Key performance indicators

Gross premiums written
$637.5m
(2021: $378.8m)

RoE
(9.1)%
(2021: (4.0)%)

Combined ratio
107.0%
(2021: 119.4%)

Total net investment return
(5.0)%
(2021: (0.3)%)

Total shareholder return
5.5%
(2021: (12.2)%)

Net tangible asset value per share
$5.08
(2021: $5.93)

Gross premiums written: $637.5 million
Gross premiums written is an important metric to show how the business grows and its size relative to peers. Conduit Re has grown during our second year of operations, continuing the excellent progress made in our first year. Conduit's focus remains on building and maintaining a balanced and diversified portfolio, in furtherance of our core underwriting philosophy.

RoE: (9.1)%
RoE enables Conduit to compare itself against other peer companies. It is also a key measure internally and is integral in the performance-related pay determinations. RoE is calculated as the profit for the period divided by the opening total shareholders' equity. RoE for 2022 was negatively impacted by above-average industry loss events and unrealised investment losses associated with increasing interest rates.

Combined ratio: 107.0%
The combined ratio is the sum of the net loss ratio, net acquisition expense ratio and other operating expense ratio. The combined ratio for 2022 was driven by major loss events impacting the industry during the year.

Total net investment return: (5.0)%
Conduit's principal investment objective is to preserve capital and provide adequate liquidity to support the payment of losses and other liabilities. In light of this, Conduit looks to generate an appropriate total net investment return. Conduit bases its total net investment return on the sum of non-operating cash and cash equivalents and fixed maturity securities. Total net investment return is calculated daily and expressed as a percentage.

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

Total shareholder return: 5.5%
Total shareholder return allows Conduit to compare itself against other peer public companies. Total shareholder return is calculated as the percentage change in Common Share price over a period, after adjustment for Common Share dividends. The Conduit share price at the beginning of 2022 was 433 pence and it closed the year at 428 pence. In February 2022, Conduit declared a final dividend relating to 2021 of $0.18 (£0.14) and, in July 2022, an interim dividend of $0.18 (£0.15) in respect of 2022, in line with our IPO plans.

Net tangible asset value: $5.08 per share
Year-end shareholders' equity includes the profit/(loss) for the financial year and dividends declared. Intangible assets consist of capitalised costs related to our internal software development. Intangible assets are excluded from shareholders' equity to calculate the net tangible asset value per share. Net tangible net assets for Conduit at year-end were $813.0 million and the number of common shares outstanding was 165,239,997.

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

Executive Chairman's statement
continued

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

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

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

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

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

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

Executive Chairman's statement

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

Culture and sustainability

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

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

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

Conclusion

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

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

Neil Eckert
Executive Chairman
3 March 2023

CEO's report

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

Reflections on 2022

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

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

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

2022 performance

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

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

CEO's report
continued

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

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

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

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

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

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

Underwriting view

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

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

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

CEO's report
continued

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

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

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

Conduit Re's key differentiators

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

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

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

People

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

CEO's report
continued

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

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

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

Trevor Carvey
CEO
3 March 2023

CUO's report

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

Our underwriting approach

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

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

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

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

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

Maturing relationships

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

CUO's report
continued

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

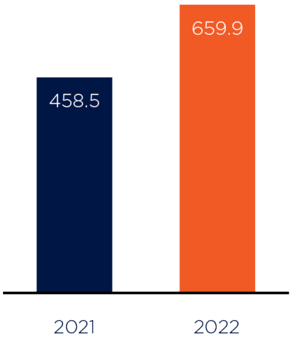
Market conditions
Both Neil and Trevor have already provided their views as to where we are in the cycle. I endorse their positive outlook as we are seeing a fundamental and ongoing correction in response to a combination of several factors, both economic and related to specific loss events.

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

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

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

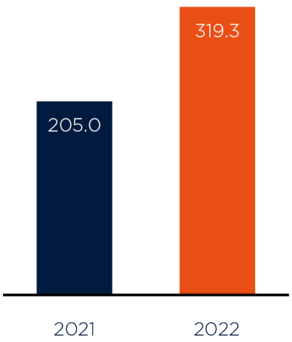
Estimated ultimate premiums written ($m)



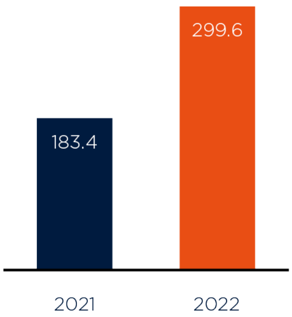
Conduit Re's overall risk-adjusted rate change across the portfolio, net of claims inflation, in 2022 was 4%.

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

Ultimate premiums written ($m)



Gross premiums written ($m)



CUO's report
continued

Property premium split (2022)
(Property quota share only)

- Commercial lines **62%**
- Personal lines **38%**

(All property)

- Catastrophe **59%**
- Non-catastrophe **41%**

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

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

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

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

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

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

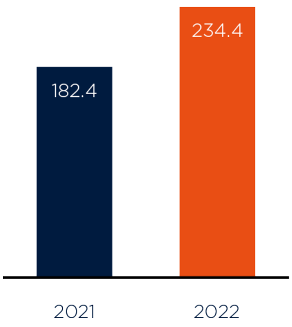
Our risk-adjusted rate change in our property segment, net of claims inflation, in 2022 was 7%.

CUO's report
continued

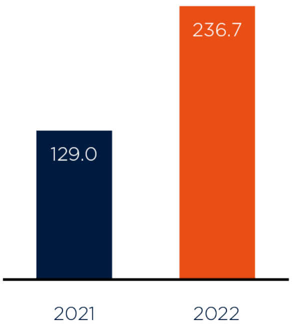
Casualty

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

Ultimate premiums written ($m)



Gross premiums written ($m)



Casualty premium split (2022)
(Casualty quota share only)

- Commercial lines **100%**
- Personal lines **0%**

(All casualty)

- Casualty general third-party liability **54%**
- Casualty professional liability/financial institutions **36%**
- Casualty misc lines **10%**

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

During 2022, we benefited from further improvement in underlying casualty loss ratios, which are, arguably, the best for a very long time. We remain focused on professional/financial lines and general liability casualty, continuing to avoid motor. This, together with compound rate increases, puts the underlying business in a much healthier position and I don't see a reversion of this in the short term. The biggest challenge we faced in casualty was a mismatch between our view of inflation and that of many of our clients. There are differing opinions in the market on the longevity of the current heightened inflationary environment. However, Conduit Re has the advantage of having been established in a high inflation environment so the concept of inflation is firmly embedded in how we think about risk. Our most successful client relationships have taken and will continue to take a similar view and this is clearly visible in the data they share with us. This partnership and cycle management creates the discipline that reverberates through the risk transfer chain, creating consistency between business objectives.

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

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

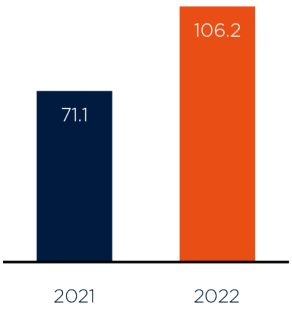
We continue to watch with interest the development of the cyber class market and the rapidly evolving changes to structures, coverage and rating. In 2022 we did not write any standalone cyber risks, with exposure limited to that assumed as part of the broader coverage contracts that we write.

CUO's report
continued

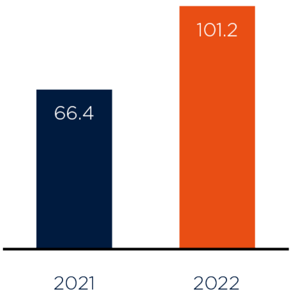
Specialty

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

Ultimate premiums written ($m)



Gross premiums written ($m)



Specialty premium split (2022)
(Specialty quota share only)

- Commercial lines **98%**
- Personal lines **2%**

(All specialty)

- Wet/at sea **51%**
- Dry/on land **49%**

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

The specialty segment contains a variety of differing product classes, with each of them at differing points in their own self-contained market cycles and therefore requiring specific attention from our pricing and underwriting teams. Within the broad range of specialty classes there are several which, although we monitor them, have continued to fall outside our risk appetite, such as mortgage, trade credit, surety and motor.

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

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

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

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

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

CUO's report
continued

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

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

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

Greg Roberts
CUO
3 March 2023

CFO's report

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

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

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

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

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

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

CFO's report
continued

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

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

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

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

Elaine Whelan
CFO
3 March 2023

Business review – finance

Premiums

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

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

Ultimate premiums written

For the year ended 31 December:

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

Gross premiums written

For the year ended 31 December:

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

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

Pricing

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

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

Property	Casualty	Specialty
7%	1%	2%

Premiums ceded

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

Losses

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

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

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

Business review – finance
continued

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Business review – finance
continued

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

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

Cash and investments credit ratings for managed portfolio 2022

Cash and investments credit ratings for managed portfolio 2021

ESG considerations are incorporated into our individual portfolio investment guidelines. We believe that, all other things being equal, it is less risky to own securities with strong ESG ratings. More information about the ESG approach to our investments is contained in the CFO's report on page 15 and in the ESG summary on page 27.

Other operating expenses and equity-based compensation

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

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

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

Capital and dividends

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

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

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

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

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

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

Enterprise risk management report

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

Enterprise risk management in a modern, legacy-free environment

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

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

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

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

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

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

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

Enterprise risk management report
continued

Risk profile

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

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

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

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

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

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

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

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

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

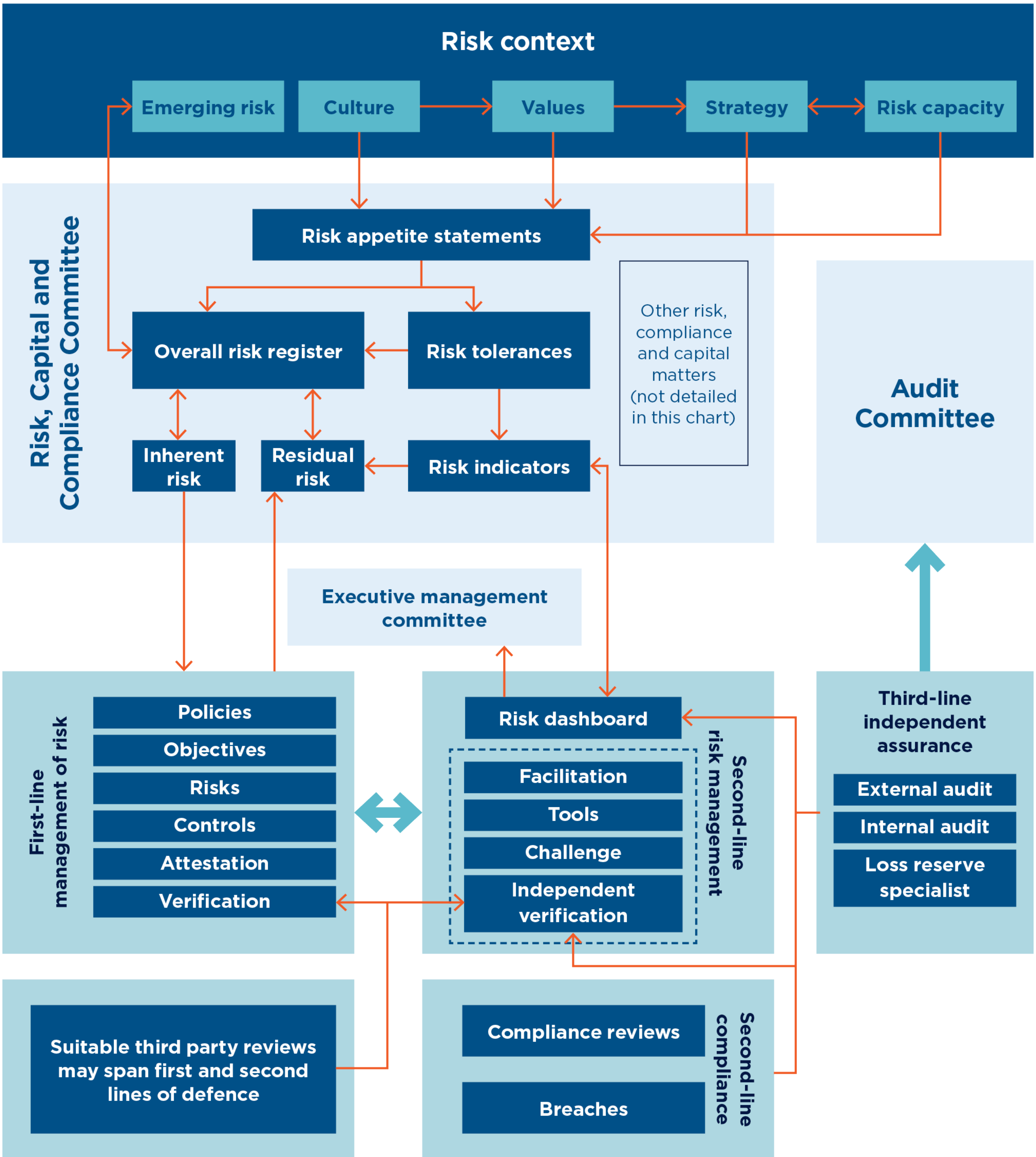
Enterprise risk management report
continued

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

Enterprise risk management report
continued

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

Overall enterprise risk management framework and risk governance



Enterprise risk management report
continued

Risk governance

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

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

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

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

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

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

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

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

Conclusion

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

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

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

Andrew Smith
CRO
3 March 2023

Enterprise risk management report
continued

Case study

Capacity

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

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

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

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

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

Conduit Re headcount since IPO

ESG summary

Introduction by the Chairman of the ESG Committee, Lord Soames

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

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

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

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

Key highlights include a few 'firsts':

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

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

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

Nicholas Soames
Chairman, ESG Committee

ESG summary
continued

Summary

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

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

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

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

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

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

ESG summary
continued

Carbon emissions

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

			2022		2021	
Emission type	**Activity**	**Basis of measurement**	**Quantity**	**tCO_2e**	Quantity	tCO_2e
Scope 1						
Direct	None		**-**	**-**	-	-
Scope 2						
Indirect energy	Electricity	kWh	**95,712**		67,153	
	– location based		**69**		39	
	– market based		**66**		35	
Scope 3						
Indirect other	Business travel	Kilometres	**1,545,335**	**188**	708,575	86
	Hotels[1]	Nights	**256**	**17**	150	18
	Staff commuting[2]	Kilometres	**163,867**	**18**	96,711	12
Total gross emissions from our operations						
Gross emissions (location based)				**292**		155
Gross emissions (market based)				**289**		151
Carbon offset applied				**(289)**		(151)
Net carbon impact from operations				**-**		-
Gross emissions per average employee						
Average number of employees			**47**		31	
Location based				**6**		5
Market based				**6**		5
Gross emissions including our share of suppliers' emissions						
Total gross emissions as per above market-based approach				**289**		
Share of suppliers' emissions				**747**		
Grand total				**1,036**		

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

ESG summary
continued

TCFD reporting

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

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

ESG summary
continued

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

Case study

The Conduit Foundation

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

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

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

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

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

Section 172 statement and stakeholder engagement

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

Section 172 requires a director to have regard, among other practical matters, to the:
- likely consequences of any decision in the long term;
- interests of the company's employees;
- need to foster the company's business relationships with suppliers, customers and others;
- impact of the company's operations on the community and environment;
- desirability of the company maintaining a reputation for high standards of business conduct;
- need to act fairly between members of the company.

Stakeholder engagement

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

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

Brokers and clients

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

Shareholders

- The Executive Chairman, the CEO, the CFO and the Head of Investor Relations regularly met with shareholders throughout the year, both quarterly to review trading results and on an ad-hoc basis to discuss various matters, including remuneration. Meetings were held one-on-one with investors and via group calls. Feedback from these meetings was presented to the Board on a regular basis and informed Board debate and decision making on strategy and business planning. Some of our larger shareholders were also consulted as part of the materiality assessment carried out as part of our ESG Report.
- Our Directors and management recognise the benefits that come from dialogue with shareholders and we have embraced an active engagement strategy to discuss with our shareholders the issues that are important to them, hear their expectations of us and share our views.
- The Board strives to be proactive, transparent and interactive with shareholders, who are always welcome to ask questions. For further information, and contact details, see Investor Relations and Regulatory News Service on the Conduit Re website (conduitreinsurance.com).

Employees

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

Section 172 statement and stakeholder engagement
continued

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

Government and regulators

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

Rating agencies

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

Our community and the environment

- As set out in the ESG summary on pages 27 to 32, environmental matters and the community are a key focus for the Company.
- Board decision making is influenced by Conduit's commitment to achieving and maintaining net-zero carbon and to giving back to the community via initiatives such as the Conduit Foundation.

Principal decision

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

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

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

Trevor Carvey
CEO
3 March 2023

Elaine Whelan
CFO
3 March 2023