Australian Government
The Treasury

Sustainable Investment Product Labelling regime

Consultation paper

February 2026

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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.

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The principles outlined in this paper have not received Government approval and are not yet law. As a consequence, this paper is merely a guide as to how the principles might operate.

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.

Key terms and definitions

Term	Definition
'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). Terms most commonly used include green, sustainable, responsible, ethical and socially aware, but others may also be relevant including ESG.
Product issuer	Refers to the person(s) / entity responsible for offering sustainable financial products to investors.
Investor	For the purposes of this paper, refers to a retail client as is defined in Chapter 7 of the *Corporations Act 2001* in relation to the provision of "financial products". 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).
Greenwashing	Greenwashing is the practice of misrepresenting the extent to which a financial product or investment strategy is environmentally friendly, sustainable, or ethical.

Sustainable Investment Product Labels

Purpose of this paper

In the Sustainable Finance Roadmap ('the Roadmap') the Government committed to developing consistent labels and disclosure requirements for investment products marketed as 'sustainable' or similar, including for managed funds and within the superannuation system. The Roadmap indicated the Government would target 2027 for commencement of the regime, subject to final policy decisions.

Sustainable financial product labels seek to help investors identify, compare, and make informed decisions about sustainable financial products. When issuers of financial products name or market their funds as sustainable or similar, investors reasonably expect that these products will invest in a particular way to contribute to positive sustainability outcomes. However, there has been rising concern that the expectations of investors are not being matched by the actual investment strategies of issuers. In this paper, the Government is proposing new rules to better inform investors and help them make decisions in line with their investment goals.

The proposals in this paper are intended to be a starting point for designing a regime. These proposals capture the core elements of the regime: products that qualify as part of the regime; consumer-facing disclosures; criteria that trigger requirements; and the evidentiary requirements to support sustainability claims.

Feedback from stakeholders on the proposals set out in this paper, together with further planned consultation with industry and investors, will help inform the policy and enforcement design, ahead of the Government finalising its policy position.

Policy objective

Product issuers are currently required to provide a range of information to help investors choose and compare financial products. Alongside these product disclosure requirements, the prohibition against misleading or deceptive conduct in the *Corporations Act 2001 (Cth)* (the Corporations Act) and the *Australian Securities and Investments Commission Act 2001* (Cth) (The ASIC Act) play an important role in protecting the market from 'greenwashing' practices.

Despite these obligations, the lack of consistency between product issuer claims makes it difficult for investors to compare the merits of different sustainable investment options.

A consistent framework for when a financial product is marketed as sustainable (or similar) will help improve investor understanding of the sustainability credentials of their investments and provide more certainty for product issuers marketing a product as sustainable. A labelling regime should appropriately balance the need to inform investors about the sustainability characteristics of a financial product against the risk of disincentivising product issuers from making sustainability claims.

Stakeholder Engagement and Consultation

Treasury has consulted with a range of stakeholders throughout 2024 and 2025 to inform the development of the proposed labelling regime. The most significant part of this process to date was the public consultation period between 18 July and 29 August 2025 (first consultation).

July-August 2025 Public Consultation

Treasury received 47 submissions from a broad range of stakeholders representing the superannuation, finance, environmental and academic sectors. The paper sought feedback on foundational issues for a sustainable investment product labelling framework targeted at retail investors, taking into consideration current regulation and disclosure requirements, overseas frameworks and design options. Non-confidential stakeholder submissions can be found here.

Feedback received was diverse, largely reflecting the diversity in “sustainable” investment strategies used by product issuers. While there was some alignment on high level design features, there were varied perspectives on more detailed issues.

Generally, stakeholders were supportive of the introduction of a sustainable investment product labelling regime. Stakeholders were largely aligned in their views on the purpose of a labelling regime being primarily to assist consumers with identifying and comparing the sustainability characteristics of different financial products. Other areas of general agreement included that labels should not apply universally to all financial products regardless of sustainability characteristics, that labelling requirements should not be linked to the Australian sustainable finance taxonomy and the need to recognise the importance of international interoperability without simply adopting a current overseas model in full.

Stakeholders indicated a preference that a labelling regime should apply to financial products marketed as sustainable, rather than apply to all financial products. The principles underpinning this position highlight the need for trust and integrity in financial products which are marketed as sustainable or similar. This suggests there is appetite in the market to have a label or additional disclosure requirement to demonstrate its sustainability qualities or characteristics.

The consultation also highlighted that additional principles should guide the scope of the regime including:

- Flexibility and innovation, as product offerings evolve with investor expectations and new sustainability focussed products emerge.
- The scope of the regime should not be so broad as to cause unintended consequences such as capturing products that have non-financial objectives beyond those in the sustainability or ESG-related space.
- The scope should not rely on the Government making highly subjective decisions around the values that guide non-financial objectives.

Stakeholder responses also indicated that there is a high degree of support for the regime adopting a ‘consumer-facing disclosure’ document similar to that used in the United Kingdom (UK). This would clearly and concisely summarise the key sustainability characteristics of the product and ease comparability between products for consumers.

Stakeholder feedback regarding the use of thresholds in a labelling regime was mixed. Some stakeholders supported thresholds since they provide clarity for product issuers, while others did not support thresholds on the basis they risk facilitating greenwashing or might not assist investors in making better informed decisions.

Stakeholders supported adopting a principles-based approach to evidentiary requirements. Stakeholders also noted existing inputs including investment product diversity, net zero transition planning and stewardship commitments already form part of and influence evidentiary requirements of financial products. Stakeholders also highlighted the importance of maintaining flexibility so that new requirements do not undermine or discredit current evidentiary approaches for these broader initiatives.

Understanding retail investors

While Treasury received a number of submissions during the consultation period which reflected a range of views within industry, it is worth noting that the sectors represented were heavily weighted towards financial services (superannuation funds, industry bodies, product issuers) and not necessarily representative of the cohort this regime is looking to target – retail investors.

Understanding the share of the retail investor market, the relative importance of sustainability compared to other product attributes (e.g. fees, risks), the extent of information investors are seeking, what types of information they consider important when making decisions, where they are exposed to information and how much time they are willing to spend engaging in sustainable investing is essential to the scope, design and features of a labelling regime.

In order to ensure the regime is appropriately targeted, Treasury has engaged with the Behavioural Economics Team of the Australian Government (BETA) to assist with exploratory research into relevant literature that investigates investor decision-making. Relevant findings from a literature scan undertaken by BETA include:

- While around half of Australian investors would consider choosing sustainable investments, closer to 1 in 5 have actually invested[1,2].
- Most investors (80 per cent) in a Responsible Investment Association Australasia (RIAA) survey in 2024 said the biggest barrier to switching to an ethical superannuation fund was a lack of independent information. A similar proportion said they would be more likely to invest in a product that has been labelled as responsible or ethical by an independent third party (79 per cent) and that they are concerned about "responsible investors" engaging in greenwashing (78 per cent)[3] .
- In a survey by the Australian Securities Exchange (ASX) of Australian investors, only 14 per cent of investors reported consulting product disclosure statements (PDS) and 3 per cent read target market determinations (TMD) when making investment decisions[4].

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[1] RIAA (Responsible Investment Association Australasia) (2024) *From values to riches 2024: Charting consumer demand for responsible investing in Australia*.

[2] ASX (Australian Securities Exchange) (2023) *ASX Australian Investor Study*, ASX.

[3] RIAA (Responsible Investment Association Australasia) (2024) *From values to riches 2024: Charting consumer demand for responsible investing in Australia*.

[4] ASX (Australian Securities Exchange) (2023) *ASX Australian Investor Study*, ASX.

These findings highlight some of the challenges faced by investors when looking to make sustainable investments. This research suggests that investors could be better supported by a labelling scheme which highlights how many sustainable investment opportunities exist and provides more confidence in the veracity of sustainable claims.

The findings are also supported by a review conducted by the Australian Securities and Investments Commission (ASIC) regarding the credibility of sustainability claims. In 2021 and 2022, ASIC undertook a 'greenwashing' review of a sample of superannuation and investment products and identified some areas for improvement. ASIC highlighted the need for clearer labels, defined sustainability terminology and transparent explanations of how Environmental, Social and Governance (ESG) considerations shape investment strategies.

Further research will also help inform the specific design features that are appropriate for Australian investors. Broadly, BETA's literature review indicates that effective sustainability labels:

- Are prominently located so that investors will see them;[5]
- Communicate sustainability performance information in clear, simple terms that the average investor can understand;[6] and
- Make it easy to compare between different investment products[7]

Through continuing to engage with stakeholders and undertaking further research and market testing, Treasury will be aiming to design an evidence-based intervention that can better provide investors with the right information that is informative, accessible and meaningful to support investor decision-making.

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[5] BIT (Behavioural Insights Team) (2024) *EAST: Four simple ways to apply behavioural insights* [handbook], BIT, accessed 29 September 2025.

[6] BIT (Behavioural Insights Team) (2024) *EAST: Four simple ways to apply behavioural insights* [handbook], BIT, accessed 29 September 2025, AFR and Public Citizen (Americans for Financial Reform) (2022) 'Results of a nationwide survey: Retail investors' support for the SEC mandatory climate related financial disclosures from public companies' [report], *AFR Education Fund and Public Citizen*, accessed 29 September 2025, The Investment Association (2025), *Over half of investors aware of SDR labels, but jargon hinders green investment*, The Investment Association Press Releases, accessed 29 September 2025.

[7] Korca B, Costa E and Bouten L (2023) 'Disentangling the concept of comparability in sustainability reporting', *Sustainability Accounting, Management and Policy Journal*, 14(4):815-851, accessed 29 September 2025, https://doi.org/10.1108/SAMPJ-05-2022-0284, Heeb F, Kolbel J, Paetzold F and Zeisberger S (2023) 'Do Investors Care about Impact?', *The Review of Financial Studies*, 36(5):1737-1787, accessed 29 September 2025, https://doi.org/10.1093/rfs/hhac066.

Element 1: Scope of Sustainable Investment Product Labelling – what products will be included?

As outlined in the stakeholder feedback section, the first round of consultation revealed broad support for the introduction of a labelling regime that applies specifically to financial products that market themselves as sustainable, rather than extending to all financial products. Stakeholders also emphasised that the scope of any regime should promote flexibility to support future product innovation, while also remaining appropriately targeted to avoid unnecessary regulatory burden and unintended consequences.

International reflections

International experiences with labelling or labelling adjacent regimes have highlighted a range of approaches to determining which products are covered. Jurisdictions such as the UK, the European Union (EU), Japan, Hong Kong and Singapore, draw attention to the use of specific terminology that requires the use of labels or compliance by guidelines in the offering of sustainable or similar financial products. The option detailed below draws on the experience of Singapore and Japan in particular, which focus on sustainability and ESG related terminology in product naming and marketing materials, where if an ESG term is used in the title of a product, it must be able to demonstrate these qualities. Learnings from these jurisdictions are further elaborated on in Element 2.

Proposed option: Applies to financial products marketed as 'sustainable' or similar

Feedback on the earlier consultation paper, along with reflections on the scope of international labelling or labelling-adjacent regimes described above, suggests that a labelling regime in Australia should capture financial products with a sustainable or similar objective in their product title or marketing material. This approach is flexible enough for the market to adapt to, while also encouraging trust and understanding of sustainable investment products. For example, where a product's name includes or uses a sustainable or similar term, the product should reflect this objective in its investment portfolio or strategy in a substantive manner. This also includes where the product's marketing materials feature sustainability or similar terminology as one of the features of the product's composition or investment strategy.

The intention of this option is that it will not apply to claims made about the whole of fund sustainability or ESG objectives, rather, it applies to claims made at the product level, including options within a financial product. This acknowledges industry-wide financial management which includes broad ESG integration and stewardship and routine consideration of financially material sustainability, climate or related risks and opportunities. It also ensures that the labelling regime applies to financial products or investment options that differentiate themselves to others based on their sustainability objective.

This approach leverages the existing definition of a financial product from the *Corporations Act* in s763A being:

> "(1) A financial product is a facility through which, or through the acquisition of which, a person does one or more of the following:

(a) makes a financial investment;

(b) manages financial risk;

(c) makes non - cash payments."

This can capture a wide variety of financial products which use sustainable or related terminology in their titles or marketing. We have observed that while most sustainable or related financial products are concentrated in superannuation and managed investment schemes, there are products such as term-deposits that have also adopted this terminology in the past that could fall into scope if they are offered in the future. This option covers a diversity of products available to retail investors and provides flexibility to ensure new types of financial products that become available to the market are captured. The wide application of the scope requires product issuers to fully consider if using sustainability terminology in the title or marketing material is appropriate for the financial product being offered, reducing the risk of greenwashing. This however,

This wide definition would be qualified to products using the term 'sustainable' or a similar term that may fall into the ESG umbrella of terminology. This could be in the form of a non-exhaustive list, an example of which is provided in Box 1, capturing commonly used sustainability related terminology in the marketing of financial products but acknowledging that this will likely change and develop over time. This list includes terms such as 'socially aware and or conscious', 'ethical' and 'equity', capturing the social and governance components of ESG.

Box 1: List of commonly used sustainability or similar terminology in financial products (non-exhaustive)

- Sustainable
- Green
- Future
- Climate
- Equity
- Ethical
- Decarbonisation
- Impact
- Net-zero
- Responsible
- Environment
- ESG
- Socially aware and/ or conscious
- Nature

Potential benefits of this option

This approach addresses feedback from the consultation discussed above, by limiting the scope of the regime to financial products that have sustainability claims. Leveraging the definition of financial product also provides flexibility, as it covers a range of present and potential future offerings available to retail investors. This option also does not rely on a definition of sustainability, acknowledging its subjective nature. Instead, as will be expanded on in the other options for elements of the policy design, it will ask for transparency over sustainability claims.

Potential drawbacks of this option

This option may add further requirements on financial products marketed as sustainable (or similar), increasing potential burden and cost on product issuers. Further, it is likely that given the wider scope of coverage proposed, may increase the regulatory burden on products that carry less risk or are less likely to include sustainable terminology as a further consideration in the issuing of products.

By limiting to products with sustainability or related ESG objectives, product issuers may be disincentivised to put out such offerings if the regulatory burden or costs associated with these products are too high. Implementing this option may see a downtick in sustainable investment offerings if the other elements of the policy are too burdensome to implement in practice for product issuers, and as such, sustainability terminology is not used. This could result in inadvertent greenhushing, where retail investors are not informed of or given a choice in the sustainability characteristics of financial products.

Element 1 Questions

1) Is the definition of financial product in the *Corporations Act* appropriate as the basis for the kinds of investment products captured by this regime?
    a. Should the scope be narrowed to certain types of financial products (such as products with an investment component e.g. superannuation or managed investment schemes), and if so, on what basis?
    b. Should there be any exclusions of types of financial products?
    c. Conversely, does this approach miss any financial products that should be captured by the regime?
2) Is the approach of using a non-exhaustive list of 'sustainability' terms appropriate for this regime?
3) Should terms relating to the governance and social elements of ESG be in the scope of this regime? Why?
4) Are there any terms in the non-exhaustive list that create unintentional consequences and should not be included? Are there any terms missing?

Element 2: Consumer-facing disclosures

Feedback to our first consultation paper, together with international developments outlined below, indicate that the introduction of mandatory consumer-facing disclosure requirement in Australia could materially improve transparency, credibility and comparability for sustainability-labelled investment products.[8]

[8] Support for a consumer-facing disclosure requirement was raised in several submissions to the Sustainable Investment Product Labels consultation (July – August 2025), including but not limited to: MSCI, p. 4; PRI, p.9; Chartered Accountants Australia and New Zealand, p.5; and Australian Council of Superannuation Investors, p.3.

Clear, well-structured product disclosure is central to the integrity and efficiency of Australia's investment markets. High-quality disclosure reduces information asymmetry, supports informed decision-making and strengthens investor confidence.

Recent attempts to improve sustainability-related disclosure practices

Disclosure requirements for the sale or issue of financial products are intended to equip investors with the information necessary to make an informed decision as to whether to purchase a financial product. Product Disclosure Statements (PDSs) remain the primary retail disclosure document. Under Part 7.9 of the Corporations Act, issuers must prepare PDSs that are "clear, concise and effective" and outline a product's key features, risks, costs and management approach.

In its Information Sheet 271 (INFO 271), ASIC advises product issuers that they *"…should also be conscious that providing significant volumes of sustainability-related information in numerous online documents and/or dispersed across various platforms may not be particularly helpful for an investor deciding whether to invest in your sustainability-related product."*[9]

Despite this guidance, PDSs of financial products labelled as sustainable or similar often use long, technical, compliance-heavy descriptions that aim to reduce liability exposure. In practice, PDS drafting practices can result in sustainability-related information being less clear to retail investors, which may affect their ability to identify and compare financial products as intended. In view of these challenges, it is appropriate to consider how additional consumer-facing disclosure requirements can best support the effectiveness of the existing framework.

International reflections

Globally, policymakers and regulators are strengthening disclosure expectations for investment products using sustainability-related labels. While approaches differ across jurisdictions, the objective is consistent: to improve clarity and credibility for retail investors.

- **United Kingdom:** In the UK, the Financial Conduct Authority (FCA) obligation states that the disclosure must summarise the product's "sustainability objective" and its link to the product's investment strategy must be prominent. In addition, the FCA's Handbook prescribes that the disclosure document must be kept up to date and written in clear, concise language suitable for retail clients.
- **Singapore:** The Monetary Authority of Singapore's (MAS) Disclosure and Reporting Guidelines for Retail ESG Funds (2022) require ESG-labelled retail funds to clearly state their ESG objectives, criteria, methodologies, data sources and limitations. Managers must report annually on ESG performance against stated metrics.
- **Japan:** While Japan's requirements are less label-centric than the approach taken in Singapore or the UK, Japan's Financial Services Agency's (FSA) *Guidelines for ESG-related Funds* requires ESG-labelled investment trusts to disclose their ESG objectives, methodologies and KPIs, including

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[9] *Information Sheet 271: How to avoid greenwashing when offering or promoting sustainability-related products*, Australian Securities and Investment Commission, published June 2022.

how ESG factors influence portfolio decisions. Funds must provide periodic reporting comparing actual outcomes against stated goals.

- **European Union (EU):** The EU Commission is proposing to replace the current Sustainable Finance Disclosure Regulation Article 8/9 framework with a new, simpler labelling regime built around three product categories: “Sustainable,” “Transition,” and “ESG-Focused”. Each category would have clear, quantitative criteria (including minimum proportions of assets aligned with the stated sustainability objective). The proposal would shift the emphasis towards concise, consumer-oriented fund information rather than complex entity-level reporting.[10]

Proposed option: Introducing consumer-facing disclosure requirements for products marketed as sustainable or similar

Introducing a consumer-facing disclosure (CFD) requirement for financial products marketed as sustainable (or similar) could help ensure retail investors receive information that is clear, comparable and easy to understand. The obligation would be triggered whenever a product issuer represents that a product has a sustainability-related objective. In those cases, issuers would need to make a dedicated consumer-facing disclosure document prominently available.

In addition to testing stakeholder support for introducing such a requirement, we are seeking feedback on what information should be included in the disclosure itself. As outlined below, there is a spectrum of possible approaches, ranging from highly prescriptive templates to more principles-based guidance.

> **The interaction of consumer-facing disclosures with existing misleading and deceptive conduct provisions**
>
> Under the proposed option, consumer-facing disclosure would explain the sustainable characteristics of a specific investment or financial product. It would not cover the broader representations or investment activities of the fund. It is only one element of the issuer’s overall communications with consumers. If advertising, websites, presentations or other promotional materials overstate or mischaracterise the sustainability credentials of the product or the wider fund, this may still amount to misleading or deceptive conduct under the *ASIC Act* or *Corporations Act*. ASIC assesses the totality of representations made to investors and may act even where the consumer-facing disclosure is technically accurate, if the fund’s broader marketing creates a misleading overall impression about its approach to sustainable investment.

Potential benefits of this option

A significant proportion of respondents to the first consultation strongly supported the introduction of a CFD requirement. Some suggested that introducing minimum standards for consumer-facing disclosures could help raise the baseline and promote consistency in how sustainability characteristics

[10] European Commission, [Questions and answers on the Sustainable Finance Disclosure Regulation](), 20 November 2025.

are communicated.[11] Others noted the important role consumer testing played in developing the UK's labelling regime, and suggested this was important to better understand the needs and priorities of Australian retail investors who take an interest in sustainable investment.[12]

The introduction of mandatory consumer-facing disclosures could also help to promote long-term alignment with key overseas markets that have introduced similar requirements. Improving interoperability for global firms operating in Australia was seen as an important goal in multiple submissions.

Potential drawbacks of this option

While consumer-facing disclosures can improve transparency of sustainability-labelled products, their effectiveness still depends on investors being able to understand the information. Sustainability concepts—such as impact measurement, stewardship and screening—require a level of literacy some retail investors may not yet have. Even a simplified two-page disclosure can quickly become too technical or abstract for those unfamiliar with sustainability-related terminology.

Providing information does not necessarily guarantee greater comprehension or more-informed decision-making by retail investors. As was pointed out in some submissions, disclosure alone can sometimes be an insufficient tool for consumer protection.[13] There is a risk that consumer-facing disclosures may do little to reduce information asymmetry while adding new compliance costs for product issuers.

Design options

Option 1: Prescriptive template

This would require issuers to present prescribed information in a fixed structure — for example, a standard description of the fund's sustainability approach (exclusions, screening, impact, transition, stewardship), key metrics such as emissions intensity, explicit sustainability targets and interim milestones, and top holdings with short sustainability descriptors.

The template could include tailored requirements depending on the fund type. For example, impact or transition funds might need to detail their stewardship and engagement policies, while ethical funds may be required to disclose key exclusions, top holdings and how indirect investments are overseen.

Option 2: Principles-based template

Issuers would need to ensure consumer-facing disclosures are fair, clear and not misleading, and help consumers understand the product's sustainability features, but without being bound to a fixed format. Funds would still need to explain their sustainability approach and provide evidence yet have flexibility in how the information is presented - whether through narrative, charts or simple summaries. As with a prescriptive template, principles-based guidance could be tailored to different sustainability strategies to ensure the guidance provided is meaningful.

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[11] See, e.g., Schroders submission to the Sustainable Investment Product Labels consultation (July – August 2025), p.5.

[12] See, e.g. ACSI submission to the Sustainable Investment Product Labels consultation (July – August 2025), p. 3.

[13] See, e.g. Zenith Partners submission to the Sustainable Investment Product Labels consultation (July – August 2025), p. 4.

Option 3: Hybrid approach (Prescriptive core with flexible, principles-based elements)

A hybrid model would mandate a small set of core disclosures in a fixed format, such as the fund's sustainability objective, key sustainability metrics, top holdings, and any explicit targets, to ensure consistency and comparability across products. Beyond this core set, issuers would have discretion to explain their broader sustainability approach using principles-based guidance. This allows firms to tailor disclosures to the nuance of their strategy, choosing how best to describe elements such as stewardship, screening methodologies or impact pathways, provided the information is fair, clear and not misleading. An illustrative example of the types of exclusions and related disclosures expected under industry standards is provided in **Box 2**, alongside additional information that a CFD requirement would be expected to include.

<u>Box 2: Types of Information that could be required in CFD requirement</u>

- Exclusions list that reflects industry standards (E.g. Oil & gas (fossil fuels), controversial weapons, alcohol, gambling, tobacco, animal testing, oil sands, thermal coal)
  - Whether the exclusions apply to indirect investments.
- Whether any revenue threshold for the exclusion list applies (and how revenue is calculated)
- The threshold or percentage invested sustainably.
- The sustainability goal the product aims to achieve.
- The investment strategy and how it will be met.
- How achievement and/or compliance with the sustainability strategy will be reported to investors.

Design considerations

The way a consumer-facing disclosure requirement is designed will affect how fully the benefits are realised. It will also determine the compliance costs faced by product issuers. Below is a summary of some of the key design considerations that we invite comment on:

- **Prescriptive template or principled guidance:** A set template can ensure retail investors receive the key information they value, but the wide variety of sustainability strategies means a one-size-fits-all approach may not work well in practice. In contrast, while high-level principles allow flexibility and innovation in disclosures, such an approach can undermine comparability and may limit the benefits if issuers continue to provide vague or unhelpful information.
- **Placement and timing:** How to ensure consumer-facing disclosures are presented prominently and early enough in the decision process to be effective. There is a wide variety of platforms in use and determining where the consumer-facing disclosure is located will be an important consideration to ensure retail investors are aware that the information is available.
- **Interaction with other regimes:** Given Australia's strong disclosure rules and active greenwashing enforcement, consumer-facing disclosures could be integrated into the existing disclosure

framework to avoid duplication and support ASIC's enforcement efforts. Alternatively, there may be merit in creating a new standalone document to ensure sustainability characteristics of a fund is not obscured as part of broader, less consumer-friendly PDSs.

- Frequency of updates: Consumer-facing disclosures should remain up to date at the time they are provided, consistent with existing PDS requirements. When determining how often product issuers will be expected to update these disclosures, it is important to consider the need to maintain the accuracy of sustainability information and minimise the regulatory costs associated with more frequent updates.

Element 2 Questions

5) Do you support the introduction of mandatory consumer-facing disclosure obligations?

6) How could voluntary templates achieve the policy objectives?

7) Which of the above design options do you support, and why?

    a. If you support a prescriptive approach, what specific elements of the CFD should be mandated?
    b. If a principles-based approach is preferred, what should be included in the principle-based template for CFD requirements?

8) Would you support mandating that product issuers disclose their direct and indirect investment exemptions in the CFD requirement?

    a. Does the exclusions list featured in Box 2 (p.13) capture an appropriate range of companies, industries, or activities?

9) What are other considerations should the Government consider if it progresses with the introduction of mandatory consumer-facing disclosure obligations?

10) Should separate CFD requirements be developed for different types of financial products (i.e. non-fund products)?

11) When and how should the CFD be provided to the client/potential client?

Element 3 – Thresholds

In the first consultation, stakeholder feedback regarding the use of thresholds in a labelling regime was mixed. Some stakeholders supported thresholds since they provided clarity for product issuers, while others did not support thresholds on the basis they risked facilitating greenwashing, detracting from the ability of labels to assist investors in making better informed decisions.

International Reflections

A common feature of labelling regimes in other jurisdictions is the requirement that a proportion of assets supporting a financial product align with the sustainability objectives of the product. These rules appear to play a role in ensuring the credibility of labelling regimes. Some examples of a threshold mechanism in other jurisdictions include:

- The UK where 70 per cent of assets must align with the fund's sustainability objective.[14]
- The EU's recently proposed framework which requires 70 per cent of the portfolio to follow an ESG strategy that matches the claims made by the product.
  - The EU's proposed framework would also prohibit investment in certain activities, such as tobacco, classes of weapons, fossil fuels or coal – depending on the category of product.[15]
- The United States of America (USA), whose naming rules require 80 per cent of the value of a funds asset to align with the fund's name-implied focus.[16]

Potential benefits of this option

If calibrated correctly, adoption of a threshold could assist in ensuring the credibility of an Australian labelling regime by requiring assets underlying the product to align with the claims made about the product's sustainability goals. The use of thresholds could also provide product issuers with greater clarity as to the level of sustainable investments a product must contain to be reasonably regarded as sustainable.

Potential drawbacks of this option

However, if thresholds are not calibrated correctly, they could reduce the credibility of the labelling framework through facilitating greenwashing. Thresholds also risk limiting the flexibility of product issuers when designing products, and risk creating a "model" for a sustainable product that may not be easily able to respond to future innovations in sustainable investing. They also present several compliance risks for issuers that could be costly to manage.

Design options

Taking account of the above considerations, there are two broad design options for adopting thresholds in the Australian context, with an associated sub option that could be added to each, if appropriate. Adopting a threshold, or not, is central to the design, use and administration of the labelling regime. Feedback on the options is sought to inform the final policy design.

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

[15] European Commission, Questions and answers on the Sustainable Finance Disclosure Regulation, 20 November 2025.

[16] United States Securities and Exchange and Commission, SEC Enhances Rule to Prevent Misleading or Deceptive Fund Names, 20 September 2023.

Option 1: Prescribed minimum threshold or threshold range

The first option would be to require a product claiming to be sustainable to meet a minimum threshold for the proportion of assets which align with the sustainability claims made by the product issuer. The threshold would be included in the product's CFD document.

If well calibrated, adopting thresholds would provide a level of credibility to the regime through ensuring products are aligned with their sustainability claims. Consideration could also be given to a threshold range (for example, between 70-80 per cent aligned) increasing the flexibility of thresholds.

A significant challenge for a product threshold is determining the appropriate threshold and how assets contribute to it. As outlined above, various jurisdictions have adopted thresholds in the 70 to 80 per cent range. A threshold in the range of 70 to 80 per cent would align Australia's regime with comparable frameworks overseas. However, a high threshold could also come at a risk to the flexibility for product issuers to design products. A mechanism for calculating how an asset contributes to a threshold would also need to be developed, which could be difficult given the significant diversity in ways investments can contribute to sustainability. It is also unclear whether thresholds, in and of themselves, facilitate better decision making by investors.

Adopting a minimum threshold presents several challenges for product issuers that need to be weighed against the benefits provided through ensuring credibility of the regime. It will impose a regulatory burden on product issuers who will be required to verify, calculate, monitor and assure their holdings to ensure they are complying with the thresholds. This challenge could be mitigated through providing flexibility around when a product must satisfy the threshold (at a particular point in a financial year, or averaged over a period of time, for example) or through allowing short term variances to threshold to account for changes in asset valuation outside the control of the product issuer. Superannuation products are also subject to the performance test, which may interact with their ability to comply with a set threshold and still meet targeted returns.

Option 2: Disclosure of threshold

An alternative option would be to not require a specific threshold but instead only require product issuers to disclose the proportion of assets supporting the product which align with the product's sustainability claims in the CFD document. For example, one fund may disclose that its product is 60 per cent aligned with its sustainability objectives while another fund would say its product is 80 per cent aligned. Alternatively, a product issuer may offer multiple products with different thresholds.

The advantage of this approach is that it enables an investor to easily compare the sustainability credentials of different products through comparing the relevant disclosure in the CFD document. This would facilitate the policy objective of facilitating better understanding of the sustainability credentials of financial products and make it easier to compare the relative sustainability of two different products.

This approach would provide a significant amount of flexibility to product issuers who would not necessarily need to change the structure of products in response to the introduction of the proposed labelling framework, nor would providers need to actively manage compliance with a prescribed threshold.

Not requiring products to meet a specific threshold introduces a high risk to the credibility of the product labelling framework. A product being "compliant" with the labelling regime could induce investors to think a product is sustainable without understanding the relative impact that product has compared to other products with a higher proportion of sustainable assets. If products with relatively low sustainable assets were able to participate in this framework it could risk misleading investors and facilitate greenwashing.

The issues identified in regard to option 1 around calculation of a threshold, which assets contribute to the threshold, and how they contribute to a threshold also apply to option 2.

Sub Option: No conflicting assets or related principle.

Some jurisdictions, such as the UK, require the remaining assets in a product not contributing to the threshold to not to conflict with the product's sustainability objectives.[17] The EU's proposed framework also prohibits certain types of investment for financial products seeking to classify themselves as sustainable, transitional or ESG aligned under the framework.[18]

EU proposed categories[19]

Sustainable category	Exclusion of investments into companies involved in tobacco or prohibited weapons, or found in violation of human rights, or active in fossil fuels or high-emitting energy activities, or expanding their fossil fuel activities.
Transition category	Exclusion of companies involved in tobacco or controversial weapons, or found in violation of human rights as well as those generating significant revenues from coal or expanding their fossil fuel activities.
ESG basics category	The same social exclusions as for the transition category above apply, as well as an exclusion of companies generating significant revenues from coal.

A similar requirement could be adopted in Australia to ensure the product's net impact is sustainable. This could be adopted under either option 1 or 2. This could take the form of the UK's 'not conflicting' criteria or be explicit prohibitions similar to the EU.

An advantage of adopting a mechanism similar to the UK's is that it would increase the credibility of the regime, particularly regarding option 2, where no minimum threshold would be set. If, at a minimum, the remaining assets of the fund do not conflict with the product's sustainability objectives and sustainable assets of the fund, then the net benefit of the product will be positive, potentially mitigating greenwashing risks. However, this requirement could reduce the flexibility in product design and increase the cost of monitoring investments to ensure they truly are not conflicting with the product's sustainability objectives.

A mechanism similar to the EU's would reduce flexibility for product issuers when designing products but provide a significant amount of clarity on what assets could and could not be included as part of a labelled product. However, deciding what assets should be prohibited could be difficult as some investors may be comfortable with some types of investments being part of their sustainable product

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

[18] European Commission, Questions and answers on the Sustainable Finance Disclosure Regulation, 20 November 2025.

[19] IBID.

while others may not be. This could come at a cost to the credibility of the labelling regime if not designed carefully.

Element 3 Questions

12) Should a threshold be prescribed (option 1) or only require there to be disclosure (option 2)?
    a. Which option best ensures the credibility of the labelling regime?
    b. If option 1 is adopted what is the appropriate threshold in the Australian context?
13) How should a threshold be calculated under option 1 and 2? What assets should contribute to threshold, and how should the different impacts that investments could have on sustainability be considered?
14) If either option 1 or 2 are adopted, what are the practical administrative considerations that need to be resolved during implementation?
15) Should direct and indirect investments be treated differently for the purposes of the thresholds?
    a. How would compliance with thresholds be evidenced in regard to indirect investments?
16) Is there a role to adopt a mechanism which governs the assets not contributing to the threshold (sub option a)?
    a. What are the advantages and disadvantages of adopting the UK's criteria?
    b. What are the advantages and disadvantages of specifying classes of investment as being ineligible for products covered by the labelling framework similar to the EU's proposed framework?
    c. Which option should be preferred?

Element 4: Evidentiary Assessment

Feedback received in the earlier consultation emphasised that product issuers use a variety of sustainable investment approaches for financial products and that evidentiary requirements should reflect this diversity.

International Reflections

International labelling regimes have implemented various evidentiary approaches.

- The UK has implemented a principles-based approach to the product labelling evidentiary requirements. It 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.[20]

- The Monetary Authority of Singapore has adopted a principles-based approach, rather than prescribing specific evidentiary standards. ESG-labelled funds must provide evidence through ongoing reporting that demonstrates the fund's assets are managed in line with the ESG strategy.[21]
- The current EU evidentiary requirements under the Sustainable Finance Disclosure Regulation (SFDR) adopt a prescriptive approach. Under the framework, Article 8 and Article 9 ESG investment products must disclose the proportion of investment aligned with the EU Taxonomy. However, this approach is subject to change as outlined in the proposed SFDR 2.0 Revision. Under the proposed SFDR 2.0, evidentiary requirements are expected to become more rule-based, with products required to meet defined, minimum quantitative and qualitative criteria to qualify for sustainability or transition categories, rather than relying primarily on self-described disclosure alone.[22]

Proposed option: Principles-based evidentiary assessment

A principles-based approach would mandate product issuers demonstrate that their sustainability claims are supported by robust and credible evidence at the point in time at which the claim is made. This maintains appropriate documentation and record-keeping to support supervisory processes consistent with current rules for claims made about financial products. A subset of evidence could be included within the consumer-facing disclosure document to support the claims being made.

Consultation feedback indicated that specific types of evidence required to comply with the labelling regime should not be prescribed. Under this proposed option product issuers could rely on a range of evidence to support their claims so long as it is robust and credible. It is intended that this will enable the labelling regime to adapt and adjust to new developments in sustainable investment over time.

Potential benefits of this option

Stakeholder feedback indicated that avoiding a prescriptive model could better incentivise product innovation (for example new products designed in response to emerging investment themes or technologies). It could also include innovation in evidentiary reporting practices, such as development of industry-led best practice codes or new methodologies.

The proposed approach would provide reporting flexibility and ensure requirements are enduring as new strategies, data sources and methodologies become available. It would also support development of industry-led best practice codes, verification methodologies, or reporting standards, which could be integrated into product issuers' evidentiary practices as the regime matures.

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

[21] Monetary Authority of Singapore, Circular No. CFC 02/2022

[22] European Commission, Questions and answers on the Sustainable Finance Disclosure Regulation, 20 November 2025.

Potential drawbacks of this option

Potential drawbacks of the principles-based option could include product issuers presenting evidentiary claims in varied formats, from multiple data providers, which could increase the complexity of sustainability claims. If complex terminology or methodologies are disclosed this may reduce overall information clarity, undermining efforts taken by issuers to meet policy requirements.

We acknowledge that increasing disclosure alone does not guarantee more informed investment decisions or greater consumer clarity. However, establishing a standardised template of comparable information will assist in mitigating current product transparency concerns providing information for investors to access and engage with if they choose.

Element 4 Questions

17) Do you support a principles-based approach to evidentiary assessment requirements for financial products marketed as 'sustainable' or similar? Why or why not?
    a. If not, what alternative approach would you prefer and why?

18) If applicable, what types of evidence do you currently rely on to substantiate sustainability-related claims for financial products (if possible, please include information on internal methodologies, third-party data, standards or certifications).
    a. What is the relationship between the labelling regime and industry standards? Should a labelling regime prescribe specific standards? If yes, which?

19) How can a principles-based regime ensure sufficient consistency across products and issuers, while still allowing flexibility in evidentiary methods?

20) Are there particular challenges in evidencing certain sustainable investment approaches?
    a. If so, how should a principles-based regime accommodate these differences?

All Consultation Questions

Element 1 Questions

1) Is the definition of financial product in the *Corporations Act* appropriate as the basis for the kinds of investment products captured by this regime?

   a. Should the scope be narrowed to certain types of financial products (such as products with an investment component e.g. superannuation or managed investment schemes), and if so, on what basis?

   b. Should there be any exclusions of types of financial products?

   c. Conversely, does this approach miss any financial products that should be captured by the regime?

2) Is the approach of using a non-exhaustive list of 'sustainability' terms appropriate for this regime?

3) Should terms relating to the governance and social elements of ESG be in the scope of this regime? Why?

4) Are there any terms in the non-exhaustive list that create unintentional consequences and should not be included? Are there any terms missing?

Element 2 Questions

5) Do you support the introduction of mandatory consumer-facing disclosure obligations?

6) How could voluntary templates achieve the policy objectives?

7) Which of the above design options do you support, and why?

   a. If you support a prescriptive approach, what specific elements of the CFD should be mandated?

   b. If a principles-based approach is preferred, what should be included in the principle-based template for CFD requirements?

8) Would you support mandating that product issuers disclose their direct and indirect investment exemptions in the CFD requirement?

   a. Does the exclusions list featured in Box 2 (p.13) capture an appropriate range of companies, industries, or activities?

9) What are other considerations should the Government consider if it progresses with the introduction of mandatory consumer-facing disclosure obligations?

10) Should separate CFD requirements be developed for different types of financial products (i.e. non-fund products)?

11) When and how should the CFD be provided to the client/potential client?

Element 3 Questions

12) Should a threshold be prescribed (option 1) or only require there to be disclosure (option 2)?

   a. Which option best ensures the credibility of the labelling regime?

   b. If option 1 is adopted what is the appropriate threshold in the Australian context?

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   c. Which option should be preferred?

Element 4 Questions

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   a. If not, what alternative approach would you prefer and why?

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   a. What is the relationship between the labelling regime and industry standards? Should a labelling regime prescribe specific standards? If yes, which?

19) How can a principles-based regime ensure sufficient consistency across products and issuers, while still allowing flexibility in evidentiary methods?

20) Are there particular challenges in evidencing certain sustainable investment approaches?

   a. If so, how should a principles-based regime accommodate these differences?