Australian Government
The Treasury

# Sustainable Investment Product Labels

## Consultation paper

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treasury.gov.au



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*In the spirit of reconciliation, the Treasury acknowledges the Traditional Custodians of country throughout Australia and their connections to land, sea and community. We pay our respect to their Elders past and present and extend that respect to all Aboriginal and Torres Strait Islander peoples.*

# Contents

# Consultation Process

## Request for feedback and comments

The Government seeks views on possible policy options to underpin a Sustainable Financial Product Labelling framework and the specific questions raised in this paper. These views will inform ongoing policy development and regulatory engagement on sustainable financial product labels.

| | |
|---|---|
| **Online** | https://consult.treasury.gov.au/c2025-629687/consultation |
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| Mail | Director<br>Labelling and Disclosure Unit<br>Climate and Energy Division<br>The Treasury<br>Langton Crescent<br>PARKES ACT 2600 |
| Enquiries | Enquiries can be initially directed to<br>climatereportingconsultation@treasury.gov.au |

Interested parties are invited to comment on this consultation. Information on making a submission is available in Treasury's Submission Guidelines.

## Publication of Submissions

While submissions may be lodged electronically or by post, electronic lodgement is preferred. For accessibility reasons, please submit responses sent via email in a Word or RTF format. An additional PDF version may also be submitted.

All information (including name and address details) contained in submissions will be made available to the public on the Treasury website unless you indicate that you would like all or part of your submission to remain in confidence. Automatically generated confidentiality statements in emails do not suffice for this purpose. Respondents who would like part of their submission to remain in confidence should provide this information marked as such in a separate attachment.

Legal requirements, such as those imposed by the Freedom of Information Act 1982, may affect the confidentiality of your submission.

# Sustainable Investment Product Labels

The Government is implementing a range of policy and regulatory initiatives under its Sustainable Finance Roadmap to build the market structures and frameworks that can help companies, investors and the broader community make the most of the net zero transformation and deliver a sustainable, prosperous economy.

## Sustainable Finance Roadmap priorities

| Pillar 1: Improve transparency on climate and sustainability | Pillar 2: Financial system capabilities | Pillar 3: Australian Government leadership and engagement |
|---|---|---|
| • Priority 1: Implementing Climate-related financial disclosures | • Priority 5: Enhancing market supervision and enforcement | • Priority 9: Issuing Australian sovereign green bonds |
| • Priority 2: Developing the Australian Sustainable Finance Taxonomy | • Priority 6: Identifying and responding to systemic financial risks | • Priority 10: Stepping up Australia's international engagement |
| • Priority 3: Support credible net zero transition planning | • Priority 7: Addressing data and analytical challenges | |
| • Priority 4: Developing sustainable investment product labels | • Priority 8: Ensuring fit for purpose regulatory frameworks | |

The Roadmap outlines the Government's target of 2027 for the commencement of sustainable investment product labelling, subject to final policy decisions.

Sustainable investment product labels seek to help investors identify, compare, and make informed decisions about sustainable investment products.

Sustainable financial product labels could complement the increasing information available to investors following implementation of climate-related financial disclosures (Priority 1) and be supported by other relevant developments including the Australian Sustainable Finance Taxonomy (Priority 2), transition planning guidance (Priority 3), and increased availability of data (Priority 7).

## Terms used in this paper

| | |
|---|---|
| Product issuer | Refers to the person(s)/entity responsible for offering investment products to investors, such as superannuation funds or managed investment schemes. |
| 'Sustainable' or similar | The use of 'sustainable' or similar, in this paper, refers to the range of terms used in the financial product industry to indicate the product considers one or more objectives beyond investment returns, including sustainability or social outcomes. It could also include impacts on people and how businesses manage themselves. In broad terms this covers environmental, social or governance factors (ESG).<br>Terms most commonly used include green, sustainable, responsible, ethical and socially aware, but others may also be relevant including ESG. |

| | |
|---|---|
| Investor | Refers to a retail investor, that is, an investor who is not a wholesale investor, and personally invests in pooled investment products such as superannuation funds, or managed investment schemes (including exchange traded funds). |

# Policy problem

Sustainable investing refers to an investment strategy that explicitly acknowledges the relevance to the investor of environmental, social and governance factors, along with financial performance, when making and managing investments.

According to the Responsible Investment Association Australasia (RIAA), in 2023 an estimated $1.6 trillion of financial assets in Australia used a responsible investment approach.[1] While there have been outflows from sustainable investment in the United States, there appears to be continued interest in sustainable investment in Australia and New Zealand with sustainable funds receiving positive inflows in the last quarter of 2024 and first quarter of 2025[2]. The significant amount of assets invested, and the growth in sustainable investment locally drives a need to ensure investors have clarity about the investments included in financial products using these labels.

Product issuers use a variety of sustainable investment strategies. This diversity of practice can make it difficult for investors to understand whether or how different products meet their investment objectives. Existing financial product disclosure obligations do not support simple comparisons of the sustainability characteristics of financial products. This makes it difficult for investors to compare the sustainability characteristics of investment products or identify how product issuers make specific investment decisions about what to include in their financial products. Investors typically do not have the skills, resources or time to independently verify sustainability claims made by product issuers.

Multiple surveys and studies have shown that Australian investors are often confused by sustainability terminology:

- A Colonial First State survey found 58 per cent of Australians don't know how to compare different sustainable investment options and only 9 per cent were confident about the difference between an impact fund and a sustainable fund.[3]
- According to a BBC Storyworks survey, 55 per cent of Australian respondents found claims businesses make about sustainability to be confusing.[4]
- The *ASX Australian Investor Study 2023* found the number one investment challenge for retail investors in Australia is knowing which sources of information to trust (34 per cent of people surveyed).[5]

Developments in regulatory frameworks, such as Australia's sustainable finance taxonomy and mandatory climate-related financial disclosure requirements, are improving transparency and accountability. These frameworks support better availability and credibility of information alongside existing product disclosure obligations and prohibitions against misleading or deceptive conduct.

Nonetheless, the lack of standard practice and terminology in sustainable investing makes it difficult

[1] Responsible Investment Association Australasia *Responsible Investment Benchmark Report Australia 2024* (November 2024) 10.

[2] Morningstar Sustainalytics, *Global Sustainable Fund Flows: Q1 2025 in Review* (24 April 2025), 1, 33.

[3] Colonial First State, *Consistent consumer labelling critical amid confusion over ESG products* (9 November 2023).

[4] BBC Storyworks *How much do Australians known about sustainability*.

[5] ASX *Australian Investor Study 2023*, 9.

for investors to use existing disclosures to compare the sustainability attributes of competing products. The introduction of an Australian sustainable investment product labelling framework is intended to support investors to make informed decisions. Requirements will prioritise disclosure that is informative, accessible, and meaningful to support consumer decisions.

## Product disclosure requirements

Product issuers are required to provide a range of information to help investors choose and compare financial products. Requirements can include issuing Financial Service Guides and Product Disclosure Statements, making and issuing Target Market Determinations and, if personal financial product advice is being provided, providing a Statement of Advice. Superannuation funds are also subject to Portfolio Holdings Disclosure requirements.

When preparing Product Disclosure Statements, issuers must include information about the extent to which labour standards or environmental, social or ethical considerations are considered in selecting, retaining or realising an investment[6]. To meet this requirement, issuers use a wide range of sustainability-related statements or terms in Product Disclosure Statements. These terms can mean different things to different people and often vary between products and issuers. Previous reviews into the financial system emphasise the need to promote more engaging and effective communication with investors to increase investor understanding and facilitate better decision making.[7] The confusion expressed by investors in the surveys cited above suggests these disclosure requirements are not assisting investor understanding.

## Misleading or deceptive conduct (greenwashing)

In addition to regulatory requirements related to disclosure, the prohibition against misleading or deceptive conduct in the corporations law plays an important role in protecting the market from 'greenwashing' practices. Greenwashing is the practice of misrepresenting the extent to which a financial product or investment strategy is environmentally friendly, sustainable, or ethical[8].

As noted by the Australian Securities and Investment Commission (ASIC):

> *'Greenwashing distorts relevant information that a current or prospective investor might require in order to make informed investment decisions. It can erode investor confidence in the market for sustainability-related products and poses a threat to a fair and efficient financial system.'*[9]

Concerns about greenwashing remain front of mind for Australian investors and for product issuers. Recent reports by RIAA found that:

- 78 per cent of Australians are concerned about greenwashing.[10]

[6] *Corporations Act 2001* (Cth) s 1013D(1)(l). Note, the Corporations Regulations 2001 also includes similar rules for managed investment schemes and superannuation products.
[7] *Financial System Inquiry* (Final Report, November 2014) 213.
[8] Australian Securities and Investments Commission, *How to Avoid Greenwashing When Offering or Promoting Sustainability-Related Products*, (Information Sheet 271).
[9] Ibid.
[10] Responsible Investment Association Australasia, *From Values to Riches 2024: Charting Consumer Demand for Responsible Investing in Australia* (2024) 6.

- concern about risks of greenwashing has risen to the be the most significant deterrent to responsible investment, with 52% of respondents identifying it as a barrier, up from 45% in 2022.[11]

ASIC's greenwashing enforcement action will continue to play a vital role protecting Australian investors from being misled and deceived. However, as outlined by the RIAA finding above, the risk of greenwashing claims can act as a deterrent to responsible investing. ASIC has issued guidance about what issuers should consider when offering or promoting sustainability related products[12].

Clear rules governing the use of terms such as 'sustainable' could also reduce incentives for product issuers to engage in 'greenhushing'. Greenhushing is the practice of downplaying or not publishing sustainable practices or goals because of concerns that the issuer will be found liable for misleading or deceptive sustainability claims. Other reasons to engage in greenhushing include avoiding perceptions of potentially lower performance or higher fees. A labelling framework with consistent rules for the use of sustainability terms would reduce or eliminate this uncertainty and increase the confidence of product issuers to make sustainability claims.

## Box A: Greenwashing case study

***ASIC v Mercer Superannuation (Australia) Limited 2024 [FCA] 850***

In August 2024, the Federal Court ordered Mercer Superannuation (Australia) Limited to pay a $11.3 million penalty after it admitted it made misleading statements about the sustainable nature and characteristics of some of its superannuation investment options.[13] In this decision, the Judge noted how the practice of greenwashing harms not only consumers, but also interferes with fair and competitive markets.

> *"In addition to harming consumers by depriving them of information relevant to making choices in accordance with environmental, social and ethical values or objectives, false or misleading ESG claims may confer unfair competitive advantages on companies in marketing their financial products and services."*[14]

Importantly, the judgement also noted that although it is clear consumers were harmed and the competitive process was affected by the relevant misleading conduct, it is difficult to quantity the harm caused to investors in the case of greenwashing because it is:

> *"… not possible to identify any financial harms to individual consumers because it is not known:*
>
> *(i) which consumers, if any, elected to become members of Sustainable Plus Options on the basis of the Representations;*
>
> *(ii) what alternative choices they would have made had they known the true position; and*
>
> *(iii) the difference in performance of any relevant alternative superannuation fund.*

[11] Responsible Investment Association Australasia (n1), 10.
[12] Australian Securities and Investment Commission (n8).
[13] Australian Securities and Investment Commission, 'ASIC's first greenwashing case results in landmark $11.3 million penalty for Mercer' (Media Release 24-173MR, 2 August 2024).
[14] *Australian Securities and Investments Commission v Mercer Superannuation (Australia) Limited [2024]* FCA 850, 2 [4].

*As a consequence, there is no basis on which to assume the amount of any financial loss or damage to consumers."*[15]

## Questions

1) In the context of existing regulatory settings and disclosure requirements, what is the role for sustainable financial product labels?
2) Should any new requirements apply to all financial products that make a claim or state a sustainability or similar objective other than, or in addition to, maximising financial returns?

[15] Ibid, 36 [132].

# International context

The Government is monitoring sustainable financial product labelling reforms in other jurisdictions, particularly the United States, United Kingdom, and the European Union. There is no common international standard, and jurisdictions take different approaches to improving the sustainable labelling practices of product issuers. Many of these frameworks are still in their infancy.

The Government is interested in understanding the benefits of interoperability of Australian labels with those of other jurisdictions. Internationally compatible labelling allows international product issuers to operate efficiently across jurisdictions and facilitates consistency across markets. However, labels must serve the interests of Australian retail investors, so any international requirements must be meaningful in an Australian context. Below is a high-level snapshot of the approaches taken internationally.

## Box B: International approaches to investment product labelling

### Regulatory guidance

- Singapore[16] and India[17] have addressed concerns around ESG labelling practices through the issuance of binding regulatory guidelines for funds wishing to use ESG labelling. Under the guidelines, a minimum percentage of the fund's investments must be allocated to the ESG fund's "sustainable" (or similar term) objective.
- In the United States[18], the Securities Exchange Commission amended the "Names Rule", so registered investment companies that use ESG related terminology in their fund name must invest at least 80 percent of the value of their assets in those types of investments.

### Labelling requirements

- The United Kingdom's sustainable investment labelling regime commenced on 1 July 2024. Under the UK's regime, a fund manager must ensure that at least 70 per cent of the gross value of the sustainability product's assets are invested in accordance with the sustainability objective. Fund managers are also subject to specific naming and marketing rules and are required to produce consumer-facing disclosures summarising the key sustainability characteristics of the product.(see **Box C** for more detail).
- The European Union's Sustainable Finance Disclosure Regulation (SFDR) has been identified as operating as a de facto labelling regime.[19] The SFDR sets out mandatory ESG disclosure requirements for asset managers. According to the SFDR's classification system, a fund will be classified depending on their characteristics and levels of sustainability.

[16] Monetary Authority of Singapore, Circular No. CFC 02/2022, 28 July 2022.
[17] Securities and Exchange Board of India, Circular 2023/125, 20 July 2023.
[18] United States Securities and Exchange and Commission, SEC Enhances Rule to Prevent Misleading or Deceptive Fund Names, 20 September 2023.
[19] European Supervisory Authorities, *On the Assessment of the Sustainable finance Disclosure Regulation* (Joint Opinion, June 2024).

### Questions

3) What aspects of international regimes should the Government consider for Australian application?
    a. Is there merit in incorporating additional rules around the type of information required to be disclosed to consumers about sustainability characteristics, similar to the UK's consumer-facing disclosures requirement?
4) Is international interoperability important for Australian sustainable investment product labelling?

# Designing standardised labelling

The objective of sustainable product labelling is to ensure that investors have confidence in the sustainability claims made by product issuers, and to ensure that investors can confidently compare different products making sustainability claims.

The Government is interested in feedback on a range of design options for possible sustainable financial product labels, specifically in the following areas:

- The investment approaches that should be considered 'sustainable'
- The circumstances in which a product issuer could choose or would be required to use a product label; and
- The evidence that should be required to substantiate use of a label.

Options will be considered in the context of the underlying policy intent: to ensure that investors understand the sustainability claims made by product issuers about their financial products.

## Investment approaches

An investment approach refers to the strategy, rules and behaviours that guide a product issuer when designing a financial product.

The challenge defining an investment approach as 'sustainable' is that sustainable means different things to different people. A key objective for sustainable financial product labelling is to ensure investors understand the sustainability claims made by product issuers and can confidently make investment decisions that align with their objectives.

In response to a call by the International Organization of Securities Commissions (IOSCO) for standardised terminology for sustainable investment approaches in November 2021, the CFA Institute, Global Sustainable Investment Alliance (GSIA) and Principles for Responsible Investment (PRI) developed harmonised definitions and guidance in November 2023[20] Those definitions are outlined in Table A.

Product issuers may also explicitly align their strategy with recognised goals or principles, such as the:

[20] CFA Institute, Global Sustainable Investment Alliance, and Principles for Responsible Investment, *Definitions for Responsible Investment Approaches* (November 2023).

- United Nation's Sustainable Development Goals (UNSDG): The Sustainable Development Goals were created to address global challenges, including those related to poverty, inequality, climate change, environmental degradation, peace, and justice.
- Principles for Responsible Investment (PRI): Established by the United Nations, PRI provides a framework for investors to incorporate sustainability considerations while making investment decisions.

The GSIA's 2022 Global Sustainable Investment Review identified that in Australia and New Zealand, 'corporate engagement and shareholder action', and 'ESG integration' were the most common types of sustainable investment strategies (each 30 per cent), followed by 'negative or exclusionary screening' (24 per cent).[21] This is broadly reflective of the Responsible Investment Association Australasia's Responsible Investment Benchmark Report Australia 2024 which identified ESG integration, stewardship, and negative screening as the mostly widely adopted approaches.[22]

### Table A: CFA Institute, GSIA, PRI Definitions for Responsible Investment Approaches

| Approach | Definition |
|---|---|
| Screening | Applying rules based on defined criteria that determine whether an investment is permissible. |
| ESG Integration | Ongoing consideration of ESG factors within an investment analysis and decision-making process with the aim to improve risk-adjusted returns. |
| Thematic Investing | Selecting assets to access specified trends. |
| Stewardship | Using investor rights and influence to protect and enhance overall long-term value for clients and beneficiaries, including the common economic, social, and environmental assets on which their interests depend. |
| Impact Investing | Investing with the intention to generate positive, measurable social and/or environmental impact alongside a financial return. |

One option would be for the investment approaches outlined at Table A (as well as specific strategies such as UNSDG and PRI alignment) to be explicitly defined in legislation. This approach would confirm and formalise already established responsible investment practices for financial products. It could encourage ongoing sustainable investment activities and create clarity for future sustainable investment products about which approaches are considered 'sustainable' or similar. Other investment approaches would not be considered 'sustainable' or similar until similarly codified in legislation.

Alternatively, the range of permitted investment approaches could be left undefined. This would provide greater flexibility for product issuers, recognising that understandings of sustainability are likely to change over time. However, a lack of specificity in investment approaches considered 'sustainable' or similar could undermine the credibility of the labels and increase the risk of investors being misled. In addition, unless investment approaches are prescribed, uncertainty will remain for product issuers about when and how products could or should be labelled. To address these risks, it is likely product issuers would seek to (and be required to) provide a higher level of evidence to support their claims, which could increase product costs. Options regarding evidence requirements are discussed further below.

[21] Global Sustainable Investment Alliance, *Global Sustainable Investment Review 2022* (November 2023) 15.
[22] Responsible Investment Association Australasia (n1).

### Questions

5) Do the Responsible Investment Approaches (identified in **Table A**), UNSDG and PRI cover the field for sustainable investment approaches? Are there others that should be considered?
   b. Are any of these approaches inappropriate? If so, why?
   c. What are the merits and deficiencies of each approach?
   d. Should the approaches be ranked on their ability to deliver sustainable outcomes?
6) Should allowable investment approaches be prescribed in legislation, or left for industry to define?
7) Which approach can best improve the confidence of Australian investors? Which options best help investors to identify, compare, and make informed decisions about sustainable investment products?

## Triggering the requirement

The Government's commitment to establish consistent labels and disclosure requirements extends to investments marketed as 'sustainable' or similar, including for managed funds and within the superannuation system.

The term financial product in the *Corporations Act 2001* encompasses a wide array of products including shares, bonds, interests in a superannuation fund, interest in managed investment schemes, life insurance, general insurance, derivatives, and margin lending facilities.

Sustainable financial product labels could apply to a wide spectrum of financial products offered to retail investors. This paper seeks views on:

- whether the types of financial products that labels apply to should be prescribed or limited in some way, and
- what terms should be captured by the labelling framework, including whether certain terms or claims should trigger product labelling requirements.

Current product naming and marketing practices vary. Terms such as 'ethical', 'social' and 'sustainable' are used by different product issuers to broadly indicate that the investment product is aiming to achieve broader aims beyond financial returns.

The sustainable financial product labelling framework could apply to all financial products regardless of their sustainability claims. Some submissions made to the 2023 consultation on the Sustainable Finance Strategy advocated for a broad approach on the basis that applying labelling requirements only to sustainable financial products would make them more expensive to manage compared to products not making sustainability claims,[23] or because it should be clear to investors if products may cause harm to the environment and/or society.[24] Other disclosure requirements, such as product disclosure statements, apply to all financial products with limited exceptions.

[23] See e.g. Ernst & Young, submission to the Sustainable Finance Strategy (November - December 2023) 7.
[24] Climate Energy Finance, submission to the Sustainable Finance Strategy (November – December 2023) 9.

Alternatively, requirements could be limited to products that are named or marketed using specific words or types of words. Marketing a product as sustainable, ethical, or responsible may make that product more attractive to some retail investors, particularly those who are keen to ensure their investments have impacts beyond just financial returns. This advantage was recognised in recent regulatory action against greenwashing.[25]

### Questions

8) What should determine when product labels apply to a financial product? What are the benefits and costs of:
   a. applying labels to all financial products regardless of sustainability claims?
   b. applying them only to products that market themselves as sustainable or similar?
9) Which approach would best address issues of greenwashing and/or greenhushing?
10) What features of a financial product should trigger a labelling requirement?
   a. Should particular words or terms be specified?
   b. Should it be based on a threshold such as per cent of product invested under a sustainable investment approach or objective?

## Evidence base

Ensuring that sustainable financial product labels are supported by robust evidence is vital to ensuring the integrity of the labels. Strong evidence allows investors to have confidence in the sustainability claims made by product issuers and the sustainability impacts of their investments. However, if the evidentiary requirements are too stringent, or too difficult to comply with, product issuers may choose not to make sustainability claims, to the detriment of investors who want to be able to make sustainable investments.

The labelling framework could prescribe the types of investment assets, choices and thresholds that must be met for a product to be considered sustainable. This could include, but is not limited to, prescribing greenhouse gas emissions thresholds for fund assets or requiring investments to be limited to certain activities (e.g. those aligned with a taxonomy).

The advantage of a prescriptive framework is that it provides certainty for product issuers. However, such an approach is inflexible and unable to adapt to changes in consumer expectations, investment practices and investment management tools in a timely manner. It could also risk stifling product innovation.

Alternatively, evidentiary requirements could be established through principles. An example would be a requirement that the sustainability claims made by product issuers must be backed by sufficient credible evidence to justify making the claim. What is sufficient or credible would be for product issuers and regulators to determine. The United Kingdom's Sustainability disclosure and labelling regime, outlined at Box C adopts a principle-based approach to evidentiary requirements.

[25] *ASIC v Mercer Superannuation (Australia) Limited* [2024] (n13) 1 [3].

## Box C: United Kingdom – Product Labelling[26]

The UK has adopted a labelling regime which aims to ensure that investment products that are marketed as sustainable do as they claim and have the evidence to back it up. Product issuers can use four "Investment labels" to-demonstrate that their products have a specific sustainability objective and they are committed to high standards to deliver on that objective Those labels are:

- Sustainability Focus: for products that aim to invest at least 70 per cent in assets that are environmentally and/or socially sustainable.
- Sustainability Improvers: for products that invest at least 70 per cent in assets that have the potential to improve environmental and/or social sustainability over time.
- Sustainability Impact: for products that aim to achieve a pre-defined positive, measurable impact in relation to an environmental and/or social outcome (and invest at least 70 per cent of assets in accordance with that aim).
- Sustainability Mixed Goals: for products that aim to invest at least 70 per cent of assets in accordance with a combination of the other labels' sustainability objectives.

The remaining assets of the product must not conflict with the product's sustainability objective.

Product issuers must meet criteria to use these labels. These criteria, at a high level, include:

- An explicit sustainability objective that aligns with one of the labels, and that is clear, specific, and measurable,
- At least 70 per cent of its assets invested in accordance with the objective (with limited exceptions),
- Key Performance Indicators (KPIs) that demonstrate progress towards achieving the sustainability objective,
- An investor stewardship strategy needed to deliver the sustainability objective,
- Appropriate resources, governance, and organisational arrangements, commensurate with the delivery of the sustainability objective, and
- Specific ongoing monitoring and reporting requirements.

### Robust, evidence-based standard of sustainability

The UK's product labelling requires that for Sustainability Focus and Sustainability Improvers, the product's assets be selected with reference to a robust, evidence-based standard that is an absolute measure of environmental and/or social sustainability. In this context robust means that the standard will stand up to scrutiny and evidence-based means it is derived from or informed by an objective and relevant body of data or other evidence. Apart from these features, the types of evidence are not prescribed.

### Naming and Marketing rules

These rules are aimed at ensuring that where a fund uses sustainability-related terms in the name without using a label, it is pursuing sustainability characteristics, themes or outcomes in a way that is substantive and material to the fund's objectives and investment strategy.

[26] Finance Conduct Authority, *Sustainability Disclosure Requirements (SDR) and investment labels* (Policy Statement PS23/16).

Product naming rules:

Where a fund is marketed or sold based on sustainability-related terms but does not have a label, it is required to have sustainability characteristics and ensure that the fund's name accurately reflects those characteristics.

The terms 'sustainable', 'sustainability', 'impact' and any variation of those terms can not be used without a label.

Marketing rules:

Products with sustainability characteristics that do not use a label must produce the same disclosures and statements as those required when sustainability-related terms are used in the product name.

### Consumer-facing disclosures

Funds are required to produce consumer-facing disclosures summarising the key sustainability characteristics of the product. These disclosures are aimed at assisting consumers to understand those characteristics and be able to more easily compare similar products.

Disclosures must be clear, concise and located in a prominent place. Disclosures must contain information such as basic fund information, the relevant label and relevant descriptor for the label, a statement (for funds using sustainable terminology without a label) as well as the sustainability goal, sustainability metrics and sustainability approach taken by the product.

The advantage of a principle-based framework is that it can be applied to the range of investment practices that product issuers adopt. It would also be more responsive to changes in investment and sustainability practices. However, principles alone would not provide certainty for product issuers and significant regulatory guidance would likely be required.

A principle-based framework could be supported by a requirement that claims made by the product issuer are 'certified' or 'confirmed' by a reputable third party or parties. Currently, product issuers may promote that they have been certified or rated by a third-party. Some of the options available include:

- Responsible Investment Association Australasia (RIAA) issues Sustainability Classifications based on responsible investment approaches, claims, processes, stewardship programs and disclosures used by funds.[27]
- B Corp, short for Certified B Corporation, is a certification given by B Lab, a global non-profit organisation, to organisations that make profit and consider the impact of its decisions on all stakeholders, including employees, customers, communities, and the environment.[28]
- The Ethical Advisers Co-operative has developed the Ethical Fund Ratings to assist people in making choices for their investments and superannuation that are in line with their ethical values.[29]

[27] Responsible Investment Association Australasia, 'Sustainability Classifications' (Webpage, 2024) Sustainability Classifications - Responsible Investment Association Australasia (RIAA).
[28] B Corporation, 'What is B Corp?' (Webpage) What is a B Corp? | B Lab Australia & Aotearoa New Zealand.
[29] Leaf Ratings (Webpage) Ethical Fund Ratings - Ethical Fund Ratings.

Third party verification could be used to ensure that claims made by product issuers are credible in the absence of defined criteria.

### Questions

11) Should evidentiary requirements underpinning labelling be prescriptive, principled or a mixture of both?
12) Should evidentiary requirements for investment product labels be linked to other policy initiatives being progressed as part of the Roadmap (such as the taxonomy)?
13) What should be the role of independent third-party certification?
    a. If third-party certification is required, what criteria should be the product be certified against and who should set those criteria?
    b. If third-party certification is not required, how can credibility and robustness of labels be ensured?

# Next steps

Treasury is seeking views on sustainable investment product labels. Comments and responses to the questions in the paper will inform a detailed design proposal which will be subject to future consultation, planned for late 2025. As outlined in the Sustainable Finance Roadmap, the target date for implementing sustainable investment product labels is 2027.

## Consolidated Questions

### Policy Problem

1) In the context of existing regulatory settings and disclosure requirements, what is the role for sustainable financial product labels?
2) Should any new requirements apply to all financial products that make a claim or state a sustainability or similar objective other than, or in addition to, maximising financial returns?

### International context

3) What aspects of international regimes should the Government consider for Australian application?
    a. Is there merit in incorporating additional rules around the type of information required to be disclosed to consumers about sustainability characteristics, similar to the UK's consumer-facing disclosures requirement?
4) Is international interoperability important for Australian sustainable investment product labelling?

### Designing standardised labelling

*Investment approaches*

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*Triggering the requirement*

8) What should determine when product labels apply to a financial product? What are the benefits and costs of:
    a. applying labels to all financial products regardless of sustainability claims?
    b. applying them only to products that market themselves as sustainable or similar?

9) Which approach would best address issues of greenwashing and/or greenhushing?

10) What features of a financial product should trigger a labelling requirement?

    a. Should particular words or terms be specified?

    b. Should it be based on a threshold such as per cent of product invested under a sustainable investment approach or objective?

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