



CONDUIT RE



The next generation
of reinsurance

Conduit Holdings Limited Annual Report 2020

Content

Conduit Re

Conduit Re is a pure play global reinsurance business.

We are a new company, but not a new team. We have many decades of underwriting experience in our leadership and underwriting teams.

We know the value of clean capacity and an unencumbered balance sheet to brokers and clients in a hard market.

We have a disciplined and transparent underwriting philosophy.

We embrace the latest and most powerful technology available to provide the best products and service to our customers.

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

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Strategic overview

Conduit Re's objective is to build a reinsurance franchise that will stand the test of time. The Conduit Re brand will reflect the key tenets of our strategy:



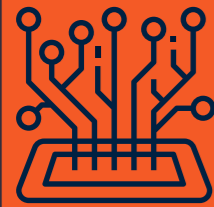
Absolute focus on shareholder value

Conduit Re will seek to maximise growth in Return on Equity over the long term to support an attractive return to our investors.



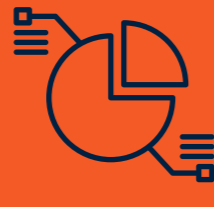
Highly collaborative team culture

Conduit Re will always behave as a single business unit, working together to deliver the best possible experience for all of our stakeholders.



Disciplined and diverse underwriting philosophy

Conduit Re is a pure play reinsurance underwriting business with a highly disciplined approach. We will build and manage a diversified and balanced portfolio of risk over the insurance cycle.



Strong and transparent balance sheet

Conduit Re will aim to maintain strong capital adequacy to support its rating, solvency and liquidity at all times.



Enabled expertise and experience

Conduit Re will engage with markets where we have a deep knowledge and understanding of risk and clients' requirements.



Embedded risk management

Conduit Re will ensure that risk management is a core element of our business platform.



Leveraging IT and data analytics

Conduit Re will maximise the value of information technology and data to provide the best possible service across the life cycle of our reinsurance policies.



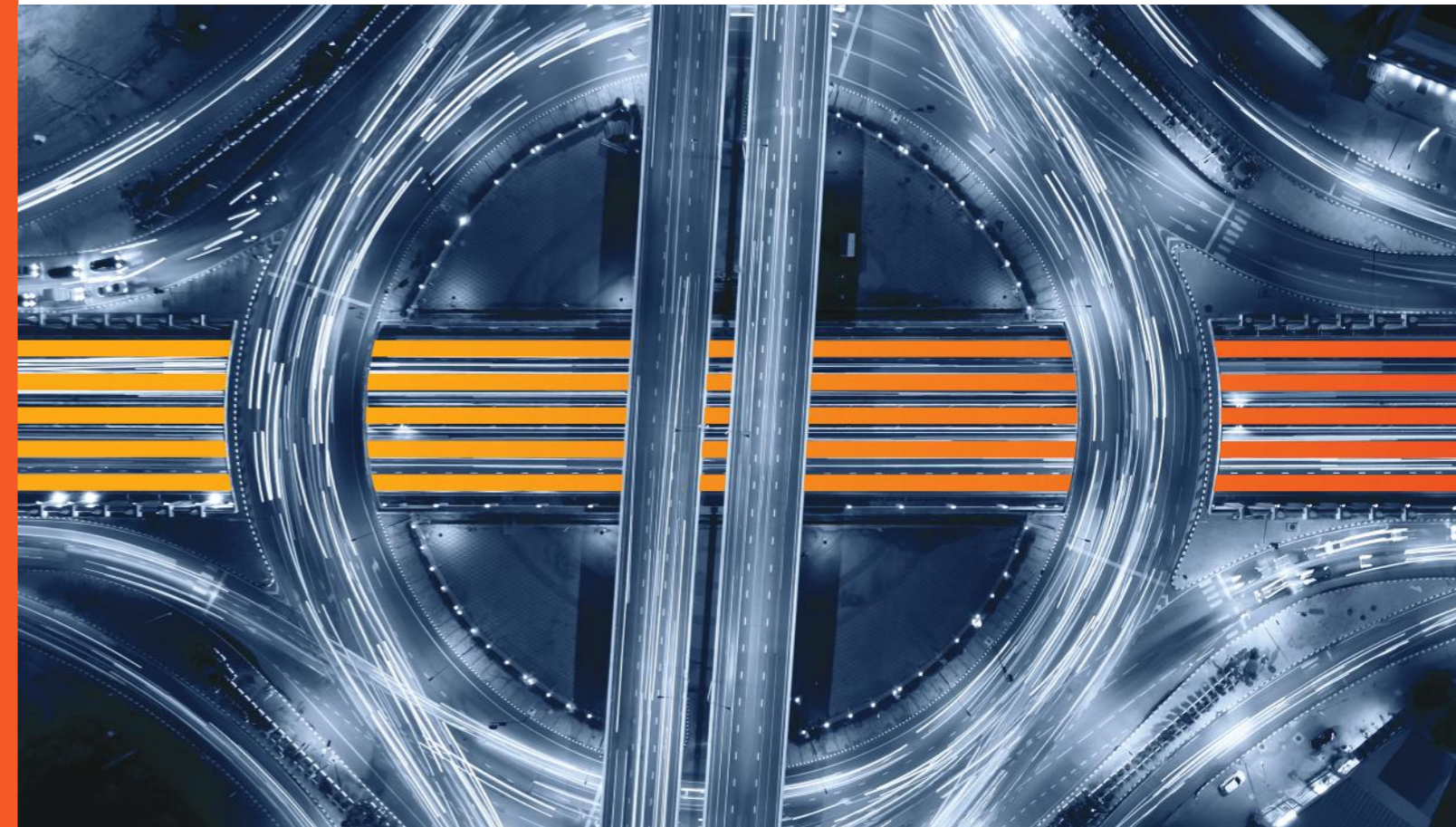
An industry leader in ESG

Conduit Re will seek to become a leader in the re/insurance industry to drive change in the approach to ESG.

Key performance indicators

Consolidated financial statements have been prepared for the period from inception to 31 December 2020. As Conduit began trading on 1 January 2021, this Annual Report only contains formation costs and other costs in connection with the set-up of the business. As it does not include any trading information any discussion of key performance indicators (KPIs) is not considered useful information for this period. The 2021 Annual

Report will be clear of any noise around the formation of the business and therefore will be more comparable and consistent with future years, providing – we believe – better information for our stakeholders as a result. Conduit will provide transparent reporting on all aspects of our business activities in future to ensure that all of our stakeholders are provided with a clear and comprehensive picture of the performance of our business.



The KPIs we intend to report are:

Financial KPIs

- Combined ratio
- Total investment return
- Return on equity
- Dividend yield
- Total shareholder return

Non-financial KPIs

We will also regularly publish a number of other key metrics in our annual reports and other shareholder updates, including pricing and renewal indices and other non-financial indicators, particularly in relation to our employees and our ESG objectives.

Conduit Re is led by Neil Eckert (right) and Trevor Carvey (left), highly experienced industry professionals both of whom have a track record of building and running successful global reinsurance businesses across market cycles.



Strategic report

Executive Chairman's statement

Introduction

We have taken the decision to file this Report and Accounts for the short period from inception to December 2020, which will only cover the IPO and related expenses as well as start-up costs. This will ensure that our future reporting will be based on comparable twelve month reporting periods. In our Trading Statement, we also reiterated our intention to meet our IPO commitment to start paying a dividend from this year, which we expect to declare with our interim results later in the year.

The conception of Conduit Re

When Trevor Carvey and I first discussed the idea of establishing a new reinsurance underwriting business in late 2019, we were already seeing the green shoots of a turning global re/insurance market. Those green shoots have now turned into the first proper market correction the industry has experienced since 2005/6 and possibly the best market conditions since the early 2000s. The timing of Conduit Re's launch could not be better.

In re/insurance vernacular a "hard market" is one in which rates and conditions are improving and tightening leading to inherently more profitable underwriting for the market as a whole. All hard markets are different in nature and the 2020/2021 market correction is different to previous market turns that I have experienced in my career in two important ways:

First, it has not been caused by a major shock loss, but rather is a reaction to persistent long-term pressure from soft pricing conditions, a series of consecutive high catastrophe loss years and a low interest rate environment;

Second, it is being driven from the ground up rather than the top down. We have seen insurance rates in most classes of business improving since 2018 and we are now starting to see the reinsurance markets reacting to this.

It is encouraging to see a market turning willingly as a result of market discipline rather than a forced reaction to a sudden reduction of industry capital. I believe this is leading to a more sustained adjustment in the pricing of event risk, but is also leading to a continuing hardening across all lines of business in both terms and, most importantly, conditions. This will benefit the industry as a whole. It will also lead to increased awareness of the systemic nature of some risks and the need to be able to quantify exposures. The 2020-2021 years could well be remembered as the years of the unmodelled losses as evidenced by Covid-19 and more recently winter storm Uri. The market will have to adjust to start pricing in basis risk of this nature.

A key question is the durability of favourable market conditions in the light of recent capital raises. Our belief is that these raises are immaterial compared to the extent of recent underwriting losses together with the need for continued reserve strengthening across the industry, which will underpin the current hardening of terms and conditions.

But the conception of Conduit Re was not only driven by reinsurance rates and terms and conditions. It was just as fundamentally driven by the gap created as a result of the industry consolidation which has taken place towards the end of the last cycle: a sure-fire sign of a soft market. The industry is now dominated by huge global balance sheet underwriters, which creates opportunities for more nimble footed reinsurers, able to trade a portfolio across the market cycle to maximise long-term returns and build a valuable franchise.

In a global market place shaped by years of industry consolidation, Trevor and I see an opportunity to create a new generation of reinsurer: entrepreneurial, pure play with no conflicts, a flexible operating model, embracing the benefits of recent technology and managing our data in real time. It is these factors that will enable us to build a new and differentiated reinsurance business over the next cycle.

Building a franchise, not a fund

Trevor and his team comment in more detail in their report on current underwriting conditions, so I would prefer to take this opportunity to set out how we intend to build value for our shareholders in the longer term: to build a real franchise based on underwriting excellence, cycle management and providing a first class service for our customers.

The core foundations of the business we are building at Conduit Re are:

Excellence in everything we do. Underwriting. Claims. Technology. Operations. Investment.

Culture: no nonsense and minimal bureaucracy. We embrace the necessary governance structures and reporting frameworks, but we also need to be lean and enable individual responsibility – we encourage our people to think like owners of the business in every decision and they are remunerated accordingly.

People: an underwriting business is defined by its people. We have already been fortunate to have assembled a first class leadership team, both to lead our underwriting activities and to build and manage our operations. Our people are our unique selling point.

Executive Chairman's statement

Technology: we enjoy the benefit of being new, we can build systems without the challenge of legacy data and we can embrace digital placement. We intend to invest continuously to ensure that we enjoy the best technological advantages. At every point in the re/insurance product cycle, we will enable our people to provide the best possible service to our customers and the best possible results for our shareholders.

Governance: transparency is our mantra. We believe that this is a key foundation to our business model and this will be reflected in our corporate governance and approach to risk management, which is set out in detail elsewhere in this report including in the ESG section.

Environmental and social objectives: I have been at the leading edge of managing environmental change through the power of financial markets since 2005 when I co-founded the world's first – and now largest – carbon futures exchange. The re/insurance industry has not been as quick as it might have been to embrace its responsibility in this area, which I believe has created some negativity towards the sector as a whole. At Conduit, we will be taking an industry leadership position in driving change and as we stated in our IPO prospectus, we will always be a net-zero-carbon business. We will also seek to take this one step further by encouraging all of our stakeholders to participate in our projects and become zero-carbon in their own right.

We have already established the Conduit Foundation, which will seek to sponsor and support a number of social and environmental initiatives. We have received generous founder donations totalling in excess of \$250,000 to start the mission and we will match this ourselves to bring initial funding to \$500,000. Elsewhere in this document we provide a more detailed report on our approach to the E (environment), the S (social) and the G (governance) in ESG.

Brand: establishing and understanding our values, our approach to customers and the way that we communicate with all of our stakeholders, including our investor relations activities, all play an important part of generating value for shareholders. These are the ingredients of a strong B2B brand and our objective is to establish Conduit, not just as a centre of excellence for reinsurance underwriting, but also with a leading reputation in our industry.

Conclusion

I am told that Conduit is the largest start-up IPO in the history of the LSE, and it is the result of a monumental amount of work and support from our team, our advisers and our investors. I'd like to say a huge thank you to each and every person who supported us in making Conduit a reality. We will be working tirelessly to repay that confidence in us.

As we set out in our initial Trading Statement on 15 January, we got off to a flying start. We have already established the core of a top class management and underwriting team, we are embracing the benefits that technology brings to the table for the new generation of reinsurance underwriters and we have established strong relationships with our key trading partners around the market. It is an exciting time to be building a new reinsurance business and we couldn't have asked for a better start to Conduit's business.

Neil Eckert

Executive Chairman
1 April 2021

Chief Executive's report

Introduction – the hard work starts here

I am pleased to provide my first Chief Executive Report on behalf of Conduit Holdings Limited. The launch of our business is the culmination of a huge amount of hard work over the last twelve months in very challenging circumstances. I would like to take this opportunity to thank our investors who have placed their trust in us to take advantage of the current opportunities presented by the global re/insurance markets.

But the really hard work for Neil, myself and the growing Conduit team has just begun. We have already achieved a lot in laying the foundations of the business but there is much more work to be done to achieve our ambitious goals of creating a recognised reinsurance underwriting franchise. Our sleeves are fully rolled up and we are building a high quality team equipped for the challenges ahead.

Lessons learned

Having been involved in underwriting since 1982, I have traded through several re/insurance cycles as part of some very different organisations, all of them with their own strengths and approaches to the business model, strategy and culture. The business model that we are building at Conduit Re is the result of many lessons learned and is about creating long-term value in a reinsurance business.

There is a lot of talk today about rate increases and improvements in terms and conditions, and we discuss these in more detail in our Underwriting Report. It is undoubtedly the case that current market conditions are favourable in our key target classes of business and they continue to improve across the board. This will help us establish Conduit Re and to build our portfolio to critical mass in the medium term.

But the launch of Conduit Re is not purely a reaction to immediate market opportunities: it is about building a reinsurance underwriting franchise that will stand the test of time. There are several factors that we believe will establish Conduit Re as a brand in the market for the next generation of the re/insurance industry:

We will be a pure play reinsurance underwriting business. We will build and manage a portfolio of treaty reinsurance risk and we will not create conflicts of interest with our customers and markets by moving away from this core competency.

We will always be informed capacity and will embed insurance expertise within our treaty underwriting teams enabling us to exercise better and more informed judgements on the business that we transact.

We will manage our volatility through diversification and balance in our exposures – not simply rely on our retrocession partners.

We intend to actively manage the reinsurance cycle, seeking to develop the optimum portfolio mix to best handle the swings that we see in our diverse market place.

We will protect our solvency capital and not seek to leverage our returns by taking excessive risk with our invested assets.

We will maximise the value of technology and data analysis tools enabling us to provide the best possible service to our customers and business partners.

The Conduit Re team

There are two core elements in any reinsurance business that shape the culture and effectiveness of the business model; the people and the platform. These have been our immediate focus.

I am very pleased that we have attracted such high calibre people to Conduit Re in such a short space of time to build and lead our business platform. We intend that Conduit Re will always be defined by our people.

There is always, of course, a focus on the underwriting talent in an underwriting business and we are delighted to have on board Marc Bearman, Chris Board, Angus Hampton, Greg Roberts and Erik Soria – the leaders of our underwriting teams – from whom you will hear more from in the months ahead as we build out the business. They all share the ethos that will define our brand.

We have also assembled a first class operating team of people who excel in their individual areas of expertise and most of whom have been through the start-up journey before.

With this team in place, we have already established the core business culture at Conduit Re: a no-nonsense, roll your sleeves up, collaborative approach to ensuring underwriting excellence and the highest level of service to our business partners.

One key business principle that both Neil and I have learned is the importance of ownership. The culture at Conduit Re will always be one where employees are encouraged and rewarded to think and act like owners throughout all levels of the organisation.

Chief Executive's report

The Conduit Re platform

A lot has been spoken about 'legacy' in recent years, particularly in relation to legacy claims creating a drag on the industry's capital and resources. We are in the advantageous position of being able to provide clean, legacy-free capital to our clients and it is up to us to ensure that we avoid this issue for ourselves in the future.

Technology is also part of discussions around legacy. The re/insurance industry has never been the quickest to adopt new technology because moving massive amounts of data onto a new platform is expensive, time consuming and risky. This has created an ongoing legacy issue for the industry as a whole. However, there have been significant advances made in business technology in recent years: cloud servers, web applications, distributed ledger databases (blockchain) and real time data sharing and analysis tools.

As a new business we are in the fortunate position of being able to maximise the value of modern technology from the get-go. We have the opportunity to create an operating platform with the latest available technology, and this is what we are doing. By building a platform that can adapt and evolve as technology adapts and evolves, we will also ensure that Conduit Re always provides its people with the leading technology tools to enable informed decision making at every stage in the policy life cycle.

Conclusion

I believe that 2021 will be seen as a generational transformation in the way the re/insurance industry operates and Conduit Re will be at the forefront of that change. A more transparent marketplace, changing working practices, a real-time approach to sharing data – the life blood of the industry – and a step change in the adoption of technology will enable a more modern and efficient underwriting process.

I have no doubt others will eventually adopt the same industry changes that we are now embracing as a result of our freedom and flexibility as a start-up. But we have a head start and will work to maintain this advantage by being a business that is always one step ahead of the pack.

Neil and I would like to express our thanks for the overwhelming level of support we have received from our business partners, brokers, clients and markets. A big thank you to everyone who has supported Conduit Re in getting off to such a successful start. We are excited to continue working with you.

Trevor Carvey

Chief Executive Officer and Chief Underwriting Officer
1 April 2021

Underwriting report

I am pleased with the reception that Conduit Re has had to date. Feedback both from brokers and cedants has been extremely positive and we are seen as an attractive partner offering added value immediately.

Solid preparation ahead of our launch with a highly experienced leadership team in place, a deliberate approach to the market, combined with the just over \$1 billion of clean capital raised by Conduit, have contributed to our being viewed as a secure and responsible partner by cedants and brokers alike and we thank them for their support. From our experience to date, we are already perceived as contributing intelligent and disciplined capital to the market and the fact that we do not compete with our clients on the insurance side is also opening the right doors for us.

We are pleased with the quality and quantity of business flow we have seen since coming to the market and we are confident in the prospects for a successful 2021 and beyond. The following report, compiled with input from Marc Bearman, Chris Board, Greg Roberts and Erik Soria, sets out our views of the current market environment and our approach to it.

Property

Conduit Re navigated a complex market around the reinsurance renewal season by aligning and attaching ourselves to underlying rising market conditions and promoting underwriting discipline.

We positioned ourselves as an experienced and disciplined following market with a concerted focus on supporting target cedants. Most cedants are already long-term trading partners of our underwriting team and signings were generously accommodated, supported by the fact that we offered reasonable shares and enhanced by our use of both the local and the wholesale market.

The property market continues to harden. January treaties were mostly negotiated at rate increases below initial estimates but the measurement of actual increase varies across reports from brokers and risk takers. Demand for reinsurance limit was marginally increased. The macro environment is one of low inflationary pressure and so underlying exposure did not significantly increase.

We expect to see continued reinsurance rate improvement on both excess of loss and quota share due to original rate development. There was talk that the retrocession market was less hard than anticipated but we expect reinsurer peak zone appetite to continue to moderate on a gross basis.

It is worth noting that January placements are typically a lower average rate on line than key renewal phases later on in the year, such as the renewal placements in June and July, which are heavily dominated by North Atlantic wind.

The upward pricing trend is also causing in-force multi-year placements to fall behind current margin levels. Reinsurers are less willing to lock future pricing into contracts and Conduit Re was able to participate in some deals where the multi-year contracts were converted back to annual placements.

Conduit Re has been carefully evaluating adjustment mechanisms, with a bias towards those that would benefit from improvements in underlying rates. With this in mind, we reviewed subject premiums carefully and where we felt they were unachievable we insisted on and supported revised subject bases, resulting in increased adjustable rates.

There continues to be a lack of clarity in inherent Covid-19 positions on international contracts – best demonstrated by European and Australasian cedants who continue to claim on business interruption (BI) coverage on their property contracts. Unlike event cancellation and trade credit, BI coverage in the main is not a deliberate coverage for Covid-19. Some US commercial cedants continue to offer sub limited coverage for communicable disease and so far this language has not yet suffered from judicial overturn. We continue to watch this situation.

The property reinsurance markets will also undoubtedly be impacted by the recent winter storm Uri in the US, which is a timely reminder for the market ahead of the key mid-year renewals of the need to factor in the increasing costs of so-called 'secondary loss events'. The insurance losses arising from winter storm Uri are complex and will take a while to determine, but it would appear to be the costliest US winter storm on record. These 'non-critical' perils continue to demand their own premium and margin allocations, once again testing attrition versus peak zone exposures.

We will continue to monitor the rating environment in our target markets, reviewing opportunities in both absolute and relative terms.

Underwriting report

Casualty

As the global casualty markets continued to wrestle with the convergence of issues such as litigation funding (“social inflation”), chronic under-pricing on underlying classes and reserve deteriorations throughout 2020, the January 2021 reinsurance renewal season presented an attractive opportunity to capitalise on the growing dislocation across territories, casualty classes and product lines. Moreover, uncertainty continues in the casualty reinsurance market on perceived insurable loss estimates pertaining to Covid-19 and in our view these have not yet been fully recognised in rate rises in both loss impacted and non-loss impacted accounts.

Throughout the renewal season, both in the US and international markets we communicated our deliberate approach to the market: we value the ability to work with cedants who demonstrate a proven underwriting track record and best in-class management. We specifically value working with cedants in the long-tail specialty lines, where capacity and competition remains finite. This creates the circumstances required to improve margins and create greater long-term resilience, which are not so present in some non-specialty business lines that typically have smaller margins to work with in challenging markets.

US

The rate environment in US casualty is generally very positive with the strongest areas being in the longer tail/specialty lines – particularly professional liability – and excess casualty, with the weakest area being worker’s compensation.

Conduit Re’s risk appetite for US casualty is a deliberate approach to develop a core treaty casualty portfolio of long-tail specialty lines with cedants who demonstrate a proven underwriting track record and have best in-class management. We believe the core specialised makeup of the Conduit Re portfolio will provide us with a resilient base and the ability to more adequately manage the market cycle without ever having to sacrifice underwriting acumen. We do have the ability to write most lines, including reserving some more general capacity for core clients who request support across various casualty, property and specialty lines.

Conduit Re has been very well received by both brokers and clients alike with extremely broad general market acceptance enabling us to build our portfolio and brand from day one of our operation.

International

In international casualty, the market clearing price continues to move its way back towards adequate levels, with the January renewals representing the start of what is likely to be the second consecutive full calendar year of compounded rate rises.

The international quota share market proved to be challenging, with clients generally unwilling to accept the need for reduced ceding commissions and hard event limits. There was very little acknowledgement of prior year loss deterioration in the structural economics with rising original rate used to mask these inconsistencies and to facilitate negotiations.

On the other hand, the per risk market displayed the greatest dislocation and pricing momentum with loss impacted accounts up as much as 15% with a general acceptance of organic 0-10% rate rises on loss free programmes. The London market clash space experienced an equal degree of flux with rates up as much as 15% on loss impacted accounts and 7.5% on loss free accounts. These price increases stem from both a general discomfort with prior year results and historic chronic under-pricing. Moreover, there is a general perception that further back year deteriorations will continue and remediation can be expected as we move forward.

Pricing momentum is unlikely to ease off with gradual compounding increases expected as the reinsurance market continues to catch up with and regain ground previously lost to the underlying insurance markets.

The Japanese, Canadian and London Market renewals on 1 April will be a good barometer for subsequent renewal dates with reinsurers poised to accelerate the positive momentum. We believe that the upward trajectory is set to continue throughout the year.

Specialty

We were able to secure a large number of submissions from brokers and clients in the run-up to 1 January, and established ourselves sensibly in the market to build our portfolio of diversified specialty classes. As with property and casualty classes at this renewal season, the underlying primary rating levels moved significantly and the quota share route to market paid dividends over a pure excess of loss approach. There were however various instances of clients retaining more, especially on proportional structures where we witnessed an understandable desire to retain premium adequacy and margin after several healthy years of compounding rate increases.

Underwriting report

Moreover we saw evidence of a cutback in capacity on some of the market key risk scenarios, with reinsurers reducing positions and shares on contracts where both peak natural catastrophe and peak risk aggregate exposures are being monitored and identified more diligently. Terror blast zone capacity constraints were also in evidence and Conduit Re was able to capitalise on this to establish a presence on targeted programmes.

The majority of direct classes again experienced rate increases, especially in aviation, property and downstream energy, which showed the strongest increases in a more challenging marketplace. The compounded increases in those classes are slowly getting the base premium back to where it needs to be. The aviation sector is still reeling from Boeing losses and suffering from a contraction in capacity, while downstream energy and property insurers are demanding hikes, especially on loss affected business or covering peak cat affected regions. We expect renewable energy offerings to continue to gain in number over the year as the industry investment takes hold. Upstream energy remains a reasonable proposition to us as a reinsurer but is not as attractive as its onshore cousin.

Mainstream marine classes are showing healthy risk adjusted rate rises on excess of loss accounts and are an area where reinsurers at least seem to be finally coming to grips with the need for robust discussion and insistence on suitable cyber and communicable disease clauses.

As a general comment on acquisition costs in the specialty proportional market, we note that commissions remained relatively static from a year ago with reinsurers opting to take the strong underlying rate increases rather than push commissions down. Exceptions to this are the ‘bridesmaid’ classes, such as marine hull, which remain unfortunately ‘under water’ in our view. More broadly, an insistence by reinsurers on event limits in specialty classes is being accepted more than ever and is something we expect to continue. We see this simply as good housekeeping that should be in place in any circumstance.

In these contracts, given the wide array of underlying policy language worldwide, there was some evidence of clients pushing for basic ‘follow the fortunes’ cover for both communicable disease and cyber. It is true to say that the specialty proportional market has a way to go before any market clarity is arrived at. We have made public Conduit Re’s broad position on cyber: we believe that the class has a way to go before rating and policy language is at a state that would allow us to enter meaningfully. Recent events such as the Solar Wind hack simply underline our position.

Essentially, the specialty market is still buoyant and will continue to be so in 2021. With our underwriter base and broker relationships spanning many companies and regions, Conduit Re has a great window into a diversified world of risks, both on a quota share and an excess of loss basis. We are experienced in spotting emerging rating trends – both positive and negative – and with our knowledge of appropriate policy exclusionary language we see the broad specialty class as adding significant value to Conduit Re over time.

Concluding remarks

As we have consistently said, Conduit Re’s underwriting philosophy is one of balance and diversification and our initial book building has followed these core principles. The market continues to improve across all of our target classes and we remain of the view that this will lead to sustained attractive market conditions.

We have achieved what we set out to achieve in these first few months and are well positioned to deliver on the plans we set out to investors in our IPO process.

Trevor Carvey

Chief Underwriting Officer and Chief Executive Officer
1 April 2021

Chief Financial Officer's report

After a pretty unsuccessful attempt at retirement this time last year, the opportunity to join the Conduit Re team at the beginning of its journey to build a new and exciting reinsurance business was too good for me to pass up. It's rare for a role that seems like a perfect fit to come along. Like Neil and Trevor, I hope to bring the lessons I have learned in previous roles to benefit Conduit and our stakeholders.

We have produced consolidated financial statements for the period from incorporation to 31 December 2020. They consist mostly of the expenses from our IPO and operating expenses, mostly salaries and the like, from our first month of setting up the business.

While the Group didn't have any "active business" in 2020, it was far from an inactive period. We had a very successful IPO in December 2020, a subsequent confirmation of our A- rating from AM Best and a renewal season leading up to 1 January that went entirely according to plan. The Company is well positioned to underwrite the improving market in 2021, with a balance sheet free of legacy issues and unwelcome reserve surprises. With 2020 being the fifth costliest catastrophe loss year on record, ongoing adverse reserve development in casualty books, and an over-hang from Covid-19, we expect the market – which is good enough – to continue to get better.

We raised a total of £790 million (\$1,057 million), net of offering expenses, in the IPO in December. The support we received from our new shareholders was phenomenal – and much appreciated. Since then, we have been busy building the business in line with our plan. As I mentioned, our book at 1 January was broadly in line with our expectations. While it will take some time for us to fully build out our book – and therefore fully deploy our capital – we are quite happy to take our time, focus on risk selection and maintain a balanced approach. Conduit is an underwriting business first and foremost and that is rightly where our principal focus is. Our plan is for sensible growth over the next few years. We will adapt as the opportunities evolve but our approach to underwriting discipline will remain the same.

We will also soon be appointing investment managers to manage our funds. Capital preservation and liquidity to support our underwriting remain of paramount importance to us, so you can expect to see the boring, low duration, high quality portfolio that we promised at IPO. We will, however, challenge our investment managers to fully integrate ESG into their investment processes.

So, with not much to comment on looking back on the year-end numbers, we think we have a great deal to look forward to in 2021. We are building our teams, our technology and what we believe will be a great book of business in attractive market conditions. I look forward to having much more to report on over the coming months and years.

Elaine Whelan

Chief Financial Officer
1 April 2021

Enterprise risk management

Enterprise risk management in a modern, legacy free environment

Conduit is building a modern and forward-looking organisation in which risk management is integral to our culture and guiding our strategy and operational plans.

Just as our underwriting philosophy actively seeks to maximise the benefit of technology to appraise, price and measure underwriting risk, technology is also at the heart of how we measure, manage and monitor our own business risks. As a new reinsurer, free from legacy constraints and organisational complexity, we are well positioned to establish complete transparency and auditability in all our activities.

We are embedding controls and oversight in our systems and processes to provide a transparent and common view across the business. This enables our risk team to leverage data analytics in their role as the 'second line of defence', providing timely support and challenge throughout the organisation.

The Conduit risk team collaborates closely with the other 'second line' functions (actuarial and compliance) and with findings from 'third line' functions (internal audit, external audit and the independent loss reserve specialist) to support the CHL and CRL boards in their oversight of risks and controls.

Conduit is a highly focused pure play global reinsurer in a single location with one balance sheet. As a well-capitalised start-up, Conduit's risk capacity is initially constrained more by operational capacity and appetite than by financial capacity and we are respectful of the need to grow our operational capacity in a deliberate and purposeful way to support our underwriting strategy.

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 able to focus on long-term performance and building our business in a way that is sustainable and compatible with our responsible environmental, social and governance values. This longer term focus also helps us to manage our operational risks.

Current progress

Our risk appetite is, and will continue to be, consistent with the disclosures we made in the IPO prospectus:

- As a reinsurance underwriter, we actively seek underwriting risk but will maintain a balanced portfolio of reinsurance classes and geographical exposures and strict limits on our exposures to natural catastrophes and man-made loss events.
- We will take a cautious approach to investment risk; 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.
- We will seek to manage other risks prudently and build our systems, operations and controls to ensure robustness, resilience, efficiency and adaptability.

The underwriting period leading up to 1 January 2021 took place in parallel with us building out our senior team and while deploying phase one of our pricing tools, underwriting platform and catastrophe risk aggregation system. Therefore, immediate underwriting risks were managed by involving multiple sets of eyes on every risk and with a focus on a manageable number of contracts. Our outwards protection was agreed with well-known and financially strong providers of retrocessional capacity.

Operational risks were mitigated by engaging a licenced insurance manager to support administration and accounting processes, through active management from the executive team and through direct risk involvement across all areas of the business: appropriate during a start-up phase while longer term processes and controls are being built out.

The overall risk policy and enterprise risk framework were approved at board meetings held in February 2021, together with refined risk appetite and tolerance statements, building on those established prior to the IPO.

A baseline view of our risk appetite and exposures is set out overleaf.

Enterprise risk management

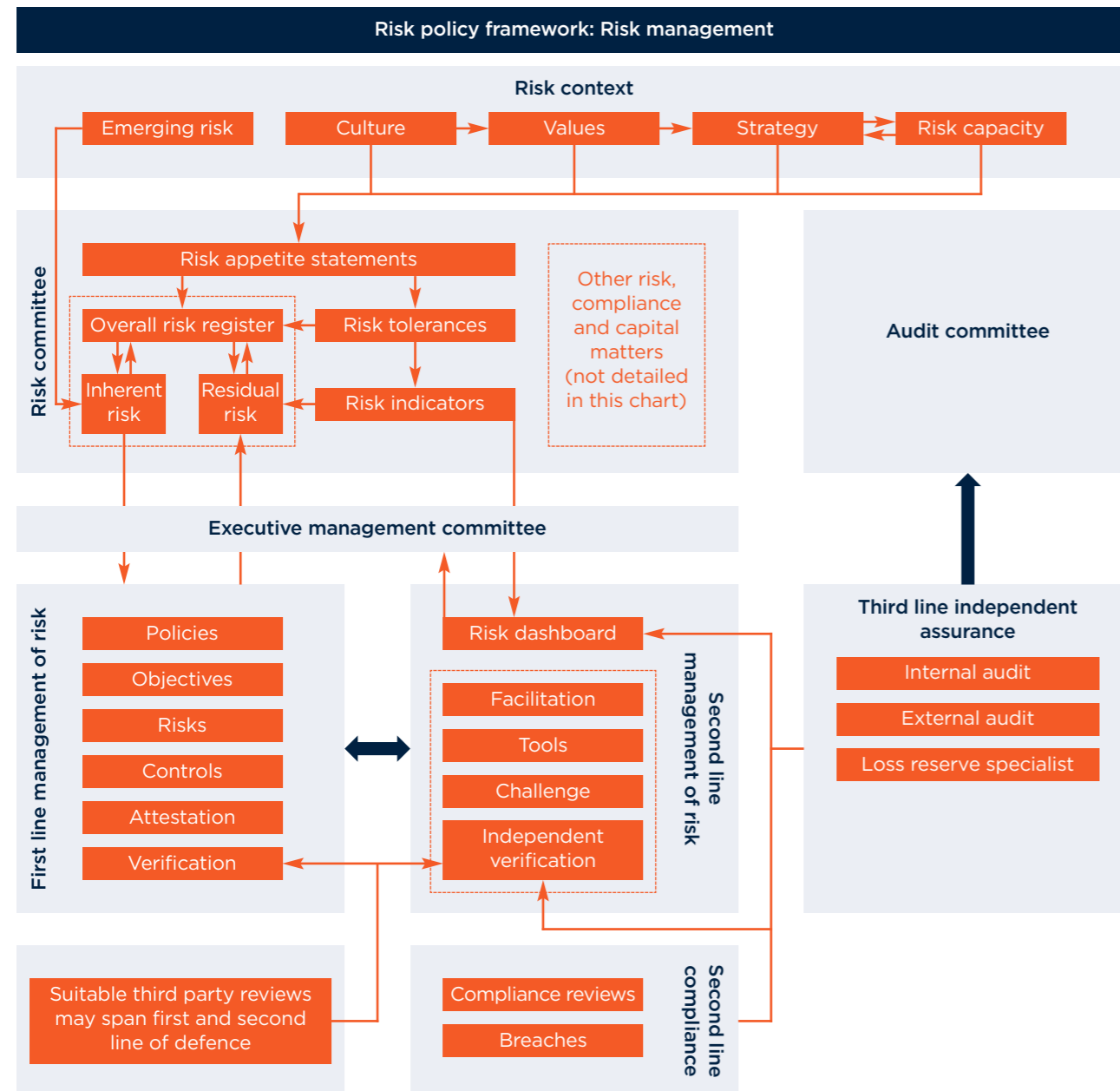
Risk category	Relative appetite / preference	Status
Overall – capital adequacy	Low We maintain capital to support a minimum rating of A- by AM Best and to provide a surplus over the regulatory enhanced capital requirement of twice that prescribed as an early warning buffer prescribed by the BMA.	On track We have secured an A- rating by AM Best and have substantial capital to deploy.
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.	On track On 1 January we underwrote a balanced portfolio of business consistent with our planning expectations. Initial bias towards quota-share with further excess of loss business expected through the year as our business flow continues and team develops.
Underwriting – exposure and aggregations	Medium We underwrite catastrophe exposed reinsurance through our property and specialty lines, 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.	On track On 1 January we took on a modest amount of catastrophe risk and put in place initial retrocessional support at a lower attachment point than originally planned. Non-property catastrophe aggregations are also limited at this stage and also subject to our retrocessional protections.
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 (from 2021 year-end).	On track No loss reserves required as at 2020 year-end. Chief Actuary now in place, as is independent loss reserve specialist.
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.	On track As at year-end the funds raised from the IPO had not been deployed and so were highly liquid money market funds. The selection process for investment managers has been undertaken in Q1 2021. Investment managers selected will deploy an investment strategy consistent with our investment and ESG criteria.

Enterprise risk management

Risk category	Relative appetite / preference	Status
Credit	Low We use reinsurance to provide protection and therefore select reinsurers who provide limited credit risk.	On track All retrocessionaires currently A-, A or fully collateralised. A counterparty security committee is now in place.
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.	On track for current maturity – elevated During the start-up phase operational risks are elevated as people are recruited and systems and processes are implemented. We are using a licenced insurance manager to reduce operational risk in the start-up phase. Operations is a core focus for the management team, risk and internal audit. Staffing is being increased and a build-out of processes and controls is underway. The outsourcing committee is overseeing outsource and software as a service suppliers, and includes senior operations, risk and legal/compliance representation.
Strategic	Low We seek to manage risk by keeping a clear and focused strategy as a single balance sheet reinsurer based in one location.	On track Initial period of elevated risk, noted in the prospectus, has passed with acceptance by regulators, rating agency and target brokers and markets. Market conditions remain favourable.
Reputational	Low A focus on maintaining and enhancing brand and franchise value. Support from the ESG committee, established by the holding company board.	On track Public coverage favourable to date.
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.	On track for current maturity – elevated Initial period of elevated risk while governance structures were being confirmed and the team built out. Reducing risk by using support from a licenced insurance manager.

Enterprise risk management

Overall enterprise risk management framework and risk governance



Enterprise risk management

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, three CHL independent non-executive directors also sit as directors on the CRL board.

CRL operates a 'three lines of defence' risk management model with the Chief Risk Officer 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 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 Chief Executive Officer and the executive management 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 in to the overall risk assessment. These may be used, where appropriate, to support independent validation, alongside the risk function's own reports and those of other independent third parties.

Roadmap to a business-as-usual risk function

Our overall risk policy and refined risk preferences, appetite and tolerances were reviewed and approved at our board and committee meetings in February 2021. The CHL audit committee and the CRL risk, capital and compliance committee also reviewed the group risk register and our plans to embed risk management and controls as we roll out additional systems and processes.

Throughout 2021, individual risk policies specific to individual business areas or risk groupings will be implemented. These are owned by the first line risk owners and include the identification of risk management objectives consistent with our risk appetite statements. They go on to identify the relevant risks and controls and set out any attestation requirements and the mechanisms by which compliance is verified. Until these policies are implemented, the risk function will be more directly involved through participation in meetings and with the support of other second line of defence functions.

In parallel with the risk policy roll-out, key risk indicators are being developed, leveraging the flexibility and transparency of our chosen operational systems. Similarly, the links between risk and capital requirements are also being developed, evolving from a launch focus on rating agency and regulatory capital to developing our own view of the capital required to support our exposures as a key management tool.

Given our focus on embedding modelling and processes in our systems, validation is of particular importance. This applies to pricing models, catastrophe models and the capital model. During the roll-out phase, validation will be undertaken as part of the build process with our risk team providing independent and constructive input. Once embedded, models and systems will be subject to more structured independent validation, led by the risk team, with reporting to the CRL risk, capital and compliance committee.

A base level of stress and scenario tests, including reverse stress tests, were undertaken as part of the initial business plan build out and rating agency and regulatory submissions and these will be further expanded and refined ahead of the 2022 business planning cycle.

Environmental, social and governance report

Introduction from the Executive Chairman

Everyone and anyone in the investment community is talking about 'ESG' and 'net-zero-carbon' but I fear that a lot of lip service is paid to the fundamental goals of ESG. As someone who has been a passionate advocate of environmental change for the last 20 years, I intend to ensure that Conduit will act as an influencer in an industry that is never at the front of the queue when it comes to change.

As a new company, with zero historical carbon footprint, Conduit is in the fortunate position of being able to start life as it means to go on. Environmental and Social responsibility will not just be a chapter in our report and accounts, but will be woven into the fabric of everything we do at Conduit, from the day to day behaviour of our team, to the way we do business. It is not just about carbon, but addressing the issues caused by climate change, such as the 'climate coverage gap', resilience and post catastrophic event response. These are serious challenges, but at the same time, tremendous business opportunities.

We have already stated that we intend to be a net-zero-carbon business from the very beginning, but our ambition goes much further than this: to be seen as an influencer by our stakeholders.

As Executive Chairman, I bring to Conduit the benefit of my experience and relationships at the cutting edge of corporate environmental responsibility. Between 2005 and 2010, I helped to build the world's largest carbon futures exchange, now part of ICE, and I remain the Chairman of Incubex, the fastest growing environmental derivatives platform in the world. I am actively involved in some of the world's leading carbon reduction initiatives including the Sustainable Markets Initiative, co-chaired by The Prince of Wales and the World Carbon Fund, where I am a strategic advisor. I will therefore seek to leverage these involvements to help to establish ESG as a fundamental tenet of Conduit's brand.

I have always believed passionately that the free market can be a force for good, and our overall goal at Conduit is to maximise overall value in the long term rather than short term profit. I believe that the most valued businesses of the future will be those that adopt the values of responsible capitalism, as is our unavowed intention.

Environmental (E)

To achieve our goals in the short term we will be purchasing enough carbon credits to offset our anticipated carbon footprint for the first seven years of the company's life. We will be reporting on this in future reports and accounts and will produce an annual environmental audit.

In the longer term, we intend to sponsor a number of environmental initiatives and projects and to encourage our stakeholders to follow suit and possibly to invest alongside us.

We are delighted to see that a number of other leading businesses in the industry are pursuing similar strategies and our hope is that we can cooperate in many areas and to develop this momentum as an industry.

As Elaine has alluded to in the Chief Financial Officer's Report, we will also seek to influence change through our investment strategy and will, where possible, be seeking impact investments such as 'green bonds', so long as these adhere to our strict investment criteria in terms of both quality and duration. We are in the process of appointing our investment managers and this will be a critical factor in our appointments.

We have also formed our charity, the Conduit Foundation, which has the ability to support our environmental initiatives including acting as a retirement vehicle for carbon offsets.

Finally, as we have also already stated, we will be actively supporting the key global initiatives and organisations that are driving real change in the area of Environmental and Social Responsibility. We will immediately seek to start work in establishing and supporting industry initiatives, starting in Bermuda where there are already a number of proactive and like-minded businesses.

Social responsibility (S)

The Group has established a charity in Bermuda, the Conduit Foundation, which has begun to engage with the local community to identify worthwhile projects where it can make a positive impact in the local community either alone or in partnership with other providers.

The next step will be to establish a strategy for the deployment of funds held in the Foundation to further our environmental, social and charitable aims. It is about more than just giving: it will be designed to encourage maximum outreach and engagement with the local community in a manner that underpins and promotes our core values.

Environmental, social and governance report

Away from the activities of the Foundation, Conduit is committed to recruit, retain and develop people with diverse backgrounds and experiences at all levels of our business, in a truly inclusive environment. Conduit will, wherever possible, employ locals with the encouragement of internships and work placements. There will be a strong focus on employee development programmes and educational support. The Board has already appointed a Non-Executive Director, Malcolm Furbert, to be responsible for engagement with our workforce.

Governance (G)

The Executive Chairman and Head of Human Resources at Conduit are charged with leading the Group's ESG policies.

Conduit has established an ESG committee made up of Board and non-Board members. This committee is chaired by Sir Nicholas Soames and will meet quarterly to consider the Group's ESG approach and activities. Its findings and reports will be made available to the whole Board formally through Board papers.

The ESG committee will assist Conduit in challenging convention, improving business practices over outdated norms and help build a business which is regarded as great to work for, great to invest in and great to have as a community partner. The ESG committee will challenge itself and be challenged by the Board to bring sound ESG principles into the day to day life of the Group; promoting better risk management, innovation, sustainable outperformance and community engagement.

The Group also has a number of policies in place in order to support the governance structures, including anti-bribery and corruption, modern slavery and whistleblowing.

The Board is absolutely committed to meeting best practice in, and has begun to embed high standards of, governance throughout the Group with particular emphasis on ERM. The Board plans to continue on this path in 2021. Further details will be provided in the 2021 Annual Report.

Committee terms of reference are set out on the Group website.

Reporting framework

Conduit will regularly update all stakeholders on its ESG policies and initiatives through its website and as part of its corporate communications strategy. An ESG Report will be set out in the Annual Report and Accounts and be published on the Group website.

Conduit will use the UN Environment Programme Finance Initiative as its reporting framework for all stakeholders and will benchmark against its Key Principles for Sustainable Investment wherever possible, in particular considering:

- Embed in decision making ESG issues relevant to insurance business;
- Work together with clients and business partners to raise awareness of ESG issues, manage risk and develop solutions;
- Work together with governments, regulators and other key stakeholders to promote widespread action across society on ESG issues;
- Demonstrate accountability and transparency in regularly disclosing publicly the progress in implementing the Principles.

Neil Eckert

Executive Chairman
1 April 2021

Governance

Chairman's letter to shareholders

Dear Shareholders,

I am pleased to provide this introduction to the corporate governance section of the Company's first Annual Report. As a standard listed company, the Company is not required to comply with the UK Corporate Governance Code but I and the rest of the Board are committed to high standards of corporate governance and intend, to comply with the Code and govern the Company as if it were a premium listed company or explain why it is not complying.

Governance

As a start-up, the Company's governance structures were only put into place a few weeks before the end of the financial period. We have reported on the arrangements that we have already made and the Board plans to develop these further during the course of 2021.

Although it is early in Conduit's existence, the process of engagement with the governance aspects of ESG has already begun, both within our Board and as part of management's strategic and business planning processes, to foster a strong, purposeful and profitable culture of sustainable governance. The business is led by a strong management team accountable to an independent, diverse and effective Board and committee structure. We are also developing our ESG strategy, which is referred to elsewhere in this report which will be overseen by a committee chaired by Sir Nicholas Soames, who is highly regarded, experienced and independent.

Employee engagement

I am pleased to confirm that Malcolm Furbert has been appointed as our Non-Executive Director responsible for engagement with our workforce. As our team grows during 2021, Malcolm looks forward to gathering their views to help shape the culture of the Group.

Purpose, values and strategy

As a newly incorporated company, we intend to continue developing our purpose and values but our strategy is clear: we aim to build a superlative reinsurance business with best-in-class underwriters, leading technology, pricing and risk management capabilities to deliver returns across the underwriting cycle. We also intend to operate in excess of accepted market ESG principles. Above all, we wish to establish our reputation as an organisation that holds integrity and effective communication at the centre of everything we do.

I hope that the information provided in this Governance Report demonstrates our commitment to the best corporate governance and we will provide you with further details during the course of 2021.

Neil Eckert

Executive Chairman
1 April 2021

Governance

Board of directors

Directors

Neil Eckert – Executive Chairman

Appointed to the Board: 6 October 2020.

Skills and experience: Neil Eckert is an entrepreneur with four decades of re/insurance industry experience. Beginning as a reinsurance broker, he rose through the ranks to board member at Benfield Lovick & Rees & Co. He then founded Brit Insurance Limited in 1995, remaining as CEO until 2005 and member of the Board until 2008.

Neil was also the co-founder and CEO of Climate Exchange PLC until its sale to ICE in 2010. Neil then founded Aggregated Micropower Holdings plc, which was sold in January 2020.

Neil is passionate about all things environmental and will be key to Conduit's ESG strategy.

External directorships: Incubex Ltd, Ebix Inc Boutique Modern Limited, Chalvington Management Limited, 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.

Committee memberships: ESG Committee.

Trevor Carvey – Executive Director, Chief Executive Officer and Chief Underwriting Officer

Appointed to the Board: 18 November 2020.

Skills and experience: Trevor Carvey is a highly regarded reinsurance manager and underwriter with 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 to assist in building out a new treaty reinsurance strategy in the UK and subsequently served as active underwriter for the three years from 2016 to 2018.

Trevor leads all aspects of Conduit Re's business, in particular the build out of its underwriting activities.

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

Committee memberships: None.

Elaine Whelan – Executive Director and Chief Financial Officer

Appointed to the Board: 14 January 2021.

Skills and experience: Elaine Whelan is a highly accomplished and experienced public company CFO who has worked in the re/insurance industry for over 20 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.

Elaine joined PwC in Bermuda in 1997. From 2001 to 2006 she held a number of positions at Zurich Insurance Company, Bermuda Branch, ending up 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 and sits as an executive director on the boards of CHL and CRL.

External directorships: None.

Committee memberships: None.

Sir Brian Williamson CBE – Senior Independent Director

Appointed to the Board: 17 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. Sir Brian was a director of HSBC Holdings PLC, where he was also the chairman of the nomination committee. Sir Brian was also a director of NYSE Euronext and chairman of the Remuneration committee.

Governance

Board of directors

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

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

Sir Brian is a former director of Fleming Emerging Markets Investment Trust PLC, Templeton Emerging Market Investment Trust PLC and he chaired Electra Private Equity PLC. Sir Brian was also the first chairman of Resolution Life Group.

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

External directorships: Edenbeg Trust Corporation Limited, R.J. Fleming & Co.Limited, LIV-EX Limited, Bergos Fleming Politeia, Incubex Inc.

Committee memberships: Remuneration committee (Chair) and nomination committee.

Elizabeth Murphy – Independent Non-Executive Director

Appointed to the Board: 17 November 2020.

Skills and experience: Elizabeth Murphy is a Bermuda resident and 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 a non-executive director of Kiln Limited, Chair of the Compensation Committee and 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 Ltd.

Committee memberships: Audit committee (Chair) and nomination committee.

Ken Randall – Independent Non-Executive Director

Appointed to the Board: 17 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 8 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.

In recent years Randall & Quilter has also developed a fast-growing programme management business in Europe and the US, with contracted premium income in excess of \$1 billion per annum.

Ken retired from full time employment on 31 March 2021 and on the same date ceased as a director of Randall & Quilter Holdings Limited and all its subsidiary companies.

External directorships: Tradesman Program Managers, LLC, Roosevelt Road Ltd, Roosevelt Road Re Ltd, Renaissance Capital Partners Limited, Financial Guaranty Insurance Company Ltd.

Committee memberships: Audit committee, nomination committee (Chair) and remuneration committee.

Malcolm Furbert – Independent Non-Executive Director

Appointed to the Board: 17 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).

Governance

Board of directors

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 holds a B.A. in Economics from Dalhousie University, an LLB (Hons) from Bristol University and is a member of the Bar of England and Wales and the Bermuda Bar.

External directorships: mBermuda Ltd., Summit Capital Limited.

Committee memberships: Remuneration Committee and Nomination Committee.

Dr. Richard L. Sandor – Independent Non-Executive Director

Date of appointment: 26 November 2020.

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

Dr. Sandor 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.

Dr. Sandor 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 formerly 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 non-for-profit organizations.

He has a Bachelor of Arts degree from the City University of New York, Brooklyn College, and a Ph.D. in Economics from the University of Minnesota. In addition, he holds an honorary degree of Doctor of Science, honoris causa, from the Swiss Federal Institute of Technology (ETH).

External directorships: American Financial Exchange, LLC, Environmental Financial Products, LLC.

Committee memberships: Remuneration Committee and Nomination Committee.

Company secretary

Greg Lunn – General Counsel and Company Secretary

Date of appointment: 7 December 2020.

Skills and experience: Greg Lunn is a highly experienced lawyer who has held a number of senior in-house legal positions in the global re/insurance industry over the last 25 years.

His most recent role in the industry was as group legal counsel for Lancashire Holdings Limited, where he was also initially responsible for establishing Lancashire's internal audit function. Prior to this role, he spent 10 years in senior management roles in the legal team at ACE Group.

Greg is responsible for all legal aspects of the Group's business including governance structure and regulation and compliance.

Governance

Corporate governance and compliance with the UK corporate governance code

UK corporate governance code compliance

The Board is committed to the highest standards of corporate governance. 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. However, the Company has chosen to comply (or explain non-compliance) with the UK Code, published by the FRC in July 2018. The UK Code can be found on the FRC's website, www.frc.org.uk. The Company has an Audit Committee which is responsible for the internal control and risk management systems, further details of which are set out on page 31.

Compliance statement

The Board considers that for the financial period ended 31 December 2020, the Company has complied with the provisions of the UK Code, save that:

- The Company did not comply with Provision 10 of the Code as Neil Eckert is Executive Chairman and was not independent at appointment as he was a founder of the Company. However, over half the Board (excluding the Chair) are Non-Executive Directors whom the Board considers to be independent and the roles of Chair and Chief Executive Officer at Conduit 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 Chief Executive whilst 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 Executive Chairman and the Senior Independent Director, as set out on the Company's website.
- Given the very short time available to recruit and appoint directors and the need to appoint a number of directors based in Bermuda, the Company did not comply with Provision 20 of the Code in its start-up phase, which provides that open advertising and/or an external search consultancy should generally be used for the appointment of the chair and non-executive directors. While an external search firm was not used during the initial start-up phase of the business, Conduit believes that it has formed a strong Board with an excellent mix of diversity, skills and experience and confirms it will comply with this provision for subsequent appointments or it will explain clearly why it has not.

- The Company did not comply with Provision 5 of the Code at such time, which requires a workforce engagement mechanism to be in place. For the short period of its existence up to 31 December 2020 the Company had only a handful of employees, all of whom were senior and actively engaged in the establishment of the business. The Company is now compliant as Malcolm Furbert, a Non-Executive Director, has been appointed as the Company's non-executive director responsible for workforce engagement.
- The Company does not comply with Provision 37 of the Code which provides that remuneration schemes and policies should enable the use of discretion to override formulaic outcomes. In the context of the Company being a start-up, it was determined that an absolute calibration to the MIP programme rather than a relative return or discretionary based scheme was appropriate in the circumstances. Malus and clawback provisions apply to both bonus payments and the MIP programme and are set out in more detail on page 37.
- The Company did not comply with Provision 23 of the Code at such time which requires it to have a diversity and inclusion policy in place. However, it was the intention of the founders of the business to engage positively in diversity and inclusion as the business grows and settles into Bermuda. Further, the nomination committee has subsequently approved such a policy which is summarised in the nomination committee report on page 30.

Governance framework

The Group maintains a relatively simple corporate structure and corporate governance framework. The Board maintains overall responsibility for the Group 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 the Group's approach to ESG, chaired by Sir Nicholas Soames, a senior and independent industry figure who is not otherwise involved with the Group as a director or officer.

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

Governance

Corporate governance and compliance with the UK corporate governance code

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 comprised of the chief and senior executives. CRL operates a strict, "three lines of defence" model with all second-line functions (risk, compliance, actuarial) 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 three independent non-executive directors serve on the board of CRL, all independent non-executive directors are encouraged to attend as observers any board or board committee meetings across the Group, subject to any conflict management limitations. Conduit is committed to being an open and transparent Group from a governance perspective.

The Board

Conduit has put in place a Board with a strong blend of experience in insurance and other financial services, accounting and governance and other areas. The Board has and will continue to oversee the Company's early trading and operation as a public company. Under the leadership of the Senior Independent Director, with input from the nomination committee, the Board will consider in the first half of 2021 the long-term board skills and diversity required to take the business forward and, if appropriate, following due process make additions to the Board and refinements to the governance structure. The Board is mindful that Conduit is a new entity seeking to build a superlative business and the Senior Independent Director will regularly lead a Board review to make sure that Conduit has the required Board resources available to help meet its objectives.

The names and biographies of each of the current Directors of the Company are shown on pages 21 to 23. Elaine Whelan was appointed to the Board after the end of the reporting period and, for the period reported on, Mark Heintzman was the Chief Financial Officer of the Company.

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 which 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, Malcolm Furbert and Dr. Richard Sandor) are free from any business or other relationship that could materially interfere with the exercise of their independent judgment 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 five 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 will be arranged as necessary, including in relation to business of the committees. All Directors receive an agenda and timely board packs in advance of the meetings.

The number of Board and Committee meetings attended by each Director in the year ended 31 December 2020, relative to the number of meetings held during their time in office was as follows:

Director	Board*	Nomination Committee	Audit Committee	Remuneration Committee
Neil Eckert**	0/2*	-	-	-
Trevor Carvey**	0/2	-	-	-
Mark Heintzman***	2/2	-	-	-
Sir Brian Williamson**	0/2	-	-	-
Elizabeth Murphy	2/2	-	1/1	-
Ken Randall	2/2	-	1/1	-
Malcolm Furbert	2/2	-	-	-
Dr. Richard Sandor	1/1	-	-	-

Governance

Corporate governance and compliance with the UK corporate governance code

*The Company was incorporated on 6 October 2020. Between then and 7 December 2020 when the Company's Admission occurred, there were eight board meetings. Out of these eight board meetings held, six were administrative meetings which had to be held in Bermuda, related to legal/administrative aspects of the formation of the Company and the Group. Although Neil Eckert was a Director during this period and he received notice of each meeting, these six administrative meetings were held involving nominee directors who had been appointed in a temporary capacity in the lead-up to the IPO, pending the appointment of the Board that was in place at the time of the IPO (the details of the members of which were disclosed in the Prospectus). Neil was not able to be in Bermuda during this period due to the severe travel restrictions caused by the Covid-19 pandemic. Furthermore, as part of the Company's risk management framework, the Group 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.

**Neil Eckert, Trevor Carvey and Sir Brian Williamson were unable to attend Board meetings in 2020 due to the severe travel restrictions caused by the Covid-19 pandemic which prevented them from travelling to Bermuda in the run-up to the IPO. Neil Eckert, Trevor Carvey and Sir Brian Williamson were, however, fully involved in the IPO process, attended Board information sessions and regularly engaged with the other Directors and the senior managers outside the boardroom. See below for a summary of the Board activities, all

of which occurred in the 4th quarter of 2020 following the Company's incorporation on 6 October 2020.

***Resigned from the Board on 13 January 2021.

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 Board will be invited to attend subsidiary board level meetings and see all minutes and records of such subsidiary board and committee meetings.

The Board 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 the Group.

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 that there is effective communication by the Group with its workforce and other stakeholders, including discussing governance, remuneration and strategy with major shareholders, and that their views are conveyed to the Board as whole.	Leads the executive management team in the day to day management of the Group to pursue the Group's commercial objectives and execute and deliver Group 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.
Encourages all Directors to engage in Board and committee meetings by drawing on their skills, experience and knowledge.	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.

Governance

Corporate governance and compliance with the UK corporate governance code

Executive Chairman	CEO	Senior Independent Director
Sets an agenda for the Board primarily focused on strategy, performance, value creation, culture, stakeholders and accountability, and ensures that issues relevant to these areas are reserved for Board decision.	Sets an example to the Company's workforce, communicates to them the expectations in respect of the Company's culture, and ensures that operational policies and practices drive appropriate behaviour.	Assists in the maintenance of the stability of the Board and Company, particularly during periods of stress.
Makes certain that appropriate standards of governance permeate through all parts of the organisation.	Manages the Group's risk profile, with the CFO, 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 Chair, providing support in the delivery of the Executive Chairman's objectives.

Board activities

The Company was incorporated on 6 October 2020. The activities of the Board from then on were focused entirely on administrative aspects of Company and Group formation and then preparation for the Admission that occurred on 7 December 2020. Activities included participation in individual and collective induction sessions, engagement with financial and legal advisors, regulators, rating agencies, and prospective investors. Meetings were held in Bermuda to approve all key actions, documentation and agreements associated with a new standard listing on the LSE including but not limited to the Prospectus, the roadshow, the formal appointment of directors, Company officers and senior managers, establishment of the Nomination, Audit and Remuneration Committees and approval of the ESG policy.

Board effectiveness

Each year the performance of the Board, its Committees and the individual Directors will be evaluated. As the Directors were appointed so recently and there was a short first financial period, a performance evaluation did not take place during the period ending 31 December 2020. However, an internal evaluation, using a questionnaire approach, will be carried out during the financial year ending on 31 December 2021 and the outcomes will be reported in the next Annual Report.

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.

Workforce engagement mechanism

Malcolm Furbert has been appointed as the Company's non-executive director responsible for workforce engagement. Malcolm was appointed to this role in February 2021 and plans to regularly liaise with employees through one-to-one meetings with a cross section of employees, hosting specific engagement events and conducting an annual engagement survey. Malcolm will provide a regular update to the Board on the engagement activities. A report on the activities undertaken during 2021, and an analysis of how effective the mechanism is, will be provided in the 2021 Annual Report.

Governance

Directors' report

This section of the Annual Report includes the additional information required to be disclosed under the Disclosure and Transparency Rules of the Financial Conduct Authority.

Certain information required to be included in the Directors' Report is included in other sections of this Annual Report, including:

- The Strategic Report on pages 2 to 19;
- The Corporate Governance Report on pages 20 to 34;
- The Audit Committee Report on pages 31 to 32;
- The Directors' Remuneration Report on pages 35 to 40; and

These sections are incorporated by reference into the Directors' Report.

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.

Dividend policy

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 A.M. Best A- (Excellent) financial strength rating and subject to applicable law.

The Company expects to generate significant returns for its shareholders and to provide an ongoing and progressive dividend. The Company is targeting a dividend as early as during the 2021 financial year of approximately 5 to 6 per cent of equity capital, allocated between an interim and final distribution. However, at the date of this Annual Report and Accounts, the Board has not considered the appropriateness of the payment of a particular dividend.

Depending on the Group'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. 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 the Group including results of operations and cash flows, the Group'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.

Directors' interests

The Directors' beneficial interests in the Company's common shares as at 31 December 2020, including interests held by family members, were as follows:

Directors	Common shares held as at 31 December 2020
Neil Eckert	580,001
Trevor Carvey	180,000
Mark Heintzman	120,000
Brian Williamson	15,000
Elizabeth Murphy	15,000
Malcolm Furbert	8,000
Ken Randall	-
Richard Sandor	-

As at 31 December 2020 only Neil Eckert was in compliance with the share ownership guidelines applicable to Executive Directors and set out in the remuneration summary on page 38.

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 11 to the consolidated financial statements. The common shares of \$0.01 par value each are the only class of shares of the company presently in issue and carry voting rights. There are no nil or partly paid shares in issue. All our 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. Our common shares are freely transferable and there are no restrictions on transfer, subject to compliance with applicable securities laws.

Governance

Directors' report

Major shareholders

As at 31 March 2021 the Company was aware of the following interests of 5% or more in the Company's issued share capital:

Shareholder	Number of Shares	Percentage of issued share capital
Aviva Investors	25,061,645	15.17%
Fidelity International	15,253,640	9.29%
CI Investments	9,119,583	5.52%
Kames Capital	8,614,729	5.21%
Aegeon NV and affiliates	8,388,530	5.21%

Going concern and viability statement

As noted in the Chief Financial Officer's report on page 12 the Company raised a total of £790 million (\$1,057 million), net of offering expenses, in the IPO in December. Consequently, the Group has considerable financial resources and, after making enquiries, the Directors have an expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future, a period of at least 12 months from the date of this report. For this reason they have adopted the going concern basis in preparing the consolidated financial statements.

The Strategic Overview on page 2 highlights the importance of risk management to the Group's strategy. It is crucial that the Directors manage and monitor risk, taking into account all key risks the Group faces, including underwriting risks. Although newly formed, the Group has appointed an experienced Chief Risk Officer and established a group-wide enterprise risk management framework which will identify, monitor and report on all risks in the business. The Group is also subject to extensive regulation and supervision including the BMA's BSCR. Against this background, the Directors have assessed the prospects of the Group in accordance with provision 31 of the UK Corporate Governance Code 2018, with reference to the Group's current position and prospects, its strategy, risk appetite and key risks, as detailed in the ERM section on page 13, as well as note 3 to the consolidated financial statements. The assessment of the Group's prospects by the Directors covers the three years to 2023 and is underpinned by the business plan set out for shareholders in the IPO prospectus, which includes projections of the Group's capital, liquidity and solvency and reflects the Group's intention to write a broadly diversified reinsurance portfolio.

Statement of Directors' responsibility

The Board is responsible for ensuring the maintenance of proper accounting records which disclose with reasonable accuracy the financial position of the Group. It is required to ensure that the financial statements present a fair view for each financial period. The Directors explain in the Annual Report their responsibility for preparing the Annual Report and Accounts. We confirm that to the best of our knowledge:

- The financial statements, prepared in accordance with International Financial Reporting Standards (IFRS), give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the undertakings included in the consolidation taken as a whole; and
- The Strategic Report on pages 2 to 19, which serves as the management report includes a fair review of the development and performance of the business and the position of the Group and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Legislation in Bermuda governing the preparation and dissemination of the consolidated financial statements may differ from legislation in other jurisdictions. In addition, the rights of shareholders under Bermuda law may differ from those for shareholders of companies incorporated in other jurisdictions.

The Directors responsible for authorising the responsibility statement on behalf of the Board are Neil Eckert and Elaine Whelan. The consolidated financial statements were approved for issue on 1 April 2021. The Directors consider that 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 the Group's position, performance, business model and strategy.

By order of the Board
Greg Lunn
Company Secretary
1 April 2021

Governance

Nomination committee report

The nomination committee is chaired by Ken Randall, and its other members are Elizabeth Murphy, Sir Brian Williamson, Malcolm Furbert and Dr. Richard Sandor. The nomination committee will meet at least twice a year, or more frequently if required. Executive directors and senior executives are invited to attend the meetings by invitation, as required, but do not do so as of right.

Appointments to the nomination committee are made for a period of three years (subject to the Company's Bye-laws and the director remaining a member of the Board) which may be extended for up to two further periods of three years, provided the director whose appointment is being considered still meets the criteria for membership. The Chair of the nomination committee shall review membership of the committee annually.

Key responsibilities

The responsibilities of the nomination committee include: **(1)** reviewing the size, structure and composition of the Board and ensuring that the Board comprises the right balance of skills, knowledge, diversity and experience; **(2)** identifying and nominating for approval candidates to fill any vacancies on the Board; **(3)** giving full consideration to succession planning for the Group; and **(4)** making recommendations to the Board concerning membership of the audit committee and the remuneration committee in consultation with the chairs of those committees.

Activities

Given the start-up nature of the Company, in the run-up to the IPO on 7 December 2020 and with only a few weeks of operations in 2020, the committee itself did not meet and nomination matters were dealt with at Board level.

Board appointments

While the Board acknowledges that open advertising and/or an external search consultancy should generally be used for the appointment of the Chair and Non-Executive Directors, an external search firm was not used during the initial start-up phase of the business. The Nomination Committee will use open advertising and/or an external search consultancy for subsequent appointments or it will explain clearly why it has not.

The Company has a succession planning process in place that will be executed from 2021 onwards.

Diversity and inclusion

The Company considers diversity in broader terms than just gender and believes it is also important to reach the correct balance of skills, knowledge, experience and independence on the board.

Conduit is committed to recruit, retain and develop people with diverse backgrounds and experiences at all levels of our 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, 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 or nationality.

As at the end of the period ended 31 December 2020, the Board comprised one woman (12.5%) and seven men (87.5%). Following the appointment of Elaine Whelan in January 2021, the Board now comprises two women (25%) and six men (75%). As at 31 December 2020, the senior management team and their direct reports comprised one woman (11%) and 8 men (89%). However, this has since increased and as at 31 March, 2021 it comprises 4 women (22%) and 14 men (78%).

In accordance with the Code, the Company will report on the implementation of the Board's policy on diversity, including gender, in its next annual report.

Board evaluation

As the Board has been so recently appointed, an evaluation did not take place in the year ended 31 December 2020. However, an evaluation will take place next year and the Committee will consider its outcomes, actions and how it will influence board composition.

Ken Randall

Chair, nomination committee
1 April 2021

Governance

Audit committee report

Elizabeth Murphy was appointed as Chair of the audit committee in November 2020, in the run up to the Admission. The other member of the committee is Ken Randall.

In accordance with the UK Corporate Governance Code, both Elizabeth and Ken are independent Non-Executive Directors with competence relevant to the reinsurance sector in which the Company operates, and both have recent and relevant financial experience and competence in accounting and/or auditing. Further details of the experience of each of the members is set out in the Directors' biographies on pages 21 to 23.

The audit committee will meet formally at least three times a year, and more frequently if required. The quorum necessary for the transaction of business at any meeting of the audit committee is two members.

During the period from its appointment to 31 December 2020 the members of the committee met once to receive proposals from potential providers of internal audit services to the Group and to decide on the provider. Both members attended the meeting, as set out in the board meetings and attendance table on page 25.

As the Board and its committees were only constituted in November 2020, shortly before Admission, a performance evaluation was not undertaken in the period ending 31 December 2020. It is proposed that an internal performance evaluation will be undertaken in 2021 and this will be reported on in the 2021 Annual Report.

Role and responsibilities

The audit committee's role is to assist the Board with the discharge of its responsibilities in relation to:

- Financial reporting, including reviewing the Group's consolidated financial statements and accounting policies,
- Internal and external audit controls,
- Reviewing and monitoring the scope and effectiveness of the annual audit and the extent of the non-audit work, if any, undertaken by the external auditors,
- Advising on the appointment of external auditors and assessing their independence and objectivity,
- Reviewing the effectiveness of the internal audit function and
- Internal controls, whistleblowing, anti-money laundering, anti-bribery and anti-fraud systems in place within the Group.

The committee also reviews the Annual Report & Accounts and advises the Board on whether taken as a whole, it is fair, balanced and understandable.

During the period ended 31 December 2020, the committee was primarily focused on the IPO, including the summary of the committee's role contained in the prospectus and adopting the terms of reference.

The committee has established a work plan for the remainder of 2021 to ensure that it covers comprehensively its duties and responsibilities as set out in the committee's Terms of Reference which are available on the company's website.

Internal control and risk management

In the run-up to the IPO a comprehensive memorandum on the financial position and prospects procedures was prepared and reviewed by the Board, to support the statement made in the Prospectus that the Directors had established procedures which provide a reasonable basis for the Directors to make proper judgements as to the financial position and prospects of the Company and the Group.

The Company continues to build on the procedures outlined in the memorandum on the financial position and prospects procedures. The Company's CRO and internal auditor were appointed prior to 31 December 2020 and in 2021 the committee will receive affirmations and reports from both of these functions.

As the Company was not actively engaged in operating activities in the period ended 31 December 2020, the full suite of material controls were not fully built out. The committee was therefore not in a position to review the effectiveness of the company's risk management and internal controls systems. As the Company builds the business and control environment from 1 January 2021, the committee will monitor the implementation and evaluation of these controls over time. This includes policy review, oversight of the Group's implementation of whistleblowing arrangements, and other systems and controls for the prevention of fraud, bribery and money laundering which have already been adopted by the Group.

Internal audit

In December 2020 the committee selected EY Bermuda Ltd. (EY) as the Company's outsourced internal auditors. EY has extensive and current relevant experience providing outsourced and co-sourced internal audit services to reinsurance businesses in Bermuda and internationally. In February 2021 the internal audit charter was approved along with the internal audit work plan for 2021.

Governance

Audit committee report

Financial statements

The committee met with the Group's external auditors, KPMG Audit Limited (KPMG), and reviewed the external audit work plan for the period ending on 31 December 2020. The committee subsequently reviewed the Group's consolidated financial statements for the period from incorporation to 31 December 2020. A paper was presented by management to the committee detailing key issues and judgements. The only area of any significant judgement and estimation was the valuation of the MIP. The committee noted management's appointment of an expert to carry out the valuation and the sensitivity analysis that demonstrated varying the assumptions used would not result in a materially different outcome.

Annual Report & Accounts

The committee reviewed and approved the Group's preliminary results issued on 23 February 2021 and early drafts of the Annual Report & Accounts and reviewed the final draft on 1 April 2021, together with the external auditor's report. The committee advised the Board that, in its view, the 2020 Annual Report & Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

Auditor re-appointment

The committee having formally reviewed the independence of the Group's external auditors, KPMG, considers that KPMG is independent and has concluded that their appointment as auditors for the forthcoming year continues to be in the best interests of the Company and its shareholders. The resolution to appoint KPMG will propose that it 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 audit committee. The lead external audit partner is James Berry who was appointed in December 2020, at the same time as KPMG was appointed as the Company's first auditor.

Auditor independence and objectivity

The committee will assess the external auditor's independence annually. To assist in maintaining the external auditor's independence and objectivity, the Group 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 implementation of this policy will be reviewed annually by the committee, which describes the circumstances in which the auditor may be engaged to undertake non-audit work for the Group. The committee will oversee compliance with the policy, and will consider and approve requests to use the auditor for non-audit work when they arise. The non-audit services policy is available on the Company's website.

Elizabeth Murphy

Chair, audit committee
1 April 2021

Governance

Section 172 statement

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 Companies Act 2006 have been considered in board discussions and decision making. The Company is a Bermudian incorporated issuer and the Board is obliged to follow comparable 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, amongst other 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; and
- Need to act fairly as between members of the company.

Stakeholder engagement

As a newly incorporated and listed entity, the Company is just beginning the process of engaging with stakeholders. Details of our stakeholders and how we engaged with them are set out below.

Shareholders

As a newly listed entity, we recognise the role our shareholders have played in helping us to grow our business. As the Company's IPO was only completed in December 2020, the engagement mechanisms that one would expect to see in an established company are still being established. However, in the period prior to the IPO we engaged with our potential shareholders and worked with them to ensure that the Company addressed the issues that mattered to them. Going forward we will be engaging with our shareholders regularly, including by face to face communications, investor days and the AGM. The Executive Chairman and the Head of Investor Relations will be responsible for leading the shareholder engagement programme and shareholders are always welcome to contact them directly. The key priority for our shareholders is that we deliver sustainable, profitable growth over the longer term.

Employees

Our employees have only recently joined the business and we value the faith that they have in the Company's business.

At the time of IPO, Conduit did not have its employee engagement mechanism in place. However, as noted on page 19, Malcolm Furbert has been appointed as our Non-Executive Director responsible for engagement with our workforce. As our workforce grows during 2021, Malcolm looks forward to gathering their views and working with them to shape the culture of the Group.

We intend to regularly engage with our employees and, with a relatively small number, the Board is accessible to all employees and we welcome their views. We may utilise employee surveys to gain feedback.

As further detailed in the Environmental, Social and Governance Report, the Company is an equal opportunities employer.

Brokers and customers

Brokers are key to our business and they are the focus of so much of what we do. To be successful with our initial underwriting on 1 January 2021, we had to be actively engaged with the brokers. Despite the very short time frame from conclusion of the IPO on 7 December 2020 we received positive feedback both from brokers and cedants, where we are seen as an attractive partner offering added value immediately. We are building strong relationships with brokers and customers in various jurisdictions and, as we depend on these relationships to make our business a success, we will continue to develop them over the coming months and years.

Government and regulators

In an industry that is subject to strict regulatory supervision and oversight, the Board recognises the need to work closely and openly with all relevant regulatory bodies. We recognise the importance of these relationships and engage actively with regulators, particularly at this early stage with the BMA, whether that is through meetings, reporting or routine regulatory reviews. The Board is also kept apprised of communications with regulators and supervisors and, together with management, closely monitors changes in regulatory and supervisory requirements. In addition, the Group intends to maintain proactive relationships with relevant tax authorities in order to achieve compliance with all its tax obligations. This requires us to keep abreast of developments in tax legislation and to work with the tax authorities to manage our tax risk.

Governance

Section 172 statement

Rating agencies

The Group is building its relationships with rating agencies and in December 2020 A.M. Best assigned a Financial Strength Rating of A- (Excellent) and a Long-Term Issuer Credit Rating of "a-" to Conduit Reinsurance Limited. In order to maintain and in time seek to improve this rating, we will be in regular contact with A.M. Best to keep them apprised of our business performance and prospects.

Community and environment

As set out in the Environmental, Social and Governance Report, the community and environment are a key focus for the Company. We are strongly committed to achieving and maintaining net-zero-carbon and to giving back to the community via initiatives such as the Conduit Foundation.

Key suppliers

We have established strong working relationships with our key service providers, who include our landlord, our IT service and data suppliers, outsourced service providers, auditors, investment managers and financial advisors. We expect the same professional and ethical standards to exist in those organisations as we would expect from ourselves.

Principal decision

As the financial period ending on 31 December 2020 was so short, and the Company was newly incorporated, the principal decision made by the Board was whether or not to proceed with the IPO.

In making its decision to proceed with the IPO the Board considered its consequences and the benefits of the financing and liquidity opportunities to the Company's stakeholders. As a result of that consideration the Board ensured that governance processes were introduced to help protect the interests of shareholders and that the Management Promote programme was implemented to provide opportunities for our employees to share in the success of the Company and to align them with the interests of shareholders. The Board also noted that the IPO would increase the financial strength of the Group and allow it to obtain the desired rating to commence underwriting business and would enable it to build its relationships with regulators and other governmental agencies, brokers, rating agencies and other stakeholders.

The Board determined that the IPO was in the best interests of all its stakeholders and that it would enable the Company to develop better relationships with each of them over the longer term.

Remuneration

Statement from the chairman of the remuneration committee

Dear Shareholders,

On behalf of the Board, I am pleased to present the first Directors' Remuneration Report.

The other members of the remuneration committee are Ken Randall, Malcolm Furbert and Richard Sandor, all of whom are independent Non-Executive Directors. I also have been adjudged by the Board to be independent, and separately I have served on another remuneration committee for at least 12 months, including as chair of the remuneration committee of NYSE Euronext.

The responsibilities of the remuneration committee include determining and monitoring the strategy and policy on remuneration, termination, performance related pay, pension arrangements, reporting and disclosure, share incentive plans and whether or not to consult with remuneration consultants. In discharging its responsibilities, the committee will bear in mind the alignment of incentives and rewards with the Group's strategy and culture. The committee's terms of reference, which are available on the Company's website, also set out the reporting obligations and the authority of the remuneration committee to carry out its responsibilities.

Given the start-up nature of the Company, in the run-up to the IPO on 7 December and with only a few weeks of operations in 2020, remuneration matters were dealt with at Board level and there were no meetings of the Remuneration Committee in 2020. In the weeks prior to the IPO, there was substantial engagement with prospective investors and eventual shareholders of the Company which included discussion of remuneration and MIP arrangements. The Company's initial remuneration policy and the remuneration of Directors, as disclosed in our IPO Prospectus, were approved by the whole Board of the Company. The remuneration committee held its first meeting on 12 January 2021 and has met twice subsequently. The Company has not to date consulted with specialist remuneration advisors and the committee determined that remuneration consultants were not required for the development and presentation of this initial remuneration report. We will keep the appointment of remuneration consultants under review as the Company evolves and creates its operating history.

This inaugural Annual Report and Accounts covers the Group's first financial period from incorporation to 31 December 2020, during which time the Group did not write any reinsurance business. Consequently, there is no useful information that could be disclosed in this remuneration report to show how the Company's remuneration policy was implemented in this very short financial period. However, the remuneration policy and the remuneration of Directors are as set out in the IPO Prospectus. The Board has therefore determined that it will not serve a useful purpose to put this Directors' remuneration report to an advisory vote of the Company's shareholders, or the remuneration policy to a binding vote of shareholders, at the forthcoming Annual General Meeting in May 2021, although as a Bermuda-incorporated Company we are not subject to the UK Companies Act and related secondary legislation. Instead, we disclose here the remuneration approach we intend to implement for 2021 which we regard as the Group's foundation year, to recognise the special circumstances of the Company's creation, listing and the effort put in to establish a regulated and rated reinsurance Group.

The Company will continue to develop further its Directors' remuneration policy, with a full disclosure in the 2021 Annual Report & Accounts. The Directors are acutely aware that they must work with investors and be responsive in all key aspects of remuneration. Through 2021 the Company will continue to engage with shareholders, consider other relevant aspects as to how its Directors are to be remunerated post-foundation of the Group and, where necessary, consult with external remuneration consultants. By the time of the 2022 Annual General Meeting, our shareholders will be able to see the impact of the first full year of trading will have had on the Directors' remuneration.

The Company is committed to engaging extensively with shareholders on remuneration matters.

Sir Brian Williamson

Chair, remuneration committee
1 April 2021

Remuneration

Remuneration summary

This section summarises the Directors' remuneration for the period ending on 31 December 2020. The remuneration below is based upon the remuneration strategy set out in the IPO prospectus:

- **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; and
- **Performance-focussed compensation** – encourage and support a sustainable, high-performance culture in line with the build plan and with the agreed risk profile of the business.

Director's remuneration

Executive Directors

On 18 November 2020, each of Neil Eckert, Trevor Carvey and Mark Heintzman (CHL's former CFO) entered into a service agreement with CHL. Under their respective agreements, Neil Eckert and Trevor Carvey are each entitled to receive an annual salary of \$530,000 and \$800,000 respectively. Mark Heintzman was entitled to receive a salary of \$425,000. In recognition of the work performed by each of Neil Eckert and Trevor Carvey from 31 March 2020 establishing CHL, CHL made a one-off payment of \$357,000 and \$539,000 respectively. A similar one-off payment of \$72,000 was made to Mark Heintzman in respect of his work performed from 1 October 2020 through Admission.

The table below sets out the single figure of total remuneration for Executive Directors for the financial period ending 31 December 2020. There were no variable remuneration amounts paid to any of the Directors in 2020. Other than the MIP (described below), there was no long term incentive plan for Directors.

No pension benefit was paid to Directors in 2020. The Company will be putting in place a pension plan in 2021 and any pension payments (or cash in lieu) paid

by CHL will be paid at market rates and reported in the 2021 annual report and accounts.

Additional benefits for Bermuda-based Executive Directors comprised or will comprise Bermuda payroll taxes, social insurance, medical, dental and vision coverage, life insurance, housing and other allowances paid or to be paid by CHL. Given the short period of the Group's existence in December 2020 post-IPO, there was insufficient time to put all these benefits in place and so payments were not actually made in 2020. A full report of benefits payments made in 2021 will be reported in the 2021 annual report and accounts.

Executive director	Fixed pay: salary \$'000	One-off compensation for work done to set up CHL prior to the IPO \$'000
Neil Eckert	44	357
Trevor Carvey	67	539
Mark Heintzman	35	72

As the Group was capitalised and commenced operations only in December 2020, the basic information above reflects the short operational period and it is not possible to include certain comparative information from year to year that would be required to be included for a UK incorporated listed company. However, we expect to report such metrics as if we were a UK incorporated company for future financial periods.

Non-Executive Directors

The amount of any remuneration payable to Non-Executive Directors shall be determined by the Board save that under the Bye-laws, unless otherwise approved by the Members, the aggregate remuneration by way of fee of all the Non-Executive Directors of CHL shall not exceed \$1.3 million per annum.

The Non-Executive Directors' basic fee is \$75,000, with additional 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). As at 31 December 2020 under the terms of their appointments as Non-Executive Directors of CHL, Sir Brian Williamson, Elizabeth Murphy, Ken Randall, Malcolm Furbert and Dr. Richard Sandor were entitled to an annual fee of \$130,000, \$115,000, \$130,000, \$105,000 and \$105,000 per annum respectively.

In addition, in February 2021 Malcolm Furbert, Ken Randall and Elizabeth Murphy were appointed as Non-Executive Directors of CRL, for which appointment they will each receive a flat fee of \$25,000 per annum. The aggregate remuneration anticipated in 2021 by way

Remuneration

Remuneration summary

of fee of all the Non-Executive Directors as of the date of this report is therefore \$585,000 (\$660,000 including the CRL fees).

For their work done in the fourth quarter of 2020, in connection with the start-up of CHL and its IPO, each Non-Executive Director will receive a payment of \$18,750 being equivalent to one quarter of the annual basic fee. This amount is in respect of work done in 2020 and is not included in the aggregate \$585,000 CHL fees for 2021 noted above.

Management Incentive Plan

Incentives have been put in place 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 the Group from Admission (the MIP). Success will be measured by share price performance and investor returns and the MIP arrangements reflect these key metrics. The MIP has been facilitated by the subscription for shares in CML (a direct subsidiary of CHL which is an intermediate holding company of CRL).

Under the MIP, Neil Eckert and Trevor Carvey and other senior managers invited to participate subscribed for shares or will be issued nil cost options in CML ("MIP Shares"). Half of the MIP Shares are denominated in sterling ("GBP MIP Shares") and half in U.S. 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 relevant time, the MIP Shares will be automatically exchanged for common shares of CHL for an aggregate value equivalent to up to 15 per cent. of the excess of the Market Value of CHL over and above the Invested Equity (the "Growth") (7.5 per cent. of the Growth based on calculations in sterling for the GBP MIP Shares and 7.5 per cent. of the Growth based on calculations in U.S. dollars for the USD MIP Shares).

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 per cent. 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 per cent. 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 per cent. 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.

For Neil Eckert and Trevor Carvey, 20 per cent. of their MIP shares vested on Admission. The remainder of the their MIP Shares and those for other senior managers will vest on a per diem basis in the period between Admission and the date of the relevant Tranche's automatic Exchange.

Leaver provisions and Lock-up arrangements

MIP Shares are subject to customary leaver provisions and malus / clawback principles. Lock-up arrangements also apply post-exchange of the MIP Shares into common shares of CHL.

Other/miscellaneous

The reason for issuing USD MIP Shares and GBP MIP Shares is to provide some hedging for participants in the MIP against the impact of fluctuations in the US dollar-sterling exchange rate. CHL's share price and, therefore, its market capitalisation, will be reported in sterling but the majority of the business' assets, liabilities and cashflows will be denominated in US dollars.

The issue of CHL common shares upon an exchange of MIP Shares will not impact the Invested Equity calculation for future Tranches. Any issue of Shares will dilute shareholders' returns.

Anti-dilution protections are in place such that a proportion of existing holders of MIP Shares will be required to consent to the issuance of additional MIP Shares but not, for the avoidance of doubt, the allocation of the shares held by CHL.

Remuneration

Remuneration summary

MIP contributions

On 17 November 2020, Neil Eckert, Trevor Carvey and Mark Heintzman, each entered into a MIP subscription agreement with CML, which provide for their participation in the MIP.

Name	USD MIP Shares	USD subscription	GBP MIP Shares	GBP subscription	Percentage of MIP
Neil Eckert	45,000	101,815	45,000	77,379	45.0%
Trevor Carvey	30,000	67,877	30,000	51,586	30.0%
Mark Heintzman ¹	3,000	6,788	3,000	5,159	3.0%
Total	78,000	\$176,480	78,000	£134,124	78.0%

1. Mark Heintzman's MIP Shares were repurchased at the time of his resignation on 13 January 2021. Elaine Whelan was appointed as Executive Director and CFO on 13 January 2021. Elaine's allocation of the MIP is 5%.

The table below sets out the respective MIP Share allocations and subscription moneys for each of the Executive Directors as at 31 December 2021.

Given that CHL only completed its IPO on 7 December 2020, a graph showing total shareholder returns for a holding of CHL's shares and a hypothetical comparator holding of shares is not included in the report.

Share ownership guidelines

As stated in the IPO prospectus each of the Executive Directors is required to build and maintain a shareholding in the Company of 300% of salary whilst in post. Where not met at Admission, future bonuses which are paid in Shares and other share awards will accumulate until this requirement is met. In addition, post-cessation shareholding requirements apply which will require Executive Directors to retain for two years following cessation of their employment by the Company the lower in value of (1) such number of Shares on cessation that have a market value equal to the shareholding guideline in place at that time (i.e. 300% presently) and (2) 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. 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.

As at 31 December 2020 only Neil Eckert met the shareholding requirement. The other Executive Directors have seven years to meet the requirement.

Remuneration

Remuneration for 2021 and beyond

We disclose here the remuneration approach we intend to implement for Executive Director remuneration in 2021 which we regard as the Group's foundation year, to recognise the special circumstances of the Company's creation, listing and the effort put in to establish a regulated and rated reinsurance Group. In the first year of operations, while a significant effort is involved in setting up the Group for the future and building the book, RoE will be minimal. The approach set out in this report is designed to ensure that remuneration at this stage of the Group's evolution is aligned to, and supportive of, the build plan and strategy post-IPO.

Remuneration for 2021

Base salary

Base salaries for Neil Eckert (\$530,000) and Trevor Carvey (\$800,000) were set and approved by the Board at the time of the IPO in 2020. Elaine Whelan's salary (\$585,000 per annum) was approved by the Remuneration Committee and the Board at the time of her appointment as Executive Director and CFO on 13 January 2021. There will be no change to these salaries in 2021.

Bonus

For the Group's foundation year (2021), annual bonuses for the Executive Directors will be based on the financial performance of the Group, the creation of the foundation of the organisation and the personal contributions of each Executive Director, with the financial component making up 25% of the overall opportunity, the foundational element making up 50%, and 25% based on personal contribution and/or meeting strategic objectives.

The financial measure for 2021 is RoE.

The remuneration committee will determine the actual bonus awards for each Executive Director, based on these criteria.

Bonuses will be subject to a maximum of 300% of base salary. 50% of any bonus earned will be 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) which vests (unless the individual is dismissed for gross misconduct) over three years with one third of the award vesting (including dividend equivalence) in each of the following three years. The Company considers this to be a more appropriate structure with the deferral serving as a better retention mechanism over the longer term than the 50% deferral with a two-year cliff vest that was noted in the IPO prospectus. Deferral over three years is also more in line with the expected duration of the Group's reserves.

Pension and benefits

The Executive Directors' pension provision for 2021 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.

Other market-typical benefits for Executive Directors working in Bermuda have been provided including normal health and welfare benefits, and travel and housing allowances (including Bermuda payroll taxes and social insurance).

Long term incentives

Executive Directors participate in the MIP (as described on page pages 37 and 38).

Malus and clawback

Consistent with best practice, malus and clawback provisions will be operated at the discretion of the remuneration committee in respect of both the annual bonus and the MIP. The remuneration committee will have the discretion to reduce an award (malus) or require repayment of an award (clawback) where it considers that there are exceptional circumstances. Such exceptional circumstances are limited to (1) material misstatement of results, (2) material breach of any post termination employment covenants, or (3) fraud or a financial criminal act which affects the Group 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.

Non-Executive Director remuneration

See the disclosure set out in the remuneration summary on page 36 above.

Service contracts - 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.

Elizabeth Murphy, Ken Randall, Malcolm Furbert and Brian Williamson were all appointed on 13 November 2020. The unexpired portion of their first three-year terms ends on 13 November 2023. Richard Sandor was appointed on 24 November 2020 and his first three year term ends on 24 November 2023.

Remuneration

Remuneration for 2021 and beyond

Service contracts – 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. If notice is served by either party, the Executive Director can continue to receive base salary, benefits and pension 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 contracts 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, 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. 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.

Remuneration post 2021

Building on the key principles and remuneration strategy set out in the IPO prospectus, with due regard to the UK Corporate Governance Code and also taking due account of best practice, in 2021 the Company will develop its Directors' Remuneration Policy to govern future payments that will be made to Directors for the 2022 financial year onwards. We anticipate the policy will be based on a combination of financial and personal performance, and that the foundational element will cease. There will be greater focus on financial as opposed to personal performance. On implementation the weightings will be 75% and 25% respectively. The Company will engage extensively with shareholders prior to publishing its 2021 remuneration report.

Financial statements

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 2020 and the consolidated statements of comprehensive income, changes in equity and cash flows for the period from 6 October 2020 (date of incorporation) to 31 December 2020, 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 2020 and its consolidated financial performance and its consolidated cash flows for the period from 6 October 2020 (date of incorporation) to 31 December 2020 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. 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.

The key audit matter that arose is as overleaf:

Independent auditor's report to the Shareholders and Board of Directors of Conduit Holdings Limited

	The risk	Our response
<p>Equity based compensation expense (2020: \$312k)</p> <p>Refer to the Audit committee report on page 32 and the following in the notes to the consolidated financial statements: note 2 significant accounting policies and note 6 disclosures on employee benefits.</p>	<p>Subjective valuation</p> <p>The Group currently operates a Management Incentive Plan (MIP) under which shares are subscribed for or nil cost options will be granted. The value of the services received in exchange for the equity based incentives is measured by reference to the estimated fair value of the incentives at their grant date. 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. The fair value was estimated using a stochastic Monte Carlo model which required the Group to select their best estimates of assumptions used in the model. These assumptions are highly judgmental and input from independent experts was sought by the Group. Accordingly, there is a risk that the fair value of the equity based incentive is not appropriately estimated at the grant date.</p> <p>Disclosures</p> <p>In addition, there is a risk that the disclosures related to equity based compensation arrangements are inadequate or not fairly presented in line with relevant accounting standards.</p>	<p>Our procedures included:</p> <p>Control design and observation:</p> <ul style="list-style-type: none"> ■ We evaluated the design and implementation of the Group's control regarding review and approval of the independent expert's valuation of the equity based compensation. 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. <p>Assessing valuer's credentials:</p> <ul style="list-style-type: none"> ■ We evaluated the competence, capabilities and objectivity of the Group's independent expert; ■ We (together with our own valuation specialists) performed enquiries of the independent expert to understand their process and model. <p>Our valuation expertise:</p> <ul style="list-style-type: none"> ■ We used our own valuation specialists in assessing the reasonableness of the methods and assumptions utilised by the Group's independent expert. <p>Assessing observable inputs:</p> <ul style="list-style-type: none"> ■ We agreed certain inputs into the equity based compensation valuation model to the MIP agreements. <p>Assessing transparency:</p> <ul style="list-style-type: none"> ■ We evaluated the adequacy of the Group's disclosures on equity based compensation in accordance with the requirements of relevant accounting standards. <p>Our results:</p> <p>The results of our testing were satisfactory and we considered the expense recorded to be reasonable.</p>

Independent auditor's report to the Shareholders and Board of Directors of Conduit Holdings Limited

<p>Other information</p> <p>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).</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>Responsibilities of management and those charged with governance for the consolidated financial statements</p> <p>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.</p> <p>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.</p> <p>Those charged with governance are responsible for overseeing the Group's financial reporting process.</p> <p>Auditor's responsibilities for the audit of the consolidated financial statements</p> <p>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.</p>	<p>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.</p> <p>As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:</p> <ul style="list-style-type: none"> ■ 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. <p>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.</p>
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Financial statements

Independent auditor's report to the Shareholders and Board of Directors of Conduit Holdings Limited

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.

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

Corporate governance statement

We have been engaged to review the part of the corporate governance statement on pages 24 to 27 relating to the Group's compliance with the provisions of the United Kingdom Corporate Governance Code that would be specified by the Listing Rules of the United Kingdom'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 29 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 29 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 on page 29 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 29.

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.

KPMG Audit Limited

Chartered Professional Accountants
Hamilton, Bermuda
1 April 2021

Financial statements

Consolidated statement of comprehensive income

For the period from 6 October to 31 December 2020

	Notes	\$'000
Net investment income		51
Net foreign exchange gains		151
Total net revenue		202
Equity based compensation expense	6	312
Other operating expenses	6	4,507
Total expenses		4,819
Operating loss	5	(4,617)
Loss for the period		(4,617)
Income tax expense (benefit)	7	-
Loss after tax		(4,617)
Other comprehensive income (loss)		-
Total comprehensive loss for the period		(4,617)
		\$
Loss per share		
Basic and diluted	14	(0.03)

Financial statements

Consolidated balance sheet

As at 31 December 2020

	Notes	\$'000
Assets		
Cash and cash equivalents	8	1,054,046
Other assets		1,081
Right-of-use lease assets	10	11
Intangible assets	9	169
Total assets		1,055,307
Liabilities		
Other payables		2,512
Lease liabilities		11
Total liabilities		2,523
Shareholders' equity		
Share capital	11	1,655
Other reserves	12	1,055,746
Retained loss		(4,617)
Total shareholders' equity		1,052,784
Total liabilities and shareholders' equity		1,055,307

The consolidated financial statements were approved by the Board of Directors on 1 April 2021 and signed on its behalf by:

Elaine Whelan
Chief Financial Officer

Trevor Carvey
Chief Executive Officer

Financial statements

Statement of consolidated cash flows

For the period from 6 October to 31 December 2020

	Notes	\$'000
Cash flows used in operating activities		
Loss before tax		(4,617)
Net investment income		(51)
Net foreign exchange gains		(161)
Equity based compensation expense	6	312
Change in operational assets and liabilities		1,436
Net cash flows used in operating activities		(3,081)
Cash flows used in investing activities		
Purchase of intangible assets	9	(169)
Interest received		51
Net cash flows used in investing activities		(118)
Cash flows from financing activities		
Proceeds from issue of share capital, net of issuance costs	11,12	1,057,089
Net cash flows from financing activities		1,057,089
Net increase in cash and cash equivalents		
Cash and cash equivalents at beginning of period		-
Effect of exchange rate fluctuations on cash and cash equivalents		156
Cash and cash equivalents at end of period	8	1,054,046

Financial statements

Consolidated statement of changes in shareholders' equity

For the period from 6 October to 31 December 2020

	Notes	Share capital \$'000	Other reserves \$'000	Retained loss \$'000	Total shareholders' equity \$'000
Total comprehensive loss for the period		-	-	(4,617)	(4,617)
Issue of share capital	11,12	1,655	1,100,938	-	1,102,593
Issuance costs	12	-	(45,504)	-	(45,504)
Equity based compensation expense	6,12	-	312	-	312
Balance as at 31 December 2020		1,655	1,055,746	(4,617)	1,052,784

Financial statements

Notes to the consolidated financial statements

For the period from 6 October to 31 December 2020

1 General information

Conduit Holdings Limited (the "Company") was incorporated under the laws of Bermuda on 6 October 2020 and listed on the London Stock Exchange on 7 December 2020. The registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

The Company's consolidated financial statements for the period ended 31 December 2020 include the Company's subsidiaries (together referred to as the 'Group'). A full listing of the Group's related parties can be found in note 15.

2 Significant accounting policies

The basis of preparation, use of estimates, consolidation principles and significant accounting policies adopted in the preparation of these consolidated financial statements are set out below.

Basis of preparation

The consolidated financial statements are prepared on a going concern basis in accordance with IFRS. The Directors performed an assessment of the Group's ability to continue as a going concern and have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

Where IFRS is silent, as it is in respect of certain aspects relating to the measurement of insurance products, the IFRS framework allows reference to another comprehensive body of accounting principles. In such instances, the Group's management determines appropriate measurement bases, to provide the most useful information to users of the consolidated financial statements, using their judgement and considering US GAAP. In the course of preparing the consolidated financial statements, no judgements have been made in the process of applying the Group's accounting policies, other than those involving estimations as noted in the 'Use of estimates' section on page 49, that have had a significant effect on amounts recognised in the consolidated financial statements.

The consolidated balance sheet is presented in order of decreasing liquidity. All amounts, excluding share data or where otherwise stated, are in thousands of US dollars.

Future accounting changes

Standards and interpretations which are issued but not yet effective and have not been early adopted by the Group are summarised in the table below.

Standard	Amendment	Effective Date
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 & IFRS 16	Interest Rate Benchmark Reform - Phase 2	1 January 2021
Amendments to IAS 37	Onerous Contracts - Cost of Fulfilling a Contracts	1 January 2022
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
Amendments to IAS 1	Classification of Liabilities as Current or Non Current	1 January 2023

IFRS 17, Insurance Contracts, issued in May 2017, specifies the financial reporting for insurance contracts by an insurer. The new standard is likely to be effective for accounting periods beginning on or after 1 January 2023. The standard includes a number of significant changes regarding the measurement and disclosure of insurance contracts both in terms of liability measurement and profit recognition. The Group will assess the impact that the new standard will have on its results and its presentation and disclosure requirements.

Use of estimates

The preparation of financial statements in conformity with IFRS requires the Group to make estimates and assumptions that affect the reported and disclosed amounts at the balance sheet date and the reported and disclosed amounts of revenues and expenses during the reporting period. Actual results may differ materially from the estimates made.

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Notes to the consolidated financial statements

For the period from 6 October to 31 December 2020

2 Significant accounting policies

The most significant estimate made by management is in relation to the estimated fair value of the MIP. This is discussed in note 6.

While not significant, estimates are also used in the valuation of intangible assets.

Consolidation principles

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at and for the period ended 31 December 2020. Subsidiaries are fully consolidated from the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. Intercompany balances, profits and transactions are eliminated. Control is achieved when the Group 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.

Subsidiaries' accounting policies are generally consistent with the Group's accounting policies. Where they differ, adjustments are made on consolidation to bring accounting policies in line.

Foreign currency

The functional currency, which is the currency of the primary economic environment in which operations are conducted, for Group entities is US dollars. Items included in the financial statements of each of the Group's entities are measured using the functional currency. The 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, or at the average rate for the period when this is a reasonable approximation. Monetary assets and liabilities denominated in foreign currencies are revalued at period end exchange rates. The resulting exchange differences on revaluation are recorded in the consolidated statement of comprehensive income within net foreign exchange gains. 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 estimated fair value was determined.

Cash and cash equivalents

Cash and cash equivalents are carried in the consolidated balance sheet at amortised cost and include cash in hand, deposits held on call with banks 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.

Interest income earned on cash and cash equivalents is recognised on the effective interest rate method. The carrying value of accrued interest income approximates estimated fair value due to its short-term nature and high liquidity.

Property, plant and equipment

Property, plant and equipment is carried at historical cost, less accumulated depreciation and any impairment in value. Depreciation is calculated to write off the cost over the estimated useful economic life on a straight-line basis as follows:

IT Equipment	3 years
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The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property, plant or equipment is derecognised on disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Gains and losses on the disposal of property, plant and equipment are determined by comparing proceeds with the carrying amount of the asset, and are included in the consolidated statement of comprehensive income. Costs for repairs and maintenance are charged to profit or loss as incurred.

Financial statements

Notes to the consolidated financial statements

For the period from 6 October to 31 December 2020

2 Significant accounting policies

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 over the useful life. An intangible asset with an indefinite useful life is not amortised, but is tested annually for impairment. When an intangible asset is disposed of, the gain or loss on disposal is included in profit or loss.

Leases

At the inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group 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 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, the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date.

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. The Group 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 the Group 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.

The Group presents right-of-use assets and lease liabilities as a separate financial statement line item on the consolidated balance sheet.

Employee benefits

Equity compensation plans

The Group currently operates a MIP under which shares are subscribed for or nil cost options will be 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.

At each balance sheet date, the Group 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 compensation expense in the consolidated statement of comprehensive income, 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 income and the actual cost to the Group, if any, is transferred to other reserves in shareholders' equity.

Notes to the consolidated financial statements

For the period from 6 October to 31 December 2020

2 Significant accounting policies

Tax

Income tax represents the sum of tax currently payable and any deferred tax. The tax payable is calculated based on taxable profit for the period using tax rates and tax laws enacted or substantively enacted at the year end reporting date and any adjustments to tax payable in respect of prior periods. Taxable profit for the period can differ from that reported in the consolidated statement of comprehensive income due to non-taxable income and certain items which are not tax deductible or which are deferred to subsequent periods.

Deferred tax is recognised on all temporary differences between the carrying value of the assets and liabilities in the consolidated balance sheet and their tax base, except when the deferred tax liability arises from the initial recognition of goodwill. Deferred tax assets or liabilities are accounted for using the balance sheet liability method. Deferred tax assets are recognised to the extent that realising the related tax benefit through future taxable profits is probable and are reassessed each year for recognition.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

Where the current estimated fair value of equity based compensation awards differs from the estimated fair value at the time of grant, adjusted where applicable for dividends, the related corporation tax and deferred tax charge or credit is recognised directly in other reserves.

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 compensation 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 to share premium.

3 Risk disclosures

Introduction

For the period ending 31 December 2020, the Group was not engaged in any active business and was therefore exposed to limited risks, being market risk, operational risk and strategic risk.

From 1 January 2021, the Group will be exposed to risks from several sources, classified into six primary risk categories. These are insurance risk, market risk, liquidity risk, credit risk, operational risk and strategic risk. The primary risk to the Group will be insurance risk. These risks will be discussed, along with the appropriate disclosure, within the Group's unaudited condensed interim consolidated financial statements when issued later in 2021.

The Board is responsible for determining the nature and extent of the principal risks the Group is willing to take in achieving its strategic objectives and should maintain sound risk management and internal control systems. To this end, for the period ending 31 December 2020, the Board established initial governance arrangements and delegated certain limited authorities to officers of CHL and CRL to facilitate the establishment of operating capabilities ahead of the 1 January 2021 reinsurance renewal period. Baseline risk appetites were defined and these remain under review as the Group develops. Initially certain non-underwriting activities were outsourced to, or supported by, specialist providers with the intent of reducing short-term execution risk.

Notes to the consolidated financial statements

For the period from 6 October to 31 December 2020

3 Risk disclosures

The risk function is responsible for supporting the Board, and the CRL board, with the day-to-day oversight of the risks that the Group 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 reviewed at least annually, with consideration of the financial and operational capacity of the Group. 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 and 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, risk events and compliance with risk appetite and tolerance statements to executive management and the boards, and relevant board sub-committees, of CRL and CHL. To ensure transparency and accountability of the business to the independent non-executive directors, three 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.

Market risk

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

- i. Insurance risk;
- ii. Investment risk;
- iii. Debt risk; and
- iv. Currency risk.

As the Group was not engaged in any active business for the reporting period, the only relevant market risk for the period was currency risk. Following the successful IPO, and translation of the pounds Sterling funds raised into US dollars, there was no significant currency exposure to the Group.

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 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.

Strategic risk

The Group has identified several strategic risks. These include:

- 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. This includes 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; and
- The risks of succession planning, staff retention and key man risks.

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Notes to the consolidated financial statements

For the period from 6 October to 31 December 2020

3 Risk disclosures

Business plan risk

The Group's business plan, as included in the IPO prospectus, was evaluated and approved by the Board. Actual versus planned results will be monitored regularly.

Capital management risk

The total tangible capital of the Group is as follows:

	\$'000
As at 31 December 2020	
Shareholders' equity	1,052,784
Intangible assets	(169)
Total tangible capital	1,052,615

Risks associated with the effectiveness of the Group'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 and;
- Future participation in industry groups such as the Association of Bermuda Insurers and Reinsurers.

The Group 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 adequate financial strength rating; and
- Meeting 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 the Group may also be utilised. All capital actions require approval by the Board.

The primary source of capital used by the Group 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. For the period ended 31 December 2020, CRL was more than adequately capitalised on this basis.

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;
- The identification of key team profit generators and function holders with targeted retention packages;
- Documented recruitment procedures, position descriptions and employment contracts;
- Resource monitoring and the provision of appropriate compensation, including equity based compensation which vests over a defined time horizon, subject to achieving certain performance criteria; and
- Training schemes.

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Notes to the consolidated financial statements

For the period from 6 October to 31 December 2020

4 Segmental reporting

There is no active business in the period ending 31 December 2020. Underwriting commenced on 1 January 2021. With no operating income, the Group did not have any reportable operating segments during the period. The Group's principal operating segments will be determined as business develops through 2021 and will reflect how the business is reviewed and monitored by Management and the Board.

5 Results of operating activities

Results of operating activities are stated after charging the following amounts:

	\$'000
Auditor's remuneration: audit fees	110

6 Employee benefits

The aggregate remuneration comprised:

	\$'000
Wages and salaries	2,432
Total cash compensation	2,432
Total equity based compensation	312
Total employee benefits	2,744

Equity based compensation

The Group's equity based compensation incentive scheme is its MIP. 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.

100,000 A1 shares and 100,000 A2 shares were issued by CML during the period at a subscription price of £1.72 and \$2.26 respectively. There have been no exercises during the period.

The following table lists the assumptions used in the stochastic model for the MIP awards granted during the period ended 31 December 2020:

Assumptions	
Dividend Yield	0%
Expected Volatility ¹	range from 17.6% – 18.1%
Risk-free interest rate ²	range from 0.29% – 0.61%
Expected life of instruments	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 instruments 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 are highly judgmental and input from advisors was sought. Management also considered alternative assumptions and concluded there was not a material impact on the estimated valuation selected.

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Notes to the consolidated financial statements

For the period from 6 October to 31 December 2020

6 Employee benefits

The calculation of the equity based compensation expense assumes no forfeitures due to employee turnover, with subsequent adjustments to reflect actual experience.

Conditions of the MIP are as follows:

The MIP instruments vest over a four to seven year period with specific measurement dates of 7 December 2024, 7 December 2025, 7 December 2026 and 7 December 2027. The instruments will vest only after an IRR of 10% is achieved. As noted above, a maximum of 15% of the growth in market value will be available to each tranche at the vesting date. If the hurdle is not achieved at the first vesting date, the instruments will roll over until the final vesting date.

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. The estimated fair value is recognised in the consolidated statement of comprehensive income, 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, are not taken into account when estimating the fair value. Market conditions are those conditions that are linked to the share price of the Group.

At the end of each reporting period the Group revises its estimates of the number of shares that are expected to vest due to non-market conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated statement of comprehensive income, with a corresponding adjustment to shareholders' equity.

During the year \$312 thousand has been recognised in the consolidated statement of comprehensive income as a charge in relation to the share based incentives.

7 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 period ended 31 December 2020 a tax loss arose. Deferred tax assets are recognised to the extent that realising the related tax benefit through future taxable profits is likely. It is currently anticipated that there will not be sufficient taxable profits in 2021 and subsequent years to utilise the deferred tax asset, therefore no deferred tax has been recognised.

	\$'000
Current tax expense	-
Deferred tax expense	-
Total tax expense	-
Reconciliation of effective tax rate	
Loss for the year before tax	(4,617)
Tax using the Bermuda corporation tax rate of 0%	-
Tax using the UK corporation tax rate of 19%	88
Tax benefit not recognised	(88)
Total tax expense	-

Financial statements

Notes to the consolidated financial statements

For the period from 6 October to 31 December 2020

8 Cash and cash equivalents

	\$'000
Cash at bank and in hand	54,046
Cash equivalents	1,000,000
	1,054,046

Cash equivalents have an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

9 Intangible assets

	Software \$'000
Cost	
Additions	169
Net book value as at 31 December 2020	169

There was no amortisation or impairment recognised for the period ended 31 December 2020 on the basis that the asset is not ready for use.

10 Right-of-use lease assets

	\$'000
Cost	
Additions	11
Balance and net book value as at 31 December 2020	11

11 Share capital

	Number	\$'000
Authorised share capital as at 31 December 2020		
Authorised common shares of \$0.01 each	10,000,000,000	100,000
Authorised A1 shares of £0.01 each	100,000	2
Authorised A2 shares of \$0.01 each	100,000	1
As at 31 December 2020	10,000,200,000	100,003
Allotted, called-up and fully-paid as at 31 December 2020		
Common shares issued	165,239,997	1,652
A1 shares issued	100,000	2
A2 shares issued	100,000	1
As at 31 December 2020	165,439,997	1,655

The number of common shares in issue with voting rights as at 31 December 2020 was 165,239,997. The A1 and A2 shares have no voting rights attached. Subject to vesting conditions, discussed in note 6, the shares will be automatically exchanged for ordinary shares of CHL.

Financial statements

Notes to the consolidated financial statements

For the period from 6 October to 31 December 2020

12 Other reserves

Other reserves consist of the following:

	Other reserves \$'000	Share premium \$'000	Total other reserves \$'000
Issue of shares	-	1,100,938	1,100,938
Issuance costs	-	(45,504)	(45,504)
Equity based compensation expense	312	-	312
As at 31 December 2020	312	1,055,434	1,055,746

Other reserves includes an equity based compensation 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 the Group are treated as a deduction from share premium.

13 Contingencies and commitments

During the period ended 31 December 2020, the Company entered into contracts to purchase software licenses. These commitments are expected to be settled in the ordinary course of business.

Legal proceedings and regulations

The Group operates in the re/insurance 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.

14 Loss per share

The following reflects the loss and share data used in the basic and diluted loss per share computations:

	\$'000
Loss for the year attributable to equity shareholders of CHL	(4,617)
	Number
Basic & diluted weighted average number of shares	165,239,997
	\$
Basic & diluted loss per share	(0.03)

Equity based compensation 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. Unvested restricted shares without performance criteria are therefore included in the number of potentially dilutive shares.

Incremental shares from ordinary restricted share options where relevant performance criteria have not been met are not included in the calculation of dilutive shares.

Financial statements

Notes to the consolidated financial statements

For the period from 6 October to 31 December 2020

15 Related party disclosures

The 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 & Wales	Support services
CML ¹	Bermuda	Support services
CSL	Bermuda	Support services

Unless otherwise stated, the Group owns 100% of the share capital and voting rights in its subsidiaries listed.

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.

Key management compensation

Remuneration for key management, the Group's Executive and Non-Executive Directors, was as follows:

	\$'000
Cash compensation	1,115
Directors fees and expenses	188
Total	1,303

Non-Executive Directors do not receive any benefits in addition to their agreed fees and expenses and do not participate in any of the Group's incentive, performance or pension plans.

16 Subsequent events

For the period ending 31 December 2020, the Group was not engaged in any active business. Underwriting commenced on 1 January 2021.

Glossary

The following definitions apply throughout the Annual Report unless the context otherwise requires:

1-in-100 A catastrophe loss event with a 1-in-100 probability of occurring in any given year.

1-in-250 A catastrophe loss event with a 1-in-250 probability of occurring in any given year.

Net acquisition cost ratio Ratio, in percent, of net insurance acquisition expenses to net premiums earned

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.

AEP (aggregate exceedance probability) An AEP curve describes the probability that various levels of loss will be exceeded based on an aggregation of a particular group of losses. For example, the RDS in the company business plan provide 1 in 30 year loss levels for the aggregation of losses for a particular peril. The loss figure provided can be read as the loss level that is estimated to be exceeded every 1 in 30 years (i.e. has a 3.3% probability of being exceeded).

AFS Available for sale.

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.

A.M. Best A.M. Best is a full-service credit rating organisation dedicated to serving the financial services industries, focusing on the insurance sector.

A.M. Best rating A forward-looking, independent, and objective opinion issued by A.M. Best regarding an insurer's, issuer's, or financial obligation's relative creditworthiness.

AGM Annual General Meeting.

Best Capital Adequacy Rating 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, between (1) a policyholder and a primary insurer, on behalf of the policyholder, (2) a primary insurer and a reinsurer, on behalf of the primary insurer, or (3) a reinsurer and a retrocessionaire, on behalf of the reinsurer.

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.

California quake A Californian earthquake catastrophe event.

BI Business interruption: insurance coverage that replaces income lost in the event that business is halted due to direct physical loss or damage.

Capacity The percentage of surplus that an insurer or reinsurer is willing or able to place at risk or the dollar amount of exposure it is willing to assume. Capacity may apply to a single risk, a programme, a line of business or an entire book of insurance or reinsurance business. Capacity may be constrained by legal restrictions, corporate restrictions, or indirect financial restrictions such as capital adequacy requirements.

Carrier An insurer or reinsurer.

Casualty or liability insurance The type of insurance that is primarily concerned with losses caused by injuries to persons and legal liability imposed upon the insured for such injury or for damage to property of others. Primarily concerned with the losses caused by injuries to third persons (persons other than the policyholder) and the legal liability imposed on the policyholder resulting therefrom. This includes, but is not limited to, workers' compensation, automobile liability, and general liability.

Cedant or customer or client A ceding insurer or a reinsurer. A ceding insurer is an insurer that writes and issues an original, primary policy to an insured and contractually transfers (cedes) a portion of the risk to a reinsurer. A ceding reinsurer is a reinsurer that transfers (cedes) a portion of the underlying reinsurance to a retrocessionaire.

CD Communicable disease insurance.

Cede When a party reinsures its liability to another party, it "cedes" business to the reinsurer and is referred to as the "customer," "ceding party" or "cedant."

CEO Chief Executive Officer.

CFO Chief Financial Officer.

Glossary

CHL Conduit Holdings Limited.

Claim A 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.

Company Conduit Holdings Limited.

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.

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.

Losses Demand by an insured for indemnity under an insurance contract.

Combined ratio The ratio, in percent, of the sum of net insurance losses, net acquisition expenses and other operating expenses to net premiums earned.

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.

CRO Chief Risk Officer.

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 costs Costs incurred for the acquisition or the renewal of insurance policies (e.g. brokerage and premium taxes) which are deferred and amortised over the term of the insurance contracts to which they relate.

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 share by the share price on the last day of the given year.

Earned premium The proportion of written premium that relates to a used period of cover.

Earnings (loss) per share (EPS) Calculated by dividing net profit (loss) for the year attributable to shareholders by the weighted average number of common shares outstanding during the year, excluding treasury shares.

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.

Errors and Omissions (E&O) A form of professional indemnity insurance. Errors and omissions insurance protects business professionals whose clients could claim damages as a result of the business professional's faulty performance.

European Economic Area or EEA The member states of the European Union plus Norway, Iceland and Liechtenstein.

European Union or EU The European Union is made up of 27 member states: Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, and Sweden.

Excess of loss (XoL, XL) or non-proportional Reinsurance cover provided to an insured in excess of a specified deductible level. This business is usually written on a layer by layer basis. Reinsurance that indemnifies the reinsured against all or a specified portion of losses on an underlying insurance policy in excess of a specified currency value or percentage loss ratio amount.

Glossary

Exclusion A provision in a policy that excludes the insurer's liability in certain circumstances or for specified types of loss. A term in an insurance or reinsurance contract that excludes the insurer or reinsurer from liability for specified types of loss. An exclusion may apply throughout a policy or it may be limited to specific sections of it. In certain circumstances an exclusion may be limited or removed altogether following the payment of an additional premium.

Facultative A reinsurance risk that is placed by means of a separately negotiated contract as opposed to one that is ceded under a reinsurance treaty. In pro rata reinsurance, the reinsurance of part or all of the insurance provided by a single policy, with separate negotiation for each policy cession of insurance – for sharing liability, premium and loss. In excess of loss reinsurance, the reinsurance of each policy, with separate negotiation for each – for indemnity of loss in excess of the reinsured's loss retention. The word "facultative" connotes that both the primary insurer and the reinsurer usually have the faculty or option of accepting or rejecting the individual submission (as distinguished from the obligation to cede and accept, to which the parties agree in most treaty reinsurance).

Financial strength rating The opinion of rating agencies regarding the financial ability of an insurance or reinsurance company to meet its financial obligations under its policies.

Florida wind A Florida hurricane catastrophe event.

FVTPL Fair value through profit or loss.

GPW or gross premiums written Amounts payable by the insured, excluding any taxes or duties levied on the premium, including any brokerage and commission deducted by intermediaries.

Gross claims Claims under contracts of insurance underwritten by a carrier plus internal and external claims settlement expenses less salvage or other recoveries, but before the deduction of reinsurance recoveries.

ICE Intercontinental Exchange Group: An Atlanta-based global exchange, clearing, financial data and technology company, operating multiple markets and services across nine different asset classes.

IFRS International Financial Reporting Standard(s).

Incurred losses Claims under contracts of insurance underwritten a carrier plus internal and external claims settlement expenses less salvage or other recoveries, but before the deduction of reinsurance recoveries.

Incurred but not reported (IBNR) Anticipated or likely losses that may result from insured events which have taken place, but for which no losses have yet been reported. IBNR also includes a reserve for possible adverse development of previously reported losses.

International Accounting Standard(s) (IAS) Standards created by the IASB for the preparation and presentation of financial statements.

International Accounting Standards Board (IASB) An international panel of accounting experts responsible for developing IAS and IFRS.

Incurred loss ratio Paid claims and known outstanding claims as a percentage of the premiums underwritten by the company. These can be on a gross or net basis, i.e. before or after reinsurance recoveries and costs.

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.

Long tail business A type of liability that carries a long settlement period. Long-tail liabilities are likely to result in high incurred but not reported (IBNR) claims, because it may take a long period of time for the claims to be settled.

Lloyd's The Society of Lloyd's.

Loss adjustment expenses The expenses of settling claims, including legal and other fees and the portion of general expenses allocated to claim settlement costs. Also known as claim adjustment expenses.

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.

Margin (reinsurance) As a pricing factor (along with expenses and losses), the profit the reinsurer expects to earn.

Glossary

Market value Means (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 CML 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.

MSM Minimum solvency margin. The minimum excess unimpaired surplus as a percent of outstanding loss reserve as set by regulators.

MIP Management incentive plan.

Net loss ratio A ratio, in percent, calculated by dividing net insurance losses by net premiums earned.

Net premiums earned Net premiums earned is equal to net premium written less the change in unearned premiums and change in unearned premiums on premiums ceded.

Net premiums written Net premiums written is equal to gross premiums written less outwards reinsurance premiums written.

Nat Cat Natural catastrophe.

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 Is that 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 ten per cent. 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.

Prior years or back years Earlier years of underwriting prior to the current year.

Probable maximum loss (PML) The anticipated maximum loss that could result from a single given event, as opposed to MFL (Maximum Foreseeable Loss), which would be a similar valuation, but on a worst case basis.

Profit commission A commission that is payable according to a pre-determined formula as an incentive and reward for profitable underwriting.

Programme business A package of small to medium property and liability business favoured by a number of non-marine underwriters.

Property reinsurance Reinsurance exposures that are exposed to losses from damage or theft to buildings and their contents – money and securities, records, inventory, furniture, machinery, supplies and even intangible assets such as trademarks.

Pro-rata reinsurance or proportional reinsurance All forms of reinsurance in which the reinsurer shares a proportional part of the original premiums and losses of the reinsured. Frequently referred to as quota share reinsurance.

Quota share reinsurance A form of proportional reinsurance in which the reinsurer assumes an agreed percentage of each underlying insurance contract being reinsured.

Reserves; claim reserves; loss reserves; loss adjustment expense reserves 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. Reserves are established for claims, losses and for loss adjustment expenses, and consist of reserves established with respect to individual reported claims and incurred, but not reported losses.

Retrocession; retrocessional coverage A transaction in which a reinsurer transfers risks it has reinsured to another reinsurer, commonly referred to as the retrocessionaire. Retrocessional reinsurance does not legally discharge the ceding reinsurer from its liability with respect to its obligations to the reinsured.

ROE Return on equity. Profit for the period divided by the adjusted opening total equity.

RPI Renewal price index.

Glossary

Risk transfer The transfer of all or a part of a risk to another party.

Risk adjusted return A concept that refines an investment's return by measuring how much risk is involved in producing that return, which is generally expressed as a number or rating.

Short tail business This is business which normally settles during the three year term of a Lloyd's year of account. Motor, property, aviation hull and short-term life are all examples of short-tail business.

Rate on line The ratio of premium paid to loss recoverable in a reinsurance contract.

Specialty This is a generic term used by companies to indicate classes of business that fall outside the norm of property and casualty. However, it is open to interpretation with different companies using the term to describe different classes of business. For some it relates to marine, energy and aviation business whereas some describe casualty as specialty business.

Surplus The amount by which an insurer's assets exceed its liabilities. It is the equivalent of "owners' equity" in standard accounting terms. The ratio of an insurer's premiums written to its surplus is one of the key measures of its solvency.

The UK Code The UK Corporate Governance Code, monitored by the UK Financial Reporting Council.

Total shareholder return The percentage of the increase/(decrease) in share price over a period, stated in percentages, after adjustment for dividends.

Treaty reinsurance This is usually reinsurance business, which is written on a proportional or quota share basis. A form of reinsurance in which the ceding company makes an agreement to cede certain classes of business to a reinsurer. The reinsurer, in turn, agrees to accept all business qualifying under the agreement, known as the "treaty." Under a reinsurance treaty, the ceding company is assured that all of its risks falling within the terms of the treaty will be reinsured in accordance with treaty terms.

UK United Kingdom.

Ultimate loss ratio The ratio of ultimate total paid claims to total premiums received for all policies written in a given period.

Unearned premium The portion of premium income that is attributable to periods after the balance sheet date that is deferred and amortised to future accounting periods.

Underwriting cycle Market-wide fluctuations in the prevailing level of insurance and reinsurance premiums. A soft market, i.e., a period of increased competition, depressed premiums and excess capacity, is followed by a hard market – a period of rising premiums and decreased capacity.

UNL Ultimate net loss.

US United States of America.

US GAAP Accounting principles generally accepted in the United States.

Vesting The MIP Shares will vest on: (1) a takeover of CHL; or (2) a sale or liquidation of CML; or (3) the relevant vesting period has elapsed for that Tranche of the MIP Shares.

W&I Warranty and Indemnity insurance: coverage usually for losses arising from a breach of a warranty and claims under a tax indemnity (and, in certain cases, other equivalent provisions) in connection with a corporate merger or acquisition transaction.

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.

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