

Market Commentary

Education and information on sustainable investments is needed

From: Holger Beitz, CEO PrismaLife

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In times of the Corona crisis, the awareness of sustainability is increasing. A good opportunity to place sustainable investment management - one might assume. But a current statistic should shake us up in the financial sector: Only every seventh German citizen can explain the term "sustainable capital and investment". This is the result of a representative [study by the German Institute for Retirement Provision \(DIA\)](#).

This is a clear signal in our direction: we urgently need to raise awareness to give consumers the knowledge to make sustainable investments. As long as people do not understand sustainable financial products, the desired boom will not happen. We already know this from other sectors that have invested heavily in education and information - so that today, for example, organic food markets are springing up and green electricity providers have already established themselves on the market.

Involving the intermediaries

We should not wait and see, but rather seek an exchange between insurance companies and intermediaries on how we can assume responsibility and exploit the opportunities offered by sustainable business. Firstly, with the extension of the IDD and MIFID rules on suitability testing, the analysis of customer expectations will also turn to sustainability. And secondly, for many people, the issue of sustainability is also an emotional topic - something that is otherwise rarely found in retirement and wealth planning.

Another study by DIA shows that financial knowledge is insufficient, and the idea of sustainable investment is skewed. Up to now, the perception has dominated that such investments are mainly focused on environmental aspects. But sustainability is not only about ecology. Social and corporate management factors are treated equally to the environmental factor. The approach of a sustainable investment is therefore equally concerned with social commitment and fair corporate governance.

Trust as a success factor

For me, these three factors - ecology, social affairs and governance - are based on trust. In the years ahead, it will be important to see how we succeed in gaining our customers' trust in sustainable investments. Seals and ratings can provide orientation in this respect. It will be the responsibility of the European Union and the regulators to develop reliable and

sufficiently specific standards for the assessment of ESG criteria to provide certainty. But this alone will not be enough. There is also a need for further confidence-building measures, such as standards for the of government bonds, to raise up the market.

What gives me hope is that the younger generation, which is increasingly committed to climate policy, is basically open to sustainable investments. For example, the willingness to consider sustainability in new investments is with 47 percent quite high among 16- to 25-year-olds, according to the aforementioned DIA study. But sustainability should not be a generational issue. It is important to convey financial knowledge and sustainability in all age and income groups.

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PrismaLife also offers customers numerous fund solutions with a sustainable orientation. Further information is available at: www.prismalife.com

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