate risk progress for Fairfax's major insurance subsidiaries and investment associates.

FAIRFAX'S HIGH EXPOSURE TO FOSSIL FUEL ASSETS

In 2023, Fairfax held C$1.5 billion in fossil fuel-related investments[8] and was the fifth-largest global insurer of commercial fossil fuel clients[9], underwriting approximately C$959 million in fossil fuel-related insurance. Fairfax also issued insurance bonds for controversial offshore oil exploration in Brazil as of 2022.[10] Yet, it has failed to take the first step of disclosing its financed emissions, leaving shareholders in the dark about the scale of its exposure.

Within its top listed investments, Fairfax owns the following:

- A 48% stake in EXCO Resources (oil and gas) with a $587 million investment,
- $444 million invested in Occidental Petroleum (oil and gas), and
- $364 million in Mytilineos (gas-fired power).[11]

5 Brit, Climatewise report 2023 (n.d.) at 35; PCAF, Insurance-Associated Emissions (Nov. 2022).
6 Southbridge, Annual Report 2023 (n.d.).
7 Investors for Paris Compliance, Fairfax: An Assessment of Climate Risks (January, 2025).
8 Investors for Paris Compliance, Playing with Fire (June, 2024).
9 Insure our Future, 2024 Scorecard (Dec. 2024).
10 Insure our Future, The Insurers Behind Brazil's Offshore Oil Expansion (Jan. 2022).
11 Fairfax Financial, Letters To Our Shareholders (March, 2024).

MATERIAL CLIMATE RISK ALREADY IMPACTING FAIRFAX, THE INSURANCE SECTOR, AND THE GLOBAL ECONOMY

Fairfax is already experiencing the financial toll of climate change. In 2025, the company expects USD $500 million to $750 million[12] in net losses from the Los Angeles wildfires, adding to the $1.1 billion[13] in catastrophe losses it absorbed in 2024. These mounting losses are not isolated incidents, and are only increasing. Canada saw record insured losses from extreme weather in 2024, totaling over C$8.5 billion.[14] Swiss Re projects that insured losses could double within the next decade due to worsening climate conditions.

This is especially relevant for investors who maintain broad diversification to mitigate idiosyncratic risk but must still account for systemic risk—macroeconomic forces that cannot be diversified away and impact all securities in a portfolio. Systemic risk is a primary driver of portfolio return variability, and failing to decarbonize the global economy poses a significant threat to equity values worldwide, as Fairfax has recognized itself.[15]

FAIRFAX REGULATORY & REPUTATIONAL RISK EXPOSURE

Fairfax is increasingly exposed to heightened regulatory risk via tightening climate disclosure regulations, both in Canada and globally. The Office of the Superintendent of Financial Institutions will require federally regulated insurers to disclose financed emissions for the fiscal year 2028,[16] aligning Canadian oversight with stricter requirements already in place in the EU, U.S., and other key markets. This impacts how Fairfax strategically manages subsidiary risk exposure.

Many competitors disclose financed emissions voluntarily, recognizing that waiting for regulations to dictate action leaves them vulnerable to compliance risk and exposes shareholders to financial uncertainty. Simply meeting minimum regulatory requirements is not best practice in risk management—especially for a company like Fairfax, which acknowledges climate risk but fails to measure it. Even an imperfect estimate of financed emissions is better than opacity, which is why leading global insurers have chosen to disclose voluntarily rather than delay until external pressure forces their hand.)

GLOBAL PEERS AHEAD ON ADDRESSING CLIMATE RISK

Fairfax is a laggard among its global peers. Financed emissions disclosure is one of the initial steps of properly addressing material financial risk, as risk not measured is risk that cannot be managed. Among the world's 100 largest financial institutions, 77% already use the Task Force on Climate-Related Financial Disclosures framework for climate disclosures.[17]

12 IBA, Fairfax Financial estimates up to $750 million loss from LA wildfires (Feb. 2025).
13 Fairfax Financial Holdings Limited, Financial Results for the Year Ended December 31, 2024 (Feb. 2025).
14 IBC, 2024 shatters record for costliest year for severe weather-related losses in Canadian history at $8.5 billion (Jan. 2025).
15 Fairfax, 2023 Annual Report (March, 2024) at 105; EDHEC-Risk Climate Impact Institute, How Does Climate Risk Affect Global Equity Valuations (2024).
16 OSFI, Letter to Industry (Feb. 2025).
17 RMI, We Reviewed the Climate Disclosures of the World's 100 Largest Financial Institutions, (Nov. 2024).

Peers are doing more, such as the global insurance holding company Tokio Marine[18] and other holding companies such as GBL,[19] Industrivarden AB,[20] and Investor AB,[21] have made progress on their climate disclosure.[22] Global insurers such as Allianz[23], Zurich,[24] Munich Re,[25] Suncorp,[26] Generali,[27] and more[28] have taken steps to address climate-related financial risks by not only disclosing financed emissions but also setting and executing transition plans. Multiple Canadian insurers have been disclosing emissions for multiple years,[29] including competitor Intact Financial who began disclosing investment emissions in 2022.[30]

Fairfax falls short of best practices:

- No public disclosure of financed emissions (Scope 1, 2, or 3).
- No targets or plans to reduce financed emissions despite its exposure.
- No fossil fuel exclusion policies for investments or underwriting.
- No clear client engagement or escalation policy on climate transition.
- No lobbying transparency or commitment to align with Paris Agreement goals.

ENGAGEMENT WITH FAIRFAX, AND REBUTTAL TO OPPOSITION STATEMENT

Investors for Paris Compliance has attempted to engage with Fairfax management several times on climate risk disclosure, but Fairfax has not responded.

Subsequently, Fairfax has published its proxy circular, including an opposition statement for the proposal.

In its Management Proxy Circular, Fairfax recommends voting against the resolution, arguing that its decentralized structure limits its ability to disclose financed emissions, that there is no legal requirement to do so, and that measurement challenges make such disclosure difficult.

But, firstly, Fairfax applies its decentralization argument selectively, choosing when to take centralized control over its subsidiaries and when to distance itself from their actions. It oversees critical financial decisions such as performance evaluation, acquisitions, financing, and investments– all areas where climate risk is material.

Given that shareholders are exposed to the financial risks across all of Fairfax's holdings, it is appropriate for the company to assess and disclose these risks at a consolidated level. Just as Fairfax recognizes the value of centralized oversight in financial management, shareholders expect it to apply the same logic to climate risk disclosure. A clear, company-wide view of financed emissions would not only provide investors with critical risk information but also help Fairfax manage for long-term value.

18 Tokio Marine, Our Climate Strategy (n.d.).
19 GBL, Annual Report 2022 (n.d.) at 150.
20 Industrivarden AB, 2022 Sustainability Report (March, 2023).
21 Investor AB, Climate and Resource Efficiency (n.d.).
22 SBTi, Companies Taking Action (n.d.).
23 Allianz, Statement on Oil and Gas (Feb. 2023).
24 InsuranceBusiness, Zurich Insurance cancels underwriting new fossil fuel projects (April, 2024).
25 Munich RE, New Oil & Gas investment / underwriting guidelines (October, 2022).
26 Suncorp, Responsible underwriting, lending and investing (n.d.).
27 Generali, Strategy on Climate Change (June, 2022).
28 Insure our Future, Insurance Company Fossil Fuel Underwriting Policy Overview (July, 2024).
29 Investors for Paris Compliance, Playing with Fire (June, 2024).
30 Intact Financial, ESG Report 2022 (March, 2023).

Second, Fairfax also justifies its opposition by stating that no Canadian law currently mandates financed emissions disclosure. This argument ignores that legal requirements are not the sole driver of best practices in risk management. Leading global insurers have recognized the financial importance of disclosing financed emissions, choosing to do so voluntarily because it enhances transparency and strategic planning. Some of Fairfax's holdings already report emissions where required, meaning the company is already engaged in this process. Waiting for regulation to dictate action leaves Fairfax exposed and places it behind its peers.

Third, Fairfax claims that measurement challenges make financed emissions disclosure difficult. While financed emissions accounting does involve complexities, other financial institutions around the world have overcome these hurdles, recognizing that estimating these emissions—even imperfectly—is more valuable than not disclosing at all. It is acceptable to disclose only scope 3 material emissions and incrementally improve disclosure over time.

Some of Fairfax's subsidiaries, such as Brit and Southbridge, are already required to report emissions, suggesting that data collection may not be the barrier Fairfax suggests. Furthermore, the company itself acknowledges that it is investing in emissions tracking systems. If Fairfax is already working on building reporting capacity, why not provide shareholders with transparency on this material risk now, rather than delaying until regulation forces it to act?

Finally, by opposing this proposal, Fairfax is choosing opacity over preparedness. Its arguments rely on selective reasoning that downplays shareholder exposure to risk and ignores how industry leaders are already moving ahead. The proposal presents an opportunity for Fairfax to align with best practices, strengthen its risk management, and provide its shareholders with the information they need. Shareholders expect more from Fairfax, and delaying action only increases financial and reputational risk.

THE RESOLUTION

RESOLVED: That Fairfax disclose its financed emissions, across all material scopes, in absolute terms, as a first step towards a climate risk assessment of its holdings and operations.

SUPPORTING STATEMENT:

Over 500 institutions representing 40% of global financial assets have committed to net-zero targets and to establishing associated transition plans,[31] recognizing the long-term financial risks and opportunities associated with climate change.

Fairfax states that "understanding climate change is not only critical to managing risks at a Fairfax level but also the opportunities arising from them,"[32] and claims that climate-related risks are explicitly recognized as a senior management priority.

Yet, Fairfax has not made a net zero commitment, nor disclosed a transition plan. It has not even disclosed its financed emissions to its shareholders — the first step in assessing climate risk. An analysis of its subsidiaries and major investments reveals little climate progress among those companies.[33]

Fairfax's financing of fossil fuels is substantial. In 2023, Fairfax held C$1.5 billion in fossil fuel-related investments in its 13F holdings[34], and was the fifth largest global insurer of commercial fossil fuel clients, insuring approximately C$959 million.[35]

In 2023 Fairfax derived 85% of its revenue from insurance activities. Insurance is on the front lines of climate impacts, with Fairfax incurring $587 million in catastrophe losses in Q3 2024 alone.[36] Global economic losses from natural catastrophes reached USD$280 billion in 2023, with USD$108 billion of this in insured losses.[37] Projections from Swiss Re suggest that insured losses could double within the next decade.[38]

While climate change poses a material risk, at the same time, the energy transition presents significant opportunities. The International Energy Agency projects that USD 4 trillion annually will need to be invested in clean energy by 2030 to achieve net-zero goals.[39]

31 WRI, Financial Institutions Net Zero Tracker (n.d.).
32 Fairfax, 2023 ESG Report (n.d.) at 13.
33 Investors for Paris Compliance, Fairfax: An Assessment of Climate Risks (Jan. 2024).
34 Investors for Paris Compliance, Playing with Fire (July, 2024).
35 Insure our Future, 2024 Scorecard (Dec. 2024) at 27.
36 Fairfax Financial, Financial Results for the Third Quarter (Oct. 2024).
37 Swiss Re, Global economic losses from natural catastrophes (May, 2024).
38 Ibid
39 IEA, Net Zero Roadmap (Sep. 2023).

Several global insurers have disclosed plans to actively reduce their exposure to fossil fuel assets and increase their investments in the transition. Allianz excludes new oil and gas projects from both its investment and insurance portfolios,[40] while other major insurers including Zurich,[41] Munich Re,[42] Suncorp,[43] Generali,[44] and more[45] have committed to end or restrict underwriting for new oil and gas projects. Aviva has committed to invest £2.5bn in low-carbon and renewable energy infrastructure and deliver £1bn of carbon transition financing by 2025.[46]

While Fairfax itself acknowledges its exposure to climate risk and the potential opportunities resulting from the transition, shareholders are unclear whether and how the company's acknowledgement is translating into specific actions.

Shareholders therefore request that Fairfax measure and disclose its financed emissions, across all material scopes, as a first step to identifying its climate risk.

40 Allianz, Statement on oil and gas business models (February, 2023).
41 InsuranceBusiness, Zurich Insurance cancels underwriting new fossil fuel projects (April, 2024).
42 Munich RE, New Oil & Gas investment / underwriting guidelines (October, 2022).
43 Suncorp, Responsible underwriting, lending and investing (n.d.).
44 Generali, Strategy on Climate Change (June, 2022).
45 Insure our Future, Insurance Company Fossil Fuel Underwriting Policy Overview (July, 2024).
46 Aviva, Aviva becomes the first major insurer worldwide to target Net Zero carbon by 2040, (March, 2021).