

Sustainable Finance Disclosure Regulation (SFDR)

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, Monarch Assurance has adopted a cautious approach and as a consequence, presently, it does not consider principal adverse impacts (“PAIs”) of investment decisions on sustainability factors as prescribed by Article 4 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.

Monarch Assurance is committed to work closely with the aforesaid fund managers to be able to link PAIs on sustainability factors to specific indicators in order to ensure a fully comprehensive and quantitative assessment which complies with the expectations of EIOPA. It is envisaged that this ongoing work will provide the Company with the required data to be in a position to make the disclosures required by Article 4 of the SFDR. Therefore, the Company wishes to state that it expects the first consideration of PAIs and the disclosure thereupon to be carried out in the near future.

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. 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