

## Sustainability-related disclosures by Monarch Assurance SE

In 2019, the European Union issued Regulation (EU) 2019/2088, which lays down harmonised rules for financial market participants and financial advisers on transparency of sustainability related disclosures in the financial services sector (herein referred to as the ‘SFDR’). The regulation came into force on 10 March 2021 and being a financial market participant, Monarch Assurance SE is required to make a number of public disclosures of sustainability-related information as outlined below:

### **1. Article 3: Internal policy on the integration of sustainable risks in the Company’s investment decision-making process**

Monarch Assurance firmly believe that a responsible investment strategy requires to cater for the needs of its clients and provide for the effective integration of ESG factors in its investment decisions. In its responsible investment policy, the Company:

- strives to provide, where possible, attractive and sustainable investment options within its third-party external managed funds;
- avoids non-sustainable focussed investment-themed options (e.g. military, tobacco, fossil fuel focus);
- monitors the external managers with respect to the availability of documented and appropriate ESG policies and implementation of good sustainable practices;
- in its assessments, refers to recognized ESG-scoring agencies/tools, such as Paris Agreement Capital Transition Assessment (PACTA) tool;
- applies avoidance of conflicts of interests in internal activities and at level of the external managers; and
- when applicable, refers to the investment policy of the external managers and provide appropriate references to the respective policies on its website.

In this context, Monarch Assurance remains committed to manufacture and distribute products which provide positive added value for its clients, the environment, society at large and its stakeholders.

### **2. Article 4: Principles of Adverse Impacts of investment decisions on sustainability factors**

Following an internal analysis, and in view of the fact that Monarch Assurance is a financial market participant with fewer than 500 employees, it has adopted a cautious approach and as a consequence, presently, it does not consider principal adverse impacts (“PAIs”) of investment decisions on sustainability factors, in accordance with article 4(1)(b) of the SFDR.

The investment-based insurance products of Monarch Assurance are all linked to collective external funds managed by third-party fund providers. The Company notes that the investment options being offered to its clients might be rather complex and provide a multitude of diverse combinations as

chosen by the respective client. In this case, the amount of relevant data that is required to develop the appropriate indicators in relation to PAIs is not currently available for all the collective external funds.

With a view to provide a true and fair representation of the Company's position in this regard, Monarch Assurance is not considering PAIs until further consolidation of data is achieved. Notwithstanding, Monarch Assurance remains committed to consider adverse impacts in the coming years as the data and information available on the collective external funds is further consolidated. Monarch Assurance is regularly reviewing its approach in this regard and will update its position accordingly as needed.

### **3. Article 5: Integration of sustainability risks into the Company's remuneration policy**

Monarch Assurance has developed and is implementing an internal 'Remuneration Policy' which is applicable to (a) members of the Board and its sub-committees; (b) senior management; (c) all other staff members. The main objective of the policy is to promote good risk management and positive risk behaviours and culture. Nevertheless, despite fostering a competitive and achievement-oriented work environment, the policy itself is considered to be conservative. Thus, the remuneration structure of Monarch Assurance does not consider variable remuneration. The Company does not encourage risk-taking behaviour with respect to the manufacturing and distribution of its products including in relation to sustainability risks.

This policy aims to support the achievement of the strategic priorities of Monarch Assurance to provide an excellent service to its clients and grow sustainable profits on a long-term basis. It also aims to enhance the Company's good corporate governance (under the 'Governance' pillar), responsible business behaviour (under the 'Environment' pillar). The policy is being implemented on a gender-neutral basis in line with the Company's terms of employment on inclusion and diversity (under the 'Social' pillar).

The policy is regularly reviewed to ensure that its underlying framework remains relevant and in line with the SFDR requirements.

### **4. Articles 6, 8 and 9: Product Classification**

Amongst the different products offered by the Company, there are insurance-based investment products ("IBIPS"). The IBIPs offered by the Company are also Multi-Option Products ("MOPs") operating under non-discretionary management (meaning that the investors are presented with a list of options, and they decide which options they would like to invest in).

Whilst the SFDR applies to such products, there remains uncertainty as to the required disclosures at the wrapper level. In fact, the latest Joint ESAs Opinion on the assessment of the SFDR<sup>1</sup>, issued on 18th June 2024, under point 53, states that: *"In the case of MOPs operating under non-discretionary management (that is to say the investor decides himself/herself the options he/she invests in), the manufacturer cannot commit to a minimum proportion of Taxonomy-aligned or sustainable investments, and does not know ex-ante whether the product will invest "in an economic activity that*

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<sup>1</sup> [JC 2024 06 Joint ESAs Opinion on the assessment of the Sustainable Finance Disclosure Regulation \(SFDR\)](#)

*contributes to an environmental objective”. Therefore, the Commission may analyse what would be the relevant disclosures at wrapper level.”*

Whilst some of the products as offered by the Company present one or more investment options that have been classified as promoting environmental or social characteristics within the meaning of Article 8 of the SFDR, the Company is opting to take a prudent approach and considering its IBIPs as financial products which do not qualify under Article 8 or Article 9 of the SFDR. That being said, the KID of each IBIP includes a list of the investment options offered and their SFDR product classification, for the investors’ ease of reference when making their choice.

The Company is regularly reviewing its approach in this regard and will particularly be on the lookout for any relevant guidelines on the classification of MOPs. The Company will update its position accordingly as needed.

## **5. Ongoing Review**

In line with the requirements of Article 12 of the SFDR, Monarch Assurance commits itself to review regularly the aforementioned disclosures with a view to ensuring that each disclosure continues to comply with the SFDR requirement. Any amendment will be recorded as such within the respective disclosure.

As at:

30 May 2023 (v1)

22 November 2024 (v2)