NAIC CLIMATE DISCLOSURE SURVEY

GOVERNANCE

1. Disclose the insurer's governance around climate-related risks and opportunities.

In disclosing the insurer's governance around climate-related risks and opportunities insurers should consider including the following:

- Identify and include any publicly stated goals on climate-related risks and opportunities.
- Describe where climate-related disclosure is handled within the insurer's structure, e.g., at a group level, entity level, or a combination. If handled at the group level, describe what activities are undertaken at the company level.

A. Describe the board and/or committee responsible for the oversight of climate-related risks and opportunities.

In describing the position on the board and/or committee responsible for the oversight of managing the climate-related financial risks, insurers should consider including the following:

- Describe the position on the board and/or committee responsible for the oversight of managing the climate-related financial risks.

B. Describe management's role in assessing and managing climate-related risks and opportunities.

Response:

These responses are provided by Hudson Insurance Company and its Hudson Excess Insurance Company subsidiary (collectively "Hudson") which are part of the Odyssey Group. We believe climate change is a potential challenge to sustainability and, as a matter of risk management, we are committed to managing the impact of climate change on our business, as well as our clients and business partners, and responding appropriately. Governance of climate-related risks and opportunities is a shared responsibility between Hudson, the Odyssey Group and their ultimate parent company, Fairfax Financial Holdings Limited ("Fairfax").

The Odyssey Group's Climate Risk committee reviews climate related matters and guides the Group, including Hudson, in the formulation of climate related strategies and policies. Hudson's Leadership team, in conjunction with guidance of the Climate Risk committee, has oversight of Hudson's overall approach to climate-related risks and opportunities. The Odyssey Group's relevant climate related information is included in an annual ESG Report published by Fairfax.

Fairfax has an established global risk committee. The committee is chaired by Fairfax's President & Chief Operating Officer and includes senior officers of Fairfax's subsidiary insurance entities, including Odyssey Group. The purpose of the committee is to provide clear and consistent monitoring, measuring, modelling, and aggregating of all risks across the Fairfax enterprise and for the individual companies. Environmental risk is viewed as a category of business risk, and it is part of the overall decision-making process when assessing financial risk.

STRATEGY

2. ***Disclose the actual and potential impacts of climate-related risks and opportunities on the insurer's businesses, strategy, and financial planning where such information is material.***
   In disclosing the actual and potential impacts of climate-related risks and opportunities on the insurer's businesses, strategy and financial planning, insurers should consider including the following:
   - Describe the steps the insurer has taken to engage key constituencies on the topic of climate risk and resiliency.
   - Describe the insurer's plan to assess, reduce, or mitigate its greenhouse gas emissions in its operations or organizations.

   A. ***Describe the climate-related risks and opportunities the insurer has identified over the short, medium, and long term.***
      In describing the climate-related risks and opportunities the insurer has identified over the short, medium, and longer term, insurers should consider including the following:
      - Define short, medium, and long-term, if different than 1-5years as short term, 5-10years as medium term, and 10-30years as long term.

   B. ***Describe the impact of climate-related risks and opportunities on the insurer's business, strategy, and financial planning.***
      In describing the impact of climate-related risks and opportunities on the insurer's business, strategy, and financial planning, insurers should consider including the following:
      - Discuss if and how the insurer provides products or services to support the transition to a low carbon economy or helps customers adapt to climate-related risk.
      - Discuss if and how the insurer makes investments to support the transition to a low carbon economy.

   C. ***Describe the resilience of the insurer's strategy, taking into consideration different climate-related scenarios, including a 2 degree Celsius or lower scenario.***

Response

Hudson and the Odyssey Group continue to evaluate an underwriting framework related to climate risks that identify and evaluate climate related factors in the underwriting process. Hudson believes climate related factors can also have a positive influence on risk and may provide underwriting opportunity. For instance, it may be possible that certain risks could exhibit a reduction in frequency or severity of losses due to climate change, or due to the actions taken to address climate change. Many types of businesses are seeking to reduce their greenhouse gas emissions as they work to transition to a low (or no) carbon operation, and industries that provide clean energy alternatives will also require support. Hudson has seen opportunities to provide insurance and bonding for those entities involved in clean energy projects.

Climate change and other climate related factors could affect our underwriting and investments results. Hudson Insurance Company's crop insurance business is one area that may be impacted by climate change, although Hudson does not consider any such impact to be material since this is largely mitigated by reinsurance provided by the U.S. Government. Overall, Hudson's challenges posed by climate change risks are addressed by frequent monitoring of these risks by the underwriting risk committee, with quarterly ERM analyses and stress tests, which include the impact of climate risk on GAAP equity. In addition, Fairfax has an established Climate/ESG risk policy on monitoring and mitigating climate change risks, as outlined in its annual ESG Report.

Regarding investments, Hudson's objectives are: (a) to invest on a long-term basis in accordance with applicable insurance regulatory guidelines; and (b) to ensure preservation of invested capital for policyholder protection, always providing sufficient liquidity for the payment of claims and other policy obligations. Investment guidelines require all investments to be made using the long-term value investing approach by investing in securities of companies and other entities at prices below their underlying long-term values to protect Hudson's capital from loss and earn income over time and provide operating income as needed. Environmental, social and governance issues have become factors in the investment analysis and decision-making process. Deficiencies or excessive risk in these areas could lead to the rejection of investment opportunities or the sale of existing positions. In some cases, climate change or other environmental issues will be a risk to a business – perhaps as products are phased out, capital expenditures increase to comply with stricter environmental laws, carbon taxes reduce demand, new technology creates substitutes for a company's high carbon footprint products, etc. Environmental risk is viewed as a category of business risk, and it is part of the overall decision-making process when assessing an investment. A large proportion of our investment portfolio is held in cash, short-term securities or government bonds. These investment classes typically tend to have less exposure to environmental, social and governance issues.

RISK MANAGEMENT

3. Disclose how the insurer identifies, assesses, and manages climate-related risks.

In disclosing how the insurer identifies, assesses, and manages climate-related risks, insurers should consider including the following:

- Describe how the insurer considers the impact of climate related risks on its underwriting portfolio, and how the company is managing its underwriting exposure with respect to physical, transition and liability risk.
- Describe any steps the insurer has taken to encourage policyholders to manage their potential physical and transition climate related risks, if applicable.
- Describe how the insurer has considered the impact of climate-related risks on its investment portfolio, including what investment classes have been considered.

A. Describe the insurers' processes for identifying and assessing climate-related risks.

In describing the insurers' processes for identifying and assessing climate-related risks, insurers should consider including the following:

- Discuss whether the process includes an assessment of financial implications and how frequently the process is completed.

B. ***Describe the insurer's processes for managing climate-related risks.***

C. ***Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the insurer's overall risk management.***

In describing how processes for identifying, assessing, and managing climate-related risks are integrated into the insurer's overall risk management, insurers should consider including the following:

- Discuss whether climate-related risks are addressed through the insurer's general enterprise-risk management process or a separate process and how frequently the process is completed.
- Discuss the climate scenarios utilized by the insurer to analyze its underwriting risks, including which risk factors the scenarios consider, what types of scenarios are used, and what timeframes are considered.
- Discuss the climate scenarios utilized by the insurer to analyze risks on its investments, including which risk factors are utilized, what types of scenarios are used, and what timeframes are considered.

<u>Response</u>

As a part of the Odyssey Group, Hudson's risk management responsibilities focus on ensuring that its risk profile remains consistent with its guidelines and operating plans. Consideration of climate change exposure is incorporated into Hudson's overall risk management policies. Challenges posed by climate change/ESG risks are addressed through management focus on closely monitoring the risks by the underwriting risk committee as well as quarterly ERM stress tests which consider climate risk impact on GAAP equity. In addition, Fairfax has an established Climate/ESG risk policy that monitors and mitigates climate risks as outlined in its annual ESG reports. Hudson's catastrophe risk management strategies are designed to mitigate its exposure through a combination of reinsurance, underwriting controls and careful tracking of exposures, supported by technology.

Risk Management and loss control services, where climate risks are relevant, are offered to all clients via several modalities. Risk Management services are performed as a consultative process that encourage good insured practices or behaviors. The Risk Management approach is collaborative between Hudson and its insureds, which suggest insureds implement practical, positive modifications to their Risk Management plans. This cooperation allows Hudson to develop offerings that meet the insureds' need. Risk Management Services provided by Hudson include:

- Email consultation
- Telephonic consultation
- On-site Hudson and insured interactions driven by client specific requests or RM client assessment of loss runs which identify areas of high risk or high probability of risk.
- Hudson consultants also participate in quarterly client meetings (for larger accounts) to provide support on educational topics, overall operations, review changes to the regulatory landscape and provide real-time resources to assist with risk management. Currently, we are performing this service for a number of clients.
- Hudson assigns a specific risk consultant to work with the insured during the policy period, facilitating a strong collaborative relation which mitigates or transfers potential risk for both the insured and Hudson.

Additionally, as a member of the Truckload Carriers Association Regulatory Policy Committee, Hudson has endorsed the SmartWay program and supported it within the TCA membership.

SmartWay is an EPA sponsored outreach program with the trucking industry.[1] The program is also encouraged by the American Trucking Association and Truckload Carriers Association.

Lastly, Hudson manages all of its risk, including climate, via the purchase of reinsurance.

Please refer to Question 2 Strategy for further information regarding investment policies and the consideration of climate risk factors.

METRICS AND TARGETS

4. ***Disclose the metrics and targets used to assess and manage relevant collateralized risks and opportunities where such information is material.***

In disclosing the metrics and targets used to assess and manage relevant collateralized risks and opportunities where such information is material, insurers should consider including the following:

- Describe how the insurer uses catastrophe modeling to manage the climate-related risks to your business. Please specify for which climate-related risks the insurer uses catastrophe models to assess, if any.

A. ***Disclose the metrics used by the insurer to assess climate-related risks and opportunities in line with its strategy and risk management process.***

In disclosing the metrics used by the insurer to assess climate-related risks and opportunities in line with its strategy and risk management process, insurers should consider including the following:

- In describing the metrics used by the insurer to assess and monitor climate risks, consider the amount of exposure to business lines, sectors, and geographies vulnerable to climate-related physical risks [answer in absolute amounts and percentages if possible], alignment with climate scenarios, [1 in 100 years probable maximum loss, climate VaR, carbon intensity], and the amount of financed or underwritten carbon emissions)

B. ***Disclose Scope 1, Scope 2, and if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.***

C. ***Describe the targets used by the insurer to manage climate-related risks and opportunities and performance against targets.***

Response:

Through the enterprise risk management framework in place at the Odyssey Group, Hudson seeks to assess and manage its strategic, financial and operational risks. In addition, Fairfax has established a global risk committee. The committee is chaired by Fairfax's Chief Operating Officer and the committee members are Fairfax's Chief Operating Officer and senior officers of Fairfax's subsidiary insurance entities. The purpose of the committee is to provide clear and consistent monitoring, measuring, modeling and aggregating of all risks, including climate change risk, across the Fairfax enterprise and for the individual companies.

Hudson has performed a calculation of its 2023 Scope 1 and 2 Greenhouse gas (GHG)

[1] SmartWay Program resource material can be found at https://www.epa.gov/smartway

emissions. These values, which constitute Hudson's current best estimates, are as follows:

Scope 1 GHG emissions (2023)(metric tons):

Hudson Insurance Company:	898.85
Hudson Excess Insurance Company:	333.96

Scope 2 GHG emissions (2023)(metric tons):

Hudson Insurance Company:	1,133.09
Hudson Excess Insurance Company:	420.00

Hudson anticipates refreshing the analysis at least annually. Efforts are underway to both reduce emissions and to consider carbon reduction investment offsets.

For the Odyssey Group's primary data center in Stamford, we continue with our plan to virtualize servers and centralize storage which will reduce our emissions in the operations. We also have a proactive plan to review our infrastructure utilization to ensure that current technologies and hardware are deployed that serve to further reduce or mitigate emissions. This is accomplished by replacing old infrastructure components that are not as emission efficient as current technology hardware. Virtualization is also an ongoing initiative with our hosting providers that support various applications for our Hudson business which builds on the overall reduction of emissions in our operation.

We have migrated 40% of our traditional on-premise compute and storage to cloud-based solutions. Cloud services offer enhanced efficiency and scalability, allowing us to further optimize our resource usage. The cloud providers we partner with have a strong focus on sustainability, leveraging energy-efficient technologies and renewable energy sources to power their data centers. This transition not only enhances our operational efficiency but also plays a key role in reducing our overall carbon footprint.