



CONDUIT RE



Building resilience in a changing world

Conduit Holdings Limited Annual Report and Accounts 2022

About us

Conduit Re is a pure-play global reinsurance business.

We have proven experience across our business to make dynamic decisions throughout the market cycle.

We have a disciplined and collaborative culture, underwriting in a single location on a legacy-free balance sheet.

We use differentiated technology to provide insight and bespoke solutions to support our clients.

Social responsibility and inclusiveness are at the core of how we operate.

In this report

Case Study – Capacity

Operational capacity and a strong capital base provide the resilient foundation to execute our plan and operate as a responsible public company

[Find out more on page 29](#)

Conduit Re headcount since IPO



Case Study – The Conduit Foundation

As a responsible company Conduit supports the local community

[Find out more on page 35](#)



Strategic report

5-37

Key performance indicators	5
Executive Chairman's statement	6
CEO's report	8
CUO's report	12
CFO's report	18
Business review – finance	20
Enterprise risk management report	23
ESG summary	30
Section 172 statement and stakeholder engagement	36

Governance

38-84

Board of Directors	39
Executive Chairman's introduction to corporate governance	44
Corporate governance and compliance with the UK Corporate Governance Code 2018	47
Nomination Committee report	51
Audit Committee report	53
Directors' remuneration report	58
Directors' Remuneration Policy	60
Notes to the Director's Remuneration Policy	66
Annual report on remuneration	70
Directors' report	80
Directors' responsibilities statement	84

Financial statements

85-134

Independent Auditor's report	86
Consolidated statement of comprehensive loss	91
Consolidated balance sheet	92
Consolidated statement of changes in shareholders' equity	93
Statement of consolidated cash flows	94
Notes to the consolidated financial statements	95
Additional performance measures	135
Glossary	137
Advisers and contact information	141

Business model

Our vision is to build Conduit Re as a leading global reinsurance business, delivering sustainable long-term returns through the market cycle

We are...

- a pure-play reinsurer in a single location in Bermuda
- a business with no conflicts of interest with our cedants
- client, geography and product neutral

We use...

- an open culture where knowledge transfer is facilitated and collaborative challenge is encouraged
- modern, modular technology to provide enhanced portfolio insight

We embrace...

- a broad view to exploring solutions in ever-changing market conditions, unhindered by legacy systems and issues
- an integrated approach to ESG, building this into our operations, underwriting and investment activities

to enable...

- fast, flexible and informed decision making

to create...

- a diverse, inclusive, fun working environment

to deliver...

- long-term sustainable benefits for our stakeholders

Underpinned by our culture:

Transparent, collaborative, responsible, enabled and forward-thinking

At a glance

Bermuda-based reinsurer

Class 4

Staff

54

Financial strength rating (AM Best)

A- (Excellent)

Final dividend for 2022

\$0.18 per common share (\$0.36 full year)

2022 Gross premiums written

\$637.5 million (2021: \$458.5 million)

2022 Gross premiums written by class



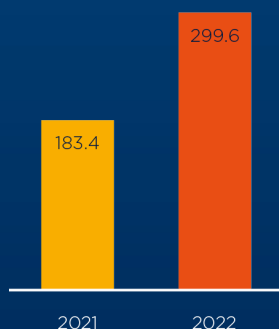
Underwriting

Property

Catastrophe and non-catastrophe property business lines.

Proportional and non-proportional

Gross premiums written (\$m)

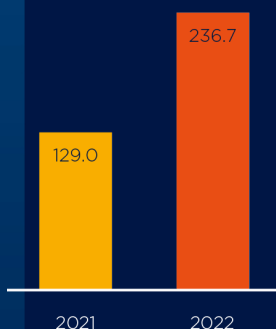


Casualty

Directors and officers liability, financial institutions liability, general liability, medical malpractice, professional liability and transactional liability.

Proportional and non-proportional

Gross premiums written (\$m)

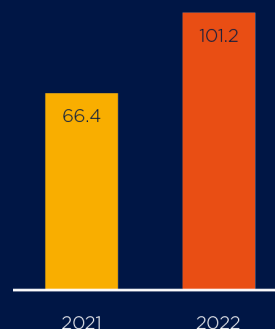


Specialty

Aviation, energy, marine, political violence and terrorism, and whole account.

Proportional and non-proportional

Gross premiums written (\$m)



Our key business objectives

**Building a sustainable business
in the long-term interests of
our stakeholders**

**Delivering on our cross-cycle targets
for profitability and RoE**

Why invest in us?

1

**Proactive cycle
management**

We are committed to active portfolio management to optimise returns through the market cycle.

2

**A balanced underwriting
approach**

We are committed to creating a robust and diversified portfolio across the breadth of property, casualty and specialty classes.

3

Strong balance sheet

We have a strong capital base to support our business and maintain our AM Best A- (Excellent) rating, giving us the ability to deploy meaningful capital as opportunities present.

4

A focused growth business

Since our launch in 2020, we have focused on building out the foundations for success. Those foundations are now in place, providing a platform for significant scaleability.

5

Multi-skilled team

Our team is drawn from a wide range of industry skill-sets blended into our open culture, where knowledge transfer is highly valued.

6

Shareholder return

We are well positioned to deliver attractive capital gains over time. We have also paid out a dividend since inception and we are committed to maintaining a regular dividend pay-out.

7

**Low-risk investment
strategy**

We maintain a conservative investment portfolio with high average credit quality, strong liquidity and low duration, to protect capital while generating an income stream.

8

Integrated ESG approach

ESG principles are embedded into our underwriting and investment guidelines and into our operational activities.

Key performance indicators

Gross premiums written

\$637.5m

(2021: \$378.8m)

RoE

(9.1)%

(2021: (4.0)%)

Combined ratio

107.0%

(2021: 119.4%)

Total net investment return

(5.0)%

(2021: (0.3)%)

Total shareholder return

5.5%

(2021: (12.2)%)

Net tangible asset value per share

\$5.08

(2021: \$5.93)

Gross premiums written: \$637.5 million

Gross premiums written is an important metric to show how the business grows and its size relative to peers. Conduit Re has grown during our second year of operations, continuing the excellent progress made in our first year. Conduit's focus remains on building and maintaining a balanced and diversified portfolio, in furtherance of our core underwriting philosophy.

RoE: (9.1)%

RoE enables Conduit to compare itself against other peer companies. It is also a key measure internally and is integral in the performance-related pay determinations. RoE is calculated as the profit for the period divided by the opening total shareholders' equity. RoE for 2022 was negatively impacted by above-average industry loss events and unrealised investment losses associated with increasing interest rates.

Combined ratio: 107.0%

The combined ratio is the sum of the net loss ratio, net acquisition expense ratio and other operating expense ratio. The combined ratio for 2022 was driven by major loss events impacting the industry during the year.

Total net investment return: (5.0)%

Conduit's principal investment objective is to preserve capital and provide adequate liquidity to support the payment of losses and other liabilities. In light of this, Conduit looks to generate an appropriate total net investment return. Conduit bases its total net investment return on the sum of non-operating cash and cash equivalents and fixed maturity securities. Total net investment return is calculated daily and expressed as a percentage.

The negative performance for 2022 is largely due to the Federal Reserve raising interest rates and the resulting negative mark-to-market unrealised loss booked against the investment portfolio.

Total shareholder return: 5.5%

Total shareholder return allows Conduit to compare itself against other peer public companies. Total shareholder return is calculated as the percentage change in Common Share price over a period, after adjustment for Common Share dividends. The Conduit share price at the beginning of 2022 was 433 pence and it closed the year at 428 pence. In February 2022, Conduit declared a final dividend relating to 2021 of \$0.18 (£0.14) and, in July 2022, an interim dividend of \$0.18 (£0.15) in respect of 2022, in line with our IPO plans.

Net tangible asset value: \$5.08 per share

Year-end shareholders' equity includes the profit/(loss) for the financial year and dividends declared. Intangible assets consist of capitalised costs related to our internal software development. Intangible assets are excluded from shareholders' equity to calculate the net tangible asset value per share. Net tangible net assets for Conduit at year-end were \$813.0 million and the number of common shares outstanding was 165,239,997.

The decrease in net tangible assets per share during 2022 was due to the above-average industry loss events and unrealised losses on investments, in addition to the dividends paid by Conduit during the year.

Executive Chairman's statement

"Our efficient underwriting platform and strong balance sheet put us in a wonderful position to continue our growth in exceptional market conditions"

Having established a high-quality underwriting platform in our first year, our focus in 2022 has been on the continued execution of our vision. In 2022 our team has demonstrated the business's operational capabilities in constructing a high-quality and well-balanced portfolio while exhibiting the strong, healthy and inclusive culture which is already a core element of the Conduit DNA.



In a period that has seen heightened loss activity, inflation and rising interest rates, we have been able to focus on underwriting and deploying our capital into the business which provides the best balance of risk and reward. It's this ability to assess the risk and reward of different types of business, and nimbly underwrite where we see the best opportunities, that fills me with so much excitement moving into 2023, where we are well positioned to take advantage of current exceptional market conditions.

An extraordinary combination of events converged in 2022 to create the biggest shift in reinsurance market conditions that I have seen in my career, significantly beyond what we envisaged when the IPO plan was written in 2020. Since then, inflation and increasing interest rates, against a backdrop of significant losses from Hurricane Ian and other major events, with an overarching fear of climate change, have driven a fundamental rebalancing in the reinsurance market. As a result we are experiencing very high rate increases, increasing deductibles, more restrictions in coverage and a tightening in terms and conditions. This new environment suits us perfectly, playing to the strength of our business model to achieve our target returns.

Climate change is increasingly impacting the market. The simple facts are that the frequency and severity of natural peril losses are on the rise. In last year's annual report, Trevor wrote about whether the loss experience of 2017 to 2021 should be considered the 'new normal'. 2022 loss activity only serves to reinforce this view and reinsurance pricing has reacted accordingly.

Exceptional rating environment

While many business sectors will feel recessionary pressures this year, the reinsurance industry will benefit from increased demand and strong pricing, with more stringent terms and conditions. During the softening phase of the last market cycle, coverages were bundled and expanded with no corresponding improvements in price or terms and conditions. This situation must now reverse. Even before Hurricane Ian, at the Monte Carlo Rendezvous and the Baden Baden conference (the

Executive Chairman's statement

continued

two most significant reinsurance market gatherings), there was much discussion about the unbundling of coverage in both property and specialty and the increasing use of 'named peril' coverage which should enable a more realistic assessment of natural peril risk. There is plenty of data around climate change. It is when coverage is broad and complex that failure occurs.

Culture and sustainability

Our successful journey throughout the start-up phase in 2021 can be directly attributed to the strong culture we have created and to the hard working, high-performing team that we have built: a team with a very clear sense of purpose and mission. Over half of our employees and a third of our board are female. The culture at Conduit Re is transparent, collaborative, responsible, enabling and forward thinking. All this, coupled with our flat structure, has a lot of advantages, not the least of which is the agility to adapt, without legacy constrictions, to market conditions. These strengths have been put to good use in 2022, as we have responded to a highly evolving market, and will stand us in good stead going into 2023 and beyond.

As a Bermuda-based reinsurer, we were always going to run the business from a single location. This comes with several social responsibilities which we continue to address as part of our charitable and social goals as overseen by our ESG Committee. We are grateful for the work carried out by the ESG Committee and the Board in overseeing the process and ensuring the integration of ESG into our underwriting, investments and also the fabric of our business and culture. There is still work to be done, but we have made significant progress as evidenced by our improving score in the ClimateWise annual survey.

In summary, operationally and financially Conduit is in a wonderful position for significant growth and has a capital base to comfortably carry us through our original IPO plan.

Conclusion

The sum of the hard work put in by the team is the pleasing progress we have made against the plan, strong financial performance and a clear pipeline of future revenue. On this basis we are pleased to maintain the final dividend for 2022 at \$0.18 (approximately 15 pence) per share, making it \$0.36 for the full year (approximately 30 pence).

I would like to thank all of my Board colleagues and all the Conduit team, led by Trevor, for their tremendous efforts, which have taken us so far in a very short space of time. I would also like to thank the broking community and our customers for their continued support. We are all looking forward to the future with confidence and enthusiasm.

Neil Eckert

Executive Chairman
3 March 2023

"Our key differentiator as a pure-play global reinsurer is our unwavering commitment to allocate capital efficiently and effectively to where the most attractive opportunities lie"

Reflections on 2022

We launched Conduit Re in December 2020, with a five-year business plan centred on building a robust business with a diversified portfolio. The industry developments we have seen since 2020 now present a 2023 landscape that is well beyond those original expectations. Our team, pulling together from one location, is ideally positioned to respond to this.



Throughout our first two years, we remained focused on our approach and plan, pursuing our core underwriting philosophy: to identify the relative value in the reinsurance product chain and technically underwrite a balanced and diversified portfolio. Across our target classes, we have been able to build scale and presence – key elements in establishing Conduit's footprint, resilience and relevance.

The heightened extent of industry natural-catastrophe losses in 2022 is being described as an 'above average' year with estimated loss figures in excess of \$120.0 billion. Increasing frequency and scale of natural-catastrophe losses are factors for which the industry should be prepared. Responsible deployment of capital in catastrophe-exposed classes should remain a key focus of portfolio construction.

2022 performance

In 2022, our gross premiums written have grown 68.3% to \$637.5 million and, on an estimated ultimate premiums written basis, by 43.9% to \$659.9 million. While our overall result for our second full year of operations was a comprehensive loss of \$89.7 million or \$(0.55) per share, the pure underwriting result was a profit of \$0.3 million and a combined ratio of 107.0%. This is a commendable outcome by the team in only our second year, given the significant claims and other challenges that impacted the industry in 2022. It goes a long way to validating our focus on underwriting a balanced and diversified portfolio through careful risk selection across our target classes.

Beyond underwriting, the 2022 results were affected by the impact of the increased interest rates on our invested assets, with an investment return of (5.0)% mostly driven by a mark-to-market effect over the 12 months of \$(67.8) million. Our principal approach remains to actively monitor and position the duration of our investments, to accumulate cash and reinvest when opportunities present themselves, and to avoid realising losses unnecessarily. We have always said that our strategy is to assume risk in our underwriting and to seek to protect our asset base to maximise our

CEO's report continued

solvency capital and, consequently, we will continue to deploy our investments conservatively, maintaining a lower-risk profile with high average credit ratings (AA at the end of 2022).

Our operational set-up and efficiencies are already producing \$11.8 million of gross premiums written per employee through year-end 2022 – a figure that we expect to increase significantly as we develop and deliver on our five-year plan. Within that plan, we set out a glide path towards our other operating expense ratio target of 5% to 6% and, at 7.1% for 2022, we are well on the way to achieving the target set, given the evolution of the expected earned premium base.

The more than \$120.0 billion insured losses in the year impacted several regions, with North America alone incurring circa \$90.0 billion of losses. Hurricane Ian comprises a significant element of this number (up to \$55 billion according to some estimates) with our estimated net loss exposure to this storm being \$45.4 million (\$40.9 million net of reinsurance recoveries and reinstatement premiums).

In building a balanced view of risk, we continue to have the majority of our premium dollars emanating from non-catastrophe-exposed classes. This has enabled us not only to establish a great pipeline of margin-healthy, more predictable business but also to continue to grow through 2022 while still retaining the important balance in the overall portfolio.

The impact on Conduit Re from the Ukraine-Russia conflict is a good example of our underwriting philosophy, which is focused on achieving consistent technical profitability. Given the typical structure of the reinsurance treaty contracts that we underwrite, with event and aggregate limitations in place for the relatively small number of contracts that have exposure to the conflict, the ultimate impact from the event has been estimated at \$24.6 million net of reinsurance recoveries and reinstatement premiums. Our approach is to be as transparent as possible with our disclosures and we believe that this is shown in our estimated ultimate net loss to the ongoing crisis being across the whole portfolio – primarily our property and specialty reinsurance books, via classes such as aviation, war on land and marine war – in both Ukraine and Russia.

While we plainly had no crystal ball prior to the Ukraine-Russia conflict, the loss impact on the Conduit portfolio from it was limited since it was clear to us some time ago that contract pricing in certain specialty areas did not reflect the underlying risk, causing us to decline many specialty submissions.

Underwriting view

As 2022 progressed into the fourth quarter beyond Hurricane Ian, it became apparent that a major re-forming of the marketplace was under way, with the supply versus demand imbalance starting to take real effect. A fundamental shift in the rating of property catastrophe risk was occurring, driving the market to embrace both a significant increase in premium rates and, crucially an improvement in the terms and conditions being offered.

The positive momentum behind the improvements in the pricing and terms and conditions of catastrophe-exposed property business has also been driving improvements in our margin expectations in the non-catastrophe-exposed business. This is enabling us to build upon our significant existing non-catastrophe-exposed property book.

We have spoken several times about the differing product forms – quota share or excess of loss – available to a reinsurer when accepting risks and the fundamental differences between them. Both forms have merit at differing points of the cycle and we see both as being able to contribute in the present market environment. However, in 2021 and 2022 our strategy was to lean away from the greater volatility we saw in the catastrophe-exposed excess of loss product and we focused more of our attention on the more predictable earnings stream available in writing the quota share product showing attractive margins with lower inherent volatility. We are now seeing the benefits of the quota share earnings stream coming through, which gives us an excellent base on which to grow. Going forward as the market dynamics change we will of course keep this product mix under review as evidence of pricing improvement emerges in the various excess of loss classes.

CEO's report continued

The casualty business, in our experience through the year, remained on a relatively stable track with the underlying insurance market continuing to behave responsibly in managing and pricing for claims inflation. We have been very selective in underwriting the casualty book and we have a high renewal retention here with the business in our view being well risk managed by the client base. The data and analysis shared with us informs our decisions to deploy or not in any one casualty class, occupancy, or indeed geographic region. Where the submissions have not met our risk appetite we have not written the business. This was often the case with European and broader non-USA casualty risks. Overall, however, the longer-tail casualty business that met our underwriting criteria continues to be a valuable contributor to our overall broad risk diversification strategy.

Turning to the specialty reinsurance market, our experience has been that it has been a tough place to find consistently good quality business with adequate embedded margins. There has been an increasing trend to bundle different classes of risk into broad composite covers, with minimal transparency on underlying risk and exposure profiles and consequently this has inhibited the ability of reinsurers to price the risks satisfactorily. Starting in 2022 and continuing into 2023 we have seen the specialty market change behaviour and loss-impacted classes are seeing a significant uplift in rates. Those risks previously lost in a bundled approach are now in the open, to be evaluated on a class-by-class and client-by-client basis. The recent renewal season was in our opinion the real start of this process and, alongside the growth in our property book, the specialty classes offer a significant opportunity for us to deploy more capital into the space. Specialty reinsurance remains an attractive proposition overall for Conduit, especially when the natural-catastrophe correlations with our property classes remain at lower levels, enabling us to capture attractive technical margin from premium flows that are not predominantly associated with natural-catastrophe risks.

As regards distribution, the excellent support that we have received from clients and brokers in this, our second year of trading, is very much appreciated. The channels that we have established to access business are deep in all of our product lines and our strong capital position will enable us to continue to grow. To that end, the 1 January 2023 renewal period did indeed deliver exceptional business growth, both in renewing and new business for us and on the back of continued improvements in pricing and terms and conditions. We see this as an enduring environment, creating

the opportunity for improved margins in our business throughout 2023 and beyond.

Conduit Re's key differentiators

Though we may no longer be considered a start-up, we have retained several key differentiators from our first days in operation. Over and above the energy and forward-facing mindset that comes with launching a new business, we have none of the legacy issues of more established businesses. Given the market's re-calibration on prior year reserves in this new inflationary environment, these legacy issues are now very much front and centre in the broader industry cross hairs and we are pleased not to be impacted by such distractions.

On the asset side of the industry the combination of heightened catastrophe losses, mark-to-market impacts on investments and the legacy reserving issue has had a significant impact on capital management and the ability to deploy capital optimally to take advantage of fast-emerging opportunities. At this point in the cycle a freedom to deploy capital is crucial, as is being able to lean swiftly into a significantly improving market.

Along with a strategic approach to capital deployment goes the need for efficiency and quality of decision making in the business. Our experience continues to show the clear advantages to having a localised 'hands on' control of business being written. This is especially so at the moment, where the pace of change in the market has been rapid.

People

Our progress over the last 24 months would not have been possible without the hard work, application and passion of our teams. We have been committed from day one to build our own culture, by seeking out and attracting high-quality people. We are now at 54 employees and in 2022 we conducted our first in-house employee engagement survey. I was very pleased with the positive results and feedback. One final comment: in the post-COVID world we have already adopted a return to 'in office' working as our norm and we believe both the business and our employees benefit from this approach as it improves the information flow and knowledge 'pass down' through the entire organisation.

CEO's report

continued

Outlook

When Conduit Re was formed it was against a backdrop of several years of industry underperformance including the impact of the COVID-19 pandemic. We were quietly confident that, over the next two to three years, we would experience a broad reinsurance market correction, and what we are witnessing now is a fundamental shift in risk versus return metrics presenting opportunities to accelerate our growth plans.

Our underlying book of business remains on track to deliver a mid-80s combined ratio in the medium term and benefits from an efficient and effective business model here in Bermuda.

I have witnessed several moments of significant market disruption in my career and what we are experiencing in the industry right now is one of the most dramatic in scope and impact. In my view, it is at these moments that the greatest opportunities present themselves and I firmly believe that Conduit Re is extremely well positioned to respond to these opportunities as we continue to grow.

Trevor Carvey

CEO

3 March 2023

"By design, we have built an underwriting team with a thorough understanding of the underlying insurance classes – they are best placed, in our view, to identify and respond to both key emerging trends and specific risk opportunities"

Our underwriting approach

A team is only as strong as its component parts and, in that respect, we have been committed to targeting underwriters with both a strong understanding of the underlying insurance business and a solid technical background.

Deliberately, we have sought out individuals with a broader grasp of the reinsurance value chain and the various products within it. It has been a clear objective of the underwriting approach at Conduit Re from day one that we should remain geographically impartial and also largely product neutral between quota share and excess of loss, with the goal being to optimise our returns class-by-class and region-by-region.

Key to this ground-up approach is a strict focus on active cycle management and the steep changing shape of returns seen in the market when measured over time. We believe the resulting portfolio is therefore robust and has greater ability to withstand shocks.

As a reinsurer, we have invested in processes enabling access to an enormous level of underlying insurance information that then informs the reinsurance contracts that we either bind or decline – we seek to put our reinsurance underwriters in the shoes of the insurer when considering the interplay of risk transfer from the underlying insurance business to the reinsurance contract.

Ultimately, however, success boils down to the breadth and depth of talent and experience we have to make the best of the opportunities we are presented with and I am delighted to have recently brought in the very experienced Peter Kiernan as Head of Property, bringing more depth and support to the team. We are a dynamic, evolving business, and I anticipate fully that, as we grow, we will add to the team's experience while continuing to support, invest in and nurture our existing talent.

Maturing relationships

The relationships we now enjoy with brokers and intermediaries are testament to our strategy. Our presence is very relevant in the marketplace and our approach is understood. The market certainly understands the dimensions of our risk appetite, our view of risk and, indeed, our approach to risk pricing.



CUO's report

continued

What that means for Conduit Re is that we are now being presented with a very large number of opportunities from which to select. At this evolving point in the cycle, that is a good place to be.

Market conditions

Both Neil and Trevor have already provided their views as to where we are in the cycle. I endorse their positive outlook as we are seeing a fundamental and ongoing correction in response to a combination of several factors, both economic and related to specific loss events.

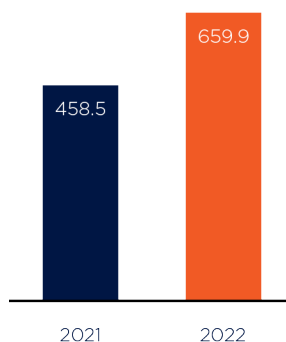
In 2022, across the board, we saw a move towards greater transparency and clearer definitions in the reinsurance treaty market, driven by the impact of incurred claims on the horizon and perhaps the benefit of hindsight. What we have observed in the last 12 months is that there has been a narrowing of coverage terms, and a real willingness to sell that coverage in a more specifically defined manner. In addition we have seen a far greater degree of discipline within the market in demanding that information necessary for reinsurers to calculate an appropriate price for the risk being assumed.

From the launch of our business, outwards reinsurance has been a core part of our risk management strategy. The outwards reinsurance contracts were placed in 2022 with our incumbent partners, while also broadening our panel with some new markets. The programme is actively managed in line with our plan.

Underwriting

Overall, for the year ended 31 December 2022 our estimated ultimate premiums written were \$659.9 million (2021: \$458.5 million), after adjustments. This planned growth has been achieved by both expanding our current positions and developing new relationships.

Estimated ultimate premiums written (\$m)

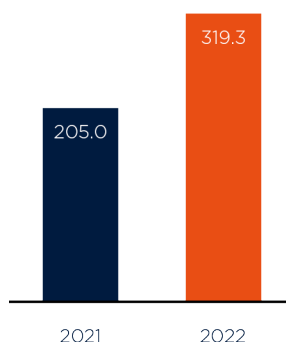


Conduit Re's overall risk-adjusted rate change across the portfolio, net of claims inflation, in 2022 was 4%.

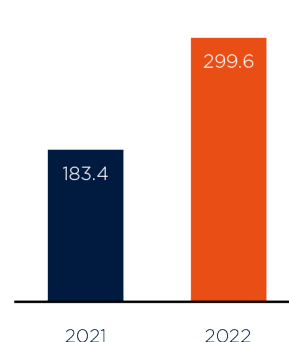
Property

Estimated ultimate premiums written in the property book for the year ended 31 December 2022 were \$319.3 million (31 December 2021: \$205.0 million). Gross premiums written for the same period were \$299.6 million (31 December 2021: \$183.4 million).

Ultimate premiums written (\$m)



Gross premiums written (\$m)



CUO's report

continued

Property premium split (2022)

(Property quota share only)



(All property)



In 2021 and 2022, the market experienced some of the largest catastrophe losses ever. In these initial 24 months of our business existence, we have been tested against \$240.0 billion or more of estimated insurance industry natural-catastrophe losses.

Conduit Re's portfolio has natural-catastrophe exposure but, where such exposure does exist, we price in a consistent and, we think, robust manner. In constructing the property portfolio we have resisted the somewhat easy practice of loading with large amounts of low probability risk, which would have produced a huge strain and demand on our balance sheet, for return levels outside of our plan. We consider tail risk or remote risk as a scarce resource, structuring transactions to simplify the management and quantification of these exposures. This consistent approach allows the underwriting team to constantly monitor the market value of natural-catastrophe pricing.

The pricing metrics of volatility contracts improved throughout 2022. The significant loss activity across the class, from building collapse, a European war and traditional natural-catastrophes, put increasing upwards pressure on prices. Hurricane Ian made landfall in Florida at a time when natural-catastrophe excess of loss contracts had not experienced the risk-adjusted rate increases captured from the quota share placements. A significant portion of the excess of loss capacity is bought by the personal lines carriers, which sits conversely to the more commercial lines-driven quota share purchases. This was one of the factors

in our favourable consideration towards writing structured quota share contracts.

Hurricane Ian is currently reported by PCS (an industry provider of estimates of catastrophic insured property losses) as a \$52.9 billion loss event, including loss adjustment expenses. However, our estimated net loss of \$40.9 million (net of reinsurance recoveries and reinstatement premiums) demonstrates our portfolio's balanced texture and robustness to significant natural-catastrophe loss activity. I believe that the characteristics of Hurricane Ian, the quantum of loss it caused coupled with its physical parameters (particularly radius to maximum winds and wind speeds) will cause insurance carriers to reassess their protection levels. For this reason, I expect to see further demand for natural-catastrophe capacity, albeit in differing forms by the insurance market at nominally higher margin levels for sellers of reinsurance.

While there were a number of other smaller catastrophe events which gave further tests to Conduit Re's growing and diversified portfolio, such as European storms Eunice and Dudley, hailstorms in France, floods in Australia and South Africa, and winter storm Elliott in the United States, none of these had a material impact on our 2022 results. It is accurate to say that our appetite for European exposure was limited due to both the margins and the terms and conditions of reinsurance contracts.

Here again the blend and texture of our portfolio has served us well. We have continued to sit alongside our quota share partners in the improving original rating environment, with both attrition and natural-catastrophe premiums increasing in margin. I am certain that the risk-reward balance in respect of reinsurance volatility products will develop favourably for us.

Our risk-adjusted rate change in our property segment, net of claims inflation, in 2022 was 7%.

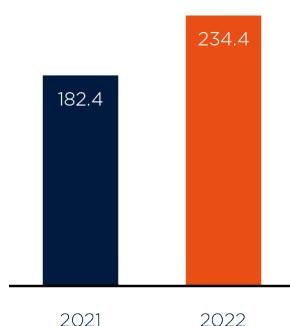
CUO's report

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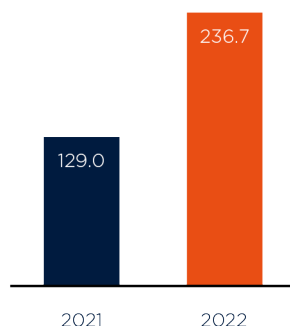
Casualty

Estimated ultimate premiums written in our casualty book for the year ended 31 December 2022 were \$234.4 million (31 December 2021: \$182.4 million). Gross premiums written for the same period were \$236.7 million (31 December 2021: \$129.0 million).

Ultimate premiums written (\$m)



Gross premiums written (\$m)

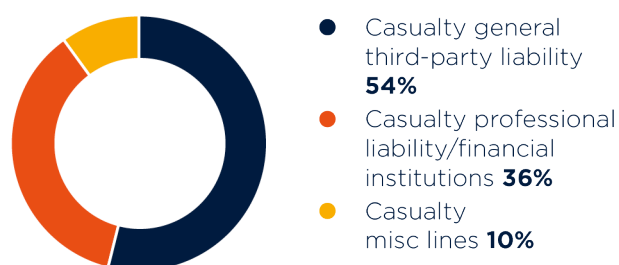


Casualty premium split (2022)

(Casualty quota share only)



(All casualty)



Our risk-adjusted rate change in our casualty segment, net of claims inflation, in 2022 was 1%.

During 2022, we benefited from further improvement in underlying casualty loss ratios, which are, arguably, the best for a very long time. We remain focused on professional/financial lines and general liability casualty, continuing to avoid motor. This, together with compound rate increases,

puts the underlying business in a much healthier position and I don't see a reversion of this in the short term. The biggest challenge we faced in casualty was a mismatch between our view of inflation and that of many of our clients. There are differing opinions in the market on the longevity of the current heightened inflationary environment. However, Conduit Re has the advantage of having been established in a high inflation environment so the concept of inflation is firmly embedded in how we think about risk. Our most successful client relationships have taken and will continue to take a similar view and this is clearly visible in the data they share with us. This partnership and cycle management creates the discipline that reverberates through the risk transfer chain, creating consistency between business objectives.

There are certainly some significant themes in the commercial casualty market, with sub-classes such as workers' compensation and public D&O evidencing signs of slowdown in rate increases. This is the point at which an insurance partner underlines to us their strategy to manage this phase of the cycle. Though loss ratios have been improving due to rate increases, reaction to and management of a prolonged period of both core and social inflation requires reinsurance structure rebalancing, particularly when considering quota share placements. As a general observation, best-in-class casualty partners responded with reductions in ceding commissions or simply shared less of the more difficult sub-classes.

The underwriting team continues to monitor the industry behaviour post COVID, continually testing our views on trend and inflation. Despite evidence of softening of primary rate increases, our partners show the drive for rate increases in excess of trend, tighter terms and conditions and discipline in capacity deployment. During 2022 global exposures began accelerating once again, and in the context of insurance offering wealth and business interest protection, there is an increasing demand for our product.

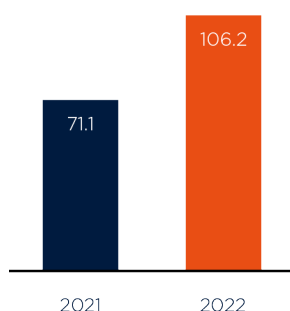
We continue to watch with interest the development of the cyber class market and the rapidly evolving changes to structures, coverage and rating. In 2022 we did not write any standalone cyber risks, with exposure limited to that assumed as part of the broader coverage contracts that we write.

CUO's report continued

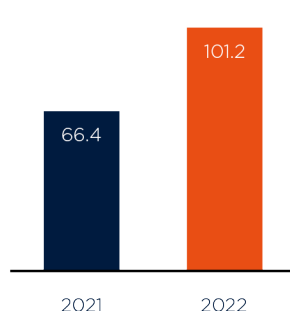
Specialty

Estimated ultimate premiums written in our specialty book for the year ended 31 December 2022 were \$106.2 million (31 December 2021: \$71.1 million). Gross premiums written for the same period were \$101.2 million (31 December 2021: \$66.4 million).

Ultimate premiums written (\$m)



Gross premiums written (\$m)

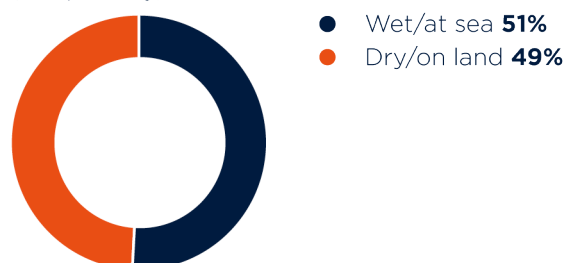


Specialty premium split (2022)

(Specialty quota share only)



(All specialty)



Our risk-adjusted rate change in our specialty segment, net of claims inflation, in 2022 was 2%.

The specialty segment contains a variety of differing product classes, with each of them at differing points in their own self-contained market cycles and therefore requiring specific attention from our pricing and underwriting teams. Within the

broad range of specialty classes there are several which, although we monitor them, have continued to fall outside our risk appetite, such as mortgage, trade credit, surety and motor.

The main specialty classes of business we write include aviation, energy, marine, renewables, political violence and terrorism and are offered on both a specific and a whole account basis. Estimated ultimate premiums written grew almost 50% year-on-year and we continued to have some success in the quota share support of those clients where embedded technical margins remain attractive.

In the marine classes, the market for hull and cargo required a significant degree of risk selection on our part as the relative profitability of these classes within different regions of the world vary enormously. While the North America region tends to be where our property and casualty capacity can be extensively deployed, when it comes to the marine classes there exists a more heavy supply of reinsurance capacity and this has the obvious effect of dampening margin on the treaty reinsurance being presented. This is not a recent trend but rather a feature that has existed for some time – prior to the existence of Conduit – and we continue to tread carefully there.

The offshore energy market continues to be reasonably balanced in the supply versus demand equation. The rate change metrics presented by clients indicated that the non-capacity projects showed signs of rate improvement in the primary insurance markets. The rates on capacity installations held firmer, we believe, as they often have insurance demands still running beyond \$5.0 billion in limit or more and therefore rely to a greater extent on the treaty reinsurance market for continued capacity and support.

The onshore energy market has continued to produce reasonably solid results in the broader marketplace and as such has warranted our support over the last two years. Rates have moved up significantly in previous years and have either held firm or deteriorated slightly over the year but, from a technical margin standpoint, the class continues to offer attractive overall returns. The catastrophe exposure remains relatively well controlled in this class, and data modelling is readily available, giving us more comfort in allocating capacity to it.

In the political violence and terrorism class, we continue to allocate more capacity to contract forms where the exposure is specifically detailed for these risks rather than being covered in a broader

CUO's report

continued

bundled treaty type. The market has embraced this transparent unbundling of risks more since the Ukraine-Russia conflict and consequently, we think, it continues to offer a reasonable technical margin. The issue in writing this class is around the need to manage the potential for contract accumulations and this was a feature in limiting our exposure to events such as the Ukraine-Russia conflict.

We remain a very small participant in the aviation specialty classes but we saw evidence in the second half of 2022 of rate increase and terms and condition improvement. In response we were able to increase the flow of business in the class over this period. We saw evidence of initial rate increases in the primary markets. The reinsurance capacity has also been attracting higher rates and better terms and conditions, which is encouraging.

In summary, we view the specialty lines as very much complementary to our property and casualty offerings. Recognising the breadth of knowledge and experience that needs to be employed in evaluating the differing specialty submission types, we endeavour to bring the resources of the entire underwriting and pricing team to bear, to arrive at a team consensus approach to contracts written. Given that many of the specialty lines have limited exposure to natural-catastrophe loss events, the class can often present an attractive proposition with lower embedded volatility – always providing of course that technical margin is present.

Greg Roberts

CUO

3 March 2023

"Our performance, given the extent of this year's market-loss events, was a pleasing affirmation of our strategy"

We have come a long way in the past two years and the decisions that we made in the pursuit of high-quality earnings and lower investment risk are starting to bear fruit. As a relatively young business, it naturally takes some time to build the book and for earnings to mature, particularly given our deliberate bias towards quota share over excess of loss contracts.

That bias towards quota share, driven by market dynamics, has stood us in good stead over the last two years. With those years both bringing higher-than-average industry natural-catastrophe losses, plus an extreme outlier event in the Russian invasion of Ukraine, we believe our strategy, approach and risk selection has allowed us to contain the financial impact of those events on Conduit Re. Despite Hurricane Ian looking like it could be the second largest catastrophe event ever, behind only Hurricane Katrina in 2005, Conduit Re produced a small underwriting profit for the year. In only our second year, and a year where current industry loss estimates for natural-catastrophes are as much as \$120 billion, this is a significant achievement.

We have continued to grow the business, largely in line with the IPO plan for ultimate premium, and over our first two years of operation we have bound \$1,118.4 million of ultimate premiums versus the IPO plan of \$1,098 million. While there is a higher acquisition cost in doing quota share business, this is partially offset in a lower loss ratio, albeit not on a 1:1 basis, but also in lower volatility around that loss ratio. This has been borne out in our performance in the losses of the last two years. Going forward, in potentially the best market conditions for decades, we are exceptionally well placed to build from here with both our broad existing relationships and new business opportunities. Our lack of prior year legacy means that, with no need to consider material inflationary increases on back year reserves, the capital raised in our five-year plan is more than adequate to deploy to meet our underwriting goals.

There have been two major events that have impacted the business this year. On Hurricane Ian, we incurred \$40.9 million of net losses, after reinsurance recoveries and reinstatement premiums. That equates to 4.2% of our opening shareholders' equity. While there is potential variability in any loss estimate, we believe the range around our Hurricane Ian loss is relatively small given how our reinsurance programme operates.

On the Ukraine crisis, we have recorded \$24.6 million of net losses, after reinsurance recoveries and reinstatement premiums. That equates to 2.5%



CFO's report continued

of our opening shareholders' equity. With the war ongoing, humanitarian aspects aside, there is clearly considerable uncertainty around the impact of this event. That is especially true for the industry and even more so for the aviation sector. For us, with a relatively small number of contracts exposed – and with caps on exposure in place – we have been able to come up with what we believe is a robust assessment of our ultimate potential loss.

On the other side of the balance sheet, Conduit has clearly been impacted by rising rates and rising rate expectations, as other companies in our sector have been. Our investment return for the year was (5.0)%, driven largely by unrealised losses of \$67.8 million. With a short duration, highly liquid, high-quality portfolio and with no risk-assets – meaning no equities, high yield or alternative investments – we have no concerns around defaults and impairments. For the most part, we will allow our existing portfolio to mature – albeit with some rebalancing – and reinvest proceeds and new cash flows cautiously. We will therefore see some benefit from rising rates but, as ever, our primary aim is capital preservation and liquidity to support our underwriting. Markets remain volatile and uncertain, so we will ensure that we have more than adequate liquidity available in these challenging times.

We have continued to investigate funds or other investments that meet our risk appetite, while also having a positive impact from an ESG perspective, but we have not yet found opportunities that have the right fit. We have, however, taken further steps to avoid exposure to investments that contribute to identified types of environmental or social damage, as detailed in our ESG Report, published on our website. We will continue our research in this area.

2023, finally, brings IFRS 17 implementation. With that, other than presentational differences, we expect the biggest impact to Conduit to be from discounting our liabilities. That brings greater matching with the asset side of our balance sheet. While we have not fully deployed our capital, and our asset duration of 2.2 years is shorter than our gross reserve duration of 2.9 years in the current environment, a degree of mismatch remains. We do expect that to lessen over time as we continue to deploy our capital. Our IFRS 17 implementation project is relatively advanced, with our system development substantially complete and entering the testing and parallel running phases of the project. We expect to be able to provide more detail on the financial impacts ahead of our interim reporting at the half year.

Elaine Whelan

CFO

3 March 2023

Business review – finance

Premiums

We have continued to build a balanced and diversified portfolio with the focus on high-quality quota share business, allowing us to benefit from the improving pricing and terms and conditions in the primary markets. We consider quota share business to have provided the best balance between price and risk as we build out our underwriting portfolio, and we will continue to have an increased weighting towards quota share contracts versus excess of loss business in the near term. This sets up an embedded pipeline of premium, which will flow through to income. While quota share contracts typically have higher acquisition costs associated with them, there tends to be less volatility in the underlying loss ratio, which we've experienced first hand with the elevated loss events of 2022.

During 2022, Conduit Re continued to show growth across all segments, benefiting from new business, high retention of renewal business and improving rates. Client count and submission numbers have increased in line with Conduit Re's growth strategy. Rate change continues to be positive, outpacing inflation.

Ultimate premiums written

For the year ended 31 December:

Segment	2022 \$m	2021 \$m	Change \$m	Change %
Property	319.3	205.0	114.3	55.8
Casualty	234.4	182.4	52.0	28.5
Specialty	106.2	71.1	35.1	49.4
Total	659.9	458.5	201.4	43.9

Gross premiums written

For the year ended 31 December:

Segment	2022 \$m	2021 \$m	Change \$m	Change %
Property	299.6	183.4	116.2	63.4
Casualty	236.7	129.0	107.7	83.5
Specialty	101.2	66.4	34.8	52.4
Total	637.5	378.8	258.7	68.3

As Conduit concludes its second year of operations, and as its earnings mature, the ratio of net premiums earned to net premiums written was 83.0% for the year ended 31 December 2022 compared with 56.1% for the prior year.

Pricing

Pricing and terms and conditions continued to improve in the markets we targeted. We were presented with an increasing number of opportunities to deploy our capital into the areas and products which we know well, and where both renewal and new prospects met our profitability requirements.

Conduit's overall risk-adjusted rate change, net of claims inflation, in 2022 was 4%, and by segment was:

Property	Casualty	Specialty
7%	1%	2%

Premiums ceded

Ceded reinsurance premiums for the year ended 31 December 2022 were \$56.6 million compared to \$32.6 million for the year ended 31 December 2021. The increase in cost relative to the prior period reflects additional limits purchased as the inwards portfolio and exposures grew over the period.

Losses

Both 2021 and 2022 were characterised by higher-than-average natural-catastrophe losses for the industry, with 2022 also experiencing losses from the crisis in Ukraine. The Group's net loss ratio was 71.7% compared with 73.2% for 2021. The accident year loss ratio for 2022, including the impact of foreign exchange revaluations, was 72.9% compared to 73.2% for 2021.

Hurricane Ian made landfall in Florida as a strong Category 4 hurricane on 28 September 2022, resulting in estimated industry losses of approximately \$55 billion. It continued its path north-east across Florida before making a second landfall in South Carolina. Our ultimate loss estimate, net of reinsurance recoveries and reinstatement premiums, for Hurricane Ian is \$40.9 million, which is in line with previously reported estimates, and contributed 8.8% to the net loss ratio. Our net loss ratio for the year, absent the impact of Hurricane Ian, was 62.9%.

As regards the ongoing conflict in Ukraine resulting from the Russian invasion commencing on 24 February 2022, Conduit has potential exposure across its property and specialty reinsurance books, via classes such as aviation, war on land and marine war. There is significant uncertainty in estimating losses emanating from the conflict, not least as it is an ongoing event. Based on current information, Conduit's previously announced estimated ultimate loss, net of reinsurance recoveries and reinstatement premiums, in relation to the conflict

Business review – finance

continued

is unchanged at \$24.6 million, which represented 5.1% of the net loss ratio. Our net loss ratio for 2022, absent the impact of the Ukraine conflict, would have been 66.6%.

While there were a number of other smaller catastrophe events, such as European storms Eunice and Dudley, hailstorms in France, floods in Australia and South Africa, and winter storm Elliott in the United States, none of these had a material impact on our 2022 results.

During 2021, we experienced net losses from the significant events of Hurricane Ida and the European floods of \$27.1 million, net of reinsurance recoveries and reinstatement premiums. Absent these events our loss ratio would have been 58.8%.

Our ultimate loss estimates, net of reinsurance recoveries and reinstatement premiums, for the previously reported 2021 loss events remain relatively stable.

Our loss and reserve estimates have been derived from a combination of reports from brokers and cedants, modelled loss projections, pricing loss ratio expectations and reporting patterns, all supplemented with market data and assumptions. We will continue to review these estimates as more information becomes available.

Investments

We continue to maintain our conservative approach to managing our invested assets, with a strong emphasis on preserving capital and liquidity.

Our strategy remains maintaining a short duration, highly creditworthy portfolio, with due consideration of the duration of our liabilities. Our portfolio mix shows our conservative philosophy (more information on the portfolio mix is set out in the risk disclosures on page 111). Our asset allocation is dictated by our approved investment guidelines. There are currently no risk assets held in the portfolio. Risk assets will generally only be considered to diversify and protect the portfolio, and where the risk return profiles are appropriate.

We currently have two portfolio categories – short-tail and long-tail – to match our underwriting categories and the differing obligations associated with different classes of business across our property, casualty and specialty divisions. Liquidity preferences are monitored for each.

Conduit's cash inflows are primarily derived from net premiums received (including reinstatement premiums), losses recovered from reinsurers and net investment income, plus the sale and redemption of investments. Cash outflows are primarily the settlement of claims, the payment of ceded reinsurance premiums (including reinstatement premiums), payment of other operating expenses, the purchase of investments and the distribution of dividends or other forms of capital returns. Excess funds are invested in the investment portfolio.

As part of our investment strategy, we seek to maintain a level of liquidity that we believe to be adequate to meet our foreseeable payment obligations. We believe that our liquid investments and cash flow will provide us with sufficient liquidity to meet our obligations to settle losses. However, the timing and amounts of actual claims payments vary based on many factors, including large individual losses, changes in the legal environment and general market conditions.

Investment performance

The Federal Reserve raised rates seven times in 2022, and has indicated further increases going forward. As a result, the portfolio return is negative 5.0% for the year ended 31 December 2022, mostly due to unrealised losses. Conduit recorded a small loss on the investment portfolio in the year ended 31 December 2021 due to rising yields in the fourth quarter of the year. While we expect market volatility to remain elevated in the near term, Conduit expects to be able to reinvest at higher rates as the existing portfolio matures.

Net investment income, excluding realised and unrealised losses, was \$17.8 million for 2022 compared to \$5.5 million for 2021. Total investment return, including net investment income, net realised gains and losses, and net change in unrealised gains and losses, was a loss of \$52.8 million for 2022 compared to a gain of \$3.1 million in 2021.

The breakdown of the managed investment portfolio as at 31 December is as follows:

	2022	2021
Fixed maturity securities	91.3%	95.3%
Cash and cash equivalents	8.7%	4.7%
Total	100.0%	100.0%

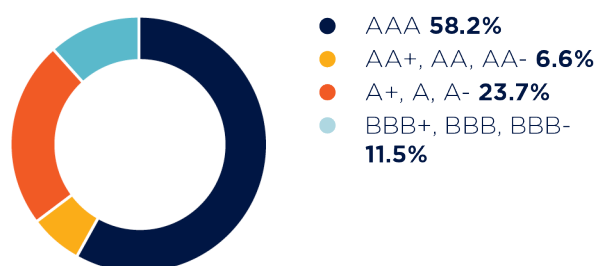
Business review – finance

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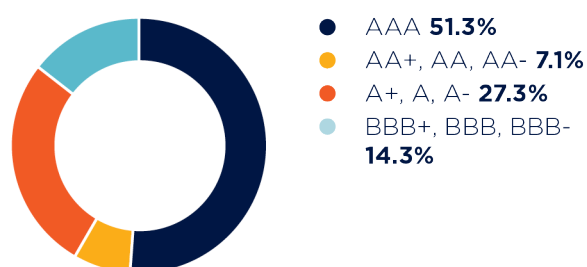
Key investment portfolio statistics for our fixed maturities and managed cash as at 31 December were:

	2022	2021
Duration	2.2 years	2.4 years
Credit quality	AA	AA-
Book yield	2.4%	0.9%
Market yield	5.2%	1.2%

Cash and investments credit ratings for managed portfolio 2022



Cash and investments credit ratings for managed portfolio 2021



ESG considerations are incorporated into our individual portfolio investment guidelines. We believe that, all other things being equal, it is less risky to own securities with strong ESG ratings. More information about the ESG approach to our investments is contained in the CFO's report on page 18 and in the ESG summary on page 30.

Other operating expenses and equity-based compensation

Other operating expenses were \$34.3 million for the year ended 31 December 2022 compared with \$30.6 million for the prior year, while our equity-based incentives expense was \$2.1 million compared with \$0.3 million.

Other operating expenses contributed 7.1% to Conduit's combined ratio in 2022 compared with 15.8% for the same period of 2021.

The prior year ratio was a reflection of our start-up nature with earnings yet to mature but with employment costs and technology platform development costs incurred upfront.

Capital and dividends

Conduit remains well capitalised to achieve its objectives with a legacy-free balance sheet. Total capital and tangible capital available to Conduit was \$0.81 billion at 31 December 2022 (31 December 2021: \$0.98 billion). Further information on capital management is set out in the risk disclosures on page 118 and in the financing arrangements on page 130.

During 2022, Conduit continued on-market purchases of its shares under a share purchase programme announced on 29 December 2021, where shares may be repurchased pursuant to authority obtained at Conduit's most recent Annual General Meeting. Shares repurchased by Conduit and Conduit's EBT during 2022 amounted to \$19.9 million and will be held in treasury and/or trust to meet future obligations under Conduit's variable incentive schemes.

Further details of the share repurchase scheme are set out in the Directors' report on page 81 and in note 18 to the consolidated financial statements on page 131.

On 22 February 2023 Conduit's Board of Directors declared a final dividend of \$0.18 (approximately 15 pence) per common share, resulting in an aggregate payment of \$28.8 million. The dividend will be paid in pounds sterling on 21 April 2023 to shareholders of record on 24 March 2023 (the "Record Date") using the pound sterling/US dollar spot exchange rate at 12 noon BST on the Record Date.

Conduit previously declared and paid an interim dividend during 2022 of \$0.18 (approximately 15 pence) per common share. Consequently, the full 2022 dividend is \$0.36 (approximately 30 pence) per common share in line with our stated dividend policy. Conduit's dividend policy and information on the final dividend declared in respect of 2022 can be found on page 44.

There is no debt and there are no off-balance sheet forms of capital.

Enterprise risk management report

"Our risk profile reflects our freedom from legacy constraints and organisational complexity. As we transition from the start-up phase, at this time of enhanced opportunity, we have established a business that is ready to grow"

Enterprise risk management in a modern, legacy-free environment

At launch in December 2020, Conduit set out to be a modern, forward-looking organisation where risk management is integral to our culture, guiding strategic and operational plans.



The Company's increasing maturity in 2022 was such that we have been able to revisit and evolve key policies with minor refreshes to the Risk Policy, Stress and Scenario Testing Policy and Commercial Insurer's Solvency Self-Assessment Policy, alongside the evolution of the Underwriting Guidelines and formalisation of our Pricing Policy. I'm happy to report that our objective to have risk management integral to what we do is being delivered upon.

The risk function has provided quarterly reporting to the Board and/or Board Committees addressing our response to risk, compliance with risk appetite and tolerance statements, key risk indicators, and the response to any risk events or near-misses.

Our deployment of portfolio management tools gained pace and robustness in 2022, across both underwriting and investments, with analysis also supported by the maturing and increased adoption of our underwriting pricing tool which provides rich data for the analysis of rate adequacy and movement.

Similarly, our toolset to manage operational cyber threats also matured during the year, working in collaboration with our cloud-based system providers and technology partners. Our work on key risk indicators progressed during the year, but further work remains.

Emerging risk has also been a consideration during 2022, with an emerging risk register maintained and substantive discussions held on this topic as part of the strategy sessions of the Board, notably including various considerations associated with climate risk and cyber risk.

Our risk profile reflects our freedom from legacy constraints and relative organisational simplicity, with systems developed to ensure transparency and auditability in all our activities. This, together with our limited appetite for investment risk, allows a focus on underwriting, which is the core of our business.

Enterprise risk management report

continued

Risk profile

Conduit Re is well capitalised and has now completed the baseline operational build-out, with staffing increasing from 41 to 54 during 2022, as it transitions from start-up to being an established business. Further operational growth is now expected to be supportive of organic business growth.

Underwriting risk is the risk that we seek and is our primary risk. During 2022, we increased the operational and modelling support to our underwriters. We conducted a proof of concept on a more advanced approach to casualty accumulations. We plan to further advance this in 2023 with potential to expand to certain specialty classes. This will bring a similar level of sophistication as our aggregation control toolset for property, and natural-catastrophe-exposed specialty business.

Conduit Re maintains a balanced portfolio of reinsurance classes, geographical exposures and strict limits on our exposures to natural-catastrophe s and man-made loss events. Recognising the current favourable market conditions, we have accelerated our exposure appetite growth, to be deployed if market conditions support.

Our target gross exposure, per our 2023 business plan and 2022 business plan, for our largest single peril/region combinations at the 1 in 100 and 1 in 250 return periods increased from \$131.2 million to \$190.3 million and from \$202.2 million to \$249.0 million respectively. The same combinations on a net basis increased from \$54.2 million to \$65.0 million and from \$77.9 million to \$98.7 million. These targets are calibrated to 1 July viewpoints, for a first occurrence, and may change. Our actual gross modelled exposures at 1 July 2022 were broadly in line with plan while our net exposure was lower, due to the availability of competitive outwards reinsurance.

We buy high-quality outwards reinsurance to manage peak exposures and use reinsurers who are individually approved by our Counterparty Security Committee.

We seek to minimise other risks including investment risk, where our primary aim is to protect capital, and operational risk, where our simple corporate and organisational structure supports risk containment.

By starting life as a public company, we are less exposed to the short-term growth pressures that can be faced when private capital providers are motivated by seeking a liquidity event in the medium term. We are focused on long-term performance and building our business in a way that is sustainable and compatible with our responsible ESG values.

The overall risk policy and enterprise risk framework have remained relatively stable during 2022, with continued work on tools, risk indicators and the commencement of work on our internal capital model.

Our summary risk appetite and exposures are set out on the next pages.

Enterprise risk management report

continued

Risk category	Relative appetite/preference	Trend	Commentary
Overall - capital adequacy	Low We maintain capital to support a minimum rating of A- by AM Best and to provide a surplus over the regulatory enhanced capital requirement of twice that prescribed as an early warning buffer by the BMA.		AM Best affirmed our A- rating and we have substantial capital to deploy. The value of our available assets has been reduced by mark-to-market losses but is expected to recover as held assets approach maturity.
Underwriting - premium	High This is the risk we seek in order to generate return. The risk is managed by seeking a target portfolio based on our view of rate adequacy and target diversification, supported by event and/or aggregate retrocessional protections.		After a market-loss heavy 2022, industry capacity is expected to be constrained and this can lead to greater volatility. There is opportunity to take on the same, or greater, risk at improved rate.
Underwriting - exposure and aggregations	Medium We underwrite catastrophe-exposed reinsurance through our property and specialty classes, and business exposed to other aggregations, notably across casualty lines. We seek to understand and manage our exposures generally to a lower level than our Bermuda peer group.		Overall, our portfolio has been slightly less exposed to catastrophe losses than we initially planned, but a volatile market and decreased market risk capacity increase risk.
Underwriting - reserve	Medium We underwrite a mix of classes including those where reserves take time to develop. We seek to minimise reserve risk through rigorous data analytics using market data, and benefit from an external loss reserve specialist review.		Our current reserves have been impacted by elevated catastrophe losses, but the absence of legacy means the impact of inflation is limited. The volatility of reserve risk reduces as our overall book grows.
Investment - market and liquidity	Low Our primary aim is to protect capital and, consequently, we have a low appetite to expose our capital base to investment losses and a low appetite for volatility.		Our limited risk portfolio has meant that our investment performance has performed favourably in comparison to peers. Our strategy remains unchanged with mark-to-market losses expected to substantially unwind over time.

Enterprise risk management report

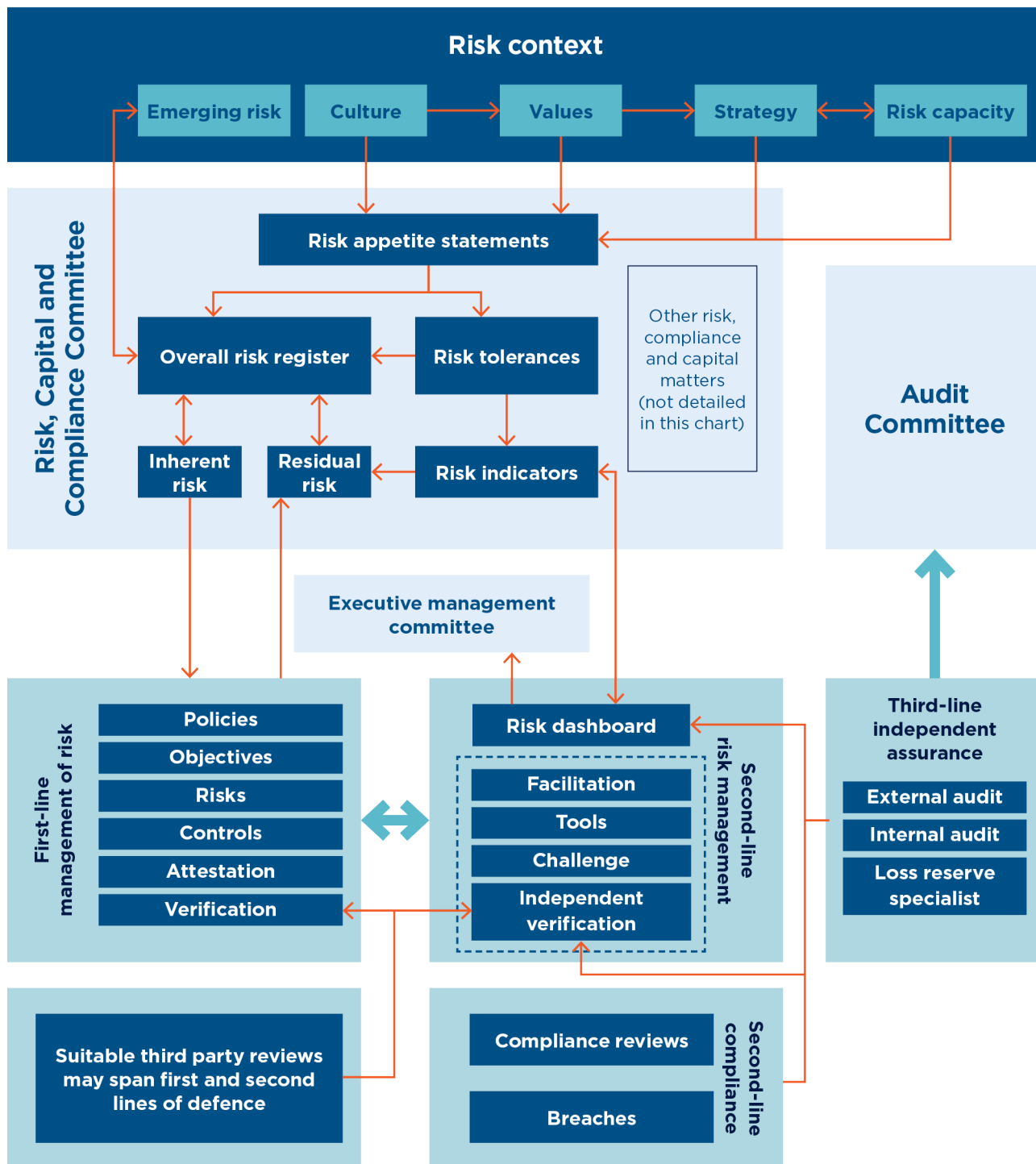
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Risk category	Relative appetite/preference	Trend	Commentary
Credit	Low We use reinsurance to provide protection and therefore select reinsurers who provide limited credit risk.	↔	All retrocessionaires continue to be high quality and approved by the Counterparty Security Committee.
Operational and systems	Low We seek to minimise our operational risk within the context of operating as a reinsurer. We seek to attract and retain high-quality staff and gain competitive advantage by use of high-quality and integrated systems.	↘	Our operational risks have continued to decrease as we transition from the start-up phase and we expect this to continue as we mature.
Strategic	Low We seek to manage risk by keeping a clear and focused strategy as a single balance sheet reinsurer based in one location.	↘	We have executed on strategy to date and favourable market conditions further reduce strategic risk.
Reputational	Low A focus on maintaining and enhancing brand and franchise value with support from the ESG Committee, established by the holding company board.	↔	Public coverage is favourable to date and good progress is being made on transparency on ESG-related matters, with our first ESG Report to be published alongside this Annual Report and Accounts.
Legal, regulatory and litigation	Very low We seek to minimise our legal, litigation and regulatory risk by investing in our systems and people. We have no appetite for censure by regulators and tax authorities.	↘	The initial period of elevated risk during start-up phase has passed. The rate of change on global fiscal initiatives and political volatility in key locations we are exposed to appear to have reduced, providing a more stable environment.

Enterprise risk management report

continued

Overall enterprise risk management framework and risk governance



Enterprise risk management report continued

Risk governance

The Board is required under The UK Code to establish procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the Company is willing to accept in the context of achieving its long-term strategic objectives. To this end, the Board is supported by the CHL Audit Committee and the CRL Board and committees, most notably the CRL Risk, Capital and Compliance Committee.

The Board prescribes risk preferences that guide the CRL Board and committees as they establish risk appetite and tolerance statements. The Board also monitors the effectiveness of the overall enterprise risk management framework, leveraging the work undertaken by the CRL Board and committees.

CHL directors are invited to attend CRL Board and committee meetings and are provided with the associated materials and minutes. In addition, four CHL independent Non-Executive Directors also serve as Directors on the CRL Board.

CRL operates under a 'three lines of defence' risk management model, with the CRO reporting directly to the CRL Board's Risk, Capital and Compliance Committee. This reporting includes regular reporting of compliance with risk appetite and tolerance statements, emerging risks, risk event reports, key risk indicators and the solvency self-assessment. Membership of this committee includes directors who also serve on the boards of both CHL and CRL.

The risk function provides independent challenge and oversight of the identification, measurement, management and monitoring of risk by the first line of defence, supporting the CRL Risk, Capital and Compliance Committee and the CHL Board.

Day-to-day oversight of the management of risk by the first line of defence and the independent challenge provided by the second line is supported by the CEO and the Executive Committee.

Outputs from other second line of defence functions (Compliance and Actuarial) and from the third line (Internal Audit, External Audit and the Independent Loss Reserve Specialist) are fed back into the overall risk assessment. Regular meetings between the second-line functions and Internal Audit commenced during 2022. Outputs from all such functions may be used, where appropriate, to support independent validation, alongside the risk

function's own reports and those of other independent third parties.

The capital management aspects of the risk framework have, to date, focused primarily on rating agency and regulatory requirements, with significant buffers being held. Development of our own internal capital model commenced in late 2022 and is expected to continue through 2023.

Conclusion

Overall, I remain confident that the management of risk is progressing in line with the initial vision set out with first-line ownership of risks: a small, focused risk team working closely with, now deepened, actuarial, modelling and data resources.

During 2022, my own responsibilities were expanded to also specifically address how we respond to climate and sustainability across our operations. This is very much complementary to my existing role as CRO, with our approach to climate and sustainability, like risk, being integral to how we work on a day-to-day basis.

Looking ahead to 2023, I expect a continuation of the market volatility we have seen in 2022. My view is that our now well-established operational capability and growing portfolio are well positioned to carefully embrace the market opportunity.

Andrew Smith

CRO

3 March 2023

Enterprise risk management report continued

Case study

Capacity

To grow a successful and sustainable business we need both the operational capacity to analyse, price, manage and administer our underwriting portfolio; and the capital base to back the risks that we assume and to operate as a responsible public company.

Over the first two years of operation, our headcount has grown from nine at the close of the IPO in December 2020 to 54 at year-end 2022. We have a buzzing office in the heart of Bermuda's business district, and we have implemented a myriad of computer systems.

From a capital perspective, the current drivers of our capital requirements, on both a regulatory and a rating agency basis, are premium risk and catastrophe risk. Reserve risk will become an increasing feature as our book matures, with diversification being a growing offset to our overall capital needs. Other risk categories such as investment, market and credit have a limited impact on our required capital. AM Best affirmed Conduit Re's Financial Strength Rating of A- (Excellent) in December 2022, noting Conduit Re's "conservative investment strategy focused on debt securities and a reinsurance programme of excellent credit quality".

AM Best added: "Conduit Re's balance sheet strength is underpinned by the strongest level of risk-adjusted capitalisation, as measured by Best's Capital Adequacy Ratio (BCAR). BCAR scores are expected to remain comfortably in excess of the strongest threshold as the company executes its business plans and grows its reinsurance portfolio."

We have an efficient, well-capitalised underwriting business which is delivering a high-quality portfolio in increasingly favourable market conditions. It is an exciting time for Conduit Re, as we seek to deliver a sustainable phase of profitable growth.

Conduit Re headcount since IPO



ESG summary

Introduction by the Chairman of the ESG Committee, Lord Soames

When Neil asked me to chair Conduit's ESG Committee before the launch in 2020 I was impressed, but not surprised, as to the thought that had gone in to embedding ESG principles into Conduit from day one. What I've seen over the first two full years of operation is testament to that commitment.

Throughout the year, I've been particularly delighted seeing the mission of the Conduit Foundation start to deliver on its objectives more substantially for the local community. Building on the initial donations and support it made during 2021, in 2022 it has provided a total of nearly \$300,000 of donations across more than a dozen charities, including additional support for charitable events and via a matched staff giving programme.

What has struck me is the real interest and engagement of all members of the ESG Committee in the actions being taken to have impact in the community, led by the CEO and Deputy CEO. I can see that the few individuals who moved to Bermuda to launch Conduit feel as much part of the community as the majority who joined the team with existing strong local connections.

More broadly, as I reflect on the progress and achievements during 2022, I remain confident that as a small, young company Conduit continues to have a strong ESG focus and is playing its part in supporting the transition to a more sustainable world.

Key highlights include a few 'firsts':

1. Standalone ESG Report produced for year-end 2022, providing a greater level of insight and transparency as to Conduit's actions.
2. Independently conducted ESG materiality assessment that spoke with a range of stakeholders to understand their ESG priorities.
3. Public disclosure of ClimateWise reports for 2021 and 2022.
4. Participation in an organised internship programme.
5. Multi-year funding commitments to select charities.

From a governance perspective, I've seen the operation of the ESG Committee and its interactions with executive management and the boards of both the holding company and the operating company evolve. The Committee was further strengthened when Heather Mello, Head of HR, and Andrew Smith, in his expanded role as Chief Risk and Sustainability Officer, joined.

Finally, last year in this section of the Annual Report and Accounts, Neil commented on the need to "walk the walk" and on his personal passion for ESG matters. Neil does 'walk the walk' and I congratulate him on his recognition through the ESG Insurer Lifetime Achievement Award, which I was honoured to be with him when he received. I am also very much encouraged by seeing that same passion that Neil has in the wider team.

Nicholas Soames

Chairman, ESG Committee



ESG summary

continued

Summary

As mentioned in the introduction by Lord Soames, recognising the importance of clear and transparent ESG reporting, we have produced a standalone ESG Report, which can be found on our website. Thus, in this Annual Report and Accounts, we draw attention to specific matters of note and signpost our wider Task Force on Climate-related Financial Disclosures (TCFD) reporting as we deliver on our ESG ambitions:

1. positively impacting our stakeholders;
2. supporting the transition to a sustainable world; and
3. minimising our negative impact on the environment.

We remain a relatively small company and enjoy the benefits of being legacy-free in all its forms. This means we can take deliberate, purposeful and impactful steps as we seek to deliver on those ambitions. In 2022 key milestones have included:

1. becoming a signatory to the UN's Principles for Sustainable Insurance;
2. being an inaugural signatory to the Sustainable Markets Initiative, Insurance Task Force, Supply Chain Pledge;
3. making the commitment to be a Beyond Plastics Bermuda Champion;
4. making our first detailed public ESG disclosures.

For our public disclosures we have produced an ESG Report, which incorporates a stakeholder materiality assessment conducted by H/Advisors, and a more structured, ClimateWise report which focuses on our response to the risks and opportunities of climate change. Additionally, in this Annual Report and Accounts, we summarise our carbon emissions for 2022.

ClimateWise represents a growing global network of leading insurance industry organisations. ClimateWise provides a framework developed by the University of Cambridge Institute for Sustainability Leadership to support insurers and reinsurers with meeting their TCFD reporting obligations using a consistent framework. The process of ClimateWise reporting also involves each report being independently assessed and we seek to have year-on-year improvements in the assessment of our report, which we have seen from 2020 to 2021.



**Sustainable
Markets
Initiative**



ESG summary

continued

Carbon emissions

We have included in the table below our Scope 1 to 3 emissions for our first two years of operations. As we are a new company, we look to grow as sustainably as possible, with a focus on the average emissions per employee. For details on our methodology, to see our five-year emissions plan and details on our carbon offsets, please refer to section 4 of our ClimateWise report.

Emission type	Activity	Basis of measurement	2022		2021	
			Quantity	tCO ₂ e	Quantity	tCO ₂ e
Scope 1						
Direct	None		-	-	-	-
Scope 2						
Indirect energy	Electricity	kWh	95,712		67,153	
	- location based		69		39	
	- market based		66		35	
Scope 3						
Indirect other	Business travel	Kilometres	1,545,335	188	708,575	86
	Hotels ¹	Nights	256	17	150	18
	Staff commuting ²	Kilometres	163,867	18	96,711	12
Total gross emissions from our operations						
	Gross emissions (location based)			292		155
	Gross emissions (market based)			289		151
	Carbon offset applied			(289)		(151)
	Net carbon impact from operations			-		-
Gross emissions per average employee						
	Average number of employees		47		31	
	Location based			6		5
	Market based			6		5
Gross emissions including our share of suppliers' emissions						
	Total gross emissions as per above market-based approach			289		
	Share of suppliers' emissions			747		
Grand total				1,036		

1. In 2021, our estimated emissions for hotel nights were based on a five-star hotel in Bermuda, with usage driven primarily by COVID. The lower emissions per night in 2022 reflect the use of lower hotel classes internationally.
2. During 2022, we changed our source for petrol vehicle emissions to UK Government-issued data. To support comparability, we have shown the associated 2021 emissions using that source. This reduces our 2021 reported emissions by 2.2 tCO₂e from that reported in the 2021 Annual Report and Accounts. Further details of this change can be found in section 4 of our ClimateWise report.

ESG summary

continued

TCFD reporting

Below is a summary of our TCFD disclosures, which are intended to provide context alongside a reference to where each topic is explored in more depth. ClimateWise provides an industry-specific framework for TCFD reporting and is most meaningfully read as a standalone document, so has not been reproduced in full in the Annual Report and Accounts. Our ESG Report is a free-form disclosure in which we add additional context and commentary, notably in relation to our ESG metrics and the relevance of climate to each member of executive management. Both documents can be found on our website.

TCFD pillars	TCFD recommended disclosures	Disclosure status and reference to where disclosures have been made
Governance Disclose the organisation's governance around climate-related risks and opportunities.	A Describe the Board's oversight of climate-related risks and opportunities.	See section 1.1 of our ClimateWise report. The Board has held strategy sessions that have considered climate-related risks and opportunities and have established parameters within which management can operate. It receives regular reports and is also supported by the ESG Committee.
	B Describe management's role in assessing and managing climate-related risks and opportunities.	See section 1.2 of our ClimateWise report and the governance section of our ESG Report. Climate-related risk is integrated into various management policies. Each Executive Committee member has specific climate responsibilities set out in our ESG Report.
Strategy Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning where such information is material.	A Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term.	See sections 2.1 and 2.2 of our ClimateWise report. Climate-related risks and opportunities exist across our underwriting, investments and operations.
	B Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning.	See section 2.3 of our ClimateWise report.
	C Describe the resilience of the organisation's strategy, taking into consideration different climate related scenarios, including a 2°C or lower scenario.	See the environment section of our ESG report, where we describe the Board's strategic discussion on climate scenarios. Our current processes do not yet fully comply with the guidance for insurance companies and asset owners, given scale and availability of information.

ESG summary

continued

TCFD pillars	TCFD recommended disclosures	Disclosure status and reference to where disclosures have been made
Risk management Disclose how the organisation identifies, assesses and manages climate-related risks.	A Describe the organisation's processes for identifying and assessing climate-related risks.	See section 3.1 of our ClimateWise report. Our processes are very much integrated with our wider risk management framework described in the ERM Summary in the Annual Report and Accounts and in our Financial Condition Report.
	B Describe the organisation's processes for managing climate-related risks.	See section 3.1 of our ClimateWise report. Our processes are very much integrated with our wider risk management framework described in the ERM section of the Annual Report and Accounts and in our Financial Condition Report.
	C Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management.	See section 3.1 of our ClimateWise report. Our processes are very much integrated with our wider risk management framework described in the ERM section of the Annual Report and Accounts and in our Financial Condition Report.
Metrics and targets Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	A Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	See the environment section of our ESG Report. Our metrics relate primarily to carbon neutrality and to our business partners' commitment to climate matters.
	B Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	Disclosed in this section of the Annual Report and Accounts. Further detail can also be found in our ESG Report.
	C Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	See the environment section of our ESG Report. Our metrics relate primarily to carbon neutrality and to our business partners' commitment to climate matters.

Case study

The Conduit Foundation

The Conduit Foundation was established in 2021, recognising the important part that companies – such as Conduit Re – play in Bermuda’s society.

The Conduit Foundation supports local charitable causes in Bermuda as we believe this enables us to have the greatest impact in our community. The charities selected for support are typically suggested by employees, and after initial consideration by the Head of Human Resources a formal proposal from each charity is considered by the Foundation’s Protector Committee. During 2022 more than 80% of total Foundation disbursements were to charities initially recommended by Conduit’s staff. The Foundation seeks to align its contributions both to its objectives and the UN Sustainable Development Goals. During 2022 it supported 15 of the 17 UN categories.

The Foundation had an active year in 2022, making donations to more than a dozen local charities. Details of the donations made can be found in our standalone ESG Report, published on our website.

Additionally, the Foundation supported more than half a dozen charitable events with financial contributions and made more than ten contributions under the staff matched giving programme. The supported charitable events included the Bermuda Youth Climate Summit and various seasonal campaigns to provide food or other essentials to families in need.



Conduit Re staff with representatives of Bermuda Sloop Foundation, Big Brothers Big Sisters of Bermuda, Friends of Christchurch, Tomorrow’s Voices, SCARS, Bermuda College Foundation, Home, Bermuda Red Cross, Living Reefs Foundation, Vision Bermuda, Waterstart Ltd.

Section 172 statement and stakeholder engagement

Provision 5 of The UK Code notes that the Board should understand the views of the Company's key stakeholders and describe in the Annual Report and Accounts how their interests and the matters set out in Section 172 of the UK Companies Act 2006 have been considered in Board discussions and decision making. The Company is a Bermuda-incorporated issuer and the Board is obliged to follow Director duties under Bermuda company law. Although the Company is not required by law to prepare a Section 172 statement it has chosen to do so as a matter of best corporate governance.

Section 172 requires a director to have regard, among other practical matters, to the:

- likely consequences of any decision in the long term;
- interests of the company's employees;
- need to foster the company's business relationships with suppliers, customers and others;
- impact of the company's operations on the community and environment;
- desirability of the company maintaining a reputation for high standards of business conduct;
- need to act fairly between members of the company.

Stakeholder engagement

In our second year of operations, Conduit continued to expand its efforts in engaging with its key stakeholders, to understand perspectives and the potential long-term consequences of decisions and matters of strategic importance to Conduit.

The Board discussed broker and client relationships, shareholder and employee engagement, government and regulator engagement, rating agency interaction, environmental matters, and Conduit's impact on, and relationship with, the local community, and considered these matters in its decision making.

Brokers and clients

- Relationships with the reinsurance broking community and cedants are key to Conduit's success. In considering Conduit Re's strategy and business planning, the Board received reports on, and noted the extent of, the broker and cedant support received by Conduit Re.

Shareholders

- The Executive Chairman, the CEO, the CFO and the Head of Investor Relations regularly met with shareholders throughout the year, both quarterly to review trading results and on an ad-hoc basis to discuss various matters, including

remuneration. Meetings were held one-on-one with investors and via group calls. Feedback from these meetings was presented to the Board on a regular basis and informed Board debate and decision making on strategy and business planning. Some of our larger shareholders were also consulted as part of the materiality assessment carried out as part of our ESG Report.

- Our Directors and management recognise the benefits that come from dialogue with shareholders and we have embraced an active engagement strategy to discuss with our shareholders the issues that are important to them, hear their expectations of us and share our views.
- The Board strives to be proactive, transparent and interactive with shareholders, who are always welcome to ask questions. For further information, and contact details, see Investor Relations and Regulatory News Service on the Conduit Re website (conduitreinsurance.com).

Employees

- Malcolm Furbert continued as the Company's Non-Executive Director responsible for engagement with Conduit's workforce.
- Malcolm met with our COO and Head of HR regularly to discuss employee engagement for Conduit. The Board received reports of Malcolm's and HR's activities, ensuring workforce views were considered in Board and management decision making.
- During 2022, the Head of HR conducted a detailed review of Conduit's HR policies and procedures to ensure that those in place remain robust and competitive within the market. Having a supportive and inclusive culture is important to us and we track how employees feel about working at Conduit. In 2022, we conducted our first annual employee engagement survey. The results were shared with Malcolm who provided his own observations on the findings to the Board, which also received a summary of the revised policies which were approved during 2022 to support employees.
- The Board was kept apprised of Conduit's recruitment activities throughout 2022, during which time headcount grew from 41 to 54 people as at 31 December 2022.
- In 2022 all staff participated in compliance training which covered key compliance topics including sanctions, information security and cyber risk, anti-money laundering, anti-terrorist financing, anti-bribery and corruption, conflicts of interest, and compliance with tax and regulatory operating guidelines. Training was also provided

Section 172 statement and stakeholder engagement

continued

which covered Conduit's code of conduct and whistleblowing procedures.

Government and regulators

- The Board recognises the need to monitor changes in law and regulation, and to work closely and openly with all relevant regulatory and supervisory bodies. Conduit's main operating subsidiary, CRL, is regulated by the Bermuda Monetary Authority (BMA). The Board received regular reports covering governmental, legal, regulatory and supervisory matters and was kept apprised of communications with and from relevant bodies, in particular quarterly meetings with the BMA, and this information was factored into strategy and business planning.
- In June 2022, Bermuda's Minister of Economy and Labour, The Honourable Jason P. Hayward, JP MP, was welcomed in our offices. During this meeting, the COO and Head of HR presented data to the Minister around Conduit's growth and commitment to Bermuda since inception.
- In late 2022, a successful application was made to obtain reciprocal jurisdiction reinsurer status in the State of Louisiana, United States.

Rating agencies

- CRL having and maintaining an AM Best Financial Strength Rating of A- (Excellent), and a Long-Term Issuer Credit Rating of "a-" (Excellent) is critical to Conduit's success and is factored into Board decisions with respect to capital adequacy and risk management.
- Management regularly kept AM Best apprised of developments within CRL and fed back to the Board the results of meetings and interactions with AM Best.
- In December 2022, AM Best reaffirmed CRL's AM Best Financial Strength Rating of A- (Excellent) and a Long-Term Issuer Credit Rating of "a-" (Excellent).

Our community and the environment

- As set out in the ESG summary on pages [30](#) to [35](#), environmental matters and the community are a key focus for the Company.
- Board decision making is influenced by Conduit's commitment to achieving and maintaining net-zero carbon and to giving back to the community via initiatives such as the Conduit Foundation.

Principal decision

The principal decision made by the Board in 2022 was to affirm the current strategy, covering a three-to-five-year horizon. The Board determined that this approach continues to validate and build on the original strategy as set out in the IPO prospectus.

The Board participated in a two-day strategy session before making its decision not to change the current strategy. Our strategic aims continue to focus on building out our team as appropriate, to pursue organic growth over the foundations built in our first year, to review interest rate risk and our approach to managing it, and to consider our capital requirements and mix. We still consider these aims appropriate but would reconsider in the face of significant or unexpected losses or changes in the market or our operating environment.

In 2022, the Board also considered and approved, facilitated by advice from Conduit's independent remuneration advisers, the Conduit Remuneration Policy which was approved by a binding shareholder vote at the 2022 Annual General Meeting of shareholders. Refer to details of the approved Remuneration Policy on pages [60](#) to [65](#).

Trevor Carvey
CEO
3 March 2023

Elaine Whelan
CFO
3 March 2023

Governance



Board of Directors



Neil Eckert

Executive Chairman

Appointed to the Board:

7 October 2020

Skills and experience:

Neil Eckert is Executive Chairman and an Executive Director of CHL.

Neil Eckert is an entrepreneur with four decades of (re)insurance industry experience and has a proven track record in the industry having held various roles since 1980, many of which involved starting new enterprises.

Beginning as a reinsurance broker, he rose through the ranks to board member at Benfield, Lovick & Rees & Co. Neil then founded Brit Insurance in 1995 and remained its CEO until 2005, following which he served as a non-executive director of the company until 2008. He was co-founder and CEO of Climate Exchange PLC, and founded Aggregated Micropower.

External directorships:

Incubex Ltd, Ebix Inc., Boutique Modern Limited, Chalvington Management Limited, NCX Family Office, Chalvington Batteries Limited, Bellaroma Investments Limited, Bishopsgate Solar 1 Limited, Seago Yachting Limited, Ripe Village Stores, Ripe Foods Limited, Natural Capital Exchange Limited, Wingrove House Limited, Whetstone Properties Limited, Titan (South West) Limited, Cricket Management Limited.

CHL Board Committee memberships:

n/a



Trevor Carvey

Executive Director and
Chief Executive Officer

Appointed to the Board:

18 November 2020

Skills and experience:

Trevor Carvey is Chief Executive Officer and an Executive Director of CHL.

Trevor has a track record of profitable build-outs in the reinsurance industry. Having led the consolidation and subsequent profitable turnaround of the GE Frankona Marine & Energy Global portfolio in the 1990s, he then became a founding underwriter and leader at Arch Re Bermuda in 2002.

In 2007, Trevor joined Harbor Point Re in the UK to lead the build-out of its reinsurance operations. He became CUO Europe of the Alterra Re business after Harbor Point's merger with Max Re in 2012. Trevor was then responsible for the successful integration of Alterra Re's Global Re unit into Markel.

In 2015, Trevor joined Hamilton Re to assist in building out a new treaty reinsurance strategy in the UK and subsequently served as active underwriter for three years from 2016 to 2018.

Trevor has led Conduit since its launch in 2020. As well as serving on the Board of Conduit Holdings Limited, he is a director of CRL and chairs the Executive Committee.

External directorships:

Triple R Industries Limited, Beneficial House (Birmingham) Regeneration LLP, Stanley Dock (All Suite) Regeneration LLP.

CHL Board Committee memberships:

n/a

Board of Directors

continued



Elaine Whelan

Executive Director and
Chief Financial Officer

Appointed to the Board:

14 January 2021

Skills and experience:

Elaine Whelan is the Chief Financial Officer and an Executive Director of CHL.

Elaine is an accomplished and experienced public company CFO who has worked in the (re)insurance industry for over 25 years. She is a member of the Institute of Chartered Accountants of Scotland, a member of the Chartered Professional Accountants of Bermuda and a member of the Institute of Directors.

After qualifying as a chartered accountant, Elaine joined Coopers & Lybrand in Bermuda in 1997.

From 2001 to 2006, she held a number of positions at Zurich Insurance Company, Bermuda Branch, ultimately as Chief Accounting Officer. In 2006, she joined the Lancashire Group as Financial Controller.

She subsequently performed various financial and management roles for the Lancashire Group, including as CEO, Lancashire Insurance Company Limited. From January 2011 to February 2020, Elaine was Group CFO, Lancashire Holdings Limited, and she was also a main board director from January 2013 to February 2020.

Elaine is responsible for all aspects of Conduit Re's financial management and reporting, is also a Director of CRL and is a member of the Executive Committee.

External directorships:

n/a

CHL Board Committee memberships:

n/a



Sir Brian Williamson CBE

Senior Independent Director

Appointed to the Board:

18 November 2020

Skills and experience:

Sir Brian Williamson has held a number of chairmanships and directorships in banking, exchanges, funds, investment trusts and private equity. Sir Brian was Chairman and Chief Executive of Gerrard Group PLC. A member of the Court of the Bank of Ireland, a director of HSBC Holdings PLC, where he was also Chairman of the Nomination Committee, and a director of the NYSE Euronext and Chairman of the Remuneration Committee.

Sir Brian was one of the four founders of the London International Futures Exchange and twice Chairman. In the US, Sir Brian has been a board member of both Nasdaq (additionally serving as Chairman of its international advisory board) and the New York Stock Exchange. In the UK, he was a director of The Climate Exchange PLC.

Sir Brian is currently a director of Incubex, which is in partnership with the European Energy Exchange, part of the Deutsche Borse Group and Nodal Exchange in the US.

Sir Brian has served on regulatory bodies in both the US and the UK, the National Association of Securities Dealers and The Financial Services Authority.

External directorships:

Edenberg Trust Corporation Limited, R.J. Fleming & Co Limited, Vice Chairman of Bergos Fleming Zurich, Director Politeia, and Incubex Inc.

CHL Board Committee memberships:

Remuneration Committee (Chair) and Nomination Committee.

Board of Directors

continued



Elizabeth Murphy
Independent Non-Executive
Director

Appointed to the Board:
18 November 2020

Skills and experience:

Elizabeth Murphy has worked in the insurance and reinsurance industry for more than 30 years. Elizabeth qualified as a chartered accountant with Coopers & Lybrand in London and moved to work for them in Bermuda. She continued her career with ACE Tempest Reinsurance Ltd as Chief Financial Officer from 1993 to 2000 and as Treasurer of ACE Limited for the next two years.

From 2002 to 2006, Elizabeth worked for Scottish Re Group Limited, as Chief Financial Officer and executive Vice President. From 2006 to 2008 she was an Executive director of Kiln Limited, Chair of the Compensation Committee and non-executive member of the Audit Committee and she also served on the Board of SCPIE Holdings Inc. where she was a member of the Audit Committee and Stock Option Committee. From 2009 to 2015 Elizabeth was an executive director and Chief Financial Officer of Amlin Bermuda Ltd, Amlin AG and a member of the Risk Committee.

External directorships:
Bernina Re Holding Ltd Bernina Re Ltd.

CHL Board Committee memberships:
Audit Committee (Chair) and Nomination Committee.



Ken Randall
Independent Non-Executive
Director

Appointed to the Board:
18 November 2020

Skills and experience:

Ken Randall is a certified accountant and has worked in the insurance industry for more than 46 years. During the early 1980s, Ken was Head of Regulation at Lloyd's which was then a self-regulated institution. From 1985 until 1991 Ken served as Chief Executive of the Merrett Group, which managed a number of prominent syndicates at Lloyd's.

In 1991, Ken left Merrett to set up his own business in partnership with Alan Quilter. Over the next eight years they developed the Randall & Quilter Group's principal subsidiary, the Eastgate Group, into the UK's largest third-party provider of insurance services with 1,300 employees and a turnover of over £80m per annum. Eastgate was sold to Capita PLC in November 2000.

Following the sale of Eastgate, Ken and Alan refocused Randall & Quilter onto the acquisition of non-life legacy run-off portfolios and again developed an insurance - servicing business in London and the US; initially, the Randall & Quilter Group's service offering focused on legacy portfolios and in recent years has also developed a fast-growing programme management business in Europe and the US.

Ken retired as a director of Randall & Quilter Investment Holdings Ltd. and all of its subsidiary companies on 31 March 2021.

External directorships:
Roosevelt Road Ltd, Roosevelt Road Re Ltd, Renaissance Capital Partners Limited, Financial Guaranty Insurance Company Ltd Leamington Insurance Advisors Ltd (Bermuda).

CHL Board Committee memberships:
Audit Committee, Nomination Committee (Chair) and Remuneration Committee.

Board of Directors

continued



Malcolm Furbert

Independent Non-Executive Director

Appointed to the Board:

18 November 2020

Skills and experience:

Malcolm Furbert is a corporate and regulatory lawyer with over 30 years' experience including as a corporate lawyer, with one of Bermuda's leading law firms and over 15 years' diverse in-house legal counsel and management experience with Bermuda-based insurance and reinsurance companies (including American International Company Limited, Catlin Insurance Company Limited and XL Catlin), most recently as General Counsel and Head of Compliance & Regulatory Affairs for the Bermuda operations of XL Catlin, a Bermuda-based global (re)insurance company (following the acquisition of the Catlin Group by XL Capital).

In these roles, he provided general and transactional legal and regulatory advice and support to all business areas and had oversight over the Bermuda compliance function. He also acted as Company Secretary to both regulated and non-regulated group companies.

He is a member of the Bar of England and Wales and the Bermuda Bar.

External directorships:

Somers Corporate Services Limited.

CHL Board Committee memberships:

Remuneration Committee and Nomination Committee.



Dr. Richard L. Sandor

Independent Non-Executive Director

Appointed to the Board:

26 November 2020

Skills and experience:

Richard Sandor is an entrepreneur and economist and is Chairman and CEO of the American Financial Exchange (AFX) and CEO of Environmental Financial Products (EFP).

Richard is currently the Aaron Director Lecturer in Law and Economics at the University of Chicago Law School and an honorary professor at the University of Hong Kong and the school of economics at Fudan University. He formerly taught at graduate and undergraduate levels at several universities throughout California, Illinois, New York, China and England.

Richard was awarded the title of Chevalier de la Légion d'honneur (Knight of the Legion of Honour) in France, for his accomplishments in the field of environmental finance and carbon trading. He is a member of the Advisory Board of the Center for Financial Stability, a member of the board of governors of the School of the Art Institute (SAIC), a Senior Fellow of the Milken Institute and International Emissions Trading Association and a member of the Advisory Committee of the Ronald Coase Centre for Property Rights Research at the University of Hong Kong.

He has served on the boards of leading commodity and futures exchanges in the US, such as the CME and ICE, and in London and China, as well as one of North America's largest utility companies, American Electric Power, and several philanthropic and not-for-profit organisations.

External directorships:

American Financial Exchange, LLC, Environmental Financial Products, LLC.

CHL Board Committee memberships:

Remuneration Committee and Nomination Committee.

Board of Directors

continued



Michelle Seymour Smith

Independent Non-Executive Director

Appointed to the Board:

15 September 2021

Skills and experience:

Michelle Seymour Smith has over 20 years of experience in the insurance and reinsurance industry. During her career, Michelle has built a reputation of making strategic initiatives a reality and building effective teams and operations to support sustained growth in global organisations.

Michelle began her career with Arthur Andersen in 1995. She went on to hold positions at Zurich Insurance Global Energy and XL Capital Ltd. In 2004, she joined Arch Reinsurance Ltd as Vice President, Controller. She performed several roles at Arch Re including Chief Financial Officer and Chief Operating Officer, building and overseeing the financial operations of the insurance, reinsurance and mortgage divisions and their international subsidiary reinsurance division. She served as the Chief Transformation Officer of Arch Capital Group Ltd until 2019, leading a global programme to grow business and improve operational efficiency.

Michelle has been named as one of 100 Influential Women in Insurance and Reinsurance by Intelligent Insurer. She is a member of the Chartered Professional Accountants of Bermuda and the Institute of Directors.

External directorships:

Transport Intermediaries Mutual Association Ltd., Bermuda Public Accountability Board, Muuvment, Association of Bermuda International Companies, Centennial Foundation, Friends of Bermuda Railway.

CHL Board Committee memberships:

Audit Committee and Nomination Committee.



Greg Lunn

General Counsel and Company Secretary

Appointed:

3 November 2020

Skills and experience:

Greg Lunn is General Counsel and Company Secretary and leads the compliance function.

Greg has held various industry roles in Bermuda and London over the past 25 years, initially with the ACE Group and later with Lancashire Holdings Limited, where he was Group General Counsel and Company Secretary. At Lancashire, in addition to his legal and corporate governance work, he also had responsibility for the internal audit function.

Greg is responsible for all legal, compliance and corporate secretarial aspects of Conduit's business. Greg serves on the board of Conduit Reinsurance Limited and is a member of the Executive Committee.

Executive Chairman's introduction to corporate governance

Introduction

Since our inception in 2020, we have built an effective governance structure that supports our pure-play reinsurance business operating from a single location in Bermuda. We measure corporate governance compliance against the requirements of The UK Code published by the UK FRC, 2018. The Company also monitors its compliance with applicable governance requirements under Bermuda law and regulations.

In 2022 physical quarterly Board and committee meetings resumed following the pandemic which had previously prevented the entire Board from meeting in person. Information sessions were also held throughout the year where some directors participated over Zoom or Teams. Feedback from the Board performance evaluation is that the atmosphere in the boardroom allows for open contribution, constructive debate, candid discussion and critical thinking, supported by good quality written presentations.

In May, the Board met for a full two days to review Conduit's strategy and discuss other topics of relevance to the business, including:

- business objectives;
- the brokers' view of the market;
- technology and systems;
- Human resources;
- finance and investments;
- emerging risks;
- investor perspectives;
- ESG;
- building business and brand value.

The current strategy, previously approved by the Board in 2021, covers three-to-five-year horizon that validates and builds on the strategy we set out in the IPO prospectus, was affirmed in 2022 by the Board.

Dividend policy and dividend

The Company may pay dividends at such times (if any) and in such amounts (if any) as the Board determines appropriate and subject to the Board being satisfied that to do so will not prejudice CRL's ability to maintain at least an AM Best A- (Excellent) Financial Strength Rating and subject to applicable law and regulations.

The Company expects to generate significant returns over time for its shareholders and to provide an ongoing and progressive dividend, recognising that some earnings fluctuations are to be expected. The Company is targeting a dividend of approximately 5% to 6% of equity capital raised at the IPO, allocated between an interim and final

distribution. On 21 February 2023, the Board declared a final dividend of \$0.18 (approximately £0.15) per Common Share resulting in an aggregate payment of \$28.8 million. This final dividend followed an interim dividend of \$0.18 (approximately £0.15) per Common Share declared on 26 July 2022.

Depending on Conduit's results and general market conditions, CHL may also from time to time consider the payment of special dividends and returns of capital to shareholders by way of share buybacks.

During 2022, Conduit continued with on-market purchases of the Company's shares under a share purchase programme. Shares repurchased during the year will be held in treasury and the EBT to meet future obligations under CHL's variable incentive schemes.

Further details of the share repurchase scheme are set out in the Directors' report on page [81](#) and in note 18 to the consolidated financial statements on page [131](#).

Special dividends (if any) are likely to vary significantly in amount and timing.

All dividends and returns of capital will be subject to the future financial performance of Conduit, including results of operations and cash flows, Conduit's financial position and capital requirements, rating agency considerations, general business conditions, legal, tax, regulatory and any contractual restrictions on the payment of dividends and any other factors the Board deems relevant in its discretion, which will be taken into account at the time.

Opportunities and risks

We launched Conduit Re in favourable market conditions, which support our vision to establish Conduit Re as a leading reinsurance underwriting franchise over the next five years. In our first two years of operations, we have made enormous progress towards delivering on this objective.

There are a number of uncertainties underpinning the improvements in market conditions including, but not limited to:

- the future impact of climate change; and
- economic and social inflation.

We believe, as a business with a legacy-free balance sheet, we are in a strong position to incorporate the potential impact of these risks into our underwriting and reserving.

Executive Chairman's introduction to corporate governance continued

We also need to be mindful that, although we go to great efforts to manage the volatility in our underlying exposures, we are in the business of protecting our clients against uncertainty, and consequently our underwriting results are always subject to the vagaries of major loss events, both natural and man made.

A full set of risk factors is set out in section 3 of the notes to the consolidated financial statements.

Stakeholder engagement

Malcolm Furbert, charged with employee engagement, continued his role with diligence and enthusiasm by meeting regularly with Heather Mello, our Head of HR, and with Stuart Quinlan, Deputy CEO and COO.

My colleagues have continued to hold regular, routine quarterly update meetings with CRL's regulator, the Bermuda Monetary Authority, to keep the regulator apprised of business progress and other developments at CRL.

I, together with the Head of Investor Relations, and often the CEO and the CFO, have held numerous meetings with shareholders, in addition to hosting quarterly investor and analyst calls. The Senior Independent Director also participated in several meetings with shareholders.

More information on our stakeholder engagement is contained in the Section 172 report on page [36](#).

Purpose, values, strategy and culture

Our strategy reflects our business culture, our core values and our views on risk, including emerging risks, and includes stakeholder considerations. These factors inform our annual business planning cycle and the setting of risk appetite.

Our business objectives:

- Building a sustainable business in the long-term interests of our stakeholders
- Delivering on our cross-cycle targets for profitability and RoE

Our core values shape everything we do and play a key role in helping us to achieve our objective of building a reinsurance business that will stand the test of time. We expect all directors and employees of Conduit to consider and apply these core values when making decisions, carrying out duties and representing Conduit. Our culture can be characterised as follows:

- An open and transparent approach where all ideas are welcome, and mistakes are a part of developing and learning.
- Information sharing is a daily occurrence
- Communications are strong, constant and not just top down.
- Everyone is welcome and can be themselves – we embrace individuality and recognise that inclusivity will not only create a positive environment but will enhance our overall achievements.
- We are a lean group where everyone works hard.
- Formality and hierarchy is kept to a minimum and flexibility and responding to individual needs is key.
- A trust-based culture rather than one of rules, where decisions are taken quickly .
- Significant opportunities for developing skills and careers. Potential will be identified, and colleagues will be appointed into new roles wherever possible and will be supported in realising their potential through training and coaching.
- A vibrant, fun environment where working as a team is a given and a pleasure. Our people like and want to work together.
- We celebrate success.
- We embrace technology.

In-camera sessions

In addition to the activities of the each of the committees described in the respective reports below, regular in-camera sessions of the Independent Directors, led by the Senior Independent Director, were held at each regularly scheduled Board meeting without management present.

Executive Chairman's introduction to corporate governance continued

Induction

All of the CHL Non-Executive Directors have been through an induction process, covering their duties and responsibilities as Directors of a company whose shares are admitted to trading on the main market of the LSE the Company has a comprehensive induction procedure.

During 2022, the Company did not induct any new Directors.

Feedback from the strategy days held in May is that the sessions were highly informative and educational, assisting the Board in gaining further valuable insights into the business of Conduit which will help strengthen the Board's oversight of the business.

The year ahead

In 2023 our governance will be focused on supporting the execution of the strategy we have set out to follow.

Neil Eckert

Executive Chairman
3 March 2023

Corporate governance and compliance with the UK Corporate Governance Code

The UK Code

As a company with a standard listing on the LSE, the Company is not required to comply, or otherwise explain non-compliance, with the requirements of The UK Code published by the FRC in July 2018. However, the Company has chosen to comply (or explain non-compliance) with The UK Code, because the Board is committed to the highest standards of corporate governance.

Compliance statement

The Board considers that for the financial period ended 31 December 2022, the Company has complied with the provisions of The UK Code, save that:

- The Company did not comply with Provision 10 of The UK Code as Neil Eckert is Executive Chairman and was not independent at appointment as he was a founder of the Company. However, 75% of the Board (excluding the Chair) are Non-Executive Directors whom the Board considers to be independent, and the roles of Chair and CEO are not exercised by the same individual. Further, the Board believes that effective business leadership is provided by Neil Eckert as Executive Chairman and Trevor Carvey as CEO, while at the same time appropriate checks and balances and scrutiny will be maintained through the balance of the Board as a whole, the strong and relevant experience of the independent Non-Executive Directors and the clear separation of duties between the Senior Independent Director, Sir Brian Williamson, the Executive Chairman and the CEO, as set out on the Company's website.
- In one respect, the Company does not comply with Provision 37 of The UK Code which provides that remuneration schemes and policies should enable the use of discretion to override formulaic outcomes. At the time of the Company's establishment, it was determined that an absolute calibration to the The Management Incentive Plan (MIP) programme with no discretionary assessment was appropriate in the circumstances. The MIP was put in place prior to the IPO, with no further awards to be made under the Remuneration Policy approved by the shareholders in May 2022. Malus and clawback provisions apply to the MIP programme with further details set out in more detail on page [58](#).

Governance framework

Conduit maintains a relatively simple corporate structure and corporate governance framework. The Board maintains overall responsibility for Conduit and has established an Audit Committee, a Nomination Committee and a Remuneration

Committee – whose terms of reference are available on the Company's website and updated as necessary. It has also established a non-Board committee focused on Conduit's approach to ESG, chaired by Sir Nicholas Soames, a senior and independent industry figure who is not otherwise involved with Conduit as a director or officer.

The Audit Committee oversees the effectiveness of management's processes for monitoring and reviewing the effectiveness of risk management and internal control systems in relation to the Company's financial reporting process, further details of which are set out on pages [53](#) to [57](#).

In relation to the day-to-day operations in Conduit's reinsurance business, the Board relies on a strong Board at CRL operating company level, which includes four independent Non-Executive Board members (Ken Randall, Elizabeth Murphy, Malcolm Furbert and Michelle Seymour Smith) who serve at both the CHL Board and CRL operating company Board level, each of whom has extensive board and operational level experience of regulated reinsurance companies in Bermuda.

The CRL Board has, in turn, established four sub-committees: Risk, Capital and Compliance; Audit; Strategy; and Underwriting. It has also established an Executive Management Committee comprising of the chief and senior executives.

CRL operates a strict 'three lines of defence' model with all second-line functions (for example risk and compliance) reporting to the CRL Risk, Capital and Compliance Committee; and the third line (Internal and External Audit, Independent Loss Reserve Specialist) reporting to the CRL Audit Committee.

While four independent Non-Executive Directors serve on the Board of CRL, all independent Non-Executive Directors are encouraged to attend as observers at any Board or Board committee meetings across Conduit, subject to any conflict management limitations. Conduit is committed to being open and transparent from a governance perspective.

Conduit has a comprehensive set of policies and procedures aimed at bolstering governance and compliance. Conduit's code of conduct, whistleblowing policy and procedures, and other compliance policies and procedures, including policies covering anti-bribery and corruption, anti-money laundering and anti-terrorism financing, conflicts of interest and gifts and hospitality are made available to staff via the Conduit intranet. Regular compliance training is provided. Conduit

Corporate governance and compliance with the UK Corporate Governance Code

continued

has contracted an external independent specialist whistleblowing service provider to enable staff to report whistleblowing incidents, anonymously or otherwise, over the phone or in writing via online submission.

The Board

Conduit has a Board with a strong blend of experience and expertise in diverse professional backgrounds including insurance and other financial services, accounting, regulatory, governance and other areas. The Board has overseen and will continue to oversee the Company's trading and operation as a public company.

Biographical information for each of the current Directors of the Company, including each Director's experience, qualifications, attributes and skills is on pages [39](#) to [43](#).

Succession planning was discussed at Board level in 2022 and is a key topic for 2023. More information is contained in the Nomination Committee report on page [51](#).

Non-Executive Director independence

The UK Code recommends that at least half the Board of Directors of a UK-listed company, excluding the Chair, should comprise Non-Executive Directors determined by the Board to be independent in character and judgement and free from relationships or circumstances that may affect, or could appear to affect, this judgement.

The Board has determined that all of the Non-Executive Directors (being Sir Brian Williamson, Elizabeth Murphy, Ken Randall, Michelle Seymour Smith, Malcolm Furbert and Dr. Richard Sandor) are free from any business or other relationship that could materially interfere with the exercise of their independent judgement and are therefore "independent Non-Executive Directors" within the meaning of The UK Code. The Company has three Executive Directors (including the Executive Chair) and six independent Non-Executive Directors.

Board meetings and attendance

The Board schedules meetings quarterly and receives additional updates in the months where no formal meetings are scheduled. Additional meetings have been and will be arranged as necessary, including in relation to the business of the committees. All Directors receive an agenda and meeting packs in advance of the meetings. The number of Board and committee meetings attended by each Director for the purposes of Provision 14 of The UK Code in the year ended 31 December 2022, relative to the number of meetings held during their time in office, was as follows:

	Board	Nomination Committee	Remuneration Committee	Audit Committee
Neil Eckert	5/5	n/a	n/a	n/a
Trevor Carvey	4/5 ¹	n/a	n/a	n/a
Elaine Whelan	5/5	n/a	n/a	n/a
Sir Brian Williamson	5/5	3/3	3/3	n/a
Elizabeth Murphy	5/5	3/3	n/a	4/4
Ken Randall	5/5	3/3	3/3	4/4
Malcolm Furbert	5/5	3/3	3/3	n/a
Dr. Richard Sandor	4/5	3/3	3/3	n/a
Michelle Seymour Smith	5/5	2/2 ²	n/a	4/4

1. Trevor Carvey was unavailable to attend a portion of one of the Board meetings held in 2022.

2. Michelle Seymour Smith was appointed to serve on the Nomination Committee on 22 February 2022.

As part of the Company's risk management framework, Conduit follows regulatory and tax operating advice and guidelines, common for groups established in Bermuda, that require the situs of the Company's Board and committee meetings and decision making to be Bermuda.

Board responsibilities

The Board is responsible for leading and controlling the Company, and has overall authority for the management and conduct of its business, strategy and development. The Board is also responsible for ensuring the maintenance of a sound system of internal controls and risk management (including financial, operational and compliance controls) and for reviewing the overall effectiveness of systems in place as well as for the approval of any changes to the capital, corporate and/or management structure of the Company. To ensure transparency and accountability of the business to the independent Non-Executive Directors, the CHL Board was invited to attend (and did attend) CRL Board-level and underwriting committee meetings, and are provided with all minutes and records of such subsidiary board and committee meetings. The Board

Corporate governance and compliance with the UK Corporate Governance Code

continued

has established procedures for Directors to take independent professional advice at the expense of the Company in the furtherance of their duties. Each Director also has access to the General Counsel and Company Secretary to ensure that good governance and compliance is implemented throughout Conduit. The division of responsibilities between the Executive Chairman, CEO and Senior Independent Director is summarised below and is available in full on the Company's website.

Executive Chairman	CEO	Senior Independent Director
Ensures the effective running of the Board and supports the CEO in an advisory role in the execution of the CEO's responsibilities (including with respect to ESG matters), makes sure that the views of the Board and shareholders are taken into account, and acts as the primary ambassador for Conduit in respect of Investor Relations and ESG matters.	Leads the executive management team in the day-to-day management of the Group to pursue Conduit's commercial objectives and execute and deliver Conduit's strategy, as approved by the Board.	Ensures that there is a culture of openness and debate, in particular by facilitating the effective contribution of Non-Executive Directors and ensuring constructive relations between Executive and Non-Executive Directors.
Ensures that the Board as a whole plays a full and constructive part in the development and determination of Conduit's strategy and overall commercial objectives, with due consideration to Conduit's responsibilities to its shareholders, its suppliers, clients, customers, employees and other stakeholders.	Ensures, with the executive management team, that Board decisions are implemented effectively and that significant decisions made by the executive management team are communicated to the Board in line with granted authority.	Is available to shareholders if they have concerns that contact through the normal channels of the Executive Chairman or other Executive Directors has failed to resolve or for which such contact is inappropriate.
Shapes the culture in the boardroom, encouraging all directors to engage in Board and committee meetings by drawing on their skills, experience and knowledge; and fostering relationships based on trust, mutual respect and open communication – both in and outside the boardroom – between Non-Executive Directors and the executive team.	Provides clear leadership, inspires and supports Conduit's employees in all areas of Conduit's business, including the development of ideas, products and operations. Ensures that there is effective communication by Conduit with its workforce, including with respect to governance matters.	Assists in the maintenance of the stability of the Board and Company, particularly during periods of stress.
Promotes the highest standards of integrity, probity and corporate governance throughout Conduit and particularly at Board level.	Manages Conduit's risk profile, with the CRO and other members of the executive, in line with the extent of risk identified as acceptable by the Board, and ensures that appropriate internal controls are in place.	Acts as a sounding board for the Executive Chairman, providing support in the delivery of the Executive Chairman's objectives.

Corporate governance and compliance with the UK Corporate Governance Code

continued

Board activities

In addition to monitoring closely Conduit's core underwriting business, Board activities in 2022 were focused on overseeing the transition from the start-up phase (which necessarily concentrated on establishing the initial business and processes, hiring staff and building technology) to process improvement, refinement of technology, business growth and enhancing the application of ESG matters. The Board received regular written and oral progress reports from executive management on progress in each of these areas. The Board also participated in a session straddling two days to review strategy considering the wider market and risk environment. It was determined that there would be no changes to the strategy approved in 2021, the objective of which is to promote the long-term success of the Company. Board meetings were held in Bermuda to approve all key actions, documentation and agreements.

Board effectiveness

Our Board continually seeks to improve its performance. Each year, the performance of the Board, its committees and the individual Directors is evaluated. An internal Board performance evaluation, using a questionnaire and interview approach, was conducted for the financial year ended 31 December 2022, led by Sir Brian Williamson, the Senior Independent Director, and supported by the Company Secretary. The evaluation was conducted internally via one-on-one interviews. The evaluation raised no concerns regarding the Board's composition or diversity, or how effectively members worked together to achieve objectives. However, the Board recognises that, somewhat uniquely, given the compressed timeframe between establishment of Conduit and the IPO, a number of the Non-Executive Directors will all complete their initial three year service period at the same time in late 2023. Consequently, implementation of an orderly succession plan will be a priority in 2023.

The evaluation did not identify any deficiencies in the effectiveness of each Director and no concerns were identified in respect of Non-Executive Director independence or external time commitments. The Executive Chairman (and in respect of the Executive Directors, the Senior Independent Director) considers that (1) each Director is effective, demonstrates commitment to their role and has sufficient time to meet their Board responsibilities and (2) both the Board and its committees will provide effective leadership and exert the required levels of governance and control.

The performance evaluation will be externally facilitated in 2023.

Workforce engagement mechanism

Malcolm Furbert acts as the Company's Non-Executive Director responsible for workforce engagement. See details on page [36](#) of the Section 172 statement.

Nomination Committee report

Introduction

I noted a year ago that it was a remarkable achievement to set up a new \$1 billion reinsurance company from scratch, with an entirely new team, during a pandemic. Recognising that a lot has been accomplished in a short space of time during Conduit's start-up phase, we have had the last 12 months to see how the working Board was gelling following the end of travel restrictions. While pleased with the Board make-up and the way it has worked, the Nomination Committee has recognised that, for the next phase of Conduit's existence, there is a need to address some gaps in Board balance. In particular, due to the speed at which Conduit was established, Conduit's Non-Executive Directors were almost all appointed on the same date in 2020 and thus have served for an identical time period. A plan is now being implemented to manage an orderly, staggered succession.

Nomination Committee membership

The Committee members are Ken Randall (Chair), Elizabeth Murphy, Sir Brian Williamson, Malcolm Furbert, Michelle Seymour Smith and Dr. Richard Sandor.

Independence and experience

All Committee members are independent Non-Executive Directors, each with many years of relevant experience serving as directors and/or working in the reinsurance industry. Detailed biographies are available on pages [39](#) to [43](#).

As Chair, I am responsible for an annual review of the Committee membership, and I am satisfied that the current members are each independent and capable of carrying out the committee role and responsibilities.

Role and responsibilities

The Nomination Committee's duties are set out in its terms of reference, which are available on Conduit's website. The duties include, but are not limited to:

- Director induction, training and development
- identifying and nominating candidates to fill Board vacancies.

Details on how we performed these key responsibilities in 2022 is set out in the remainder of this report.

2022 meetings

The Nomination Committee is required to meet at least twice annually, or more frequently if required, to discharge its duties. In 2022, there were three committee meetings. In addition to the members, other individuals such as the Executive Chairman and the Head of HR attended all or part of the meetings.

Name	Appointed	Maximum possible meetings	Meetings attended
Ken Randall	18 November 2020	3	3
Elizabeth Murphy	18 November 2020	3	3
Sir Brian Williamson	18 November 2020	3	3
Malcolm Furbert	18 November 2020	3	3
Michelle Seymour Smith¹	22 February 2022	2	2
Richard Sandor	30 November 2020	3	3

1. Michelle Seymour Smith was appointed to the Nomination Committee on 22 February 2022 and was only eligible to attend two of the three meetings held in 2022.

Performance evaluation

The Committee reviewed the results of the Board performance evaluation for the period ending 31 December 2022 as described on page [50](#).

Except with respect to the coincidence of service time, the 2022 evaluation raised no concerns regarding the Board's composition or diversity, or how effectively members worked together to achieve objectives.

The evaluation did not identify any deficiencies in the effectiveness of each Director and no concerns were identified in respect of Non-Executive Director independence or external time commitments.

Nomination Committee report continued

Board and committee composition and succession planning

As noted in my introductory remarks, implementation of a long-term succession plan is a priority in 2023, bearing in mind the somewhat unique situation where almost all Conduit's current slate of Non-Executive Directors have served Conduit from the same appointment date. In late 2022, the Nomination Committee discussed with the Board how succession planning would address this situation and afford the Board an opportunity to bring in new Non-Executive Directors with additional skills and experience, while cognisant of the latest applicable listing rules on diversity and board composition.

In addition, as Conduit moves past the start-up phase, a succession plan for other key leadership positions will be developed.

In the meantime, Conduit maintains a robust emergency succession plan in place for the Board and senior management, which was reviewed by the Committee and updated in 2022.

Board gender split



Executive Committee direct reports



Director induction and training

The Committee ensured that an appropriate and comprehensive plan is in place for inducting new Directors and Conduit's leadership team. Induction is tailored to the needs of each individual but

includes meetings with the executive leadership team, department heads and advisers, technical briefings and office visits.

A strategy and planning session was held over two days in May 2022. It also served as training for Directors, as diverse topics were covered including the future of technology in the industry, the state of the market, stock market perspectives from the Company's financial advisers and emerging risks, including environmental liabilities and global tax reform.

The Board also attended specific training sessions in 2022 on IFRS 17.

Diversity and inclusion ("D&I")

Diversity and inclusion has been a priority since the Company's inception. Management and the Board believe that valuing diversity and inclusiveness is a competitive differentiator, enabling us to achieve our vision to create unmatched value for our customers, colleagues, business partners and shareholders.

The Company's D&I Policy reflects the Company's principles for recruitment and advancement at all levels of the Company and underlines the fact that the Company is committed to recruiting, retaining and developing people with diverse backgrounds and experiences at all levels of Conduit's business, in a truly inclusive environment.

As an equal opportunities employer, Conduit does not tolerate discrimination or harassment of any kind in any aspect of employment. Conduit fully supports and celebrates differences, which could include but are not limited to race, age, gender, gender identity, sexual orientation, disability, beliefs, background (except as may be pertinent to the requirements of a role, such as educational qualifications or prior employment experience), socio-economic group, family or marital status or nationality.

As at 31 December 2022 one-third of the Board was female.

Priorities for 2023

In 2023 the Committee will implement succession planning with a view to satisfying Conduit's medium- to longer-term succession needs at Board and senior management levels.

Ken Randall, Chair

Nomination Committee
3 March 2023

Audit Committee report

Introduction

I am pleased to present the Audit Committee's report for the year ended 31 December 2022, which outlines how the Audit Committee discharged its responsibilities during Conduit's second year of operations and the key topics it considered.

The main areas of focus in 2022 were monitoring the integrity of external financial reporting and the continued monitoring of the development of systems, processes and the control environment.

The Committee also prioritised the IFRS 17 implementation project, developments in climate and ESG reporting, and audit practice reforms impacting Conduit.

Audit Committee membership

The Audit Committee membership comprises of independent Non-Executive Directors. For the full year 2022, the members were Elizabeth Murphy, Ken Randall and Michelle Seymour Smith.

The Audit Committee membership is the same for CRL, which strengthens governance and oversight of Conduit's main operating subsidiary.

Independence and experience

All Audit Committee members are independent Non-Executive Directors with recent and relevant financial experience and competence in accounting and/or auditing, and all have competence relevant to the reinsurance sector in which Conduit operates. Detailed information on the Audit Committee members' experience and qualifications is set out in the directors' biographies on pages [39](#) to [43](#).

2022 meetings

The Audit Committee held four meetings during the year. Members of senior management, internal and external auditors were invited to present at each meeting. The Audit Committee also met privately with the external auditors and in an executive session with the CFO present. The Chair of the Audit Committee held regular meetings with the CFO and the external and internal auditors outside of the formal committee meetings.

Name	Appointed	Maximum possible meetings	Meetings attended
Elizabeth Murphy	18 November 2020	4	4
Ken Randall	18 November 2020	4	4
Michelle Seymour Smith	15 September 2021	4	4

There were no points of concern arising out of the Board's performance evaluation regarding the Audit Committee's performance during 2022.

Role and responsibilities

The Audit Committee is required to carry out duties in the areas listed below for CHL and Conduit as a whole, as appropriate:

- Monitoring and reviewing financial and narrative reporting
- Keeping under review internal controls and risk management systems
- Reviewing compliance and fraud procedures and controls
- Monitoring and reviewing the effectiveness of the internal audit function
- Advising on the appointment of the external auditor and overseeing the relationship with the external auditor, including their independence and effectiveness

More details around how these key responsibilities were performed are set out below. The Audit Committee's terms of reference are available on Conduit's website.

Audit Committee report

continued

Monitoring and reviewing financial and narrative reporting

The Audit Committee reviewed the Company's quarterly trading updates, the annual audited consolidated financial statements and the interim unaudited condensed consolidated financial statements for the purposes of recommending their approval by the Board. The Audit Committee received reports from the external auditors on the consolidated financial statements, including an interim review report and a year-end audit results report. These reports were discussed with the external auditors at the Audit Committee meetings, both with management present and with the Audit Committee in private session.

Throughout the year the CFO and the Audit Committee Chair communicated and met regularly to discuss matters related to the preparation and presentation of Conduit's financial statements, including the progress of the external audit.

The Audit Committee also received regular and ad-hoc reports on the following:

- Accounting treatment and policies in respect of business and investment activities (see pages [95](#) to [103](#))
- Loss reserving developments and the reserving process (see page [128](#))
- Development and implementation of finance systems
- Recruitment and development within the finance team
- Accounting and financial reporting developments, including IFRS 17 and IFRS 9 and the related implementation project
- Finance reports from CRL including with respect to BMA filings (via the overlap with the CRL Audit Committee)
- Significant judgements and estimates and going concern assessments
- Management's assessment of fraud risk

The Audit Committee also attended training sessions in 2022 delivered by management to the Board on IFRS 17. The IFRS 17 training sessions covered the key technical requirements and accounting policy principles of IFRS 17, changes to the presentation and disclosure of the financial statements that will occur under IFRS 17, industry developments and emerging practice, and programme risks and governance.

Keeping under review internal controls and risk management systems

The Board has ultimate responsibility for ensuring the maintenance by Conduit of a robust framework of internal control and risk management systems.

Monitoring and review of these systems has been delegated to the Audit Committee. The system of internal controls is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable, not absolute, assurance against material misstatement or loss.

During 2022, the Audit Committee received quarterly reports from Conduit's CRO covering:

- risks events, including control failures, and commentary on the Company's risk profile;
- risk appetite and tolerance statement compliance;
- capital adequacy;
- update on the establishment of the risk function including its plans and team.

The Committee reviewed management's assessment of the effectiveness of the risk management and control environment and continued to review and approve applicable policies and arrangements. All members of the Committee also participated in discussions on emerging risk and were briefed on Conduit's response to specific risks including the risk of fraud, climate risk and cyber risk. The Committee also received updates on the ongoing development of IT systems.

The Committee also received reports and updates from Internal Audit on aspects of internal control as determined in the Internal Audit Plan.

Further detail of the emerging and principal risks affecting Conduit, including those matters that have informed the Board's assessment of Conduit's ability to continue as a going concern, as well as the risk mitigation procedures in place to identify and manage them, can be found in the risk disclosures on page [103](#) of the Annual Report and Accounts.

Reviewing compliance and fraud procedures and controls

The Audit Committee received regular compliance reports from the General Counsel, covering:

- regulatory interactions with the BMA, regulatory reporting and updates on the regulatory environment;
- the establishment of the compliance function;
- the compliance plan and its implementation;
- compliance and regulatory training;
- roll-out of compliance policies, including anti-money laundering, anti-bribery and financial crime, conflicts of interest, whistleblowing, sanctions and Conduit's code of conduct.

Audit Committee report

continued

The Audit Committee receives reports on the number of whistleblowing cases reported to Conduit's whistleblowing service, the proportion of reports that are designated as instances of whistleblowing, the number of substantiated cases and summaries of the action taken. The Audit Committee reviewed and approved updates to Conduit's whistleblowing policy and procedure in 2022 and the Audit Committee Chair has received training from Conduit's third-party whistleblowing service provider on how whistleblowing reports raised to them will be handled.

Monitoring and reviewing the effectiveness of the internal audit function

EY Bermuda Ltd (EY) is the Company's outsourced internal auditor. EY has extensive and current relevant experience, providing outsourced and co-sourced internal audit services to reinsurance businesses in Bermuda and internationally and they are considered to have the necessary skills and resources to deliver the internal audit function effectively. The internal auditor reports directly to the Audit Committee.

During the year, Internal Audit have provided updates on their risk assessment, audit plan and management's progress in addressing findings. The Committee reviews the audit plan, internal audit reports and management action plans, and makes approvals or recommendations as applicable. The Committee also met privately with the internal auditor.

In May 2022, the Audit Committee approved the internal audit charter and a three-year rolling plan. The internal audit plan was based on an updated risk assessment. Internal Audit provided quarterly written and oral reports to the Audit Committee. The findings of each internal audit are reported at the Committee's quarterly meetings. The Committee reviews actions recommended to management for the improvement of internal controls and the status of implementation of the actions.

The Audit Committee also evaluated the independence of the internal auditors, and no concerns were identified. The effectiveness of the internal audit function is kept under review at a high level annually and will also be formally reviewed at least every three years.

Overseeing the relationship with the external auditor

KPMG Audit Limited (KPMG) was originally appointed as the Company's external auditor in December 2020. At the Company's 2022 AGM, KPMG was reappointed as external auditors of the Company until the conclusion of the 2023 AGM. The lead external audit partner is James Berry who was appointed at the same time as KPMG was appointed as the Company's first auditor in December 2020.

The Audit Committee met with KPMG regularly during 2022 (both in private session and with management present) and reviewed and approved the external audit work plan for the year ending 31 December 2022. The Audit Committee receives reports from KPMG, which include the progress of the audit, key matters identified and the views of KPMG on the significant estimates and judgements outlined below. KPMG also reports on matters such as their observations on the Company's financial control environment, developments in the audit profession, key upcoming accounting and regulatory changes and certain other mandatory communications.

The Audit Committee continues to monitor developments, recommendations and legislative proposals related to the quality and effectiveness of the external audit and anticipates it will formally review the effectiveness of the external audit function every three to five years.

Auditor independence and objectivity

The Audit Committee assesses the external auditor's independence annually and has assessed that they are independent. To assist in maintaining the external auditor's independence and objectivity, Conduit has adopted a formal policy governing the engagement of the external auditor to provide non-audit services, taking into account the relevant ethical guidance on the matter. The policy describes the circumstances in which the auditor may be engaged to undertake non-audit work for Conduit. The Audit Committee oversees compliance with the policy and will consider and approve requests to use the auditor for non-audit work when they arise, if appropriate. Except for procedures conducted by KPMG with respect to the Company's unaudited condensed interim consolidated financial statements for the six months ended 30 June 2022, there were no instances of the external auditors performing non-audit work, or requests to perform non-audit work, in 2022. The non-audit services policy is available on the Company's website. Implementation of the policy is reviewed annually by the Audit Committee.

Audit Committee report

continued

Auditor reappointment

The Company is required to appoint auditors at every general meeting of the Company at which financial statements are presented to shareholders. KPMG, acting as external auditor to the Company in the Company's second year, has advised of its willingness to stand for reappointment in 2023.

The Audit Committee and the Board consider KPMG to have extensive experience auditing publicly traded reinsurance businesses. The Committee has concluded that KPMG's appointment as auditors for the forthcoming year continues to be in the best interests of the Company and its shareholders. The resolution to reappoint KPMG will propose that KPMG holds office until the conclusion of the next Annual General Meeting at which accounts are laid before the Company, at a level of remuneration to be determined by the Board.

Significant areas of judgement and estimation

Annually, management provides the Audit Committee with an analysis of significant areas of judgement and estimation in the preparation of the consolidated financial statements. Semi-annually, management provides the Audit Committee with an analysis of the appropriateness of preparing the statements on a going concern basis. As discussed in our risk disclosures on page 103, the most significant estimates made by management are in relation to losses and loss adjustment expenses, both gross and net of ceded reinsurance. Less significant estimates are made in determining the estimated fair value of certain financial instruments and estimates made in determining premiums written and earned.

Valuation of losses and loss adjustment expenses

The valuation of losses and loss adjustment expenses, including IBNR, involves a significant amount of judgement. As stated in our accounting policies, it is a complex process and it is reasonably possible that uncertainties in the reserving process and delays in cedants reporting losses to Conduit, together with the potential for unforeseen adverse developments, could lead to a material change in estimated net losses and loss adjustment expenses.

The Audit Committee receives a quarterly report from the Company's Reserving Actuary. The Committee reviews the adequacy of Conduit's loss reserves and challenges the methodology and judgements applied.

The Committee also receives reports from the independent loss reserve specialist semi-annually. The Committee was able to compare their

evaluation of loss reserves to Conduit's and understand the differences which naturally arise between them.

The Committee also received semi-annual reports from the external auditors on the adequacy of the loss reserves.

The Committee focused in particular on:

- the reserving for natural-catastrophe and large-loss events which occurred during the year;
- the use of selected attritional reserving ratios, given the lack of historical data for Conduit;
- the difference in management's estimates versus the independent loss reserve specialist, noting that the differences are within a reasonable range;
- the adequacy of disclosure on the uncertainties of the loss reserve estimates.

The Audit Committee was satisfied that all its queries were appropriately addressed and noted that there were no material differences between the loss reserves calculated by the Company's Reserving Actuary and the independent loss reserve specialist.

The Committee was therefore satisfied that the valuation of losses and loss adjustment expenses was appropriate.

Fair value of certain financial instruments

The asset types Conduit is invested in are not complex with lower estimation uncertainty in determining fair value. The assets are highly liquid and are of high credit quality. As disclosed in note 12, all of Conduit's assets are Level (I) or Level (II) securities. There are no equities, hedge funds or derivative instruments.

Conduit's investments are fair valued through the income statement ("FVTPL") to minimise changes in accounting treatment on the adoption of IFRS 17 and IFRS 9. Conduit does not therefore have any judgement around impairment charges.

Estimates of premiums written and earned

Our quota share policies in particular are subject to estimates. Some management judgement is exercised in determining the initial ultimate premium estimate from which to establish the recognition of gross premiums written. While underwriting only commenced on 1 January 2021, the policies underwritten are largely mature and known to the underwriting team and therefore establishing an appropriate estimate is not deemed to be a significant risk.

Audit Committee report

continued

Going concern assessment and longer-term viability statements

The Audit Committee reviewed and advised the Board on Conduit's going concern and longer-term viability statements included in the Annual Report and Accounts and the assessment reports prepared by management in support of such statements. As part of this review, the Audit Committee assessed the methods, assumptions and judgements underpinning the going concern assessment. The Audit Committee was satisfied by the level of analysis presented during the year, the related approach taken and statements made in Conduit's key external reporting. More information on the going concern and viability statements can be found on page [95](#).

Annual Report and Accounts

The Audit Committee reviewed and approved Conduit's preliminary unaudited results issued on 22 February 2023 and drafts of the Annual Report and Accounts together with the external auditor's report. The Audit Committee advised the Board that, in its view, the 2022 Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess Conduit's position and performance, business model and strategy.

Priorities for 2023

The Audit Committee's priorities for 2023 include the following:

- Continued monitoring of the development of systems, processes and the control environment.
- To monitor the implementation and the completeness of disclosures in financial reporting for IFRS 17 and IFRS 9.
- Continue to monitor developments in climate and ESG reporting.
- To continue to monitor developments in corporate governance including audit practice reform.

Elizabeth Murphy, Chair

Audit Committee
3 March 2023

Directors' remuneration report

Introduction of Directors remuneration report

I present the Directors' remuneration report for 2022 which consists of three sections:

1. This introduction, which explains our approach to remuneration and summarises the key decisions made by the Committee during the year (pages [58](#) to [59](#)).
2. Directors' Remuneration Policy – this sets out our Remuneration Policy, which was approved by a binding shareholder vote at the May 2022 AGM at which 97.6% of the votes cast were in favour (pages [60](#) to [69](#)).
3. Annual Report on Remuneration – this sets out in detail how we've applied our Remuneration Policy in 2022, the remuneration received by Directors for the year and how we will apply the policy in 2023. This report will be put to an advisory shareholder vote at the 2023 AGM (pages [70](#) to [79](#)).

Performance for the year under review

There continued to be a significant effort involved in setting up Conduit for the future and building Conduit's book of business during 2022. The combined impact of loss events and mark-to-market unrealised losses on our investments has had an impact on RoE. For 2022, RoE continues to be negative; however, we expect to begin seeing improvement through 2023 and beyond.

Remuneration at this stage continues to be a reflection of Conduit's evolution as we continue to build and implement the business strategy post-IPO.

Annual bonuses for 2022 were based 75% on financial (RoE) targets, and 25% on the personal and strategic objectives of each Executive Director.

It is the opinion of the Remuneration Committee and the Board that the Company's management has done an outstanding job to continue to build a successful business beyond the foundation year. Management has recruited an excellent team, now more than 50 strong, and continued to build upon the technologically modern operating platform. At the same time, the business has continued to build a strong book of diversified, quality business.

The remuneration outcomes in respect of 2022 reflect these achievements, but also acknowledge that RoE at year-end was negative, impacted by a number of factors as noted in both the CEO report on pages [8](#) to [11](#) and the CFO report on pages [18](#) to [19](#), including higher-than-average natural-catastrophe losses, the Russian invasion of Ukraine, and the impact of increased interest rates on our

invested assets which resulted in a negative mark-to-market effect.

The Committee considered whether it was appropriate to pay bonuses in light of the financial element not having been achieved for 2022 and the resulting 0% pay-out of the financial element. The Committee determined that no additional negative discretion needed to be applied to the personal element pay-out. Details of the bonuses can be found on pages [71](#) to [73](#).

As per the Remuneration Policy, up to half of any bonus may be deferred into shares, with malus and clawback provisions in place.

Our Executive Directors participate in our legacy MIP, which was detailed in the IPO prospectus and there were no additional long-term incentive awards made to the Executive Directors during the year. The first tranche of the bonus deferral award made to Executive Directors and staff from their 2021 annual bonus awards will vest in March 2023.

Remuneration for 2022 and beyond

As expected, 2022 has been a transition year as Conduit moves forward from start-up into its post-foundation phase and the forward-looking remuneration will continue to reflect this as the business grows. As a non-UK incorporated company, Conduit does not need to comply with the requirements of the relevant provisions of the UK Companies Act. As part of its commitment to high standards of corporate governance, the Committee put the Remuneration Policy to a binding shareholder vote at the May 2022 AGM. At this meeting, the policy was approved with 97.6% votes in favour, and therefore it is in place for a three-year period ending with the 2024 business year. The Remuneration Policy seeks to ensure our Executive Directors are fairly and appropriately rewarded while ensuring alignment with our shareholders. The policy was developed considering market best practice and the provisions of The UK Code.

For 2023, base salaries of the Executive Directors will be increased by 3.0%, while the average increase across the wider workforce is 3.7%. Pension and benefits will remain unchanged, with pension contributions aligned to the wider workforce. Annual bonuses will again be based 75% on financial targets and 25% on personal objectives. Executive Directors will not receive the new cost-of-living allowance that is being awarded to staff across the wider workforce in 2023 in response to the inflationary market impacts. Further details can be found on pages [78](#) and [79](#).

Directors' remuneration report

continued

As mentioned in previous disclosures, the Executive Directors participate in the legacy MIP, with no further long-term incentive awards expected to be granted to them over the course of the current Policy. At present, the Company does not have an ongoing plan under which long-term incentives can be granted to employees. However, in 2022, the Company commenced a review of long-term incentive plan (LTIP) structures. It is intended that a new LTIP will be implemented during 2023. In line with the current Remuneration Policy, Executive Directors will not be eligible for awards under this LTIP under the current, shareholder-approved, Remuneration Policy.

The Remuneration Committee takes into consideration the views expressed by shareholders and other stakeholders in making its decisions. In 2022, I and the Executive Chairman met with several significant shareholders and discussed Conduit's remuneration.

I and the rest of the Board remain acutely aware that we must continue to work with investors and be responsive and balanced in all key aspects of remuneration.

Remuneration Committee membership

I was appointed as Chairman of the Remuneration Committee at the time of the IPO in 2020. The other members of the Remuneration Committee are Ken Randall, Malcolm Furbert and Richard Sandor, all of whom are independent Non-Executive Directors.

2022 meetings

The Remuneration Committee held three meetings during the year.

Name	Appointed	Maximum possible meetings	Meetings attended
Sir Brian Williamson, Chair	17 November 2020	3	3
Ken Randall	17 November 2020	3	3
Malcolm Furbert	17 November 2020	3	3
Richard Sandor	24 November 2020	3	3

Role and responsibilities

The responsibilities of the Remuneration Committee include the following:

- Determining the policy for Directors' remuneration and setting remuneration for the Executive Chair of the Board, Executive Directors and senior management including the Company Secretary (the Executive Group).
- Reviewing the ongoing appropriateness of workforce remuneration and related policies.
- Reviewing the ongoing appropriateness and relevance of the Remuneration Policy.
- Determining all elements of the remuneration of the Executive Group.

The Remuneration Committee's terms of reference, which also set out the Committee's reporting obligations and authority to carry out its responsibilities, are available on the Company's website.

There were no points of concern arising out of the Board's performance evaluation regarding the Remuneration Committee's performance during 2022.

Key activities in the year

- Established a Remuneration Policy for Executive Directors, which was approved by the Company's shareholders at the May 2022 AGM.
- Approved the DSBP, and initial Awards under the Plan to staff and Executive Directors.
- Reviewed the remuneration for Executive Directors in line with the Policy.
- Reviewed the business plan and resulting RoE to set appropriate links to annual bonus parameters.
- Reviewed total compensation for the Executive Group.
- Reviewed overall bonus arrangements for staff.

Conclusion

The Committee is dedicated to an open dialogue with our investors, and I therefore welcome views on any part of our remuneration arrangements.

Sir Brian Williamson, Chair

Remuneration Committee
3 March 2023

Directors' Remuneration Policy

This section sets out the Directors' Remuneration Policy ("Policy"), which was approved by a binding shareholder vote at the May 2022 AGM, updated where appropriate to reflect the passage of time. This Policy came into effect from 1 January 2022 and it is intended that this Policy will apply for a three-year period unless amended before then. As a non-UK incorporated company, Conduit does not need to comply with the requirements of the provisions of the Companies Act 2006 and Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2008, however it has chosen to do so voluntarily. The Policy has been developed considering market best practice and The UK Code, noting that as a standard listed company it complies with The UK Code on a voluntary basis, reflecting the Board's commitment to high standards of corporate governance.

The Remuneration Committee may make minor changes to this Remuneration Policy to support its operation or implementation (for example, for regulatory or administrative purposes), provided that any such change does not materially advantage any Directors, without obtaining shareholder approval for such changes.

Conduit's approach to senior executive reward (including the legacy MIP) is shaped by the following key principles, where it is intended to deliver:

- Balancing short- and long-term goals – provide a package with an appropriate balance between short- and longer-term performance targets linked to the delivery of the Company's business plan and the generation of sustainable long-term returns for shareholders.
- Shareholder alignment – ensure alignment of the interests of the Executive Directors, senior management and employees to the long-term interests of shareholders.
- Competitive remuneration – maintain a competitive package in order to attract, retain and motivate high-calibre talent to help ensure the Company performs successfully.
- Fairness – take an active interest in the development of good practices to deliver fair remuneration at all levels of the organisation.
- Performance-focused compensation – encourage and support a sustainable, high-performance culture in line with the build plan and with the agreed risk profile of the business.

In addition, the approach to senior reward (including the MIP) is tested against the six factors listed in The UK Code:

- Clarity – the Policy is designed to be simple and to support long-term sustainable performance so should be well understood by participants and shareholders.
- Simplicity – the Remuneration Committee is mindful of the need to avoid overly complex remuneration structures – the executive remuneration policies and practices are relevant to the continued development of the business and simple to communicate and operate.
- Risk – the Policy is designed to ensure that inappropriate risk taking is not encouraged and will not be rewarded. Appropriate limits are set out in the Policy. A balance of financial and non-financial targets is used, which is designed to be stretching but achievable to ensure the arrangements do not encourage excessive risk taking. The Committee retains discretion to override formulaic outturns. There is a significant role played by equity in the incentive plans, with up to half of any annual bonus deferred into shares, the legacy MIP, and shareholding (including post-cessation) requirements. Malus and clawback provisions are in operation.
- Predictability – the Policy contains appropriate caps for the different pay elements. The potential reward outcomes are set out in the illustrations provided, which clearly show the potential scenarios of performance.
- Proportionality – there is a clear link between individual awards, delivery of strategy and long-term performance. In addition, the significant role played by incentive/'at-risk' pay is designed to ensure that poor performance is not rewarded.
- Alignment to culture – the Policy encourages performance that is aligned to the culture of Conduit and in accordance with accepted behaviours and values.

Directors' Remuneration Policy

continued

Executive Director remuneration

Base salary	
Purpose and link to strategy	Base salary is a key element to recruiting, retaining and incentivising executives of the right calibre to successfully execute Conduit's business strategy.
Operation	Base salaries are normally reviewed annually, with any changes usually effective from 1 January. Exceptionally, an out-of-cycle review may be conducted if the Committee determines it is appropriate. When setting base salary levels, the Committee will take into account several factors including (but not limited to): • The Director's role, skills and experience • The economic environment • Overall business performance • Salary levels and pay conditions across the wider Group • Individual performance • Market data for similar roles in comparable companies (including reinsurance company peers) • Changes to the size and complexity of the business The process for salary review is consistent for all employees.
Maximum opportunity	There is no maximum base salary level. The process for salary review is consistent for all employees and increases for the Executive Directors are normally considered in relation to the wider salary increases across Conduit. Higher increases may be permitted where appropriate, for example development in role or a change in position or responsibilities.
Performance metrics	There are no formal metrics, although individual and Group performance is taken into consideration as part of the annual review.

Directors' Remuneration Policy

continued

Executive Director remuneration

Benefits (including pension benefits)	
Purpose and link to strategy	Benefits support recruitment and retention and facilitate a healthy workforce.
Operation	Pension benefits Conduit's pension schemes are based on defined contributions or equivalent cash in lieu or salary sacrifice, subject to applicable law and local market standards. For all staff, including Executive Directors, a cash allowance of up to 10% of salary is paid in lieu of the standard employer pension contribution, or a combination of pension contributions and cash allowance, totalling 10% of salary. Any changes in the workforce pension arrangements may be reflected in Executive Director remuneration. Other benefits Other benefits reflect normal market practice, are determined on a basis consistent with all employees, and are set within agreed principles. Benefits include, but are not limited to: • Bermuda payroll tax and social insurance • Medical, dental and vision insurance • Life assurance • Long-term disability scheme • Gym and club membership • Travel allowance • Housing allowance for Bermuda-based Executive Directors Additional benefits may be provided as the Remuneration Committee considers appropriate and reasonable based on market practice. Executive Directors are included in the directors' and officers' indemnity insurance policy.
Maximum opportunity	There is no maximum value of benefits; the value is set according to recruitment and retention needs bearing in mind local market standards and requirements. Pension contributions for Executive Directors will normally be in line with the wider workforce, currently 10% of salary.
Performance metrics	None.

Directors' Remuneration Policy

continued

Executive Director remuneration

Annual bonus	
Purpose and link to strategy	To reward the achievement of financial results and key objectives over the financial year, which are linked to Conduit's strategic priorities. To facilitate and encourage share ownership to align senior employees with CHL shareholders through the use of deferral into shares.
Operation	Annual bonus awards for the Executive Directors are based on the financial performance of Conduit and the performance against personal and/or strategic objectives of each Executive Director during the financial year, with performance measures and objectives set by the Committee at the beginning of the financial year. At the end of the performance period, the Remuneration Committee will determine the actual bonus awards for each Executive Director. The Remuneration Committee aims to ensure that awards for Executive Directors are based on performance viewed holistically rather than on a formulaic outcome and has the discretion to adjust the formulaic outcome. Up to 50% of any bonus earned will be deferred into shares, which normally vest over three years with one-third of the award vesting in each of the following three years. Participants may also be entitled to receive dividend equivalents which have accrued on unvested shares during the vesting period, such dividend equivalents to be paid at vesting. Bonus awards are subject to malus and clawback provisions.
Maximum opportunity	The maximum bonus achievable for the Executive Directors is 300% of base salary.
Performance metrics	The majority of the performance measures will be based on financial performance (for example, RoE). The financial component will normally comprise at least two-thirds of the overall opportunity. For the current Policy, the Committee has set the financial component at 75% of the overall opportunity. A financial performance hurdle applies before any bonus is payable in relation to the financial component, which is reviewed annually. Where performance is deemed to be below a pre-determined hurdle, payouts for the financial component will be nil. 25% is payable for threshold performance. The Committee has the discretion to make an award under the personal performance component.

Directors' Remuneration Policy

continued

Executive Director remuneration

Shareholding requirement	
Purpose and link to strategy	To ensure Executive Directors are aligned with shareholder interests.
Operation	Each of the Executive Directors is required to build and maintain a shareholding in the Company of 300% of salary while in post. The portion of any future bonuses which is paid in shares (post-tax and vested) and other share awards will accumulate until this requirement is met. There is a seven-year period from the date of IPO in which to achieve compliance. Post-cessation shareholding requirements apply which will require Executive Directors to retain for two years following cessation of their employment by Conduit the lower in value of: • such number of shares on cessation that have a market value equal to the shareholding guideline in place at that time; and • the number of shares they hold at that time. Shares that are acquired by the Executive Director out of their own funds will be excluded from this post-cessation holding requirement.
Maximum opportunity	None.
Performance metrics	None.

Directors' Remuneration Policy

continued

Non-Executive Director remuneration

Fees	
Purpose and link to strategy	To provide an appropriate fee level to attract and retain Non-Executive Directors who have a broad range of skills and experience to oversee the implementation of Conduit's strategy.
Operation	Non-Executive Directors receive an annual fee in respect of their Board appointments together with additional compensation for further duties (for example, Board committee membership and chairperson roles). The fees paid are determined by reference to market data and the skills and experience required by the Company, as well as the time commitment associated with the role. Fees are normally reviewed every two years, but not necessarily increased. Non-Executive Directors are not eligible for participation in the Company's incentive plans. Travel and other reasonable expenses incurred by Non-Executive Directors while performing their duties for the Company are reimbursed (including any tax where these are deemed to be taxable benefits). Non-Executive Directors are included in the directors' and officers' indemnity insurance policy.
Maximum opportunity	The amount of any remuneration payable to Non-Executive Directors shall be determined by the Board (excluding the Non-Executive Directors). An aggregate remuneration limit applies under the Company Bye-laws and shall not exceed \$1.3 million per annum (unless otherwise approved by the shareholders).
Performance metrics	None.

Notes to the Director's Remuneration Policy

Performance targets

The Committee aims to ensure that performance targets for the annual bonus awards to Executive Directors are closely aligned to Conduit's short-term and long-term objectives. Each year, the Committee reviews and selects the most appropriate performance measures, considering the key priorities of Conduit at the time over both the short and long term.

The measures and their weightings may change from year to year to reflect the needs of the business.

Details are included in Conduit's Annual Report and Accounts each year, subject to limitations with regards to commercial sensitivity for the annual bonus (where general terms will be provided), and the full details disclosed following the end of the financial year in Conduit's next Annual Report and Accounts, again, subject to limitations with regards to commercial sensitivity for the annual bonus (if appropriate).

Malus and clawback

The Remuneration Committee will have the discretion to reduce a bonus award (malus) or require repayment of a bonus award (clawback) where it considers that there are exceptional circumstances. Such exceptional circumstances are limited to:

- material misstatement of results, financial or otherwise;
- material breach of any post-termination employment covenants; or
- fraud or a financial criminal act, which affects Conduit and carries a custodial sentence during the course of employment.

Clawback will apply for a period of three years following vesting/payment of an award.

Committee discretions

The Committee operates under the powers it has been delegated by the Board. The Committee operates the incentive plans in accordance with the plan rules and applicable legislation where relevant. Within the incentive plans, the Committee retains a number of discretions to ensure effective operation of the plans. These discretions are standard market practice and include (but are not limited to) the following:

- Selecting the participants in the plans.
- Determining the timing of payments/grants of awards.
- Determining the quantum of awards and/or payments (within the limits set out in the Policy).

- Determining the choice of (and adjustment of) performance measures and targets for each incentive plan in accordance with the Policy and rules of each plan.
- Determining the extent of pay-out based on the assessment of performance.
- Overriding formulaic annual bonus outcomes, taking account of overall or underlying Company performance.
- Determining whether and to what extent dividend equivalents should apply to awards.
- Determining whether malus and/or clawback shall be applied to any award in the relevant circumstances and, if so, the extent to which they shall be applied.
- Making appropriate adjustments required in certain circumstances, for instance for changes in capital structure (or any similar corporate event).
- Application of the holding period.
- Determining good leaver status for incentive plan purposes and applying the appropriate treatment.
- Agreeing to early payment of deferred bonuses to Executive Directors on an exceptional basis.
- Undertaking the annual review of weighting of performance measures and setting targets for the annual bonus plan from year to year.

The Remuneration Committee can relax the share ownership requirement in exceptional circumstances and may alter the operation of the guidelines to reflect changing market practice, the expectations of institutional shareholders and/or such other matters as the Remuneration Committee considers appropriate.

If an event occurs that results in the annual bonus plan performance conditions and/or the targets being deemed no longer appropriate (e.g. material acquisition or divestment), the Committee will have the ability to adjust appropriately the measures and/or targets and alter weightings, provided that the revised conditions are not materially less challenging than the original conditions. In addition, the Committee may exercise its discretion to make other non-material decisions affecting the Executive Directors' awards in order to facilitate the plans.

Any use of the above discretion would, where relevant, be explained in the Company's annual report on remuneration of Directors.

Legacy arrangements

For the avoidance of doubt, any commitments entered into by Conduit prior to the approval and implementation of the Policy outlined above may be honoured, even if they are not consistent with the

Notes to the policy table

continued

policy prevailing at the time the commitment is fulfilled.

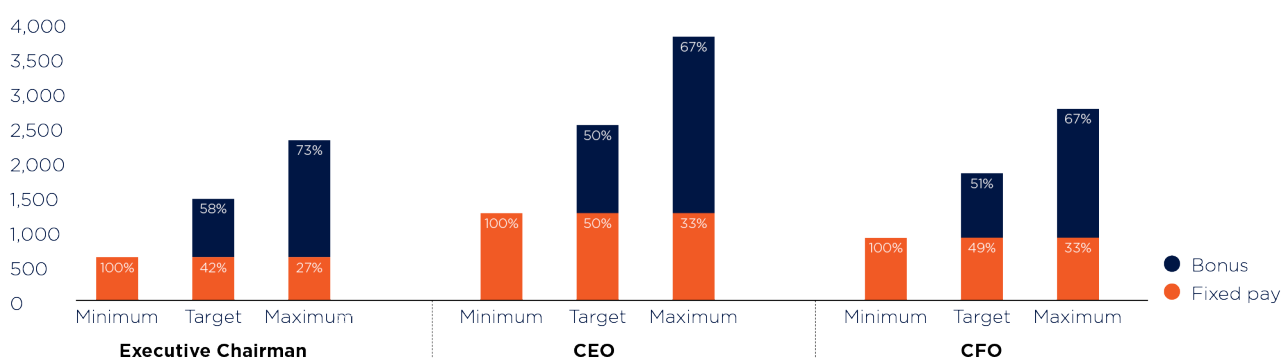
This includes the MIP, which was in place prior to this Policy. Details of this plan can be found on page 37 of the 2020 Annual Report and Accounts. This may also include commitments to future Executive

Directors where the terms were agreed prior to (and not in contemplation of) promotion to Executive Director, which includes satisfying awards of variable remuneration based on the terms agreed at the time the award was granted.

Illustration of the policy

The charts below set out the potential values of the remuneration package of the Executive Directors for 2023 under various performance scenarios.

Remuneration (\$'000's)



Notes

- Minimum: Fixed pay only (salary, benefits and pension).
- Target: Fixed pay and annual bonus at 50% of maximum.
- Maximum: Fixed pay and maximum achievable annual bonus.
- Salary represents annual for 2023.
- Benefits have been included based on the actual 2022 value of benefits (including housing allowances).
- Pension represents the value of the annual pension of 10% of salary contributed by the Company.

As a legacy arrangement, the MIP is excluded and no scenario showing maximum with share price growth on a long-term incentive plan is included as no further awards of a long-term nature for Executive Directors is provided for in the Policy.

Service agreements – Executive Directors

The Company's policy is for Executive Directors to have service agreements which may be terminated by the Company for breach by the executive or with no more than six months' notice from the Company to the Executive Director and six months' notice from the Executive Director to the Company.

On 18 November 2020, Neil Eckert and Trevor Carvey each entered into service agreements with CHL, which have since been transitioned to agreements with CSL. On 13 January 2021, Elaine Whelan entered into a service agreement and was appointed as an Executive Director and the CFO.

If notice is served by either party, the Executive Director can continue to receive base salary, benefits and pension, per the terms of their service agreement, for the duration of their notice period during which time the Company may require the individual to continue to fulfil their current duties or may assign a period of garden leave. Service agreements do not contain liquidated damages clauses.

The Company may elect to make a payment in lieu of notice equivalent in value to a maximum of six months' base salary and benefits, including pension contribution but excluding bonus (which would be considered separately in the appropriate circumstances), payable in monthly instalments, which would be subject to mitigation if alternative employment is taken up during this time. Alternatively, the Remuneration Committee retains discretion to provide this payment as a lump sum.

Notes to the policy table

continued

In some cases, an Executive Director may be determined a good leaver. Good leavers may receive an annual bonus payment, which will normally be subject to the satisfaction of the relevant performance criteria tested at the normal date and, ordinarily, the outcome will be calculated on a time pro-rata basis to date of departure. The Committee retains discretion on whether the whole bonus payable is paid in cash, or whether part of it is deferred either in cash or shares.

In the event of termination for cause (e.g. gross misconduct) neither notice nor payment in lieu of notice will be given and the Executive Director will cease to perform their services immediately. In addition, and consistent with market practice, the Company may pay a contribution towards the Executive Director's legal fees for entering into a statutory agreement, may pay a contribution towards fees for outplacement services as part of a negotiated settlement, or may make a payment to settle claims the Executive Director may have. There is no provision for additional compensation on termination following a change of control. Payment may also be made in respect of accrued benefits, including holiday not taken.

In the event of a change of control or similar event, awards may vest early subject to performance and, normally, any bonus entitlement would be subject to prorating on a time apportioned basis.

The Committee may at its discretion determine that awards shall not be subject to time prorating or be subject to prorating to a lesser extent if it considers it appropriate in the circumstances. Alternatively, following an internal reorganisation which results in a change of control, awards may be rolled over into awards in the acquiring company.

Service agreements – Non-Executive Directors

Non-Executive Directors are typically expected to serve two three-year terms but may be invited by the Board to serve for an additional period.

Any term renewal is subject to Board review and AGM re-election. Notwithstanding any mutual expectation, there is no right to re-nomination by the Board, either annually or after any three-year period.

Director	Date of Appointment	Expiry of first three-year term ¹
Elizabeth Murphy	18 November 2020	18 November 2023
Ken Randall	18 November 2020	18 November 2023
Malcolm Furbert	18 November 2020	18 November 2023
Sir Brian Williamson	18 November 2020	18 November 2023
Richard Sandor	26 November 2020	26 November 2023
Michelle Seymour Smith	15 September 2021	15 September 2024

1. Succession planning for Board positions is discussed on page 48.

Recruitment of Directors – approach to remuneration

Consistent with best practice, remuneration packages for any new appointments to the Board and senior employees (including those promoted internally) will be set in line with the Policy which remains unchanged.

In setting base salaries for new Executive Directors, the Committee will consider the individual's level of skills and experience. Where it is appropriate to offer a below market-salary on initial appointment, the Committee will have the discretion to allow phased salary increases over a period of time for a newly appointed Executive Director up to an appropriate salary for the appointment, even though this may involve increases in excess of those awarded to the wider workforce.

Benefits will be offered in line with the Policy table. For both external and internal appointments, the

Committee may consider it appropriate to pay reasonable relocation or incidental expenses, including payment of reasonable legal expenses. This will ordinarily be for a reasonable but fixed period of time and will be disclosed on appointment. Pension will normally be in line with the wider workforce.

Annual bonus will be in line with the Policy table and will be prorated in the year of joining to reflect the period of service. In setting the annual bonus, the Committee may set different performance metrics (to those of other Executive Directors) in the first year of appointment.

For external appointments, the Committee recognises that it may need to provide compensation for forfeited awards from the individual's previous employer. To the extent possible, the design of any buyout will be made on a broadly like-for-like basis and shall be no more

Notes to the policy table

continued

generous than the terms of the incentives they are replacing, taking into account the performance conditions attached to the vesting of the forfeited incentives, the timing of vesting and the likelihood of vesting. In addition, it may be necessary to make an initial forward-looking LTIP award.

Conduit does not currently operate an LTIP under which future grants can be made to Executive Directors. Although not subject to the requirements of the Listing Rules as a standard listed company to seek shareholder approval for an LTIP in which Executive Directors may participate (or which may involve the issue of new shares), it would in practice seek such approval. Therefore, the Committee may also use the flexibility provided (being best practice rather than a requirement) under the Listing Rules to make awards as provided for under Rule 9.4.2 (2) without prior shareholder approval.

For an internal appointment, any variable pay element or benefit awarded in respect of their prior role may be allowed to continue on its original terms.

The terms of appointment for a new Non-Executive Director will be in accordance with the Policy for Non-Executive Directors as set out in the Policy table.

Executive Directors' external appointments

Executive Directors may accept external appointments as Non-Executive Directors of other companies, as long as the companies concerned are not competitors of Conduit, and the appointment will not adversely affect the performance of the Executive Director for the Company, and with the specific prior approval of the Board in each case. Any fees receivable may be retained by the Executive Director concerned.

How shareholders' views are taken into account

The Committee considers the views of shareholders when reviewing the remuneration of Executive Directors and other senior executives, and takes into account published remuneration guidelines and the specific views of shareholders and proxy agencies. The Committee will consult with the Company's key shareholders when considering significant changes to the implementation of the Policy and when the Policy is being reviewed (typically ahead of an AGM binding vote on the Policy). The Committee will consider shareholder feedback received before and after an AGM. The Committee values feedback from its shareholders and seeks to maintain a continued, open dialogue.

Broader employee context – consideration of employment conditions elsewhere in Conduit

In accordance with the Committee's terms of reference, when setting remuneration for Executive Directors and the Executive Chairman, the Committee reviews the pay and conditions across Conduit. Conduit aims to provide a market competitive package to all employees and the Committee considers executive remuneration in the context of the wider employee population.

The Policy for Executive Directors is weighted more towards variable pay than for other employees, with a greater part of their pay therefore at risk to them and conditional on the successful delivery of Conduit's business strategy. The operation of the bonus scheme for the Executive Directors is consistent with Conduit's other senior employees. Bonus pools are determined based on financial performance against a target (reviewed annually). Arrangements tailored to roles and responsibilities are operated for selected positions. Bonuses for more junior employees are calculated using a more formulaic approach.

While employees are not directly consulted on matters of remuneration policy for Executive Directors, the Committee liaises with the Head of HR to ensure that there is an appropriate level of consultation between HR and Conduit's employees on remuneration matters. The results of any employee feedback, whether direct feedback or as part of the annual employee engagement survey process, is reported to the Committee.

Annual report on remuneration

This section summarises the Directors' remuneration for the period ending on 31 December 2022 and how the policy will be implemented for the year ahead. This report on remuneration together with the Chairman's statement, as detailed on pages 58 to 59, will be put to an advisory vote at the 2023 AGM.

The following sections in respect of Directors' remuneration have been audited by KPMG Audit Limited:

- Single figure of remuneration
- Non-Executive Director fees
- 2023 annual bonus payments in respect of 2022 performance
- Deferred bonus awards
- Directors' shareholdings and share interests

Executive Directors' single figure of remuneration

The table below sets out the total remuneration (in '\$'000) for Executive Directors for the financial period ending 31 December 2022.

Executive Director	Year	Salary	Benefits ³	Pension or payment in lieu ⁴	Annual bonus ⁵	LTIP ⁶	Other	Total fixed remuneration	Total variable remuneration	Total remuneration
Neil Eckert	2022	\$546	\$1	\$14	\$307	\$-	\$-	\$561	\$307	\$868
	2021	\$530	\$1	\$14	\$919	\$-	\$-	\$545	\$919	\$1,464
Trevor Carvey	2022	\$824	\$329	\$82	\$464	\$-	\$-	\$1,235	\$464	\$1,699
	2021	\$800	\$318	\$88	\$1,443	\$-	\$-	\$1,206	\$1,443	\$2,649
Elaine Whelan ¹	2022	\$603	\$243	\$60	\$395	\$-	\$-	\$906	\$395	\$1,301
	2021	\$553	\$213	\$56	\$1,069	\$-	\$-	\$822	\$1,069	\$1,891
Mark Heintzman ²	2022	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-
	2021	\$51	\$55	\$16	\$-	\$-	\$-	\$122	\$-	\$122

Notes to single figure table

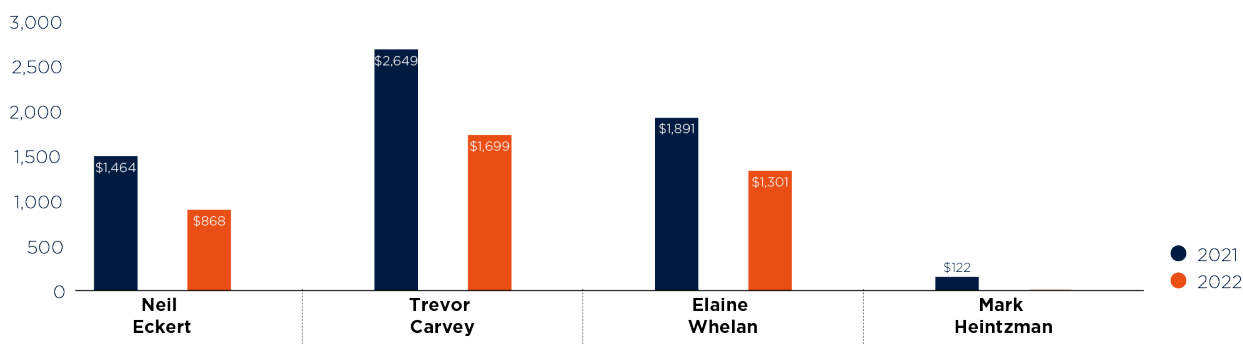
1. Joined the Board on 14 January 2021. For 2021, disclosures were prorated for time in employment.
2. Left the Board on 13 January 2021. For 2021, disclosures were prorated for time in employment. In accordance with the leaver terms outlined on page 65 of the 2021 Annual Report and Accounts.
3. Benefits for Bermuda-based Executive Directors comprise Bermuda payroll taxes (employee obligations paid by the Company), Bermuda social insurance (employee obligations paid by the Company), medical, dental and vision coverage (employee obligations paid by the Company), life insurance (employee obligations paid by the Company), housing and other allowances paid or to be paid by CHL in line with standard market practice. Benefits for Neil Eckert, who is UK-based, are a reflection of the annual well-being/gym allowance paid; there are no additional benefits under his terms and conditions.
4. The Executive Directors' pension provision is aligned to that of the rest of the workforce, at 10% of pensionable earnings. Executive Directors may elect to take cash in lieu of pension, subject to compliance with applicable law. For 2021, the amounts paid also included any back-dated pension contributions owed for services in 2020 when Conduit schemes had not yet been set up. Neil Eckert is on a split employment contract to delineate his UK and Bermuda duties. Therefore, pension benefit for Neil is a reflection of his UK contractual benefit requirement; there are no Bermuda-based benefits which he is eligible for under his terms of employment.
5. Executive Director bonus awards are stated as the full value of the bonus award; up to 50% of bonuses awarded are payable as a deferred share award of an equivalent value.
6. Other than the legacy MIP, Executive Directors do not currently participate in any LTIP. Details of the MIP can be found on pages 75 and 76. No awards vested under the MIP during the year.

Annual report on remuneration

continued

The following chart summarises the above disclosed remuneration of each Executive Director for 2021 and 2022:

Executive Director remuneration (\$'000's)



Annual bonus

Following the approach that was set out in the 2021 Annual Report and Accounts, annual bonus awards for the Executive Directors were based on the financial performance of Conduit and the personal contributions of each Executive Director, with the financial component making up 75% of the overall opportunity and 25% based on personal contribution and/or meeting strategic objectives. The financial measure for 2022 was RoE. The Remuneration Committee determined the actual bonus awards for each Executive Director, based on the following criteria.

Financial Performance (75%)

	Threshold	Target	Maximum	Actual	Financial element
RoE	5.7%	8.7%	13.7%	(9.1)%	0%

Executive Directors' performance objectives (25%)

Each of the Executive Directors was evaluated against their performance objectives for the year.

	Detailed objectives	Assessment
Neil Eckert - Effective leadership and management of the Board of Directors - Development of the investor relations and general business strategy - Advocate for Conduit's ESG strategy	Effectively perform the duties of the Chairman's role, primarily achieved through overseeing the business and investor relations strategy plus managing the Board of Directors. Perform a leading role in promoting ESG principles across the business. Support the CEO to ensure the efficient operation of Conduit.	Despite being primarily based in the UK, Neil has provided valuable oversight and input into the continued growth and development of Conduit's Investor Relations strategy and relationships. Neil has played a critical role in partnering with internal stakeholders to progress Conduit's ESG initiatives and developing ways for ESG principles to be incorporated into the way we work at Conduit. As co-founder, Neil continues to make valuable contributions to the Company and continues to provide guidance to the executive group and the Board.

Annual report on remuneration

continued

	Detailed objectives	Assessment
Trevor Carvey - Effective leadership and management of the senior executive team and Group - Development of the general business strategy - Incorporate ESG principles into the business	Effectively perform the duties of the CEO role: managing the business in line with the strategy and business plan, participation in relevant Committee meetings including leading the executive team and making recommendations to improve business operations. Lead the executive team, ensuring they are all contributing to business strategy growth and development, including fostering strong relationships with our investors. Perform a leading role in promoting ESG principles across the business.	This year, Trevor has been able to further focus his efforts on his oversight and management of the business in his role as CEO, having handed over the role of CUO to Greg Roberts during the year. This has ensured that Trevor has been able to focus more valuable time managing key investor and stakeholder relationship engagement. Trevor has led Conduit through another successful growth year, and the business team has further developed a diverse book of business to support the business strategy. Trevor and his executive group have worked tirelessly to ensure that Conduit is well positioned for the current market cycle.
Elaine Whelan - Effective leadership and management of the finance and investments and treasury functions for Conduit - Contribution to the general finance and investment strategies - Incorporation of ESG principles into the investment portfolio	Effectively perform the duties of the CFO role: managing production of financial reports which are required as a public company, participation in relevant Committee meetings including making recommendations to improve capital efficiency and risk-adjusted returns. Demonstrate leadership and management of the finance team. Manage Conduit's investment portfolio while working in conjunction with the investment committee and CEO. Perform a leading role in promoting ESG principles within the investment portfolio. Manage our rating agency relationships, update the CEO on matters which will get rating agency attention and recommend action/communication. Contribute, as a member of the executive team, to the efficient operation of Conduit.	Elaine continues to play a key role in leading the finance team and all related aspects of finance systems build and integration to support the business and ensure timely and accurate financial reporting. Elaine has continued to consider ESG principles around Conduit's investment strategy and portfolio while also managing the portfolio through volatile markets. Elaine is a valued member of the Conduit executive team, working collaboratively with the executive team to ensure efficient business management.

Annual report on remuneration

continued

As a result of the performance assessment outcomes, the Committee determined bonuses for the Executive Directors as follows:

	Financial element pay-out (% of weighted element)	Personal element pay-out (% of weighted element)	Actual bonus pay-out (% of maximum)
Neil Eckert	0	150.0	19.0
Trevor Carvey	0	150.0	19.0
Elaine Whelan	0	175.0	22.0

Bonuses are subject to a maximum of 300% of base salary. Up to 50% of bonuses awarded are payable as a deferred share award of an equivalent value (with the number of shares calculated using the average of the share price at the close of the market over the five days prior to the day that the award is granted). These awards vest under the terms defined in the scheme rules, over three years with one-third of the award vesting (including dividend equivalents) in each of the following three years. The Committee considers this to be an appropriate structure with the deferral serving as a retention mechanism over the three-year period. Deferral over three years is also more in line with the expected duration of Conduit's reserves.

	Actual bonus pay-out (% of maximum)	Maximum opportunity (% of salary)	Actual bonus pay-out (% of salary)	Outcome (\$'000)	Cash bonus paid, \$'000 (50%)	Bonus deferred into shares, \$'000 (50%)
Neil Eckert	19	300	56	307.1	153.5	153.6
Trevor Carvey	19	300	56	463.5	231.7	231.8
Elaine Whelan	22	300	66	395.4	197.7	197.7

Long-term incentive plan

As previously disclosed, the Executive Directors participate in the legacy MIP scheme, which was detailed in the IPO prospectus and subsequent Annual Report and Accounts. The MIP is currently Conduit's only long-term share-based incentive plan. Details of the plan can be found on pages [75](#) to [76](#).

No awards under the MIP vested in the year under review.

Payments for loss of office

No Executive Director left the employment of Conduit during the year under review.

Payments to past Directors

No payments were made to former Directors during the year.

Non-Executive Directors

The Non-Executive Director fees have been determined in accordance with the Remuneration Policy set out on page [65](#).

The Non-Executive Directors' basic fee is \$75,000 per annum, with additional annual fees payable in respect of membership of Board Committees of \$15,000 per committee and \$25,000 for appointment as Chair of a committee (and \$15,000 for appointment as Senior Independent Director). The Non-Executive Directors do not participate in incentive schemes.

There were no Non-Executive Director appointments during 2022.

Annual report on remuneration

continued

For the year ended 31 December 2022, under the terms of their appointments the Non-Executive Directors of CHL were paid the following fees:

Aggregate fees paid (including in respect of CRL) \$'000

Non-Executive Director	2022	2021
Sir Brian Williamson	\$130	\$130
Elizabeth Murphy	\$140	\$140
Ken Randall	\$155	\$155
Malcolm Furbert	\$130	\$130
Dr. Richard Sandor	\$105	\$105
Michelle Seymour Smith ^{1,2}	\$128	\$31
Total	\$788	\$691

1. For 2021, fees were prorated from 24 September 2021, the date of appointment.

2. For 2022, fees include prorated fees for additional Board Committee appointment (Nomination Committee) with effect from 22 February 2022.

The aggregate remuneration paid for the year to 31 December 2022 by way of fee for all the Non-Executive Directors was \$787,813 made up of \$687,813 in respect of CHL and \$100,000 in respect of CRL.

Directors' shareholdings

Details of the Directors' interests in shares are shown in the following table. Executive Directors are required to build and retain a holding of the Company's shares equivalent to at least 300% of their base salary.

Details of awards under the DSBP

As previously disclosed, there is no LTIP in place that Executive Directors can participate in; however, up to 50% of an Executive Director's annual bonus is deferred into shares under the DSBP. Details of the 2022 awards, from the 2021 annual bonus for the Executive Directors, are below.

	Grant date	Awards held at 1 Jan 2022	Awards granted during the year	Awards vested during the year	Awards exercised during the year	Awards held at 31 Dec 2022
Neil Eckert	25-Mar-22 ¹	-	95,726	-	-	95,726
		-	95,726	-	-	95,726
Trevor Carvey	25-Mar-22 ¹	-	150,253	-	-	150,253
		-	150,253	-	-	150,253
Elaine Whelan	25-Mar-22 ¹	-	111,371	-	-	111,371
		-	111,371	-	-	111,371

1. The vesting dates for the DSBP awards are subject to the Company being out of a closed period and are as follows:
2022 award – vests 33.33% per year over a three-year period, being 25 March 2023, 25 March 2024 and 25 March 2025.

Annual report on remuneration

continued

Shareholding

Director	Beneficially owned as at 1 Jan 2022	Beneficially owned as at 31 Dec 2022	Share awards held – deferred bonus (vested ¹)	Share awards held – deferred bonus (unvested ²)	Guideline % of base salary	Guideline met ³
Neil Eckert ⁴	597,112	669,657	-	95,726	300%	Yes
Trevor Carvey	180,000	295,630	-	150,253	300%	No
Elaine Whelan	65,950	153,053	-	111,371	300%	No

1. No awards under the DSBP vested during 2022.
2. Share awards under the DSBP are calculated as up to 50% of the annual bonus award, with the number of shares calculated using the average of the share price at the close of the market over the five days prior to the day that the award is granted. See page 74 for details.
3. As at 31 December 2022, Neil Eckert met the shareholding requirement set for Executive Directors. The other Executive Directors (Trevor Carvey and Elaine Whelan) have seven years from appointment to build their shareholdings in order to meet the requirement.
4. Neil Eckert's beneficially owned shares includes 35,873 shares owned by his spouse, Nicola Eckert.

Non-Executive Director	Beneficially owned as at 1 Jan 2022	Beneficially owned as at 31 Dec 2022	Share awards held – deferred bonus ¹ (vested)	Share awards held – deferred bonus ¹ (unvested)
Sir Brian Williamson	15,000	20,000	N/A	N/A
Elizabeth Murphy	15,000	15,000	N/A	N/A
Ken Randall	55,000	55,000	N/A	N/A
Malcolm Furbert	8,000	8,000	N/A	N/A
Dr Richard Sandor	15,000	15,000	N/A	N/A
Michelle Seymour Smith	-	20,000	N/A	N/A

1. Non-Executive Directors do not receive an annual bonus and therefore do not participate in the DSBP.

A share incentive plan, the MIP, was put in place prior to Admission for Neil Eckert and Trevor Carvey (the founders of Conduit) and other senior managers who are expected to make key contributions to the success of Conduit from Admission. The table below sets out the respective MIP Share allocations for each of the Executive Directors at 31 December 2022:

Name	USD MIP Shares	GBP MIP Shares	Percentage of MIP
Neil Eckert	45,000	45,000	45.0%
Trevor Carvey	30,000	30,000	30.0%
Elaine Whelan ¹	5,000	5,000	5.0%
Total	80,000	80,000	80.0%

1. Elaine Whelan's MIP award is in the form of a nil-cost option.

Success in the MIP will be measured by share price performance and investor returns, and the MIP arrangements reflect these key metrics. The MIP was facilitated by the subscription for shares in CML (a direct subsidiary of CHL, which is an intermediate holding company of CRL). Under the MIP, Executive Directors and other senior managers invited to participate subscribed for shares or were issued nil-cost options in CML ("MIP Shares"). Half of the MIP Shares are denominated in sterling ("GBP MIP Shares") and half in US dollars ("USD MIP Shares").

Subject to vesting in the hands of the relevant holder of MIP Shares, if the Performance Condition is satisfied at the time, the MIP Shares will be automatically exchanged for common shares of CHL for an aggregate value equivalent to up to 15% of the excess of the Market Value of CHL over and above the Invested Equity (the "Growth") (7.5% of the Growth based on calculations in sterling for the GBP MIP Shares and 7.5% of the Growth based on calculations in US dollars for the USD MIP Shares).

Annual report on remuneration

continued

If (1) the Performance Condition is satisfied for either or both of the GBP MIP Shares or the USD MIP Shares on each of the fourth, fifth, sixth and seventh anniversaries of Admission and (2) no takeover of CHL or sale or liquidation of CML has taken place before any of those dates, one-quarter of the relevant MIP Shares (delivering 1.875% of the Growth to the relevant shares) (each a “Tranche”) will be automatically exchanged for such number of common shares of CHL as have an aggregate value (at the closing share price for the trading day immediately prior to the date of the exchange) equal to 1.875% of the Growth at the date of the exchange. Whenever the Performance Condition has not been satisfied on the relevant anniversary date in respect of a Tranche, those MIP Shares which might otherwise have been exchanged will not be exchanged and will automatically exchange at the next anniversary date on which the Performance Condition is satisfied. If the Performance Condition is satisfied, any MIP Shares that have not automatically been exchanged for common shares of CHL before that date will on the effective date of any takeover of CHL or sale or liquidation of CML be exchanged (delivering the remainder of the 7.5% of Growth for each of the USD MIP Shares and the GBP MIP Shares).

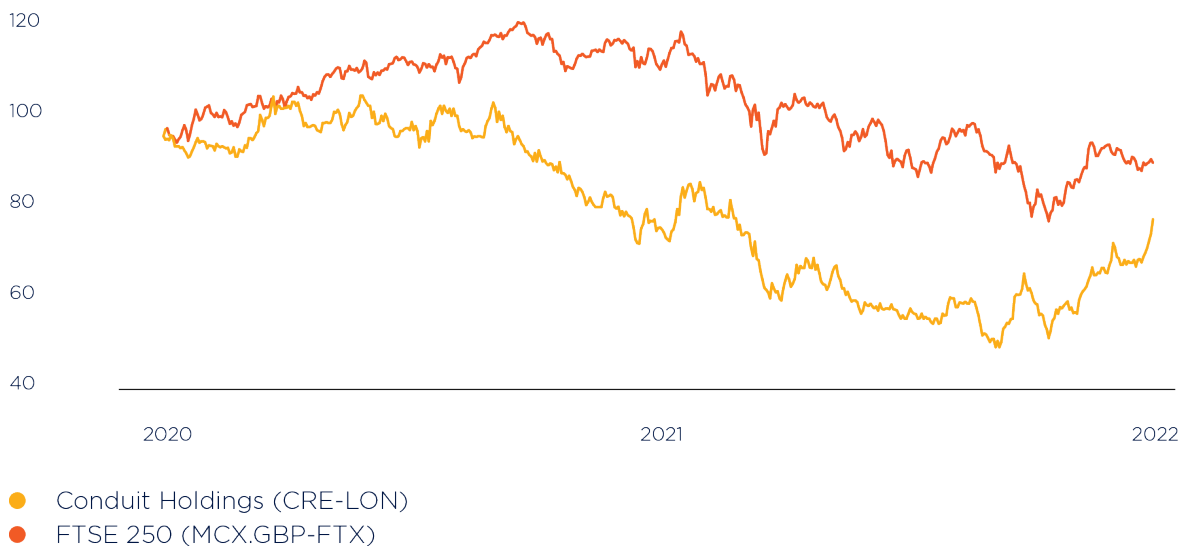
If on the seventh anniversary of Admission, the Performance Condition is not satisfied, all MIP Shares to be exchanged for common shares of CHL on that date will be redeemed for 1 pence (sterling) in aggregate. Similarly, on a takeover of CHL or sale or liquidation of CML, if the Performance Condition is not satisfied, all of the MIP Shares will be redeemed for 1 pence (sterling) in aggregate. MIP Shares are subject to customary leaver provisions and malus/clawback principles.

Performance graph and table

This graph shows the value of £100 invested in Conduit Holdings Limited compared with the value of FTSE 250 (excluding Investment Trusts) since Admission. This index has been selected as it comprises companies of a comparable size and complexity and provides a good indication of the Company’s relative performance.

CHL relative to FTSE 250 (2/12/20–31/12/22)

Total shareholder return



Annual report on remuneration

continued

CEO single figure of remuneration

The table below shows the pay information of our CEO (in \$'000).

	2022	2021	2020
CEO total remuneration	\$1,699	\$2,649	\$606
Actual bonus as a % of maximum	19%	59%	N/A
Actual share award vesting as % of the maximum	N/A	N/A	N/A

Percentage change in CEO remuneration

Given Conduit was only incorporated on 7 December 2020 and was listed for less than a month in 2020 following the IPO, a year-on-year comparison in remuneration for 2020 versus 2021 is of limited use. Market-loss events and mark-to-market unrealised losses on our investments have had a negative impact on CEO remuneration in 2022 as shown in the above table.

Relative importance of the spend on pay

The table below shows the Company's expenditure on employee pay compared to distributions to shareholders for the period under review. Given that the Company was only incorporated on 7 December 2020 and the period of listing for 2020 was only three weeks, no comparison data for 2020 is shown.

	2022 \$m	2021 \$m	Percentage change %
Distributions to shareholders	\$59.3	\$29.7	99.7 %
Total employee pay	\$22.3	\$19.0	17.4 %

CEO pay ratio

The majority of our employees are based in Bermuda, with fewer than 250 employees globally. As a result, we are not required to publish a CEO pay ratio.

External advisers

The Committee can seek independent external advice if it deems it appropriate to do so. No such advice was sought in 2021. However, in early 2022, the Committee appointed specialist remuneration advisers at Alvarez & Marsal Taxand UK LLP ("A&M"), a firm with no other connection to the Company or individual directors. A&M is a member of the Remuneration Consultants' Group and is a signatory to its Code of Conduct, requiring the advice provided to be objective and impartial. Based on the above, the Committee is comfortable that the advice provided was independent. During 2022, \$65,411 was paid to A&M on a time and materials basis.

Statement of shareholding voting

At the 2022 shareholder AGM, the first Policy and Directors' Remuneration Report was submitted to shareholders. Disclosure of the voting results at the AGM is presented below.

	Vote to approve 2021 Annual Report on Remuneration (at the 2022 AGM)		Vote to approve 2022-2024 Remuneration Policy (at the 2021 AGM)	
	Total number of votes	% of votes cast	Total number of votes	% of votes cast
For	132,758,002	99.98	131,008,002	97.60
Against	22,914	0.02	3,222,914	2.40
Total	132,780,916	100.0	134,230,916	100.0
Abstentions	1,450,000		-	

Annual report on remuneration

continued

Remuneration for 2023

We disclose here the remuneration approach we have implemented for Executive Director and senior management remuneration in 2023.

Impact of inflationary environment on employees

Management have modelled various scenarios on how the impact of inflation on our employees can be minimised. Management have approved a fixed-term cost-of-living allowance ("COLA") for our staff, excluding Executive Directors. In determining the appropriate level for the COLA, management's focus was to ensure that those with the greatest need (i.e., those at the lower end of the salary scale) received the greatest assistance.

While the COLA is not intended to be permanent, it will be subject to review in 12 months' time, ahead of the determined end-date, to evaluate if the circumstances within the market have changed, resulting in an extension or termination of the COLA, or its replacement by another mechanism.

Salary increases across Conduit

A standard salary increase of 3.0% was applied to Executive Directors when setting the 2023 salaries. Across the wider workforce for Conduit, the average increase is 3.7%, including adjustments for promotions or market alignment. Additionally, the wider workforce are eligible to participate in the cost-of-living allowance which is noted in more detail below, and Executive Directors are not eligible for this additional allowance. When accounting for annual salary and the cost-of-living allowance, the average increase in fixed pay across the wider workforce is 5.2%.

All salary increases are with effect from 1 January 2023 and for Executive Directors are as follows:

Executive Director	2023 salary	2022 salary
Neil Eckert	\$562,277	\$545,900
Trevor Carvey ¹	\$848,720	\$824,000
Elaine Whelan	\$620,627	\$602,550

1. Trevor Carvey's 2022 salary has been restated from the 2021 report statement to accurately reflect the salary awarded for 2022.

Housing allowances

Housing allowances for the Bermuda-based Executive Directors remain unchanged from the prior year and are as follows:

	2023		2022	
	Monthly housing allowance	Annual housing allowance	Monthly housing allowance	Annual housing allowance
Executive Director				
Trevor Carvey	\$17,500	\$210,000	\$17,500	\$210,000
Elaine Whelan	\$10,000	\$120,000	\$10,000	\$120,000

Annual report on remuneration

continued

Bonus target and maximum parameters

Current bonus target and maximum opportunities for the senior executives also remain unchanged from the prior year. They are as follows:

	2023		2022	
	Bonus target	Maximum bonus	Bonus target	Maximum bonus
Executive Director				
Neil Eckert	150%	300%	150%	300%
Trevor Carvey	150%	300%	150%	300%
Elaine Whelan	150%	300%	150%	300%

For the 2023 bonus scheme for Executive Directors, 75% will relate to financial performance based on RoE and 25% will relate to personal performance aligned to key strategic objectives. The target RoE generated by the annual business plan process is considered when setting the appropriate targets for calculating the financial element of target bonuses, with actual bonus payments calculated subject to a range of RoE levels. A minimum RoE financial performance hurdle applies before any bonus is payable. The Remuneration Committee believes that these targets are suitably challenging for Conduit's operations. Details of the targets will be disclosed retrospectively in next year's report.

Up to half of any bonus award will be deferred into shares. Consistent with best practice, malus and clawback provisions will be operated at the discretion of the Remuneration Committee.

Other benefits

Other market-typical benefits for Executive Directors working in Bermuda have been provided, including normal health and welfare benefits, travel allowances and the Company's payment of the employee's obligations for Bermuda payroll taxes and social insurance.

Pension

The Executive Directors' pension provision for 2023 is aligned with that of the rest of the workforce at 10% of pensionable earnings. Executive Directors may elect to take cash in lieu of pension, subject to compliance with applicable law.

Long-term incentives

Executive Directors participate in the legacy MIP, with no new long-term incentive awards to be granted in 2023 in line with the approved Remuneration Policy which is in effect through 2024.

Directors' report

The Directors of Conduit Holdings Limited present their report for the year ended 31 December 2022. This report includes the additional information required to be disclosed under the Disclosure and Transparency Rules of the Financial Conduct Authority. Certain information included in the Strategic Report, the Corporate Governance report, the Audit Committee report, the Nomination Committee report and the Directors' Remuneration report are incorporated by reference into the Directors' report in addition to the following topics.

Overview

Conduit Holdings Limited was incorporated in Bermuda on 6 October 2020 under registration number 55936 and has three subsidiaries incorporated in Bermuda: Conduit MIP Limited, an incentive-related entity (registration number 56057), Conduit Reinsurance Limited, the main operating company of Conduit (registration number 55937), and Conduit Services Limited, a services company (registration number 56189). Conduit Reinsurance Services Limited is a wholly owned services company registered in England (registration number 12947450).

On 7 December 2020, all of CHL's common shares were admitted to the standard listing segment of the Official List of the UK Financial Conduct Authority and admitted to trading on the LSE's main market for listed securities.

Principal activity

Conduit's principal activity, through its main operating subsidiary Conduit Reinsurance Limited, is to provide reinsurance products and services to its clients worldwide.

Principal risks and financial internal controls and risk management

Conduit's principal risks and a description of the risk management framework and governance are set out in the ERM summary on pages [23](#) to [28](#); information regarding financial internal controls and risk management is set out on page 54.

Board of Directors

The Directors of the Company who served during the financial year and through to the date of this report are listed on page [48](#).

Biographies are set out on pages [39](#) to [43](#).

Dividends

On 26 July 2022, the Board declared an interim dividend of \$0.18 (approximately £0.15) per Common Share, resulting in an aggregate payment of \$29.6 million.

On 21 February 2023, the Board declared a final dividend of \$0.18 (approximately £0.15) per Common Share resulting in an aggregate payment of \$28.8 million.

Insurance and indemnification

Conduit purchases insurance to cover Directors and Officers against their costs in defending themselves in civil proceedings taken against them in that capacity and in respect of damages resulting from the unsuccessful defence of any proceedings.

The bye-laws of the Company also provide that the Company shall, to the extent permitted by law, indemnify the Directors in respect of their acts and omissions and that the Company shall advance funds to Directors for their defence costs. The indemnity provisions set out in the bye-laws were in force during the financial year. Insurance and indemnity arrangements will not provide cover where the Director has acted fraudulently or dishonestly.

Recent developments

Recent developments are discussed on page [134](#).

Stakeholder engagement

A review of the Company's engagement with stakeholders is set out in the Section 172 statement on pages [36](#) and [37](#).

Diversity and inclusion

A discussion of D&I is set out in the Nomination Committee report on page [52](#).

Compliance with the Code

A review of the Company's compliance with the Code is set out on pages [47](#) to [50](#).

ESG

The ESG summary on pages [30](#) to [35](#) provides an overview of the Company's approach to ESG, including charity and climate.

Carbon emissions

Details of Conduit's carbon emissions for 2022 can be found in the ESG summary on page [32](#) of this report.

Directors' report

continued

Political donations

No political donations were made by Conduit in the year ended 31 December 2022, nor in 2021.

Share capital

Details of the structure of the Company's share capital and changes in the share capital during the year are disclosed in note 18 to the consolidated financial statements. The common shares of \$0.01 par value each is the only class of shares of the company presently in issue carrying voting rights. There are no nil or partly paid shares in issue. All common shares rank pari passu in all respects, there being no conversion or exchange rights attaching thereto and all common shares have equal rights to participate in capital, dividend and profit distributions by the Company. The common shares are freely transferable and there are no restrictions on transfer, except as set out in the bye-laws or as may from time to time be imposed by law and regulations.

On 10 May 2022, the Company's share premium was reduced from \$ 1,054,983,424.67 to nil and credited to the Company's contributed surplus account following shareholder approval at the 2022 AGM.

Bye-law amendments

A copy of the Company's bye-laws is available for inspection on the Company's website and at the Company's registered office. Changes to the Company's bye-laws are governed by Bye-law 84, the text of which is repeated here in full: "84.1 Subject to Bye-law 84.2, no bye-law shall be rescinded, altered or amended and no new bye-law shall be made until the same has been approved by a resolution of the Board and by a resolution of the Members.

84.2 Bye-laws 43, 44, 45, 47, 84 and 86 shall not be rescinded, altered or amended and no new bye-law shall be made which would have the effect of rescinding, altering or amending the provisions of such bye-laws, until the same has been approved by a resolution of the Board including the affirmative vote of not less than 66% of the Directors then in office and by a resolution of the members including the affirmative vote of not less than 66% per cent of the votes attaching to all shares in issue."

Transactions in own shares and Employee Benefit Trust

In 2022, the Company continued to make on-market purchases of its own shares pursuant to the announcement it made in December 2021. The purchases were made pursuant to shareholder approval obtained in CHL's AGM in 2021, updated in the general meeting held in May 2022.

Further details of the share repurchase programme are set out in note 18 to the consolidated financial statements on page [131](#).

CHL established an Employee Benefit Trust during the second quarter of 2022 with the sole purpose of managing the equity incentives granted to executives and employees of Conduit.

Further details of the EBT are set out in note 22 to the consolidated financial statements on page [133](#).

Directors' report

continued

Directors' interests

Directors' beneficial interests in the Company's common shares as of 31 December 2022, including interests notified to the Company in respect of Directors' closely associated persons within the meaning of the Market Abuse Regulation (MAR) were as follows:

Directors	Common shares held as of 31 December 2022	Common shares held as of 31 December 2021
Neil Eckert, Executive Chairman	669,657 ¹	597,112 ¹
Trevor Carvey, Chief Executive Officer	295,630	180,000
Elaine Whelan, Chief Financial Officer	153,053	65,950
Sir Brian Williamson, Senior Independent Non-Executive Director	20,000	15,000
Malcolm Furbert, Non-Executive Director	8,000	8,000
Ken Randall, Non-Executive Director	55,000	55,000
Richard Sandor, Non-Executive Director	15,000	15,000
Elizabeth Murphy, Non-Executive Director	15,000	15,000
Michelle Seymour Smith, Non-Executive Director	20,000	-

1. Includes 35,873 shares owned by his spouse, Nicola Eckert.

Shareholding guidelines require Executive Directors to build and maintain a shareholding in the Company of 300% of salary while in post. Where not met at admission, any portion of future bonuses that are paid in shares and other share awards or purchases will accumulate until this requirement is met. Further details are set out in the remuneration report on pages 74 to 76. As at 31 December 2022, Neil Eckert was in compliance with the share ownership guidelines applicable to Executive Directors. Trevor Carvey and Elaine Whelan continue to build out their share ownership and have almost five years remaining to achieve compliance under the policy.

Major shareholdings

As at 1 February 2023 Conduit Holdings Limited has been notified (via forms TR-1: Standard form for notification of major holdings in accordance with DTR 5.3.1R(1)) of the following interests of 5% or more in the voting rights in its common shares.

Shareholder	Number of shares February 2022 (m)	% of shares notified per Form TR1
Aviva PLC and affiliates	24,277,267	14.70
JO Hambro Capital Management Limited (London)	8,263,209	5.00
FIL Limited	16,433,270	9.99

Going concern and viability statement

A review of the financial performance of Conduit is set out on pages 20 to 22. The financial position of Conduit, including its cash flows and its borrowing facilities, are included in the financial statements starting on page 85. Conduit is well capitalised and has a well-balanced book of business.

The Board will consider Conduit's strategic plan for the business annually on a rolling basis using a three-to-five-year time horizon. This period aligns to Conduit's liabilities and business model, allowing Conduit to adapt capital and solvency quickly in response to market cycles, events and opportunities.

This is consistent with the outlook period set out in Conduit's IPO prospectus.

Building on the strategy and plan presented in the IPO prospectus, the Board conducted its annual review of strategy in 2022 and updated Conduit's planning over a three-to-five-year time horizon, taking into account perspectives on the external business environment and the principal risks and material uncertainties affecting Conduit and examining how Conduit's capital and operational capacity can best be aligned to support Conduit's objectives over the next three years. Further information on Conduit's principal risks can be found on pages 25 to 26. The risk disclosures section of the consolidated financial statements on pages 103 to 119 sets out the principal risks to which

Directors' report

continued

Conduit is exposed, including reinsurance risk, market risk, liquidity risk, credit risk, operational risk, and strategic risk, together with Conduit's policies for monitoring, managing and mitigating its exposures to these risks. As part of the consideration of the appropriateness of adopting the going concern basis, Conduit uses stress and scenario analysis, and testing, to assess the robustness of Conduit's solvency and liquidity positions. To make the assessment, Conduit analysed and tested a number of scenarios individually and in combination, including applying reverse stress tests. The Board considers an aggregated occurrence of all these scenarios to be remote and that under the assessed scenarios Conduit remained adequately capitalised.

The Audit Committee also considered a formal "going concern" analysis from management at its February 2022 and November 2022 meetings (for further details, see page 57 in the Audit Committee report).

After reviewing Conduit's strategy, budgets and medium-term plans, and subject to the principal risks faced by the business, the Board has a reasonable expectation that Conduit has adequate resources to continue in operational existence through the period to 31 December 2024. For this reason, the Board continues to adopt the going concern basis in preparing the accounts.

Disclosure of information to the auditors

Each of the persons who is a Director at the date of approval of this Annual Report and Accounts confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the Director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

KPMG Audit Limited has expressed its willingness to remain in office and the Audit Committee has recommended its reappointment to the Board.

A resolution to reappoint the auditors and to authorise the Directors to determine their remuneration will be proposed at the AGM of the Company.

Powers of Directors

The powers given to the Directors are contained in the Company's bye-laws and are subject to relevant legislation and, in certain circumstances (including in relation to the issuing and buying back by the Company of its shares), approval by shareholders in a general meeting. At the AGM in 2022, the Directors were granted authorities to allot and issue shares and to make market purchases of shares and intend to seek renewal of these authorities in 2023.

Appointment and replacement of Directors

The appointment and replacement of Directors is governed by the Company's bye-laws and the Bermuda Companies Act 1981 and related legislation. In accordance with The UK Code, all Directors will stand for annual re-election.

Annual General Meeting

The 2023 AGM will be held at 10:00 a.m. Atlantic time on 17 May 2023 at the Company's headquarters at Ideation House, 94 Pitts Bay Road, Pembroke, Bermuda. The Notice of the AGM will be sent to shareholders in a separate circular. The deadline for submission of proxies will be 20 hours before the meeting.

Approved by the Board of Directors and signed on behalf of the Board

Greg Lunn

Company Secretary
3 March 2023

Directors' responsibilities statement

The Board is responsible for preparing the Annual Report and Conduit's consolidated financial statements in accordance with applicable law and regulations. Our responsibilities include ensuring that the Company maintains proper accounting records which disclose with reasonable accuracy the financial position of Conduit and that the financial statements present a fair view for each financial period.

Legislation in Bermuda governing the preparation and dissemination of the consolidated financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

We confirm that we consider the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Company's and Conduit's position, performance, business model and strategy.

Further, we confirm that to the best of our knowledge:

- The consolidated annual financial statements are prepared on a going concern basis in accordance with IFRS. Where IFRS is silent, as it is in respect of certain aspects relating to the measurement of insurance products, US GAAP has been considered. In such instances, Conduit's management determine appropriate measurement bases, to provide the most useful information to users of the consolidated financial statements, providing a true and fair view of the assets, liabilities, financial position, and profit or loss of Conduit, give a true and fair view of the assets, liabilities, financial position and profit or loss of the issuer and the undertakings included in the consolidation taken as a whole; and
- The Strategic Report on pages [5](#) to [37](#) which serves as the management report, includes a fair review of the development and performance of the business and position and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face. Information required by the following sections of the Disclosure and Transparency Rules of the UK's Financial Conduct Authority.

The audited consolidated financial statements were approved for issue on 3 March 2023 and the Directors responsible for authorising the responsibility statement on behalf of the Board are:

Trevor Carvey
Executive Director
and CEO
3 March 2023

Elaine Whelan
Executive Director
and CFO
3 March 2023



Financial statements

Independent Auditor's report



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INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Board of Directors of Conduit Holdings Limited

Report on the audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Conduit Holdings Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated balance sheet as at 31 December 2022, the consolidated statements of comprehensive loss, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Bermuda and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. We summarize below the key audit matters (unchanged from 2021), in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's report

continued

The risk	Our response
Loss and loss adjustment expense reserves (gross and net)	
(2022: \$459.3 million gross, \$382.7 million net of outwards reinsurance, of which incurred but not reported reserves represented \$361.2 million gross, \$307.4 million net of outwards reinsurance; 2021: \$171.6 million gross, \$122.7 million net of outwards reinsurance, of which incurred but not reported reserves represented \$145.6 million gross, \$96.7 million net of outwards reinsurance)	
Refer to the Audit committee report on pages 53 to 57 and the following in the notes to the consolidated financial statements: note 2 'Significant accounting policies', note 3 'Risk disclosures' and note 14 disclosures on loss and loss adjustment expense reserves.	
A significant and critical judgement and estimate made by management is the estimation of loss and loss adjustment expense reserves (gross and net). The Group establishes its reserves for losses and loss adjustment expense reserves by taking outstanding losses, adding an estimate for incurred but not reported losses (IBNR) and, if deemed necessary, additional case reserves (ACR) which represent the Group's estimate for losses related to specific contracts that the Group believes may not be adequately estimated by the cedant as of that date.	Our procedures included: Control design and implementation: - We evaluated the design and implementation of the Group's key controls regarding review and approval of the loss and loss adjustment expense reserve. We performed the tests below rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.
Subjective valuation The valuation of the ACR and IBNR liabilities is a complex process which incorporates a significant amount of judgement with high estimation uncertainty such as initial expected loss ratios and estimates of ultimate premium.	Assessing valuer's credentials: - We evaluated the competence, capabilities and objectivity of the Group's internal and independent experts;
Amounts recoverable from reinsurers are estimated using the same methodology and judgements as for the underlying liabilities.	- We (together with our own valuation specialists) performed enquiries of these experts to understand their processes and models.
Estimated IBNR reserves may also consist of a provision for losses which have occurred but have not yet been reported by cedants. IBNR reserves are estimated initially using expected loss and loss adjustment expense ratios which are selected based on information derived by the Company's underwriters and actuaries during the initial pricing of the business. The judgements and estimates used in establishing loss reserve calculations may be revised as additional experience or other data becomes available. In addition, an allowance is made for specific risks. The determination of this allowance is a subjective judgement based on the perceived uncertainty and potential for volatility in the underlying claims.	Our valuation expertise: - We used our own valuation specialists in assessing and challenging the reasonableness of the methods and assumptions utilised by the Group's experts (on a gross and net of outwards reinsurance basis) – including the assessment of selected loss ratios, adjustments to arrive at management's best estimate and reserves held for specific large loss and catastrophe (CAT) events. We also compared the Group's reserving methodology with industry practice.
The effect of these matters is that, as part of our risk assessment, we determined that the valuation of gross and net loss and loss adjustment expense reserves has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the consolidated financial statements as a whole, and possibly many times that amount.	Assessing observable inputs: - We agreed the underlying data utilised in the actuarial analyses to accounting records. We agreed a sample of cedant CAT loss estimates to supporting documentation where these formed the basis of reserving for CAT events.
	Assessing transparency: - We evaluated the adequacy of the Group's disclosures on loss and loss adjustment expense reserves in accordance with the requirements of relevant accounting standards.

Independent Auditor's report

continued

The risk	Our response
Accuracy of premium estimates on proportional business (2022: \$637.5 million 2021: \$378.8 million) included within Gross premiums written.	
Refer to the Audit committee report on pages 53 to 57 and the following in the notes to the consolidated financial statements: note 2 'Significant accounting policies'.	
Subjective valuation Proportional business constitutes a significant portion of business written during the year; pricing for which is based on estimates of ultimate premiums provided by ceding companies supplemented by management estimates. Management exercises judgement in determining the ultimate estimates in order to establish the appropriate premium value. These judgements are based on experience with the ceding company, familiarity with each market, timing of the reported information and its understanding of the characteristics of each class of business. As part of our risk assessment, we determined that the accuracy of inward premium estimates on proportional business has a higher degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the consolidated financial statements as a whole.	Our procedures included: Control design and implementation: - We evaluated the design and implementation of the Group's key controls regarding review of the premium estimates recorded. We performed the tests below rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. Assessing assumptions and methodology: - For a statistical sample of policies, we agreed the estimated ultimate premium to third party supporting documentation and challenged assumptions applied by the Company including judgements made by management's underwriters. In assessing the appropriateness of assumptions applied by management, we have evaluated the comparison of estimated and actual premiums for prior year policies. Assessing transparency: - We evaluated the adequacy of the Group's disclosures on premium estimates in accordance with the requirements of relevant accounting standards.

Other information

Management is responsible for the other information. The other information comprises the Annual Report, but does not include the consolidated financial statements and our auditor's report thereon.

Except as described in the Report on Other Legal and Regulatory Requirements section of our report, our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditor's report

continued

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Independent Auditor's report

continued

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Directors' remuneration report

The Group voluntarily prepares an annual report on remuneration in accordance with the provisions of the United Kingdom (UK) Companies Act 2006. The Directors have engaged us to audit the part of the annual report on remuneration specified by the UK Companies Act 2006 to be audited as if the Company were a UK registered company.

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the UK Companies Act 2006, as if those requirements applied to the Company.

Corporate governance statement

We have been engaged to review the part of the corporate governance statement on pages [47](#) to [50](#) relating to the Group's compliance with the provisions of the UK Corporate Governance Code that would be specified by the Listing Rules of the UK's Financial Conduct Authority for our review if the Group had a premium listing on the London Stock Exchange. We have nothing to report in this respect.

In addition, the Directors have engaged us to review their statements on going concern and the longer-term viability on page [82](#) as if the Company was a United Kingdom registered company with a premium listing on the London Stock Exchange. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statements.

Based on the knowledge we acquired during our audit of the consolidated financial statements, we have nothing material to add or draw attention to in relation to:

- the directors' confirmation within the Longer term viability statement on page [82](#) that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity;
- the directors' explanation in the Longer term viability statement page [82](#) as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.
- the related going concern statement made in conformity with the Listing Rules set out on page [82](#).

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's shareholders and Board of Directors, as a body. Our audit work has been undertaken so that we might state to the Company's shareholders and Board of Directors those matters we are required to state to them in an auditor's report and the further matters we are required to state to them in accordance with the terms agreed with the Company and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company's shareholders and Board of Directors, as a body, for our audit work, for this report, or for the opinion we have formed.

The Engagement Partner on the audit resulting in this independent auditor's report is James Berry.

Chartered Professional Accountants

Hamilton, Bermuda

3 March 2023

Consolidated statement of comprehensive loss

For the year ended 31 December 2022

	Notes	2022 \$m	2021 \$m
Gross premiums written	4	637.5	378.8
Ceded reinsurance premiums	4	(56.6)	(32.6)
Net premiums written		580.9	346.2
Change in unearned premiums	4	(99.6)	(152.8)
Change in unearned premiums on premiums ceded	4	1.0	0.8
Net premiums earned		482.3	194.2
Net investment income	5	17.8	5.5
Net realised losses on investments	5	(2.8)	(1.0)
Net unrealised losses on investments	5, 12	(67.8)	(7.6)
Net foreign exchange losses		-	(0.5)
Total net revenue		429.5	190.6
Insurance losses and loss adjustment expenses	4, 14	386.1	191.0
Insurance losses and loss adjustment expenses recoverable	4, 14	(40.2)	(48.9)
Net insurance losses		345.9	142.1
Net insurance acquisition expenses	4, 6	136.1	59.1
Equity-based incentives	7	2.1	0.3
Other operating expenses	4, 7, 8, 15, 22	34.3	30.6
Total expenses		518.4	232.1
Results of operating activities		(88.9)	(41.5)
Financing costs	9, 15	(0.8)	(0.5)
Total comprehensive loss for the year		(89.7)	(42.0)
Loss per share			
Basic and diluted	21	\$(0.55)	\$(0.25)

Consolidated balance sheet

As at 31 December 2022

	Notes	2022 \$m	2021 \$m
Assets			
Cash and cash equivalents	11, 17	112.9	67.5
Accrued interest receivable		5.5	3.7
Investments	12, 13, 17	1,021.7	1,008.4
Inwards premiums receivable		260.5	155.0
Reinsurance assets			
– Unearned premiums on premiums ceded		1.8	0.8
– Reinsurance recoverable	14	76.6	48.9
– Other reinsurance receivables		12.8	0.3
Other assets		3.6	1.6
Right-of-use lease assets	15	2.2	2.9
Deferred acquisition expenses		69.4	44.6
Intangible assets	16	1.4	1.1
Total assets		1,568.4	1,334.8
Liabilities			
Reinsurance contracts			
– Losses and loss adjustment expenses	14	459.3	171.6
– Unearned premiums		252.4	152.8
– Other reinsurance payables		15.0	-
Amounts payable to reinsurers		16.2	7.3
Other payables		8.7	19.0
Lease liabilities	15	2.4	2.9
Total liabilities		754.0	353.6
Shareholders' equity			
Share capital	18	1.7	1.7
Own shares	18	(20.1)	(0.2)
Other reserves	19	1,058.1	1,056.0
Retained loss		(225.3)	(76.3)
Total shareholders' equity		814.4	981.2
Total liabilities and shareholders' equity		1,568.4	1,334.8

The consolidated financial statements were approved by the Board of Directors on 3 March 2023 and signed on its behalf by:

Trevor Carvey
CEO

Elaine Whelan
CFO

Consolidated statement of changes in shareholders' equity

For the year ended 31 December 2022

	Notes	Share capital \$m	Own shares \$m	Other reserves \$m	Retained loss \$m	Total shareholders' equity \$m
Balance as at 31 December 2020		1.7	-	1,055.7	(4.6)	1,052.8
Total comprehensive loss for the year		-	-	-	(42.0)	(42.0)
Purchase of own shares	18	-	(0.2)	-	-	(0.2)
Dividends on common shares	19	-	-	-	(29.7)	(29.7)
Equity-based incentives	7, 19	-	-	0.3	-	0.3
Balance as at 31 December 2021		1.7	(0.2)	1,056.0	(76.3)	981.2
Total comprehensive loss for the year		-	-	-	(89.7)	(89.7)
Purchase of own shares	18	-	(19.9)	-	-	(19.9)
Dividends on common shares	18	-	-	-	(59.3)	(59.3)
Equity-based incentives	7, 19	-	-	2.1	-	2.1
Balance as at 31 December 2022		1.7	(20.1)	1,058.1	(225.3)	814.4

Statement of consolidated cash flows

For the year ended 31 December 2022

	Notes	2022 \$m	2021 \$m
Cash flows from operating activities			
Comprehensive loss		(89.7)	(42.0)
Depreciation	15	0.9	0.1
Interest expense on lease liabilities	9, 15	0.1	0.1
Net investment income	5	(18.7)	(6.2)
Net realised losses on investments	5	2.8	1.0
Net unrealised losses on investments	5	67.8	7.6
Net foreign exchange losses (gains)		0.3	0.3
Equity-based incentives	7	2.1	0.3
Change in operational assets and liabilities			
– Reinsurance assets and liabilities		239.6	82.0
– Other assets and liabilities		(2.0)	5.5
Net cash flows from operating activities		203.2	48.7
Cash flows used in investing activities			
Purchase of investments		(304.9)	(1,570.4)
Proceeds on sale and maturity of investments		206.2	558.9
Interest received		21.1	7.5
Purchase of intangible assets	16	(0.3)	(0.9)
Purchase of property, plant and equipment		-	(0.5)
Net cash flows used in investing activities		(77.9)	(1,005.4)
Cash flows used in financing activities			
Lease liabilities paid	15	(0.6)	(0.1)
Dividends paid	18	(59.3)	(29.7)
Purchase of own shares	18	(19.9)	(0.2)
Net cash flows used in financing activities		(79.8)	(30.0)
Net increase (decrease) in cash and cash equivalents		45.5	(986.7)
Cash and cash equivalents at the beginning of the year		67.5	1,054.0
Effect of exchange rate fluctuations on cash and cash equivalents		(0.1)	0.2
Cash and cash equivalents at end of year	11	112.9	67.5

Notes to the consolidated financial statements

For the year ended 31 December 2022

1. General information

CHL was incorporated under the laws of Bermuda on 6 October 2020 and, on 7 December 2020, all of its common shares of par value \$0.01 per share were admitted to the standard listing segment of the Official List of the UK Financial Conduct Authority and admitted to trading on the LSE's main market for listed securities. CHL's registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. CHL's consolidated financial statements as at, and for the year ended 31 December 2022 include the Company's subsidiaries (together referred to as the "Group"). The principal activity of Conduit is to provide reinsurance products and services to its clients worldwide.

A full listing of Conduit's related parties can be found in note 22.

2. Summary of significant accounting policies

The basis of preparation, use of judgements and estimates, consolidation principles and significant accounting policies adopted in the preparation of these consolidated financial statements are set out below. Excluding percentages, share and per share data or where otherwise stated, all amounts in tables and narrative disclosures are in millions of US dollars.

Basis of preparation

These consolidated financial statements are prepared on a going concern basis in accordance with IFRS as issued by the IASB, prepared on a historical cost basis, except for items measured at fair value as disclosed in the relevant accounting policies. In accordance with the requirements of IAS 1, the financial statements' assets and liabilities have been presented in order of liquidity, which provides information that is more reliable and relevant for a financial institution.

Where IFRS is silent, as it is in respect of certain aspects relating to the measurement of reinsurance contracts, the IFRS framework allows reference to another comprehensive body of accounting principles. In such instances, Conduit's management determines appropriate measurement bases, to provide the most useful information to users of these consolidated financial statements, using their judgement and considering US GAAP. In the course of preparing these consolidated financial statements, no judgements have been made in the process of applying Conduit's accounting policies, other than those involving estimations as noted in the 'Use of judgements and estimates' section, that have had a significant effect on amounts recognised in these consolidated financial statements.

Going concern

The consolidated financial statements of Conduit have been prepared on a going concern basis. In assessing Conduit's going concern position as at 31 December 2022, the Directors have considered a number of factors, including the current balance sheet position, Conduit's strategic and financial plan, taking account of possible changes in trading performance and funding retention, stress testing and scenario analysis, and the COVID-19 pandemic. Conduit only commenced underwriting activities during the twelve months ended 31 December 2021 and, with COVID-19 exclusions included in policy wordings, does not believe it has any exposure to reinsurance losses from COVID-19. The assessment therefore concluded that Conduit has sufficient capital and liquidity for the next 12 months. Conduit's capital ratios and its capital resources are comfortably in excess of regulatory solvency requirements, and internal stress testing indicates Conduit can withstand severe economic and competitive stresses.

As a result of the assessment, the Directors have a reasonable expectation that Conduit and Conduit Re have adequate resources to continue in operational existence for the foreseeable future and therefore believe that Conduit is well placed to manage its business risks successfully. Accordingly, they continue to adopt the going concern basis in preparing the consolidated financial statements.

Changes in accounting standards

While a number of amended IFRS standards have become effective during the year ended 31 December 2022, none of these standards have had a material impact on Conduit.

Notes to the consolidated financial statements

continued

Future accounting changes

Of the upcoming accounting standard changes, we anticipate that IFRS 17 will have the most material impact on the financial statements' results, and presentation and disclosures. Conduit will apply IFRS 17 for the first time on 1 January 2023. We have substantially completed the build-out of the necessary systems and processes to implement IFRS 17, and testing is in progress. As relevant to Conduit, a brief overview of each of these standards and the applicable accounting policies and the impact, where we can reliably quantify it, is provided below:

IFRS 17, Insurance Contracts

IFRS 17, Insurance Contracts, issued in May 2017, specifies the financial reporting for insurance contracts. The new standard replaces IFRS 4, Insurance Contracts, and is effective for accounting periods beginning on or after 1 January 2023 and will significantly change the accounting for, valuation of, and presentation of insurance contracts.

Classification

Contracts that transfer significant reinsurance risk at the inception of the contract are accounted for as reinsurance contracts. Contracts that do not transfer significant reinsurance risk are accounted for as investment contracts. The adoption of IFRS 17 will not change the classification of Conduit's reinsurance contracts.

Before accounting for a reinsurance contract based on the guidance in IFRS 17, Conduit analyses whether the contract contains components that must be separated. IFRS 17 distinguishes three categories of components that must be accounted for separately:

- Cash flows relating to embedded derivatives that are required to be separated.
- Cash flows relating to distinct investment components.
- Promises to transfer distinct goods or distinct non-insurance services.

Conduit applies IFRS 17 to all remaining components of the contract. Where contracts contain multiple reinsurance components that meet the requirements for separation, these are separated and accounted for as standalone contracts.

Some of Conduit's reinsurance contracts issued contain profit commission arrangements. Under these arrangements, there is a minimum guaranteed amount that the policyholder will always receive – either in the form of profit commission or as claims or another contractual payment, irrespective of the insured event happening. These are typically considered non-distinct investment components. The impact of the non-distinct investment components are excluded from the consolidated statement of comprehensive loss.

Level of aggregation

Conduit manages reinsurance contracts issued by class of business within an operating segment. Classes of business are then aggregated into portfolios of contracts that are subject to similar risks. Each portfolio is further disaggregated into groups of contracts that are issued within a calendar year (annual cohorts) and are (i) contracts that are onerous at initial recognition; (ii) contracts that at initial recognition have no significant possibility of becoming onerous subsequently; or (iii) a group of remaining contracts. These groups represent the level of aggregation at which reinsurance contracts are initially recognised and measured. Such groups are not subsequently reconsidered.

Conduit assumes there are no contracts in the portfolio that are onerous at initial recognition, unless there are facts and circumstances which may indicate otherwise. Management considers the following in order to determine whether there are facts and circumstances that mean a group of contracts are onerous:

- Pricing information.
- Results of similar contracts it has recognised.
- External factors, e.g., a change in market experience or regulations.

Measurement model

Under IFRS 17, Conduit's reinsurance contracts issued and reinsurance contracts held are substantially all eligible to be measured by applying the Premium Allocation Approach ("PAA"). The PAA simplifies the measurement of reinsurance contracts in comparison with the General Model under IFRS 17.

Notes to the consolidated financial statements

continued

The measurement principles of the PAA differ from the 'earned premium approach' used under IFRS 4 in the following key areas:

- The liability for remaining coverage reflects premiums received less deferred acquisition expenses less amounts recognised in revenue for reinsurance services provided.
- If contracts are assessed as being onerous, a loss component is recognised.
- The recognition of reinsurance acquisition cash flows includes an allocation of acquisition-related operating expenses incurred in the period. All acquisition related cash flows are deferred and amortised over the coverage period of the group of contracts.
- Measurement of the liability for incurred claims (previously losses and loss adjustment expenses) is determined on a discounted probability-weighted expected value basis and includes an explicit risk adjustment for non-financial risk.

Significant judgements and estimates

Conduit will estimate the liability for incurred claims as the fulfilment cash flows related to incurred claims. The fulfilment cash flows incorporate, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows. They reflect current estimates from the perspective of the entity and include an explicit adjustment for non-financial risk (the risk adjustment). The liability for incurred claims is discounted using market-based yield curves.

Conduit will generally determine yield curves by leveraging the bottom-up method of applying a liquidity premium to a risk-free yield curve to reflect the differences between the liquidity characteristics of the risk-free rate and the liquidity characteristics of the insurance liabilities.

Conduit intends to determine the risk adjustment by leveraging indications developed by Conduit's actuaries, historical reinsurance loss experience and estimates of pricing adequacy trends, as well as a combination of management's judgement and experience. The risk adjustment is then translated to a confidence interval, which will be disclosed in the financial statements as a significant judgement and estimate.

Presentation and disclosure

Presentation and disclosure will change significantly. The balance sheet will continue to contain related assets and liabilities for reinsurance business, albeit in a different, more condensed form. The most significant change will be in the presentation of the consolidated statement of comprehensive loss where premiums and claims related line items will be replaced by reinsurance revenue and reinsurance service expenses. Certain commissions on reinsurance contracts issued which were previously presented as acquisition expenses will now be presented as a deduction to revenue under IFRS 17. Commissions and reinstatement premiums on reinsurance contracts that are dependent on claims will be treated as claims cash flows and presented as part of reinsurance service expenses. All insurance contract assets and liabilities will be monetary items with any revaluation adjustments being recognised in the consolidated statement of comprehensive loss.

Under IFRS 17, changes in the carrying amounts of groups of contracts arising from the effects of the time value of money are presented as reinsurance finance income or expenses. Conduit has elected not to disaggregate reinsurance finance income or expenses and will present the total amount in the consolidated statement of comprehensive loss.

Transition

Conduit will adopt the full retrospective approach for all changes in accounting policies due to the implementation of IFRS 17.

IFRS 9, Financial Instruments

IFRS 9, Financial Instruments: Classification and Measurement, is effective for annual periods beginning on or after 1 January 2018. The amendments to IFRS 4, Insurance Contracts, issued in 2016, provided a temporary exemption from applying IFRS 9 for companies whose predominant activity is to issue insurance contracts. The carrying value of Conduit's liabilities connected with insurance activities comprised over 90% of the total liabilities. The activities of Conduit are therefore predominantly connected with insurance which satisfies the criteria set out in IFRS 4 for the temporary exemption from IFRS 9. The exemption lasts until the

Notes to the consolidated financial statements

continued

implementation date of IFRS 17 and addresses the accounting consequences of applying IFRS 9 to insurers prior to the adoption of IFRS 17.

Classification and measurement

IFRS 9 introduces new classification and measurement requirements for financial instruments. IFRS 9 requires all financial assets to be assessed based on a combination of Conduit's business model for the management of the assets and the instruments' cash flow characteristics. Conduit currently anticipates that all investments will be classified as at FVTPL, because they are managed on a fair value basis. Conduit's fixed maturity securities portfolio is currently classified as FVTPL. As a result, the adoption of IFRS 9 is not expected to result in any changes to the measurement of Conduit's investments, which will continue to be at FVTPL. Conduit will apply any changes resulting from IFRS 9 retrospectively.

Presentation and disclosure

To reflect the differences between IAS 39 and IFRS 9, IFRS 7 Financial Instruments: Disclosures was also amended. Conduit will apply the amended disclosure requirements at the same time as applying IFRS 9.

Estimated impact of the adoption of IFRS 17 and IFRS 9

Conduit has assessed the estimated impact that the initial application of IFRS 17 and IFRS 9 will have on its consolidated financial statements. Based on the assessments undertaken to date, we estimate that the cumulative IFRS 17 impact will be an increase to shareholders' equity as at 1 January 2022 of between \$6.0 million and \$9.0 million, which represents between 0.6% and 0.9% of Conduit's reported shareholders' equity as at 31 December 2021. No financial impact is expected from the initial application of IFRS 9.

The increase to shareholders' equity from IFRS 17 is predominantly driven by the discounting of loss reserves which were previously undiscounted, the deferral of certain acquisition related operating expenses and the revaluation of insurance balances that are now considered monetary items under IFRS 17. The impacts of discounting and the deferral of acquisition related operating expenses are timing differences as both will be unwound over the settlement of claims liabilities and insurance contract coverage periods respectively.

Conduit is still performing assessments of the impact of IFRS 17 for the financial year ended 31 December 2022, however we expect the impact of discounting, given the rising rate environment, to be significant.

The assessment above is preliminary as the transition work has not yet been fully finalised or subject to external audit. Therefore, the reported impact of the adoption of IFRS 17 in the 2023 consolidated financial statements may deviate from that noted above, although any such deviation is unlikely to be material.

Use of judgements and estimates

The preparation of financial statements in conformity with IFRS requires Conduit to make judgements and estimates that affect the reported and disclosed amounts at the balance sheet date, revenues and expenses during the reporting period and the associated financial statement disclosures. All estimates are based on management's knowledge of current facts and circumstances, assumptions based on that knowledge and their prediction of future events. Actual results may differ significantly from the estimates made.

The most significant estimates made by management are in relation to losses and loss adjustment expenses, both gross and net of ceded reinsurance, as discussed within the "Risk disclosures" section and in note 14.

Less significant estimates are made in determining the estimated fair value of certain financial instruments, as discussed in note 12.

In addition, some management judgement is exercised in determining the ultimate premiums expected from which to establish the recognition of gross premiums written.

While not significant, estimates are also used in the estimated fair value of the MIP as discussed in note 7 and the valuation of intangible assets as discussed in note 16.

Notes to the consolidated financial statements

continued

Consolidation principles

These consolidated financial statements comprise the financial statements of Conduit and its subsidiaries as at and for the year ended 31 December 2022. Subsidiaries are those entities that are controlled by Conduit and are fully consolidated from the date on which Conduit obtains control and continue to be consolidated until the date when such control ceases. Control is achieved when Conduit is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary.

Intragroup balances and transactions are eliminated in preparing the consolidated financial statements. Subsidiaries' accounting policies are generally consistent with Conduit's accounting policies.

Foreign currency

The functional currency, which is the currency of the primary economic environment in which the entity operates, for all Group entities is US dollars. Items included in the financial statements of each of the Group's entities are measured using the functional currency. These consolidated financial statements are presented in US dollars.

Foreign currency transactions are recorded in the functional currency for each entity using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are revalued at period end exchange rates. The resulting foreign exchange differences on revaluation are recorded in the consolidated statement of comprehensive loss within net foreign exchange gains (losses). Non-monetary assets and liabilities denominated in a foreign currency are carried at historic rates. Non-monetary assets and liabilities carried at estimated fair value and denominated in a foreign currency are translated at the exchange rate at the date the fair value was determined.

Reinsurance contracts

Classification

Contracts that transfer significant reinsurance risk at the inception of the contract are accounted for as reinsurance contracts. Contracts that do not transfer significant reinsurance risk are accounted for as investment contracts. Reinsurance risk is transferred when a reinsurer agrees to compensate a policyholder if a specified uncertain future event adversely affects the policyholder.

Premiums

Conduit writes both excess of loss and proportional (also known as quota share or pro-rata) reinsurance contracts.

Excess of loss contracts

For the majority of excess of loss contracts, premiums written are recorded based on the minimum and deposit or flat premium, as defined in the contract. Subsequent adjustments to the minimum and deposit premium are recognised in the period in which they are determined. For excess of loss contracts where no deposit is specified in the contract, premiums written are recognised based on estimates of ultimate premiums provided by the ceding company. Initial estimates of premiums written are recognised in the period in which the contract incepts, or the period in which the contract is bound, if later. Subsequent adjustments, based on reports of actual premium by ceding companies, or revisions in estimates, are recorded in the period in which they are determined. For multi-year policies that are payable in annual instalments generally only the initial annual instalment is included as premiums written at policy inception due to the ability of the reinsured to commute or cancel the policy. The remaining annual instalments are included as premiums written at each successive anniversary date within the multi-year term.

Premiums written are generally earned evenly over the term of the underlying risk period of the reinsurance contract, except where the period of risk differs significantly from the contract period. In these circumstances, premiums are recognised over the period of risk in proportion to the amount of reinsurance protection provided. The portion of the premium related to the unexpired portion of the risk period is reflected in unearned premiums. Where contract terms require the reinstatement of coverage after a ceding company's loss, the estimated mandatory reinstatement premiums are recorded as premiums written and earned when a specific loss event occurs. Reinstatement premiums are not recorded for losses included within the provision for IBNR that do not relate to a specific loss event.

Notes to the consolidated financial statements

continued

Proportional contracts

Premiums written for proportional contracts are recognised based on estimates of ultimate premiums provided by the ceding company, supplemented by management's estimates of premiums based on its experience with the ceding company, familiarity with each market, the timing of the reported information and its understanding of the characteristics of each class of business. Initial estimates of premiums written are recognised in the period in which the contract incepts, or the period in which the contract is bound, if later. Contracts written on a 'risks attaching' basis cover claims which attach to the underlying reinsurance policy written during the term of the respective policy. Premiums earned on such policies generally extend beyond the original term of the contract. Subsequent adjustments, based on reports of actual premium by the ceding company, or revisions in estimates, are recorded in the period in which they are determined.

Premiums receivable

Reinsurance premiums receivable from cedants are recorded net of commissions, brokerage, premium taxes and other levies on premiums, unless the contract specifies otherwise. A significant portion of amounts included as premiums receivable are not currently due based on the terms of the underlying contracts. These balances are regularly reviewed for impairment, with any impairment loss recognised as an expense in the period in which it is determined. Based on currently available information, management believes that the premium estimates included in premiums receivable will be collectable and therefore no provision for doubtful accounts has been recorded.

Acquisition expenses

Acquisition expenses represent commissions, brokerage, profit commissions and other variable costs that relate directly to the successful securing of new contracts and renewing existing contracts. Generally, acquisition expenses are deferred over the period in which the related premiums are earned to the extent they are recoverable out of expected future revenue margins. All other acquisition expenses are recognised as an expense when incurred.

Ceded reinsurance premiums

Ceded reinsurance is purchased in the normal course of business to increase capital capacity, limit the impact of individual risk losses and loss events impacting multiple cedants (such as natural-catastrophes), or both. Conduit may purchase ceded reinsurance on both an excess of loss and proportional basis, and may in future supplement this with the use of catastrophe bonds or other capital market products. Ceded reinsurance premiums, being the cost of reinsurance contracts entered into, are accounted for in the period in which the contract incepts or is bound if that date is later. Ceded reinsurance premiums are generally earned in the same manner as the inwards contracts, depending on the terms of the contract. The provision for the reinsurers' share of unearned premiums represents the part of ceded reinsurance premiums which are estimated to be earned in future periods. Deferred ceded acquisition expenses are recognised as a liability using the same principles.

Net losses and loss adjustment expenses

Net losses and loss adjustment expenses in the consolidated statement of comprehensive loss include changes in the provision for outstanding losses and ACRs, changes in the provision for IBNR, plus related expenses and losses paid in the period. Amounts are net of any changes in the provision for reinsurance recoverable and related expenses for the period. Net losses and loss adjustment expenses are recognised in total comprehensive income as they are incurred.

Losses and loss adjustment expenses in the consolidated balance sheet represent the estimated ultimate cost of settling all reinsurance claims arising from events which have occurred up to the end of the reporting period, including a provision for IBNR. Conduit does not currently discount its liabilities for unpaid losses. Outstanding losses are initially set on the basis of reported losses received from cedants. ACRs are determined where management's best estimate of the reported loss is greater than that reported. Estimated IBNR reserves may also consist of a provision for additional development in excess of losses reported by cedants, as well as a provision for losses which have occurred but have not yet been reported by cedants. IBNR reserves are estimated initially using expected loss and loss adjustment expense ratios which are selected based on information derived by underwriters and actuaries during the initial pricing of the business. These estimates are reviewed regularly and, as experience develops and new information is received, the reserves are adjusted as necessary. As actual loss information is reported, and Conduit develops its own loss experience, management will use various actuarial methods as well as a combination

Notes to the consolidated financial statements

continued

of management's judgement and experience, historical reinsurance industry loss experience and estimates of pricing adequacy trends to estimate IBNR reserves. Any adjustments to initial expectations are reflected in the consolidated statement of comprehensive loss in the period in which they are determined.

The estimation of the ultimate loss and loss adjustment expense liability is a complex process which incorporates a significant amount of judgement. It is reasonably possible that uncertainties in the reserving process, delays in cedants reporting losses to Conduit, together with the potential for unforeseen adverse developments, could lead to a material change in estimated net losses and loss adjustment expenses.

Any amounts recoverable from reinsurers are estimated using the same methodology as for the underlying losses. Management monitors the creditworthiness of its reinsurers on an ongoing basis and assesses any reinsurance assets for impairment, with any impairment loss recognised as an expense in the period in which it is determined.

Liability adequacy tests

At each balance sheet date, Conduit performs a liability adequacy test to determine if there is an overall excess of expected claims over unearned premiums for the period of unexpired risk by using current best estimates of future cash outflows generated by its reinsurance contracts, plus any investment income thereon. If, as a result of these tests, the carrying amount of Conduit's reinsurance liabilities is found to be inadequate, the deficiency is charged to the consolidated statement of comprehensive loss for the period, initially by writing off deferred acquisition costs and subsequently by establishing a provision.

Financial instruments

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held on call with banks, money market funds, and other short-term highly liquid investments with a maturity of three months or less at the date of purchase. Carrying amounts approximate fair value due to the short-term nature and high liquidity of the instruments.

Investments

Conduit's fixed maturity securities portfolio is classified as FVTPL and carried at estimated fair value in the consolidated balance sheet. The classification of financial assets is determined at the time of initial purchase. A financial asset is classified at FVTPL if it is managed and evaluated on a fair value basis or if acquired principally for the purpose of selling in the short term, or if it forms part of a portfolio of financial assets in which there is evidence of short-term profit taking. Presentation of these securities in the FVTPL category is consistent with how management monitors and evaluates the performance of these securities.

Regular way purchases and sales of investments are recognised at estimated fair value on the trade date, and are subsequently carried at estimated fair value. Balances pending settlement are reflected in the consolidated balance sheet in other assets or other payables. The estimated fair value of Conduit's fixed maturity securities portfolio is determined based on bid prices from recognised exchanges, broker-dealers, recognised indices or pricing vendors. Changes in estimated fair value of investments classified as FVTPL are recognised in the consolidated statement of comprehensive loss within net unrealised gains and losses on investments.

Investments are derecognised when Conduit has transferred substantially all the risks and rewards of ownership. On derecognition of an investment held at FVTPL, previously recorded unrealised gains and losses are recycled from net unrealised gains and losses on investments to net realised gains and losses on investments.

Interest income, amortisation and accretion of premiums and discounts on fixed maturity securities are calculated using the effective interest rate method and recognised in net investment income. The carrying value of accrued interest income approximates estimated fair value due to its short-term nature and high liquidity.

Intangible assets

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring into use the specific software. An intangible asset with a finite useful life is amortised on a straight-line basis

Notes to the consolidated financial statements

continued

over the useful life. The useful life is reviewed annually to determine if any changes are required to the amortisation period.

Leases

Conduit recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial measurement of the corresponding lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of any costs to be incurred at the expiration of the lease agreement.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and any impairment losses. Straight-line depreciation is calculated from the commencement date of the lease to the earlier of either the end date of the lease term or the useful life of the underlying asset.

The lease liability is initially measured at the present value of the future lease payments at the lease commencement date. Lease payments are discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, Conduit's incremental borrowing rate. Lease payments included in the measurement of the lease liability include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

The lease liability is subsequently measured by increasing the lease carrying amount to reflect the interest due on the lease liability using the effective interest rate method and reducing the carrying amount to reflect the lease payments made. Conduit re-measures the lease liability and the related right-of-use asset whenever there is a change in future lease payments arising from a change in index or rate, if Conduit changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

Right-of-use assets and lease liabilities are presented as separate financial statement line items in the consolidated balance sheet.

Employee benefits

Equity-based incentives

Conduit currently operates a MIP under which shares are subscribed for or nil cost options are granted. The fair value of the instruments granted is estimated on the date of grant. The estimated fair value is recognised as an expense pro-rata over the vesting period of the instrument, adjusted for the impact of any non-market vesting conditions. No adjustment to vesting assumptions is made in respect of market vesting conditions.

During 2022 Conduit established a DSBP. A percentage of each employee's bonus is automatically deferred into shares as nil cost options. These nil cost awards vest annually in separate equal tranches over a three-year period from the date of grant and do not have associated performance criteria attached to the awards. These awards accrue dividend equivalents for all dividends declared where the record date falls between the grant date and date of exercise, and are paid at the time of exercise.

At each balance sheet date, Conduit revises its estimate of the number of instruments that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, as equity-based incentive expense in the consolidated statement of comprehensive loss, and a corresponding adjustment is made to other reserves in shareholders' equity over the remaining vesting period.

On exercise, the differences between the expense charged to the consolidated statement of comprehensive loss and the actual cost to Conduit, if any, is transferred to other reserves in shareholders' equity.

Pensions

Conduit's pension plans are based on defined contributions or equivalent cash in lieu, subject to applicable law and local market standards. On payment of contributions to the plans or cash in lieu there is no further obligation to Conduit. Contributions or payments of cash in lieu are recognised as employee benefits in the consolidated statement of comprehensive loss in the period when the services are rendered.

Notes to the consolidated financial statements

continued

Tax

Income tax on the profit or loss for the period comprises current and deferred tax. Current tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantively enacted at the year-end reporting date and any adjustments to tax payable in respect of prior periods.

Deferred tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets are recognised in the consolidated balance sheet to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Own shares

Own shares include shares repurchased under share repurchase authorisations and held in treasury, plus shares repurchased and held in trust, for the purposes of employee equity-based incentive schemes. Own shares are deducted from shareholders' equity. No gain or loss is recognised on the purchase, sale, cancellation or issue of own shares and any consideration paid or received is recognised directly in equity.

Share capital and issuance costs

Shares are classified as shareholders' equity if there is no obligation to transfer cash or other financial assets. Transaction costs that are attributable to the issuance of new shares are treated as a deduction from equity.

3. Risk disclosures

Introduction

Conduit is exposed to risks from several sources, classified into six primary risk categories. The primary risk categories are: (a) reinsurance risk; (b) market risk; (c) liquidity risk; (d) credit risk; (e) operational risk; and (f) strategic risk. These are discussed in detail on the following pages. The primary risk to Conduit is reinsurance risk.

The Board is responsible for determining the nature and extent of the principal risks Conduit is willing to take in achieving its strategic objectives and should maintain sound risk management and internal control systems. To this end, the Board has established various committees to support the execution of its responsibilities and has reviewed the committee structures at CRL. The Board, and committees thereof, define the risk preferences and appetites within which management is authorised to operate.

The risk function is responsible for supporting the Board, and the CRL Board, with the day-to-day oversight of the risks that Conduit seeks or is exposed to in pursuit of its strategic objectives, and the satisfaction of certain regulatory risk management expectations relevant to CRL. The framework under which risks are managed contemplates risk appetite and tolerance constraints, prescribed by the Board and which are reviewed at least annually, with consideration of the financial and operational capacity of Conduit. The use of financial capacity in this context relates to calculated or modelled capital requirements, based on residual unmitigated risk exposures. Current capital requirements are determined by reference to rating agency and regulatory capital requirements, with an internal capital model to be developed in due course.

Day-to-day management of risk is the responsibility of management, operating within the defined appetite and tolerances of the Board, or the CRL board, approved delegations of authority. The risk framework prescribes a standardised approach to the management of risk, oversight and challenge by the risk function and independent assurance provided by the internal audit function. The risk framework also addresses the reporting of risks, emerging risks, risk events and compliance with risk appetite and tolerance statements to executive management and the Board, and relevant Board committees, of CRL and CHL. To ensure transparency and accountability of the business all independent Non-Executive Directors, four independent Non-Executive Directors from the Board have been appointed to the Board of CRL. Furthermore, the Board is invited to attend operating entity board level meetings and see all minutes and records of such operating entity Board and committee meetings.

COVID-19

The COVID-19 pandemic has caused significant disruption in global financial markets and to worldwide economies. The COVID-19 pandemic is an ongoing situation making it exceptionally difficult to predict what

Notes to the consolidated financial statements

continued

the ultimate impact for the reinsurance industry will be. Conduit only commenced underwriting operations during the twelve months ended 31 December 2021 and, for any reinsurance business underwritten during that period, had COVID-19 related exclusions in its reinsurance contracts and policy wordings. As a result, Conduit does not believe it has any exposure to reinsurance losses associated with the COVID-19 pandemic during the period. The impacts of the COVID-19 pandemic on Conduit are discussed throughout these consolidated financial statements.

Climate change

Conduit is exposed to risks associated with climate change but also potential opportunities arising from that risk. Risks from climate change can include physical risk and those associated with a changing economy. Physical risks are those relating to the physical impacts of climate change, which can be from increased frequency and/or severity of climate-related events, or structural, due to longer-term shifts in climate patterns. Economic risks are those relating to the transition to a lower carbon economy and include risks such as policy and legal risk, technology risk, market risk and reputational risk. The potential financial impact from these risks is mitigated by Conduit's strategic and risk management policies.

Global tax reform

Conduit continues to monitor and assess the implications arising from the Organisation for Economic Co-operation and Development's inclusive framework agreement that aims to implement a global minimum tax rate of 15%, along with the potential impacts of other global tax reforms that are relevant to Conduit's business operations.

a. Reinsurance risk

Conduit underwrites both short-tail and long-tail reinsurance contracts on a worldwide basis. These reinsurance contracts transfer insurance risk, including risks exposed to both natural and man-made catastrophes, and risk and liability losses. The risk in connection with underwriting reinsurance contracts is, in the event of a covered loss, whether the premiums will be sufficient to meet the associated loss payments and expenses. The underwriters evaluate and estimate the level of premiums sufficient to cover expected losses, expenses and profitability through a combination of sophisticated risk modelling tools, past experience and knowledge of loss events, current industry trends and broader economic indicators. In order to ensure appropriate reinsurance risk selection and limits on the concentration and diversification of the aggregate portfolio, Conduit has established risk management and internal control systems to evaluate and assess the expected losses of each individual contract, class of business, geographic region and the aggregate portfolio. These controls, include, but are not limited to:

- Conduit has a five-year strategic plan that defines the over-riding business goals that management and the Board aim to achieve.
- A detailed business plan is produced annually and considers current market conditions and the risk-adjusted profitability of the underwriting portfolio.
- Conduit's internal capital requirements consider the probability and magnitude of reinsurance losses varying adversely from the expected losses considered during the underwriting and subsequent reserving processes.
- Forecasts are produced periodically to assess the progress toward the business plan and the strategic plan.
- Each underwriter has a clearly defined limit of underwriting authority.
- Each contract underwritten is subject to a pre-bind peer review.
- An underwriting roundtable meeting, typically held daily, where deal flow, pricing and opportunities are discussed.
- Pricing models are used in all areas of the underwriting process.
- Risk appetite and tolerance statements have been established and the CRO reports quarterly on adherence.
- A number of modelling tools are used to model catastrophes and expected losses.
- Outwards reinsurance is purchased to mitigate both frequency and severity of losses, and to protect Conduit's capital base.

Catastrophe management

Certain of Conduit's classes of business provide coverage for natural-catastrophes (e.g., earthquakes, floods, hurricanes and wildfires) and are subject to seasonal variation and the impacts of climate change. Conduit's business has exposure to large catastrophe losses in North America, Europe and Japan as a result of

Notes to the consolidated financial statements

continued

windstorms. The level of windstorm activity, and landfall thereof, during the North American, European and Japanese wind seasons may materially impact loss experience. The North American and Japanese wind seasons are typically June to November and the European wind season November to March. Conduit also has exposure to other natural-catastrophes, such as earthquakes, tsunamis, droughts, floods, hail and tornadoes, which can occur throughout the year. In addition, Conduit is exposed to risk losses throughout the year from perils such as fire, explosion, war, terrorism, political risk and other events, including loss arising from legal liabilities rather than physical damage.

Conduit has defined its appetite and tolerances for risk accumulations and uses models to determine the expected frequency and severity of aggregating exposures. As with all such models, there is a risk that modelled expectations may not reflect actual outcomes and the scope of the models are such that not all exposures are captured.

Conduit has set tolerances around various scenarios. Of these, at the commonly reported 100-year and 250-year return periods, Conduit's most significant exposures to any single peril and region combination are to Florida windstorm and California earthquake perils, respectively. The table below shows the estimated net exposures to these peak zone perils on a first occurrence basis. Net positions are calculated by applying relevant reinstatement premiums and outwards reinsurance to the respective modelled gross exposures.

Return period	Peril	As at 31 December 2022		As at 31 December 2021	
		Net \$m	% of tangible capital %	Net \$m	% of tangible capital %
100-year	Florida windstorm	18.5	2.3	9.6	1.0
250-year	California earthquake	74.8	9.2	61.8	6.3

There can be no guarantee that the modelled assumptions and techniques deployed in calculating these figures are accurate. There could also be an unmodelled loss which exceeds these figures. The models also contain loss scenarios which could cause a larger loss to capital than the modelled expectation from the above return periods.

Operating segments

The underwriting business is comprised of three principal divisions: property, casualty and specialty. These divisions are also considered to be Conduit's operating segments. Details of each operating segment and gross premiums written by geographic region and operating segment are as follows:

Year ended 31 December 2022	Property \$m	Casualty \$m	Specialty \$m	Total \$m	Total %
US	174.7	171.9	8.7	355.3	55.7
Worldwide	93.5	29.0	81.2	203.7	32.0
Europe	16.3	33.3	10.2	59.8	9.4
Other	15.1	2.5	1.1	18.7	2.9
Gross premiums written	299.6	236.7	101.2	637.5	100.0

Year ended 31 December 2021	Property \$m	Casualty \$m	Specialty \$m	Total \$m	Total %
US	105.4	118.7	3.9	228.0	60.2
Worldwide	62.3	7.1	62.3	131.7	34.8
Europe	6.0	2.8	-	8.8	2.3
Other	9.7	0.4	0.2	10.3	2.7
Gross premiums written	183.4	129.0	66.4	378.8	100.0

Notes to the consolidated financial statements

continued

Property reinsurance

Conduit is exposed to large natural-catastrophe losses, such as windstorm and earthquake losses, primarily from assuming risks associated with property treaties. Exposure to natural-catastrophe events is controlled and measured by managing to predefined limits within stochastic modelling and deterministic accumulations across classes per geographic zone and peril. The accuracy of these analyses is limited by the quality of data and the effectiveness of the modelling. It is possible that a catastrophic event significantly exceeds the expected modelled event loss.

Natural-catastrophe risk is written across both the US and internationally on an excess of loss and capped quota share basis. Reinsurance structures are offered strategically, most notably in respect of peril, geography and probability of activation or exhaustion.

Property per risk treaties are offered with the strategy to minimise natural-catastrophe exposure, focusing on fire risk. This is considered by both natural-catastrophe specific metrics, treaty conditions and excess of loss structure.

Ceded reinsurance may be purchased to mitigate exposures to large natural-catastrophe losses. Ceded reinsurance is typically purchased on an excess of loss basis, however industry loss warranties, catastrophe bonds, or proportional treaty arrangements may also be entered into.

Casualty reinsurance

Conduit underwrites a balanced portfolio of casualty classes of business, comprised of both excess of loss and proportional contracts, on a worldwide basis.

Casualty claims tend to take longer to be reported and ultimately settled than physical damage risks. Conduit typically maintains net reserves for losses and loss adjustment expenses for casualty classes of business over a longer period of time than for the property and specialty classes of business where the costs of claims are generally known and settled within a shorter time frame.

Conduit will purchase ceded reinsurance to protect against any 'clash' between losses arising in its casualty portfolio.

The sub-classes of casualty business include directors and officer's liability, financial institutions liability, general liability for multiple sub-classes and, on an excess and umbrella basis, medical malpractice, professional liability and transactional liability. Conduit has limited appetite for, and generally avoids, workers compensation, standalone auto and cyber treaties.

Directors and officers liability

Directors and officers liability policies offer protection for company managers and directors and officers against claims that may arise in the normal course of operations. Coverage includes legal expenses and liability to shareholders, bondholders, creditors or others owing to actions or omissions by a director or officer of a private or public corporation, or not-for-profit organisation.

Financial institutions liability

Financial institutions coverage may cover risks such as computer and commercial crime, professional indemnity and civil liability.

General liability

General liability commonly provides cover for losses arising from the legal liability of an original insured and statutory liability in the case of employers' liability which result in bodily injury or disease to third parties or physical damage to third-party property. The Group offers a wide range of general liability reinsurance products including contractors general liability, excess general liability, umbrella, energy and environmental.

Medical malpractice

Medical malpractice reinsurance generally covers professional liability and errors and omissions specifically in the healthcare industry, protecting physicians and other healthcare professionals against claims of negligent acts or injury of patients under their care. Medical malpractice reinsurance does not cover intentional or criminal acts.

Notes to the consolidated financial statements

continued

Professional liability

Professional liability generally provides coverage for third-party losses resulting from legal liability or civil liability or negligence, errors or omissions or wrongful acts arising from the provision of, or failure to provide, professional services by an original insured. Sub-classes of this business would include lawyers, accountants, architects and engineers, errors and omissions, plus miscellaneous professional liability.

Transactional liability

Transactional liability reinsurance is used by parties to various business transactions, such as mergers, acquisitions and divestitures, to transfer certain transaction-related risks to the reinsurance market. There can be a broad range of risks covered, including warranty, litigation, pension and tax uncertainties and employment matters.

Specialty reinsurance

Conduit's specialty classes of business are written on both an excess of loss and proportional basis and can provide reinsurance coverage against physical damage (short-tail) or against legal liability (long-tail) losses. Although specialty classes of business are exposed to natural-catastrophe risk, it is generally to a lesser extent than property classes of business. They are more likely to be affected by specific large loss events such as accidents, collisions, fires and similar man-made catastrophe events. Specialty classes of business are highly diverse in nature and require specific market expertise and experience. The specialty classes of business include aviation, energy, marine, renewables, political violence and terrorism and are offered on both a specific and a whole account basis.

Conduit purchases ceded reinsurance protection to reduce exposure to both large risk losses and an accumulation of smaller losses. Ceded reinsurance is typically purchased on an excess of loss basis, but, from time to time, proportional arrangements may be entered into.

Aviation

The aviation class of business provides cover to the insurers of the world's major airlines and aircraft manufacturers and includes cover for the aircraft themselves as well as losses arising from passenger and third-party liability claims against airlines and/or manufacturers.

Energy

The energy class of business provides reinsurance cover for a global spread of accounts that can include primary risks such as downstream energy, upstream energy, energy liability, construction energy and Gulf of Mexico offshore energy programmes. Policies typically cover property for physical damage (including natural-catastrophe) and machinery breakdown perils plus consequential business interruption exposure, often with loss limits set at a level commensurate with a modelled estimated maximum loss scenario.

Marine

Marine cargo is an international account and covers the reinsurance of commodities or goods in transit. Typically, transit cover is provided on an all-risks basis for marine perils for the full value of the goods concerned. Static cover is also provided for losses to cargo, from both elemental and non-elemental causes. In addition, the cargo account can include for example, fine art, vault risks, artwork on exhibition and marine war and terrorism business relating to cargo in the ordinary course of transit.

Marine liability is mostly the reinsurance of the International Group of Protection and Indemnity Clubs. Marine builders' risk covers the building of ocean-going vessels in specialised yards worldwide and their testing and commissioning.

The marine hull class generally consists of worldwide coverage spanning physical damage, hull and machinery breakdown, loss of hire and mortgagees' interests for a range of maritime vessels from cargo and passenger ships to private pleasure craft. Products typically cover both risk and catastrophe exposures.

Political violence and terrorism

Political violence and terrorism coverage is provided for US and worldwide property risks, but typically excluding nuclear, chemical, biological and cyber coverage in most territories.

Notes to the consolidated financial statements

continued

Whole account

Coverage is generally provided on a worldwide basis and covers a broad spectrum of the cedants risks under a single policy. The classes of business covered under a whole account reinsurance policy can include traditional property and casualty classes of business including commercial and personal automobile, general liability, workers' compensation, employers' liability, excess casualty and umbrella, as well as selected professional liability coverage.

Ceded reinsurance

Ceded reinsurance is purchased in the normal course of business to increase capital capacity, limit the impact of individual risk losses and loss events impacting multiple cedants (such as natural-catastrophes), or both. Ceded reinsurance may also be purchased from time to time to optimise the risk-adjusted return of Conduit's aggregate underwriting portfolio. Conduit may purchase ceded reinsurance on both an excess of loss and proportional basis, and may in future supplement this with the use of catastrophe bonds or other capital market products. The mix of ceded reinsurance coverage is dependent on specific loss mitigation requirements, market conditions and available capacity. In certain market conditions, Conduit may deem it more economic to hold capital than purchase ceded reinsurance. Ceded reinsurance does not relieve Conduit of its obligations to policyholders. Conduit is exposed to reinsurance risk where ceded reinsurance contracts put in place to reduce gross reinsurance risk do not perform as anticipated, result in coverage disputes or prove inadequate in terms of the limits purchased. Failure of a ceded reinsurer to pay a valid claim is considered a credit risk which is detailed in the credit risk section below. Ceded reinsurance coverage is not intended to be available to meet all potential loss circumstances. Conduit will retain certain losses, as the cover purchased is unlikely to transfer the totality of Conduit's exposure. Any loss amount which exceeds the ceded reinsurance coverage purchased would be retained by Conduit. Some ceded reinsurance policies have limited reinstatements, therefore the number of claims which may be recovered on second, and subsequent loss circumstances is limited.

Under Conduit's ceded reinsurance security policy, ceded reinsurers are assessed and approved based on their financial strength ratings, amongst other factors. These decisions are regularly reviewed as an integral part of the business planning and performance monitoring process. The management Counterparty Security Committee examines and approves all Conduit's ceded reinsurers to ensure that they possess suitable security.

Net losses and loss adjustment expenses

A significant and critical judgement and estimate made by management is the estimation of net losses and loss adjustment expenses. Management estimates net losses and loss adjustment expenses, and the associated reserves to cover its estimated liability for both reported and unreported claims on events that have occurred up to the latest valuation date. Management uses methodologies that calculate a point estimate for the ultimate losses, representing management's best estimate of ultimate net losses and loss adjustment expenses. Conduit establishes its reserve for losses and loss adjustment expenses by taking outstanding losses, adding an estimate for IBNR and, if deemed necessary, ACRs which represent Conduit's estimate for losses related to specific contracts that the management believes may not be adequately estimated by the client as of that date.

Loss reserves are not permitted until the occurrence of an event which may give rise to a claim. As a result, only loss reserves applicable to losses that have occurred up to the reporting date are established, with no allowance for the provision of a contingency reserve to account for expected future losses or for the emergence of new types of latent claims. Claims arising from future events can be expected to require the establishment of substantial reserves from time to time. All of Conduit's reserves are currently reported on an undiscounted basis.

The reserving process is dependent on management's judgement and is subject to meaningful uncertainty due to both qualitative and quantitative factors, including, but not limited to: the nature of the business written, whether it is short-tail or long-tail, whether it is excess of loss or proportional, the magnitude and timing of loss events, the geographic areas impacted by loss events, time lags in the reporting process from the original claimant, limited claims data, policy coverage interpretations, case law, regulatory directives, demand surge and inflation, potential uncertainties related to reinsurance and ceding company reserving practices, and other factors inherent in the estimation process for net losses and loss adjustment expenses.

Notes to the consolidated financial statements

continued

The judgements and estimates used in establishing loss reserve calculations may be revised as additional experience or other data becomes available. Loss reserves are also reviewed as new or improved methodologies are developed and as laws or regulations change. Furthermore, as a business operating within a broker market, management must rely on loss information reported to brokers by other insurers and their loss adjusters, who must estimate their own losses at the policy level, often based on incomplete and changing information. The information management receives varies by cedant and may include paid losses, estimated case reserves and an estimated provision for IBNR reserves. Additionally, reserving practices and the quality of data reporting may vary among ceding companies, which adds further uncertainty to management's estimates of the ultimate losses.

Conduit's internal actuaries review the reserving assumptions and methodologies on a quarterly basis and develop an actuarial best estimate of Conduit's net losses and loss adjustment expenses using the processes outlined above. The management Reserving Committee reviews the estimate for net losses and loss adjustment expenses on a quarterly basis. The reserves are subject to a semi-annual independent review by Conduit's external actuaries. The results of the internal and independent reserve reviews are presented to the Audit Committee.

Short-tail versus long-tail

Claims relating to short-tail risks are generally reported more promptly than those relating to long-tail risks. The timeliness of reporting can be affected by such factors as the nature of the event causing the loss, the location of the loss and whether the losses are from policies in force with primary insurers or reinsurers.

Excess of loss versus proportional

For excess of loss contracts, management is aided by the fact that each policy has a defined limit of liability arising from one event. Once that limit has been reached, there is no further exposure to additional losses from that policy for the same event. For proportional business, an initial estimated loss and loss expense ratio is generally used. This is based upon information provided by the ceding company and/or their broker and management's historical experience of that treaty, if any, and the estimate is adjusted as actual experience becomes known.

b. Market risk

Conduit is at risk of loss due to movements in market factors. The main market risks Conduit was exposed to include:

- Reinsurance risk;
- Investment risk;
- Currency risk.

Reinsurance risk

Conduit is exposed to reinsurance market risk from several sources, including the following:

- The advent or continuation of a soft market, which may result in a stabilisation or decline in premium rates and/or terms and conditions for certain classes, or across all classes.
- The actions and reactions of key competitors, which may directly result in volatility in premium volumes and rates, fee levels and other input costs.
- Market events, including unusual inflation in rates, may result in a limit in the availability of cover, causing political intervention or national remedies.
- Failure to maintain broker and cedant relationships, leading to a limited or substandard choice of risks inconsistent with Conduit's risk appetite.
- Changes in regulation including capital, governance or licensing requirements, and laws.
- Changes in the geopolitical environment.

The most important method to mitigate reinsurance market risk is to maintain strict underwriting standards. Conduit manages reinsurance market risk in numerous ways, including the following:

- Reviews and amends underwriting plans and outlook as necessary.
- Reduces exposure to, or withdraws from, market sectors where conditions have reached unattractive levels.
- Purchases appropriate, cost-effective reinsurance cover to mitigate exposures.
- Closely monitors changes in rates, terms and conditions, and inflation.

Notes to the consolidated financial statements

continued

- Ensures through rigorous underwriting criteria that surplus capital does not drive short-term risk appetite.
- Typically holds a daily underwriting briefing meeting for CRL to discuss deal flow, pricing and opportunities.
- Holds a quarterly management Underwriting Oversight Committee meeting that considers matters that include underwriting performance for CRL.
- Holds an annual strategy review meeting.
- Holds a quarterly management Underwriting Committee meeting that considers matters including underwriting performance for CRL.
- Holds a quarterly management Risk, Capital and Compliance Committee meeting to review relevant risk and capital considerations for CRL.
- Holds regular meetings with regulators and rating agencies.

Reinsurance contract liabilities are currently not directly sensitive to the level of market interest rates, as they are undiscounted and contractually non-interest bearing.

Investment risk

Movements in investments resulting from changes in interest and inflation rates, credit spreads, and currency exchange rates, among other factors, may lead to an adverse impact on the value of Conduit's investment portfolio. Conduit seeks to invest in issuers with stronger ESG practices on balance, as it believes that this will also help reduce risk in the portfolio.

The Investment Committee of CRL is responsible for all investment-related decisions and investment guidelines. The investment guidelines set the parameters within which Conduit's external managers must operate. Important parameters of these guidelines include permissible asset classes, duration¹ ranges, credit quality, permitted currency, maturity, industry sectors, geographical, sovereign and issuer exposures. Guideline compliance is monitored on a monthly basis. The portfolio of fixed maturity securities is currently managed by three external managers. Their performance is monitored on an ongoing basis. Conduit projects the level of funds required to meet near-term obligations and cash flow needs following extreme events in order to ensure adequate liquidity is maintained. Conduit also prioritises liquid asset classes with higher credit quality and shorter duration so that Conduit can meet reinsurance and other near-term obligations. Conduit has split the portfolio into a short-tail mandate, to better match the property and specialty classes of business, and a long-tail mandate, to better match the casualty classes of business and some aspects of the specialty classes of business. The short-tail mandate will be slightly shorter duration than the long-tail mandate.

Conduit reviews the composition, duration and asset allocation of its investment portfolio on a regular basis to respond to changes in interest rates and other market conditions. If certain asset classes are anticipated to produce a higher return within management's risk tolerance, an adjustment in asset allocation may be made. Conversely, if the risk profile is expected to move outside of tolerance levels, adjustments may be made to reduce the risks in the portfolio.

Conduit models various periods of significant stress in order to better understand the investment portfolio's risks and exposures. The scenarios represent what could, and most likely will, occur – albeit not in the exact form of the scenarios, which are based on historic periods of volatility. Conduit also monitors the portfolio impact of more severe scenarios consisting of extreme shocks.

Conduit focuses on the most significant risks in its investment portfolio which are interest rate risk, credit risk and liquidity risk, and has built, or is building, stress testing and risk analytics around these risks to ensure they are within tolerances and preferences.

1. Duration is the weighted average maturity of a security's cash flows, where the present values of the cash flows serve as the weights. The effect of convexity, or sensitivity, of the portfolio's response to changes in interest rates is also factored in to the calculation.

Notes to the consolidated financial statements

continued

Strategic asset allocation reviews will be undertaken periodically to assess Conduit's overall investment strategy and to consider alternative asset allocations to achieve the best risk-adjusted return within Conduit's risk appetite. Any resulting recommendations would be approved by the appropriate management committee(s) and reported to the Board. The Investment Committee met quarterly to ensure that the strategic and tactical investment actions were consistent with investment risk preferences, appetite, risk and return objectives and tolerances. The investment risk tolerances have been incorporated into the ERM framework.

The investment mix by mandate and sector of Conduit's portfolio of fixed maturity securities is as follows:

	Estimated fair value short-tail \$m	Estimated fair value long-tail \$m	Estimated fair value total \$m
As at 31 December 2022			
Short-term investments	33.2	4.7	37.9
US treasuries	103.6	106.6	210.2
US agency debt	-	1.8	1.8
US municipals	10.0	5.2	15.2
Non-US government and agency	2.0	-	2.0
Asset-backed	102.6	61.2	163.8
US government agency mortgage-backed	52.7	47.9	100.6
Non-agency mortgage-backed	9.8	3.0	12.8
Agency commercial mortgage-backed	3.2	-	3.2
Non-agency commercial mortgage-backed	21.9	30.8	52.7
Corporate	263.6	157.9	421.5
Total	602.6	419.1	1,021.7
	Estimated fair value short-tail \$m	Estimated fair value long-tail \$m	Estimated fair value total \$m
As at 31 December 2021			
Short-term investments	8.9	-	8.9
US treasuries	52.4	119.4	171.8
US agency debt	-	2.0	2.0
US municipals	11.0	2.2	13.2
Non-US government and agency	2.2	-	2.2
Asset-backed	97.3	72.4	169.7
US government agency mortgage-backed	53.2	41.4	94.6
Non-agency mortgage-backed	13.6	5.6	19.2
Agency commercial mortgage-backed	3.2	-	3.2
Non-agency commercial mortgage-backed	24.3	34.1	58.4
Corporate	302.6	162.6	465.2
Total	568.7	439.7	1,008.4

Notes to the consolidated financial statements

continued

Corporate and non-US government and agency bonds by country are as follows:

As at 31 December 2022	Financials \$m	Other industries \$m	Non-US government and agency \$m	Total \$m
US	140.6	187.7	-	328.3
UK	21.7	5.5	-	27.2
Canada	23.2	0.5	-	23.7
Other countries	35.4	6.9	2.0	44.3
Total	220.9	200.6	2.0	423.5

As at 31 December 2021	Financials \$m	Other industries \$m	Non-US government and agency \$m	Total \$m
US	153.5	214.8	-	368.3
UK	22.1	7.4	-	29.5
Canada	23.3	0.6	-	23.9
Other countries	37.6	5.9	2.2	45.7
Total	236.5	228.7	2.2	467.4

The sector allocation of corporate bonds is as follows:

As at 31 December	2022		2021	
	\$m	%	\$m	%
Financials	220.9	52.4	236.5	50.9
Industrials	180.3	42.8	209.5	45.0
Utilities	20.3	4.8	19.2	4.1
Total	421.5	100.0	465.2	100.0

Conduit's investment portfolio is comprised of fixed maturity securities and cash and cash equivalents. Fair values can be impacted by movements in interest rates, credit ratings, exchange rates, the current economic environment and outlook. The estimated fair value of the portfolio of fixed maturity securities is generally inversely correlated to movements in market interest rates. If market interest rates fall, the estimated fair value of Conduit's portfolio of fixed maturity securities would tend to rise and vice versa. The sensitivity of the price of fixed maturity securities to movements in interest rates is indicated by their duration. The greater a security's duration, the greater its price volatility to movements in interest rates. The sensitivity of Conduit's portfolio of fixed maturity securities to interest rate movements is detailed below, assuming linear movements in interest rates.

Notes to the consolidated financial statements

continued

As at 31 December	2022		2021	
	\$m	%	\$m	%
Immediate shift in yield (basis points)				
100	(23.0)	(2.2)	(27.7)	(2.7)
75	(17.2)	(1.7)	(20.8)	(2.1)
50	(11.5)	(1.1)	(13.9)	(1.4)
25	(5.7)	(0.6)	(6.9)	(0.7)
0	-	-	-	-
-25	6.6	0.6	5.7	0.6
-50	13.2	1.3	11.5	1.1
-75	19.7	1.9	17.2	1.7
-100	26.3	2.6	22.9	2.3

Conduit mitigates interest rate risk on the investment portfolio by establishing and monitoring duration ranges in its investment guidelines. The duration of the portfolio is matched to the modelled expected duration of the reinsurance reserves, within a permitted range. The permitted duration range for the portfolio is between 1.5 and 5 years. The overall duration for the fixed maturity securities, managed cash and cash equivalents is 2.2 years as at 31 December 2022 (31 December 2021: 2.4 years).

In addition to duration management, Conduit monitors VaR to measure potential losses in the estimated fair values of its cash and invested assets and to understand and monitor risk. The VaR calculation is performed using variance/covariance risk modelling. Securities are valued individually using standard market pricing models. These security valuations serve as the input to many risk analytics. The principal VaR measure that is produced is an annual VaR at the 99th percentile confidence level. Under normal conditions, the portfolio is not expected to lose more than the VaR metric listed below, 99% of the time over a one-year time horizon. The appropriateness of this measure is considered by the Investment Committee periodically.

Conduit's annual VaR calculation is as follows:

As at 31 December	2022		2021	
	\$m	% of shareholders' equity	\$m	% of shareholders' equity
99th percentile confidence level	62.0	7.6	30.2	3.1

Currency risk

Conduit is susceptible to fluctuations in rates of foreign exchange, principally between the US dollar and pound sterling and the US dollar and the euro. Even though risks are assumed on a worldwide basis, they are predominantly denominated in US dollars. Conduit is exposed to currency risk to the extent its assets are denominated in different currencies to its liabilities. Conduit is also exposed to translation risk on non-monetary assets such as unearned premiums and deferred acquisition costs. Foreign currency gains and losses are recorded in the period they occur in the consolidated statement of comprehensive loss.

Conduit hedges monetary non-US dollar liabilities primarily with non-US dollar assets but may also use derivatives, such as currency forwards, to mitigate foreign currency exposures. The main foreign currency exposure relates to its reinsurance obligations, cash holdings, premiums receivable and dividend payable, if applicable.

Notes to the consolidated financial statements

continued

The following table summarises the carrying value of total assets and total liabilities categorised by Conduit's main currencies:

As at 31 December 2022	USD \$m	GBP \$m	EUR \$m	Other \$m	Total \$m
Total assets	1,515.9	26.1	24.2	2.2	1,568.4
Total liabilities	(691.3)	(9.1)	(44.9)	(8.7)	(754.0)
Net assets (liabilities)	824.6	17.0	(20.7)	(6.5)	814.4

As at 31 December 2021	USD \$m	GBP \$m	EUR \$m	Other \$m	Total \$m
Total assets	1,318.0	6.4	9.3	1.1	1,334.8
Total liabilities	(331.8)	(2.8)	(17.1)	(1.9)	(353.6)
Net assets (liabilities)	986.2	3.6	(7.8)	(0.8)	981.2

The impact on profit from a proportional foreign exchange movement of 10.0% against the US dollar at year end spot rates would be a decrease or increase of \$0.3 million (31 December 2021: \$0.2 million).

c. Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when they are due without incurring unreasonable costs. Conduit's main exposure to liquidity risk is with respect to its reinsurance and investment activities. Conduit is exposed if proceeds from the sale of financial assets are not sufficient to fund obligations arising from reinsurance contracts and/or other liabilities. Conduit can be exposed to fund daily calls on its available investment assets, principally to settle reinsurance claims and/or to fund trust accounts following a large catastrophe loss, or other collateral requirements.

Liquidity risk exposures related to reinsurance activities are as follows:

- Large catastrophic events, or multiple medium-sized events in quick succession, requiring the payment of high value claims within a short time frame or to fund trust accounts established to collateralise claims payment liabilities.
- Failure of cedants to meet their contractual obligations with respect to the timely payment of premiums.
- Failure of Conduit's ceded reinsurers to meet their contractual obligations to pay claims within a timely manner.

Liquidity risk exposures related to investment activities are as follows:

- Adverse market movements and/or a duration mismatch to obligations, resulting in investments needing to be disposed of at a significant realised loss.
- An inability to liquidate investments due to market conditions.

Conduit's investment strategy is to hold high quality, liquid securities sufficient to meet reinsurance liabilities and other near-term liquidity requirements. Portfolios are specifically designed to ensure funds are readily available in an extreme event.

Notes to the consolidated financial statements

continued

The maturity dates of Conduit's portfolio of fixed maturity securities are as follows:

As at 31 December 2022	Short-tail \$m	Long-tail \$m	Total \$m
Fixed maturity securities at FVTPL			
Less than one year	167.9	46.0	213.9
Between one and two years	149.5	37.0	186.5
Between two and three years	54.2	12.5	66.7
Between three and four years	15.8	48.8	64.6
Between four and five years	4.9	21.0	25.9
Over five years	20.1	110.9	131.0
Asset-backed and mortgage-backed	190.2	142.9	333.1
Total	602.6	419.1	1,021.7

As at 31 December 2021	Short-tail \$m	Long-tail \$m	Total \$m
Fixed maturity securities at FVTPL			
Less than one year	43.8	1.5	45.3
Between one and two years	145.7	70.6	216.3
Between two and three years	144.5	39.1	183.6
Between three and four years	21.3	9.5	30.8
Between four and five years	11.0	57.2	68.2
Over five years	10.8	108.3	119.1
Asset-backed and mortgage-backed	191.6	153.5	345.1
Total	568.7	439.7	1,008.4

The estimated maturity profile of the reinsurance contracts and financial liabilities of Conduit is as follows:

	Years until liability becomes due - undiscounted					Total \$m
	Carrying value \$m	Less than one \$m	One to three \$m	Three to five \$m	Over five \$m	
As at 31 December 2022						
Losses and loss adjustment expenses	459.3	161.5	156.6	72.5	68.7	459.3
Other reinsurance payables	15.0	15.0	-	-	-	15.0
Amounts payable to reinsurers	16.2	16.2	-	-	-	16.2
Other payables	8.7	8.7	-	-	-	8.7
Lease liabilities	2.4	0.6	1.3	0.7	-	2.6
Total	501.6	202.0	157.9	73.2	68.7	501.8

Notes to the consolidated financial statements

continued

	Years until liability becomes due – undiscounted					Total \$m
	Carrying value \$m	Less than one \$m	One to three \$m	Three to five \$m	Over five \$m	
As at 31 December 2021						
Losses and loss adjustment expenses	171.6	65.0	62.7	23.1	20.8	171.6
Amounts payable to reinsurers	7.3	7.3	-	-	-	7.3
Other payables	19.0	19.0	-	-	-	19.0
Lease liabilities	2.9	0.6	1.3	1.3	-	3.2
Total	200.8	91.9	64.0	24.4	20.8	201.1

Actual maturities of the above may differ from contractual maturities because certain borrowers have the right to call or prepay certain obligations with or without call or prepayment penalties. The estimation of the ultimate liability for net losses and loss adjustment expenses is complex and incorporates a significant amount of judgement. The timing of payment of net losses and loss adjustment expenses is also uncertain and cannot be predicted as simply as for other financial liabilities. Actuarial and statistical techniques, past experience and management's judgement have been used to determine a likely settlement pattern.

As at 31 December 2022, cash and cash equivalents were \$112.9 million (31 December 2021: \$67.5 million). Conduit manages its liquidity risks via its investment strategy to hold high quality, liquid securities, sufficient to meet its reinsurance liabilities and other near-term liquidity requirements. In addition, Conduit has established asset allocation and maturity parameters within the investment guidelines such that the majority of the investments are in high quality assets which could be converted into cash promptly and at minimal expense. Conduit monitors market changes and outlook and reallocates assets as it deems necessary.

As at 31 December 2022, Conduit considers it has more than adequate liquidity to pay its obligations as they fall due even if difficult investment market conditions were to prevail for a period of time.

d. Credit risk

Credit risk is the risk that a counterparty may fail to pay, or repay, a debt or obligation. Conduit is exposed to credit risk on its fixed maturity investment portfolio, its premiums receivable from cedants, and on any amounts recoverable from reinsurers. While Conduit has not experienced any such collection issues, the COVID-19 pandemic increased the risk of defaults across many industries. The global recovery from the COVID-19 pandemic continues and the risk that counterparties fail to meet their financial obligations as they fall due has decreased.

Credit risk on Conduit's portfolio of fixed maturity securities is mitigated through the investment policy to invest in instruments of high credit quality issuers and to limit the amounts of credit exposure with respect to particular ratings categories and any one issuer. Securities rated below an S&P or equivalent rating of BBB+ may comprise no more than 10.0% of the portfolio. Conduit also limits exposure to individual issuers, with declining limits for less highly rated issuers. Conduit therefore does not expect any significant credit concentration risk on its investment portfolio, except for fixed maturity securities issued by the US government and its agencies.

Conduit is potentially exposed to counterparty credit risk in relation to the premiums receivable from reinsurance brokers and cedants and on any amounts recoverable from Conduit's ceded reinsurers. Given the dislocation in the market, the COVID-19 pandemic may adversely impact the ability to collect amounts due to Conduit. Credit risk on inwards premiums receivable from cedants is managed by conducting business with reputable broking organisations, with whom Conduit has established relationships, and by rigorous cash collection procedures. Conduit also has a broker approval process in place. Credit risk from ceded reinsurance recoverables is primarily managed by the review and approval of reinsurer security, with ongoing monitoring in place.

The table below presents an analyses of Conduit's major exposures to counterparty credit risk, based on their rating. Premiums receivable are not rated, however there is limited default risk associated with these amounts.

Notes to the consolidated financial statements

continued

	Cash and cash equivalents and fixed maturity securities \$m	Inward premiums receivables \$m	Reinsurance recoverable and other reinsurance receivables \$m
As at 31 December 2022			
AAA	651.4	-	-
AA+, AA, AA-	74.5	-	-
A+, A, A-	279.7	-	59.5
BBB+, BBB, BBB-	129.0	-	-
Other	-	260.5	29.9
Total	1,134.6	260.5	89.4

	Cash and cash equivalents and fixed maturity securities \$m	Inward premiums receivables \$m	Reinsurance recoverable and other reinsurance receivables \$m
As at 31 December 2021			
AAA	542.4	-	-
AA+, AA, AA-	75.6	-	-
A+, A, A-	306.2	-	30.8
BBB+, BBB, BBB-	151.7	-	-
Other	-	155.0	18.4
Total	1,075.9	155.0	49.2

The reinsurance recoverable classified as other is fully collateralised.

As at 31 December 2022 the average credit quality of Conduit's cash and cash equivalents and portfolio of fixed maturity securities was AA (31 December 2021: AA-). The COVID-19 pandemic has increased the risk of defaults across many industries and Conduit continually monitors credit risk, especially during this time of volatility. Given the investment portfolio positioning, this is not expected to have a meaningful impact from a credit perspective, although credit spreads are likely to remain volatile in the near-term. Potential interest rate rises are similarly not expected to impact inwards premiums receivable.

The following table shows premiums receivable that are not yet due and those that are past due but not impaired:

As at 31 December	2022 \$m	2021 \$m
Not yet due	227.3	123.0
Less than 90 days past due	29.8	22.2
Other	3.4	9.8
Total	260.5	155.0

For the year ended 31 December 2022 and 2021 no provisions have been made for impaired or irrecoverable balances and no amount was charged to the consolidated statement of comprehensive loss in respect of bad debts.

Notes to the consolidated financial statements

continued

e. Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, personnel, systems or external events. During the reporting period, which primarily involved the ongoing establishment of operations, various operational risks were identified, and steps were taken to manage or mitigate these risks.

The risk framework addresses the identification, assessment and management of operational risks. This process involves the use of risk registers to identify inherent risk and residual risk after the application of controls. The management of individual risks is the responsibility of management, with independent challenge and oversight provided by the risk function. The results of compliance reviews and independent internal audits provide an additional level of review and verification. The Audit Committee has selected a reputable provider to serve as outsourced internal auditors.

f. Strategic risk

Conduit has identified several strategic risks, including:

- The risks that either the poor execution of the business plan or an inappropriate business plan in itself results in a strategy that fails to reflect adequately the trading environment, resulting in an inability to optimise performance, including reputational risk.
- The risks of the failure to maintain adequate capital, accessing capital at an inflated cost or the inability to access capital and unanticipated changes in vendor, regulatory and/or rating agency models that could result in an increase in capital requirements or a change in the type of capital required.
- The risks of succession planning, staff retention and key personnel risks.

Business plan risk

Conduit's business plan forms the basis of operations and provides strategic direction to management. Actual versus planned results are monitored regularly.

Capital management risk

The total tangible capital is as follows:

As at 31 December	2022 \$m	2021 \$m
Shareholders' equity	814.4	981.2
Intangible assets	1.4	1.1
Total tangible capital	813.0	980.1

Risks associated with the effectiveness of Conduit's capital management are mitigated as follows:

- Regular monitoring of current and prospective regulatory and rating agency capital requirements.
- Oversight of capital requirements by the Board.
- Ability to purchase sufficient, cost-effective reinsurance.
- Maintaining contact with vendors, regulators and rating agencies in order to stay abreast of upcoming developments.
- Participation in industry groups such as the Association of Bermuda Insurers and Reinsurers, Reinsurance Association of America and the International Underwriting Association.

Conduit reviews the level and composition of capital on an ongoing basis with a view of:

- Maintaining sufficient capital for underwriting opportunities and to meet obligations to policyholders;
- Maximising the risk-adjusted return to shareholders within the context of the defined risk appetite;
- Maintaining an adequate financial strength rating; and
- Meeting all relevant capital requirements.

Capital is increased or returned as appropriate. The retention of earnings generated leads to an increase in capital. Capital raising can include debt or equity and returns of capital may be made through dividends, share repurchases, a redemption of debt or any combination thereof. Other capital management tools and products available to Conduit may also be utilised. All capital actions require approval by the Board.

Notes to the consolidated financial statements

continued

The primary source of capital used by Conduit is equity shareholders' funds. As a holding company, CHL relies on dividends from its operating entity to provide the cash flow required for dividends to shareholders. The ability of the operating entity to pay dividends and make capital distributions is subject to the legal and regulatory restrictions of the jurisdiction in which it operates.

CRL is regulated by the BMA and is required to monitor the ECR under the BMA's regulatory framework, which has been assessed as equivalent to the EU's Solvency II regime. CRL's regulatory capital requirement is calculated using the BSCR standard formula and minimum margin of solvency requirements. CRL had sufficient capital at all times throughout the year to meet the BMA's requirements.

Retention risk

Risks associated with succession planning, staff retention and key man risks are mitigated through a combination of resource planning processes and controls, including:

- The identification of key personnel with appropriate succession plans at CHL;
- The identification of key team profit generators at CRL and function heads with targeted retention packages;
- Documented recruitment procedures, position descriptions and employment contracts;
- Resource monitoring and the provision of appropriate compensation, including equity-based incentives which vests over a defined time horizon, subject to achieving certain performance criteria; and
- Training schemes.

4. Segmental reporting

Management and the Board review Conduit's business and evaluates its performance primarily by three segments: Property, Casualty and Specialty. These are considered to be the reportable segments for the purposes of segmental reporting. Further classes of business are underwritten within each reportable segment. The nature of these individual classes is discussed further in the "Risk disclosures" section.

Reportable segments	Operations and classes of business
Property	US and international property risk on an excess of loss and proportional contract basis.
Casualty	US and international casualty risk principally including directors and officers, financial institutions, general, medical malpractice, professional and transactional.
Specialty	Diverse portfolio of business, principally including aviation, energy, marine, political violence and terrorism and whole account.

Reportable segment performance is measured by the net underwriting profit or loss and the combined ratio. The chief operating decision maker does not manage Conduit's assets by reportable segment, and, accordingly, investment income and other non-underwriting related items are not allocated to each reportable segment. Refer to the risk disclosures for more information.

All amounts reported are transactions with external parties and associates. There are no significant inter-segmental transactions.

Notes to the consolidated financial statements

continued

As at 31 December 2022	Property \$m	Casualty \$m	Specialty \$m	Total \$m
Gross premiums written by geographic region				
US	174.7	171.9	8.7	355.3
Worldwide	93.5	29.0	81.2	203.7
Europe	16.3	33.3	10.2	59.8
Other	15.1	2.5	1.1	18.7
Total	299.6	236.7	101.2	637.5
Ceded reinsurance premiums	(46.3)	(1.3)	(9.0)	(56.6)
Net premiums written	253.3	235.4	92.2	580.9
Change in unearned premiums	(43.6)	(40.1)	(15.9)	(99.6)
Change in unearned premiums on premiums ceded	0.9	0.1	-	1.0
Net premiums earned	210.6	195.4	76.3	482.3
Net insurance losses and loss adjustment expenses	(140.0)	(129.0)	(76.9)	(345.9)
Net insurance acquisition expenses	(55.5)	(63.0)	(17.6)	(136.1)
Net underwriting profit (loss)	15.1	3.4	(18.2)	0.3
Other operating expenses				(34.3)
Net unallocated revenue / expenses				(55.7)
Total comprehensive loss				(89.7)
Net loss ratio	66.5%	66.0%	100.8%	71.7%
Net acquisition expense ratio	26.4%	32.2%	23.1%	28.2%
Other operating expense ratio				7.1%
Combined ratio	92.9%	98.2%	123.9%	107.0%

Notes to the consolidated financial statements

continued

As at 31 December 2021	Property \$m	Casualty \$m	Specialty \$m	Total \$m
Gross premiums written by geographic region				
US	105.4	118.7	3.9	228.0
Worldwide	62.3	7.1	62.3	131.7
Europe	6.0	2.8	-	8.8
Other	9.7	0.4	0.2	10.3
Total	183.4	129.0	66.4	378.8
Ceded reinsurance premiums	(26.4)	(1.2)	(5.0)	(32.6)
Net premiums written	157.0	127.8	61.4	346.2
Change in unearned premiums	(60.0)	(67.9)	(24.9)	(152.8)
Change in unearned premiums on premiums ceded	-	0.8	-	0.8
Net premiums earned	97.0	60.7	36.5	194.2
Net insurance losses and loss adjustment expenses	(70.9)	(41.1)	(30.1)	(142.1)
Net insurance acquisition expenses	(30.5)	(19.7)	(8.9)	(59.1)
Net underwriting loss	(4.4)	(0.1)	(2.5)	(7.0)
Other operating expenses				(30.6)
Net unallocated revenue / expenses				(4.4)
Total comprehensive loss				(42.0)
Net loss ratio	73.1%	67.7%	82.5%	73.2%
Net acquisition expense ratio	31.4%	32.5%	24.4%	30.4%
Other operating expense ratio				15.8%
Combined ratio	104.5%	100.2%	106.9%	119.4%

Included within the other geographic region, are premiums written with external parties in Bermuda for \$0.6 million (31 December 2021: \$0.4 million).

5. Investment return

As at 31 December 2022	Net investment income \$m	Net realised gains / (losses) \$m	Net unrealised gains / (losses) \$m	Total investment return \$m
Fixed maturity securities	16.5	(2.8)	(67.8)	(54.1)
Cash and cash equivalents	1.3	-	-	1.3
Total	17.8	(2.8)	(67.8)	(52.8)

As at 31 December 2021	Net investment income \$m	Net realised gains / (losses) \$m	Net unrealised gains / (losses) \$m	Total investment return \$m
Fixed maturity securities	5.3	(1.0)	(7.6)	(3.3)
Cash and cash equivalents	0.2	-	-	0.2
Total	5.5	(1.0)	(7.6)	(3.1)

Included in net investment income is \$1.1 million of investment management and custody fees for the year ended 31 December 2022 (31 December 2021: \$0.7 million).

Notes to the consolidated financial statements

continued

6. Net insurance acquisition expenses

Year ended 31 December	2022 \$m	2021 \$m
Insurance acquisition expenses	161.1	103.7
Change in deferred acquisition expenses	(24.8)	(44.6)
Insurance acquisition expenses ceded	(0.2)	-
Total	136.1	59.1

7. Employee benefits and other incentives

Aggregate remuneration and other incentives of Conduit's employees is as follows:

Year ended 31 December	2022 \$m	2021 \$m
Wages and salaries	11.4	7.5
Pension benefit	1.1	0.8
Bonus and other benefits	7.7	10.4
Total cash compensation	20.2	18.7
Equity-based incentives	2.1	0.3
Total employee benefits and other incentives	22.3	19.0

Equity-based incentives – MIP

Prior to the IPO, a MIP was created. The purpose of the MIP was to provide an incentive scheme for the founders and initial employees for their services in building the foundations of Conduit. The incentive is based around shares in CML, which will be automatically exchanged for ordinary shares of CHL for an aggregate value equivalent to up to 15% of the excess of the market value of CHL over and above the Invested Equity, subject to the satisfaction of the vesting conditions. All outstanding and future grants have an exercise period of four to seven years from the grant date. The fair value is estimated using a stochastic Monte Carlo model.

CML issued 100,000 A1 shares and 100,000 A2 shares during the period ended 31 December 2020 at a subscription price of £1.72 and \$2.26, respectively. Refer to note 18 for additional details.

The following table lists the assumptions used in the stochastic model for the MIP awards:

Assumptions	Year ended 31 December 2022	Year ended 31 December 2021
Dividend yield	0%	0%
Expected volatility ¹	range from 17.2% – 19.0%	range from 17.2% – 19.0%
Risk-free interest rate ²	range from 0.3% – 0.6%	range from 0.3% – 0.6%
Expected life of instruments	range from 4 to 7 years	range from 4 to 7 years

1. The expected volatility was calculated based on a comparator group of companies.

2. The risk-free interest rate is based on the yield on a US government bond on the date of grant.

The shares were granted prior to the IPO and therefore discounts for business viability and lack of marketability were also applied. There are significant risks associated with an IPO and the instruments are also illiquid until the tranche vesting dates. Management therefore selected their best estimates at the time for these discounts. These assumptions were highly judgemental and input from advisors was sought. Management also considered alternative assumptions and concluded there was not a material impact on the estimated valuation selected. The calculation of the equity-based incentive expense assumes no forfeitures

Notes to the consolidated financial statements

continued

due to employee turnover, with subsequent adjustments to reflect actual experience. The assumptions and estimated valuation selected resulted in 20% being expensed upfront for certain employees as this portion was not tied to service conditions and was fully expensed in the period ended 31 December 2020.

Conditions of the MIP include:

- The incentives are to be equity-settled and have therefore been accounted for in accordance with IFRS 2.
- The value of the services received in exchange for the share-based incentives is measured by reference to the estimated fair value of the incentives at their grant date, with the estimated fair value recognised in the consolidated statement of comprehensive loss, together with a corresponding increase in other reserves within shareholders' equity, on a straight-line basis over the vesting period, based on an estimate of the number of shares that will ultimately vest.
- Vesting conditions, other than market conditions linked to the share price of CHL, are not taken into account when estimating the fair value.
- At the end of each reporting period Conduit revises its estimates of the number of shares that are expected to vest due to non-market conditions and recognises the impact of the revision to original estimates, if any, in the consolidated statement of comprehensive loss, with a corresponding adjustment to shareholders' equity.

Equity-based incentives – DSBP

A percentage of each employee's bonus is automatically deferred into shares as nil cost options. The nil cost options vest annually in separate equal tranches over a three year period from the date of grant and do not have associated performance criteria attached to the awards. These awards accrue dividend equivalents for all dividends declared where the record date falls between the grant date and date of exercise, and are paid at the time of exercise.

	Number of awards
Outstanding as at 31 December 2021	-
Granted	764,575
Forfeited	(11,559)
Outstanding as at 31 December 2022	753,016

8. Other operating expenses

Year ended 31 December	2022 \$m	2021 \$m
Results of operating activities are stated after charging the following amounts:		
Audit fees	0.9	0.8
Other auditor services	0.1	0.1
Total	1.0	0.9

During the year ended 31 December 2022, KPMG Audit Limited provided non-audit services in relation to Conduit's 2022 interim review. Fees for non-audit services in the year ended 31 December 2022 totalled \$0.1 million (31 December 2021: \$0.1 million).

9. Financing costs

Year ended 31 December	2022 \$m	2021 \$m
LOC and trust fees	0.7	0.4
Interest expense on lease liabilities	0.1	0.1
Total	0.8	0.5

Refer to note 17 for details of Conduit's financing arrangements.

Notes to the consolidated financial statements

continued

10. Tax

Bermuda

CHL, CSL, CML and CRL have received an undertaking from the Bermuda government exempting them from all Bermuda local income, withholding and capital gains taxes until 31 March 2035. At the present time no such taxes are levied in Bermuda.

United Kingdom

CRSL is subject to normal UK corporation tax on all of its taxable profits. For the year ended 31 December 2022 and 2021 an immaterial tax profit arose.

11. Cash and cash equivalents

	2022 \$m	2021 \$m
As at 31 December		
Cash at bank and in hand	21.5	24.4
Cash equivalents	91.4	43.1
Total	112.9	67.5

Cash equivalents include money market funds and other short-term highly liquid investments with three months or less remaining until maturity at the time of purchase. The carrying amount of these assets approximates their fair value. Refer to note 17 for cash and cash equivalents provided as collateral under Conduit's financing arrangements.

12. Investments

	Cost or amortised cost \$m	Unrealised gains \$m	Unrealised losses \$m	Estimated fair value \$m
As at 31 December 2022				
Fixed maturity securities, at FVTPL				
Short-term investments	37.9	-	-	37.9
US treasuries	221.6	0.2	(11.6)	210.2
US agency debt	2.0	-	(0.2)	1.8
US municipals	16.4	-	(1.2)	15.2
Non-US government and agency	2.1	-	(0.1)	2.0
Asset-backed	171.6	-	(7.8)	163.8
US government agency mortgage-backed	116.3	0.1	(15.8)	100.6
Non-agency mortgage-backed	15.1	-	(2.3)	12.8
Agency commercial mortgage-backed	3.7	-	(0.5)	3.2
Non-agency commercial mortgage-backed	59.7	-	(7.0)	52.7
Corporate	450.7	0.1	(29.3)	421.5
Total	1,097.1	0.4	(75.8)	1,021.7

Notes to the consolidated financial statements

continued

As at 31 December 2021	Cost or amortised cost \$m	Unrealised gains \$m	Unrealised losses \$m	Estimated fair value \$m
Fixed maturity securities, at FVTPL				
Short-term investments	8.9	-	-	8.9
US treasuries	172.9	-	(1.1)	171.8
US agency debt	2.0	-	-	2.0
US municipals	13.4	-	(0.2)	13.2
Non-US government and agency	2.2	-	-	2.2
Asset-backed	170.3	0.1	(0.7)	169.7
US government agency mortgage-backed	95.5	-	(0.9)	94.6
Non-agency mortgage-backed	19.4	-	(0.2)	19.2
Agency commercial mortgage-backed	3.2	-	-	3.2
Non-agency commercial mortgage-backed	59.0	-	(0.6)	58.4
Corporate	469.2	0.2	(4.2)	465.2
Total	1,016.0	0.3	(7.9)	1,008.4

As at 31 December 2022 other assets and other payables included \$1.2 million and \$1.2 million for investments sold and purchased, respectively (31 December 2021: nil and \$10.6 million, respectively).

Conduit determines the estimated fair value of each individual security utilising the highest-level inputs available. Prices for the investment portfolio are provided via a third-party investment accounting firm whose pricing processes and the controls thereon are subject to an annual audit on both the operation and the effectiveness of those controls. Various recognised reputable pricing sources are used including pricing vendors. The pricing sources use bid prices where available, otherwise indicative prices are quoted based on observable market trade data. The prices provided are compared to the investment managers' pricing.

Conduit has not made any adjustments to any pricing provided by independent pricing services or its third-party investment managers for the year ended 31 December 2022 and 2021. The fair value of securities in the investment portfolio is estimated using the following techniques:

LEVEL (I) – Level (I) investments are securities with quoted prices in active markets. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

LEVEL (II) – Level (II) investments are securities with quoted prices in active markets for similar assets or liabilities or securities valued using other valuation techniques for which all significant inputs are based on observable market data. Instruments included in Level (II) are valued via independent external sources using directly observable inputs to models or other valuation methods. The valuation methods used are typically industry accepted standards and include broker-dealer quotes and pricing models including present values and future cash flows with inputs such as yield curves, credit spreads, interest rates, prepayment speeds and default rates.

LEVEL (III) – Level (III) investments are securities for which valuation techniques are not based on observable market data and require significant management judgement.

Notes to the consolidated financial statements

continued

Conduit determines whether transfers have occurred between levels of the fair value hierarchy by re-assessing the categorisation at the end of each reporting period. Transfers from Level (I) to (II) securities amounted to \$76.2 million and transfers from Level (II) to (I) securities amounted to \$37.8 million during the year ended 31 December 2022 using end of current period positions and estimated fair values. There were no investments included in Level (III). There were no transfers between Level (I) and (II), and no investments were included in Level (III) during the year ended 31 December 2021.

The fair value hierarchy of Conduit's investment portfolio is as follows:

As at 31 December 2022	Level I \$m	Level II \$m	Total \$m
Fixed maturity securities, at FVTPL			
Short-term investments	37.9	-	37.9
US treasuries	210.2	-	210.2
US agency debt	-	1.8	1.8
US municipals	-	15.2	15.2
Non-US government and agency	-	2.0	2.0
Asset-backed	-	163.8	163.8
US government agency mortgage-backed	-	100.6	100.6
Non-agency mortgage-backed	-	12.8	12.8
Agency commercial mortgage-backed	-	3.2	3.2
Non-agency commercial mortgage-backed	-	52.7	52.7
Corporate	51.3	370.2	421.5
Total	299.4	722.3	1,021.7

As at 31 December 2021	Level I \$m	Level II \$m	Total \$m
Fixed maturity securities, at FVTPL			
Short-term investments	3.1	5.8	8.9
US treasuries	171.8	-	171.8
US agency debt	-	2.0	2.0
US municipals	-	13.2	13.2
Non-US government and agency	-	2.2	2.2
Asset-backed	-	169.7	169.7
US government agency mortgage-backed	-	94.6	94.6
Non-agency mortgage-backed	-	19.2	19.2
Agency commercial mortgage-backed	-	3.2	3.2
Non-agency commercial mortgage-backed	-	58.4	58.4
Corporate	117.1	348.1	465.2
Total	292.0	716.4	1,008.4

Refer to note 17 for investments provided as collateral under Conduit's financing arrangements.

Notes to the consolidated financial statements

continued

13. Interests in structured entities

Unconsolidated structured entities in which Conduit has an interest

As part of Conduit's investment activities, it invests in unconsolidated structured entities. Conduit does not sponsor any of the unconsolidated structured entities. The business relations of Conduit with the structured entities set out below do not give rise to consolidation because the criteria for control pursuant to IFRS 10, as contained in our consolidation principles, are not met.

A summary of interests in unconsolidated structured entities is as follows:

As at 31 December	2022 \$m	2021 \$m
Fixed maturity securities, at FVTPL		
Asset-backed	163.8	169.7
US government agency mortgage-backed	100.6	94.6
Non-agency mortgage-backed	12.8	19.2
Agency commercial mortgage-backed	3.2	3.2
Non-agency commercial mortgage-backed	52.7	58.4
Total	333.1	345.1

The fixed maturity structured entities are used to meet specific investment needs of borrowers and investors which cannot be met from standardised financial instruments available in the capital markets, providing liquidity and diversification. While individual securities may differ in structure, the principles of the instruments are similar and it is appropriate to aggregate the investments into the categories detailed above.

The risk that Conduit faces in respect of the investments in structured entities is similar to the risk it faces in respect of other financial investments held on the consolidated balance sheet. Fair value is determined by market supply and demand, which is driven by investor evaluation of the credit risk of the structure and changes in the term structure of interest rates which can change the expectation of cash flows associated with the instrument and, therefore, its value in the market.

The maximum exposure to loss in respect of these structured entities would be the carrying value of the instruments that Conduit holds. Generally, default rates would have to increase substantially before Conduit would suffer a loss. This assessment is made prior to investing and regularly through the holding period for the security.

Refer to note 17 for investments provided as collateral under Conduit's financing arrangements.

Notes to the consolidated financial statements

continued

14. Losses and loss adjustment expenses

Losses and loss adjustment expenses

	Gross losses and loss adjustment expenses \$m	Reinsurance recoveries \$m	Net losses and loss adjustment expenses \$m
As at 31 December 2020	-	-	-
Incurring losses:			
Current year	191.0	(48.9)	142.1
Exchange adjustments	(0.3)	-	(0.3)
Incurring losses and loss adjustment expenses	190.7	(48.9)	141.8
Paid losses:			
Current year	19.1	-	19.1
Paid losses and loss adjustment expenses	19.1	-	19.1
As at 31 December 2021	171.6	(48.9)	122.7
Incurring losses:			
Current year	390.9	(39.1)	351.8
Prior year	(4.8)	(1.1)	(5.9)
Exchange adjustments	(0.9)	-	(0.9)
Incurring losses and loss adjustment expenses	385.2	(40.2)	345.0
Paid losses:			
Current year	42.4	-	42.4
Prior year	55.1	(12.5)	42.6
Paid losses and loss adjustment expenses	97.5	(12.5)	85.0
As at 31 December 2022	459.3	(76.6)	382.7

Conduit did not book any additional case reserves for the year ended 31 December 2022 and 2021. Net losses and loss adjustment expenses as at 31 December 2022 had an estimated duration of 3.1 years (31 December 2021: 2.7 years).

Further information on the calculation of loss reserves and associated risks are provided in the risk disclosures section. The risks associated with reinsurance contracts are complex and the impact of an unreported event could lead to a significant increase in Conduit's loss reserves. Conduit believes that the loss reserves established are adequate, however a 20% increase in estimated losses would have a \$91.9 million adverse impact on profit (31 December 2021: \$34.3 million).

The 2022 losses were driven by another year of higher-than-average catastrophe losses combined with a number of large losses impacting the industry. Conduit's most significant loss events for the current year stemmed from Hurricane Ian's landfall in Florida as a category 4 hurricane, and the ongoing war in Ukraine impacting both property and specialty segments via classes such as aviation, war on land, and marine war. Conduit recorded \$45.4 million and \$25.0 million respectively for these events, net of outwards reinsurance.

The prior year benefited from reserve releases in the property segment, as reserves established for prior year catastrophe events were refined due to updated information and also a lack of reported claims. General IBNR releases in the specialty segment also contributed to the favourable development of the prior year.

The estimation of the ultimate loss and loss adjustment expense liability is a complex process which incorporates a significant amount of judgement. It is reasonably possible that uncertainties inherent in the reserving process, delays in insureds or ceding companies reporting losses to Conduit, together with the potential for unforeseen adverse developments, could lead to a material change in estimated losses and loss adjustment expenses.

Notes to the consolidated financial statements

continued

The breakdown of net losses and loss adjustment expenses is shown below:

	Gross losses and loss adjustment expenses \$m	Reinsurance recoveries \$m	Net losses and loss adjustment expenses \$m
As at 31 December 2022			
Outstanding losses	98.1	(22.8)	75.3
Losses incurred but not reported	361.2	(53.8)	307.4
Total	459.3	(76.6)	382.7
	Gross losses and loss adjustment expenses \$m	Reinsurance recoveries \$m	Net losses and loss adjustment expenses \$m
As at 31 December 2021			
Outstanding losses	26.0	-	26.0
Losses incurred but not reported	145.6	(48.9)	96.7
Total	171.6	(48.9)	122.7

15. Right-of-use lease assets

Right-of-use lease assets primarily relate to leased properties for Conduit's offices in Bermuda and office equipment. Conduit has not received any rent concessions as a result of COVID-19.

Right-of-use assets		\$m
Balance and net book value as at 1 January 2021		-
Additions		3.0
Depreciation		(0.1)
Balance and net book value as at 31 December 2021		2.9
Depreciation		(0.7)
Balance and net book value as at 31 December 2022		2.2
Lease liabilities		
As at 31 December	2022 \$m	2021 \$m
Less than one year	0.6	0.6
Between one and five years	2.0	2.6
Total undiscounted lease liabilities	2.6	3.2

The discounted lease liability as at 31 December 2022 was \$2.4 million (31 December 2021: \$2.9 million). Conduit does not face significant liquidity risk with respect to its lease liabilities.

Notes to the consolidated financial statements

continued

Amounts recognised in the consolidated financial statements

Year ended 31 December	2022 \$m	2021 \$m
Consolidated statement of comprehensive loss		
Interest expense on lease liabilities	0.1	0.1
Depreciation of right-of-use assets	0.7	0.1
Total	0.8	0.2
Consolidated statement of cash flows		
Lease payments	0.6	0.1

16. Intangible assets

Intangible assets are comprised of computer software capitalised on the basis of the costs incurred to acquire and bring into use the specific software. Computer software is a technological asset and subject to obsolescence, therefore management expects to utilise the asset over its remaining useful life of 11 years.

Cost	\$m
Net book value as at 31 December 2020	0.2
Additions	0.9
Net book value as at 31 December 2021	1.1
Additions	0.3
Net book value as at 31 December 2022	1.4

17. Financing arrangements

Letters of credit and trust accounts

CRL is a non-admitted reinsurer in the US and Canada. Terms and conditions of certain reinsurance contracts with US and Canadian cedants require CRL to provide collateral for outstanding insurance contract liabilities, including unearned premiums and losses and loss adjustment expenses. The collateral can be provided by LOCs or by assets in trust accounts. Refer to note 9 for details of interest expense associated with these LOCs included in financing costs. Additional information about Conduit's exposure to interest rate and liquidity risk is included in the "Risk disclosures" section.

Standby letter of credit facility

During July 2021, CRL, as the borrower, entered into a \$125.0 million standby letter of credit facility led by Lloyds Bank Corporate Markets PLC. CHL will guarantee the obligations of CRL with respect to the standby letter of credit facility. Terms of the standby letter of credit facility contain standard qualitative representations and require certain standard financial covenants be adhered to, including: a maximum consolidated debt to capital ratio of CHL of 35.0%; a minimum consolidated tangible net worth of CHL; and a minimum A.M. Best rating of "B++" for CRL. CRL had the option to increase the aggregate amount of the commitment under the facility up to \$150.0 million. This was exercised on 22 December 2022, with a new option put in place to increase the facility up to \$175.0 million. As at 31 December 2022, \$92.0 million (31 December 2021: \$18.9 million) was outstanding under the standby letter of credit facility and is secured by cash and cash equivalents and investments of \$110.7 million (31 December 2021: \$27.8 million).

Uncommitted letter of credit facility

During September 2021, CRL entered into a \$75.0 million uncommitted letter of credit facility with Citibank Europe PLC. Terms of the uncommitted letter of credit facility include standard qualitative representations. As at 31 December 2022, \$37.0 million (31 December 2021: \$3.9 million) was outstanding under the uncommitted letter of credit facility and is secured by cash and cash equivalents and investments of \$49.7 million (31 December 2021: \$6.6 million).

Notes to the consolidated financial statements

continued

Trust accounts

Several trust account arrangements have been established in favour of policyholders and ceding companies to provide collateral or comply with the security requirements of certain contracts. As at 31 December 2022, \$127.4 million (31 December 2021: \$29.9 million) of cash and cash equivalents and investments were restricted in favour of third parties.

Additional letter of credit and trust funding requirements

For the year ended 31 December 2022, \$87.8 million (31 December 2021: \$58.8 million) of collateral requests and collateral amendments in respect of that financial year were received subsequent to the year end date. These collateral requests will be completed in the normal course of business and will be funded during the subsequent year using cash and cash equivalents and/or investments.

18. Share capital

Authorised share capital	Number	\$m
Authorised common shares of \$0.01 each	10,000,000,000	100.0
Authorised A1 shares of £0.01 each	100,000	-
Authorised A2 shares of \$0.01 each	100,000	-
As at 31 December 2022 and 2021	10,000,200,000	100.0

	Common shares number	A1 shares number	A2 shares number	Total number	Total \$m
Allotted, called-up and fully paid					
Issued	165,239,997	100,000	100,000	165,439,997	1.7
As at 31 December 2022 and 2021	165,239,997	100,000	100,000	165,439,997	1.7

The number of common shares in issue with voting rights (allocated capital less own shares held) as at 31 December 2022 was 160,141,174 (31 December 2021: 165,207,174).

CHL holds 18,000 A1 and A2 shares at 31 December 2022 and 2021. The A1 and A2 shares have no voting rights attached. Subject to vesting conditions, discussed in note 7, the A1 and A2 shares will be automatically exchanged for ordinary shares of CHL.

Own shares

Own shares	Number held in treasury	\$m	Number held in trust	\$m	Total number of own shares	Total \$m
As at 31 December 2020	-	-	-	-	-	-
Repurchased	(32,823)	(0.2)	-	-	(32,823)	(0.2)
As at 31 December 2021	(32,823)	(0.2)	-	-	(32,823)	(0.2)
Repurchased	(725,000)	(3.4)	-	-	(725,000)	(3.4)
Purchased by EBT	-	-	(4,341,000)	(16.5)	(4,341,000)	(16.5)
As at 31 December 2022	(757,823)	(3.6)	(4,341,000)	(16.5)	(5,098,823)	(20.1)

Shares repurchased by CHL and the EBT will be held as own shares to meet future obligations under CHL's variable incentive schemes. See note 22 for information on shares held by the EBT.

Dividends

	Record date	Payment date	Per share \$	\$m
Interim 2021	20 August 2021	10 September 2021	0.18	29.7
Final 2021	25 March 2022	22 April 2022	0.18	29.7
Interim 2022	19 August 2022	9 September 2022	0.18	29.6

See note 23 for information with respect to dividends declared subsequent to 31 December 2022.

Notes to the consolidated financial statements

continued

19. Other reserves

Other reserves consist of the following:

	Other reserves \$m	Share premium \$m	Total other reserves \$m
As at 31 December 2020	0.3	1,055.4	1,055.7
Equity-based incentives	0.3	-	0.3
As at 31 December 2021	0.6	1,055.4	1,056.0
Equity-based incentives	2.1	-	2.1
Transfer from share premium to contributed surplus	1,055.4	(1,055.4)	-
As at 31 December 2022	1,058.1	-	1,058.1

Other reserves include Conduit's equity-based incentive expense.

Share premium includes any premiums received on issue of share capital. The transaction costs that are attributable to the issuance of new shares incurred in forming Conduit are treated as a deduction from share premium. The share premium was transferred to contributed surplus during May 2022 after approval by Conduit's shareholders at the AGM.

20. Contingencies and commitments

Legal proceedings and regulations

Conduit operates in the reinsurance industry and is subject to legal proceedings in the normal course of business. While it is not practicable to estimate or determine the final results of all pending or threatened legal proceedings, management does not believe that such proceedings (including litigation) will have a material effect on its results and financial position.

21. Loss per share

The following reflects the loss and share data used in the basic and diluted loss per share computations:

Year ended 31 December	2022 \$m	2021 \$m
Loss for the period	(89.7)	(42.0)

	Number	Number
Basic weighted average number of shares	163,441,264	165,239,907
Dilutive effect of equity-based incentives	167,093	-
Diluted weighted average number of shares	163,608,357	165,239,907

	Per share \$	Per share \$
Basic and diluted loss per share	(0.55)	(0.25)

Equity-based incentive awards are only treated as dilutive when their conversion to common shares would decrease earnings per share or increase loss per share from continuing operations. Incremental shares from ordinary restricted share options where relevant performance criteria have not been met are not included in the calculation of dilutive shares.

Notes to the consolidated financial statements

continued

22. Related party disclosures

These consolidated financial statements include CHL and the entities listed below:

Subsidiary undertakings	Domicile	Principal Business
CHL	Bermuda	Holding company, Ultimate parent
CRL	Bermuda	General insurance business
CRSL	England and Wales	Support services
CML ¹	Bermuda	Support services
CSL	Bermuda	Support services
EBT	Jersey	Employee benefit trust

1. CML is part-owned by members of management. Management's share ownership in CML exists solely for the purposes of the Group's management share incentive scheme for attracting and retaining talent. Management's shares in CML have no voting power or control in respect of CHL's ownership of CRL via CML's ownership of CRL.

Unless otherwise stated, Conduit owns 100% of the share capital and voting rights in the subsidiaries listed.

Employee benefit trust

The EBT was established with the sole purpose of administering Conduit's equity-based incentive schemes. The trustee operates the trust for the benefit of Conduit's employees, all in accordance with an established trust deed. While Conduit does not have legal ownership of the EBT, the trust is consolidated in Conduit's accounts due to the ability that Conduit has to influence the actions of the trust.

Funding for the trust is provided by CHL through a non-interest bearing loan facility. The facility may only be used by the trustee for the purpose of achieving the objectives of the EBT. During the year ended 31 December 2022, advances of \$16.5 million (31 December 2021: nil) were made to the trust.

CHL common shares purchased by the EBT will be held for the benefit of employees under CHL's variable incentive schemes. During the year ended 31 December 2022 the trust purchased common shares of 4,341,000 (31 December 2021: nil).

Key management compensation

Remuneration for key management, Conduit's Executive and Non-Executive Directors, was as follows:

Year ended 31 December	2022 \$m	2021 \$m
Cash compensation	4.7	6.3
Equity-based incentives	1.4	0.3
Directors fees and expenses	0.8	0.6
Total	6.9	7.2

Non-Executive Directors do not receive any benefits in addition to their agreed fees and expenses and do not participate in any of Conduit's incentive, performance, or pension plans.

IncubEx, Inc.

Effective 9 April 2021, CHL executed a stock purchase agreement with IncubEx, a product and business development firm with a focus on designing and developing new financial products in global environmental, reinsurance and related commodity markets. CHL purchased 624 shares of IncubEx's Series A-3 preferred stock, with a par value of \$0.0001 per share, for an aggregate purchase price of \$50,000, or \$80.08 per share.

The current Executive Chairman of CHL is also a founder and current Chairman of IncubEx. The terms and conditions of the stock purchase agreement are equivalent to those that would prevail in an arm's length transaction. The investment in IncubEx is included in other assets in the consolidated balance sheet and is recorded at cost, which approximates fair value.

Notes to the consolidated financial statements

continued

23. Subsequent events

Dividends

On 22 February 2023, Conduit's Board of Directors declared a final dividend for 2022 of \$0.18 (approximately £0.15) per common share, which will result in an aggregate payment of \$28.8 million. The dividend will be paid in pounds sterling on 21 April 2023 to shareholders of record on 24 March 2023 (the "Record Date") using the pound sterling / US dollar spot exchange rate at 12 noon on the Record Date.

Uncommitted letter of credit facility

During January 2023, Conduit Re increased its \$75.0 million uncommitted letter of credit facility with Citibank Europe PLC to \$100.0 million.

Additional performance measures (the “APMs”)

Conduit presents certain APMs to evaluate, monitor and manage the business and to aid readers' understanding of Conduit's financial statements and methodologies used. These are common measures used across the (re) insurance industry and allow the reader of Conduit's financial reports to compare those with other companies in the (re)insurance industry. The APMs should be viewed as complementary to, rather than a substitute for, the figures prepared in accordance with IFRS. Conduit's Audit Committee has evaluated the use of these APMs and reviewed their overall presentation to ensure that they were not given undue prominence. This information has not been audited.

Management believes the APMs included in the consolidated financial statements are important for understanding Conduit's overall results of operations and may be helpful to investors and other interested parties who may benefit from having a consistent basis for comparison with other companies within the (re)insurance industry. However, these measures may not be comparable to similarly labelled measures used by companies inside or outside the (re)insurance industry. In addition, the information contained herein should not be viewed as superior to, or a substitute for, the measures determined in accordance with the accounting principles used by Conduit for its audited consolidated financial statements or in accordance with IFRS.

Below are explanations, and associated calculations, of the APMs presented by Conduit:

APM	Explanation	Calculation
Net loss ratio	Ratio of net losses and loss adjustment expenses expressed as a percentage of net premiums earned in a period.	Net losses and loss adjustment expenses / Net premiums earned
Net acquisition expense ratio	Ratio of net acquisition expenses charged by insurance brokers and other insurance intermediaries to Conduit expressed as a percentage of net premiums earned in a period.	Net acquisition expenses / Net premiums earned
Other operating expense ratio	Ratio of other operating expenses expressed as a percentage of net premiums earned in a period.	Other operating expenses / Net premiums earned
Combined ratio (KPI)	The sum of the net loss ratio, net acquisition expense ratio and other operating expense ratio. A combined ratio below 100% generally indicates profitable underwriting, whereas a combined ratio over 100% generally indicates unprofitable underwriting, each prior to the consideration of total net investment return.	Net loss ratio + Net acquisition expense ratio + Other operating expense ratio
Accident year loss ratio	Ratio of the net accident year ultimate liability revalued at the current balance sheet date expressed as a percentage of net premiums earned in a period.	Accident year net losses and loss adjustment expenses / Net premiums earned
Underwriting year loss ratio	Ratio of net losses and loss adjustment expenses of an underwriting year (or calendar year) expressed as a percentage of net premiums earned in a period.	Underwriting year net losses and loss adjustment expenses / Net premiums earned
Underwriting profit (loss)	Profit or loss directly related to the underwriting activities of Conduit.	Net premiums earned – net losses and loss adjustment expenses – net acquisition costs

Additional performance measures (the “APMs”) continued

APM	Explanation	Calculation
Total net investment return (KPI)	Conduit’s principal investment objective is to preserve capital and provide adequate liquidity to support the payment of losses and other liabilities. In light of this, Conduit looks to generate an appropriate total net investment return. Conduit bases its total net investment return on the sum of non-operating cash and cash equivalents and fixed maturity securities. Total net investment return is calculated daily and expressed as a percentage.	Net investment income + Net unrealised gains (losses) on investments + Net realised gains (losses) on investments / Non-operating cash and cash equivalents + Fixed maturity securities, at beginning of period
Return on equity (KPI)	RoE enables Conduit to compare itself against other peer companies in the immediate industry. It is also a key measure internally and is integral in the performance-related pay determinations. RoE is calculated as the profit for the period divided by the opening total shareholders’ equity.	Profit (loss) after tax for the period / Total shareholders’ equity, at beginning of period
Total shareholder return (KPI)	Total shareholder return allows Conduit to compare itself against other public peer companies. Total shareholder return is calculated as the percentage change in Common Share price over a period, after adjustment for Common Share dividends.	Closing Common Share price - Opening Common Share price + Common Share dividends during the period / Opening Common Share price
Dividend yield	Calculated by dividing the annual dividends per Common Share by the Common Share price on the last day of the given year and expressed as a percentage.	Annual dividends per Common Share / Closing Common Share price

Glossary

The following definitions apply throughout the Annual Report unless the context otherwise requires. All references to legislation in this document are to the legislation of England and Wales unless the contrary is indicated. Any reference to any provision of any legislation shall include any amendment, modification, re-enactment or extension thereof. Words importing the singular shall include the plural and vice versa, and words importing the masculine gender shall include the feminine or neutral gender.

100 year return period A 1% probability of a catastrophe loss event of a certain size (or greater) occurring in any given year.

250 year return period A 0.4% probability of a catastrophe loss event of a certain size (or greater) occurring in any given year.

ABIR The Association of Bermuda Insurers and Reinsurers (ABIR) represents the public policy interests of its members.

Additional case reserves (ACRs) ACRs represent Conduit's estimate for losses related to specific contracts which Conduit believes may not be adequately reported, or adequately covered in the application of IBNR.

Admission The admission of all of CHL's Common Shares (1) to the standard listing segment of the Official List of the UK Financial Conduct Authority, and (2) to trading on the London Stock Exchange's main market for listed securities which occurred on 7 December 2020.

Aggregate excess of loss (XOL) reinsurance A form of excess of loss reinsurance in which the excess and the limit of liability are expressed as annual aggregate amounts.

AGM Annual General Meeting of CHL shareholders.

AM Best AM Best is a full-service credit rating organisation dedicated to serving the financial services industries, focusing on the insurance sector.

AM Best rating A forward-looking, independent and objective opinion issued by AM Best regarding an insurer's, issuer's, or financial obligation's relative creditworthiness.

BCAR The AM Best measure of capital adequacy.

Best Capital Adequacy Rating (BCAR) Depicts the quantitative relationship between a rating unit's

balance sheet strength and key financial risks that could impact such strength.

BMA Bermuda Monetary Authority.

Board of Directors Board unless otherwise stated refers to the CHL Board of Directors.

Book value per share Calculated by dividing the value of the total shareholders' equity by the sum of all common voting shares outstanding.

Broker An intermediary who negotiates contracts of insurance or reinsurance, receiving a commission for placement and other services rendered.

Brokerage The commission that is payable to a broker for placing an insurance or reinsurance contract with an insurer or a reinsurer.

BSCR Bermuda Solvency Capital Requirement.

BI Business interruption Insurance coverage that replaces income lost in the event that business is halted due to direct physical loss or damage.

Cedant A ceding insurer or a reinsurer that writes and issues a policy to an (re)insured and contractually transfers (cedes) a portion of the risk to a reinsurer or retrocessionaire.

CEO Chief Executive Officer

CFO Chief Financial Officer

CHL Conduit Holdings Limited.

Claim AA request by an insured or reinsured for indemnification by an insurance or reinsurance company for loss incurred from an insured peril or event.

CML Conduit MIP Limited.

Combined ratio The sum of the net loss ratio, net acquisition expense ratio and other operating expense ratio. A combined ratio below 100% generally indicates profitable underwriting, whereas a combined ratio over 100% generally indicates unprofitable underwriting, each prior to the consideration of total net investment return.

Common shares common shares of CHL of \$0.01 par value per share.

Company Conduit Holdings Limited.

Glossary

continued

Consortium underwriting Underwriting on the part of a group of either companies or insurers, where risks, premiums and costs are split proportionately between the participants. If a consortium member fails, losses do not fall back on the other capital providers.

Coverholder A coverholder is a company or partnership authorised by a managing agent to enter into a contract or contracts of insurance to be underwritten by the members of a syndicate managed by it in accordance with the terms of a binding authority.

Conduit The brand for Conduit Holdings Limited and all associated group companies.

Conduit Re The brand for all the group's reinsurance business.

CRL Conduit Reinsurance Limited.

CRSL Conduit Reinsurance Services Limited (previously named Conduit Marketing Limited).

CSL Conduit Services Limited.

CRO Chief Risk Officer.

CUO Chief Underwriting Officer.

Cyber Cyber insurance (or cyber risk or cyber liability insurance) is a form of cover designed to protect businesses from digital threats, such as data breaches or malicious cyber hacks.

Deductible or excess or retention The amount of the loss which is retained net by the insured (i.e., prior to the inception of a reinsurance programme). Also known as an "excess" or "retention". The amount that is deducted from some or all claims arising under an insurance or reinsurance contract. The practical effect is the same as an excess: the insured or reassured must bear a proportion of the relevant loss. If that loss is less than the amount of deductible/excess then the insured or reassured must bear all of the loss (unless there is other insurance in place to cover the deductible). An increase in deductible should result in a reduction in premium.

Deferred acquisition expenses Costs incurred for the acquisition or the renewal of insurance policies which are deferred and amortised over the term of the insurance contracts.

Diluted earnings (loss) per share Calculated by dividing comprehensive profit (loss) for the year attributable to shareholders by the weighted average number of common shares outstanding during the year, excluding treasury shares, plus the weighted average number of common shares that would be issued on the conversion of all potentially dilutive equity-based compensation awards.

DSBP The deferred share bonus plan is an equity-based incentive plan where a certain percentage of employee bonuses is deferred into nil-cost options.

Directors' & Officers' (D&O) A specialised form of professional liability coverage for legal expenses and liability to shareholders, bondholders, creditors or others owing to actions or omissions by a director or officer of a corporation or non-profit organisation.

Dividend yield Calculated by dividing the annual dividends per Common Share by the Common Share price on the last day of the given year and expressed as a percentage.

Earnings (loss) per share (EPS) Calculated by dividing comprehensive profit (loss) for the year attributable to shareholders by the weighted average number of common shares outstanding during the year, excluding treasury shares.

EBT The Conduit Group EBT is a trust established for the sole purpose of administering Conduit's equity-based incentive schemes.

ECR Enhanced capital requirement. Under the BSCR Model, the reinsurer's minimum required statutory capital and surplus is referred to as the enhanced capital requirement ("ECR"). The ECR is the greater of the calculated BSCR and the minimum solvency margin ("MSM").

ERM Enterprise risk management is the process of assessing the risk of an organisation's activities in order to minimise the effects of those risks.

Estimated ultimate premiums written Premium reported by ceding companies, supplemented by management's judgement on the estimate provided.

Excess of loss (XOL, XL) or non-proportional Reinsurance that indemnifies against all or a specified portion of loss and loss expenses in excess of a specified monetary amount or other threshold, known as the cedant's retention or reinsurers attachment point, generally subject to a negotiated reinsurance contract limit.

Glossary

continued

Facultative reinsurance The cedant cedes, and the reinsurer assumes, all or part of the risk under a single insurance contract.

FVTPL Fair value through profit or loss.

Gross Premiums Earned Equal to gross premiums written less the change in unearned premiums. It is the portion of the gross premium applicable to the expired portion of the policies reinsured.

Gross Premiums Unearned The gross premiums that are related to the unexpired portion of the risk period after the balance sheet date that are deferred and amortised to future accounting.

Gross Premiums Written (GPW) Amounts payable by the cedant before any deductions, which may include taxes, brokerage and commission.

IAS International Accounting Standard(s) are created by the IASB for the preparation and presentation of financial statements.

IASB International Accounting Standards Board.

IFRS International Financial Reporting Standard(s).

Incurred But Not Reported (IBNR) Reserve for anticipated or likely losses that may result from insured events which have taken place, but which have not yet been reported and/or possible adverse.

IPO Initial public offering.

IRR Internal rate of return.

Invested equity Means the aggregate of initial equity invested in CHL on Admission and equity invested pursuant to any future equity raises by the Company, with the US dollar value of Invested Equity for the USD MIP Shares being calculated at the spot rate at the time the relevant proceeds of the equity raise were received by the Company.

LOC Letter of credit.

Long-tail A type of liability that carries a long settlement period.

Losses and loss adjustment expenses Liabilities established by insurers and reinsurers to reflect the estimated cost of claims payments and the related expenses that the insurer or reinsurer will ultimately be required to pay in respect of insurance or reinsurance contracts it has written.

Losses occurring business Business where the wording stipulates that claims against liability policies can be notified to the company at any time following the issue of the policy.

Loss reserve development The difference between the amount of reserves for losses and loss adjustment expenses initially estimated by an insurer or reinsurer and the amount re-estimated in an evaluation at a later date.

LSE London Stock Exchange.

Market value Refers to (1) the market capitalisation of CHL calculated by reference to the six-month average closing share price prior to the date of the relevant exchange of MIP Shares for common shares of CHL (adjusted to take into account any capital events or distributions during that period); or, (2) in the case of a takeover of CHL, the value of the consideration for the takeover, or (3) in the case of a sale of CHL, the net sale consideration, or (4) in the case of the liquidation of CHL, the amount available for distribution in the liquidation, in each case taking into account any prior dividends, returns of capital or other distributions. The market value for the USD MIP Shares will be calculated in US dollars based on the prevailing spot rate on the date of the relevant share price and in the case of a takeover of CHL, or sale or liquidation of CHL, the latest reasonably practicable spot rate prior to the date of the exchange of MIP Shares for common shares of CHL as determined by the Remuneration Committee of CHL.

Net acquisition expense Net expenses charged by insurance brokers and other insurance intermediaries.

Net acquisition expense ratio Ratio of net acquisition expenses charged by insurance brokers and other insurance intermediaries to Conduit expressed as a percentage of net premiums earned in a period.

Net loss ratio Ratio, in percent, of net losses and loss adjustment expenses to net premiums earned.

OEP Occurrence exceedance probability, the probability that the largest loss in a year exceeds a certain amount (of loss).

Other operating expense ratio Ratio of other operating expenses expressed as a percentage of net premiums earned in a period.

Glossary

continued

Overriding commission A commission that is paid by a reinsurer to the reassured to cover the latter's overheads in administering the reinsurance.

Performance Condition The compound annual growth rate achieved by CHL's shareholders on the date of the relevant exchange of MIP Shares for common shares of CHL is equal to or greater than 10% per annum. The Performance Condition is measured by reference to (1) any growth in CHL's market capitalisation, (2) any dividends paid to common shareholders, and (3) any other returns of value to common shareholders. The Performance Condition is calculated from admission of its common shares to trading on the London Stock Exchange on 7 December 2020 on the initial capital raised then (and from the date of any future equity investment in the Company on that equity) to the date of the relevant exchange. It also takes into account the timing of any prior returns to common shareholders. The Performance Condition will be calculated separately in US dollars for the USD MIP Shares and sterling for the GBP MIP Shares.

Quota share reinsurance A form of proportional reinsurance in which the reinsurer assumes an agreed percentage of each insurance contract being reinsured.

Return on Equity (RoE) RoE is calculated as the profit for the period divided by the opening total shareholders' equity.

Renewal price index (RPI) Internal methodology that management uses to track trends in premium rates of a portfolio of reinsurance contracts.

Risk transfer The transfer of all or a part of a risk to another party.

Risk-adjusted return A concept that defines an investment's return by measuring how much risk is involved in producing that return, which is generally expressed as a number.

TCFD The Task Force on Climate-Related Financial Disclosures (TCFD) was created by the G20 established Financial Stability Board in December 2015 to improve the quality, quantity and consistency of climate-related disclosures. To achieve this, it developed a reporting framework which consists of a number of recommendations structured into four pillars: governance, strategy, risk, and metrics and targets.

The UK Code The UK Corporate Governance Code, monitored by the UK Financial Reporting Council.

Total shareholder return (TSR) The percentage of the increase/(decrease) in share price over a period, stated in percentages, after adjustment for dividends.

Treaty reinsurance A form of reinsurance in which the ceding company makes an agreement to cede certain business and the reinsurer, in turn, agrees to accept all business qualifying under the agreement, known as the "treaty".

Ultimate loss ratio The ratio of total incurred losses to total premiums earned.

Unearned premium The portion of premium income that is deferred and amortised to future accounting periods.

US GAAP Accounting principles generally accepted in the United States.

VaR Value at Risk.

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