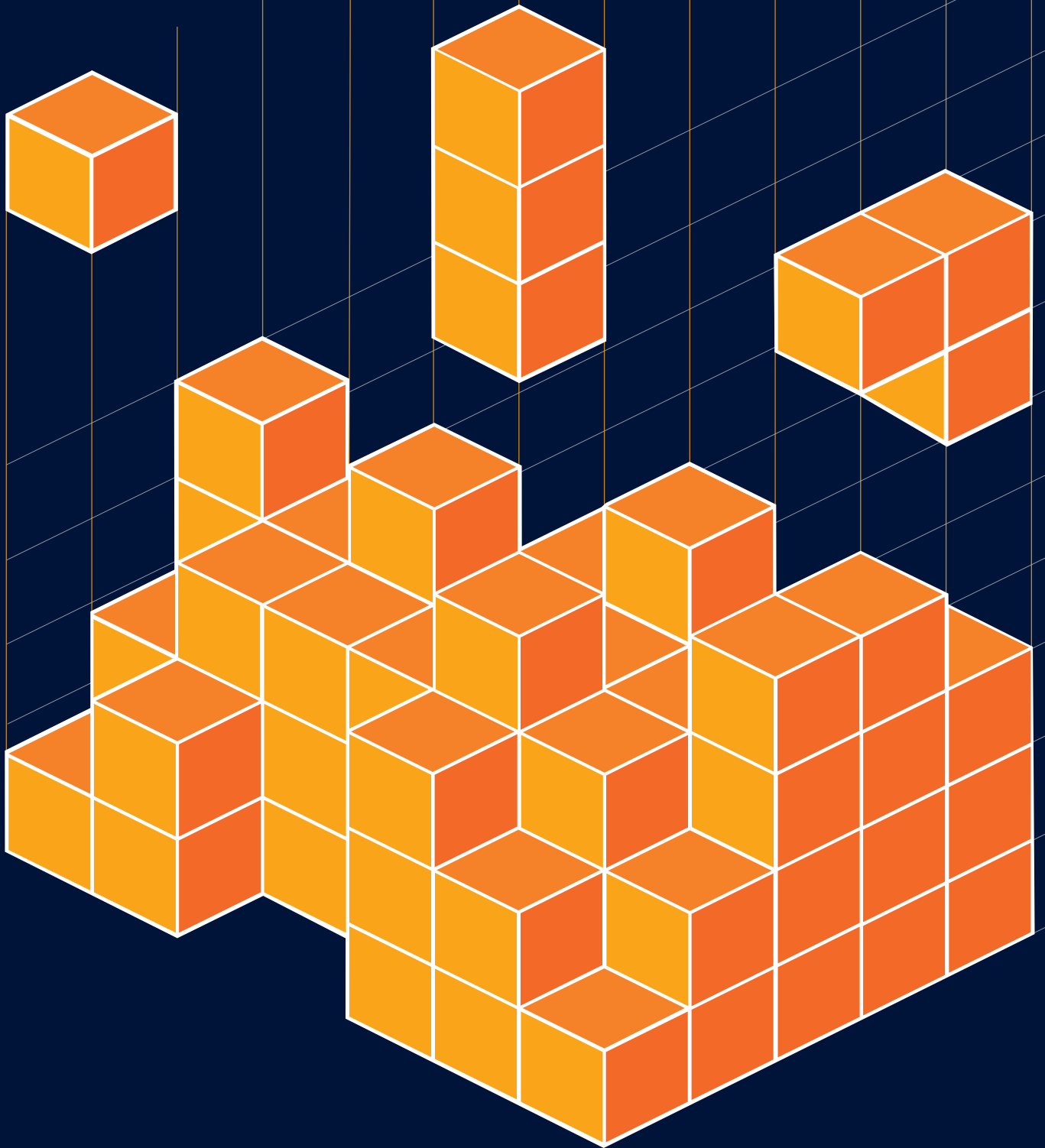




CONDUIT RE



Building resilience
in a changing world

Conduit Holdings Limited Annual Report 2021

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Conduit Re is a pure play global reinsurance business.

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

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

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

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

Strategic overview

Building a resilient underwriting franchise...

Pure play treaty reinsurer
We focus purely on providing treaty reinsurance support to our clients and avoid conflicts of interest.

Simple and transparent operating model
We work collaboratively as a single team from a single balance sheet in a single location to support our brokers and customers.

Balanced and diversified approach
We maintain a highly disciplined approach to portfolio management, ensuring balance and diversification at all times across the underwriting cycle.

Expertise and experience
We only underwrite risks that we can measure, analyse and price appropriately.

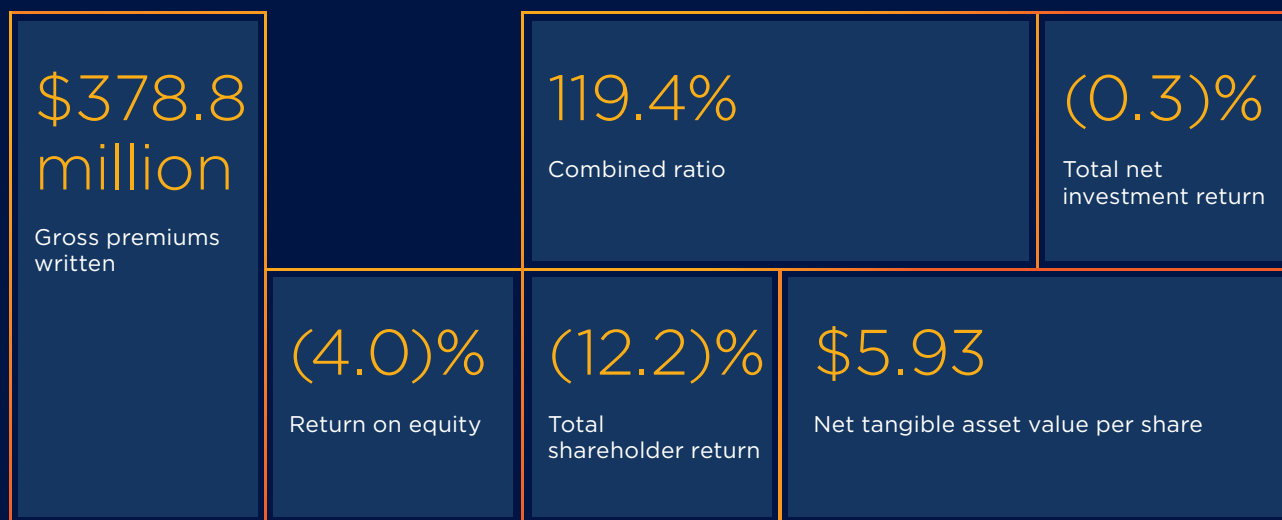
Social responsibility
We aim to lead by example in supporting the transition to a sustainable economy and will always focus on the long-term benefit of all of our stakeholders.

Best in breed technology and analytics
We continuously invest in technology and data management tools to ensure we are able to provide the highest levels of service to our brokers and customers over the lifecycle of our policies.

Strong balance sheet
We will always maintain a strong level of capital adequacy to support our rating, our solvency and our liquidity for the benefit of our customers.

...to deliver value for the long-term.

Key performance indicators



Gross premiums written \$378.8 million

Gross premiums written are broadly in line with our IPO prospectus showing the excellent progress made in our first year of underwriting, although we have been deliberately weighted to more quota share business during our early stages to ensure access to rates and a diversified portfolio.

Return on equity (4.0)%

Return on equity (ROE) enables the Group to compare itself against other peer companies in the industry, it is also a key measure internally and is integral to our performance-related pay determinations. ROE is calculated as the profit for the period divided by the opening total shareholders' equity. ROE for the year was negatively impacted by the industry loss events in 2021 and higher initial costs associated with the Group's build out of teams and systems.

Total net investment return (0.3)%

The Group bases its total net investment return on the sum of non-operating cash and cash equivalents and fixed maturity securities. Total net investment return is calculated on a daily basis and expressed as a percentage. The Group's principal investment objective is to preserve capital and provide adequate liquidity to support the payment of losses and other liabilities. In light of this, the Group looks to generate an appropriate total net investment return. The IPO funds raised were fully placed with our selected investment managers during 2021 and invested in fixed income securities, in line with our conservative investment strategy.

Combined ratio 119.4%

The combined ratio for 2021 represents the start-up nature of the business, the higher weighting towards quota share business during our first year which resulted in a lag in the underlying earnings, along with the higher-than-average loss activity experienced by the industry during the year.

Total shareholder return (12.2)%

Total Shareholder Return (TSR) allows the Group to compare itself against other public peer companies. TSR is calculated as the percentage change in common share price over a period, after adjustment for common share dividends. Following the IPO in December 2020 which was completed at 500p per share, the Conduit share price at the beginning of the year was 508p and it closed the year at 433p. In June, the Group declared an interim dividend of \$29.7 million resulting in a dividend per share of \$0.18 (£0.13) in line with our IPO plans. Consequently, Conduit's TSR for 2021 was -12.2%.

Net tangible asset value \$5.93 per share

The year end shareholders' equity includes the profit / (loss) for the financial year and dividends declared. Intangible assets consist of capitalised costs related to our internal software development. Intangible assets are excluded from shareholders' equity to calculate the net asset value per share. Total tangible net assets for the group at year end were \$980.1 million and the number of common shares outstanding was 165,207,174.

Executive Chairman's statement

Our first year has been all about laying resilient foundations for the future, building the team, the operational capability, constructing the underwriting portfolio and forming a strong and healthy culture.



Neil Eckert
Executive Chairman

Executive Chairman's statement

Introduction

In our December 2020 Prospectus, issued for what turned out to be the largest successful start-up IPO fundraise in the history of the LSE, we set out our vision for building a leading global reinsurance underwriting franchise over the next five years. I could not be more proud of what we achieved then and in the year since.

At that time, I said that one of the advantages of being a start-up business is that we provide an excellent opportunity for highly talented people in our industry to prove themselves on an entrepreneurial stage. I am delighted by the talent, energy and enthusiasm demonstrated by the remarkable people who joined our journey. Being part of a start-up is a career changing opportunity, but talent can only flourish in the right environment and developing a great culture has been a critical part of our mission. We set out from day one to establish a clear Conduit culture; transparent, collaborative, responsible, enabled and forward-thinking. I believe our team is evidence that we have been successful in achieving this aim.

Culture is also about embracing diversity and all that this brings to a great team. I am proud to report that just under half our employees, and a third of our Board is female. A majority of our team is either Bermudian or permanent residents of Bermuda. We have brought together all the disciplines and professions needed to run the business from a single location and the individuals have quickly come together to form a hard working, high performing team.

I would like to take this opportunity to record my thanks to the Board for their hard work and the valuable advice they have provided to Trevor and me.

We comment in detail on our ESG strategy in that section of this report and I emphasise our commitment to this activity. It is an integral part of our business, an absolute imperative in the way we approach underwriting, our people, our charitable and social goals and governance. Governance is an important part of this and the establishment of the ESG Committee, our first Board evaluation, and the work carried out by Malcolm Furbert, our independent director with responsibility for workforce engagement, underline our commitment to that strong governance foundation.

I will leave Trevor to comment more on market conditions and our operational build-out, but I want to highlight that Conduit Re was conceived and launched into the best insurance underwriting conditions to

have existed for over a decade, possibly even two. The last two or three market corrections I have personally experienced in my career were triggered by large catastrophe events: Hurricane Andrew in 1992, the World Trade Centre Attacks in 2001 and the combined losses from Hurricanes Katrina, Rita and Wilma in 2005. However, the hard market of 2021/22 is a very different beast. It has been a market in which the drivers of much needed improvements in pricing and terms and conditions were in the primary direct markets, and there are now signs of real capacity constraint in some areas of the market, as well as continuing pricing momentum. Because of the propitious timing of our launch, and the exceptional hard work of the team in building out our ability to deliver on our plans, Conduit Re is perfectly placed to take advantage of these conditions.

Our overall result for our first full year of operations was a comprehensive loss of \$42 million or \$0.25 per share. Whilst it is disappointing to be reporting a loss, it is in line with what can be expected in a year that was particularly costly for the industry. Our initial strategy, with bias toward quota share business, also resulted in a delayed recognition of earnings compared to the IPO plan. This bias towards writing more quota share business was a direct response to market conditions and has allowed us to build a high-quality diversified and balanced portfolio which stood us in good stead with relatively low catastrophe losses during 2021, a "cat heavy" year. Our business remains exceptionally well capitalised and on track to fulfil the growth strategy set out at the time of the IPO. We are pleased to declare a final dividend of \$0.18 per share, bringing our full year dividend to \$0.36 per share, also in line with our stated dividend policy.

In conclusion, I am excited about the future for Conduit. Our first year has been all about laying resilient foundations, building the team, the operational capability, constructing the underwriting portfolio and forming a strong and healthy culture. I am proud of what has been achieved so far, but also acutely aware of the opportunity given to us by our shareholders and the responsibility that entails. We will continue building on our excellent first year's work in 2022 and I look forward to reporting to you again at the end of this year.

Neil Eckert
Executive Chairman

Strategic report

CEO's report

Our mission is to build a market leading reinsurance business for the long term and we have made great strides during our first year to create the core foundations necessary to achieve this.



Trevor Carvey
Chief Executive Officer and
Chief Underwriting Officer

CEO's report

A strong start despite a tough year for the industry

It is hard to believe that a year has gone by since our launch in December 2020. What an extraordinary year 2021 has been for our industry and the world in general. Amid the ongoing challenges of the COVID-19 pandemic, the industry also experienced what has been reported as the fourth costliest catastrophe year in history, with market estimates of up to \$130 billion of catastrophe losses.

Conduit Re started out against a backdrop of arguably the largest 'unmodelled' insurance loss ever experienced (the COVID-19 pandemic) and four consecutive years of above average industry catastrophe loss activity. The past year has further highlighted the impact of both of these factors, with the pandemic continuing and with the variety, scale and frequency of catastrophe loss events in 2021: the February winter storms in the US; the European floods in July; quickly followed by Hurricane Ida (unusually impacting both the Gulf region and the North-eastern states); and then the mid-west tornadoes in December.

Amid this activity in our first year of trading, we have firmly established our core underwriting philosophy: to underwrite a balanced and diversified portfolio of technically priced risks in classes we know and understand. This philosophy has proved to be resilient in a difficult year, as is evidenced by our relatively low net catastrophe losses amounting to \$53.8 million, significantly lower than many of our direct peers. This result is testimony to our consistent and robust approach to balancing our exposures at whatever point in the insurance cycle we bring them into our portfolio.

Building resilient foundations

I said in my first report last year that "the hard work now begins" for Conduit Re. 2021 has certainly been a year of incredibly hard work and of building the excellent team, our platform, our relationships and our portfolio.

I believe we have successfully put in place resilient foundations to establish Conduit Re as a market leading reinsurance underwriting franchise for the long term and we have made great strides during our first year to create the core foundations necessary to achieve this, as well as dealing with and reacting to the challenging events of the year. One measure of our success in entering the market in our first year is the reaction that we have had from our brokers and

clients, and I am absolutely delighted by the positive reception that we have received.

Conduit Re is a differentiated model in the reinsurance market, born of the experience the team has gained over several decades of managing risk in the global insurance industry.

For me, the core tenets of our business model are:

- A pure play treaty reinsurer in a single location in Bermuda;
- A transparent business model with no conflicts of interest;
- A collaborative approach where our underwriters, actuaries, cat-modellers and risk managers all work together;
- A balanced and diversified approach to portfolio management; and
- A modular and agile technology platform with best-in-class services designed to provide our people with valuable real time data.

Our real differentiator, and one that being a start-up allows us to establish and maintain from day one, is our decision-making framework; a flat, open and collaborative structure that allows us to make timely and informed decisions that we all buy into and can execute in a joined-up way. This flexibility is a huge asset in our business.

As Neil refers to in his statement, people are the essence of any reinsurance business and we have been incredibly fortunate to attract the perfect mix of talent and experience into every aspect of Conduit Re. The team has worked tirelessly throughout the year to deliver on the mission and this is one of the few opportunities I get to thank them publicly. Being part of a start-up is a special opportunity and a shared experience and I would like to think that our brokers and clients would already be able to describe the 'Conduit Re experience' as transparent, thoughtful and forward-thinking.

Our technology objective is to enable our people to do the best possible job at every point in the life cycle of our reinsurance policies. We have already put in place the fundamental components of our modular inter-connected technology stack comprising, in our view, the combined efficiency and processing power from a variety of some of the best available 'Software as a Service' solutions. This is a meaningful departure

CEO's report

from the industry's traditional reliance on legacy style 'one size fits all' approach to technology and we expect to reap the benefits of this over time as our systems evolve.

Our platform build-out process has benefited from the full commitment of the whole Conduit Re team, who worked with our suppliers to deliver an optimised and inter-connected system. We are delighted with the speed of progress and in particular our enterprise-level technical pricing solution is live across all divisions and we continue with the integration of the software solutions to optimise our finance, accounting and management reporting. Crucially, from day one, we had our real-time catastrophe exposure management systems in place and this has proven to be the bedrock of our ability to actively manage and control our cat capacity deployment through the year.

The new normal?

Increasingly, industry investors and stakeholders are asking if the loss experience of the 2017 to 2021 period is the 'new normal' as the impact of climate change appears to be leading to ever more frequent and severe weather-related loss events. As a reinsurer, we are in the business of protecting our clients against uncertainty and without question climate change, inflation and other factors are driving up future levels of uncertainty. The Conduit Re mantra is that we are happy to underwrite our clients' risks as long as we understand them, can measure them and we are being paid what we believe to be adequate premiums and margin for taking these risks on.

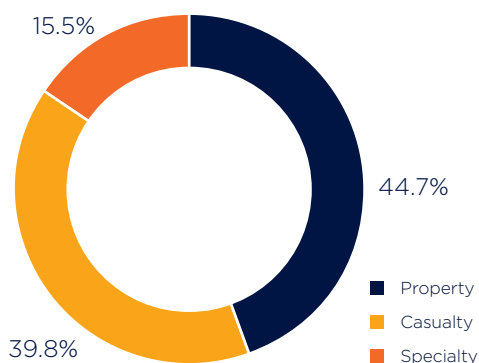
I believe that the market has finally started to appreciate the challenge faced in continuing to provide broad towers of worldwide or nationwide all perils cover where these contracts are consistently responding to the unexpected and unmodelled losses resulting from the shortcomings of the predictive catastrophe modelling tools on which the industry is currently so heavily reliant. With this in mind, as a reinsurer, we need to always consider very carefully the limits being deployed and the underlying contract structures in order to protect our balance sheet from exposure to these so-called 'outlier' events, the frequency and severity of which we believe have been consistently under-estimated by the industry models.

I was very pleased, of course, to have seen pricing continuing to improve throughout the year, particularly in many of the underlying primary markets that we have actively supported through our quota share strategy. But, just as importantly, the terms and conditions in these contracts have given us a direct look through to the underlying business in order to better control and manage the exposures that we are taking on board.

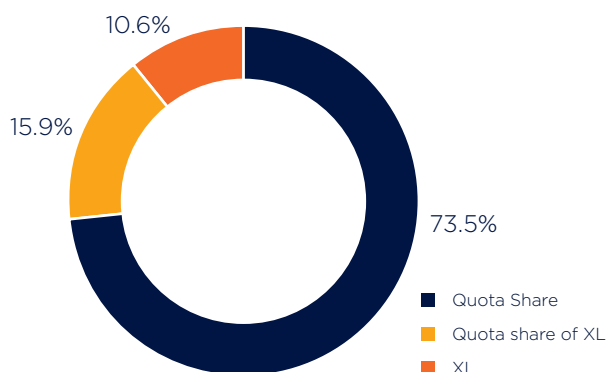
Our industry continues to face other challenges that we must be aware of and be ready to factor into our decision making. Continued inflationary pressure – both economic and social – is impacting both the cost of future claims and the adequacy in the market of existing long-tail reserves; the potential for increasing frequency and severity of natural catastrophes driven by climate change, which is driving capacity out of the catastrophe markets; and the ongoing low interest rate environment, which is forcing the market to re-assess technical pricing, particularly in the casualty markets. All of these factors are likely to drive continued improvement in insurance and reinsurance terms and conditions throughout 2022.

Strategic report
CEO's report

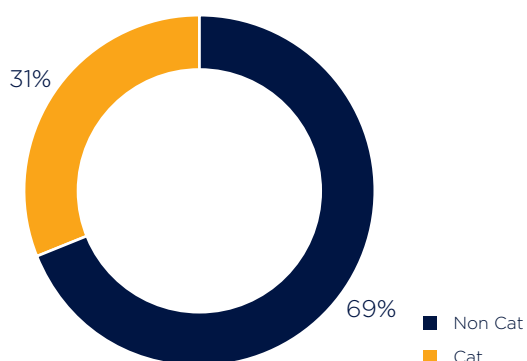
Division (UWP)



Quota Share/XL (UWP)



Entire 2021 Portfolio



Conduit's 2021 underwriting

Conduit Re underwrote total ultimate premiums of \$458.5 million during 2021, our first year of trading. This is broadly in line with our expectations. This translated into first year gross premiums written of \$378.8 million and net premiums earned of \$194.2 million.

Our year one premium base was, as set out in our plans, balanced and diversified:

The breakdown by division compares to our original plan of 37% property, 33% casualty and 30% specialty, reflecting our marginal preference for property business, particularly in the US, over specialty business.

Our split of catastrophe and non-catastrophe exposed premium demonstrates our commitment to deliver a multi-class and resilient premium base in order to better withstand the shocks that our industry experiences from time to time. This balance does not come easily and is a result of our collaborative single team mindset and a great deal of elbow grease.

A key metric that sheds light on our underwriting approach is our 'hit rate' (i.e., the percentage of contracts written as a proportion of the submissions received) which was around 23% in 2021. This demonstrates the discipline that we have applied in our first year of trading. Discipline is key to delivering on our strategy of building a high quality, diversified and balanced portfolio and as pricing momentum continues through 2022, we are in the position of being able to continue with this highly selective approach and remain in line with our growth and plan expectations.

This 2021 premium base will form the substantive backbone of our account for 2022 and beyond and gives us a tremendous platform from which we can build for the longer term.

2021 financial results

Our full year result of a \$42.0 million loss does not tell the entire story of our 2021 activities. As we have noted in our trading updates to the market throughout 2021, this is really a function of being a start-up with a zero initial premium base which results in us reporting a relatively low net premium earned of \$194.2 million as it takes a while for us to fully earn through the

CEO's report

business that we have written. We are also reporting a full year of operating expenses and claims which therefore have a disproportionate impact on the reported profitability. It will take us several years to fully deploy our capital and for our net premium earned to catch up with our estimated ultimate premiums written.

Consequently, our reported combined ratio of 119.4% is not a very helpful measure of our underlying underwriting profitability. We are satisfied that our attritional loss ratios reflect the improvements in market pricing, and our catastrophe losses have been within expectations in an above average year for catastrophe losses. I expect the lower attritional loss ratio to be reflected in our future results.

One aspect of our financial results which has been below original expectations has been our acquisition costs, which have run higher than our original plan. This is partly because of the weighting towards quota share business which carries higher acquisition costs than excess of loss business. We have also seen higher ceding commissions, which is a result of our preference to build our initial portfolio with higher quality and less volatile business. I am not unhappy to forego an element of margin to significantly reduce volatility.

Our operating costs in 2021 came in very close to our IPO budget at \$30.6 million. Our year end headcount of 41 is slightly lower than our original plan but we have also invested more in our operating platform.

On the investment side, we have always said that our strategy is to assume risk in our underwriting and

to seek to protect our asset base to maximise our solvency capital. Consequently, we have deployed our investments conservatively in line with our plan. We do not see any upside in risking our capacity to deploy capital in highly attractive underwriting market conditions by chasing a few additional points of yield on our investments. Elaine Whelan provides more detail on our investments in her CFO report.

Outlook

We are entering a fascinating part of the insurance cycle in the strongest possible position; we remain very well capitalised, we have our core team and infrastructure in place; pricing momentum remains strong in our target markets and we have 'road-tested' the business model in an extremely challenging first year of trading. We are ideally placed to benefit from some of the most attractive underwriting conditions I have experienced in my career and to deliver on the five-year business plan that we set out to our investors a year ago.

Trevor Carvey

Chief Executive Officer

Business review – underwriting

When I think about the team we have in place today and the buzz around the office, it is easy to forget that we only started writing business in January 2021. As a class of 2020 start-up, we launched into an extremely dynamic market that has seen many reinsurers refocus their underwriting strategies. From day one, we have built the Conduit Re team with a flat structure, a single balance sheet in a single underwriting location, and the expertise and experience to support responsive decision-making. I am pleased with the way the build-out of our underwriting team and supporting technology has provided us with strong, flexible and resilient foundations to maximise the opportunities ahead.

As a management team, we have been delighted by the support we have received from the broking community and the confidence demonstrated by cedants who have quickly approved Conduit Re via their security approval committees. Across our three divisions of property, casualty and specialty we have written business through more than 20 intermediaries and we have benefited from that broad distribution flow. We are selective in the business we write, guided by our core belief that underwriting discipline is vital. This is evidenced by the fact that in 2021, while we saw over 1,000 submissions, we chose to underwrite approximately 23% of them.

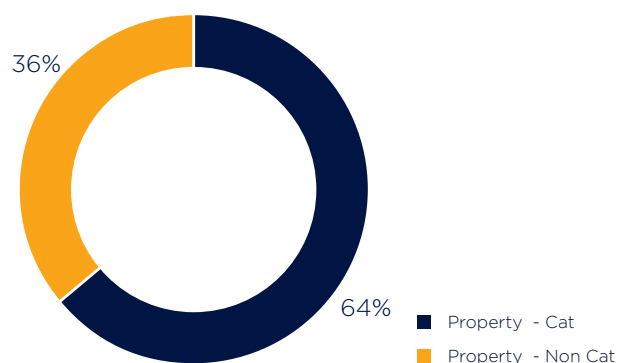
In my CEO's report, I have already touched on our approach to quota share form business, which we have preferred over excess of loss business in 2021, in order to access the best pricing and terms as well as portfolio diversification. Underwriting quota share business is a highly complex process and generally requires a far greater degree of knowledge, experience and hard work than excess of loss business, which tends to be more model driven. We have deliberately built the Conduit Re underwriting team to include the requisite skills that allow us to compare and contrast the enormous variety of opportunities in the market across all classes and transaction structures.

We have built our bespoke underwriting platform and moved to our strategic pricing solution for all lines of business. Crucially, from day one we had 'real time' catastrophe exposure management in place and our property exposure management platform now contains information on over 1.6 billion locations around the globe.

Looking to the year ahead, there are several factors driving and reshaping the market. On the property and specialty side, there is the impact of the very large catastrophe events that happened in 2020 and 2021, and the impact these have had on ILS capital being either trapped or redeemed. For casualty business,

the forces of higher social and claims inflation are now being addressed significantly in pricing models. Consequently, we expect underlying pricing to continue to improve. When these factors are overlaid with a generally tighter retrocessional market, greater recognition of unmodelled and secondary peril loss frequency emerging from climate change, and the upcoming Standard & Poor's capital adequacy methodology changes (which are likely to lead to greater capital requirements for affected companies), we expect a continuation of the hard market of recent years. We believe the market dynamics are favourable and Conduit Re, well capitalised and with the right foundations in place, is poised to benefit.

Property



The property reinsurance market was tested once again in 2021 by around \$343 billion of economic loss. This has resulted in as much as \$130 billion of insured losses. 2021 will be remembered for approximately \$17 billion of insured losses from winter weather, estimated insured losses of \$13 billion from European floods in July and estimated insured losses of \$36 billion from Hurricane Ida. It is worth noting that Ida is currently recognised as the fourth costliest hurricane on record for insurers.

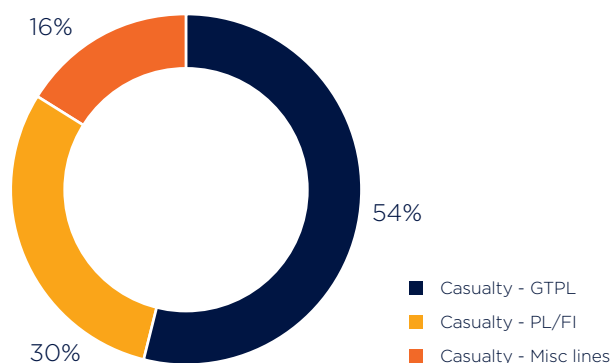
However, at Conduit Re, our catastrophe losses, both gross and net, were relatively contained due to the nature of the portfolio we underwrote. Our early adoption of modelling and real time catastrophe exposure management tools demonstrates our commitment to our risk controls. We believe they provide a major advantage in the way we analyse and benchmark property catastrophe exposures across the spectrum from a wide band of clients and brokers. We believe that our ability to evaluate and consider capacity across property, casualty and specialty classes within cedants' portfolios has been a significant advantage over others in the market.

Business review – underwriting

We have been clear about our appetite to deploy significant capacity into the natural catastrophe market, which we have done by employing tightly controlled limits mostly through proportional structures (quota share contracts). This is a good example of the hallmark of the Conduit Re business model: a flexible tactical approach to underwriting based on the underlying market conditions. Consequently, we have skewed our portfolio significantly towards proportional business rather than more ‘outlier-exposed’ excess of loss business.

We believe that the proprietary natural peril modelling assumptions in use across our industry do not adequately address the impact of ‘missing’ perils and events, both in terms of their frequency and their severity. This led to us issuing more contracts on a proportional basis relative to excess of loss with lower event limits, thereby insulating the overall portfolio from outsized tail exposures.

Casualty



We witnessed upward insurance rate momentum throughout the year across the various underlying classes of business, with the most pronounced change seen in professional and financial lines. The continued persistence of prior year loss development in the market suggests historical pricing loss ratios and industry case reserves remain vulnerable. As judicial systems begin to reopen globally, and the backlog of lawsuits starts to clear, the true (re)insured cost of the Covid-19 pandemic will materialise and we expect reinsurance terms and conditions to continue to improve.

Conduit Re has been well accepted into the casualty reinsurance market by cedants and brokers. We are readily accepted on longer-tail risks - an execution risk for any start-up - where we have been widely accepted by counterparty security panels that recognise our legacy-free balance sheet.

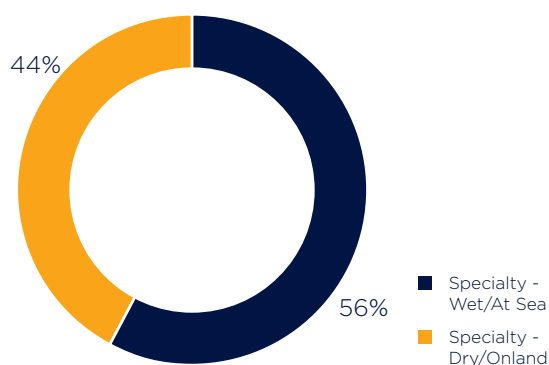
As historical exposure trend assumptions and industry case reserves remain vulnerable to the potentially debilitating forces of social inflation and litigation funding, insurance rates have remained resilient. While market conditions are favourable, we remain cognisant of rising ceding rates and expect this to be an area of increasing focus. Having implemented our strategic pricing platform, I am confident that we have sound and representative modelling that allows us to differentiate between the many submissions we receive.

We remained on the side-lines of the cyber reinsurance market, observing the emergence of increasing claims frequency and ransomware events but, conversely, a significantly improving rating environment. Our view is that the reinsurance treaty structures we were presented with remained too skewed to the ceding company’s advantage with little or no prospect of a reinsurer being able to limit exposure to an uncontrolled systemic loss. We do see some signs that this contractual imbalance may change and we will keep this fast moving class under review.

As we look ahead to 2022, we continue to see reinsurers adjust their risk appetites and pricing thresholds for certain lines of business and geographies. Drivers of this include macro issues such as climate change, core inflation, social inflation, continued underlying positive rate change across most lines of business, and the evolving frequency and severity of catastrophe losses. The casualty market has seen some growth in ILS supported capacity but we believe that challenges remain around the contractual structures here and capacity will be limited. As such, Conduit Re’s proposition of a legacy-free strong balance sheet is one that we believe positions us well to support new and existing cedants.

Business review – underwriting

Specialty



Conduit Re has enjoyed good support from brokers and clients in the specialty classes enabling us to select a desirable portfolio of diversifying contracts. The broad split of ultimate premium written for 2021 illustrates both the composite nature of our specialty premium and also the inherent balance of underlying classes.

Having the technical expertise and experience in-house to assess and price accurately the divergent nature of specialty coverage is a core competence. This may seem obvious but increasingly we see several classes bundled together and presented as a package. We remain committed to transacting business in classes that we fundamentally understand and for which we can price and model the underlying exposures.

We continue to avoid the classes of mortgage, trade credit, residual value and standalone motor, and have limited exposure to the classes of contingency, political risk, workers compensation and accident and health. That said, we keep our strategy under review in light of market conditions and opportunities in which we have the requisite expertise. Renewables are increasingly emerging as an opportunity as the response to climate change impacts real-world economic activity and we continue to evaluate this sector.

It is a fool's game to try and predict the duration of hardening cycle phases, but the current upswing has arguably gone on longer than historic market cycles and, unlike previously, has largely been driven by market willpower rather than capital flight. While each class is on its own trajectory, overall, those carriers which aim to practise good cycle management and exposure-based pricing will undoubtedly reap the benefits yet again.

As we look ahead to 2022, we expect to see the market reduce from the peak level of rate change but with the fundamentals of terms and conditions continuing to move in reinsurers' favour. We therefore remain confident of selective and profitable growth in the context of maintaining balance and diversity across the specialty classes.

Strategic report

CFO's report

Our performance in this year's loss events was a pleasing affirmation of our strategy.



Elaine Whelan
Chief Financial Officer

CFO's report

It has been quite the year for Conduit Re. We commenced underwriting on 1 January and have since been busy putting our systems and processes in place. As an industry, we saw yet another year of higher-than-average natural catastrophe frequency, with current natural catastrophe loss estimates for the year as much as \$130 billion. The major loss events for the year were Hurricane Ida and the European floods. Conduit Re incurred \$27.1 million of net losses, after reinsurance and reinstatement premiums, on those events. However, because of our strategy to have a balanced book across property, casualty and specialty, our losses were manageable and well within expectations. At 2.8% of our capital, we are certainly at the lower end of impact from those events compared to other (re)insurance companies. In addition, we managed to avoid some of the other losses our peers picked up and had limited exposure to some of the smaller catastrophe loss events of the year.

Our performance in this year's loss events was a pleasing affirmation of our strategy. Also pleasing was our acceptance as a pure-play reinsurance company and broadly in line with the goal we set ourselves in our IPO plan in terms of the business we put on the books. The IPO plan of ultimate premiums written of \$471.5 million compares to our actual estimated ultimate premiums written of \$458.5 million. As we have discussed throughout 2021, the deviation we experienced from the IPO plan was in business mix: we wrote more property and less specialty than expected and more quota share and less excess of loss than expected. These changes were driven entirely by market conditions. The higher proportion of quota share business allowed us to build a better diversified book very quickly and also with reduced volatility *versus* the IPO plan; in fact, our net PMLs are below plan. The offset to that benefit is a higher cost of doing business, so a higher acquisition cost ratio – and a deferral of earnings – relative to excess of loss business.

Our loss on equity for the year of 4.0% is largely a reflection of our developing earnings base rather than the size of the loss we recorded from the events mentioned above. One consequence of these industry loss events is a continuation of current market conditions, with price resolve across the industry holding relatively firm. We anticipate rate increases to continue through 2022.

We also selected three investment managers this year to manage the funds we raised at our IPO. With ESG at the heart of our organisation, we recognise the importance of considering ESG across our investment portfolio. All our managers are UN PRI signatories and ESG considerations are incorporated into our individual portfolio investment guidelines and our overall investment strategy. Our managers were selected, in part, because their investment decision making processes include ESG considerations. We believe that, all other things being equal, it is less risky to own securities with strong ESG ratings. We invest entirely in fixed maturity securities, and we do not have any exposure to riskier asset classes, such as equity securities and high yield bonds. The ESG focus within our investments is largely captured by corporate fixed maturity securities.

Currently our portfolio MSCI ESG rating is marginally better than the benchmark. Our goal in 2022 is to improve on that and gather more data and reporting on ESG within our portfolio so we can make more informed decisions around our investments. Our ESG reporting from our managers is evolving along with our portfolio. We have chosen not to apply blanket negative exclusions across our portfolio as we believe that could have adverse unforeseen consequences. For now, any portfolio laggards or investments in controversial industries are subject to greater scrutiny by the Investment Committee.

Given the duration of our liabilities, and therefore our investment portfolio, it is difficult for us to make specific investments in green bonds, sustainability bonds or social bonds, but our managers will invest in them where they can. We are also in the process of considering impact investment funds and may look to make a small investment in such a fund in 2022. Our investment strategy remains very much in line with our IPO plan and our focus is first and foremost on the preservation of capital and liquidity to support our underwriting operation.

Elaine Whelan
Chief Financial Officer

Business review – finance

Premiums

After a successful IPO on 7 December 2020, Conduit Re began its first year of underwriting on 1 January 2021. Consequently, financial comparatives are only provided where available and applicable.

Generally, as noted in the CEO and CUO reports, across all our core classes of business, pricing and terms and conditions have been improving. Also, in order to build the foundations of a high-quality portfolio, given market conditions, a tactical decision was made to write a higher proportion of quota share business relative to excess of loss business than projected in the IPO plan. We consider quota share business to have provided the best balance between price and risk as we build out our underwriting portfolio and will continue to have an increased weighting towards quota share contracts *versus* excess of loss business in the near term. As there is a greater lag in the accounting recognition of gross premiums written and earned for quota share reinsurance in comparison to excess of loss reinsurance this will result in slower recognition of gross premiums written and earned in 2021, a proportion of which will be recognised in the 2022 financial year. While quota share contracts typically have higher acquisition costs associated with them, there tends to be less volatility in the underlying loss ratio.

For the full year ended 31 December 2021 our estimated ultimate premiums written were \$458.5 million, after adjustments, broadly in line with our expectations. The breakdown is as follows:

Ultimate premiums written (\$m)	Property	Casualty	Specialty	Total
Quota share	104.8	174.1	57.9	336.8
Quota share of XL	68.6	-	4.3	72.9
XL	31.6	8.3	8.9	48.8
Total	205.0	182.4	71.1	458.5

Property

Estimated ultimate premiums written were \$205.0 million with gross premiums written in the 2021 financial year of \$183.4 million. Quota share policies accounted for \$85.4 million (46.6%), while excess of loss and quota share excess of loss accounted for \$31.6 million (17.2%) and \$66.4 million (36.2%) respectively.

The indicative renewal price index* for Property in 2021 was 12.2%.

Casualty

Estimated ultimate premiums written were \$182.4 million with gross premiums written in the 2021 financial year of \$129.0 million. Quota share policies accounted for \$120.7 million (93.6%) with excess of loss at \$8.3 million (6.4%).

The indicative renewal price index* for Casualty in 2021 was 16.0%.

Specialty

Estimated ultimate premiums written were \$71.1 million with gross premiums written in the 2021 financial year of \$66.4 million. Quota share policies accounted for \$53.1 million (80.0%), while excess of loss and quota share excess of loss accounted for \$8.9 million (13.4%) and \$4.4 million (6.6%) respectively.

We have been building a high-quality book of risks in the marine and energy markets but have deliberately limited our participation in certain key target markets where pricing has not reacted sufficiently for us to enter in a meaningful way.

The indicative renewal price index* for Specialty in 2021 was 12.0%.

Ceded

Ceded reinsurance premiums written were \$32.6 million for 2021. The majority of the cost represents our cover purchased on an excess of loss basis, with the remaining cost relating to reinstatement premiums stemming from the catastrophe loss events which occurred during the year.

Losses

2021 was characterised by another year of higher-than-average natural catastrophe losses for the industry. The Group's net loss ratio for 2021 was 73.2%.

The largest impact on our net loss ratio from 2021 events was from Hurricane Ida and the European floods. Our ultimate loss estimate, net of reinsurance and reinstatement premiums, for Hurricane Ida and the European floods is \$27.1 million (representing 2.8% of our net tangible assets), of which \$15.0 million is in respect of Hurricane Ida and \$12.1 million is in respect of the European floods. Absent these events our loss ratio would have been 58.8%.

* This index is an internal methodology used to track trends in premium rates, reflecting management's assessment of relative changes in price, terms, conditions and limits. The calculation involves a degree of judgement in relation to comparability of contracts and the assessments noted. Consideration is given to renewals of a comparable nature, so the index does not reflect every contract in the portfolio. The profitability of the portfolio is dependent on many factors besides the trend in premium rates.

Business review – finance

While reserves have been recorded for these events, significant uncertainty exists in relation to the ultimate losses. Our reserve estimates have been derived from a combination of market data and assumptions, modelled loss projections and reports from brokers and cedants. We will continue to keep these estimates under review as more detailed information becomes available.

As this is the first year of underwriting, there are no prior year developments to report on. The ratio of IBNR to total net loss reserves was 78.8% as at 31 December 2021.

Investments

We continue to maintain our conservative approach to managing our invested assets, with a strong emphasis on preserving capital and liquidity. Our strategy remains maintaining a short duration, highly creditworthy portfolio, with due consideration of the duration of our liabilities. Our portfolio mix shows our conservative philosophy (more information on the portfolio mix is set out in the risk disclosures on page 101). Our asset allocation is dictated by our approved investment guidelines. There are currently no risk assets held in the portfolio. Risk assets will generally only be considered to diversify and protect the portfolio and where the risk return profiles are appropriate.

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

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

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

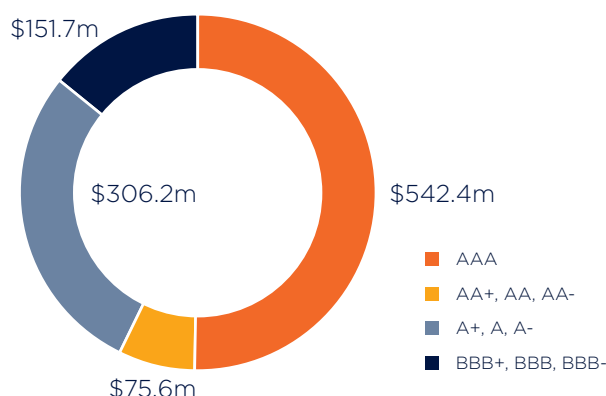
Investment performance

The Group recorded a loss of 0.3% on the investment portfolio for 2021 due primarily to rising treasury yields in the fourth quarter following the announcement by the Federal Reserve that they intend to bring forward the timing of their projected rate hikes in 2022. However, we are well placed with our short duration positioning with the prospect of rising interest rates.

Net investment income, excluding realised gains and unrealised losses was \$5.5 million for the year ended 31 December 2021. Total investment return, including net investment income, net realised gains and losses, and net change in unrealised gains and losses, was a loss of \$3.1 million.

The managed portfolio consists of 95.3% fixed maturity securities and 4.7% cash and cash equivalents, with a portfolio duration of 2.4 years and a credit quality of AA-. The book yield of the portfolio for 2021 was 0.9% while market yield was 1.2%.

Cash and investments – credit ratings



Business review – finance

ESG considerations are incorporated into our individual portfolio investment guidelines. We believe that, all other things being equal, it is less risky to own securities with strong ESG ratings. More information about the ESG approach to our investments is contained in the CFO's report on page 15 and in the ESG report on pages 25-28.

Other operating expenses and equity-based compensation

Other operating expenses were \$30.6 million for the year ended 31 December 2021, while our equity-based compensation expense was \$0.3 million.

The development of the Group's technology platforms and recruitment of the wider teams is progressing well and remains in line with our plan and expectations.

Capital and dividends

The Group remains well capitalised to achieve the business plan presented in the IPO Prospectus. Total capital and tangible capital available to the Group was \$0.98 billion at 31 December 2021 (31 December 2020: \$1.0 billion). Further information on capital management is set out in the risk disclosures on page 106 and in the financing arrangements on page 116.

In December 2021, the Group commenced on-market purchases of the Company's shares under a share purchase programme announced on 29 December 2021, where shares may be repurchased pursuant to authority obtained at the Company's most recent annual general meeting. Shares repurchased during the year amounted to \$0.2 million and will be held in treasury to meet future obligations under CHL's variable incentive schemes.

Further details of the share repurchase scheme are set out in the directors' report on page 71 and in note 18 to the consolidated financial statements on page 117.

The Company declared and paid an interim dividend during 2021 of \$0.18 per share and there is no change to our stated dividend policy which is to provide an ongoing and progressive dividend of approximately 5% to 6% of equity capital, allocated between an interim and final distribution. The Company's dividend policy and information on the final dividend declared in respect of 2021 can be found on page 36.

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

Enterprise risk management report

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



Andrew Smith
Chief Risk Officer

Enterprise risk management report

Enterprise risk management in a modern, legacy free environment

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

During 2021, our risk function was established with various policies and frameworks approved by the Board and management level activity to identify, measure, manage and mitigate risk. The policies include our Risk Policy, Stress and Scenario Testing Policy and Commercial Insurer's Solvency Self-Assessment Policy. The management level activity includes risk and control assessment workshops and the identification of key risk indicators.

The risk function has provided quarterly reporting to the Board and/or board committees addressing our response to risk, compliance with risk appetite and tolerance statement and the response to any risk events or near-misses.

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.

During 2021, we developed a tool to manage our universe of risks and controls and in 2022, we will further develop our dashboard reporting to include internal and external risk indicators and drivers.

Emerging risk has also been a consideration during 2021, with an emerging risk register maintained and substantive discussions held on this topic as part of the strategy sessions of the Board.

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.

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

Risk profile

Conduit Re is a highly focused pure play global reinsurer in a single location with one balance sheet. Conduit Re is well capitalised and thus more constrained by operational capacity than financial capacity. We remain respectful of the need to grow our operational capacity in a deliberate and purposeful way to support our underwriting strategy with our headcount increasing from 12 to 41 during 2021.

Underwriting risk is the risk that we seek and our primary risk. During 2021, we built out our underwriting team comprising heads of line of business, underwriters and underwriting assistants supported by pricing actuaries and catastrophe modelling specialists. The implementation of our strategic pricing tools and natural catastrophe aggregation tools was completed during 2021.

Conduit Re maintains a balanced portfolio of reinsurance classes and geographical exposures and strict limits on our exposures to natural catastrophes and man-made loss events.

We buy high quality outwards reinsurance to manage peak exposures and use reinsurers who are individually approved by our Counterparty Security Committee and who are either fully collateralised or have a financial strength rating that is at least as good as our own.

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

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

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. Only minor updates have been made since that time, primarily to accommodate the planned progression from the 2021 to 2022 business plan.

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

Enterprise risk management report

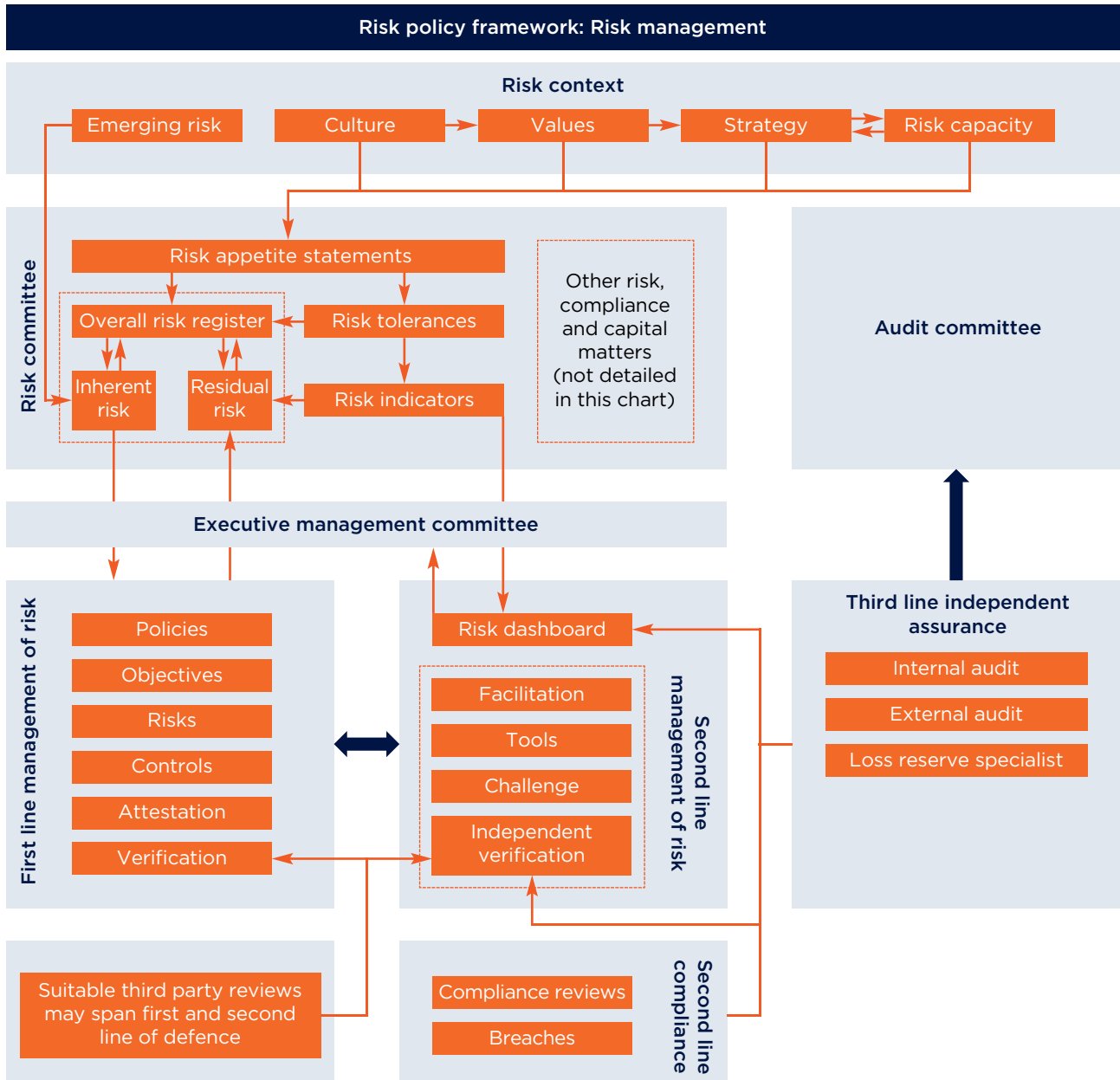
Risk category	Relative appetite / preference	Trend	Commentary
Overall – capital adequacy	<p>Low</p> <p>We maintain capital to support a minimum rating of A- by AM Best and to provide a surplus over the regulatory enhanced capital requirement of twice that prescribed as an early warning buffer prescribed by the BMA.</p>	↔	AM Best have affirmed our A- rating and we have substantial capital to deploy.
Underwriting – premium	<p>High</p> <p>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.</p>	↔	We have achieved good traction in the market during our first year of operation and have underwritten a balanced portfolio as set out elsewhere in this report.
Underwriting – exposure and aggregations	<p>Medium</p> <p>We underwrite catastrophe exposed reinsurance through our property and specialty classes, and business exposed to other aggregations notably across casualty lines. We seek to understand and manage our exposures generally to a lower level than our Bermuda peer group.</p>	↔	As our portfolio has grown, we have managed our catastrophe exposure through selective underwriting and retrocessional cover. Overall, our portfolio was slightly less exposed to catastrophe losses than we initially planned for a catastrophe exposed year such as 2021, due to retrocessional protections and a portfolio bias toward quota share business subject to event limits.
Underwriting – reserve	<p>Medium</p> <p>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.</p>	↗	Our current reserves have been impacted by elevated catastrophe losses during our first year of operation however the losses were within expectation for an above average catastrophe year.
Investment, market and liquidity	<p>Low</p> <p>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.</p>	↔	During 2021, investment managers were selected and our investment strategy deployed in line with our investment and ESG criteria.

Enterprise risk management report

Risk category	Relative appetite / preference	Trend	Commentary
Credit	<p>Low</p> <p>We use reinsurance to provide protection and therefore select reinsurers who provide limited credit risk.</p>	↔	<p>All retrocessionaires continue to be A-, A or fully collateralised, with a Counterparty Security Committee in place to review and approve counterparties.</p>
Operational and systems	<p>Low</p> <p>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.</p>	↓	<p>The initial period of elevated risk has reduced as the team has been built and our internal capability has grown.</p> <p>We have built and implemented our internal systems including pricing tools, underwriting and accounting systems. Further system development is underway as we migrate to strategic solutions for areas such as claims in 2022 and start to develop our internal capital model and enhanced management reporting.</p>
Strategic	<p>Low</p> <p>We seek to manage risk by keeping a clear and focused strategy as a single balance sheet reinsurer based in one location.</p>	↓	<p>We have established ourselves with a broad selection of brokers and achieved good traction across the industry being approved by cedant security committees in our first year of operation.</p>
Reputational	<p>Low</p> <p>A focus on maintaining and enhancing brand and franchise value with support from the ESG Committee, established by the holding company board.</p>	↔	<p>Public coverage favourable to date.</p>
Legal, regulatory and litigation	<p>Very low</p> <p>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.</p>	↓	<p>The initial period of elevated risk while governance structures were being confirmed and the team built out has now passed. Future risks remain surrounding global tax reform, though Conduit Re's single underwriting location reduces the potential risks.</p>

Enterprise risk management report

Overall enterprise risk management framework and risk governance



Enterprise risk management report

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

The Board prescribes risk preferences that guide the CRL Board and committees as they establish risk appetite and tolerance statements. The Board also monitors the effectiveness of the overall enterprise risk management framework, leveraging the work undertaken by the CRL Board and committees. CHL directors are invited to attend CRL Board and committee meetings and are provided with the associated materials and minutes.

In addition, four CHL independent Non-Executive Directors also serve as directors on the CRL Board.

CRL operates under a 'three lines of defence' risk management model with the 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 Committee.

Outputs from other second line of defence functions (compliance and actuarial) and from the third line (Internal Audit, External Audit and the independent Loss Reserve Specialist) are fed back into the overall risk assessment. These may be used, where appropriate, to support independent validation, alongside the risk function's own reports and those of other independent third parties.

Given the comfortable capital position, the capital management aspects of the risk framework have focused primarily on rating agency and regulatory requirements, with significant buffers being held. As the business progresses, the development of an internal capital model will become a greater area of focus.

Andrew Smith
Chief Risk Officer

ESG report

Introduction

After Conduit's first year of existence, I am pleased with our progress on ESG.

In our IPO prospectus, we set out our aims to put ESG at the heart of our business. Our work through our inaugural year provides a strong base to keep it at the core of all that we do. On the environment, climate and climate reporting however, there is much more to do and in 2022 we plan to align and supplement our team with specialist skills to support our associated initiatives. Similarly, on the social side I expect to see further community engagement and support of those causes that our team is passionate about.

Our first year key achievements include:

- Ensuring good governance – with a strong representation by independent directors on the boards of both CHL and CRL and the establishment of the ESG Committee which has an independent chair and employee representation.
- Laying strong foundations for our social engagement – with the establishment of the Conduit Foundation; local engagement from our workforce; a diverse board, senior management and wider team.
- Progress on environmental matters – from day one, we made strategic decisions that minimise our carbon footprint and during the year have deployed the asset portfolio in a climate-aware way, established our Climate Working Group and engaged locally on environmental matters both through the ABIR Climate Risk Committee and by serving as a partner to Bermuda's first Youth Climate Summit.

I am passionate about ESG matters and share this passion with our senior team, each of whom has ESG principles embedded in their day-to-day responsibilities and performance objectives.

Trevor Carvey, CEO and CUO – oversees our entire operation and guides the executive team emphasising the importance of ESG. As CUO, he also leads our engagement with clients and brokers.

Elaine Whelan, CFO – leads our external reporting and transparency initiatives; oversees our ESG-conscious investment portfolio; and engages with our external portfolio managers.

Stuart Quinlan, Deputy CEO and COO – oversees our operational activities and does so with a focus on managing our and our service providers' environmental impact. Stuart also provides senior executive input to the Conduit Foundation and

represents Conduit in the community, supported by Heather Mello, Head of HR.

Andrew Smith, CRO – ensures that environmental and climate risks are embedded into our risk management framework and that appropriate reporting frameworks are in place for our regulators, rating agencies and investors. Andrew also chairs our Climate Working Group and represents Conduit on external forums such as the ABIR Climate Risk Committee.

Andrew Couper, Chief Actuary – ensures that environmental and climate matters are suitably considered in our pricing, reserving and assessment of capital needs.

Greg Lunn, General Counsel – supports our independent ESG Committee and the Board ensuring that management is held to account in delivering our ESG objectives. Greg also serves on the Protector Committee of the Conduit Foundation.

There is an enormous amount talked about and written on the subject of climate within ESG. My own perspective is that we must "walk the walk" and we have been meaningfully engaged with stakeholders on the topic. We are an active member of the Sustainable Markets Initiative, participate in Climatewise, and have progressed our TCFD compliance roadmap. We have also ensured that we are carbon neutral by both minimising our footprint (Scope 1 and Scope 2) and offsetting with high quality offset projects that benefit both the environment and communities.

To us, the E and the S (social) of ESG are of equal importance. Our people, our culture and our values are what make our company. If implemented properly, they create a meritocracy, give us competitive advantage, and helps us contribute effectively to our community through our direct engagement and through grants made by the Conduit Foundation.

Similarly, we are clear that strong governance ('G') is fundamental to supporting our environmental and social aims and we will continue to focus on this area through 2022.

I fundamentally believe that our passion for ESG makes our business stronger, more resilient and more likely to make good decisions. It is not a box ticking exercise, but possibly the greatest challenge and, at the same time, opportunity that we face.

Neil Eckert
Executive Chairman

Strategic report

ESG report

Environment

“Consider one stark statistic: during Conduit’s first year, California alone has lost over six million acres of forest. While the insured losses are posing a real challenge to the reinsurance industry, this forestry loss also released over 1.75 billion tonnes of CO₂ into the atmosphere. This exceeds the heavy industrial output of the entire EU. There were also significant forest fires in Southern Europe, Siberia and the Amazon to name but a few. While I believe there is growing appreciation of the issue, I am not sure that the gravity of the situation is yet fully understood. There is much discussion on the problem and less so on big picture solutions, but what the above scenario may point to is an increased emphasis on the preservation and restoration of the natural environment. The key tool for this is nature-based carbon offsets at a scale not yet envisaged. It is for this reason that Conduit will ‘over purchase’ the CO₂ necessary to offset its footprint as well as work hard to minimise that footprint.”

Neil Eckert
Executive Chairman

Climate, a matter of obvious concern within our industry, has been front of mind through our first full year of operations and integral to key decisions. Our single location operating model, our choice of office space, our deployment of our investment portfolio, and our early charitable and community engagement all factored in climate considerations.

Conduit Re does not write individual direct insurance risks of carbon intensive customers or projects. We strive to accumulate appropriate underwriting information to enable us to assess either weather or environmental liability risk. We are involved in market initiatives working to provide methodologies to assess carbon intensity in underwriting and encourage consistent measures that support transparency, consistency and thus comparability. Our hope is that the insurance market, alongside other financial service sectors, will be able to apply a single consistent basis for TCFD Scope 3 carbon disclosures.

Our investment guidelines consider ESG factors in the selection of investments, with the goal of investing in securities issued by institutions and/or companies that have a proven track record in assessing and improving their ESG. We target an MSCI portfolio rating equal to or better than that of the benchmark.

Operationally, we seek to make environmentally sound decisions. We are committed to ensuring that we have a very low operational carbon footprint and what we cannot cut we offset by purchasing high grade nature-based offsets.

In early 2021, we selected our head office premises in a location that required limited reconfiguration and already benefited from energy efficient technologies such as use of LED lighting and rainwater harvesting. Our drinking water is filtered on site and our coffee machines limit the use of single use plastics.

Along with reducing our business’ environmental impact, we believe that we have a role to play in engaging with environmental initiatives and influencing positive change in our local and business community. We are delighted to have participated as an Inspire Partner for Bermuda’s first Youth Climate Summit, which gave our staff the opportunity to engage with climate-focused young leaders of tomorrow and climate-focused non-governmental organisations.

We also support the initiatives of the ABIR as a member and through active participation in various committees including the ABIR Climate Risk Committee. Consistent with our values, this group is focused on stakeholder collaboration and the role of (re)insurers in climate-related initiatives.

Internationally, we have also sought to support awareness of environmental initiatives and have done so through several avenues throughout 2021 such as our engagement with ClimateWise, the Sustainable Markets Initiative’s (“SMI”) Insurance Taskforce, sponsorship of The Insurer’s ESG magazine and through our Executive Chairman’s participation on various relevant industry panels.

Strategic report

ESG report

Social

Conduit's commitment to the social element of ESG was explicitly stated in the IPO prospectus and has only deepened during the first year of business. Starting with our work in the community, we have already forged links through our foundation with several local voluntary organisations in areas as diverse as a food programme for the disadvantaged to the Youth Climate Summit. We engaged our team, particularly those with strong local connections, to nominate causes with which they are personally involved. We were impressed and humbled by their responses. We have committed to develop our relationships with our chosen causes.

At the year-end, Conduit had 41 employees – up from 12 at the start of the year. We are grateful to Malcolm Furbert for accepting workforce engagement as part of his independent non-executive director role. Malcolm has met with a cross-section of staff to learn first-hand about their understanding of Conduit's culture and values.

Conduit takes care of its employees. Our top tier health insurance includes a full suite of mental and physical well-being services. All employees benefit from a gym allowance and every employee is equipped to work effectively from home as and when necessary. Conduit encourages flexible work arrangements which support our employees with school-aged children or other family responsibilities to manage their commitments.

We actively seek diversity and can report that our senior management (which we define in this context as members of our Executive Committee and their direct reports) is just under 50% female. Conduit is a significant local employer with only 11 employees out of 41 requiring residential work permits and all Executive Committee members being Bermuda resident.

Governance

Strong governance is essential to supporting our environmental and social aims. The Board is well balanced with six independent non-executive directors and three executive directors, with diversity as to gender and race. Four of the independent directors also serve on the CRL board, with all CRL directors being resident in Bermuda. Our ESG Committee is independently chaired with Board and employee representation.

More information about the Group's approach to governance can be found in the directors' report on page 69, the corporate governance report on page 38 and in the TCFD roadmap section below.

TCFD roadmap

Conduit believes in strong and transparent governance and is supportive of the goals of the TCFD, established by The Financial Stability Board, to improve and increase reporting of climate-related financial information.

We have begun to assemble our roadmap to compliance under the TCFD's four pillars. Leadership shown by the Board, the ESG Committee and the executive management towards climate change issues is central to our approach.

Governance (organisation's governance around climate related risks and opportunities)

The Board is responsible for the oversight of climate-related risks and opportunities impacting the business and has established an ESG Committee, independently chaired by Sir Nicholas Soames, who is neither a director nor officer of any Conduit entities, and also comprising a diverse group of directors, senior management and other staff including our Executive Chairman, Chief Operations Officer and Head of Human Resources.

From a day-to-day management perspective, we have established a climate working group, chaired by the Chief Risk Officer with representation from across the company to coordinate internally our responses to climate-related risks and opportunities.

Our risk appetite and tolerance statements govern the parameters within which management may operate. ESG considerations are embedded in the calibration of a number of these and are reported quarterly to the Board. Additional governance is applied via the Underwriting Oversight Committee and the Investment Committee that consider a wider variety of factors. Our first year in operation has seen a variety of catastrophe events that are not well modelled by the industry and these are addressed in detail in the CUO's report, and they are real in financial terms, but also in terms of market sentiment creating customer demand and risk awareness. If these trends continue, price alone will not address the problem and the industry will likely react as products get restructured with more clarity and certainty on specific perils being covered.

Strategic report

ESG report

Strategy (actual and potential impacts of climate related risks and opportunities on business, strategy, financial planning)

Climate-related matters, emerging risks and our response to them were discussed at the main Board strategy session in September.

Climate is also relevant to the stress and scenario tests we carry out as part of our annual cycle of strategy review, business planning and solvency self-assessment.

Underwriting is the assumption of risk from clients in return for payment of a premium and is our core activity as a reinsurer. The setting of premiums is based on an analysis of the underlying risk supported by the use of advanced modelling tools. These tools contemplate many factors including those associated with climate change.

We invest our capital base with the primary objective of capital preservation. ESG considerations are factored in all our investment strategies through our investment guidelines and master agreements. We believe that ESG factors will be important in reducing investment risk over time. Given the duration of our liabilities, and therefore our investment portfolio, it is difficult for us to make specific investments in green bonds, sustainability bonds or social bonds, but our managers will invest in them where they can. We are also in the process of considering impact investment funds and may look to make a small investment in such a fund in 2022. As part of the Sustainable Markets Initiative one area of focus is on making it more attractive to make green impact investments. It would be intuitive that businesses exposed to climate-related risks make investments such as these.

Risk Management (identify, assess and manage climate related risks)

Conduit deploys its capital to provide protections to cedants from a range of natural and man-made risks to generate a financial return for its shareholders. By its nature, the underwriting industry is inherently exposed to climate-related risk through the potential for increased frequency and severity of climate-related claims. We understand and manage our exposure using complex models focusing on both sides of our balance sheet and conduct stress and scenario testing, including some that explicitly consider climate change.

Metrics and targets (used to assess and manage climate related risks and opportunities)

Currently there are multiple initiatives and organisations seeking to provide a consistent basis for the disclosure of climate related risks. In line with many market participants, we are working with several of them and continue to research and contribute to industry debate on the topic. We see the most significant challenge for our industry is assessing the carbon intensity associated with the risks we underwrite.

As mentioned, we participate in Climatewise and the SMI and are supportive of initiatives that will encourage and support all stakeholders to agree and implement guidance that provides a clear and consistent basis for TCFD Scope 3 carbon reporting. We are hopeful that a consistent set of reporting standards can be applied for both public and regulatory reporting.

We monitor certain climate-related risks internally and these are integral to the calibration of our risk appetite and tolerance statements. We want to be carbon neutral in our own operations. For this, Conduit refers to the Greenhouse Gas Guidance Protocol for accounting our emissions; we seek to minimise our gross carbon footprint and then purchase nature-based offsets to ensure we have a better than net-zero position.

Section 172 statement and stakeholder engagement

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

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

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

Stakeholder engagement

Conduit has expended considerable effort to engage with its key stakeholders in its first full year of operations, to understand perspectives and the potential long-term consequences of decisions and matters of strategic importance to the Group.

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

Brokers and clients

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

Shareholders

- The Executive Chairman, the CEO, CFO and the Head of Investor Relations regularly met with shareholders throughout the year, both quarterly to review trading results and on an ad-hoc basis to discuss various matters, including remuneration. Meetings were held one-on-one with investors and via group calls. Feedback from these meetings was presented to the Board on a regular basis and informed Board debate and decision-making on strategy and business planning.
- The Board strives to be proactive, transparent and interactive with shareholders, who are always welcome to ask questions. For further information, see Investor Relations and Regulatory News Service on the Conduit Re website (conduitreinsurance.com).

Employees

- Given the start-up nature of the business, progress in recruitment was vital to success. The Board was kept apprised of Conduit Re's recruitment activities throughout 2021, during which time headcount grew from 11 to 41 people.
- The Board appointed Malcolm Furbert as its Non-Executive Director responsible for engagement with Conduit's workforce. Malcolm met with employees at all levels of the Group, to gather their views on the culture of the Group and the Board received reports of his activities, which resulted in decisions to implement the Group's first employee engagement survey in 2022 and to broaden the scope and content of employee town hall meetings.

Government and regulators

- The Board recognises the need to monitor changes in law and regulation and to work closely and openly with all relevant regulatory and supervisory bodies. The Group's main operating subsidiary, CRL, is regulated by the BMA. The Board received regular reports covering governmental, legal, regulatory, and supervisory matters, was kept apprised of communications with and from relevant bodies, in particular in quarterly meetings with the BMA, and this information was factored into strategy and business planning.

Strategic report

Section 172 statement and stakeholder engagement

Rating agencies

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

Our community and the environment

- As set out in the ESG report on pages 25-28, environmental matters and the community are a key focus for the Company.
- Board decision making is influenced by Conduit’s commitment to achieving and maintaining net-zero-carbon and to giving back to the community via initiatives such as the Conduit Foundation.

Principal decision

The principal decision made by the Board in 2021 was to approve an updated strategy and business plan, covering a three-to-five-year horizon that validates and builds on the strategy that was set out in the IPO prospectus.

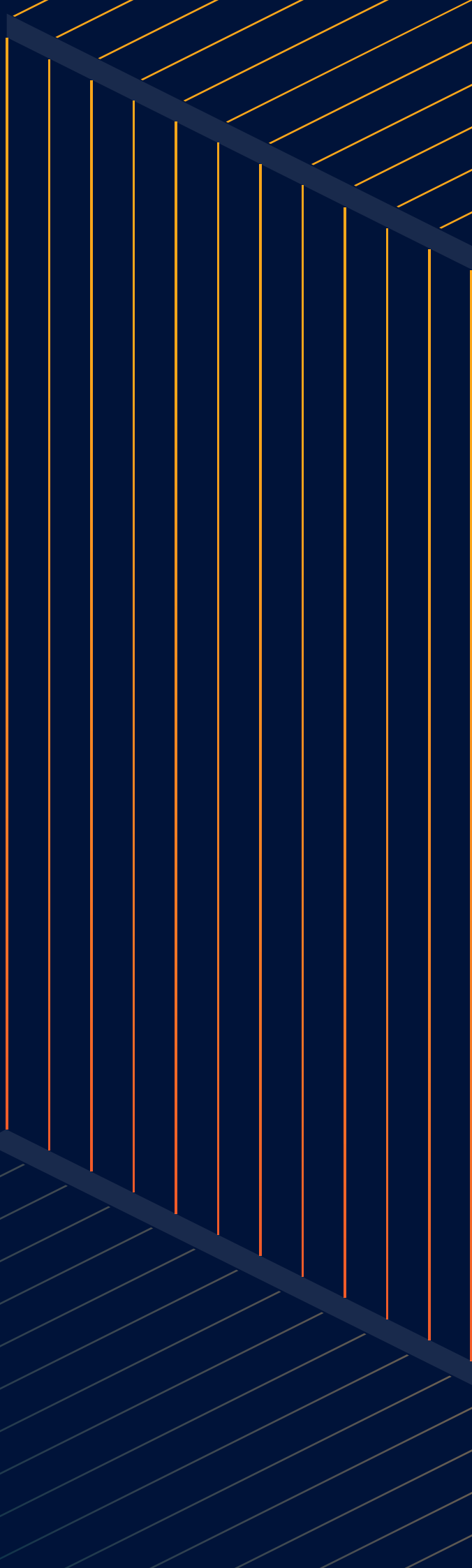
The Board participated in a two-day strategy session before making its decision to approve the updated strategy and business plan. Before arriving at its decision, the Board considered a broad range of macro and micro factors that would influence the strategy, including the economic and insurance industry outlook (including broker and other market commentary and opinion), shareholder expectations, rating agency, risk and regulatory considerations, the global tax environment, climate change, the Group’s resources (including staff and information technology).

Strategic report
signed on behalf of the Board

Trevor Carvey
Chief Executive Officer
29 March 2022

Elaine Whelan
Chief Financial Officer
29 March 2022

Governance



Board of directors



- 01 **Neil Eckert** Executive Chairman
- 02 **Trevor Carvey** Chief Executive Officer and Chief Underwriting Officer
- 03 **Elaine Whelan** Executive Director and Chief Financial Officer
- 04 **Sir Brian Williamson CBE** Senior Independent Non-Executive Director
- 05 **Elizabeth Murphy** Independent Non-Executive Director
- 06 **Ken Randall** Independent Non-Executive Director
- 07 **Malcolm Furbert** Independent Non-Executive Director
- 08 **Dr. Richard L. Sandor** Independent Non-Executive Director
- 09 **Michelle Seymour Smith** Independent Non-Executive Director

Governance

Board of directors

Directors

Neil Eckert – Executive Chairman

Appointed to the Board: 7 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 is 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 Market.

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: n/a

Elaine Whelan – Executive Director and Chief Financial Officer

Appointed to the Board: 14 January 2021

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

After qualifying, Elaine joined PwC in Bermuda in 1997. From 2001 to 2006 she held a number of positions at Zurich Insurance Company, Bermuda Branch, ultimately as Chief Accounting Officer. In 2006 she joined the Lancashire Group as Financial Controller. She subsequently performed various financial and management roles for the Lancashire Group, including as CEO, Lancashire Insurance Company Limited. From January 2011 to February 2020 Elaine was Group CFO, Lancashire Holdings Limited, and she was also a main board director from January 2013 to February 2020.

Elaine is responsible for all aspects of Conduit Re's financial management and reporting and serves as an executive director on the boards of CHL and CRL.

External directorships: n/a

Committee memberships: n/a

Sir Brian Williamson CBE – Senior Independent Director

Appointed to the Board: 18 November 2020

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

Sir Brian was one of the four founders of the London International Futures Exchange and twice Chairman. In the US, Sir Brian has been a board member of

Governance

Board of directors

Directors

both Nasdaq (additionally serving as Chairman of its international advisory board) and the New York Stock Exchange. In the UK, he was a director of The Climate Exchange PLC.

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

Sir Brian is a former director of London International Vintners Exchange, Fleming Emerging Markets Investment Trust PLC, Templeton Emerging Market Investment Trust PLC, Waverton 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: Edenberg Trust Corporation Limited, R.J. Fleming & Co Limited, Vice Chairman of Bergos Fleming Zurich, Director Politeia, and Incubex Inc.

Committee memberships: Remuneration Committee (chair) and Nomination Committee.

Elizabeth Murphy – Independent Non-Executive Director

Appointed to the Board: 18 November 2020

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

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

External directorships: Bernina Re Holding Ltd., Bernina Re Ltd.

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

Ken Randall – Independent Non-Executive Director

Appointed to the Board: 18 November 2020

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

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

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

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

External directorships: Tradesman Program Managers, LLC, Roosevelt Road Ltd, Roosevelt Road Re Ltd, Leamington Insurance Advisors 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: 18 November 2020

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

Governance

Board of directors

Directors

Catlin, a Bermuda based global re/insurance company (following the acquisition of the Catlin Group by XL Capital).

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

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

External directorships: Somers Corporate Services Limited

Committee memberships: Remuneration Committee and Nomination Committee.

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

Appointed to the Board: 26 November 2020

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

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

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

He 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 organisations.

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

Committee memberships: Remuneration Committee and Nomination Committee.

Michelle Seymour Smith – Independent Non-Executive Director

Appointed to the Board: 15 September 2021

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

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

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

External directorships: n/a

Committee memberships: Audit Committee

Company Secretary

Greg Lunn – General Counsel and Company Secretary

Appointed: 3 November 2020

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

His most recent role in the industry was group General Counsel for Lancashire Holdings Limited. Prior to this role, he spent 10 years performing various legal and compliance roles at the ACE Group, including Legal Counsel for ACE in Europe and Compliance Counsel at ACE Holdings Limited.

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

Executive Chairman's introduction to corporate governance

Introduction

2021 was very much a year of building foundations, and I am pleased that, despite COVID-19, we have built a solid governance structure that supports our pure play treaty reinsurance business operating from a single location in Bermuda.

Despite the restrictions and inconveniences caused by the COVID-19 pandemic, we managed to hold regular Board and committee meetings and information sessions throughout the year. While the pandemic has prevented the entire Board from meeting in person, and directors often participated over Zoom or Teams, we have nevertheless managed to forge a positive dynamic within the Board, characterised by good quality relationships between individual Board members and management. Feedback from the Board performance evaluation is that the atmosphere in the boardroom allows for open contribution, constructive debate, candid discussion and critical thinking, supported by good quality written presentations.

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

- Business objectives
- The brokers' view of the market
- Technology and systems
- Human Resources
- Finance and investments
- Emerging risks
- Investor perspectives
- Building franchise and brand value

The result was the production of an updated strategy approved by the Board, covering a three-to-five-year horizon that validates and builds on the strategy we set out in the IPO prospectus.

Dividend Policy and Dividend

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

The Company expects to generate significant returns over time for its shareholders and to provide an ongoing and progressive dividend. The Company is targeting a dividend of approximately 5 to 6 per cent of capital, allocated between an interim and final distribution. On 27 July 2021, the Board declared an interim dividend of \$0.18 (approximately £0.13) per

common share, resulting in an aggregate payment of \$29.7 million. On 23 February 2022, the Board declared an interim dividend of \$0.18 (approximately £0.13) per common share, resulting in an aggregate payment of \$29.7 million. The dividend will be paid in pounds sterling on 22 April 2022 to shareholders of record on 25 March 2022 (the "Record Date") using the pound sterling/US dollar spot exchange rate at 12 noon BST on the Record Date.

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.

Opportunities and Risks

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

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

- The impact of ongoing uncertainties related to COVID-19;
- The future impact of climate change; and
- Economic and social inflation.

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

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

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

Governance

Executive Chairman's introduction to corporate governance

Stakeholder Engagement

Malcolm Furbert, charged with employee engagement, has approached the task with enthusiasm.

Management has held regular, routine, quarterly meetings with the Bermuda Monetary Authority.

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

More information on our stakeholder engagement is contained in the Section 172 report on page 29.

Purpose, Values, Strategy and Culture

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

Our business objectives are:

- To build a top quartile global reinsurance franchise focused on underwriting expertise;
- To return a mid-teens RoE over the cycle;
- To continue to develop Conduit Re's values and culture;
- To position Conduit Re as an industry leader in ESG.

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

- An open and transparent approach where all ideas are welcome, and mistakes are a part of developing and learning;
- Information sharing is a daily occurrence;
- Communications are strong, constant and not just top down;
- Everyone is welcome and can be themselves - we embrace individuality and recognise that inclusivity will not only create a positive environment but will enhance our overall achievements;
- We are a lean group where everyone works hard;
- Formality and hierarchy is kept to a minimum and flexibility and responding to individual needs is key;

- A trust-based culture rather than one of rules, where decisions are taken quickly, and we don't get bogged down by administration and form filling;
- Significant opportunities for developing skills and careers. Potential will be identified, and colleagues will be appointed into new roles wherever possible and will be supported in realising their potential through training and coaching;
- A vibrant, fun environment where working as a team is a given and a pleasure. Our people like and want to work together;
- We celebrate success;
- We embrace technology.

Induction

All Non-Executive Directors have been through an induction process, covering their duties and responsibilities as directors of a company whose shares are admitted to trading on the main market of the London Stock Exchange.

Michelle Seymour Smith was taken through a comprehensive induction process upon her appointment to the Board in September 2021.

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

The Year Ahead

In 2022, our governance will be focused on supporting the execution of the strategy we have set out to follow.

Neil Eckert

Executive Chairman
29 March 2022

Governance

Corporate governance and compliance with the UK corporate governance code

UK corporate governance code

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

Compliance statement

The Board considers that for the financial period ended 31 December 2021, the Company has complied with the provisions of the UK Code, save that:

- The Company did not comply with Provision 10 of the UK Code as Neil Eckert is Executive Chairman and was not independent at appointment as he was a founder of the Company. However, 75% of the Board (excluding the Chair) are Non-Executive Directors whom the Board considers to be independent, and the roles of Chair and Chief Executive Officer 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 Senior Independent Director, Sir Brian Williamson, the Executive Chairman and the Chief Executive Officer, as set out on the Company's website.
- In one respect, the Company does not comply with Provision 37 of the UK Code which provides that remuneration schemes and policies should enable the use of discretion to override formulaic outcomes. In the context of the Company being a start-up, it was determined that an absolute calibration to the MIP programme with no discretionary assessment was appropriate in the circumstances. The MIP was put in place prior to the IPO, with no further awards to be made under the future Remuneration Policy. Malus and clawback provisions apply to the MIP programme with further details set out in more detail on page 57.

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.

The Audit Committee oversees the effectiveness of management's processes for monitoring and reviewing the effectiveness of risk management and internal control systems in relation to the Company's financial reporting process, further details of which are set out on pages 45-48.

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

The CRL board has, in turn, established four sub-committees: Risk, Capital and Compliance; Audit; Strategy; and Underwriting. It has also established an Executive Management Committee comprised of the chief and senior executives. CRL operates a strict, "three lines of defence" model with all second-line functions (for example risk and compliance) reporting to the CRL Risk, Capital and Compliance Committee; and the third line (internal and external audit, independent loss reserve specialist) reporting to the CRL Audit Committee.

While four independent non-executive directors serve on the board of CRL, all independent non-executive directors are encouraged to attend as observers at any board or board committee meetings across the Group, subject to any conflict management limitations. Conduit is committed to being an open and transparent Group from a governance perspective.

Governance

Corporate governance and compliance with the UK corporate governance code

The Board

Conduit has put in place a Board with a strong blend of experience in insurance and other financial services, accounting, governance and other areas. The Board has and will continue to oversee the Company's trading and operation as a public company. Under the leadership of the Senior Independent Director, with input from the nomination committee, the Board considered in the first half of 2021 the long-term board skills and diversity required to take the business forward and, following due process, Michelle Seymour Smith was appointed to the CHL and CRL Boards and each company's audit committee. The Board is mindful that Conduit is a new entity seeking to build a superlative business and the Senior Independent Director led 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 33-35.

Board meetings and attendance

The Board schedules meetings quarterly and receives additional updates in the months where no formal meetings are scheduled. Additional meetings have been and will be arranged as necessary, including in relation to 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 for the purposes of Provision 14 of the UK Code in the year ended 31 December 2021, relative to the number of meetings held during their time in office, was as follows:

	Board	Nomination Committee	Remuneration Committee	Audit Committee
Neil Eckert	6/6	n/a	n/a	n/a
Trevor Carvey	6/6	n/a	n/a	n/a
Elaine Whelan ¹	5/5	n/a	n/a	n/a
Sir Brian Williamson	4/6	2/3	2/3	n/a
Elizabeth Murphy	5/6	3/3	n/a	6/6
Ken Randall	5/6	3/3	3/3	5/6
Malcolm Furbert	5/6	3/3	3/3	n/a
Dr. Richard Sandor	5/6	3/3	3/3	n/a
Michelle Seymour Smith ²	1/1	n/a	n/a	1/1

1. Joined the Board on 14 January 2021.

2. Joined the Board and the Audit Committee on 15 September 2021.

These attendance statistics were achieved despite 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.

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

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, Michelle Seymour Smith, Malcolm Furbert and Dr. Richard Sandor) are free from any business or other relationship that could materially interfere with the exercise of their independent 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 six independent Non-Executive Directors.

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

Governance

Corporate governance and compliance with the UK corporate governance code

for reviewing the overall effectiveness of systems in place as well as for the approval of any changes to the capital, corporate and/or management structure of the Company. To ensure transparency and accountability of the business to the independent Non-Executive Directors, the CHL Board was invited to attend (and did attend) CRL board level and underwriting committee meetings and 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
Ensuring the effective running of the Board and supporting the CEO in an advisory role in the execution of the CEO's responsibilities (including with respect to ESG matters), making sure that the views of the Board and shareholders are taken into account, and acting as the primary ambassador for the Group in respect of Investor Relations and ESG matters.	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.
Ensuring that the Board as a whole plays a full and constructive part in the development and determination of the Group's strategy and overall commercial objectives, having regard to the Group's responsibilities to its shareholders, its suppliers, clients, customers, employees and other stakeholders.	Ensures, with the executive management team, that Board decisions are implemented effectively and that significant decisions made by the executive management team are communicated to the Board in line with granted authority.	Is available to shareholders if they have concerns that contact through the normal channels of the Executive Chairman or other Executive Directors has failed to resolve or for which such contact is inappropriate.
Shaping the culture in the boardroom, encouraging all directors to engage in Board and Committee meetings by drawing on their skills, experience and knowledge; and fostering relationships based on trust, mutual respect and open communication – both in and outside the boardroom – between Non-Executive Directors and the executive team.	Provides clear leadership, inspires and supports the Group's employees in all areas of the Group's business, including the development of ideas, products and operations. Ensures that there is effective communication by the Group with its workforce including with respect to governance matters.	Assists in the maintenance of the stability of the Board and Company, particularly during periods of stress.

Governance

Corporate governance and compliance with the UK corporate governance code

Executive Chairman	CEO	Senior Independent Director
Promoting the highest standards of integrity, probity and corporate governance throughout the Group and particularly at Board level.	Manages the Group's risk profile, with the CRO and other members of the executive, in line with the extent of risk identified as acceptable by the Board and ensures that appropriate internal controls are in place.	Acts as a sounding board for the Executive Chairman, providing support in the delivery of the Executive Chairman's objectives.

Board activities

In addition to monitoring closely the development from scratch of the Group's core underwriting business, Board activities in 2021 were focused on the foundation of the Group, including the operation of governance structures, the acquisition of premises, the establishment of systems and processes, the recruitment of staff, implementation of ESG and the investment of the Group's capital. The Board received regular written and oral progress reports from executive management on progress in each of these areas. The Board also participated in a two-day session to review strategy considering the actual experience of running the business in its first year of operation. Meetings were held in Bermuda to approve all key actions, documentation and agreements including but not limited to the appointment of two new directors (Elaine Whelan as CFO and Michelle Seymour Smith as a Non-Executive Director).

Board effectiveness

Each year the performance of the Board, its committees and the individual Directors will be evaluated. An internal Board performance evaluation, using a questionnaire and interview approach, was conducted for the financial year ended 31 December 2021, led by Sir Brian Williamson, the Senior Independent Director and supported by the Company Secretary. The evaluation was conducted internally via one-on-one interviews. The Board itself had discussed and approved this self-appraisal approach, concluding that it was too soon following the Group's establishment in late 2020 for the evaluation to be facilitated by an external evaluator. The evaluation raised no concerns regarding the Board's composition or diversity or how effectively members worked together to achieve objectives, although several directors noted that COVID-19 restrictions prevented all Directors from attending meetings in person, which inhibited the Board's ability to form the deeper relationships that result from face-to-face interactions.

The evaluation did not identify any deficiencies in the effectiveness of each Director and no concerns were identified in respect of Non-Executive Director independence or external time commitments. It was acknowledged that longer term succession planning was less of a priority in 2021 than having an emergency succession plan in place. 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

In February 2021, the Board appointed Malcolm Furbert as the Company's Non-Executive Director responsible for workforce engagement. Malcolm subsequently conducted several one-to-one meetings with a cross section of employees and reported his observations to the Board. Further workforce engagement activities are planned for 2022, including hosting specific engagement events and conducting an employee satisfaction survey. Malcolm will provide a regular update to the Board on his engagement activities. A report on the activities undertaken during 2022, and an analysis of how effective the mechanism is, will be provided in the 2022 Annual Report.

Governance

Nomination committee report

Introduction

It is a remarkable achievement, to take an idea for a new \$1 billion reinsurance company and turn it into reality from scratch, with an entirely new team at every level, during a pandemic. I wish to compliment the management for doing a phenomenal job in achieving all that they have in the Group's first full year in operation.

In 2021 the Nomination Committee was focused on addressing immediate priorities within its remit arising out of Conduit's rapid establishment.

While Covid-19 restrictions prevented us all from meeting face-to-face, the Committee worked cohesively when it did meet. I am looking forward to developing further the working relationships within the Committee and with the rest of the Board and management as we move beyond the pandemic. Notwithstanding Conduit's excellent start, the Nomination Committee will not rest on its laurels. There is much to do as we continue to build the franchise.

Nomination Committee membership

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

Independence and experience

All Committee members are independent Non-Executive Directors, each with many years of relevant experience serving as directors and/or working in the reinsurance industry. Detailed biographies are available on pages 33 to 35.

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

Role and responsibilities

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

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

Details on how we performed these key responsibilities in 2021 are set out below.

2021 meetings

The Nomination Committee is required to meet at least twice annually, or more frequently if required, to discharge its duties. In 2021, there were three committee meetings. In addition to the Members, other individuals such as the Executive Chair and the Head of Human Resources attended all or part of the meetings.

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

Governance

Nomination committee report

Performance evaluation

The Committee reviewed the results of the board performance evaluation for the period ending 31 December 2021 as described on page 41. The evaluation was conducted internally via one-on-one interviews led by Sir Brian Williamson, the Senior Independent Director. The Board itself had discussed and approved this self-appraisal approach, concluding that it was too soon following the Group's establishment in late 2020 for the evaluation to be facilitated by an external evaluator.

The evaluation raised no concerns regarding the Board's composition or diversity or how effectively members worked together to achieve objectives, although several directors noted that COVID restrictions prevented all Directors from attending meetings in person, which inhibited the Board's ability to form the deeper relationships that result from face-to-face interactions.

The evaluation did not identify any deficiencies in the effectiveness of each Director and no concerns were identified in respect of Non-Executive Director independence or external time commitments. It was acknowledged that longer term succession planning was less of a priority in 2021 than having an emergency succession plan in place.

Board and committee composition and succession planning

Following the departure of Mark Heintzman in January 2021 and a recommendation from the Nomination Committee, the Board appointed Elaine Whelan as Executive Director and CFO on 14 January 2021. Elaine is well-known in the Bermuda market, having spent several years as CFO of Lancashire Holdings Limited (whose employment she had left in February 2020) and was approached directly for the role with the Company.

At the time of the IPO there was awareness of the need to recruit an additional, ideally Bermuda-based, independent Non-Executive director who could add diversity to the Board and who had recent and relevant financial experience, to sit on the Company's Audit Committee. A search was started early in 2021. The Bermuda market has a small, well-known talent pool and neither open advertising nor using an external search consultancy was deemed necessary

after the Company itself identified a diverse group of 23 experienced candidates. However, in September 2021, the Company hired Eliot Partnership (Bermuda) Ltd. (Eliot), an executive search firm with deep expertise in the Bermuda reinsurance market, to assess the quality and validity of the search. Eliot confirmed that the list of candidates identified by the Company was comprehensive bearing in mind the characteristics of the Bermuda market and the size of the available talent pool. Eliot affirmed further that Michelle Seymour Smith was, in their opinion, an individual that they would have identified and recommended to the Company for the role. Michelle Seymour Smith was subsequently appointed to the Board as a Non-Executive Director on 15 September 2021 and will stand for election by the shareholders at the 2022 AGM. Michelle is a member of the CHL Audit Committee. She also sits on the CRL Board and is a member of the CRL Audit and Risk, Capital and Compliance Committees.

After the appointment of Michelle to the Board, bearing in mind the results of the Board evaluation, the Committee reviewed the composition of the Board and it considered that the balance of skills, knowledge, independence, experience and diversity is appropriate for Conduit's business to meet its strategic objectives.

That said, the Committee did initially consider longer-term succession planning at a high level in 2021 and will revisit succession planning in 2022 with a view to satisfying the Group's medium to longer-term succession needs as the Board and business develops. The list of potential Board candidates based in Bermuda, identified during the 2020-21 recruiting efforts, will be updated periodically as part of this succession planning process.

In the meantime, Conduit has a robust emergency succession plan in place for the Board and senior management, which has been reviewed by the Committee.

Director induction and training

The Committee ensured that an appropriate and comprehensive plan is in place for inducting new Directors and Conduit's leadership team. Induction is tailored to the needs of each individual but includes meetings with the executive leadership team, department heads and advisors, technical briefings and office visits.

Governance

Nomination committee report

A strategy and planning session was held over two days in September 2021, which also served as training for Directors, as diverse topics were covered including the future of technology in the industry, the state of the market, stock market perspectives from the Company's financial advisors and emerging risks, including environmental liabilities and global tax reform.

The Board also attended a specific training session on IFRS 17.

Diversity and inclusion ("D&I")

Diversity and inclusion have been a priority since the Company's inception and at its initial meeting in February 2021 the Committee reviewed and recommended a Group D&I policy for adoption by the Board. The Board diversity policy reflects the Company's principles for recruitment and advancement at all levels of the Company and underlines the fact that the Company is committed to recruiting, retaining and developing people with diverse backgrounds and experiences at all levels of Conduit's business, in a truly inclusive environment. As an equal opportunities employer, Conduit does not tolerate discrimination or harassment of any kind in any aspect of employment. Conduit fully supports and celebrates differences, which could include but are not limited to race, age, gender, 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.

The new appointments to the Board in 2021 brought more diversity and balance with the appointment of two female directors. Future succession planning will take note of diversity and inclusion.

Priorities for 2022

In 2022 the Committee will:

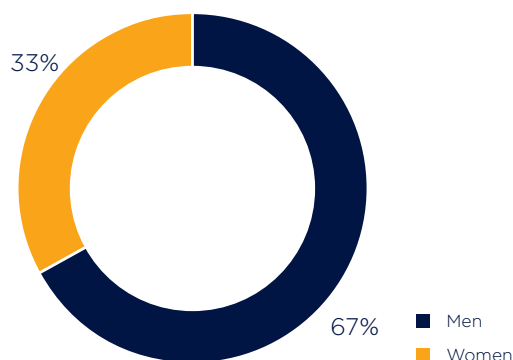
- Review succession planning with a view to satisfying Conduit's medium to longer-term succession needs.
- Review training and ongoing education needs for Directors and senior management.

Ken Randall, Chair

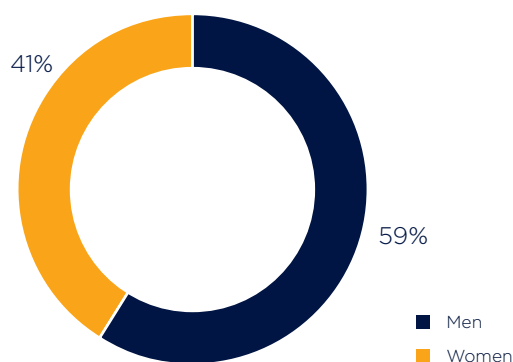
Nomination Committee

29 March 2022

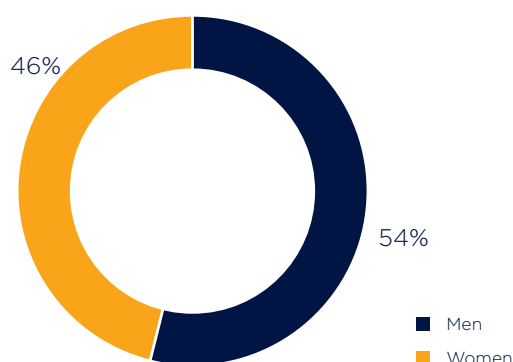
Board



Executive Committee Direct Reports



All Employees



Governance

Audit committee report

Introduction

I am pleased to present the Audit Committee's report for the year ended 31 December 2021 which outlines how the Audit Committee discharged its responsibilities during the Group's first full year of operations and the key topics it considered.

The main area of focus in 2021 was on the establishment of systems, controls and procedures over financial reporting. The Committee considered the effectiveness of the control environment, management's evaluation of significant estimates and judgements in financial reporting and established relationships with the internal and external auditors.

Audit Committee membership

The Audit Committee membership is comprised of independent Non-Executive Directors. For the full year 2021, the members were Elizabeth Murphy and Ken Randall. Michelle Seymour Smith joined the Audit Committee in September 2021.

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

Name	Appointed	Maximum possible meetings	Meetings attended
Elizabeth Murphy	18 November 2020	6	6
Ken Randall*	18 November 2020	6	5
Michelle Seymour Smith	15 September 2021	1	1

* Due to COVID travel restrictions Malcolm Furbert attended as Ken Randall's alternate for the one meeting that Ken Randall was unable to attend. Malcolm was authorised to attend in that capacity pursuant to the committee's Terms of Reference.

There were no points of concern arising out of the Board's performance evaluation regarding the Audit Committee's performance during 2021.

Role and responsibilities

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

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

Independence and experience

All Audit Committee members are independent Non-Executive Directors with recent and relevant financial experience and competence in accounting and/or auditing and all have competence relevant to the reinsurance sector in which the Group operates. Detailed information on the Audit Committee members' experience and qualifications is set out in the directors' biographies on pages 32 to 35.

2021 meetings

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

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

Monitoring and reviewing financial and narrative reporting

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

The Audit Committee also received regular and *ad hoc* reports on:

Audit committee report

- Accounting treatment and policies in respect of business and investment activities (see pages 86 to 90)
- Recruitment and development within the finance team
- Development and implementation of finance systems
- Loss reserves (see page 114)
- Accounting and financial reporting developments, including IFRS 17 and the related implementation project
- Finance reports from CRL including with respect to BMA filings (via the overlap with the CRL Audit Committee)
- Significant judgements and estimates and going concern assessments
- Management's assessment of fraud risk

The Audit Committee also attended a training session delivered by EY to the Board on IFRS 17.

Keeping under review internal controls and risk management systems

The Board has ultimate responsibility for ensuring the maintenance by the Group of a robust framework of internal control and risk management systems. Monitoring and review of these systems has been delegated to the Audit Committee. The system of internal controls is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable, not absolute, assurance against material misstatement or loss.

During 2021 as the Company added staff and systems to build controls and processes, the Audit Committee monitored the implementation and evaluation of controls over time. This monitoring included 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. The Committee also received updates from Internal Audit and management with respect to the implementation of processes and controls set out in the financial position and prospects procedures documentation prepared during the IPO, adapted, or modified in response to the Company's actual needs.

A number of controls established during the year were designed to cover key areas across various departments. These areas all directly impact the quality and accuracy of the Company's financial information and were therefore established as key controls and regularly monitored.

The Audit Committee received quarterly written and oral reports from the Chief Risk Officer, covering:

- Risks events and commentary on the Company's risk profile
- Risk appetite and tolerance statement compliance
- Update on the establishment of the risk function including its plans and team

Further detail of the emerging and principal risks affecting the Group, including those matters that have informed the Board's assessment of the Group's ability to continue as a going concern, as well as the risk mitigation procedures in place to identify and manage them, can be found in the risk disclosures on page 92 of the Annual Report and Accounts.

Reviewing compliance and fraud procedures and controls

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

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

There were no whistleblowing or suspicious transactions reports made during the year.

Monitoring and reviewing the effectiveness of the internal audit function

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

In February 2021 the Audit Committee approved the internal audit charter and plan. Subsequent amendments to the plan have also been approved. The internal audit plan was based on an initial risk assessment. Internal Audit provided quarterly written and oral reports to the Audit Committee. The findings of each internal audit are reported at the Committee's quarterly meetings. The Committee reviews actions recommended to management for the improvement of internal controls.

Audit committee report

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

Overseeing the relationship with the external auditor

KPMG Audit Limited (KPMG) was originally appointed as the Company's external auditor in December 2020. At the Company's 2021 AGM, KPMG was re-appointed as external auditors of the Company until the conclusion of the 2022 AGM. The lead external audit partner is James Berry who was appointed at the same time as KPMG was appointed as the Company's first auditor in December 2020.

The Audit Committee met with KPMG regularly during 2021 (both in private session and with management present) and reviewed and approved the external audit work plan for the year ending 31 December 2021. The Audit Committee receives reports from KPMG which include the progress of the audit, key matters identified and the views of KPMG on the significant estimates and judgements outlined below. KPMG also reports on matters such as their observations on the Company's financial control environment, developments in the audit profession, key upcoming accounting and regulatory changes and certain other mandatory communications.

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

Auditor independence and objectivity

The Audit Committee assesses the external auditor's independence annually and has assessed that they are independent. To assist in maintaining the external auditor's independence and objectivity, 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 policy describes the circumstances in which the auditor may be engaged to undertake non-audit work for the Group. The Audit Committee oversees compliance with the policy and will consider and approve requests to use the auditor for non-audit work when they arise, if appropriate. Except for procedures conducted by KPMG with respect to the Company's unaudited condensed interim consolidated financial statements for the six months ended 30 June 2021 there were

no instances of the external auditors performing non-audit work, or requests to perform non-audit work, in 2021. The non-audit services policy is available on the Company's website. Implementation of the policy is reviewed annually by the Audit Committee.

Auditor re-appointment

The Company is required to appoint auditors at every general meeting of the Company at which financial statements are presented to shareholders. KPMG, acting as external auditor to the Company in the Company's second year, has advised of its willingness to stand for re-appointment in 2022. The Audit Committee and the Board consider KPMG to have extensive experience auditing publicly traded reinsurance businesses. The Committee has concluded that KPMG's appointment as auditors for the forthcoming year continues to be in the best interests of the Company and its shareholders. The resolution to re-appoint KPMG will propose that KPMG holds office until the conclusion of the next Annual General Meeting at which accounts are laid before the Company, at a level of remuneration to be determined by the Board.

Significant areas of judgement and estimation

Annually, management provides the Audit Committee with an analysis of significant areas of judgement and estimation in the preparation of the consolidated financial statements. Semi-annually, management provides the Audit Committee with an analysis of the appropriateness of preparing the statements on a going concern basis. As discussed in our Risk disclosures on page 87, the most significant estimates made by management are in relation to losses and loss adjustment expenses, both gross and net of ceded reinsurance. Less significant estimates are made in determining the estimated fair value of certain financial instruments and estimates made in determining premiums written and earned.

Valuation of losses and loss adjustment expenses

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

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

Governance

Audit committee report

The Committee also receives reports from the external auditor and the independent loss reserve specialist semi-annually. The Committee was able to compare the results of all three parties and understand the differences which naturally arise between them. The Committee focused in particular on:

- The reserving for natural catastrophe and large loss events which occurred during the year
- The use of selected attritional reserving ratios, given the lack of historical data for the Group
- The difference in management's estimates *versus* the external auditor and the independent loss reserve specialist, noting that the differences are within a reasonable range

As the year ending 31 December 2021 is the first year of underwriting operations, the Audit Committee did not have any need to focus on prior year development.

The Audit Committee was satisfied that all their queries were appropriately addressed and noted that there were no material differences between the loss reserves calculated by the Company's reserving actuary and the independent loss reserve specialist. The Committee was therefore satisfied that the valuation of losses and loss adjustment expenses was appropriate.

Fair value of certain financial instruments

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

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

Estimates of premiums written and earned

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

Going concern assessment and longer-term viability statements

The Audit Committee reviewed and advised the Board on the Group's going concern and longer-term viability statements included in the Annual Report and the assessment reports prepared by management in support of such statements. As part of this review, the Audit Committee assessed the methods, assumptions and judgements underpinning the going concern assessment. The Audit Committee was satisfied by the level of analysis presented during the year, the related approach taken and statements made in the Group's key external reporting. More information on the going concern and viability statements can be found on page 72.

Annual Report

The Audit Committee reviewed and approved the Group's preliminary unaudited results issued on 24 February 2022 and drafts of the Annual Report together with the external auditor's report. The Audit Committee advised the Board that, in its view, the 2021 Annual Report, 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.

Implementation plans for IFRS 17

In 2021, the Audit Committee considered a high-level overview of the anticipated accounting by the Group under IFRS 17. This will be followed by more active monitoring in 2022 as the deadline for implementing IFRS 17 approaches.

Priorities for 2021

The Audit Committee's priorities for 2022 include:

- Continued monitoring of the development of systems, processes and the control environment
- Monitoring the IFRS 17 implementation project
- Monitoring developments in climate and ESG reporting
- Monitoring audit practice reforms

Elizabeth Murphy, Chair

Audit Committee

29 March 2022

Directors' remuneration report

Introduction

I am pleased to present the Directors' Remuneration report for 2021, the Group's first full year of operations.

This report consists of three parts:

1. This introduction, which explains our approach to remuneration, and summarises the key decisions made by the Committee during the year.
2. Future Directors' Remuneration Policy – this sets out our proposed Remuneration Policy which will be put to a binding shareholder vote at the forthcoming AGM.
3. Annual Report on Remuneration – this sets out in detail how we've applied our remuneration policy in 2021, the remuneration received by directors for the year and how we'll apply the policy in 2022. This report will be put to an advisory shareholder vote at the AGM.

Performance for the year under review

In the 2020 annual report & accounts we said that there would be significant effort involved in setting up the Group for the future and building the Group's book of business, and that RoE would be minimal. The remuneration approach we implemented for 2021, the Group's foundation year, recognises the very special circumstances of the Company's creation and listing, and the effort put in to establish a regulated and rated reinsurance Group. Remuneration at this stage of the Group's evolution has been aligned to, and supportive of, the build plan and strategy post-IPO.

Annual bonuses for 2021 were based 25% on financial (RoE) targets, 50% on foundational targets relating to the creation of the foundation of the organisation and 25% on the personal contributions of each Executive Director.

It is the opinion of the Remuneration Committee and the Board that the Company's management has done an outstanding job over the foundation year. Management has recruited an excellent team, now more than 40 strong, and established a technologically modern operating platform. At the same time, it has built a strong book of diversified, quality business. The quality of the business and the benefit of diversity is reflected in the relatively low exposure to the significant catastrophe losses experienced by the market in 2021.

The remuneration awards in respect of 2021 reflect these achievements, but also acknowledge that RoE at year-end is negative, partly because of the catastrophe losses but also because of the initial

strategy of writing more quota share business and the resulting slower recognition of earnings. The Committee considered whether it was appropriate to pay bonuses in light of the financial element not having been achieved. It noted that the 2021 approach is a one-off, with the foundational element intentionally weighted to reflect the importance of this foundation year to underpin financial performance for 2022 and beyond. Therefore, in light of 0 percent pay-out of the financial element, the Committee determine that no additional negative discretion needed to be applied to the Foundational and Personal element pay-out. Details of the bonuses can be found on pages 61 to 64.

Up to half of any bonus is deferred into shares, with malus and clawback provisions in place.

Our Executive Directors participate in our legacy Management Incentive Plan ("MIP") which was detailed in the IPO Prospectus and there were no long-term incentive awards capable of vesting in the year.

Remuneration for 2022 and beyond

While our shareholders can see the impact that the first full year of trading has had on the Directors' remuneration, 2022 will be a transition year as the Group moves forward from start-up into its post-foundation phase and the forward-looking remuneration will reflect this. As a non-UK incorporated company, the Group does not need to comply with the requirements of the relevant provisions of the UK Companies Act. However, as part of its commitment to high standards of corporate governance, the Committee will put the future Remuneration Policy to a binding shareholder vote at the forthcoming AGM. If approved, it is intended the policy will remain in place for three years. The Remuneration Policy seeks to ensure our Executive Directors are fairly and appropriately rewarded whilst ensuring alignment with our shareholders. The policy has been developed considering market best practice and the provisions of the UK Code and is in-line with commitments made in the Prospectus in almost all respects.

For 2022, base salaries of the Executive Directors will be increased by 3% aligned with the wider workforce. Pension and benefits will remain unchanged, with pension contributions aligned to the wider workforce. Annual bonuses will be based 75% on financial targets and 25% on personal objectives. Further details can be found on page 64.

Governance

Directors' remuneration report

As mentioned above, the Executive Directors participate in the legacy MIP, with no further long-term incentive awards expected to be granted to them over the course of the proposed Policy. At present, the Company does not have an on-going plan under which long-term incentives can be granted to employees and the Company intends to review this over the course of 2022.

The Remuneration Committee takes into consideration the views expressed by shareholders and other stakeholders in making its decisions. In 2021, I and the Executive Chairman met with several significant shareholders and discussed the Group's remuneration.

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

Remuneration Committee membership

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

2021 Meetings

The Remuneration Committee held three meetings during the year.

Name	Appointed	Maximum possible meeting	Meetings attended
Sir Brian Williamson, Chair	17 November 2020	3	2
Ken Randall	17 November 2020	3	3
Malcolm Furbert	17 November 2020	3	3
Richard Sandor	24 November 2020	3	3

Role and responsibilities

The responsibilities of the Remuneration Committee include:

- Determining the policy for directors' remuneration and setting remuneration for the Executive Chair of the Board, executive directors and senior management including the company secretary (the Executive Group).
- Reviewing the ongoing appropriateness of workforce remuneration and related policies.
- Reviewing the ongoing appropriateness and relevance of the remuneration policy.
- Determining all elements of the remuneration of the Executive Group.

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

Key activities in the year

- Set the remuneration policy for Executive Directors
- Set the annual bonus framework
- Reviewed the business plan and resulting RoE which links to annual bonuses
- Reviewed total compensation for the executive group
- Reviewed overall bonus arrangements for staff

Conclusion

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

Sir Brian Williamson, Chair
Remuneration Committee
29 March 2022

Future remuneration policy

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

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

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

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

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

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

Future remuneration policy

Executive Director remuneration

Base salary

Purpose and link to strategy

Base salary is a key element to recruiting, retaining and incentivising executives of the right calibre to successfully execute the Group's business strategy.

Operation

Base salaries are normally reviewed annually, with any changes usually effective from 1 January. Exceptionally, an out-of-cycle review may be conducted if the Committee determines it is appropriate.

When setting base salary levels, the Committee will take into account several factors including (but not limited to):

- The Director's role, skills and experience
- The economic environment
- Overall business performance
- Salary levels and pay conditions across the wider Group
- Individual performance
- Market data for similar roles in comparable companies (including reinsurance company peers)
- Changes to the size and complexity of the business

The process for salary review is consistent for all employees.

Maximum opportunity

There is no maximum base salary level.

The process for salary review is consistent for all employees and increases for the executive directors are normally considered in relation to the wider salary increases across the Group.

Higher increases may be permitted where appropriate, for example, development in role or a change in position or responsibilities

Performance metrics

There are no formal metrics, although individual and Group performance is taken into consideration as part of the annual review.

Future remuneration policy

Executive Director remuneration

Benefits (including pension benefits)

Purpose and link to strategy

Benefits support recruitment, retention and facilitate a healthy workforce.

Operation

Pension benefits

The Group's pension schemes are based on defined contributions or equivalent cash *in lieu* or salary sacrifice, subject to applicable law and local market standards. For all staff, including Executive Directors, a cash allowance of up to 10% of salary is paid *in lieu* of the standard employer pension contribution, or a combination of pension contributions and cash allowance, totaling 10% of salary. Any changes in the workforce pension arrangements may be reflected in Executive Director remuneration.

Other benefits

Other benefits reflect normal market practice, are determined on a basis consistent with all employees, and are set within agreed principles. Benefits include, but are not limited to:

- Bermuda payroll tax and social insurance
- Medical, dental and vision insurance
- Life assurance
- Long-term disability scheme
- Gym and club membership
- Travel allowance
- Housing allowance for Bermuda-based Executive Directors

Additional benefits may be provided as the Remuneration Committee considers appropriate and reasonable based on market practice. Executive Directors are included in the directors' and officers' indemnity insurance policy.

Maximum opportunity

There is no maximum value of benefits; the value is set according to recruitment and retention needs bearing in mind local market standards and requirements.

Pension contributions for executive directors will normally be in-line with the wider workforce, currently 10% of salary.

Performance metrics

None

Future remuneration policy

Executive Director remuneration

Annual bonus

Purpose and link to strategy

To reward the achievement of financial results and key objectives over the financial year which are linked to the Group's strategic priorities.

To facilitate and encourage share ownership to align senior employees with CHL shareholders through the use of deferral into shares.

Operation

Annual bonus awards for the Executive Directors are based on the financial performance of the Group and the performance against personal and/or strategic objectives of each Executive Director during the financial year, with performance measures and objectives set by the Committee at the beginning of the financial year.

At the end of the performance period the Remuneration Committee will determine the actual bonus awards for each Executive Director. The Remuneration Committee aims to ensure that awards for Executive Directors are based on performance viewed holistically rather than on a formulaic outcome and has the discretion to adjust the formulaic outcome.

Up to 50% of any bonus earned will be deferred into shares which normally vest over three years with one third of the award vesting in each of the following three years. Participants may also be entitled to receive dividend equivalents which have accrued on unvested shares during the vesting period, such dividend equivalents to be paid at vesting.

Bonus awards are subject to malus and clawback provisions.

Maximum opportunity

The maximum bonus achievable for the Executive Directors is 300% of base salary.

The majority of the performance measures will be based on financial performance (for example, RoE). The financial component will normally comprise of at least two-thirds of the overall opportunity. For the current policy the Committee have set the financial component at 75% of the overall opportunity.

Performance metrics

A financial performance hurdle applies before any bonus is payable in relation to the financial component, which is reviewed annually. Where performance is deemed to be below a predetermined hurdle, payouts for the financial component will be nil. 25% is payable for threshold performance. The Committee has the discretion to make an award under the personal performance component.

Governance

Future remuneration policy

Executive Director remuneration

Shareholding requirement

Purpose and link to strategy

Operation

To ensure Executive Directors are aligned with shareholder interests.

Each of the Executive Directors is required to build and maintain a shareholding in the Company of 300% of salary whilst in post.

The portion of any future bonuses which is paid in shares (post-tax and vested) and other share awards will accumulate until this requirement is met. There is a seven-year period from the date of IPO in which to achieve compliance.

Post-cessation shareholding requirements apply which will require Executive Directors to retain for two years following cessation of their employment by the Group the lower in value of:

- such number of shares on cessation that have a market value equal to the shareholding guideline in place at that time; and
- the number of shares they hold at that time.

Shares that are acquired by the Executive Director out of their own funds will be excluded from this post-cessation holding requirement.

Maximum opportunity

None

Performance metrics

None

Future remuneration policy

Non-Executive Director remuneration

Purpose and link to strategy

To provide an appropriate fee level to attract and retain Non-Executive Directors who have a broad range of skills and experience to oversee the implementation of the Group's strategy.

Operation

Non-Executive Directors receive an annual fee in respect of their Board appointments together with additional compensation for further duties (for example, Board committee membership and chairperson roles).

The fees paid are determined by reference to market data and the skills and experience required by the Company as well as the time commitment associated with the role.

Fees are normally reviewed every two years, but not necessarily increased.

Non-Executive Directors are not eligible for participation in the Company's incentive plans.

Travel and other reasonable expenses incurred by Non-Executive Directors while performing their duties for the Company are reimbursed (including any tax where these are deemed to be taxable benefits).

Non-Executive Directors are included in the directors' and officers' indemnity insurance policy.

Maximum opportunity

The amount of any remuneration payable to Non-Executive Directors shall be determined by the Board (excluding the Non-Executive Directors).

An aggregate remuneration limit applies under the Company Bye-laws and shall not exceed \$1.3 million per annum (unless otherwise approved by the shareholders).

Performance metrics

None

Notes to the policy table

Performance conditions

The Committee aims to ensure that performance targets for the annual bonus awards to Executive Directors are closely aligned to the Group's short-term and long-term objectives. Each year, the Committee reviews and selects the most appropriate performance measures, considering the key priorities of the Group at the time over both the short- and long-term. The measures and their weightings may change from year to year to reflect the needs of the business. Details are included in the Group's annual report and accounts each year, subject to limitations with regards to commercial sensitivity for the annual bonus (where general terms will be provided), and the full details disclosed following the end of the financial year in the Group's next annual report and accounts, again, subject to limitations with regards to commercial sensitivity for the annual bonus (if appropriate).

Malus and clawback

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

- Material misstatement of results, financial or otherwise;
- Material breach of any post-termination employment covenants; or
- Fraud or a financial criminal act which affects 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.

Committee discretions

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

- Selecting the participants in the plans;
- Determining the timing of payments/grants of awards;
- Determining the quantum of awards and/or payments (within the limits set out in the Policy);
- Determining the choice of (and adjustment of) performance measures and targets for each

incentive plan in accordance with the Policy and rules of each plan;

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

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

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

Legacy arrangements

For the avoidance of doubt, any commitments entered into by the Group prior to the approval and implementation of the Policy outlined above may be honoured, even if they are not consistent with the Policy prevailing at the time the commitment is fulfilled. This includes the MIP which was in place

Governance

Notes to the policy table

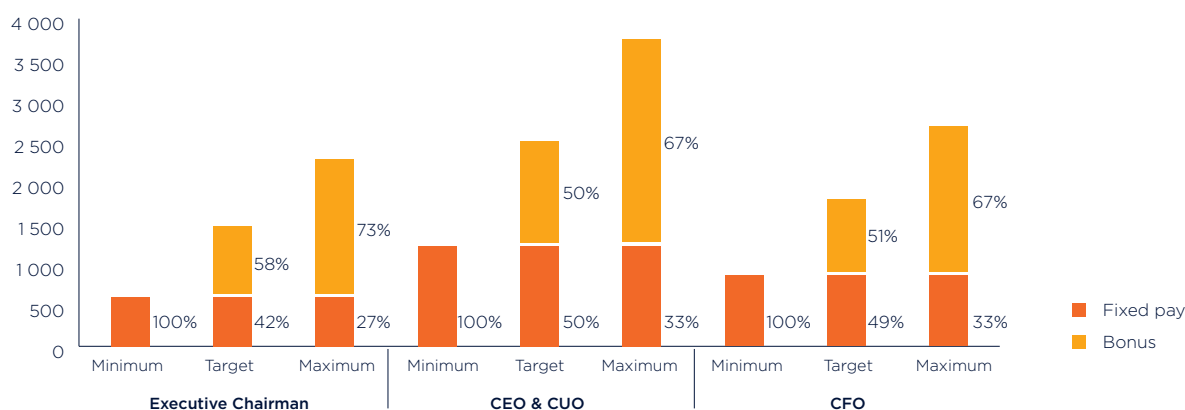
prior to this Policy. Details of this plan can be found on page 37 of the 2020 annual report. This may also include commitments to future Executive Directors where the terms were agreed prior to (and

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

Illustration of the policy

The charts below set out the potential values of the remuneration package of the Executive Directors for FY22 under various performance scenarios.

Remuneration (\$ 000's)



Notes

- Minimum: Fixed pay only (salary, benefits and pension)
- Target: Fixed pay and annual bonus at 50% of maximum
- Maximum: Fixed pay and maximum achievable annual bonus
- Salary represents annual for FY 2022
- Benefits have been included based on the actual FY 2021 value of benefits (including housing allowances)
- Pension represents the value of the annual pension of 10% of salary contributed by the Company

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

Service agreements – Executive Directors

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

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

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

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

In some cases, an Executive Director may be determined a "good leaver". Good leavers may receive

Governance

Notes to the policy table

an annual bonus payment, which will normally be subject to the satisfaction of the relevant performance criteria tested at the normal date and, ordinarily, the outcome will be calculated on a time *pro-rata* basis to date of departure. The Committee retains discretion on whether the whole bonus payable is paid in cash, or whether part of it is deferred either in cash or shares.

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

Director	Date of Appointment	Expiry of first three-year term
Elizabeth Murphy	13 November 2020	13 November 2023
Ken Randall	13 November 2020	13 November 2023
Malcolm Furbert	13 November 2020	13 November 2023
Sir Brian Williamson	13 November 2020	13 November 2023
Richard Sandor	24 November 2020	24 November 2023
Michelle Seymour Smith	15 September 2021	15 September 2024

Recruitment of Directors – approach to remuneration

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

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

Benefits will be offered in line with the Policy table. For both external and internal appointments, the Committee may consider it appropriate to pay reasonable relocation or incidental expenses, including payment of reasonable legal expenses. This will ordinarily be for a reasonable but fixed period of time

In the event of a change of control or similar event, awards may vest early subject to performance and, normally, any bonus entitlement would be subject to pro-rating on a time apportioned basis. The Committee may at its discretion determine that Awards shall not be subject to time pro-rating or be subject to pro-rating to a lesser extent if it considers it appropriate in the circumstances. Alternatively, following an internal reorganisation which results in a change of control, awards may be rolled over into awards in the acquiring company.

Service agreements – Non-Executive Directors

Non-Executive Directors are typically expected to serve two three-year terms but may be invited by the Board to serve for an additional period. Any term renewal is subject to Board review and AGM re-election. Notwithstanding any mutual expectation, there is no right to re-nomination by the Board, either annually or after any three-year period.

and will be disclosed on appointment. Pension will normally be in line with the wider workforce.

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

For external appointments, the Committee recognises that it may need to provide compensation for forfeited awards from the individual's previous employer. To the extent possible, the design of any buyout will be made on a broadly like-for-like basis and shall be no more generous than the terms of the incentives they are replacing, taking into account the performance conditions attached to the vesting of the forfeited incentives, the timing of vesting and the likelihood of vesting. In addition, it may be necessary to make an initial forward looking LTIP award.

The Group does not currently operate a Long-term Incentive Plan under which future grants can be

Governance

Notes to the policy table

made to Executive Directors. Although not subject to the requirements of the Listing Rules as a standard listed company to seek shareholder approval for a Long-term Incentive Plan in which Executive Directors may participate (or which may involve the issue of new shares) it would in practice seek such approval. Therefore, the Committee may also use the flexibility provided (being best practice rather than a requirement) under the Listing Rules to make awards as provided for under Rule 9.4.2 (2) without prior shareholder approval.

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

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

Executive Directors' external appointments

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

How shareholders' views are taken into account

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

Broader employee context – consideration of employment conditions elsewhere in the Group

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

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

Whilst employees are not directly consulted on matters of remuneration policy, the Committee will ensure there is an appropriate forum to raise any remuneration matters which should be taken into account as part of its annual cycle.

Governance

Annual report on remuneration

This section summarises the Directors' remuneration for the period ending on 31 December 2021 and how the policy will be implemented for the year ahead.

This report on remuneration together with the Chairman's statement, as detailed on pages 49 to 50, will be put to an advisory vote at the 2022 AGM. The following sections in respect of Directors' remuneration have been audited by KPMG Audit Limited:

- Single figure of remuneration
- Non-Executive Director fees
- 2022 annual bonus payments in respect of 2021 performance
- Deferred bonus awards
- Directors' shareholdings and share interests

Executive Directors' single figure of remuneration

The table below sets out the total remuneration (in '\$'000) for Executive Directors for the financial period ending 31 December 2021.

Executive Director	Year	Salary	Benefits ³	Pension or payment in lieu ⁴	Annual Bonus ⁵	LTIP ⁶	Other ⁷	Total fixed remuneration	Total variable remuneration	Total remuneration
Neil Eckert	2021	\$530	\$1	\$ 14	\$919	-	-	\$545	\$919	\$1,464
	2020	\$44	-	-	-	-	\$357	\$44	\$357	\$401
Trevor Carvey	2021	\$800	\$318	\$88	\$1,443	-	-	\$1,206	\$1,443	\$2,649
	2020	\$67	-	-	-	-	\$539	\$ 67	\$539	\$606
Elaine Whelan ¹	2021	\$553	\$213	\$56	\$1,069	-	-	\$822	\$1,069	\$1,891
	2020	-	-	-	-	-	-	-	-	-
Mark Heintzman ²	2021	\$51	\$55	\$16	-	-	-	\$122	-	\$122
	2020	\$35	-	-	-	-	\$72	\$35	\$72	\$107

Notes to single figure table

1. Joined the Board on 14 January 2021. For 2021, disclosures are pro-rated for time in employment.
2. Left the Board on 13 January 2021. For 2021, disclosures are pro-rated for time in employment. In accordance with the leaver terms outlined on page 65, he only received contractual payments.
3. Benefits for Bermuda-based Executive Directors comprised Bermuda payroll taxes (employee obligations paid by the Company), Bermuda social insurance (employee obligations paid by the Company), medical, dental and vision coverage, life insurance, housing and other allowances paid or to be paid by CHL in line with standard market practice. Given that the Company was only incorporated on 6 October 2020 and was listed for less than a month in 2020 following the IPO completed on 7 December 2020, with no operations or employees prior to the IPO, there was insufficient time in 2020 to put all of these benefits in place, limited benefits payments were made in 2020 and so no prior year information is presented.
4. The Executive Directors' pension provision for 2021 was aligned to that of the rest of the workforce, at 10% of pensionable earnings. Executive Directors may elect to take cash in lieu of pension, subject to compliance with applicable law. For 2021, the amounts paid also include any back-dated pension contributions owed for services in 2020 when the Group schemes had not yet been setup.
5. Executive Director bonus awards are stated as the full value of the bonus award; 50% of bonuses awarded are payable as a deferred share award of an equivalent value.
6. Other than the legacy Management Incentive Plan ("MIP"), Executive Directors do not participate in any long-term incentive plan. Details of the MIP can be found on page 65 of this report. No awards vested under the MIP during the year.
7. For 2020, other comprises one-off compensation for work done to set up CHL prior to the IPO.

Annual bonus

Following the approach that was set out in the 2020 annual report and accounts, for the Group's foundation year (2021), annual bonus awards for the Executive Directors were 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 was RoE. The Remuneration Committee determined the actual bonus awards for each Executive Director, based on the following criteria.

Governance

Annual report on remuneration

Financial objectives (25%)

	Threshold	Target	Maximum	Actual	Financial element pay-out
RoE	0.5%	2%	4%	-4%	0%

Foundational element objectives (50%)

Foundational objectives for Executive Directors including the Executive Chairman (and all senior employees) were set and assessed based on the following areas of activity:

	Objectives	Assessment
Underwriting focused employees (including Trevor Carvey)	<p>Systems development and IT infrastructure build</p> <p>Developing the control framework, including processes and appropriate controls</p> <p>Communication, including contributing to the development of the culture of the organisation and teamwork</p> <p>Developing client, broker and investor relationships and generally marketing the business</p> <p>Contribution to the company's business plan, including building the premium base in line with underwriting guidelines and profitability metrics</p>	<p>2021 has seen tremendous progress in systems development and IT build-out. While it is envisioned that these buildouts, and improvements, will continue in 2022 the significant progress to date is to be acknowledged.</p> <p>Noteable progress has been made with regards to establishing a control framework and processes to support these controls.</p> <p>Conduit's corporate culture and communications framework, internal and external, is continuing to evolve as we continue to grow with strong foundations having been established with the existing team.</p>
Non-underwriting focused employees, (including Elaine Whelan)	<p>Systems development and IT infrastructure build</p> <p>Developing the control framework, including processes and appropriate controls</p> <p>Communication, including contributing to the development of the culture of the organisation and teamwork</p> <p>Contribution to the company's business plan, including management of expenses</p>	<p>The business has successfully leveraged existing client, broker and investor relationships and has successfully marketed the business for continued growth.</p>

Annual report on remuneration

Executive Directors' performance objectives (25%)

Each of the Executive Directors were evaluated against their performance objectives for the foundation year of the Group.

	Detailed objectives	Assessment
Neil Eckert <ul style="list-style-type: none"> ■ Effective leadership and management of the Board of Directors ■ Development of the investor relations and general business strategy ■ Advocate for the Group's ESG strategy 	<p>Effectively perform the duties of the Chairman's role, this is primarily achieved through overseeing the business and investor relations strategy plus managing the Board of Directors. Perform a leading role in promoting ESG principles across the business. Support the CEO to ensure the efficient operation of the Group.</p>	<p>Despite not being on the ground in Bermuda, Neil has provided valuable oversight and input to the development and buildout of Conduit in the first year of business. As co-founder, Neil has been a key contributor to establishing the Company's initial approach and has given key guidance to the Group, with significant contributions to steering our ESG efforts.</p>
Trevor Carvey <ul style="list-style-type: none"> ■ Effective leadership and management of the senior executive team and Group ■ Development of the general business strategy ■ Incorporate ESG principles into the business 	<p>Effectively perform the duties of the CEO role, these primarily are managing the business in line with the strategy and business plan as laid out in the Prospectus and developing the book of business, participation in relevant Committee meetings including making recommendations to improve deal flow and risk adjusted returns. Oversee the Group's reinsurance portfolio whilst working in conjunction with the CUO. Perform a leading role in promoting ESG principles across the business. Contribute to investor relationships. Lead the Executive to ensure the efficient operation of the Group.</p>	<p>Trevor left for Bermuda literally as the IPO closed, ensuring that we had an active and successful opening for 1st January 2021 business. He was key to and led the recruitment of all the key executives of the business functions to the extent that just 12 months into the life of the company, Conduit feels like a mature operational business with a strong and growing portfolio of business.</p>
Elaine Whelan <ul style="list-style-type: none"> ■ Effective leadership and management of the finance and investments and treasury functions for the Group ■ Contribute to the general finance and investment strategy ■ Incorporate ESG principles into the investment portfolio 	<p>Effectively perform the duties of the CFO role, these primarily are managing production of financial reports which are required as a public company, participation in relevant Committee meetings including making recommendations to improve capital efficiency and risk adjusted returns. Demonstrate leadership and management of the finance team. Manage the Group's investment portfolio whilst working in conjunction with the investment committee and CEO. Perform a leading role in promoting ESG principles within the investment portfolio. Manage our rating agency relationships, update the CEO on matters which will get rating agency attention and recommend action/communication. Contribute as a member of the Executive by offering suggestions and solutions that result in the efficient operation of the Group.</p>	<p>Elaine played a key role in leading the finance team and all related aspects of systems build and integration to support significant deliverables. Oversight and management of the development and implementation for key controls within regulatory and financial frameworks while ensuring that the Group's ESG principles were also reflected throughout the finance function and investment portfolio.</p>

Governance

Annual report on remuneration

As a result of the above outcomes, the Committee determined bonuses for the Executive Directors as follows

	Financial (% of weighted element)	Foundational (% of weighted element)	Personal (% of weighted element)	Actual (% of maximum)
Neil Eckert	0	162.5	137.5	58
Trevor Carvey	0	175.0	125.0	59
Elaine Whelan	0	175.0	137.5	61

Bonuses are subject to a maximum of 300% of base salary. 50% of bonuses awarded are payable as a deferred share award of an equivalent value (with the number of shares calculated using the average of the share price at the close of the market over the five days prior to the day that the award is granted) which vests (unless the individual is dismissed for gross misconduct) over three years with one third of the award vesting (including dividend equivalents) in each of the following three years. The Committee considers this to be 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.

	Actual % of maximum	Maximum opportunity % of salary	Actual % of salary	Outcome (\$,000)	Cash bonus paid, \$,000 (50%)	Of which (\$,000) deferred into shares (50%)
Neil Eckert	58	300	173	919	460	460
Trevor Carvey	59	300	178	1,443	721	721
Elaine Whelan	61	300	183	1,069	535	535

Long-term incentive plan

The Executive Directors participate in a legacy MIP scheme, which was detailed in the IPO Prospectus and the 2020 annual report and accounts. The MIP is currently the Group's only long-term share-based incentive plan. Details of the plan can be found on page 65 to 66.

No awards vested in the year under review.

Payments for loss of office

Mark Heintzman, an Executive Director, left the employment of the Group on 13 January 2021. He was paid \$122,000 which was his contractual entitlement upon the termination of his employment, comprising base salary, benefits and pension only, no bonus award was made.

Payments to past Directors

Other than the contractual entitlement paid to Mark Heintzman at the time he left the employment of the Group, no payments were made to former Directors during the year.

Non-Executive Directors

The Non-Executive Director fees have been determined in accordance with the remuneration policy set out on pages 56.

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

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.

Michelle Seymour Smith was appointed as Non-Executive Director of CHL and CRL on 15 September 2021, for these appointments she has received a prorated fee since her appointment.

Governance

Annual report on remuneration

For the year ended 31 December 2021 under the terms of their appointments the Non-Executive Directors of CHL were paid the following fees:

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

Non-Executive Director	2021	2020
Sir Brian Williamson	\$130	\$19
Elizabeth Murphy	\$140	\$19
Ken Randall	\$155	\$19
Malcolm Furbert	\$130	\$19
Dr. Richard Sandor	\$105	\$19
Michelle Seymour Smith ¹	\$31	\$ -
Total	\$691	\$95

¹ Prorated from 24 September 2021, the date of appointment.

The aggregate remuneration paid for the year to 31 December 2021 by way of fee for all the Non-Executive Directors was \$690,986 made up of \$609,250 in respect of CHL and \$81,736 in respect of CRL.

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 received a payment of \$18,750 being equivalent to one quarter of the annual basic fee.

Directors' shareholdings

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

Director	Beneficially owned as at 31 Dec 2021	Shareholding guideline % of base salary	Guideline met ¹	Share awards held - deferred bonus
Neil Eckert	597,112	300%	Yes	-
Trevor Carvey	180,000	300%	No	-
Elaine Whelan	65,950	300%	No	-
Mark Heintzman ²	-	N/A	N/A	N/A
Sir Brian Williamson	15,000	N/A	N/A	N/A
Elizabeth Murphy	15,000	N/A	N/A	N/A
Ken Randall	55,000	N/A	N/A	N/A
Malcolm Furbert	8,000	N/A	N/A	N/A
Dr Richard Sandor	15,000	N/A	N/A	N/A
Michelle Seymour Smith	-	N/A	N/A	N/A

¹ As at 31 December 2021, Neil Eckert met the shareholding requirement set for Executive Directors. The other Executive Directors (Trevor Carvey and Elaine Whelan) have seven years from appointment to build their shareholdings in order to meet the requirement.

² Left the Board on 13 January 2021

A share incentive plan, the MIP, was put in place prior to Admission for Neil Eckert and Trevor Carvey (the founders of Conduit) and other senior managers who are expected to make key contributions to the success of the Group from Admission. The table below sets out the respective MIP Share allocations for each of the Executive Directors at 31 December 2021:

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

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

Governance

Annual report on remuneration

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

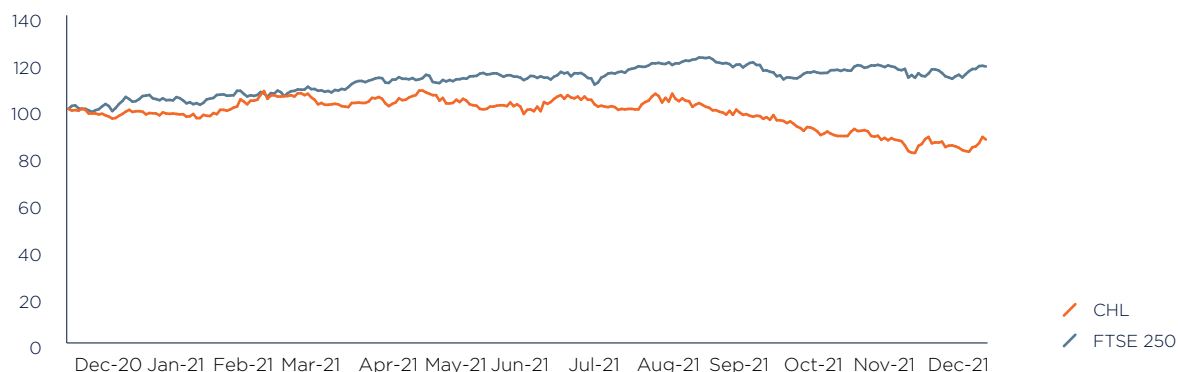
If (1) the Performance Condition is satisfied for either or both of the GBP MIP Shares or the USD MIP Shares on each of the fourth, fifth, sixth and seventh anniversaries of Admission and (2) no takeover of CHL or sale or liquidation of CML has taken place before any of those dates, one quarter of the 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. MIP Shares are subject to customary leaver provisions and malus/clawback principles.

Performance graph and table

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

CHL relative to FTSE 250 (2/12/20 - 31/12/21)



Governance

Annual report on remuneration

CEO single figure of remuneration

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

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

Percentage change in Directors' and employee remuneration

Given the Group was only incorporated on 6 October 2020 and was listed for less than a month in 2020 following the IPO, a year-on-year comparison in remuneration is of limited use. A full comparison of 2022 *versus* 2021 will be shown in next year's report.

Relative importance of the spend on pay

The table below shows the Company's expenditure on employee pay compared to distributions to shareholders for the period under review. Given that the Company was only incorporated on 6 October 2020 and the period of listing for 2020 was only three weeks, no comparison year is shown. A full comparison of 2022 *versus* 2021 will be shown in next year's report.

	FY2021 \$m
Distributions to shareholders	\$29.7
Total employee pay	\$19.0

CEO pay ratio

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

External advisors

The Committee can seek independent external advice if it deems it appropriate to do so. No such advice was sought in 2021. However, in early 2022 the Committee consulted specialist remuneration advisors at Alvarez & Marsal Taxand UK, LLP, a firm with no other connection to the Company or individual directors

Statement of shareholding voting

This is the first Policy and Directors' Remuneration Report submitted to shareholders. Disclosure of the voting results at the forthcoming AGM will be presented in the Annual Report on Remuneration for 2022.

Remuneration for 2022

We disclose here the remuneration approach we have implemented for Executive Director and senior management remuneration in 2022.

Salary increases across the Group:

An inflation-based salary increase of 3.0% was applied across the Group and including the Executive Directors, whose salaries with effect from 1 January 2022 are as follows:

Executive Director	2022 salary	2021 salary ¹
Neil Eckert	\$545,900	\$530,000
Trevor Carvey	\$834,300	\$810,000
Elaine Whelan	\$602,550	\$585,000

¹ For the purpose of this disclosure, annual salary for Trevor Carvey and Elaine Whelan have been stated including a benefit award for Club Allowance as part of their remuneration package and the 2021 comparable has also been included.

Governance

Annual report on remuneration

Housing allowances for the Bermuda based Executive Directors are as follows:

Executive Director	Monthly housing allowance (annualised)
Trevor Carvey	\$17,500 (\$210,000)
Elaine Whelan	\$10,000 (\$120,000)

Current bonus target and maximum opportunities for the senior executives are as follows:

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

For the 2022 bonus scheme for Executive Directors and the Group's other senior managers, 75% will relate to financial performance based on RoE and 25% will relate to personal performance aligned to key strategic objectives. The target RoE generated by the annual business plan process is used as the basis for calculating the financial element of target bonuses, with actual bonus payments calculated subject to a range of RoE levels. A minimum RoE financial performance hurdle applies before any bonus is payable. The Remuneration Committee believes that these targets are suitably challenging for the second year of the Group's operations. Details of the targets will be disclosed retrospectively in next year's report.

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

Other benefits

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

Pension

The Executive Directors' pension provision for 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.

Long-term incentives

Executive Directors participate in the legacy MIP, with no new long-term incentive awards to be granted in 2022.

Governance

Directors' report

The Directors of Conduit Holdings Limited present their report for the year ended 31 December 2021. This report includes the additional information required to be disclosed under the Disclosure and Transparency Rules of the Financial Conduct Authority. Certain information included in the Strategic report, the Corporate Governance report, the Audit Committee report, the Nomination Committee report and the Directors' Remuneration report are incorporated by reference into the Directors' report in addition to the following topics:

Overview

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

On 7 December 2020, all of CHL's common shares of par value US\$0.01 per share were admitted to the standard listing segment of the Official List of the UK Financial Conduct Authority and admitted to trading on the LSE's main market for listed securities.

Principal activity

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

Principal risks and financial internal controls and risk management

Conduit's principal risks are set out in the ERM report on pages 21 to 22, financial internal controls and risk management are set out on pages 45 to 48.

Board of Directors

The Directors of the company who served during the financial year and through to the date of this report are listed on page 39. Biographies are set out on 33 to 35.

Dividends

On 27 July 2021, the Board declared an interim dividend of \$0.18 (approximately £0.13) per common share, resulting in an aggregate payment of \$29.7 million.

On 23 February 2022, the Board declared a final dividend of \$0.18 (approximately £0.13) per common share, resulting in an aggregate payment of \$29.7 million. The dividend will be paid in pounds sterling on 22 April 2022 to shareholders of record on 25 March 2022 (the "Record Date") using the pound sterling/US dollar spot exchange rate at 12 noon BST on the Record Date.

Insurance and indemnification

The Group purchases insurance to cover Directors and Officers against their costs in defending themselves in civil proceedings taken against them in that capacity and in respect of damages resulting from the unsuccessful defence of any proceedings. The bye-laws of the Company also provide that the Company shall, to the extent permitted by law, indemnify the Directors in respect of their acts and omissions and that the Company shall advance funds to Directors for their defence costs. The indemnity provisions set out in the bye-laws were in force during the financial year. Insurance and indemnity arrangements will not provide cover where the Director has acted fraudulently or dishonestly.

Recent developments

Recent developments are discussed on page 120.

Stakeholder engagement and ESG

A review of the Company's engagement with stakeholders is set out in the Section 172 statement on pages 29 and 30.

Diversity and inclusion

A discussion of D&I is set out in the Nomination Committee report on page 44.

Compliance with the Code

A review of the Company's compliance with the Code is set out on pages 36 to 41.

ESG

The ESG report on pages 25 to 28 provides an overview of the Company's approach to ESG, including charity and climate.

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Directors' report

Carbon Emissions

As we said during the IPO process, Conduit set out to be carbon neutral from day one. As at the date of publication of this Annual Report, we have purchased sufficient carbon credits to offset our current estimate of carbon emissions for the first five years of operation.

Emission type	Activity	Basis of measurement	Quantity		tCO2e		Total
			Bermuda	London	Bermuda	London	
Scope 1							
Direct	None						
Scope 2							
Indirect energy	Electricity	kWh	53 564	13 589			
	- location based				34.1	4.9	
	- market-based				34.1	0.6	
Scope 3							
Indirect other	Business travel	Kilometers	595 105	113 470	72.3	13.9	
	Hotels	Nights	92	58	11.0	6.9	
	Staff commuting	Kilometers	72 959	23 752	12.7	3.7	
Gross emissions (location based)					130.1	29.4	159.4
Gross emissions (market based)					130.1	25.1	155.2
Gross emissions per average number of employees (location based)					4.6	7.3	5.0
Gross emissions per average number of employees (market based)					4.6	6.3	4.8

- tCO2 for air travel was calculated using the ICOA Emission Calculator <https://www.icao.int/environmental-protection/Carbonoffset/Pages/default.aspx>

- tCO2 for rail travel was calculated using information provided by the UK Office for Rail and Road (2020-2021 146.5 g CO2e per passenger km) <https://dataportal.orr.gov.uk/media/1993/rail-emissions-2020-21.pdf>

- tCO2 for road travel was calculated using the MyClimate emission calculator https://co2.myclimate.org/en/car_calculators/new. Many staff in Bermuda use scooters and this was estimated based on a petrol consumption of 3 l/100km

- tCO2 for hotel stays is based on the CARMATOP – Carbon Management for Tour Operators 2013 report, Table: Average emission factors for worldwide accommodations (119.6 kg CO2e per available room)

- tCO2 for the location-based method for our London office uses the Grid Electricity Emissions Factors published by the UK government (0.23314 kgCO2/kWh) https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1049346/2021-ghg-conversion-factors-methodology.pdf

- tCO2 for the market-based method for our London office uses emission information provided by our electricity provider (42 CO2 g/kWh) <https://www.edfenergy.com/fuel-mix> - April 2020 to March 2021

- tCO2 for the market-based and location-based methods for our Bermuda location are the same, as there is only one source of electricity available on the island. The Emission Factors in gCO2/kWh is 636 as per the EIB Methodologies for the Assessment of Project GHG Emissions and Emission Variations

Political donations

No political donations were made by Conduit in the year ended 31 December 2021.

Share capital

Details of the structure of the Company's share capital and changes in the share capital during the year are disclosed in note 18 to the consolidated financial statements. The common shares of \$0.01 par value each is the only class of shares of the company presently in issue carrying voting rights. There are no nil or partly paid shares in issue. All common shares rank *pari passu* in all respects, there being no conversion or exchange rights attaching thereto and all common shares have equal rights to participate

in capital, dividend and profit distributions by the Company. The common shares are freely transferable and there are no restrictions on transfer, except as set out in the bye-laws or as may from time to time be imposed by law and regulations.

Bye-law amendments

A copy of the Company's bye-laws is available for inspection on the Company's website and at the Company's registered office. Changes to the Company's bye-laws are governed by Bye-law 84, the text of which is repeated here in full:

"84.1 Subject to Bye-law 84.2, no bye-law shall be rescinded, altered or amended and no new bye-law shall be made until the same has been approved by

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Directors' report

a resolution of the Board and by a resolution of the Members.

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

Transactions in own shares

The Company announced on 29 December 2021 that it intends to conduct on-market purchases under a share purchase programme to repurchase up to US\$10 million of common shares of US\$0.01 each in the capital of the Company, pursuant to the authority obtained at the Company's most recent annual general meeting, held on 13 May 2021. The purpose of the purchase is to meet future obligations under

the Company's variable incentive schemes. Purchases will be funded from the Company's existing cash resources and all common shares repurchased will be held in treasury. Repurchases may be made up to and including the conclusion of the 2022 AGM or at 6.00 pm UK time on 31 August 2022, whichever is sooner. Any repurchases made following Conduit Holdings' 2022 annual general meeting will be conditional on further shareholders' approval being obtained.

Subsequently, the Company repurchased 32,823 of its own common shares during 2021. Consequently, as at 31 December 2021, the Company held 32,823 of its common shares in treasury and had 165,239,997 common shares in issue (including treasury shares). Therefore, the total voting rights in the Company was 165,207,174.

Further details of the share repurchase programme are set out in note 18 to the consolidated financial statements on page 117.

Directors' interests

Directors' beneficial interests in the Company's common shares as of 31 December 2021, including interests notified to the Company in respect of Directors' closely associated persons within the meaning of the Market Abuse Regulation (MAR) were as follows:

Directors	Common shares held as of 31 December 2021	Common shares held as of 31 December 2020
Neil Eckert, Executive Chairman	597,112*	580,001*
Trevor Carvey, Chief Executive Officer	180,000	180,000
Elaine Whelan, Chief Financial Officer	65,950	-
Sir Brian Williamson, Senior Independent Non-Executive Director	15,000	15,000
Malcolm Furbert, Non-Executive Director	8,000	8,000
Ken Randall, Non-Executive Director	55,000	-
Richard Sandor, Non-Executive Director	15,000	-
Elizabeth Murphy, Non-Executive Director	15,000	15,000
Michelle Seymour Smith, Non-Executive Director**	-	-

* Includes 35,873 shares owned by his spouse, Nicola Eckert

** Appointed to the Board with effect from 15 September 2021

Shareholding guidelines require Executive Directors to build and maintain a shareholding in the Company of 300% of salary whilst in post. Where not met at admission, future bonuses of which 50% are paid in shares and other share awards or purchases will accumulate until this requirement is met. Further details are set out in the remuneration report on page 55. As at 31 December 2021, Neil Eckert was in compliance with the share ownership guidelines applicable to Executive Directors. Trevor Carvey and Elaine Whelan continue to build out their share ownership and have almost six years to do so.

Governance

Directors' report

Major shareholdings

As at 15 February 2022, the Company has been notified of the following interests of 5% or more of voting rights in its ordinary shares.

Shareholder	Number of shares at 15 February 2022 (m)	% of shares in issue
Aviva plc and affiliates	24,207,190	14.68
CI Investments Inc.	13,286,143	8.06
JO Hambro Capital Management Limited (London)	9,408,116	5.71
Odey Asset Management LLP	8,298,860	5.02

Going concern and viability statement

A review of the financial performance of the Group is set out on pages 17 to 18. The financial position of the Group including its cash flows and its borrowing facilities are included in the financial statements starting on page 82. The Group is well capitalised and has a well-balanced book of business.

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

Building on the strategy and plan presented in the IPO prospectus, the Board conducted its first annual review of strategy and updated the Group's planning over a three-to-five-year time horizon, taking into account perspectives on the external business environment and the principal risks and material uncertainties affecting the Group and examining how the Group's capital and operational capacity can best be aligned to support the Group's objectives over the next three years. Further information on the Group's principal risks can be found on pages 21 to 22. The risk disclosures section of the consolidated financial statements on pages 92 to 107 sets out the principal risks to which the Group is exposed, including reinsurance risk, market risk, liquidity risk, credit risk, operational risk, and strategic risk, together with the Group's policies for monitoring, managing and mitigating its exposures to these risks. As part of the consideration of the appropriateness of adopting the going concern basis, the Group uses stress and scenario analysis and testing to assess the robustness of the Group's solvency and liquidity positions. To make the assessment, the Group analysed and tested a number of scenarios individually and in combination, including applying reverse

stress tests. The Board considers an aggregated occurrence of all these scenarios to be remote and that under the assessed scenarios the Group remained adequately capitalised.

The Audit Committee also considered a formal 'going concern' analysis from management at its July 2021 and February 2022 meetings (for further details see page 48 in the Audit Committee report).

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

Disclosure of information to the auditors

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

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

Auditors

KPMG Audit Limited has expressed its willingness to remain in office and the Audit Committee has recommended its reappointment to the Board. A resolution to reappoint the auditors and to authorise the Directors to determine their remuneration will be proposed at the Annual General Meeting of the Company.

Governance

Directors' report

Powers of directors

The powers given to the Directors are contained in the Company's bye-laws and are subject to relevant legislation and, in certain circumstances (including in relation to the issuing and buying back by the Company of its shares), approval by shareholders in a general meeting. At the Annual General Meeting in 2021, the Directors were granted authorities to allot and issue shares and to make market purchases of shares and intend to seek renewal of these authorities in 2022.

Appointment and replacement of directors

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

Annual General Meeting

The 2022 Annual General Meeting will be held at 10:00 a.m. Atlantic time on 11 May 2022 at the Company's headquarters at Ideation House, 94 Pitts Bay Road, Pembroke, Bermuda. The Notice of the AGM will be sent to shareholders in a separate circular. The deadline for submission of proxies will be 20 hours before the meeting.

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

Greg Lunn

Company Secretary
29 March 2022

Governance

Directors' responsibilities statement

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

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

Directors' confirmations

We confirm that we consider the Annual Report, 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.

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

- The consolidated annual financial statements are prepared on a going concern basis in accordance with IFRS. Where IFRS is silent, as it is in respect of certain aspects relating to the measurement of insurance products, U.S. GAAP has been considered. In such instances, Conduit's management determine appropriate measurement bases, to provide the most useful information to users of the consolidated financial statements, providing a true and fair view of the assets, liabilities, financial position, and profit or loss of the Group, give a true and fair view of the assets, liabilities, financial position and profit or loss of the issuer and the undertakings included in the consolidation taken as a whole; and

- The Strategic Report on pages 2 to 30, which serves as the management report, includes a fair review of the development and performance of the business and position and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face. Information required by the following sections of the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

The audited consolidated financial statements were approved for issue on 29 March 2022 and the Directors responsible for authorising the responsibility statement on behalf of the Board are:

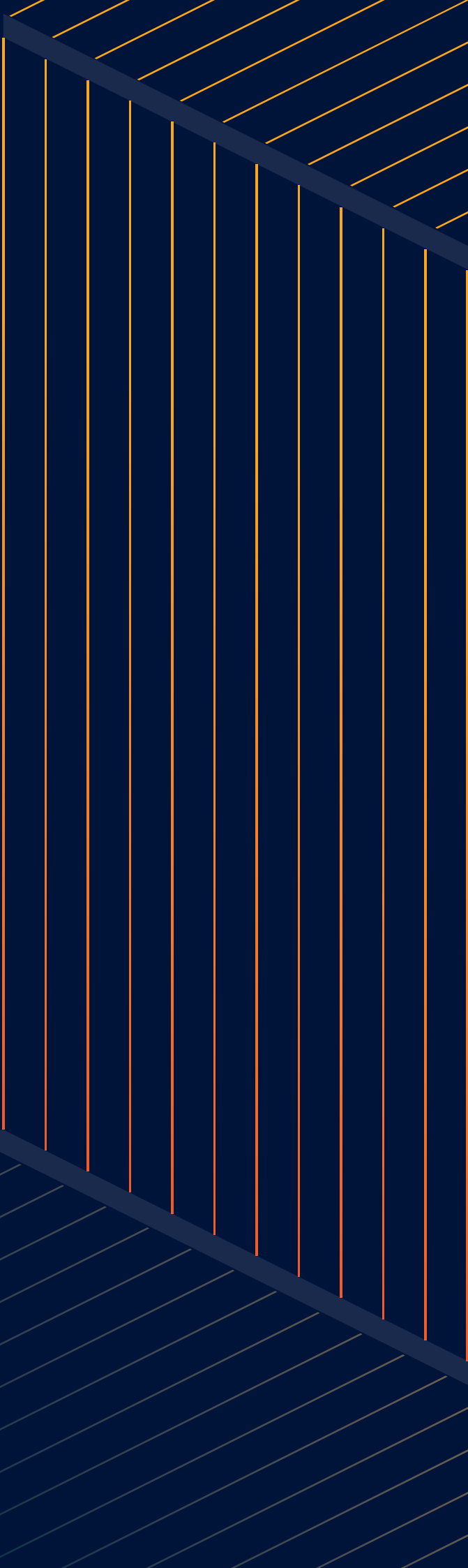
Trevor Carvey
Executive Director
and CEO

29 March 2022

Elaine Whelan
Executive Director
and CFO

29 March 2022

Financial Statements



Independent Auditor's Report



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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 2021, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for opinion

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

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report

The risk

Our response

Loss and loss adjustment expense reserves (gross and net)

(2021: \$171.6 million gross, \$122.7 million net of outwards reinsurance, of which incurred but not reported reserves represented \$145.6 million gross, \$96.7 million net of outwards reinsurance; 2020: \$Nil)

As the entity commenced underwriting activities in 2021, this is a new risk and key audit matter. Refer to the Audit committee report on page 45 and the following in the notes to the consolidated financial statements: note 2 'Significant accounting policies', note 3 'Risk disclosures' and note 14 disclosures on loss and loss adjustment expense reserves.

A significant and critical judgement and estimate made by management is the estimation of loss and loss adjustment expense reserves (gross and net). The Group establishes its reserves for losses and loss adjustment expense reserves by taking outstanding losses, adding an estimate for incurred but not reported losses (IBNR) and, if deemed necessary, additional case reserves (ACR) which represent the Group's estimate for losses related to specific contracts that the Group believes may not be adequately estimated by the cedant as of that date.

Subjective valuation

The valuation of the ACR and IBNR liabilities is a complex process which incorporates a significant amount of judgement with high estimation uncertainty such as initial expected loss ratios and estimates of ultimate premium.

Amounts recoverable from reinsurers are estimated using the same methodology and judgements as for the underlying liabilities.

Estimated IBNR reserves may also consist of a provision for losses which have occurred but have not yet been reported by cedants. IBNR reserves are estimated initially using expected loss and loss adjustment expense ratios which are selected based on information derived by the Company's underwriters and actuaries during the initial pricing of the business. The judgements and estimates used in establishing loss reserve calculations may be revised as additional experience or other data becomes available. In addition, an allowance is made for specific risks. The determination of this allowance is a subjective judgement based on the perceived uncertainty and potential for volatility in the underlying claims.

The effect of these matters is that, as part of our risk assessment, we determined that the valuation of gross and net loss and loss adjustment expense reserves has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the consolidated financial statements as a whole, and possibly many times that amount.

Our procedures included:

Control design and implementation:

- We evaluated the design and implementation of the Group's key controls regarding review and approval of the loss and loss adjustment expense reserve. We performed the tests below rather than seeking to rely on any of the Group's controls because the nature of the balance is such that We would expect to obtain audit evidence primarily through the detailed procedures described.B6

Assessing valuer's credentials:

- We evaluated the competence, capabilities and objectivity of the Group's internal and independent experts;
- We (together with our own valuation specialists) performed enquiries of these experts to understand their processes and models.

Our valuation expertise:

- We used our own valuation specialists in assessing and challenging the reasonableness of the methods and assumptions utilised by the Group's experts (on a gross and net of outwards reinsurance basis) - including the assessment of selected loss ratios, adjustments to arrive at management's best estimate and reserves held for specific large loss and catastrophe (CAT) events. We also compared the Group's reserving methodology with industry practice.

Assessing observable inputs:

- We agreed the underlying data utilised in the actuarial analyses to accounting records.

Assessing transparency:

- We evaluated the adequacy of the Group's disclosures on loss and loss adjustment expense reserves in accordance with the requirements of relevant accounting standards.

Independent Auditor's Report

The risk

Our response

Accuracy of premium estimates on proportional business

(2021: \$378.8 million 2020: \$Nil) included within Gross premiums written.

As the entity commenced underwriting activities in 2021, this is a new risk and key audit matter. Refer to the Audit committee report on page 45 and the following in the notes to the consolidated financial statements: note 2 'Significant accounting policies'

Subjective valuation

Proportional business constitutes a significant portion of business written during the year; pricing for which is based on estimates of ultimate premiums provided by ceding companies supplemented by management estimates. Management exercises judgement in determining the ultimate estimates in order to establish the appropriate premium value. These judgements are based on experience with the ceding company, familiarity with each market, timing of the reported information and its understanding of the characteristics of each class of business.

As part of our risk assessment, we determined that the accuracy of inward premium estimates on proportional business has a higher degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the consolidated financial statements as a whole.

Our procedures included:

Control design and implementation:

- We evaluated the design and implementation of the Group's key controls regarding review of the premium estimates recorded. We performed the tests below rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.

Assessing assumptions and methodology:

- For a sample of policies, we agreed the estimated ultimate premium to third party supporting documentation and challenged assumptions applied by the Company including judgements made by management's underwriters.

Assessing transparency:

- We evaluated the adequacy of the Group's disclosures on premium estimates in accordance with the requirements of relevant accounting standards.

Equity based compensation, noted as a key audit matter in our previous audit report, is no longer considered significant to the consolidated financial statements as a whole. Accordingly, we no longer consider this a key audit matter.

Other information

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

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

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

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

Independent Auditor's Report

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

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

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

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

Auditor's responsibilities for the audit of the consolidated Financial Statements

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

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

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

Independent Auditor's Report

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

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

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

Report on Other Legal and Regulatory Requirements

Directors' Remuneration Report

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

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

Corporate governance statement

We have been engaged to review the part of the corporate governance statement on pages 38 to 41 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 72 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 72 that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity;
- the directors' explanation in the Longer term viability statement page 72 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 72.

Independent Auditor's Report

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

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

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

Chartered Professional Accountants
Hamilton, Bermuda
29 March 2022

Financial Statements

Consolidated statement of comprehensive loss

For the year ended 31 December 2021

	Notes	2021 \$m	2020 \$m
Gross premiums written	4	378.8	-
Ceded reinsurance premiums	4	(32.6)	-
Net premiums written		346.2	-
Change in unearned premiums	4	(152.8)	-
Change in unearned premiums on premiums ceded	4	0.8	-
Net premiums earned		194.2	-
Net investment income	5	5.5	0.1
Net realised losses on investments	5	(1.0)	-
Net unrealised losses on investments	5, 12	(7.6)	-
Net foreign exchange (losses) gains		(0.5)	0.1
Total net revenue		190.6	0.2
Insurance losses and loss adjustment expenses	4, 14	191.0	-
Insurance losses and loss adjustment expenses recoverable	4, 14	(48.9)	-
Net insurance losses		142.1	-
Insurance acquisition expenses	4, 6	59.1	-
Equity-based incentives	7	0.3	0.3
Other operating expenses	4, 7, 8, 22	30.6	4.5
Total expenses		232.1	4.8
Results of operating activities		(41.5)	(4.6)
Financing costs	9, 15	(0.5)	-
Total comprehensive loss for the period		(42.0)	(4.6)
Loss per share			
Basic and diluted	21	\$(0.25)	\$(0.03)

Financial Statements

Consolidated balance sheet

As at 31 December 2021

	Notes	2021 \$m	2020 \$m
Assets			
Cash and cash equivalents	11, 17	67.5	1,054.0
Accrued interest receivable		3.7	-
Investments	12, 13, 17	1,008.4	-
Inwards premiums receivable		155.0	-
Reinsurance assets			
– Unearned premiums on premiums ceded		0.8	-
– Reinsurance recoverable	14	48.9	-
– Other reinsurance receivables		0.3	-
Other assets		1.6	1.1
Right-of-use assets	15	2.9	-
Deferred acquisition expenses		44.6	-
Intangible assets	16	1.1	0.2
Total assets		1,334.8	1,055.3
Liabilities			
Reinsurance contracts			
– Losses and loss adjustment expenses	14	171.6	-
– Unearned premiums		152.8	-
Amounts payable to reinsurers		7.3	-
Other payables		19.0	2.5
Lease liabilities	15	2.9	-
Total liabilities		353.6	2.5
Shareholders' equity			
Share capital	18	1.7	1.7
Own shares	18	(0.2)	-
Other reserves	19	1,056.0	1,055.7
Dividends	18	(29.7)	-
Retained loss		(46.6)	(4.6)
Total shareholders' equity		981.2	1,052.8
Total liabilities and shareholders' equity		1,334.8	1,055.3

The consolidated financial statements were approved by the Board of Directors on 29 March 2022 and signed on its behalf by:

Trevor Carvey
Chief Executive Officer

Elaine Whelan
Chief Financial Officer

Financial Statements

Consolidated statement of changes in shareholders' equity

For the year ended 31 December 2021

	Notes	Share capital \$m	Own shares \$m	Other reserves \$m	Retained loss \$m	Total shareholders' equity \$m
Total comprehensive loss for the period		-	-	-	(4.6)	(4.6)
Issue of share capital	18	1.7	-	1,100.9	-	1,102.6
Issuance costs	19	-	-	(45.5)	-	(45.5)
Equity-based incentives	7, 19	-	-	0.3	-	0.3
Balance as at 31 December 2020		1.7	-	1,055.7	(4.6)	1,052.8
Total comprehensive loss for the year		-	-	-	(42.0)	(42.0)
Purchase of own shares	18	-	(0.2)	-	-	(0.2)
Dividends on common shares	18	-	-	-	(29.7)	(29.7)
Equity-based incentives	7, 19	-	-	0.3	-	0.3
Balance as at 31 December 2021		1.7	(0.2)	1,056.0	(76.3)	981.2

Financial Statements

Statement of consolidated cash flows

For the year ended 31 December 2021

	Notes	2021 \$m	2020 \$m
Cash flows from (used in) operating activities			
Comprehensive loss		(42.0)	(4.6)
Depreciation	15	0.1	-
Interest expense on lease liabilities	9, 15	0.1	-
Net investment income	5	(6.2)	(0.1)
Net realised losses on investments	5	1.0	-
Net unrealised losses on investments	5	7.6	-
Net foreign exchange losses (gains)		0.3	(0.2)
Equity-based incentives	7	0.3	0.3
Change in operational assets and liabilities			
- Reinsurance assets and liabilities		82.0	-
- Other assets and liabilities		5.5	1.5
Net cash flows from (used in) operating activities		48.7	(3.1)
Cash flows used in investing activities			
Purchase of investments		(1,570.4)	-
Proceeds on sale and maturity of investments		558.9	-
Interest received		7.5	0.1
Purchase of intangible assets	16	(0.9)	(0.2)
Purchase of property, plant and equipment		(0.5)	-
Net cash flows used in investing activities		(1,005.4)	(0.1)
Cash flows (used in) from financing activities			
Proceeds from issue of share capital	18, 19	-	1,057.1
Lease liabilities paid	15	(0.1)	-
Dividends paid	18	(29.7)	-
Purchase of own shares	18	(0.2)	-
Net cash flows (used in) from financing activities		(30.0)	1,057.1
Net (decrease) increase in cash and cash equivalents			
Cash and cash equivalents at the beginning of the year		1,054.0	-
Effect of exchange rate fluctuations on cash and cash equivalents		0.2	0.1
Cash and cash equivalents at end of year		67.5	1,054.0

Notes to the consolidated financial statements

For the year ended 31 December 2021

1. General information

Conduit Holdings Limited was incorporated under the laws of Bermuda on 6 October 2020 and, on 7 December 2020, all of its common shares of par value US\$0.01 per share were admitted to the standard listing segment of the Official List of the UK Financial Conduct Authority and admitted to trading on the LSE's main market for listed securities. CHL's registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The Company's consolidated financial statements as at and for the year ended 31 December 2021 include the Company's subsidiaries (together referred to as the "Group"). The principal activity of the Group is to provide reinsurance products and services to its clients worldwide.

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

2. Summary of significant accounting policies

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

Basis of preparation

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

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

Underwriting and investment related operations for the Group commenced during the year ended 31 December 2021. The consolidated financial statements for the period from 6 October 2020 to 31 December 2020 contain formation costs and other costs in connection with the set-up of the business, and these consolidated financial statements should be read in this context.

Going concern

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

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

Notes to the consolidated financial statements

For the year ended 31 December 2021

2. Summary of significant accounting policies

Changes in accounting standards

While a number of amended IFRS standards have become effective during the year ended 31 December 2021, none of these standards have had a material impact on the Group.

Future accounting changes

Of the upcoming accounting standard changes, we anticipate that IFRS 17 and IFRS 9 will have the most material impact on the financial statements' presentation and disclosures. A brief overview of each of these standards is provided below:

IFRS 17, Insurance Contracts, issued in May 2017, specifies the financial reporting for insurance contracts. The new standard is effective for accounting periods beginning on or after 1 January 2023 and will significantly change the accounting for insurance contracts. 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 is assessing the impact that IFRS 17 will have on its results of operations and disclosure requirements, and monitoring market practices while it develops the Group's accounting policies under IFRS 17. The Group currently anticipates that it will be eligible to apply the simplified model, the premium allocation approach, to its portfolios and groups of contracts. From our ongoing assessments we do not expect a material impact on profitability. Presentation and disclosure will change significantly.

IFRS 9, Financial Instruments: Classification and Measurement, is effective for annual periods beginning on or after 1 January 2018. The amendments to IFRS 4, Insurance Contracts, issued in 2016, provide a temporary exemption from applying IFRS 9. The Group qualifies for, and has elected to apply, the temporary exemption available to companies whose predominant activity is to issue insurance contracts. The activities of the Group are predominantly connected with insurance. The carrying value of the Group's liabilities connected with insurance activities comprised over 90% of the total liabilities. The Group therefore satisfies the criteria set out in IFRS 4 for the temporary exemption from IFRS 9. The exemption lasts until the implementation date of IFRS 17 and addresses the accounting consequences of applying IFRS 9 to insurers prior to the adoption of IFRS 17. IFRS 9 introduces new classification and measurement requirements for financial instruments. The Group currently anticipates that all investments held by the Group will be classified as at FVTPL, because they are managed on a fair value basis. As a result, the adoption of IFRS 9 is not expected to result in any changes to the measurement of the Group's investments, which will continue to be at FVTPL. The Group is assessing the impact that IFRS 9 will have on its results of operations and disclosure requirements. From our ongoing assessments we do not expect a material impact on profitability or presentation and disclosure.

Use of judgements and estimates

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

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

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

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

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

Notes to the consolidated financial statements

For the year ended 31 December 2021

2. Summary of significant accounting policies

Consolidation principles

These consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at and for the year ended 31 December 2021. Subsidiaries are those entities that are controlled by the Group and are fully consolidated from the date on which the Group obtains control and continue to be consolidated until the date when such control ceases. 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.

Intragroup balances and transactions are eliminated in preparing the consolidated financial statements. 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 the entity operates, for all Group entities is US dollars. Items included in the financial statements of each of the Group's entities are measured using the functional currency. These consolidated financial statements are presented in US dollars.

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

Reinsurance contracts

Classification

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

Premiums

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

Excess of loss contracts

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

Premiums written are generally earned evenly over the term of the underlying risk period of the reinsurance contract, except where the period of risk differs significantly from the contract period. In these circumstances, premiums are recognised over the period of risk in proportion to the amount of reinsurance protection provided. The portion of the premium related to the unexpired portion of the risk period is reflected in unearned premiums. Where contract terms require the reinstatement of coverage after a ceding company's loss, the estimated

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For the year ended 31 December 2021

2. Summary of significant accounting policies

mandatory reinstatement premiums are recorded as premiums written and earned when a specific loss event occurs. Reinstatement premiums are not recorded for losses included within the provision for IBNR that do not relate to a specific loss event.

Proportional contracts

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

Premiums receivable

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

Acquisition expenses

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

Ceded reinsurance premiums

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

Net losses and loss adjustment expenses

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

Losses and loss adjustment expenses in the consolidated balance sheet represent the estimated ultimate cost of settling all reinsurance claims arising from events which have occurred up to the end of the reporting period, including a provision for IBNR. The Group does not discount its liabilities for unpaid losses. Outstanding losses are initially set on the basis of reported losses received from cedants. ACRs are determined where management's best estimate of the reported loss is greater than that reported. Estimated IBNR reserves may also consist of a provision for additional development in excess of losses reported by cedants, as well as a provision for losses which have occurred but have not yet been reported by cedants. IBNR reserves are estimated initially using expected loss

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For the year ended 31 December 2021

2. Summary of significant accounting policies

and loss adjustment expense ratios which are selected based on information derived by the Group's underwriters and actuaries during the initial pricing of the business. These estimates are reviewed regularly and, as experience develops and new information is received, the reserves are adjusted as necessary. As actual loss information is reported, and the Group develops its own loss experience, management will use various actuarial methods as well as a combination of management's judgement and experience, historical reinsurance industry loss experience and estimates of pricing adequacy trends to estimate IBNR reserves. Any adjustments to initial expectations are reflected in the consolidated statement of comprehensive loss in the period in which they are determined.

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

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

Liability adequacy tests

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

Financial instruments

Cash and cash equivalents

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

Investments

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

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

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

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

Notes to the consolidated financial statements

For the year ended 31 December 2021

2. Summary of 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. Computer software is a technological asset and subject to obsolescence, therefore management expects to utilise the asset over its useful life of 12 years. The useful life is reviewed annually to determine if any changes are required to the amortisation period.

Leases

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 include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

The lease liability is subsequently measured by increasing the lease carrying amount to reflect the interest due on the lease liability using the effective interest rate method and reducing the carrying amount to reflect the lease payments made. 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 in the consolidated balance sheet.

Employee benefits

Equity-based incentives

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

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 incentive expense in the consolidated statement of comprehensive loss, and a corresponding adjustment is made to other reserves in shareholders' equity over the remaining vesting period.

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

Pensions

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

Notes to the consolidated financial statements

For the year ended 31 December 2021

2. Summary of significant accounting policies

Tax

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

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

Own shares

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

Share capital and issuance costs

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

3. Risk disclosures

Introduction

The Group commenced underwriting operations during the year ended 31 December 2021. There were no active underwriting operations for the period ended 31 December 2020, therefore the Group did not have any underwriting or investment risk in 2020. Comparable information has only been provided where applicable.

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

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, the Board has established various committees to support the execution of its responsibilities and has reviewed the committee structures at CRL. The Board, and committees thereof, define the risk preferences and appetites within which management is authorised to operate.

As part of the immediate execution risk that existed at the start of the reporting period, various non-underwriting activities were subject to initial outsourced support. With the staff contingent growing from 12 to 41 during the year, much of the initial outsourcing has reduced with any remaining outsourcing, which is limited, being for narrowly defined services that the Group expects to remain in the medium to long term.

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 which are 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.

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For the year ended 31 December 2021

3. Risk disclosures

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

COVID-19

The COVID-19 pandemic has caused significant disruption in global financial markets and to worldwide economies. The COVID-19 pandemic is an ongoing situation making it exceptionally difficult to predict what the ultimate impact for the reinsurance industry will be. The Group only commenced underwriting operations during the twelve months ended 31 December 2021 and, for any reinsurance business underwritten during that period, the Group had COVID-19 related exclusions in its reinsurance contracts and policy wordings. As a result, the Group does not believe it has any exposure to reinsurance losses associated with the COVID-19 pandemic during the period. The impacts of the COVID-19 pandemic on the Group are discussed throughout these consolidated financial statements.

Climate change

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

a. Reinsurance risk

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

- The Group has a five-year strategic plan that defines the over-riding business goals that management and the Board aim to achieve;
- A detailed business plan is produced annually and considers current market conditions and the risk-adjusted profitability of the underwriting portfolio;
- Our internal capital requirements consider the probability and magnitude of reinsurance losses varying adversely from the expected losses considered during the underwriting and subsequent reserving processes;
- Forecasts are produced periodically to assess the Group's progress toward the business plan and the strategic plan;
- Each underwriter has a clearly defined limit of underwriting authority;
- Each contract underwritten is subject to a pre-bind peer review;

Notes to the consolidated financial statements

For the year ended 31 December 2021

3. Risk disclosures

- An underwriting roundtable meeting, typically held daily, where deal flow, pricing and opportunities are discussed;
- Pricing models are used in all areas of the underwriting process;
- Risk appetite and tolerance statements have been established and the CRO reports quarterly on adherence;
- A number of modelling tools are used to model catastrophes and expected losses;
- Outwards reinsurance is purchased to mitigate both frequency and severity of losses, and to protect the Group's capital base.

Catastrophe management

Certain of the Group's classes of business provide coverage for natural catastrophes (e.g., earthquakes, floods, hurricanes and wildfires) and are subject to seasonal variation and the impacts of climate change. The Group's business has exposure to large catastrophe losses in North America, Europe and Japan as a result of windstorms. The level of windstorm activity, and landfall thereof, during the North American, European and Japanese wind seasons may materially impact the Group's loss experience. The North American and Japanese wind seasons are typically June to November and the European wind season November to March. The Group also has exposure to other natural catastrophes, such as earthquakes, tsunamis, droughts, floods, hail and tornadoes, which can occur throughout the year. In addition, the Group is exposed to risk losses throughout the year from perils such as fire, explosion, war, terrorism, political risk and other events, including loss arising from legal liabilities rather than physical damage.

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

The Group has set tolerances around various scenarios. Of these, at the commonly reported 100 year and 250 year return periods, the Group's most significant exposures to any single peril and region combination are to Florida windstorm and California earthquake perils, respectively. The table below shows the Group's estimated net exposures to these peak zone perils on a first occurrence basis as at 31 December 2021. Net positions are calculated by applying relevant reinstatement premiums and outwards reinsurance to the respective modelled gross exposures.

Return period	Peril	Net	% of tangible capital
		\$m	%
100 year	Florida windstorm	9.6	1.0
250 year	California earthquake	61.8	6.3

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

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For the year ended 31 December 2021

3. Risk disclosures

Operating segments

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

	Property	Casualty	Specialty	Total	Total
	\$m	\$m	\$m	\$m	%
United States	105.4	118.7	3.9	228.0	60.2
Worldwide (excluding US)	62.3	7.1	62.3	131.7	34.8
Europe	6.0	2.8	-	8.8	2.3
Other	9.7	0.4	0.2	10.3	2.7
Gross premiums written	183.4	129.0	66.4	378.8	100.0

Property reinsurance

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

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

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

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

Casualty reinsurance

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

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

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

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

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For the year ended 31 December 2021

3. Risk disclosures

Directors and officers liability

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

Financial institutions liability

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

General liability

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

Medical malpractice

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

Professional liability

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

Transactional liability

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

Specialty reinsurance

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

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

Aviation

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

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For the year ended 31 December 2021

3. Risk disclosures

Energy

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

Marine

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

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

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

Political violence and terrorism

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

Whole account

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

Ceded reinsurance

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

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

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3. Risk disclosures

Net losses and loss adjustment expenses

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

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

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

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

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

Short-tail versus long-tail

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

Excess of loss versus proportional

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

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For the year ended 31 December 2021

3. Risk disclosures

b. Market risk

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

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

i. Reinsurance risk

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

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

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

- Reviews and amends underwriting plans and outlook as necessary;
- Reduces exposure to, or withdraws from, market sectors where conditions have reached unattractive levels;
- Purchases appropriate, cost-effective reinsurance cover to mitigate exposures;
- Closely monitors changes in rates, terms and conditions, and inflation;
- Ensures through rigorous underwriting criteria that surplus capital does not drive the Groups' short-term risk appetite;
- Typically holds a daily underwriting briefing meeting for CRL to discuss deal flow, pricing and opportunities;
- Holds a quarterly management Underwriting Oversight Committee that considers matters that include underwriting performance for CRL;
- Holds an annual strategy review meeting;
- Holds a quarterly management Underwriting Committee meeting that considers matters including underwriting performance for CRL;
- Holds a quarterly management Risk, Capital and Compliance Committee meeting to review relevant risk and capital considerations for CRL;
- Holds regular meetings with regulators and rating agencies.

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

ii. Investment risk

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

Notes to the consolidated financial statements

For the year ended 31 December 2021

3. Risk disclosures

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

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

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

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

It is planned that, having deployed the investment strategy during the period, a strategic asset allocation will be undertaken on a bi-annual basis to assess the Group's overall investment strategy and to consider alternative asset allocations to achieve the best risk-adjusted return within the Group's risk appetite. Any resulting recommendations would be approved by the appropriate management committee(s) and reported to the Board. The FIOC met quarterly to ensure that the Group's strategic and tactical investment actions were consistent with investment risk preferences, appetite, risk and return objectives and tolerances. The FIOC also helped develop the risk tolerances to be incorporated into the ERM framework.

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For the year ended 31 December 2021

3. Risk disclosures

The investment mix by mandate and sector of the Group's portfolio of fixed maturity securities is as follows:

	Estimated fair value short-tail	Estimated fair value long-tail	Estimated fair value total
As at 31 December 2021	\$m	\$m	\$m
Short-term investments	8.9	-	8.9
US treasuries	52.4	119.4	171.8
US agency debt	-	2.0	2.0
US municipals	11.0	2.2	13.2
Non-US government and agencies	2.2	-	2.2
Asset-backed	97.3	72.4	169.7
US government agency mortgage-backed	53.2	41.4	94.6
Non-agency mortgage-backed	13.6	5.6	19.2
Agency commercial mortgage-backed	3.2	-	3.2
Non-agency commercial mortgage-backed	24.3	34.1	58.4
Corporate	302.6	162.6	465.2
Total	568.7	439.7	1,008.4

There are no comparisons for the period ended 31 December 2020 as all IPO funds were held as cash and cash equivalents.

Corporate and non-US government and agencies bonds by country are as follows:

	Financials	Other industries	Non-US government and agencies	Total
As at 31 December 2021	\$m	\$m	\$m	\$m
United States	153.5	214.8	-	368.3
United Kingdom	22.1	7.4	-	29.5
Canada	23.3	0.6	-	23.9
Other countries	37.6	5.9	2.2	45.7
Total	236.5	228.7	2.2	467.4

The sector allocation of corporate bonds is as follows:

As at 31 December 2021	\$m	%
Financials	236.5	50.9
Industrials	209.5	45.0
Utilities	19.2	4.1
Total	465.2	100.0

The Group's investment portfolio is comprised of fixed maturity securities and cash and cash equivalents. Fair values can be impacted by movements in interest rates, credit ratings, exchange rates, the current economic environment and outlook. The estimated fair value of the Group's portfolio of fixed maturity securities is generally inversely correlated to movements in market interest rates. If market interest rates fall, the estimated fair value of the Group's portfolio of fixed maturity securities would tend to rise and vice versa. The sensitivity of the price of fixed maturity securities to movements in interest rates is indicated by their duration. The greater a security's duration, the greater its price volatility to movements in interest rates. The sensitivity of the Group's portfolio of fixed maturity securities to interest rate movements is detailed below, assuming linear movements in interest rates.

Notes to the consolidated financial statements

For the year ended 31 December 2021

3. Risk disclosures

As at 31 December 2021	\$m	%
Immediate shift in yield (basis points)		
100	(27.7)	(2.7)
75	(20.8)	(2.1)
50	(13.9)	(1.4)
25	(6.9)	(0.7)
0	-	-
-25	5.7	0.6
-50	11.5	1.1
-75	17.2	1.7
-100	22.9	2.3

The Group mitigates interest rate risk on the investment portfolio by establishing and monitoring duration ranges in its investment guidelines. The duration of the portfolio is matched to the modelled expected duration of the reinsurance reserves, within a permitted range. The permitted duration range for the portfolio is between 1.5 and 5 years. The overall duration for the fixed maturity securities, managed cash and cash equivalents is 2.4 years as at 31 December 2021.

In addition to duration management, the Group monitors VaR to measure potential losses in the estimated fair values of its cash and invested assets and to understand and monitor risk. The VaR calculation is performed using variance/covariance risk modelling. Securities are valued individually using standard market pricing models. These security valuations serve as the input to many risk analytics. The principal VaR measure that is produced is an annual VaR at the 99th percentile confidence level. Under normal conditions, the portfolio is not expected to lose more than the VaR metric listed below, 99% of the time over a one-year time horizon. The appropriateness of this measure is considered by the FIOC periodically.

The Group's annual VaR calculation is as follows:

As at 31 December 2021	\$m	% of shareholders' equity
99 th percentile confidence level	30.2	3.1

iii. Currency risk

The Group is susceptible to fluctuations in rates of foreign exchange, principally between the US dollar and pound sterling and the US dollar and the euro. Even though risks are assumed on a worldwide basis, they are predominantly denominated in US dollars. The Group is exposed to currency risk to the extent its assets are denominated in different currencies to its liabilities. The Group is also exposed to translation risk on non-monetary assets such as unearned premiums and deferred acquisition costs. Foreign currency gains and losses are recorded in the period they occur in the consolidated statement of comprehensive loss.

The Group hedges monetary non-US dollar liabilities primarily with non-US dollar assets but may also use derivatives, such as currency forwards, to mitigate foreign currency exposures. The Groups' main foreign currency exposure relates to its reinsurance obligations, cash holdings, premiums receivable and dividend payable, if applicable.

Notes to the consolidated financial statements

For the year ended 31 December 2021

3. Risk disclosures

The following table summarises the carrying value of total assets and total liabilities categorised by the Group's main currencies:

	USD	GBP	EUR	Other	Total
As at 31 December 2021	\$m	\$m	\$m	\$m	\$m
Total assets	1,318.0	6.4	9.3	1.1	1,334.8
Total liabilities	(331.8)	(2.8)	(17.1)	(1.9)	(353.6)
Net assets	986.2	3.6	(7.8)	(0.8)	981.2

The impact on profit from a proportional foreign exchange movement of a 10.0% appreciation and a 10.0% depreciation against the US dollar at year end spot rates would be an increase or decrease of \$0.2 million. There was no material currency risk for the year ended 31 December 2020 as all cash and cash equivalents from the IPO offering were held in US dollars.

c. Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when they are due without incurring unreasonable costs. The Group's main exposure to liquidity risk is with respect to its reinsurance and investment activities. The Group is exposed if proceeds from the sale of financial assets are not sufficient to fund obligations arising from reinsurance contracts and/or other liabilities. The Group can be exposed to fund daily calls on its available investment assets, principally to settle reinsurance claims and/or to fund trust accounts following a large catastrophe loss, or other collateral requirements.

Liquidity risk exposures related to reinsurance activities are as follows:

- Large catastrophic events, or multiple medium-sized events in quick succession, requiring the payment of high value claims within a short time frame or to fund trust accounts established to collateralise claims payment liabilities;
- Failure of cedants to meet their contractual obligations with respect to the timely payment of premiums;
- Failure of the Group's ceded reinsurers to meet their contractual obligations to pay claims within a timely manner.

Liquidity risk exposures related to investment activities are as follows:

- Adverse market movements and/or a duration mismatch to obligations, resulting in investments needing to be disposed of at a significant realised loss;
- An inability to liquidate investments due to market conditions.

The Group's investment strategy is to hold high quality, liquid securities sufficient to meet reinsurance liabilities and other near-term liquidity requirements. Portfolios are specifically designed to ensure funds are readily available in an extreme event.

The maturity dates of the Group's portfolio of fixed maturity securities are as follows:

	Short-tail	Long-tail	Total
As at 31 December 2021	\$m	\$m	\$m
Fixed maturity securities at FVTPL			
Less than one year	43.8	1.5	45.3
Between one and two years	145.7	70.6	216.3
Between two and three years	144.5	39.1	183.6
Between three and four years	21.3	9.5	30.8
Between four and five years	11.0	57.2	68.2
Over five years	10.8	108.3	119.1
Asset-backed and mortgage-backed	191.6	153.5	345.1
Total	568.7	439.7	1,008.4

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For the year ended 31 December 2021

3. Risk disclosures

The estimated maturity profile of the reinsurance contracts and financial liabilities of the Group is as follows:

	Years until liability becomes due					Total
	Carrying value	Less than one	One to three	Three to five	Over five	
As at 31 December 2021	\$m	\$m	\$m	\$m	\$m	\$m
Losses and loss adjustment expenses	171.6	65.0	62.7	23.1	20.8	171.6
Amounts payable to reinsurers	7.3	7.3	-	-	-	7.3
Other payables	19.0	19.0	-	-	-	19.0
Lease liabilities	2.9	0.6	1.3	1.3	-	3.2
Total	200.8	91.9	64.0	24.4	20.8	201.1

Actual maturities of the above may differ from contractual maturities because certain borrowers have the right to call or prepay certain obligations with or without call or prepayment penalties. The estimation of the ultimate liability for net losses and loss adjustment expenses is complex and incorporates a significant amount of judgement. The timing of payment of net losses and loss adjustment expenses is also uncertain and cannot be predicted as simply as for other financial liabilities. Actuarial and statistical techniques, past experience and management's judgement have been used to determine a likely settlement pattern.

As at 31 December 2021, cash and cash equivalents were \$67.5 million (31 December 2020 - \$1,054.0 million). The Group manages its liquidity risks via its investment strategy to hold high quality, liquid securities, sufficient to meet its reinsurance liabilities and other near-term liquidity requirements. In addition, the Group has established asset allocation and maturity parameters within the investment guidelines such that the majority of the investments are in high quality assets which could be converted into cash promptly and at minimal expense. The Group monitors market changes and outlook and reallocates assets as it deems necessary.

As at 31 December 2021, the Group considers it has more than adequate liquidity to pay its obligations as they fall due even if difficult investment market conditions were to prevail for a period of time.

d. Credit risk

Credit risk is the risk that a counterparty may fail to pay, or repay, a debt or obligation. The Group is exposed to credit risk on its fixed maturity investment portfolio, its premiums receivable from cedants, and on any amounts recoverable from reinsurers. While the Group has not experienced any such collection issues, the COVID-19 pandemic increased the risk of defaults across many industries. The global recovery from the COVID-19 pandemic continues and the risk that counterparties fail to meet their financial obligations as they fall due has decreased.

Credit risk on the Group's portfolio of fixed maturity securities is mitigated through the Group's investment policy to invest in instruments of high credit quality issuers and to limit the amounts of credit exposure with respect to particular ratings categories and any one issuer. Securities rated below an S&P or equivalent rating of BBB+ may comprise no more than 10.0% of the portfolio. The Group also limits exposure to individual issuers, with declining limits for less highly rated issuers. The Group therefore does not expect any significant credit concentration risk on its investment portfolio, except for fixed maturity securities issued by the US government.

The Group is potentially exposed to counterparty credit risk in relation to the premiums receivable from reinsurance brokers and cedants and on any amounts recoverable from the Group's ceded reinsurers. Given the dislocation in the market, the COVID-19 pandemic may adversely impact the Group's ability to collect amounts due to the Group. Credit risk on inwards premiums receivable from cedants is managed by conducting business with reputable broking organisations, with whom the Group has established relationships, and by rigorous cash collection procedures. The Group also has a broker approval process in place. Credit risk from the Group's ceded reinsurance recoverable is primarily managed by the review and approval of reinsurer security, with ongoing

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For the year ended 31 December 2021

3. Risk disclosures

monitoring in place.

The table below presents an analyses of the Group's major exposures to counterparty credit risk, based on their rating. Premiums receivable are not rated, however there is limited default risk associated with these amounts.

As at 31 December 2021	Cash and cash equivalents and fixed maturity securities \$m	Inwards premiums receivables \$m	Reinsurance recoverable \$m
AAA	542.4	-	-
AA+, AA, AA-	75.6	-	-
A+, A, A-	306.2	-	30.5
BBB+, BBB, BBB-	151.7	-	-
Other	-	155.0	18.4
Total	1,075.9	155.0	48.9

Reinsurance recoverable classified as other is fully collateralised.

As at 31 December 2021 the average credit quality of the Groups' cash and cash equivalents and portfolio of fixed maturity securities was AA-. The COVID-19 pandemic has increased the risk of defaults across many industries and the Group continually monitors credit risk, especially during this time of volatility. While current interest rates are at an all-time low, they are expected to rise over the next few years. Given the Group's investment portfolio positioning, this is not expected to have a meaningful impact from a credit perspective, although credit spreads are likely to remain volatile in the near-term. Potential interest rate rises are similarly not expected to impact inwards premiums receivable.

The following table shows premiums receivable that are not yet due and those that are past due but not impaired:

As at 31 December 2021	\$m
Not yet due	123.0
Less than 90 days past due	22.2
Over 90 days	9.8
Total	155.0

For the year ended 31 December 2021 no provisions have been made for impaired or irrecoverable balances and no amount was charged to the consolidated statement of comprehensive loss in respect of bad debts.

e. Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, personnel, systems or external events. During the reporting period, which primarily involved the 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.

Notes to the consolidated financial statements

For the year ended 31 December 2021

3. Risk disclosures

f. Strategic risk

The Group has identified several strategic risks, including:

- The risks that either the poor execution of the business plan or an inappropriate business plan in itself results in a strategy that fails to reflect adequately the trading environment, resulting in an inability to optimise performance, including reputational risk;
- The risks of the failure to maintain adequate capital, accessing capital at an inflated cost or the inability to access capital and unanticipated changes in vendor, regulatory and/or rating agency models that could result in an increase in capital requirements or a change in the type of capital required;
- The risks of succession planning, staff retention and key personnel risks.

Business plan risk

The Group's business plan forms the basis of operations and provides strategic direction to management. Actual versus planned results are monitored regularly.

Capital management risk

The total tangible capital of the Group is as follows:

	As at 31 December 2021	As at 31 December 2020
	\$m	\$m
Shareholders' equity	981.2	1,052.8
Intangible assets	(1.1)	(0.2)
Total tangible capital	980.1	1,052.6

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;
- Participation in industry groups such as the Association of Bermuda Insurers and Reinsurers, Reinsurance Association of America and the International Underwriting Association.

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 an adequate financial strength rating;
- Meeting all relevant capital requirements.

Capital is increased or returned as appropriate. The retention of earnings generated leads to an increase in capital. Capital raising can include debt or equity and returns of capital may be made through dividends, share repurchases, a redemption of debt or any combination thereof. Other capital management tools and products available to the Group may also be utilised. All capital actions require approval by the Board.

Notes to the consolidated financial statements

For the year ended 31 December 2021

3. Risk disclosures

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. CRL had sufficient capital at all times throughout the year to meet the BMA's requirements.

Retention risk

Risks associated with succession planning, staff retention and key man risks are mitigated through a combination of resource planning processes and controls, including:

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

4. Segmental reporting

The Group commenced underwriting operations during the year ended 31 December 2021. There were no active underwriting operations for the period ended 31 December 2020, therefore the Group did not have any reportable operating segments during that period and no comparative segmental reporting information has been provided.

Management and the Board review the Group's business and evaluates its performance primarily by three segments: Property, Casualty and Specialty. These are considered to be the Group's reportable segments for the purposes of segmental reporting. Further classes of business are underwritten within each reportable segment. The nature of these individual classes is discussed further in the "Risk disclosures" section.

Reportable segments	Operations and classes of business
Property	US and international property risk on an excess of loss and proportional contract basis.
Casualty	US and international casualty risk principally including directors and officers, financial institutions, general, medical malpractice, professional and transactional.
Specialty	Diverse portfolio of business, principally including aviation, energy, marine, political violence and terrorism and whole account.

Reportable segment performance is measured by the net underwriting profit or loss and the combined ratio. The chief operating decision maker does not manage the Group's assets by reportable segment, and, accordingly, investment income and other non-underwriting related items are not allocated to each reportable segment. Refer to the risk disclosures for more information.

All amounts reported are transactions with external parties and associates. There are no significant inter-segmental transactions.

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4. Segmental reporting

As at 31 December 2021	Property \$m	Casualty \$m	Specialty \$m	Total \$m
Gross premiums written by geographic region				
US	105.4	118.7	3.9	228.0
Worldwide (excluding US)	62.3	7.1	62.3	131.7
Europe	6.0	2.8	-	8.8
Other	9.7	0.4	0.2	10.3
Total	183.4	129.0	66.4	378.8
Ceded reinsurance premium	(26.4)	(1.2)	(5.0)	(32.6)
Net premiums written	157.0	127.8	61.4	346.2
Change in unearned premiums	(60.0)	(67.9)	(24.9)	(152.8)
Change in unearned premiums on premiums ceded	-	0.8	-	0.8
Net premiums earned	97.0	60.7	36.5	194.2
Net losses and loss adjustment expenses	(70.9)	(41.1)	(30.1)	(142.1)
Net acquisition expenses	(30.5)	(19.7)	(8.9)	(59.1)
Net underwriting loss	(4.4)	(0.1)	(2.5)	(7.0)
Other operating expenses				(30.6)
Net unallocated expenses				(4.4)
Total comprehensive loss				(42.0)
Net loss ratio	73.1%	67.7%	82.5%	73.2%
Net acquisition expense ratio	31.4%	32.5%	24.4%	30.4%
Other operating expense ratio				15.8%
Combined ratio	104.5%	100.2%	106.9%	119.4%

Included within the Casualty segment, Other geographic region, are premiums written with external parties in Bermuda for \$0.4 million (31 December 2020 - nil).

5. Investment return

As at 31 December 2021	Net investment income \$m	Net realised losses \$m	Net unrealised losses \$m	Total investment return \$m
Fixed maturity securities	5.3	(1.0)	(7.6)	(3.3)
Cash and cash equivalents	0.2	-	-	0.2
Total	5.5	(1.0)	(7.6)	(3.1)

Included in net investment income is \$0.7 million of investment management and custody fees for the year ended 31 December 2021 (31 December 2020 - nil).

With the formation of the Group towards the end of the 2020 financial year, the Group maintained cash on hand at 31 December 2020, generating net investment income of \$0.1 million.

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For the year ended 31 December 2021

6. Insurance acquisition expenses

	Year ended 31 December 2021	Period ended 31 December 2020
	\$m	\$m
Insurance acquisition expenses	103.7	–
Change in deferred acquisition expenses	(44.6)	–
Total	59.1	–

7. Employee benefits and other incentives

Aggregate remuneration and other incentives of the Group's employees is as follows:

	Year ended 31 December 2021	Period ended 31 December 2020
	\$m	\$m
Wages and salaries	7.5	2.4
Pension benefit	0.8	–
Bonus and other benefits	10.4	–
Total cash compensation	18.7	2.4
Equity-based incentives	0.3	0.3
Total employee benefits and other incentives	19.0	2.7

The bonus and other benefits amount includes sign-on bonuses paid to certain employees joining the Group.

Equity-based incentives

Prior to the IPO, a MIP was created. The purpose of the MIP was to provide an incentive scheme for the founders and initial employees for their services in building the foundations of the Group. The incentive is based around shares in CML, which will be automatically exchanged for ordinary shares of CHL for an aggregate value equivalent to up to 15% of the excess of the market value of CHL over and above the Invested Equity, subject to the satisfaction of the vesting conditions. All outstanding and future grants have an exercise period of four to seven years from the grant date. The fair value is estimated using a stochastic Monte Carlo model.

CML issued 100,000 A1 shares and 100,000 A2 shares during the period ended 31 December 2020 at a subscription price of £1.72 and \$2.26, respectively. Refer to note 18 for additional details.

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For the year ended 31 December 2021

7. Employee benefits and other incentives

The following table lists the assumptions used in the stochastic model for the MIP awards:

Assumptions	Year ended	Period ended
	31 December 2021	31 December 2020
Dividend yield	0%	0%
Expected volatility ⁽¹⁾	range from	range from
	17.2% - 19.0%	17.6% - 18.1%
Risk-free interest rate ⁽²⁾	range from	range from
	0.3% - 0.6%	0.3% - 0.6%
Expected life of instruments	range from	range from
	4 to 7 years	4 to 7 years

⁽¹⁾ The expected volatility was calculated based on a comparator group of companies.

⁽²⁾ The risk-free interest rate is based on the yield on a US government bond on the date of grant.

The shares were granted prior to the IPO and therefore discounts for business viability and lack of marketability were also applied. There are significant risks associated with an IPO and the instruments are also illiquid until the tranche vesting dates. Management therefore selected their best estimates at the time for these discounts. These assumptions were highly judgemental and input from advisors was sought. Management also considered alternative assumptions and concluded there was not a material impact on the estimated valuation selected. The calculation of the equity-based incentive expense assumes no forfeitures due to employee turnover, with subsequent adjustments to reflect actual experience. The assumptions and estimated valuation selected resulted in 20% being expensed upfront for certain employees as this portion was not tied to service conditions and was fully expensed in the period ended 31 December 2020.

Conditions of the MIP include:

- The incentives are to be equity-settled and have therefore been accounted for in accordance with IFRS 2;
- The value of the services received in exchange for the share-based incentives is measured by reference to the estimated fair value of the incentives at their grant date, with the estimated fair value recognised in the consolidated statement of comprehensive loss, together with a corresponding increase in other reserves within shareholders' equity, on a straight-line basis over the vesting period, based on an estimate of the number of shares that will ultimately vest;
- Vesting conditions, other than market conditions linked to the share price of the Group, are not taken into account when estimating the fair value;
- 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 and recognises the impact of the revision to original estimates, if any, in the consolidated statement of comprehensive loss, with a corresponding adjustment to shareholders' equity.

During the year ended 31 December 2021 a charge of \$0.3 million has been recognised in the consolidated statement of comprehensive loss in relation to the share-based incentives (period ended 31 December 2020 - \$0.3 million).

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For the year ended 31 December 2021

8. Other operating expenses

	Year ended 31 December 2021	Period ended 31 December 2020
	\$m	\$m
Results of operating activities are stated after charging the following amounts:		
Audit fees	0.8	0.1
Other auditor services	0.1	-
Total	0.9	0.1

During the year ended 31 December 2021, KPMG Audit Limited provided non-audit services in relation to the Group's 2021 interim review. Fees for non-audit services in the year ended 31 December 2021 totalled \$0.1 million.

9. Financing costs

	Year ended 31 December 2021	Period ended 31 December 2020
	\$m	\$m
LOC and trust fees	0.4	-
Interest expense on lease liabilities	0.1	-
Total	0.5	-

Refer to note 17 for details of the Group's financing arrangements.

10. Tax

Bermuda

CHL, CSL, CML and CRL have received an undertaking from the Bermuda government exempting them from all Bermuda local income, withholding and capital gains taxes until 31 March 2035. At the present time no such taxes are levied in Bermuda.

United Kingdom

CRSL is subject to normal UK corporation tax on all of its taxable profits. For the year ended 31 December 2021 an immaterial tax profit arose compared with an immaterial tax loss for the period ended 31 December 2020.

11. Cash and cash equivalents

	Year ended 31 December 2021	Period ended 31 December 2020
	\$m	\$m
Cash at bank and in hand	24.4	54.0
Cash equivalents	43.1	1,000.0
Total	67.5	1,054.0

Cash equivalents include money market funds and other short-term highly liquid investments with a maturity of three months or less at the date of purchase. The carrying amount of these assets approximates their fair value. Refer to note 17 for cash and cash equivalents provided as collateral under the Group's financing arrangements.

Notes to the consolidated financial statements

For the year ended 31 December 2021

12. Investments

The Group funded its investment portfolio during the year ended 31 December 2021 using cash and cash equivalents on hand raised from its IPO on 7 December 2020. As a result, certain investment related disclosures and comparative information have not been provided for the period ended and as at 31 December 2020. Refer to note 17 for investments provided as collateral under the Group's financing arrangements.

As at 31 December 2021	Cost or amortised cost \$m	Unrealised gains \$m	Unrealised losses \$m	Estimated fair value \$m
Fixed maturity securities, at FVTPL				
Short-term investments	8.9	-	-	8.9
US treasuries	172.9	-	(1.1)	171.8
US agency debt	2.0	-	-	2.0
US municipals	13.4	-	(0.2)	13.2
Non-US government and agencies	2.2	-	-	2.2
Asset-backed	170.3	0.1	(0.7)	169.7
US government agency mortgage-backed	95.5	-	(0.9)	94.6
Non-agency mortgage-backed	19.4	-	(0.2)	19.2
Agency commercial mortgage-backed	3.2	-	-	3.2
Non-agency commercial mortgage-backed	59.0	-	(0.6)	58.4
Corporate	469.2	0.2	(4.2)	465.2
Total	1,016.0	0.3	(7.9)	1,008.4

As at 31 December 2021 other assets and other payables included nil and \$10.6 million for investments sold and purchased, respectively (31 December 2020 - nil and nil, respectively).

The Group determines the estimated fair value of each individual security utilising the highest-level inputs available. Prices for the Group's investment portfolio are provided via a third-party investment accounting firm whose pricing processes and the controls thereon are subject to an annual audit on both the operation and the effectiveness of those controls. Various recognised reputable pricing sources are used including pricing vendors. The pricing sources use bid prices where available, otherwise indicative prices are quoted based on observable market trade data. The prices provided are compared to the investment managers' pricing.

The Group has not made any adjustments to any pricing provided by independent pricing services or its third-party investment managers for the year ended 31 December 2021. The fair value of securities in the Group's investment portfolio is estimated using the following techniques:

LEVEL (I) - Level (I) investments are securities with quoted prices in active markets. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

LEVEL (II) - Level (II) investments are securities with quoted prices in active markets for similar assets or liabilities or securities valued using other valuation techniques for which all significant inputs are based on observable market data. Instruments included in Level (II) are valued via independent external sources using directly observable inputs to models or other valuation methods. The valuation methods used are typically industry accepted standards and include broker-dealer quotes and pricing models including present values and future cash flows with inputs such as yield curves, credit spreads, interest rates, prepayment speeds and default rates.

LEVEL (III) - Level (III) investments are securities for which valuation techniques are not based on observable market data and require significant management judgement.

Notes to the consolidated financial statements

For the year ended 31 December 2021

12. Investments

The Group determines whether transfers have occurred between levels of the fair value hierarchy by re-assessing the categorisation at the end of each reporting period. The Group funded its investment portfolio using cash and cash equivalents on hand during the year ended 31 December 2021. As a result, there were no transfers between Level (I) and (II), and no investments were included in Level (III) during the year ended 31 December 2021.

The fair value hierarchy of the Group's investment portfolio is as follows:

As at 31 December 2021	Level I \$m	Level II \$m	Total \$m
Fixed maturity securities, at FVTPL			
Short-term investments	3.1	5.8	8.9
US treasuries	171.8	-	171.8
US agency debt	-	2.0	2.0
US municipals	-	13.2	13.2
Non-US government and agencies	-	2.2	2.2
Asset-backed	-	169.7	169.7
US government agency mortgage-backed	-	94.6	94.6
Non-agency mortgage-backed	-	19.2	19.2
Agency commercial mortgage-backed	-	3.2	3.2
Non-agency commercial mortgage-backed	-	58.4	58.4
Corporate	117.1	348.1	465.2
Total	292.0	716.4	1,008.4

13. Interests in structured entities

Unconsolidated structured entities in which the Group has an interest

As part of the Group's investment activities, it invests in unconsolidated structured entities. The Group does not sponsor any of the unconsolidated structured entities. The business relations of the Group with the structured entities set out below do not give rise to consolidation because the criteria for control pursuant to IFRS 10, as contained in our consolidation principles, are not met. The Group did not have any interests in unconsolidated structured entities as at 31 December 2020.

A summary of the Group's interests in unconsolidated structured entities is as follows:

As at 31 December 2021	\$m
Fixed maturity securities, at FVTPL	
Asset-backed	169.7
US government agency mortgage-backed	94.6
Non-agency mortgage-backed	19.2
Agency commercial mortgage-backed	3.2
Non-agency commercial mortgage-backed	58.4
Total	345.1

The fixed maturity structured entities are used to meet specific investment needs of borrowers and investors which cannot be met from standardised financial instruments available in the capital markets, providing liquidity and diversification. While individual securities may differ in structure, the principles of the instruments are similar and it is appropriate to aggregate the investments into the categories detailed above.

Notes to the consolidated financial statements

For the year ended 31 December 2021

13. Interests in structured entities

The risk that the Group faces in respect of the investments in structured entities is similar to the risk it faces in respect of other financial investments held on the consolidated balance sheet. Fair value is determined by market supply and demand, which is driven by investor evaluation of the credit risk of the structure and changes in the term structure of interest rates which can change the expectation of cash flows associated with the instrument and, therefore, its value in the market.

The maximum exposure to loss in respect of these structured entities would be the carrying value of the instruments that the Group holds. Generally, default rates would have to increase substantially before the Group would suffer a loss. This assessment is made prior to investing and regularly through the holding period for the security.

14. Losses and loss adjustment expenses

The Group commenced underwriting operations during the year ended 31 December 2021. There were no active underwriting operations for the period ended 31 December 2020. Consequently, the Group has not provided comparative information for net losses and loss adjustment expenses or associated claims development disclosures. Further information related to net losses and loss adjustment expenses is provided in the "Risk disclosures" section.

Losses and loss adjustment expenses

	Gross losses and loss adjustment expenses	Reinsurance recoveries	Net losses and loss adjustment expenses
	\$m	\$m	\$m
As at 31 December 2020	-	-	-
Incurring losses:			
Current year	191.0	(48.9)	142.1
Exchange adjustments	(0.3)	-	(0.3)
Incurred losses and loss adjustment expenses	190.7	(48.9)	141.8
Paid losses:			
Current year	19.1	-	19.1
Paid losses and loss adjustment expenses	19.1	-	19.1
As at 31 December 2021	171.6	(48.9)	122.7

Reserve for losses and loss adjustment expenses

	2021 \$m	2021 %
Outstanding losses	26.0	15.2
Losses incurred but not reported	145.6	84.8
Total	171.6	100.0

The Group did not book any additional case reserves for the year ended 31 December 2021. Net losses and loss adjustment expenses as at 31 December 2021 had an estimated duration of 2.7 years.

Further information on the calculation of loss reserves and associated risks are provided in the risk disclosures section. The risks associated with reinsurance contracts are complex and the impact of an unreported event could lead to a significant increase in the Group's loss reserves. The Group believes that the loss reserves established are adequate, however a 20% increase in estimated losses would have a \$34.3 million adverse impact on profit.

As this was the first year in which the Group engaged in active underwriting operations, a reserving methodology was put in place which will be refined as the Group matures.

Notes to the consolidated financial statements

For the year ended 31 December 2021

14. Losses and loss adjustment expenses

2021 delivered an active loss environment with higher-than-average catastrophe losses impacting the industry as a whole. The Group saw losses arise across all of its operating segments, the most significant being from Hurricane Ida and the European floods. The Group recorded \$15.0 million and \$12.1 million respectively for these events, net of outwards reinsurance and reinstatement premiums.

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

15. Right-of-use lease assets

Right-of-use lease assets primarily relate to leased properties for the Group's offices in Bermuda and office equipment. The Company has not received any rent concessions as a result of COVID-19.

Right-of-use assets	\$m
Balance and net book value as at 1 January 2021	-
Additions	3.0
Depreciation	(0.1)
Balance and net book value as at 31 December 2021	2.9
Lease liabilities	\$m
Less than one year	0.6
Between one and five years	2.6
Total undiscounted lease liabilities	3.2

The discounted lease liability at 31 December 2021 was \$2.9 million. The Group does not face significant liquidity risk with respect to its lease liabilities.

Amounts recognised in the consolidated financial statements

Year ended 31 December 2021	\$m
Consolidated statement of comprehensive loss	
Interest expense on lease liabilities	0.1
Depreciation of right-to-use assets	0.1
Total	0.2
Consolidated statement of cash flows	
Lease payments	0.1

There is no comparative information to disclose for the period ended 31 December 2020.

Notes to the consolidated financial statements

For the year ended 31 December 2021

16. Intangible assets

Intangible assets are comprised of computer software capitalised on the basis of the costs incurred to acquire and bring into use the specific software. There was no amortisation or impairment recognised for the year ended 31 December 2021 or the period ended 31 December 2020 on the basis that the asset was not yet ready for use.

Cost	\$m
Net book value as at 31 December 2020	0.2
Additions	0.9
Net book value as at 31 December 2021	1.1

17. Financing arrangements

Letters of credit and trust accounts

CRL is a non-admitted reinsurer in the US and Canada. Terms and conditions of certain reinsurance contracts with US and Canadian cedants require CRL to provide collateral for outstanding insurance contract liabilities, including unearned premiums and losses and loss adjustment expenses. The collateral can be provided by LOCs or by assets in trust accounts. Refer to note 9 for details of interest expense associated with these LOCs included in financing costs. Additional information about the Group's exposure to interest rate and liquidity risk is included in the "Risk disclosures" section.

Standby letter of credit facility

During July 2021, CRL, as the borrower, entered into a \$125.0 million standby letter of credit facility led by Lloyds Bank Corporate Markets PLC. CHL will guarantee the obligations of CRL with respect to the standby letter of credit facility. Terms of the standby letter of credit facility contain standard qualitative representations and require certain standard financial covenants be adhered to, including: a maximum consolidated debt to capital ratio of CHL of 35.0%; a minimum consolidated tangible net worth of CHL; and a minimum A.M. Best rating of "B++" for CRL. CRL has the option to request an increase in the aggregate amount of the commitment under the facility up to \$150.0 million. As at 31 December 2021, \$18.9 million was outstanding under the standby letter of credit facility and is secured by cash and cash equivalents and investments of \$27.8 million.

Uncommitted letter of credit facility

During September 2021, CRL entered into a \$75.0 million uncommitted letter of credit facility with Citibank Europe PLC. Terms of the uncommitted letter of credit facility include standard qualitative representations. As at 31 December 2021, \$3.9 million was outstanding under the uncommitted letter of credit facility and is secured by cash and cash equivalents and investments of \$6.6 million.

Trust accounts

Several trust account arrangements were established during 2021 in favour of policyholders and ceding companies to provide collateral or comply with the security requirements of certain contracts. As at 31 December 2021, \$29.9 million of cash and cash equivalents and investments were restricted in favour of third parties.

Additional letter of credit and trust funding requirements

For the year ended 31 December 2021, \$58.8 million of collateral requests and collateral amendments in respect of the 2021 year were received in 2022. These collateral requests will be completed in the normal course of business and will be funded during 2022 using cash and cash equivalents and/or investments.

Notes to the consolidated financial statements

For the year ended 31 December 2021

18. Share capital

Authorised share capital	Number	\$m
Authorised common shares of \$0.01 each	10,000,000,000	100.0
Authorised A1 shares of £0.01 each	100,000	-
Authorised A2 shares of \$0.01 each	100,000	-
As at 31 December 2021 and 2020	10,000,200,000	100.0

Allotted, called-up and fully paid	Common shares number	A1 shares number	A2 shares number	Total number	Total \$m
Issued	165,239,997	100,000	100,000	165,439,997	1.7
As at 31 December 2021 and 2020	165,239,997	100,000	100,000	165,439,997	1.7

The number of common shares in issue with voting rights (allocated capital less shares held in treasury) as at 31 December 2021 was 165,207,174 (31 December 2020 - 165,239,997).

CML issued the A1 and A2 shares during the period ended 31 December 2020, with 15,000 shares subscribed and issued to CHL. For the year ended 31 December 2021 a total of 3,000 shares were repurchased by CML and in turn issued to CHL at par value. CHL holds 18,000 A1 and A2 shares at 31 December 2021. The A1 and A2 shares have no voting rights attached. Subject to vesting conditions, discussed in note 7, the A1 and A2 shares will be automatically exchanged for ordinary shares of CHL.

Own shares	Total number	Total \$m
As at 31 December 2020	-	-
Repurchased	(32,823)	(0.2)
As at 31 December 2021	(32,823)	(0.2)

During 2021 the Group commenced share repurchases under the existing buy-back programme, where shares may be repurchased up to and including the conclusion of the 2022 AGM scheduled for 12 May 2022. Shares repurchased during the year amounted to \$0.2 million and will be held in treasury to meet future obligations under CHL's variable incentive schemes.

Dividends

On 27 July 2021 the Group's Board declared an interim dividend of \$0.18 (approximately £0.13) per common share, resulting in an aggregate payment of \$29.7 million. The dividend was paid in pounds sterling on 10 September 2021 to shareholders of record on 20 August 2021 using the pound sterling / US dollar spot exchange rate at 12 noon BST on 20 August 2021.

See note 23 for information with respect to dividends declared subsequent to 31 December 2021.

Notes to the consolidated financial statements

For the year ended 31 December 2021

19. Other reserves

Other reserves consist of the following:

	Other reserves	Share premium	Total other reserves
	\$m	\$m	\$m
Issue of shares	–	1,100.9	1,100.9
Issuance costs	–	(45.5)	(45.5)
Equity-based incentives	0.3	–	0.3
As at 31 December 2020	0.3	1,055.4	1,055.7
Equity-based incentives	0.3	–	0.3
As at 31 December 2021	0.6	1,055.4	1,056.0

Other reserves include the Group's equity-based incentive expense.

Share premium includes any premiums received on issue of share capital. The transaction costs that are attributable to the issuance of new shares incurred in forming the Group are treated as a deduction from share premium.

20. Contingencies and commitments

Legal proceedings and regulations

The Group operates in the reinsurance industry and is subject to legal proceedings in the normal course of business. While it is not practicable to estimate or determine the final results of all pending or threatened legal proceedings, management does not believe that such proceedings (including litigation) will have a material effect on its results and financial position.

21. Loss per share

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

	Year ended 31 December 2021	Period ended 31 December 2020
	\$m	\$m
Loss for the period	(42.0)	(4.6)
	number	number
Basic and diluted weighted average number of shares	165,239,907	165,239,997
	per share \$	per share \$
Basic and diluted loss per share	(0.25)	(0.03)

Equity-based incentive awards are only treated as dilutive when their conversion to common shares would decrease earnings per share or increase loss per share from continuing operations. Incremental shares from ordinary restricted share options where relevant performance criteria have not been met are not included in the calculation of dilutive shares.

Notes to the consolidated financial statements

For the year ended 31 December 2021

22. Related party disclosures

These consolidated financial statements include CHL and the entities listed below:

Subsidiary undertakings	Domicile	Principal Business
CHL	Bermuda	Holding company, Ultimate parent
CRL	Bermuda	General insurance business
CRSL	England and Wales	Support services
CML ⁽¹⁾	Bermuda	Support services
CSL	Bermuda	Support services

⁽¹⁾ CML is part-owned by members of management. Management's share ownership in CML exists solely for the purposes of the Group's management share incentive scheme for attracting and retaining talent. Management's shares in CML have no voting power or control in respect of CHL's ownership of CRL via CML's ownership of CRL.

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

Key management compensation

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

	Year ended 31 December 2021	Period ended 31 December 2020
	\$m	\$m
Cash compensation	6.3	1.1
Equity-based incentives	0.3	-
Directors fees and expenses	0.6	0.2
Total	7.2	1.3

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.

IncubEx, Inc.

Effective 9 April 2021, CHL executed a stock purchase agreement with IncubEx, a product and business development firm with a focus on designing and developing new financial products in global environmental, reinsurance and related commodity markets. CHL purchased 624 shares of IncubEx's Series A-3 preferred stock, with a par value of \$0.0001 per share, for an aggregate purchase price of \$50,000, or \$80.08 per share.

The current Executive Chairman of CHL is also a founder and current Chairman of IncubEx. The terms and conditions of the stock purchase agreement are equivalent to those that would prevail in an arm's length transaction.

The investment in IncubEx is included in other assets in the consolidated balance sheet and is recorded at cost, which approximates fair value.

Notes to the consolidated financial statements

For the year ended 31 December 2021

23. Subsequent events

Dividends

On 22 February 2022, the Group's Board of Directors declared a final dividend for 2021 of \$0.18 (approximately £0.13) per common share, which will result in an aggregate payment of \$29.7 million. The dividend will be paid in pounds sterling on 22 April 2022 to shareholders of record on 25 March 2022 (the "Record Date") using the pound sterling / US dollar spot exchange rate at 12 noon on the Record Date.

Share repurchases

During February 2022 the Group continued with share repurchases under its existing buy-back programme with purchases amounting to \$1.6m.

Ukraine

On 24 February a military conflict arose in Ukraine. The Group does not underwrite direct insurance business and does not currently reinsure trade credit or political risk and has minimal cyber exposure. The Group does not have any direct exposure to Russian or Ukrainian assets in its investment portfolio. Investments in Russia, and Belarus, are specifically excluded from our investment portfolio. The Group continues to actively monitor the developing situation.

Additional performance measures (the “APMs”)

The Group presents certain APMs to evaluate, monitor and manage the business and to aid readers' understanding of the Group financial statements and methodologies used. These are common measures used across the (re) insurance industry and allow the reader of the Group's financial reports to compare those with other companies in the (re)insurance industry. The APMs should be viewed as complementary to, rather than a substitute for, the figures prepared in accordance with IFRS. The Group's Audit Committee has evaluated the use of these APMs and reviewed their overall presentation to ensure that they were not given undue prominence. This information has not been audited.

Management believes the APMs included in the consolidated financial statements are important for understanding the Group's overall results of operations and may be helpful to investors and other interested parties who may benefit from having a consistent basis for comparison with other companies within the (re)insurance industry. However, these measures may not be comparable to similarly labelled measures used by companies inside or outside the (re)insurance industry. In addition, the information contained herein should not be viewed as superior to, or a substitute for, the measures determined in accordance with the accounting principles used by the Group for its audited consolidated financial statements or in accordance with IFRS.

Below are explanations, and associated calculations, of the APMs presented by the Group:

APM	Explanation	Calculation
Net loss ratio	Ratio of net losses and loss adjustment expenses expressed as a percentage of net premiums earned in a period.	Net losses and loss adjustment expenses/Net premiums earned
Net acquisition expense ratio	Ratio of net acquisition expenses charged by insurance brokers and other insurance intermediaries to the Group expressed as a percentage of net premiums earned in a period.	Net acquisition expenses/Net premiums earned
Other operating expense ratio	Ratio of other operating expenses expressed as a percentage of net premiums earned in a period.	Other operating expenses/Net premiums earned
Combined ratio (KPI)	The sum of the net loss ratio, net acquisition expense ratio and other operating expense ratio. A combined ratio below 100% generally indicates profitable underwriting, whereas a combined ratio over 100% generally indicates unprofitable underwriting, each prior to the consideration of total net investment return.	Net loss ratio + Net acquisition expense ratio + Other operating expense ratio
Accident year loss ratio	Ratio of the net accident year ultimate liability revalued at the current balance sheet date expressed as a percentage of net premiums earned in a period.	Accident year net losses and loss adjustment expenses/Net premiums earned
Underwriting year loss ratio	Ratio of net losses and loss adjustment expenses of an underwriting year (or calendar year) expressed as a percentage of net premiums earned in a period.	Underwriting year net losses and loss adjustment expenses/Net premiums earned
Underwriting profit (loss)	Profit or loss directly related to the underwriting activities of the Group.	Net premiums earned - net losses and loss adjustment expenses - net acquisition costs

Additional performance measures (the “APMs”)

APM	Explanation	Calculation
Total net investment return (KPI)	The Group's principal investment objective is to preserve capital and provide adequate liquidity to support the payment of losses and other liabilities. In light of this, the Group looks to generate an appropriate total net investment return. The Group bases its total net investment return on the sum of non-operating cash and cash equivalents and fixed maturity securities. Total net investment return is calculated daily and expressed as a percentage.	Net investment income + Net unrealised gains (losses) on investments + Net realised gains (losses) on investments/Non-operating cash and cash equivalents + Fixed maturity securities, at beginning of period
Return on equity (KPI)	ROE enables the Group to compare itself against other peer companies in the immediate industry. It is also a key measure internally and is integral in the performance-related pay determinations. ROE is calculated as the profit for the period divided by the opening total shareholders' equity.	Profit (loss) after tax for the period/Total shareholders' equity, at beginning of period
Total shareholder return (KPI)	TSR allows the Group to compare itself against other public peer companies. TSR is calculated as the percentage change in common share price over a period, after adjustment for common share dividends.	Closing common share price - Opening common share price + Common share dividends during the period/Opening common share price
Dividend yield	Calculated by dividing the annual dividends per common share by the common share price on the last day of the given year and expressed as a percentage.	Annual dividends per common share/Closing common share price

Glossary

The following definitions apply throughout the Annual Report unless the context otherwise requires. All references to legislation in this document are to the legislation of England and Wales unless the contrary is indicated. Any reference to any provision of any legislation shall include any amendment, modification, re-enactment or extension thereof. Words importing the singular shall include the plural and vice versa, and words importing the masculine gender shall include the feminine or neutral gender.

100 year return period A 1% probability of a catastrophe loss event of a certain size (or greater) occurring in any given year.

250 year return period A 0.4% probability of a catastrophe loss event of a certain size (or greater) occurring in any given year.

ABIR The Association of Bermuda Insurers and Reinsurers represents the public policy interests of Bermuda's international insurers and reinsurers that protect consumers around the world.

Additional case reserves (ACRs) ACRs represent the Group's estimate for losses related to specific contracts which the Group believes may not be adequately estimated by the client as of a reporting date, or adequately covered in the application of IBNR.

Admission The admission of all of CHL's common shares (1) to the standard listing segment of the Official List of the UK Financial Conduct Authority, and (2) to trading on the London Stock Exchange's main market for listed securities which occurred on 7 December 2020.

Aggregate excess of loss (XoL) reinsurance A form of excess of loss reinsurance in which the excess and the limit of liability are expressed as annual aggregate amounts.

AGM Annual General Meeting.

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.

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.

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

California earthquake A Californian earthquake catastrophe event.

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. This includes, but is not limited to, workers' compensation, automobile liability, and general liability.

Casualty - GTPL General Third Party Liability.

Casualty - PL/FI Professional Liability / Financial Institutions.

Casualty - Misc lines Miscellaneous Professional Liability includes professional services that don't fall into the other professional insurance classifications. It provides liability and defense costs for claims that allege errors or omissions, negligence, misstatements or misleading statements in performing, or failing to perform, professional services for others for a fee.

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

Glossary

transfers (cedes) a portion of the underlying reinsurance to a retrocessionnaire.

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

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.

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

Company Conduit Holdings Limited.

Consortium underwriting Underwriting on the part of a group of either companies or insurers, where risks, premiums and costs are split proportionately between the participants. If a consortium member fails, losses do not fall back on the other capital providers.

Coverholder A coverholder is a company or partnership authorised by a managing agent to enter into a contract or contracts of insurance to be underwritten by the members of a syndicate managed by it in accordance with the terms of a binding authority.

Conduit The brand for Conduit Holdings Limited and all associated group companies.

Conduit Re The brand for all the group’s reinsurance business.

CRL Conduit Reinsurance Limited.

CRSL Conduit Reinsurance Services Limited (previously named Conduit Marketing Limited).

CSL Conduit Services Limited.

CRO Chief Risk Officer.

CUO Chief Underwriting Officer.

Cyber Cyber insurance (or cyber risk or cyber liability insurance) is a form of cover designed to protect businesses from digital threats, such as data breaches or malicious cyber hacks.

Deductible or excess or retention The amount of the loss which is retained net by the insured (i.e., prior to the inception of a reinsurance programme). Also known as an “excess” or “retention”. The amount that is deducted

from some or all claims arising under an insurance or reinsurance contract. The practical effect is the same as an excess: the insured or reassured must bear a proportion of the relevant loss. If that loss is less than the amount of deductible/excess then the insured or reassured must bear all of the loss (unless there is other insurance in place to cover the deductible). An increase in deductible should result in a reduction in premium.

Deferred acquisition 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.

Diluted earnings (loss) per share Calculated by dividing comprehensive profit (loss) for the year attributable to shareholders by the weighted average number of common shares outstanding during the year, excluding treasury shares, plus the weighted average number of common shares that would be issued on the conversion of all potentially dilutive equity-based compensation awards.

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.

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

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.

Appendix

Glossary

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

EU The European Union.

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.

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).

FIOC The management Finance Investment and Oversight Committee.

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 windstorm 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.

GTPL – General Third Party Liability.

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.

Hard market A period of rising premiums and decreased capacity.

IFRS International Financial Reporting Standard(s).

ILS Insurance Linked Securities Investment assets linked to insurance-related, non financial risks.

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.

LOC Letter of credit

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.

Losses Demand by an insured for indemnity under an insurance

Glossary

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.

Market value Refers to (1) the market capitalisation of CHL calculated by reference to the six month average closing share price prior to the date of the relevant exchange of MIP Shares for common shares of CHL (adjusted to take into account any capital events or distributions during that period); or, (2) in the case of a takeover of CHL, the value of the consideration for the takeover, or (3) in the case of a sale of CHL, the net sale consideration, or (4) in the case of the liquidation of CHL, the amount available for distribution in the liquidation, in each case taking into account any prior dividends, returns of capital or other distributions. The Market Value for the USD MIP Shares will be calculated in US dollars based on the prevailing spot rate on the date of the relevant share price and in the case of a takeover of CHL, or sale or liquidation of 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 acquisition expense ratio Ratio, in percent, of net acquisition expenses charged by insurance brokers and other insurance intermediaries to the Group to net premiums earned.

Net loss ratio Ratio, in percent, of net losses and loss adjustment expenses to 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 ceded reinsurance premiums written.

Nat Cat Natural catastrophe.

OEP Occurrence exceedance probability is the probability that the largest loss in a year exceeds a certain amount (of loss).

Other operating expense ratio Ratio, in percent, of other operating expenses to net premiums earned.

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 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.

PL/FI Professional Liability / Financial Institutions.

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

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

Probable maximum loss (PML) The anticipated modelled 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 some non-marine underwriters.

Glossary

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.

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 total limit in a reinsurance contract.

Soft market A period of increased competition, depressed premiums and excess capacity, which is followed by a hard market – a period of rising premiums and decreased capacity.

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 speciality 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 of Great Britain and Northern Ireland.

Ultimate premiums written Estimated premium reported by ceding companies, supplemented by management's judgement on the estimate provided.

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.

UNL Ultimate net loss.

US, USA United States of America.

US GAAP Accounting principles generally accepted in the United States.

VaR Value at Risk.

Glossary

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.

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