



CONDUIT RE



ClimateWise Report

Conduit Holdings Limited ClimateWise Report 2022

Timeline

Published our inaugural ESG Report and ClimateWise reports

^
2023

Established our Charity Action Group

Completed our first ESG materiality assessment

Became a member of the UNEP FI Principles for Sustainable Insurance

Became an inaugural signatory to the SMI: Global Pledge for Sustainable Supply Chain

Became a Beyond Plastics Champion

Platinum Sponsor of the Bermuda Climate Summit

Expanded Chief Risk Officer's role to encompass sustainability. Supporting team member hired

Purchased carbon credits to offset estimated emissions for our first five years of operation

Disclosed our estimated carbon emissions for the first time

Year End

54 staff members

Cumulative eUGPW*: \$1,118m

Half Year

51 staff members

Cumulative eUGPW*: \$955m

^
2022

Established our Climate Working Group

Sponsored Bermuda's first Youth Climate Summit

Submitted our first ClimateWise report

Made our first charitable contribution

Hired our first intern

Established the Conduit Foundation

Joined the Sustainable Markets Initiative ("SMI")

Established the ESG Committee

Commenced underwriting

Year End

41 staff members

Cumulative eUGPW*: \$459m

Half Year

35 staff members

Cumulative eUGPW*: \$331m

^
2021

Pre-revenue IPO on the London Stock Exchange

Year End

12 staff members

^
2020

**eUGPW: estimated ultimate gross premiums written*

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Introduction

Conduit Re's core philosophy is that sound ESG principles will be strongly embedded in the day-to-day activities of our business. With that in mind, we are pleased to present this, our third, ClimateWise report since the Group's inception in late 2020.

This year, our ClimateWise report is referenced from our Annual Report and Accounts, as it is the cornerstone of our TCFD¹ reporting. Recognising the structured format this requires we have also published our first ESG Report which provides wider coverage and additional context.

Conduit Re has remained true to its philosophy as we embarked on our first two years of underwriting across 2021 and 2022. We stated that Conduit Re intended to have carbon neutral operations from day one, and we have². Carbon neutrality has been achieved through a combination of sound business practices and strategically chosen, socially responsible, offsets. As a start-up business, we are in the fortuitous position that we do not have a historic or existing 'footprint' and we can establish forward-looking business practices to minimise our future 'footprint'.

We aim to lead by example in supporting the transition to a sustainable economy and will always focus on the long-term benefit of all our stakeholders. We also believe that Conduit Re and its employees benefit from the engagement and perspective provided by deliberate community engagement on environmental and social issues.

Conduit Re believes in strong and transparent governance. We have established an independent ESG Committee, chaired by a highly reputable independent chairman who is neither a director nor officer of any Conduit Re entities, and comprising director and non-director staff of Conduit Re. This Committee provides a diverse and independent perspective that we believe provides insightful challenge as we build a business which is regarded as great to work for and with, great to be invested in and great to have as a community partner. We fundamentally believe that sound ESG principles promote better business, culture, risk management, innovation, and sustainable outperformance.

¹TCFD - The Task Force on Climate-Related Financial Disclosures (TCFD) was created by the G20 established Financial Stability Board in December 2015 to improve the quality, quantity and consistency of climate-related disclosures. To achieve this, it developed a reporting framework which consists of a number of recommendations structured into four pillars: governance, strategy, risk, and metrics and targets.

²See section 4.2 for details on the calculation basis.

Key achievements and contributions

2022 Achievements

- Became a member of the UNEP FI Principles for Sustainable Insurance
- Became an inaugural signatory to the Sustainable Markets Initiative: Global Pledge for Sustainable Supply Chains
- Became a Beyond Plastics (Bermuda) Champion
- Executive Chairman received ESG Insurer: Lifetime Achievement Award
- Updated our underwriting and investment policies to more explicitly address specific ESG considerations.
- Expanded our Chief Risk Officer's role to Chief Risk and Sustainability Officer, supported on sustainability matters by a sustainability and exposure reporting analyst, who was recruited during the year
- Became a member of Bermuda Development Agency's Climate Risk Finance Working Group
- Participated in ClimateWise research project associated with secondary perils.

Key ongoing contributions

- Active on the Sustainable Markets Initiative and the Climate Risk Committee of the Association of Bermuda Insurers and Reinsurers
- Sponsors of Bermuda Climate Summit and Bermuda Youth Climate Summit
- Through our Conduit Foundation, a private registered charity, we support a variety of environmental causes including those associated with education, conservation, and research
- Seek to minimise our carbon footprint and have offset our estimated emissions for the first five years of operation

Scope of this report

This report is Conduit Re's annual submission to ClimateWise for the period ending 31 December 2022 and provides an insight to Conduit Re's response to the risks and opportunities related to climate change.

We note that this report is based on the 2021 ClimateWise criteria and guidance as the 2022 guidance had not been released at the time of publishing. If applicable we will publish a supplement addressing any material changes in guidance ahead of the formal submission deadline to ClimateWise, expected to be in August 2023.

Representing a growing global network of leading insurance industry organisations, ClimateWise helps to align its members' expertise to directly support society as it responds to the risks and opportunities of climate change. Their areas of focus include disclosures, research and convening. For more information, please visit their website [here](#).

As a supporter and member of ClimateWise, we have structured the report to reflect the ClimateWise reporting criteria that provide a framework for our industry. The sections of this report reflect the ClimateWise Principles:

- Be accountable
- Incorporate climate-related issues into our strategies and investments
- Lead in the identification, understanding and management of climate risk
- Reduce the environmental impact of our business
- Inform public policy making
- Support climate awareness amongst our customers/clients
- Enhance reporting

Each section is broken into sub-sections and within these, ClimateWise specifies criteria for 'levels' of scoring. Where our activities naturally split between these levels, we have separated these whereas in other sections we have answered across the levels in aggregate.

For context, Conduit Re's operational activities commenced in December 2020, with our first underwriting year commencing 1 January 2021. This report therefore covers the Group's second full operating year. As might be expected for a start-up, building out our team, processes and business was our focus for 2021. In 2022, we have continued to develop these fundamental areas, incorporating additional ESG considerations where applicable.

About Conduit Re

Conduit Reinsurance Limited (“CRL”) is a Bermuda based, pure-play reinsurer which was established in late 2020 following the successful initial public offering on the London Stock Exchange of parent Conduit Holdings Limited (“CHL”) (ticker LSE:CRE) in December 2020.

CRL is authorised by the Bermuda Monetary Authority (“BMA”) as a Class 4 Bermuda insurance company and is rated A- (Excellent) by AM Best and started underwriting business on 1 January 2021.

In this document, “Conduit”, “Conduit Re” or “Group” is used to refer to CHL and subsidiary undertakings. “Board” is used to refer to the Board of Directors of CHL and/or CRL and subcommittees thereof.

Unlike many (re)insurance groups, Conduit Re operates its business exclusively from Bermuda and has no designs on expanding its operations to other international locations. It has a small office in London, supporting investor relations.

Key memberships

Throughout this document we reference certain organisations, in addition to ClimateWise, which are important to our response to climate risks and opportunities. For context and ease of reference, a brief description of these, and links to further information is provided below.

Sustainable Markets Initiative Insurance Taskforce (“SMI”):

At the invitation of His Majesty, King Charles III, while he was Prince of Wales, leaders from a number of the global insurance firms were invited to form an insurance task force as part of the Sustainable Markets Initiative, to drive progress as a group and accelerate the pace of industry transitions towards a more resilient and sustainable future, putting Nature, People and Planet at the heart of global value creation. For more information, please visit their website [here](#).

The Association of Bermuda Insurers and Reinsurers (“ABIR”):

ABIR is a member led organisation that represents the public policy interests of Bermuda’s international insurers and reinsurers that protect consumers around the world. Notably, the ABIR Climate Risk Committee is very active on climate matters. For more information, please visit their website [here](#).

The Reinsurance Association of America (“RAA”):

The RAA is a member led organisation for property and casualty reinsurers doing business with insurers based in the United States. The RAA is committed to promoting a regulatory environment that ensures the industry remains globally competitive and financially robust. For more information, please visit their website [here](#).

UNEP Finance Initiative (“FI”) Principles for Sustainable Insurance (“PSI”):

The UNEP FI Principles for Sustainable Insurance serve as a global framework for the insurance industry to address environmental, social and governance risks and opportunities. The purpose of the PSI Initiative is to better understand, prevent and reduce environmental, social and governance risks, and better manage opportunities to provide quality and reliable risk protection. For more information, please visit their website [here](#).

Business Development Agency (Bermuda) Climate Risk Finance Working Group

The purpose of this group is to bring together industry professionals, regulatory officials, and key Bermuda contacts to leverage expertise and bring forward solutions to some of the world’s most pressing climate-related problems. For more information, please visit their website [here](#).



Reporting against ClimateWise Principles

1. Be accountable

1.1 Ensure that the organisation's Board is working to incorporate the Principles into business strategy and has oversight of climate risks and opportunities

As a reinsurer, Conduit Re deploys its capital to provide protection to policyholders (other (re)insurance companies) from a range of natural and man-made risks to generate a financial return for its shareholders. By its nature, the underwriting industry is inherently exposed to climate-related risk through the potential for increased frequency and severity of climate-related claims. Underwriting risk is our core business and climate-related risk has an impact across all our underwriting lines of business: property; casualty; specialty, as well as on our investment portfolio, and our people and operations.

Level 1: Evidence engagement and oversight at the board level through discussion of climate-related issues (risks and opportunities) at regular committee meetings, including the processes and frequency by which the board and/or board committees are informed.

Our Board's role is to establish our strategy and to set the parameters within which management can operate. The Board typically holds strategy sessions at least once a year. In 2022 these sessions were held at the second quarter meetings with a further update on emerging risks just ahead of the fourth quarter meetings. The strategy sessions included discussions on emerging risks and these included climate specific risks. Overall, the sessions affirmed our current strategy.

The affirmed strategy, together with management's projections and stress and scenario tests, provided the basis for business plan approval at the third quarter meetings and the update at the fourth quarter meetings. The stress and scenario tests included specific stresses relating to climate change. Alongside the business plan approval, revised risk appetite and tolerance statements are approved by the Board. The statements approved at the 2021 fourth quarter meeting included ESG specific appetite statements to be applied going forward. The Board receives a quarterly report from the Chief Risk and Sustainability Officer on compliance with risk appetite and tolerance statements.

More broadly, the Board established an independent ESG Committee in 2021, which is not a Board committee but provides reports and advice to both the CHL and CRL Boards and the Executive Committee. The ESG Committee's focus relates to the selection and implementation of ESG initiatives. The Committee is chaired by Lord Soames, who is neither a director nor officer of Conduit Re, with the remainder of the Committee comprising director representation from CHL and CRL, and non-director employees. The Committee typically meets quarterly and discusses environmental, social and governance matters.

In the first quarter of 2022, the Board reviewed and approved the Annual Report and Accounts for 2021, in which we included a roadmap for disclosures in line with TCFD's recommendations. The 2022 Annual Report and Accounts, approved by the Board, include TCFD disclosures, which cross reference our ClimateWise and ESG reporting. The Board has also approved Conduit Re's continued membership of ClimateWise, support for the SMI, the UN Principles for Sustainable Insurance and a strategic investment in Incubex which seeks to build markets and develop products for environmental commodities. The Board also requires that all investment managers are signatory to the UN Principles for Responsible Investment.

1. Be accountable

continued

Level 2: Evidence of how the board monitors and oversees progress against and the strategic plans, goals and targets for addressing climate-related issues.

In our 2020 ClimateWise report, we committed to establishing ESG related risk appetite statements in our first full year of operations. The Board approved revised risk appetite statements at the fourth quarter 2021 meetings. These included explicit statements relating to ESG topics in addition to existing measures, such as natural catastrophe exposures which were already considered. These cover a range of business areas from our investment portfolio to our environmental footprint and carbon neutrality. Reporting against the risk appetite is completed quarterly, by the Chief Risk and Sustainability Officer, to the Risk, Capital and Compliance Committee of the CRL Board.

During 2022 the role of the Chief Risk Officer was expanded to also address climate matters. This new role (Chief Risk and Sustainability Officer) supports alignment between risk management and the reporting on climate-related matters by making this the responsibility of one individual. During 2022 the Board received quarterly ESG reports as well as reports from the Chief Operations Officer, together these contain aspects of reporting across each element of ESG. Additionally, the Board received reports on climate relevant matters such as stress and scenario tests and investment reporting, when pertinent, and on the implementation of our carbon offset programme. A report from the ESG Committee is a standing agenda item at the Board and typically includes details of support/sponsorship and participation reports from climate-related events we are engaged in.

Level 3: Evidence for incorporation of climate change into business strategy and planning and the development of related key metrics and targets, at a board and / or board committee level.

As we said during the IPO process, Conduit Re set out to be carbon neutral from day one. The Board has monitored progress to ensure this goal was met. As a result, we purchased sufficient carbon credits to offset our estimate of carbon emissions for the first five years of operation.

We are closely following the UN-convened Net-Zero Insurance Alliance (“NZIA”) whose protocol on how to calculate greenhouse gas (“GHG”) emissions related to underwriting activities was released in January 2023. Treaty reinsurance, Conduit Re’s only product, is currently out of scope of the current version of the Protocol³. The next version of the Protocol will be published by 31 December 2024. Once NZIA’s guidance is clear on how to account for scope 3 emissions related to treaty reinsurance, we will determine any revisions to our plan and associated actions and targets.

We have also considered our strategic exposure to natural catastrophe perils. Our strategy remains to write a balanced portfolio and at a time when some peers are reducing or exiting catastrophe exposed reinsurance business, we have increased our appetite, broadly in line with initial plans, from the 2021 business plan to the 2022 plan. In 2022, we classified \$187.4m (2021 \$131.2m) of our estimated ultimate gross premiums written as property catastrophe, providing protection to people, businesses, and communities through our cedents. Our portfolio balance is reported quarterly to the Board.

From an investment standpoint, our Board approved appetite has always included aspects regarding bias of the portfolio toward the MSCI ESG benchmark, which contemplates each aspect of ESG. During 2022 our Board approved specific ESG driven criteria for investments. This included new restrictions on investing in companies who generate revenue above certain thresholds from coal, Arctic drilling and oil sands, as well as tobacco, gambling, weapons, for-profit prisons, and investments in specific countries with poor human rights records. Compliance with investment related appetites are monitored by the Investment Committee and the Risk, Capital and Compliance Committee.

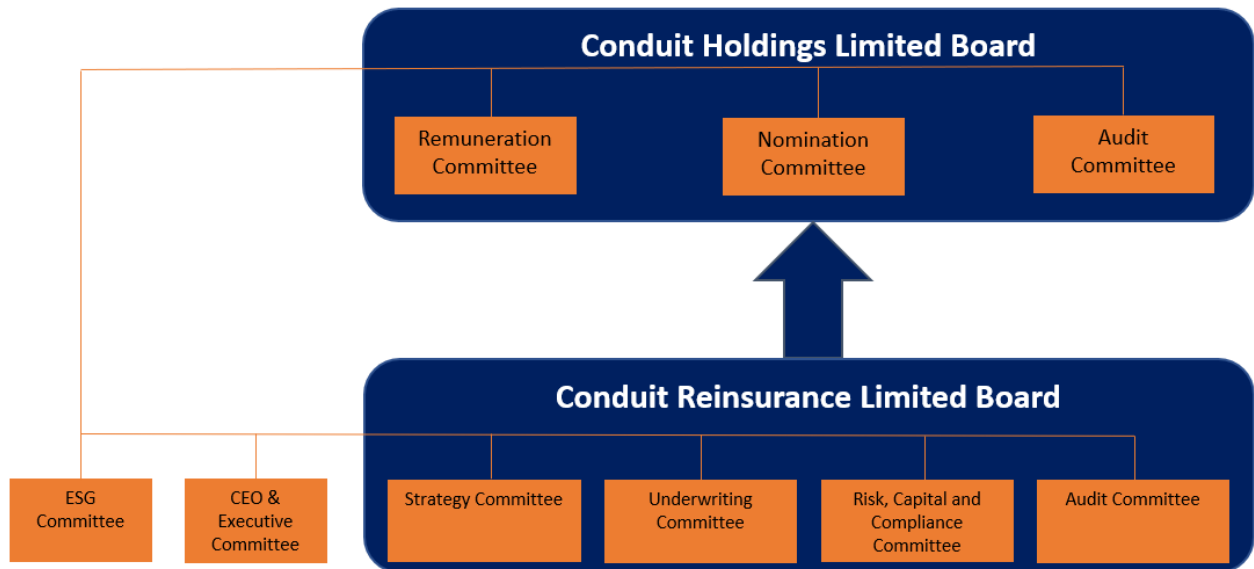
³ <https://www.unepfi.org/wordpress/wp-content/uploads/2023/01/NZIA-Target-Setting-Protocol-Version-1.0.pdf>

1. Be accountable

continued

Figure 1: Governance structure: Boards

Conduit Group Governance Structure



1. Be accountable

continued

1.2 Describe management's (below board-level responsibility) role in assessing and managing climate risks and opportunities

Level 1: Evidence of assigned climate-related responsibilities to management-level positions or committees; and, a description of the associated organisational structure and how management reports to the board and /or board committees.

Authority is delegated to the executive management team by the Board to operate within specified parameters. The parameters are set in the context of the overall strategy set by the Board. This delegation is both collective, to the Executive Committee, and individual. Each member of the Executive Committee has at least some aspects of their role linked to ESG. These were first reported in the 2021 Annual Report and Accounts and for 2022 reporting are included in the ESG Report. Each executive provides reports to the Board (and/or committees thereof) on a quarterly basis. Early in 2022 the Head of Human Resources and the Chief Risk and Sustainability Officer became members of the ESG Committee, and the Chief Risk Officer's role was expanded to explicitly capture climate matters and associated reporting initiatives.

The Board has also set expectations in relation to the Executive Chairman's role for Conduit Re with specific emphasis on promoting climate-aware thinking for our industry, achieved through engagement with peers, suppliers (for example brokers) and the wider industry. This takes the form of one-to-one meetings, contributing to thought leadership articles, speaking at events, and actively participating in the SMI.

Conduit Re operates a three lines of defence model with the second line of defence functions (Risk, Actuarial and Compliance) having direct reporting responsibilities to the Board, as do the third line of defence (Internal Audit, External Audit and the independent Loss Reserve Specialist).

The executive management team is responsible for proposing a business plan to the Board in the context of the Group's wider strategy and once approved, executing against it. This plan contemplates all aspects of the business: underwriting; investment management and operational matters, within the context of overall capital and risk management. All these activities are impacted, to some extent, by climate-related factors. This plan is supported by stress and scenario tests, including those that explicitly consider climate-related risks.

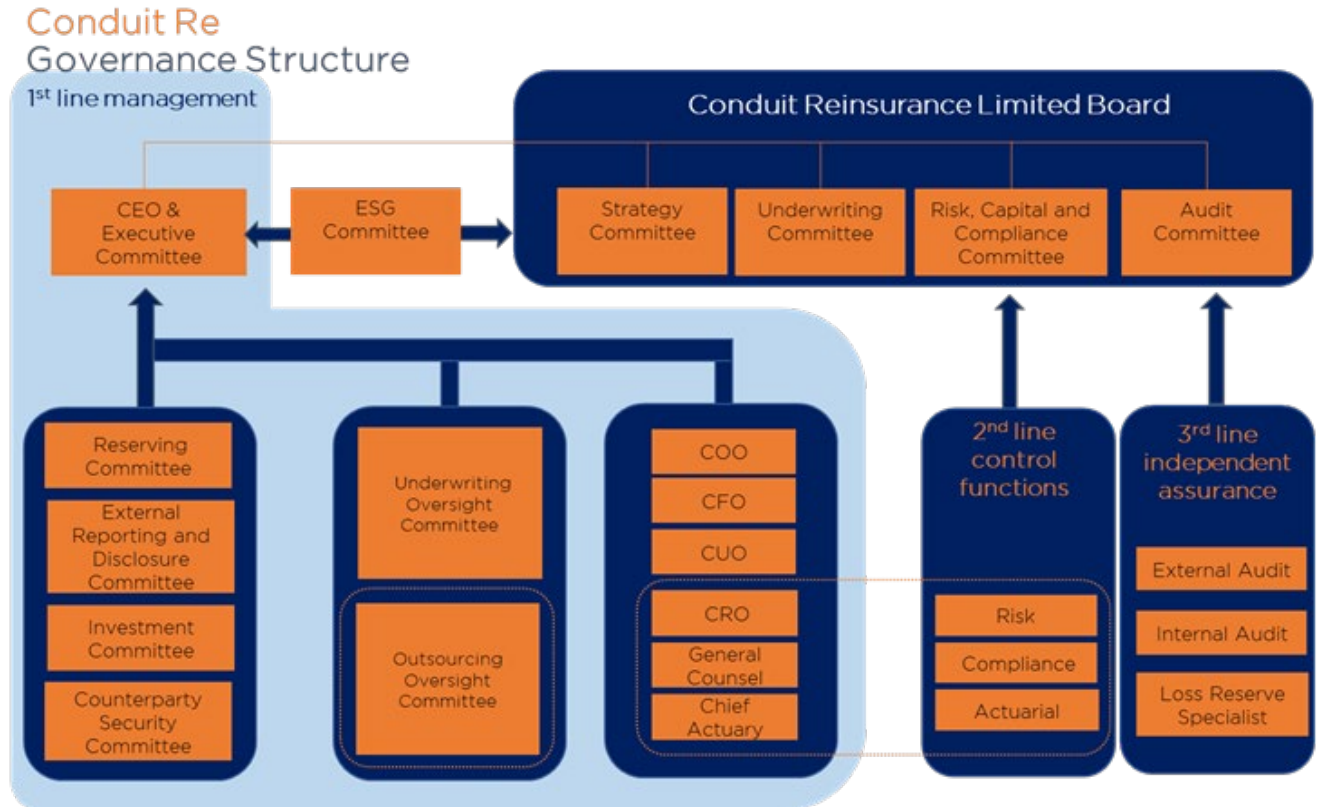
The company also established a Climate Working Group in 2021, chaired by the Chief Risk Officer. The climate working group meets quarterly and includes representatives from the following teams: Risk, Catastrophe Modelling, Actuarial, Operations/IT, Finance/Investments, and Underwriting. Its role is to engage a cross section of staff on climate-related matters related to their business areas and identify and propose priorities for initiatives. The working group develop and consider materials that subsequently are used with the Executive Committee and/or ESG Committee.

Conduit Re's management committees also exist to address specific topics. Notably in this context the Underwriting Oversight Committee, the Investment Committee and the Outsourcing Oversight Committee.

1. Be accountable

continued

Figure 2: Governance



Level 2: Evidence of the processes by which management is routinely informed about, reviews and manages climate-related issues;

Executive management receives regular reports similar to the materials provided to the Board and typically provide feedback on these materials ahead of Board packs being circulated. Ahead of sessions such as the Board strategy sessions, executive management meet to consider the most relevant matters for discussion, including for example, which of the climate-related emerging risks were best to discuss at Board level. ESG related matters have been a standing agenda item at the Executive Committee, with the establishment of the Climate Working Group leading to a greater focus.

1. Be accountable

continued

Level 3: Evidence of how management (through specific positions and/or management committees) monitors and assesses the implementation of strategic plans, goals and targets agreed by the board/ and or board committees to address climate-related issues.

Annually, the Board approves a business plan. Embedded within the plan are ESG related policies. As noted above, each member of executive management has ESG related responsibilities in order to execute these goals. Reporting on such matters is integral to these members' wider reporting, which takes place no less than quarterly to the Board. Over time, the focus of climate-related matters has increasingly progressed from internal operations to supplier engagement and embedding of ESG principles into our underwriting and investment activities.

As noted already, specific responsibility for drawing together climate-related matters was assigned, in early 2022, to the Chief Risk Officer and he now has an additional team member supporting him on these matters. Prior to this, the Chief Risk Officer already chaired the Climate Working Group which provides an additional, cross functional, forum dedicated to climate matters. Included in his formal quarterly reporting to the Executive Committee are updates on tolerance statements against current performance. This provides an overall update on the targets agreed by the Board where related to addressing climate-related issues. The tolerances reported against include elements of underwriting (for example considering geographic location or peril), investments (MSCI ESG benchmark related), and operations (for example considering carbon neutrality or diversity and inclusion). In the event that tolerances breach a certain level, the Board must be informed. Monthly reporting is less comprehensive but addresses both risk and ESG related matters.

In relation to functional areas monitoring how expectations set by the Board are addressed, the paragraphs below specify how our operations, investments and underwriting teams implement targets agreed with executive management (and the Board where relevant) and provide updates on their respective progress. Executive management and the Board, in turn, review and consider the update received to ensure it is in line with their approved strategy, and actions are being implemented as expected. If the Board were not satisfied with progress made against plans, the Board would likely require remedial steps be taken.

Operations and local impact

The Chief Operations Officer reports to the Executive Committee and the Board on matters such as our establishment of an impact aware office and on the appointment of service providers for operational activities. ESG considerations form part of our vendor selection and management guidelines. The steps we have taken to minimise our operational impact on the environment are included in our ESG Report and later in this report. The Chief Operations Officer is also the executive most closely aligned to the Conduit Foundation and provides reporting to wider management and Board on the causes we have supported. To date the causes supported have included those relating to climate, supporting the disadvantaged and education.

Investments

The Chief Financial Officer reports to the Executive Committee and the Board on investment matters. While the primary focus has been on implementing a low-risk investment strategy that protects our capital base, ESG considerations have been part of our investment strategy since inception.

ESG featured during the selection of asset managers and in their portfolio reporting to us. We have also implemented internal aggregated reporting on the portfolio, including ESG metrics. ESG has increasingly been a focus for the Investment Committee over time. During 2022, the Investment Committee (a management committee) reviewed (typically quarterly) the portfolio. The reporting allowed transparency as to the impact of individual investments on the portfolio's average score and informed decisions on whether and how to adjust the portfolio to meet our objectives. In November 2022 the Board approved specific ESG driven criteria, as part of business plan approval. This included restrictions on investing in companies who generate revenue above certain thresholds from tobacco, gambling, weapons, coal, Arctic

1. Be accountable

continued

drilling and oil sands, for-profit prisons, civilian firearms, and investments in specific countries with poor human rights records. More details can be found in our ESG Report.

Underwriting

Underwriting is the assumption of risk from clients in return for payment of a premium and is our core activity as a reinsurer. Risks associated with climate are significant to our portfolio and we deploy modelling and risk aggregation tools to support our underwriting and report on exposures and aggregations, operating within strictly defined limits.

During 2022, revised underwriting guidelines were approved. Explicit referral to the Chief Underwriting Officer is now required for any reinsurance treaties which may include 'new energy' related risks. More details on this can be found in our 2022 ESG Report.

From a governance perspective, the Underwriting Oversight Committee (a management group) reviews matters including underwriting performance, portfolio management and exposure management. Underwriting takes place in the context of parameters set by the CRL Underwriting Committee (a Board committee) and the Board approved risk appetite and tolerance statements.

2. Incorporate climate-related issues into our strategies and investments

2.1 Evaluate the implications of climate change for business performance (including investments) and key stakeholders

Level 1: Describe priority climate-related risks and opportunities across the business and its investments (considering relevance to the nature of the business by sector, geography, business segment) over the short, medium, and long term, defining these time horizons.

We recognise that climate change has potentially far-reaching implications for Conduit Re and our peers. We are supporting ClimateWise and the SMI, specifically to support collaboration across the industry to facilitate the incorporation of ESG factors as an integral part of the industry's activities, both in the actions we take and in the transparent reporting that we provide. We cannot achieve this alone; we must engage as part of a wider industry collaboration. Similarly, we recognise the progress already made by peer companies and engage with industry efforts in Bermuda under the umbrella of ABIR through participation in their relevant committees and working groups.

Our strategy and risk appetite are such that our business performance will be dominated by underwriting results, with investment returns and the control of operating expenses being second order performance factors.

Underwriting

Within underwriting, the impact of climate change varies based on the risks being reinsured and the time horizons over which losses from those risks may occur. Below we have described our priority risks and opportunities across each of our primary business areas. Generally, we consider short-term to be within one-year, medium term to be within five-years and long-term to be within ten-years.

Our underwriting portfolio is split by class of business and climate change is relevant to each in slightly different ways:

Property lines are, on the face of it, most directly exposed to climate change. Changing weather patterns and rising water levels can have immediate and observable impacts on exposures. That said, the time horizon for property coverage is typically annual, so the impact of long-term climate change is more easily measured and contained. From a longer-term strategic perspective, climate change is likely to exacerbate the coverage gap and lead to potentially unsatisfied demand for protections. This impact provides opportunity for the industry and if we can manage our portfolio of exposures through careful risk selection and high-quality modelling, this otherwise unsatisfied demand could provide profitable growth for our business.

Casualty lines have second order exposure to climate change, with the insurance losses typically driven by liability for damage or harm stemming from our customers' business activities. These losses may involve compensating or remedying damage to the underlying insureds' customers, employees or other stakeholders including wider society and/or governmental bodies. Casualty exposure is more challenging to measure and contain and typically is longer in duration than property risks. This means horizon-scanning and monitoring and understanding global trends is crucial. Given the time to run-off, care is needed to ensure we are containing losses from risks that are yet to fully emerge.

2. Incorporate climate-related issues into our strategies and investments

continued

Specialty lines include coverage for businesses exposed to classes such as marine, energy, political violence and aviation risks. These typically include some aspects of risks as set out for property and some aspects similar to casualty considerations. Overall, pre-emptive action can be taken to avoid or manage exposure to perils or industries that are most likely to be impacted by claims volatility affected by climate change. Balancing this, reinsurance also has a role to play in providing protections to those in transitioning industries and a careful balance between environmental and social concerns must be found, all within the context of delivering returns for shareholders and reducing the coverage gap.

Investments

Our investment portfolio is lower risk and highly liquid in nature and, over the planning horizon, should have relatively limited performance exposure to climate-related change. This approach is supported by our avoidance of certain ESG relevant exposures.

Specific 'green' investments may also be considered. As these will typically sit outside of our normal risk profile, restricted by the regulatory requirements imposed on Conduit Re as a regulated business, these types of 'impact' investments will not be material to us in the short term, but may deliver outsized positive impacts to those we invest in.

To date, we have made an equity investment in Incubex, a unique product and business development firm specialising in global environmental markets, climate risk, and related commodities. While our investment is small, it provides a helpful connection to that business, with whom we share a chairman. The Board has specifically tasked our Executive Chairman with various aspects of market and stakeholder engagement. Under this umbrella he has advocated for an insurance industry carbon warehouse facility and engaged with major suppliers, such as the largest global brokers, at c-suite level.

Operations

Over the longer-term, our operating expenses may increase as a result of climate change. Our primary office location is on an island where food supply is heavily import dependent, water supply is rain dependent and use of clean energy is currently limited. We support sustainability initiatives locally through the Conduit Foundation. We are limiting our climate-related impact by having the vast majority of our people working in a single location with short commutes and limited need for extensive business travel.

Level 2: Evidence of the identified impact of climate-related risks and opportunities on members' business, strategy and financial planning.

Underwriting

One of the tempting levers that underwriters can use in the face of increased frequency and severity of climate-related events is to limit coverage and increase exclusions. When the insurance and reinsurance industry fails to provide capacity, risks are left on the 'balance sheets' of individuals, businesses, captive groups and ultimately governments. These are symptoms of a poorly functioning market and both publicly and privately, we are advocating for unbundling and innovation that provides mechanisms by which premium can be matched to risk. This is particularly relevant to our property and speciality business lines.

For speciality business lines, we are keen to expand our portfolio in a planned and intentional way. One of the challenges to growth is that during soft market conditions, there has been a trend to bundle coverages and this makes it difficult to match premium to risk. We are seeing encouraging signs of a reversal to the bundling trend in this regards and it is integral to our preferred path to achieving growth objectives.

For property business lines we see unbundling as a mechanism by which those with good portfolio management can manage a balanced portfolio. We also see potential benefits in reducing the coverage

2. Incorporate climate-related issues into our strategies and investments

continued

gap and accelerating claims payments, using techniques seen with parametric covers. We see the increased demand that a more uncertain climate brings and unlike many peers we are, in absolute terms, increasing our exposure to weather related events while continuing to write a well-balanced portfolio.

Casualty reinsurance does not typically enjoy the good data quality that property business benefits from. One area of action for us is to improve and enrich our casualty data, with a pilot project that commenced in 2021 and completed during the first half of 2022 which allows us to better understand our portfolio aggregations. The realistic disaster scenarios that we consider for our casualty portfolio includes scenarios which are climate driven.

Investments

We invest our capital base with the primary objective of capital preservation. ESG considerations are factored in all our investment strategies through our investment guidelines and service agreements.

Management selected three investment managers to manage the funds we raised at our IPO. We recognise the importance of considering ESG across our investment portfolio and have accordingly included climate impacts in our stress and scenario testing that informs business plan approval.

All our asset managers are signatories to the UN Principles for Responsible Investment and ESG considerations are incorporated into our individual portfolio investment guidelines and our overall investment strategy. In November 2022 our Board approved specific ESG driven criteria. This included restrictions on investing in companies who generate revenue above certain thresholds from tobacco, gambling, weapons, coal, Arctic drilling and oil sands, for-profit prisons, civilian firearms, and investments in specific countries with poor human rights.

Operations

Conduit Re believes that it has a responsibility to our stakeholders including our community. Through the Conduit Foundation, we have supported a number of causes including some relating to climate and environmental matters and others that support the disadvantaged. We take a long-term view and were proud to support the Bermuda Youth Climate Summit again in 2022 (see section 5.1 for more details on the summit). As a company, we also sponsored a summit to support Bermuda's work to further its ambitions to be the leading centre for climate risk finance.

For our staff, we encourage engagement in climate-related activities and have had good response. Roughly a fifth of our staff represented Conduit Re at the 2022 Youth Climate Summit. We have made available educational resources through corporate membership of the Bermuda Underwater Exploration Institute.

In our own day-to-day operations, we seek to minimise our consumption of single use plastics and minimise our carbon footprint, offsetting what we cannot contain. In 2022 we were recognised as Beyond Plastic Champions. We support Beyond Plastics (Bermuda), to reduce plastic pollution through collective and individual actions in Bermuda.

We also have well developed continuity plans for climate-related events including remote working flexibility. Resilience was the theme of our 2022 Annual Report and Accounts and our view is that management of impact and financial resources provides a strong base from which to develop a successful and resilient business.

2. Incorporate climate-related issues into our strategies and investments

continued

Level 3: Evidence that members are developing a business strategy and investment strategy (if relevant) to address the implications of climate-related issues on both the business and its key stakeholders and have determined a measurable progress plan for action, considering longer time-frames.

As set out in our Section 172 statement in our 2022 Annual Report and Accounts, we consider our stakeholders to include: brokers and clients, shareholders, employees, government and regulators, rating agencies, our community and the environment. As part of our ESG Report we also commissioned a stakeholder materiality assessment to understand the relative importance of certain ESG topics to our identified stakeholders.

We also believe we have a role to play to support our suppliers and have undertaken work to ensure that the SMI's Global Pledge for Sustainable Supply Chains can be relevant to reinsurers. Conduit Re signed this pledge in 2022, see section 3.2 and 4.1 for more details.

We have also sought to support awareness of environmental initiatives and have continued to do so through several avenues throughout 2022. This is evidenced through our engagement with ClimateWise, the SMI, sponsorship of The Insurer's ESG Supplement and through our Executive Chairman's participation on various relevant industry panels. Our Executive Chairman participated in several conferences and round table discussions this year. One such example is when he presented at Marsh McLennan's Rising Professionals' Conference in June 2022 where he spoke to the development of environmental financial markets and the link with insurance.

Level 4: Evidence of a leadership position or strong collaboration efforts for encouraging better climate disclosure and further research; demonstrating the use of this information and/or appropriate tools.

We are involved in market initiatives working to provide methodologies to assess carbon intensity in underwriting and encourage consistent measures that support transparency, consistency and thus comparability. Included in these initiatives is our work with the SMI. Our hope is that the insurance market, alongside other financial service sectors, will be able to apply a single consistent basis for Scope 3 (indirect) carbon disclosures.

Our Executive Chairman engages with stakeholders through speaking and writing articles encouraging transition towards renewables and a universal approach to carbon scoring and on the effects of climate change on reinsurers and the market in which they operate. Conduit Re was also the proud sponsor of the Bermuda Climate Summit 2022, supporting Bermuda to become a world capital for climate risk finance. One of the summit's aims was to connect senior policymakers, leading scientists, heads of non-governmental organisations, and business leaders to share their unique insights and solutions for climate change.

Conduit Re also actively responds to data requests from the climate groups with which we participate and to voluntary disclosures to our regulator, the Bermuda Monetary Authority.

As an active member of the ABIR Climate Risk Committee, Conduit Re's contribution to ABIR has included drafting feedback to various regulators on their climate reporting proposals.

2. Incorporate climate-related issues into our strategies and investments

continued

2.2 Measure and disclose the implications of climate-related issues for business performance (including investments) and key stakeholders

This year we developed a suite of measures to quantify and report on climate-related issues and implications for our business performance. We also became members of the UN Principles for Sustainable Insurance initiative and aligned our objectives to their four principles. We completed our first materiality assessment, detailed in our ESG Report on our website, which further guided the selection of our metrics.

Investments

In the immediate term we have included ESG objectives and measures in our investment criteria and investment agreements. The Chief Financial Officer monitors the performance of investments against the MSCI ESG ratings and reports these to the Investment Committee. We have looked at the ratings used by each of our asset managers and sought to understand what the key drivers are for negative impact investments. In response to this, in 2022, we explored specific actions and guidelines in our ESG investment criteria. As a result of this, in November 2022 our Board approved specific ESG investment criteria. This included restrictions on investing in companies who generate revenue above certain thresholds from coal, Arctic drilling and oil sands, with additional industries facing similar restrictions in light of social considerations. The Board monitors compliance with these requirements through reporting from the Investment Committee and the Risk, Capital, and Compliance Committee. We also note that the company does not hold any equity investments (other than the strategic investment in Incubex).

Remuneration

We include ESG related metrics in our balanced performance scorecard for employees which determines our bonuses. Staff are subject to an annual review process. All executives have ESG related objectives which contribute to their remuneration. Achievement is measured by line managers and subject to review by the Remuneration Committee as appropriate.

Underwriting

Currently there is no guidance provided by PCAF⁴ or NZIA⁵ to calculate underwriting emissions attributable to treaty reinsurance. Accordingly, treaty reinsurers scope 3 underwriting emissions remain out of scope for both organisations' publications. Upon release of relevant guidelines, the company will seek to understand impact and consider appropriate targets. Until that time, Conduit Re focuses on selective underwriting lines and carbon neutral operations to help drive improved performance and proactive management of climate risk and associated opportunities.

The company's current underwriting guidelines include ESG considerations. As a treaty reinsurer we do not underwrite individual insurance policies, including those relating to the extraction, transportation, or supply of hydrocarbons. To the extent we write reinsurance portfolios that include or are expected to include new extraction of any hydrocarbon, this is subject to specific referral to the Chief Underwriting Officer. The referral considers the risks from multiple perspectives including considering the transition to net zero, while also seeking to avoid any significant exposure to Arctic drilling or extraction of oil from tar

⁴ The Partnership for Carbon Accounting Financials (PCAF) provide guidance to calculate financed emissions

⁵ The UN-convened Net-Zero Insurance Alliance (NZIA) is an organisation where members commit to net-zero targets for their underwriting portfolios.

2. Incorporate climate-related issues into our strategies and investments

continued

sands. Similar considerations and referral would apply to any significant exposure to activities such as deforestation.

Climate-related risk scenarios formed part of the stress and scenario tests that informed our 2022 business planning process, consistent with our CISSA⁶ process as shown in figure 3. This is consistent with our 2021 approach and in 2023 we will follow this same approach to ensure climate-related risks are considered appropriately.

In order to manage Conduit Re's climate-related risks, included in the company's tolerance statements are specific exposure limits in relation to peril zones, types and modelled scenarios. Our modelled underwriting exposures, including those connected to climate risk is reported internally by the Chief Risk and Sustainability Officer. The report includes current modelled exposure against set thresholds, across a number of scenarios.

The Company is cognisant of the protection gap and continues to grow absolute natural catastrophe income when many other reinsurers are choosing to reduce their participation. We advocate for unbundling of coverages, which we believe is important in disaggregating risk which supports the reduction of the protection gap and protects the relevance of the commercial insurance markets.

The business conducts annual stress and scenario tests as part of business planning and refreshes these more frequently as circumstances dictate. The stress testing includes the impact from climate change, amongst other risks, on our underwriting and operations, considered our key business areas. The parameters considered in 2022's stress testing related to climate change included:

- increased frequency and severity of major windstorms, including those making landfall;
- increased frequency of unmodelled natural catastrophes; and
- the occurrence of a number of mega storms in one year with larger storms heading further inland and further north.

Of these, we consider both the impact of the events and the impact on business volumes as a result of the events (such as increased premiums as a result of increased uncertainty) over a five-year time horizon. The quantitative metrics considered included probable maximum losses, premium volume variations and failure of a retrocessionaire owing to an unexpected (1 in 750 year) event.

We considered the performance and required capital implications of the above on insurance losses, premium volumes (increases and decreases) and the implications to changes in our modelled expected losses. This is based on estimates made at the time of 2022 business planning. Given our strong capital position, even the most significant scenarios considered would be manageable. Our Financial Condition Report, issued each May and published on our website, provides more information about our approach to stress tests.

Operations

We have established a process for measuring our Scope 1, 2 and 3 emissions which will be further developed and refined (see Principle 4). We are closely following The UN-convened Net-Zero Insurance Alliance whose protocol on how to calculate GHG emissions related to underwriting activities was released in January 2023. Treaty reinsurance is currently out of scope of the current version of the

⁶ The Commercial Insurer's Solvency Self-Assessment (or "CISSA") is Bermuda's equivalent to an Own Risk and Solvency Assessment ("ORSA")

2. Incorporate climate-related issues into our strategies and investments

continued

Protocol. The next version of the Protocol will be published at the latest by 31 December 2024. Once the NZIA's guidance is clear on how to account for scope 3 emissions related to treaty reinsurance, we will determine any revisions to our plan and associated actions and targets. The company has now calculated its carbon emissions four times since its inception. Emissions released by the company in 2022 are disclosed in principle 4, and we have offset in line with our targets.

In our 2022 ESG Report we identified five metrics we are measuring going forward. They are:

- Gross premiums written in relation to what we classify as being 'green revenue'
- Proportion of business ceded to us by cedants who are signatories to the UN Principles for Sustainable Insurance.
- Gross carbon emissions per employee
- Net carbon emissions
- Number of environmental organisations supported (financially and/or through volunteering)

2.3 Incorporate the material outcomes of climate risk scenarios into business (and investment) decision making

Level 1: Describe the process for undertaking scenario analysis, taking into consideration different climate-related scenarios, including physical, transition and liability risk scenarios. Include scenario analysis methodology timeframes, parameters and key assumptions used.

Climate-related risk scenarios formed part of the stress and scenario tests that informed our 2022 business planning process, consistent with our CISSA process as shown in figure 3. Refer to section 2.2 for more details on the methodology, parameters and key assumptions used relating to climate change.

Our stress tests typically consider a relatively short time horizon for the event (one year) but consider the implications over a longer horizon (up to five years). Our work on emerging risks, which has included climate and transition risks, is more qualitative but considers a time horizon longer than our one-to-five-year planning horizon.

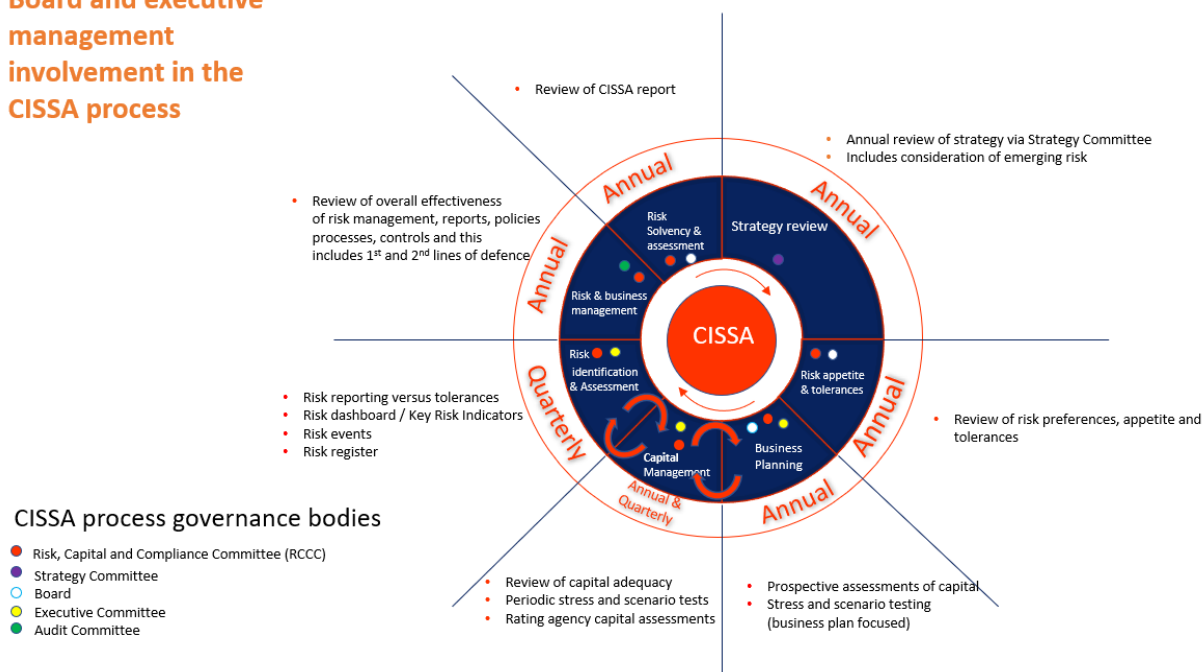
For both internal and regulatory reporting, the business conducts annual stress and scenario tests, already mentioned, which address physical risks.

Figure 3: CISSA Process from CISSA Policy

2. Incorporate climate-related issues into our strategies and investments

continued

Board and executive management involvement in the CISSA process



Level 2: Evidence of how scenario analysis is used to understand the resilience of the organisation’s current business strategy against identified material climate risk and how it has been integrated within core risk assessment processes.

Stress testing results are reviewed by the Board annually to ensure the current business plan and portfolio are aligned to their risk appetite. This provides the Board with an insight to the company’s current level of resilience against certain climate-related perils.

In May 2022, the Board held strategy sessions. This included a session specifically considering emerging risks. One of which focused on climate change and its impact across each line of business. The strategy sessions feed into the annual business planning cycle with the business plan approved at the third quarter 2022 Board meeting. As part of the business planning approval process, stress and scenario tests are considered which included specific scenarios relating to climate change. The company has ESG related risk appetite statements. These cover a range of business areas from our investment portfolio to our environmental footprint. Reporting against the risk appetite is completed quarterly, by the Chief Risk and Sustainability Officer, to the Risk, Capital and Compliance Committee of the Board. 2022 was the first year in which these ESG statements were analysed and reported against for Board monitoring.

The Boards, or committee thereof, receive quarterly reports from the group’s Chief Risk and Sustainability Officer on compliance with risk appetite and tolerance statements, and periodic reports on emerging risks, including those associated with environmental and social factors.

Further, scenario analysis considered in our catastrophe modelling and stress testing is fundamental to the business when making decisions on whether we agree to underwrite a policy and at what premium.

2. Incorporate climate-related issues into our strategies and investments

continued

Where the risk is considered too high for the premium willing to be paid, a decision may be made to not underwrite a specific policy.

To assist with reviewing and understanding our underwriting exposures, various realistic disaster scenarios are performed. Some of these scenarios are prescribed and required by the BMA as part of our year end regulatory return. Others are performed for internal monitoring purposes. Each are performed at least annually, with some quarterly. This stress and scenario testing is part of our annual CISSA process which informs our business decisions.

Level 3: Evidence of targets set (quantitative and qualitative over the short, medium and long term) to manage climate-related risks and opportunities on both the business and its key stakeholders, and a description around performance against targets.

One of the tempting levers that underwriters can use in the face of increased frequency and severity of climate-related events is to limit coverage and increase exclusions. When the insurance and reinsurance industry fails to provide capacity, risks are left on the 'balance sheets' of individuals, businesses, captive groups and ultimately governments. These are symptoms of a poorly functioning market and both publicly and privately, we are advocating for unbundling and innovation that provides mechanisms by which premium can be matched to risk. This is particularly relevant to our property and specialty lines.

For specialty lines, we are keen to expand our portfolio in a planned and intentional way. One of the challenges to growth is that during soft market conditions, there has been a trend to bundle coverages, and this makes it difficult to match premium to risk. We are seeing encouraging signs of this trend reversing in this regard and it is integral to our preferred path to achieving growth objectives.

For property lines we see unbundling as a mechanism by which those with good portfolio management can have a balanced portfolio. We also see potential benefits in reducing the coverage gap and accelerating claims payments, using techniques seen with parametric covers. We see the increased demand that a more uncertain climate brings and unlike many peers, we are, in absolute terms, increasing our exposure to weather related events while continuing to write a well-balanced portfolio.

Level 4: Evidence of strong collaboration efforts in the knowledge sharing of risk management and modelling expertise into business (and investment) decision making.

Our stress and scenario tests are conducted in collaboration with risk, finance, actuarial and underwriting. We have advocated for the unbundling of risk (as described in level 3 above) both publicly and privately.

3. Lead in the identification, understanding and management of climate risk

3.1 Ensure processes for identifying, assessing and managing climate-related risks and opportunities are integrated within the organisation (including investments)

Level 1: Describe current business practices and processes for identifying, assessing and prioritising climate-related risks and opportunities (including investment processes) by sector, geography and business segment where possible. This should include the use of standard definitions or risk classification frameworks.

As described in Principle 2, at a business planning level climate-related matters are considered in relation to Underwriting, Investments and Operations, including expense management. For underwriting the risks and opportunities vary, as noted, between our business segments of Property, Casualty and Speciality.

From an underwriting perspective, the company's underwriting guidelines have always considered ESG factors. During 2022 these were revised to require explicit referral to the Chief Underwriting Officer for any reinsurance treaties which may include 'new energy' related risks. Additionally certain other ESG factors are more specifically considered. An extract from our guidelines can be found in our ESG Report. From an operations standpoint, we formally included ESG criteria in our supplier guidelines, policies and procedures. This is to better aid the company in identifying and responding to climate-related risks. With respect to our investment portfolio, ESG parameters are currently included in the investment mandates provided to our outsourced investment managers.

Within our wider risk management framework (see figure 4) our philosophy for risk management recognises that our risk appetite is influenced by our core values and our views of emerging risk. Aspects of climate-related risk are still 'emerging' risks and our risk framework prescribes how we identify, measure and manage such risks.

Our processes around identifying, assessing and prioritising emerging climate-related risks are operated and managed by our risk function which has a direct reporting line to our Risk, Capital and Compliance Committee of the CRL Board. As described in our CISSA process, emerging risks are discussed at executive and Board level both on a periodic (quarterly) and ad-hoc basis. In May 2022, the Board held strategy sessions. The sessions included specific consideration of emerging risks. One of which focused on climate change and its impact across each line of business. The strategy sessions feed into the annual business planning cycle with the business plan approved at the Q3 2022 Board meeting. Follow up discussions on emerging risks were also held ahead of the Q4 2022 Board meetings.

As part of the business planning approval process, stress and scenario tests were considered, including specific scenarios relating to climate change. Further, in 2020 we committed to establishing ESG related risk appetite statements in our first year of operations. The Board-approved risk appetite statements, when revised at the Q4 2021 Board meeting, including explicit statements relating to ESG topics. These cover a range of business areas from our investment portfolio to our environmental footprint. Reporting against this risk appetite is completed quarterly, by the Chief Risk and Sustainability Officer, to the Risk, Capital and Compliance Committee of the Board. 2022 was the first year in which these ESG statements were analysed and reported against for Board monitoring.

3. Lead in the identification, understanding and management of climate risk continued

Between our discussions on emerging risk and those related to other potential scenarios, we have covered topics such as ESG reporting and environmental liabilities. These fed into our decision-making process around validation of our strategy and approval of our business plan, as described in principle 1.1.

Level 2: Evidence current business practice and processes for managing and regularly reviewing climate-related risks and opportunities including how this informs key decision making (and investment decisions).

We have sought to embed ESG considerations as part of our day-to-day activities, as already described in relation to the responsibilities of each executive, the various management committees and alignment with Board reporting. As we grew, we identified we needed a further group to support cross-functional alignment. In response, during 2021 the Climate Working Group was established with cross functional representation. This provides a secondary path by which climate-related matters are highlighted and brought to the Executive Committee and ESG Committee.

ESG principles are increasingly being embedded in our policies and procedures as and when they are updated. Our initial set were created to support operation as a regulated and publicly traded company from day one. As noted elsewhere in this report, many that initially either did not mention or had scant mention of ESG are typically having this focus increased as they come up for review as part of our standard governance regime.

Level 3: Evidence how these current business practice and processes are integrated into the organisation's overall risk management framework.

During 2021, our risk function was established with various policies and frameworks approved by the Board and management level activity to identify, measure, manage and mitigate risk. Within this are risks intricately tied to climate change. The policies include our Risk Policy, Stress and Scenario Testing Policy and Commercial Insurer's Solvency Self-Assessment ("CISSA") Policy. The management level activity includes risk and control assessment workshops and the identification of key risk indicators. Further details can be found in the CRL Financial Condition Report, which is published on our website.

Throughout 2022, the risk function has provided quarterly reporting to the Board and/or Board committees addressing our response to risk, compliance with risk appetite and tolerance statement and the response to any risk events or near-misses. During 2021, we developed a tool to manage our universe of risks and controls and in 2022 we developed our dashboard reporting to include internal and external risk indicators and drivers.

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

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

Through 2022, our Chief Risk Officer has become more heavily involved with climate matters, as reflected by him chairing the Climate Working Group and, in early 2022, having his role expanded to Chief Risk and Sustainability Officer. This provides strong alignment between the risk management framework and the business practices supporting climate-related risks and opportunities.

3. Lead in the identification, understanding and management of climate risk continued

Level 4: Evidence how the business assesses its compliance with current and emerging regulatory requirements

General compliance with regulatory requirements is supported by the Compliance Function which is led by the General Counsel and also benefits from an experienced Compliance Manager. The company leverages its membership of ABIR to support regulatory awareness and to remain engaged on regulatory requirements. The Chief Executive Officer, the General Counsel and the Chief Operations Officer are engaged with ABIR at the Board level, while the General Counsel, Compliance Manager and Chief Risk and Sustainability Officer are engaged at the Policy Committee level. Our Chief Risk and Sustainability Officer is also an active member of the Climate Risk Committee. Various other members of staff engage with additional ABIR committees.

More widely, Conduit Re is also a member of the RAA and the International Underwriting Association. Beyond associations, many of our staff and Board members are subject to continuing education requirements with specialists in topics including law, accounting and actuarial.

The Compliance Function reports quarterly to the Board. On an annual basis the function reports comprehensively to support the declaration of compliance, which is a regulatory requirement in Bermuda. The Group has strict operating guidelines which contemplate both regulatory and tax considerations and these have been subject to internal audit as part of their current rotational cycle, with Internal Audit outsourced to a 'Big 4' accounting firm.

3. Lead in the identification, understanding and management of climate risk continued

3.2 Support and undertake research and development to inform current business strategies (including investments) on adapting to and mitigating climate-related issues

Level 1: Evidence the member's role in developing insurance products and/ or new partnerships to support innovation for climate-related issues mitigation and adaptation. This should include an explanation around how the need for these climate-related products and innovation has been identified.

As both a new company and as a pure reinsurer, Conduit Re has determined that it can have the most impact by having an appropriate role in actively supporting wider industry activity, rather than by establishing an in-house research and development team. Conduit Re's acknowledgement of climate-related issues has been evident since before the Group's launch and has been reinforced inter alia by strategy sessions as referenced elsewhere in this report.

Our activities in development of partnerships and solutions can be summarised into six groups:

1. Our Executive Chairman has been tasked with advocating on behalf of Conduit Re on climate matters. He is an active speaker on topics around how insurance and the financial markets can best support the transition. While his interest pre-dates Conduit Re, it very much influenced the idea that became Conduit Re and is integral to what we have built and continue to build. His current activities include those associated with the SMI and seeking to establish an 'insurance carbon warehouse'. Alongside others from Conduit Re, he has also been advocating for unbundling of cover to expand the landscape of insurable risk, breaking down existing products into more precise coverage.
2. When Conduit Re signed the SMI's Global Pledge for Sustainable Supply Chains in 2022, we made a commitment to support reduction the footprint of our direct supply chain. We will be measuring our emissions associated with our suppliers to identify and tackle carbon hot spots.
3. Locally, we support the establishment of new partnerships and means of cooperation, as evidenced by our sponsorship of the 2022 Bermuda Climate Summit. This brought together experts from different industries, non-governmental organisations, governments, and academia to work together on pertinent issues. We also supported Bermuda's Youth Climate Summit for the second year.
4. Our underwriters discuss climate-related opportunities with brokers and other market participants. Nothing material has yet come of this, but we are a new company, typically operating in a follow capacity in a subscription market, so there is a lead time to progress.
5. Conduit Re actively participates in industry groups, as mentioned elsewhere, which are engaged in climate-related work. With feedback and suggestions from Conduit Re and others, the SMI's Global Pledge for Sustainable Supply Chains was shaped to allow market participants including brokers and reinsurers to be included as inaugural signatories to it in 2022. Another example of working in collaboration was Conduit Re's participation in the ClimateWise research project on secondary perils.
6. Finally, in the work of The Conduit Foundation we have identified causes to support that innovate on climate-related issues. Examples include the Living Reefs Foundation (Bermuda) and the Bermuda College Foundation Electric Vehicle Mechanics program. This supports the transition to less polluting vehicles.

3. Lead in the identification, understanding and management of climate risk continued

Level 2: Evidence the member's role in improving data quality issues to inform the research and analytics of climate-related issues.

Through the visibility we get through the ABIR Climate Risk Committee, we have been impressed by the work underway to improve data quality and proliferation of open-source data standards and models through the Insurance Development Forum. We are not directly involved but on a smaller scale have mentioned to peers the work we are doing to improve data quality for casualty classes.

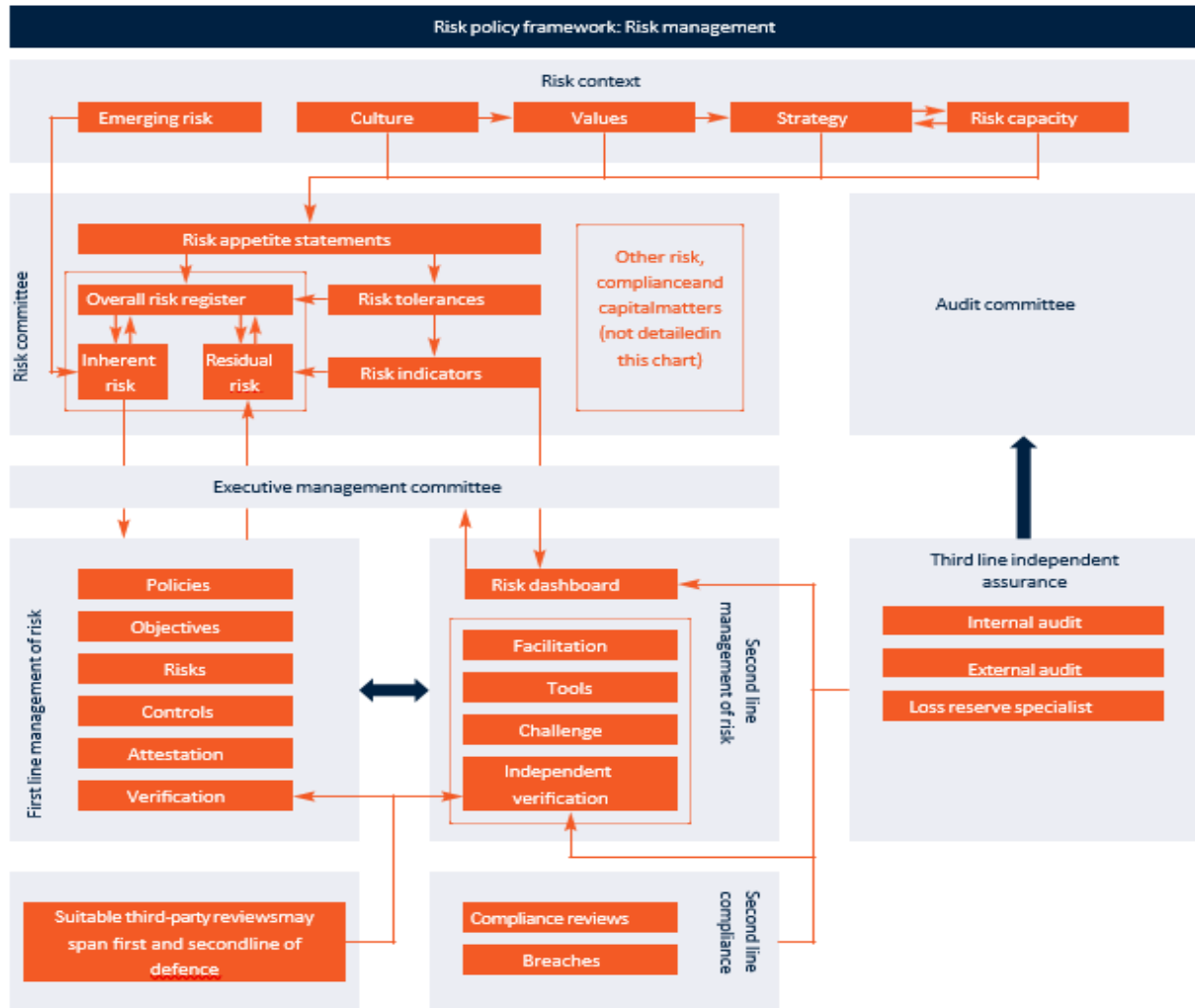
Casualty reinsurance does not typically produce the breadth of risk data that property business benefits from. We are seeking to enrich our casualty data using an in-house tool. The tool allows us to understand better the realistic disaster scenarios that our casualty book is exposed to. This includes scenarios which are climate driven and our longer-term aims are to also share data insights with brokers and cedants. In 2022 we completed a successful pilot project with the tool and in 2023 are seeking to expand its use and abilities.

Level 3: Evidence of how the development of new products/partnerships to address climate change impacts the business and addressed the most significant issues or opportunities as identified by the organisation.

Currently, the developments noted in this section have not addressed the most significant risks or opportunities. That said, we believe our push for unbundling of risk leading to new discussions will ultimately increase the size of the addressable insurance market. For example, our work on casualty accumulations is helping us to understand and manage our portfolio and our involvement in wider initiatives supports general progress on understanding, awareness and transparency.

3. Lead in the identification, understanding and management of climate risk continued

Figure 4: Risk Framework



4. Reduce the environmental impact of our business

4.1 Encourage our suppliers to improve the environmental sustainability of their products and services, and understand the implications these have on our business

Level 1: Evidence of an environmental/ sustainable procurement policy that is applicable across all operations.

Suppliers of general goods and services:

We understand our suppliers' impact on the environment also has an implication for our business. We have a policy of asking potential suppliers to provide details of their ESG strategy during competitive vendor selection processes as part of our formal process. Our material suppliers are typically providers of software, professional services and technology solutions. Given this range, we tailor our ESG enquiries to circumstances, for example insisting that our selected asset managers are all signatories to the UN Principles for Responsible Investment and asking suppliers of catered food for meetings to be single use plastic free. We have an Outsourcing Oversight Committee which reviews all material providers, including software-as-a-service providers, and consider their ESG impacts as part of the review. Our actions to avoid single use plastics were acknowledged this year when Beyond Plastics (Bermuda) recognised us as a 'Champion'. As such, we ensure all catering suppliers avoid the use of single use plastic, building on our existing initiatives.

Brokers

We have relationships with all the major reinsurance broking houses. Through our Executive Chairman we have engaged with the most significant of these at C-Suite level to discuss matters such as carbon neutrality, including making suggestions as to mechanisms and approaches. We have seen good progress in this regard, but recognise we are just one of many voices seeking to influence them. In 2022, 92% of our estimated ultimate written premium, were written via brokers who are ClimateWise members.

Providers of retrocessional capacity

Our primary consideration with providers of retrocessional capacity is their credit quality and reputation for claims payment, but they are approved on a rounded basis, by a committee rather than pre-determined criteria and these do take into account wider considerations. In 2022⁷, over 75% of capacity provided relates to companies who either participate in ClimateWise, are a member of the SMI, Insurance Taskforce, are a signatory to the United Nations Principles for Sustainable Insurance or are an active member of the ABIR Climate Risk Committee.

Other

We note that the ClimateWise guidance makes reference to claims processes. As a treaty reinsurer, all our claims are paid by wire transfer to (re)insurance companies. We are remote from the value chain section where claims made convert into consumption of goods and services.

⁷ For this measure, we have considered all outwards reinsurance policies that incepted during 2022. Policies that incepted in 2021 but remained in place for part of 2022 are not included.

4. Reduce the environmental impact of our business

continued

Level 2: Evidence of work and services undertaken to assess the environmental sustainability of products and services purchased and any corrective action taken.

Our work on carbon emissions tells us that our most carbon-intensive consumption of products and services relates to travel and electricity consumption. As set out in section 4.2 we seek to minimise our footprint and offset the emissions that our activities generate.

We have engaged in discussions both directly, and via the ABIR Climate Risk Committee, with the electricity supplier in Bermuda who has recently started a transition path. We seek opportunities to reduce our own associated footprint.

Recognising our gross carbon impact, we have sought corrective action to this through offsetting with carbon credits. We also engaged Incubex to support us in the identification of climate offset projects which will have the greatest impact on the societies involved. Each of the projects are either 'Verified Carbon Standard' or 'Gold Standard' certified. They indicate the project has been assessed against certain rules and requirements. Following a review of projects available, Conduit Re selected four socially responsible verified projects, considered aligned with the Company's vision and values to offset our current estimated emissions from 2021 to 2025. For details on the projects selected by Conduit Re, please refer to our 2022 ESG Report, available on our website.

To promote and encourage other companies to offset their own emissions, we granted Incubex permission to use our story when seeking other companies to join their push for an Insurance Carbon Warehouse.

Level 3: Describe how broader environmental/climate-related issues impact your value chain and how you have taken a leading role in engagement throughout the value chain to improve the sustainability of products and services.

During 2021 we started exploring the opportunity to join the SMI's Global Pledge for Sustainable Supply Chains. Having provided feedback during the process that influenced final form, we were delighted to join 14 other companies as inaugural signatories in August 2022. The aim of the pledge is to "result in more businesses having a better understanding of how they can take meaningful action to implement emission reduction strategies". At the end of 2022, we calculated our share of suppliers' emissions for the first time. We used this exercise to identify which of our suppliers already have suitable sustainability plans and which could use our support. In 2023 we will connect with suppliers with the greatest environmental footprint to support their sustainability transition.

In September 2022, Conduit Re was recognised as a Beyond Plastics (Bermuda) Corporate Champion in acknowledgement of its progress to reduce plastic use. The criteria to become a Champion include providing plastic free catered lunches, promoting and facilitating recycling on the premises, drinks provided by the company in glass, aluminium or paper cartons, and providing bring-your-own-containers to staff, amongst others. We estimate that the decision to replace plastic catered lunch meetings with more sustainable options will save around 230kg of plastic, each year, alone. We also arranged for Beyond Plastics to hold an educational session for our staff and their families, advising on the negative effects of plastic for both human and environmental health, and changes which can be made to reduce plastic consumption.

While difficult to evidence, the work of our Executive Chairman in influencing others is an important aspect of our response. His engagement with brokers and others is significant and ongoing, as recognised recently by his lifetime achievement award at the Insurer ESG Awards in 2022.

4. Reduce the environmental impact of our business

continued

4.2 Disclose our Scope 1 and Scope 2 GHG emissions and Scope 3 GHG emissions using a globally recognised standard

Level 1: Disclose Scope 1 and Scope 2 GHG emissions and Scope 3 GHG emissions.

Our scope 1, 2 and 3 GHG emissions for the years ending 31 December 2022 and 2021 are disclosed in the table below. Activity details and emission factors were used to calculate these. The associated activity is also presented in the table below. An emission factor was sourced for each activity, these are described in level 4 below. Electricity use was shared by our energy suppliers. Business travel and hotel stays were provided by the company's travel agent and supplemented by our finance team. Commuting details were calculated following discussions with staff. Our share of suppliers' emissions was calculated using their published reports.

4. Reduce the environmental impact of our business

continued

Carbon emissions table

Emission type	Activity	Basis of measurement	2022				2021						
			Bermuda	Quantity London	Bermuda	London	tCO2e Total	Bermuda	Quantity London	Bermuda	London	tCO2e Total	
Scope 1													
Direct	None		0	0	0	0	0	0	0	0	0	0	
Scope 2													
Indirect energy													
	Electricity	kWh	90,756	4,957				53,564	13,589				
	<i>Location based</i>				68	1	69			34	5	39	
	Market-based				65	1	66			34	1	35	
Scope 3													
Indirect other	Business flights	Kilometres	1,352,129	193,206	165	23	188	595,105	113,470	72	14	86	
	Hotels	Nights	117	139	4	12	17	92	58	11	7	18	
	Staff commuting	Kilometres	149,272	14,595	17	1	18	72,959	23,752	8	4	12	
Total Gross emissions from our operations													
<i>Location based</i>													
					255	37	292						
Market based													
					252	37	289			130	25	155	
Carbon offset applied													
					(252)	(37)	(289)			(130)	(25)	(155)	
Net Carbon impact from operations													
					0	0	0						
Gross emissions per average employee													
Average number of employees													
					45	2	47			28	3	31	
<i>Location based</i>													
					6	19	6			5	7	5	
Market based													
					6	18	6			5	6	5	
Carbon credit balance													
As at the start of the period													
							3,445						3600
Applied to the years emissions (total market-based emissions)													
							289						155
As at the end of the period													
							3,156						3,445
Gross emissions including our share of suppliers' emissions													
Total gross emissions as per above market based													
							289						
Share of suppliers' emissions													
							747						
Grand total													
							1,036						

4. Reduce the environmental impact of our business

continued

Level 2 – Disclose Scope 1 and Scope 2 GHG emissions and Scope 3 GHG emissions with an absolute or intensity target against a baseline

As we predicted in our 2021 report, our gross emissions and emissions per employee grew in 2022. This reflected the start-up nature of our company and the impact of COVID-19 restrictions on our operations in 2021.

In our 2021 report we said we would use 2022 as the baseline against which we then target year on year reductions in our gross emissions per employee. Thus, in this report we comment on movement from prior year rather than versus a target.

Our target is specific to our operational emissions as first reported in our 2021 Annual Report and Accounts. This includes our Scope 1 and Scope 2 emissions plus those specified Scope 3 emissions relating to business travel and staff commuting. These are also the emissions that we offset. From a reporting perspective we also report our share of supplier emissions.

We selected 2022 as a baseline as our operations are now more normalised with our average headcount for the year having increased by over 50% from 2021 to 2022. 2022 also saw the return of international travel.

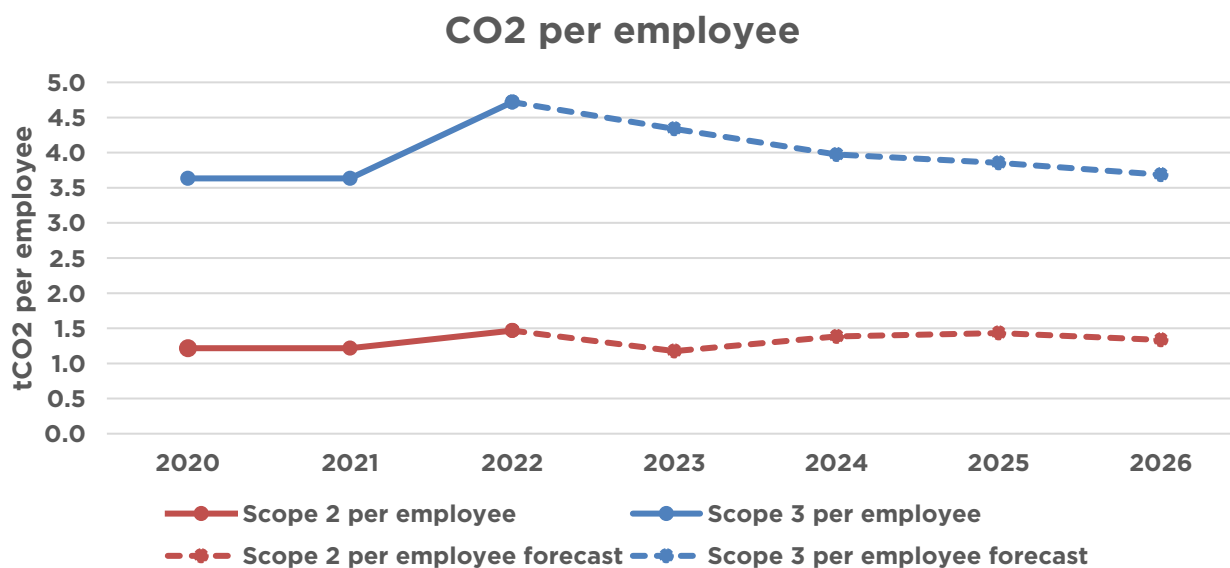


Figure 5: Carbon dioxide emissions 2020 – 2026 per employee

In figure 5, we have shown the actual emissions in 2020, 2021 and 2022 on a per employee basis using the average number of employees in the year. The chart also shows forecast emissions per employee for 2023 to 2026. As Conduit Re's operations began during Q4 2020 we have grossed up 2020's emissions for comparative purposes. The figures used are calculated using the location-based approach.

During 2022, our total average emissions per employee increased from 4.9tCO₂e to 6.1tCO₂e.

4. Reduce the environmental impact of our business

continued

Level 3 – Disclose Scope 1 and Scope 2 GHG emissions and Scope 3 GHG emissions with performance trend and accompanying narrative.

Our absolute emissions in 2022 were 292 tCO₂e versus a forecast (as referenced in our 2021 ClimateWise report) of 274 tCO₂e. For our main operation in Bermuda, we were slightly lower than forecast at 255 tCO₂e versus forecast 259 tCO₂e while for London we were 37 tCO₂e versus forecast of 15 tCO₂e.

The main drivers of variance for Bermuda were over-forecast of our business travel but under-forecast of our electricity consumption. For London we under-forecast electricity consumption and significantly under-forecast our business travel. This was in large part due to a new member of staff needing to spend time in Bermuda to become familiar with our team and operations, so he made more, and longer, trips than his predecessor.

Our increased electricity consumption in Bermuda was a surprise. We had not expected our increased headcount to increase our electricity consumption as much, given the physical size of our office had remained consistent.

As a result of our 2022 experience, we have revised our future forecasts and these are factored in to our forecasts in figure 5. Our target remains unchanged, which is to reduce the CO₂ emissions per employee year-on-year from 2022.⁸

To demonstrate trend from 2021 (which was our first full year of operation) to our selected baseline of 2022, chart 6 shows the growth in absolute emissions from 2021 to 2022 to get to the 2022 baseline by category of emission.

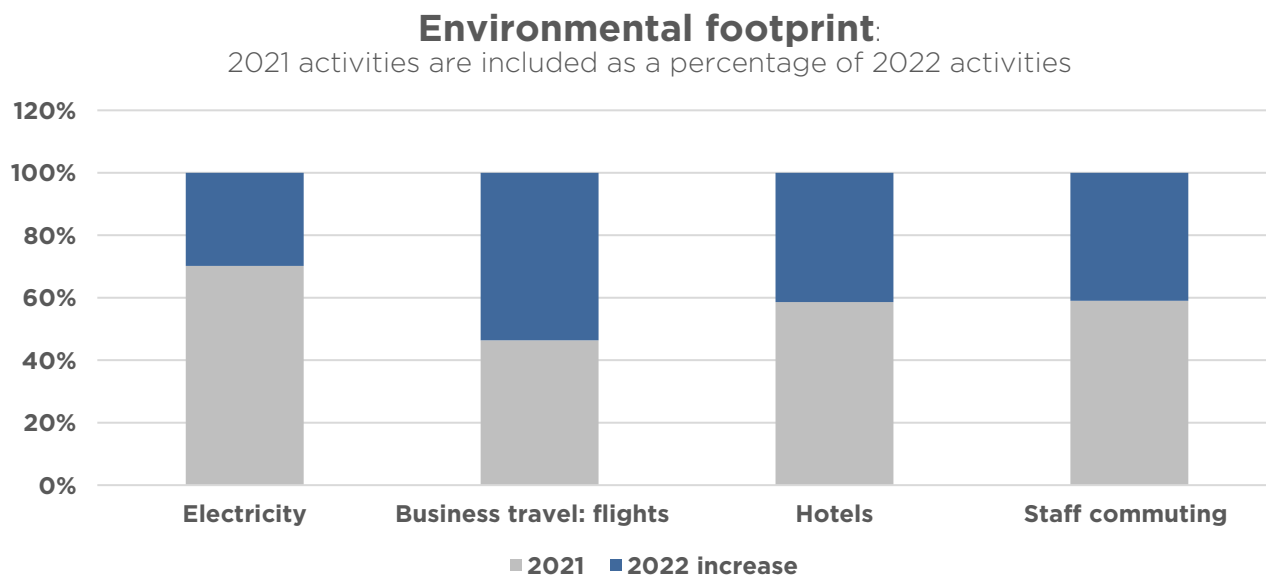


Figure 6: Total activity usage in 2021 as a percentage of 2022's activity, which has been selected as our baseline

⁸ Our 2022 baseline is set at 6.11 tCO₂e per employee using the market-based approach

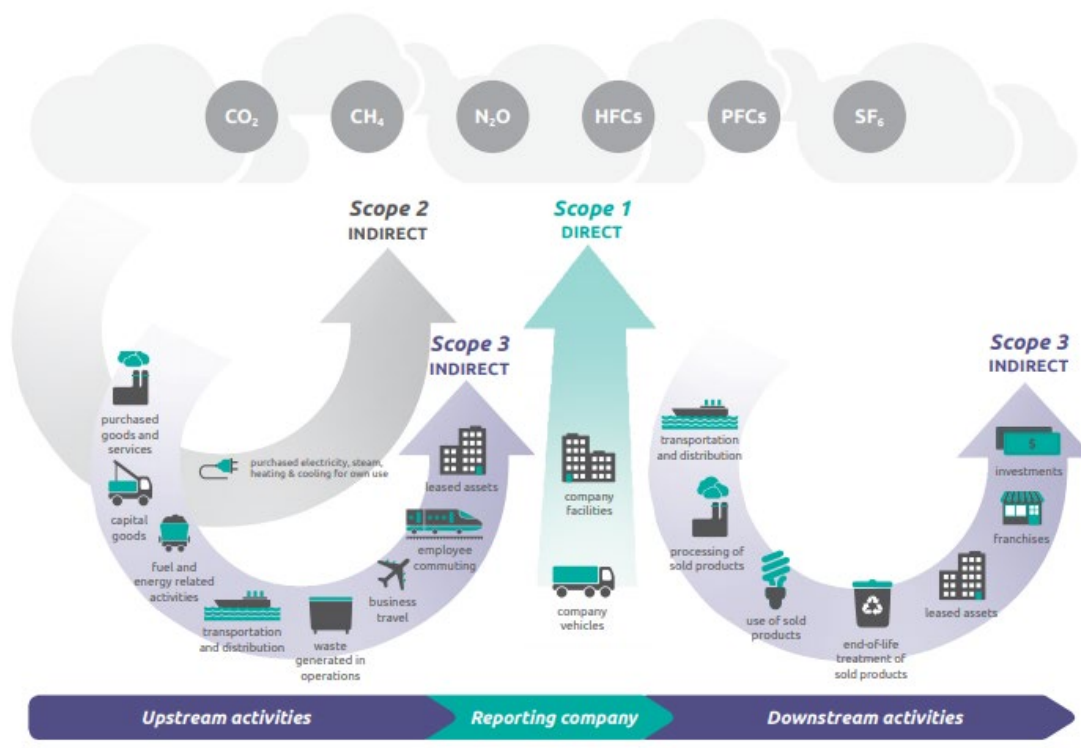
4. Reduce the environmental impact of our business

continued

Level 4- Describe the methodologies used to calculate GHG emissions metrics and targets.

We refer to the Greenhouse Gas Guidance Protocol for accounting of our emissions across the three scopes. For all our emissions, we are relying on the GHG Guidance Protocol for assessing and accounting our Scope 1 to 3 emissions. As the Greenhouse Gas Guidance Protocol's image below shows, Scope 1 is made up of direct emissions, under the control of the reporting company and consisting of emissions from company facilities and vehicles.

Figure 7: Greenhouse Gas Protocol Guidance



4. Reduce the environmental impact of our business

continued

During the period to 31 December 2022, Conduit Re did not own any relevant company assets. There were, and still are, no company vehicles. Therefore, we can report a Scope 1 footprint of zero for our first two years of operations.

To assess our Scope 2 emissions for our London office, we refer to the location-based and market-based methods of the Greenhouse Gas Guidance on Scope 2 Accounting.

The 2022 electricity usage for our London activities relates to the activities of two people. Our London office space is sublet. We encourage our landlord to be cognisant of the carbon impact of electricity consumed.

We investigated the possibility of utilising solar panels for our Bermuda office building. Our landlord has confirmed however that for various reasons this was not a possibility. In future we do hope to explore other opportunities to exploit solar. For the time being, therefore, we receive electricity from the only electricity source in Bermuda, which unfortunately currently emits relatively high volumes of CO₂. Our office building does, however, benefit from rain-harvesting as the water supply, for which the emissions do not extend beyond the limited electricity used to facilitate this.

For Conduit Re's Scope 3 accounting of emissions, we investigated the company's upstream activities, in particular business travel and employee commuting. Business travel data (flights, and hotels) was supplied by the company's travel agent supplemented with our own travel records. Commuting details were calculated following discussions with staff and information collected by HR.

Following the data collection process on business travel, commuting and electricity consumption, we used emission factors published by reputable international bodies to calculate total emissions produced.

These sources were as follows:

- CO₂e for air travel was taken from the ICAO Emission Calculator
<https://www.icao.int/environmental-protection/Carbonoffset/Pages/default.aspx>
- CO₂e for rail travel was taken from information provided by the UK Office for Rail and Road (47.5g CO₂e per passenger km)
<https://dataportal.orr.gov.uk/statistics/infrastructure-and-emissions/rail-emissions/>
We note that our rail travel source for 2021 was the equivalent report for the prior year:
<https://dataportal.orr.gov.uk/media/1993/rail-emissions-2020-21.pdf> (2020-2021: 146.5 g CO₂e per passenger km). The prior years' rail emissions per passenger were significantly increased due to the lower count of passengers using public transport.
- CO₂e for petrol cars and bikes was taken from the UK Government's '2022 Government's Greenhouse Gas Conversion Factors for Company Reporting'
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1083857/2022-ghg-cf-methodology-paper.pdf
The source for petrol cars and bikes in 2021 was the MyClimate emission calculator
https://co2.myclimate.org/en/car_calculators/new. The 2021 source includes in its emissions factor additional indirect emissions, including: provision of fuel, maintenance and disposal of vehicles, infrastructure (roads). To remain consistent across our sources, and considering most of our staff own a vehicle for multiple reasons, of which commuting is one of them, we chose a source for 2022 which provided the incremental emissions caused by each kilometre of road commuted. We therefore changed our source from MyClimate to the UK Government. This caused a change in total commuting emissions from 16.4tCO₂e, as stated in our 2021 Annual Report and Accounts and ClimateWise report, to 12.2tCO₂e.
- CO₂e for electric bikes and cars was calculated using the electricity usage per mile as per the manufacturer's specifications and the local/ market-based electricity emissions factors, as applicable.
- CO₂e for hotel stays is based on the CARMATOP - Carbon Management for Tour Operators 2013 report, Table: Average emission factors for worldwide accommodations (5 star hotels in Bermuda: 119.6 kg CO₂e per available room; All other hotel stays are considered 3/4 star: 37.2kg CO₂e per available room). In 2021, most hotel stays were in Bermuda's 5 star hotels; in 2022 however, with the return of international travel, 3 and 4 star hotels were stayed in internationally, reducing the emissions per stay.
- CO₂e for electricity's location-based method for our London office uses the Grid Electricity Emissions Factors published by the UK government (0.208.71kg/kWh)

4. Reduce the environmental impact of our business

continued

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1083857/2022-ghg-cf-methodology-paper.pdf

CO₂e for the market-based method for our London office uses emission information provided by our electricity provider (129g/kWh)

<https://www.edfenergy.com/fuel-mix>

CO₂e for the location-based method for our Bermuda office uses The IFI Dataset of Default Grid Factors v.3.0 (753g/kWh)

https://unfccc.int/sites/default/files/resource/Harmonized_Grid_Emission_factor_data_set.xlsx

CO₂e for the market-based method for our Bermuda office uses emission information provided by our electricity provider (716.8g/kWh)

- CO₂e for our suppliers was based on their published emissions and financial reports. We define our suppliers as brokers, and vendors whose costs are allocated to our "Other Operating Expenses" included within our Annual Report and Accounts. To complete this exercise, we identified all suppliers for which Conduit Re had a spend in 2022 greater than \$500,000, which was 17 suppliers in total and 51% of our total spend. Of these suppliers, nine disclosed their carbon emissions, of which five were brokers and four were other vendors. We calculated our share of their emissions using our spend as a percentage of their total revenue, multiplied by their total carbon emissions for the most recent year, which was typically 2021. This provided us with our carbon emissions for nine suppliers which made up 41% of our total spend. As it is typically larger companies who disclose their carbon emissions, and our largest spend is typically with the larger companies, it is less likely that our smaller suppliers, who we did not research, will disclose their emissions. To calculate estimated emissions generated by these companies in our supply chain, we calculated the average CO₂e per dollar spent on our researched suppliers from the information generated above. We multiplied this average CO₂e by the remaining 59% of our spend to calculate emissions associated with the suppliers who either did not disclose their emissions or who had not been included in our sample. We combined the results from the two exercises, which provided us with an overall estimate of our share of carbon emissions generated by suppliers in our value chain.

We do not include emissions related to our investment portfolio as we do not have consistent and timely access to suitable high-quality data. We have performed analysis of those investments with greatest negative impact and have factored this in to revised exclusions in our investment guidelines.

We have not yet calculated the emissions connected with our underwriting portfolio. We are closely following The UN-convened Net-Zero Insurance Alliance whose protocol on how to calculate these GHG emissions was released in January 2023. In NZIA's most recent publication for consultation, released in October 2022, treaty reinsurance is currently out of scope of the current version of the protocol. The next version of the protocol will be published at the latest by 31 December 2024. Once there is clear guidance on how to account for scope 3 emissions related to treaty reinsurance, we will determine any revisions to our plan and associated actions and targets.

4. Reduce the environmental impact of our business

continued

4.3 Measure and seek to reduce the environmental impacts of the internal operations and physical assets under our control

For Conduit Re, our challenge is to minimise our negative environmental impacts as we grow. As our business grows, our emissions will grow. However, we intend to measure and manage all our emissions and environmental footprint closely with a view to minimising them to the extent that we reasonably can. We have included in section 4.2 quantitative details on environmental footprint, performance narrative and methodologies used. We have included in section 4.1 details of our environmental impact reduction projects.

In 2021 and 2022 our primary target was to be net carbon neutral and minimise our environmental footprint. Given our start-point, we did not set further quantified targets but instead focused on establishing sustainable practices.

In early 2021, we selected our leased head office premises, choosing a location that required limited reconfiguration. Our building also already benefits from energy efficient technologies, such as use of LED lighting and rainwater harvesting. We have made decisions that constrain our use of single use plastics, such as the use of filtered water rather than bottled and use coffee machines that are bean to cup (see *principle 4.1 Level 5 for more details*). We do not need extensive promotional or marketing materials, but as we committed in our 2020 report any such decisions have been made in an environmentally aware way. Since our 2020 report, further developments have included residual office coffee beans taken home by staff for composting in their gardens and we have sourced plants for the office to support air quality. Further, as mentioned above, our office's water supply is harvested rainfall. Our employees remain water conscious: most homes in Bermuda rely on harvested rainfall, encouraging residents to adopt a water conscious lifestyle. The sustainable nature of our water supply means that water usage is currently not considered a key metric for us to measure and reduce.

We encourage printing in the office only when required as there are no paper recycling facilities on the island. In 2022, we recycled tin, aluminium, and glass in the office (arranged by our cleaning contractor and landlord) and batteries (taken directly by members of our Climate Working Group). Typically, metals are shipped to the USA for recycling, while glass is crushed and reused here in Bermuda as aggregate. Waste from the office is taken to the local energy facility where it is incinerated to make energy for Bermuda. We considered measuring volumes of waste but given the number of staff our total waste and waste recycled is very limited.

In 2022 we eliminated the use of single use plastic during office catered lunches. We estimate that the decision to replace plastic catered meetings with more sustainable options will save circa 230kg of plastic each year.

Some areas that we are investigating for 2023 are recycling policies for IT equipment (largely irrelevant to date), printing and power settings. We also plan to roll-out staff incentives to adopt solar and/or electric vehicles in the form of interest-free loans. While this will have a lead time, we plan to measure the impact of this incentive.

4. Reduce the environmental impact of our business

continued

4.4 Engage our employees on our commitment to address climate change, helping them to play their role in meeting this commitment in the workplace and encouraging them to make climate-informed choices outside work

During the year we have enjoyed a good level of staff engagement on climate matters. We think the fact that ESG has been part of the Conduit Re story from before launch has encouraged staff engagement on climate matters.

Our engagement actions for 2022 include the following achievements:

- Around one fifth of our employees attended the Youth Climate Summit to engage with the participants. The build up to this was also used to remind staff (or inform in the case of new joiners) some of the steps we have taken operationally to reduce our environmental impact.
- We have made available corporate membership of the Bermuda Underwater Exploration Institute (“BUEI”). BUEI is the National Operator of the Eco-Schools Bermuda programme, a global programme recognised by the United Nations that is dedicated to sustainable development education. The membership provides our employees, and their families, with free access to BUEI’s educational exhibits to further their understanding, appreciation and protection of the ocean around Bermuda, including the risks faced by the ocean from change.
- Conduit Re conducted its first employee engagement survey in June 2022. Some of the comments received from staff supported positive engagement on ESG matters.
- Provided reusable containers in our office to support plastic-free lunches.
- We also arranged for Beyond Plastics (Bermuda) to hold an educational session for our staff and their families, advising on the negative effects of plastic for both human and environmental health, and changes which can be made to reduce plastic consumption. We estimate that ensuring catered lunches in the office arrive on reusable trays rather than disposable plastic trays, each year we will save 230kg of plastic.
- Finally, as noted elsewhere, we have supported a number of environmental charities, each charity supported to date has some connection to our employees.
- Looking ahead we plan to have further structured staff engagement activities and it is likely some form of ‘give back’ activity will also be coordinated and supported.

5. Inform public policy making

5.1 Promote and actively engage in public debate on climate-related issues and the need for action. Work with policy makers locally, regionally, nationally and internationally to help them develop and maintain an economy that is resilient to climate risk

Conduit Re's philosophy is that positive change on climate-related matters will result from industry stakeholders working together to achieve wider common goals. To that end, Conduit Re encourages its people to participate in relevant industry initiatives.

ClimateWise

Conduit Re believes that transparency and comparability are important to advance the debate on the role of insurance in the context of climate change. ClimateWise provides a framework under which transparency and comparability can be achieved.

Beyond participation, Conduit Re has also advocated, with international regulators and standard setters, for use of existing frameworks (using ClimateWise as an explicit example) when providing feedback under the umbrella of both the ABIR and the RAA. This has included contributing to feedback in Bermuda, US (federal and state), Europe and Canada.

Sustainable Markets Initiative – Insurance Taskforce (“SMI”)

Our Executive Chairman has been an active participant in, and outspoken advocate for, the establishment and work of the taskforce. He has particularly focused on issues relating to supporting investment in the green economy and around carbon considerations in the underwriting portfolio. We have also been supportive of other workstreams and in 2022 became an inaugural signatory to the SMI's Global Pledge for Sustainable Supply Chains.

The Association of Bermuda Insurers and Reinsurers (“ABIR”)

Conduit Re are active members of the main relevant committees of ABIR, notably the Policy Committee and the Climate Risk Committee (for 2023 this will be renamed the Sustainability Committee and have a wider remit). Through ABIR, Conduit Re has provided feedback to various regulators, government, and others, on matters pertinent to climate change. This goes beyond the business of insurance, for example engaging with technology / insurtech providers, the electricity supplier in Bermuda, consultancies and rating agencies.

Conduit Re specific sponsorship and activities

Beyond the organisations we work with to support our sector, Conduit Re also identified opportunities to support efforts locally to encourage collaboration and innovation on varying time horizons. To that end, Conduit Re was the Platinum sponsor of the 2022 Bermuda Climate Summit, which as mentioned already, brought together a diverse group of stakeholders to advance Bermuda's contribution, as a leading financial services hub, to the issues of climate change. Similarly, Conduit Re was a sponsor of the Bermuda Youth Climate Summit, which, rather than being a one-off event is the kick off for year's

5. Inform public policy making

continued

program on the topics of conservation, sustainability and climate justice. Each of these provide both education and engagement for Bermuda's youth and also directly deliver additional benefits such as sea grass restoration, working with schools to reduce single use plastic and food production initiatives. Both major sponsorships involved direct involvement with the Government both during the main events and subsequently.

More broadly, Conduit Re has sponsored the ESG supplement of The Insurer magazine. Both our Executive Chairman and our Chief Risk and Sustainability Officer have spoken on climate-related matters at events and in articles.

Other memberships and commitments

When the Chief Risk Officer's role was expanded to address climate matters, one of his first actions was to review our current and potential memberships of climate-related initiatives. Through this process our membership of ClimateWise and the SMI was affirmed, and we have formally adopted the Principles for Sustainable Insurance. We continue to monitor other initiatives and are monitoring closely developments at the Net Zero Alliance, as discussed above.

5. Inform public policy making

continued

5.2 Support and undertake research on climate change to inform our business strategies and help to protect our customers' and other stakeholders' interests. Where appropriate, share this research with scientists, society, business, governments and NGOs in order to advance a common interest

As a late 2020 start-up company, Conduit Re has not yet itself undertaken any meaningful direct research on climate change. Instead, we have benefitted from the work of others to inform our initial decision making, strategic options and our 2022 strategy sessions. Conduit Re also actively responds to data requests from the climate groups with which we participate, and provides voluntary disclosures to our regulator, the Bermuda Monetary Authority. In 2022, Conduit Re has participated in the ClimateWise research project into secondary perils.

The matters mentioned in response to 5.1 "Conduit Re specific sponsorship and activities" address engagement on topics including the sharing of knowledge and engaging with others on the topic of research.

6. Support climate awareness amongst our customers/clients

6.1 Communicate our beliefs and strategy on climate-related issues to our customers/ clients.

Conduit Re has communicated our general beliefs and direction through frequent commentary in the industry press. This is most notable through interviews with, and articles authored by, our Executive Chairman. He also actively encourages brokers and other counterparties to offset their carbon emissions.

Our Chief Risk and Sustainability Officer provided the welcoming address at the dinner for speakers, sponsors and other guests at the Bermuda Climate Summit in 2022, attended by many peers. This spoke to Conduit Re's dedication to sustainability and why we view it as so important.

As the Company emerges from its start-up phase, the extent of our more formalised and quantitative climate-related reporting will increase, as demonstrated by our commitment to the ClimateWise initiative and the SMI. We have also communicated our beliefs with an ESG dedicated page on our website (<https://conduitreinsurance.com/environmental-social-governance/>) available for all clients and stakeholders and with a dedicated section in our Annual Report and Accounts. Other steps we have taken include requiring suppliers to share their ESG credentials and beliefs with us as part of our formal procurement process and providing similar credentials to clients, when asked.

Through our active engagement with ClimateWise, SMI, the ABIR Climate Risk Committee, the Bermuda Climate Summit in 2022, amongst other initiatives, we believe our clients are well informed on Conduit Re's commitment to net-zero and reporting aimed at reinsurance companies. In future, we plan to take further action in communicating our climate-related initiatives and intentions to our clients by sharing our ESG report in early 2023.

6.2 Inform our customers/ clients of climate-related risk and provide support and tools so that they can assess their own levels of risk

Our clients are predominantly (re)insurance companies. The way we have provided support and tools, therefore, is by being more specific than many peers in explaining how we have calculated our carbon emissions, rather than focusing only on the end output. This is evidenced in our 2021 Annual Report and Accounts, our 2022 ESG Report, and in this ClimateWise report, which is being made public. Using the references and links within our published reports, it is reasonable that another company could calculate their own emissions, without needing to seek consulting advice.

Our Executive Chairman actively encourages brokers to offset their carbon emissions. This occurs during meetings in addition to writing articles for insurance targeted journals where he encourages a transition towards renewables and a universal approach to carbon scoring and in numerous speaking events.

As we work towards meeting our Supply Chain Pledge, we will engage with our suppliers to support their sustainability transitions. For the 2022 year, for the first time, we calculated our scope 3 emissions relating to our supply chain and included the result in our carbon emission disclosures. This exercise enabled us to identify which suppliers may need support and which suppliers already have credible net zero plans.

7. Enhance reporting

7.1 Submission against the ClimateWise Principles

Conduit Re is reporting against ClimateWise Principles within prescribed timelines.

7.2 Public disclosure of the ClimateWise Principles as part of our annual reporting

Conduit Re's 2022 and 2021 ClimateWise reports have been published to our website.



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