STRATEGIC REPORT

Business review

FML was a 100% directly owned subsidiary of Fidelis Insurance Holdings Limited ("**FIHL**") until 3 January 2023. Effective 3 January 2023, FML became a 100% directly owned subsidiary of Shelf Holdco II Limited ("**HoldCo**"), with an ultimate parent of The Partnership TopCo.

The Fidelis Partnership was established via the Separation Transactions ("**Separation Transactions**") effective on 3 January 2023. The Fidelis Partnership was established as a managing general underwriter with various of its subsidiaries entering into long-term delegated underwriting and outsourced services contracts with FIHL and various of its subsidiaries ("**Fidelis Insurance Group**"). Following the Separation Transactions, subsidiaries of The Fidelis Partnership, include FML and insurance agents: Pine Walk Europe SRL ("**PWE**"), Shelf Opco Bermuda Limited ("**Bermuda MGA**"), Pine Walk Capital Limited ("**PWCL**") and its subsidiaries.

The Company reported a profit after taxation of $5.0 million for the year to 31 December 2023 (2022: $2.1 million).

The directors have considered and applied their statutory duty to promote the success of the Company under S172 of the Companies Act 2006, and in so doing, have regarded the issues, factors and stakeholders relevant to each of the following:

The likely consequences of any decision in the long term

All strategic decisions, including changes to the Company's corporate and Board structures, are approved by the Board as and when required.

The interests of the Company's employees

A set of legally compliant, culturally appropriate and best practice human resources policies underpins the interests of the Company's employees. To encourage the involvement of the Company's employees, the human resources function delivers an annual performance management and compensation review. This review includes the benchmarking of employees' salaries against market data and a calibration of fairness and consistency across multiple variables including function, gender, and ethnicity. The performance management system in particular takes a balanced score card approach which includes assessment against the Fidelis ethos; a key element of the working culture. Ownership for professional development sits with employees who are supported by managers alongside human resources infrastructure; including a learning and development portal housed on The Fidelis Partnership intranet.

There is a comprehensive line of communication through the human resources and communications function to systematically provide employees with pertinent information on matters of concern to them, including regular updates through newsletters and a dedicated employee portal. The Company holds quarterly townhall meetings in order to to achieve a common awareness among all employees of the financial and economic

factors affecting the Company's performance. Employee views are considered in decisions that affect their interests. Formal employee engagement surveys are conducted annually and the Management Committee gathers employee views for discussion and action. Additionally, all employees are encouraged to carry out one to one meetings with direct reports on a regular basis.

The directors of the Company hold regular all-staff meetings to ensure engagement with employees. Furthermore, in the interests of the Company's employees, the directors consider employee perspectives when discussing critical decisions during Management Committee meetings and Board meetings.

The Company has a vision for diversity and inclusion called "Bring Your Whole Self to Work". This vision, with associated diversity and inclusion strategy, is intended to establish a culture that celebrates and embraces diversity of background, experience and perspective. Opportunities for training, career development and promotion are equally available to new employees who are disabled and to employees who become disabled while employed by the Company.

The Fidelis Partnership fosters an environment where every employee, regardless of their identity, has equal opportunities for career advancement and receives equitable recognition for their contributions to both personal and The Fidelis Partnership's achievements. Achieving this vision requires a workforce committed to promoting Diversity & Inclusion at all levels and in every department throughout The Fidelis Partnership.

The recruitment process is underpinned by the Diversity and Inclusion policy, through blind CV's, mixed interview panels, minimum mix of candidates in the applicant pool, competency interviews, and testing as part of the selection process. This commitment is integral to our corporate values and is reflected in our practices aimed at ensuring full and fair consideration for disabled persons throughout the employment lifecycle. Necessary accommodations during the recruitment process to facilitate an equitable experience for all candidates is provided for and continued through employment by making reasonable adjustments and providing ongoing support to aid employees in performing their jobs efficiently.

The need to foster the Company's business relationships with suppliers, customers and others

The directors consider the need to foster the Company's business relationships with suppliers, customers and others when discussing critical decisions during Management Committee meetings and at Board meetings. As a result, the statistics regarding our adherence to supplier payment terms are regularly reviewed and published. As a financial services intermediary, the Company is obliged to treat its suppliers, customers and others fairly at all times. We consider the impact on our suppliers when establishing our payment practices and monitor on a monthly basis our performance against pre agreed benchmarks for insurance services provided to third parties.

The impact of the Company's operations on the community and the environment

As a subsidiary in The Fidelis Partnership, FML is committed to adhering to the established processes and protocols of the Group. This alignment ensures that FML uphold the standards and operational efficiencies that are synonymous with the Group.

The Fidelis Partnership is a committed leader in the industry with respect to standards for environmental, social and governance ("**ESG**") matters. The Fidelis Partnership aims to embed ESG factors and restrictions in its underwriting processes where appropriate. These underwriting restrictions include not directly insuring thermal coal (including dedicated infrastructure projects such as ports and railways), tar sand extraction, Arctic oil and gas exploration and drilling and fracking operations. The Fidelis Partnership will continue to incorporate ESG assessments in the underwriting process and refine the process for reviewing individual insurance risks.

The Fidelis Partnership uses policy language to mitigate the potential risks of inadvertently supporting modern slavery or human trafficking within our business in particular in our marine cargo business and other lines of business where relevant. We are also cooperating with the U.K. Independent Anti-Slavery commissioner and Anti-Slavery International, a non-profit organization to develop a commitment to which insurers and brokers can sign up.

The Fidelis Partnership strongly believes in supporting communities and charities that operate both locally, and around the world via its charitable foundation (the "**Foundation**"). The Foundation provides a platform for staff to contribute to a culture of altruism and philanthropy aligned with The Fidelis Partnership values. The Foundation funds charities that are efficient, financially sustainable and have measurable impacts and currently includes those spanning human rights, education and environmental issues. These attributes are part of our selection process criteria.

The Fidelis Partnership calculates its operational carbon footprint every year and offsets this using high quality carbon credits – FML is fully covered by this exercise. In 2023, the carbon footprint was offset at 110% using Plan Vivo credits covering projects in Uganda and Nicaragua. FML is committed to promoting diversity and inclusion – aiming to ensure the composition of the workforce reflects the make-up of the local community. FML employees have a sustainability objective within their performance metrics in order to promote positive ethos and behaviours.

The desirability of the Company maintaining a reputation for high standards of business conduct

The Company has a compliance function which seeks to be a trusted advisor to the business, driving and supporting innovation whilst partnering with the business and regulators to ensure regulatory obligations are met. The compliance function seeks to ensure that the Company's culture and behaviours put clients' interests at the heart of its business activities and that the Company acts with integrity in the market.

The need to act fairly between members of the Company

All interactions with other Group entities are carried out at arm's length and are governed by service level agreements.

Going concern

As at 31 December 2023 the Company had net current assets of $5.4 million (2022: net current liabilities $1.7 million). The Company does not have any long-term liabilities. Current liabilities include intercompany loans of $15.3 million (including interest) , repayable on 19 June 2024 and 20 July 2024.The directors of the company refinanced the loans for a further 12 months in June 2024, as the Board of Directors of PWCL confirmed at their meeting on 13 May 2024 that the refinancing would occur.

The directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, the Company will have sufficient funds to meet its liabilities as they fall due for the foreseeable future. Consequently, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least 12 months from the approval date of these financial statements. The basis for the going concern position is contingent on the Company receiving support from other members of The Fidelis Partnership. The Fidelis Partnership has no material uncertainty surrounding it's going concern. Thus, the directors continue to adopt the going concern basis of accounting in preparing the annual financial statements. Support for the going concern position is provided through the provision of working capital loans under the multi-party intra-group loan agreement.

Having considered the principal risks and uncertainties facing the Company, the expected future profitability, cash flows of the Company and the amount of shareholder's equity, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the next 12 months. Thus, the directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Principal risks and uncertainties

The process of risk management is addressed through a framework of policies, procedures and internal controls. The Company has developed a risk and control framework in line with the wider Group which is built on an Enterprise Risk Management (“**ERM**”) model that aims to integrate existing risk programs into a more holistic embedded Group wide risk and capital management framework.

The main risks are described as follows:

- Liquidity Risk - the risk of the Company's ability to remain a going concern.
- Credit Risk - the risk that the Company is unable to repay contractual debt obligations as FML has loans with Bermuda MGA and Pine Walk Capital Limited.
- Currency Risk - the risk of financial loss that arises from fluctuations in the exchange rates, as FML deals in various currencies.
- Cashflow Risk - the risk of uncertainty in the cash flows that FML expects to receive or pay in the future.

Financial Risk Management

The Company's business is the provision of administrative services to the Fidelis Partnership. The Company undertakes certain obligations on behalf of the Fidelis Partnership and as such there are financial risks associated with the business undertaken. Financial risks are monitored and managed by the Risk Committee, who are supported by the Company's Board on a quarterly basis. The key risks for the Company are liquidity, credit cashflow and currency risk.

The likelihood of FML's liquidity risk is low as the Company's ability to continue as a going concern is directly linked to the financial performance of the main operating subsidiaries of The Fidelis Partnership. The Company also reduces credit risk by recharging the expense amounts to The Fidelis Partnership on a cost plus basis. The impact of currency risk is minimized by offsetting receivables and payables denominated in the same currencies, to reduce overall currency exposure. By consolidating transactions in the same currency by entity, the impact of exchange rate fluctuations on cash flows is reduced. Cashflow risk is controlled through close monitoring of cashflow projections and commissions of the operating entities to ensure they generate sufficient liquidity to meet net liquidity requirements. Support for the cash position is provided through the provision of working capital loans under the multi-party intra-group loan agreement.

Future developments

The directors consider that the principal activity of the Company will continue unchanged into the foreseeable future. Growth and development of the business in The Partnership TopCo will continue to be encouraged and supported by the Board.