

Submission to Sustainable Investment Product Labels consultation paper

August 2025

The Australian Sustainable Finance Institute (ASFI) welcomes the opportunity to comment on the Department of the Treasury's consultation paper on Sustainable Investment Product Labels. ASFI is a not-for-profit organisation committed to realigning the Australian financial system to be sustainable, resilient, and inclusive. ASFI's members are large Australian financial institutions – including major banks, superannuation funds, insurers, asset managers, and financial services firms – that support ASFI's mission. ASFI members collectively hold over AU\$37 trillion in assets under management and are committed to allocating capital in a way that creates positive social and environmental outcomes.

The views expressed in this paper are those of ASFI, and not the views of any individual ASFI member.

Summary of ASFI's position

ASFI is supportive of the introduction of a product labelling regime to improve access to information for consumers, help address and minimise greenwashing, and increase market confidence in sustainability claims. The labelling regime should avoid excessive compliance burden and be flexible enough to apply to and enable a range of sustainability-related investment products. It should be based in existing misleading and deceptive law, enabling more effective compliance with and enforcement of that law. We consider that this type of scheme would support transparency and consumer choice. Over time, it could also support the credibility and growth of sustainable finance and investment in Australia – contributing to Australia's net zero and broader sustainability goals.

ASFI considers that an Australian product labelling regime should be developed with regard to the principles of flexibility, integrity, and international alignment (where possible). Key features should include:

- Introduction of additional consumer facing disclosure requirements to enable retail investors to readily understand the sustainability characteristics of sustainable investment products and compare those products.
- Minimum standards for sustainable products – these could dictate a set of eligible investment approaches and could set minimum thresholds for allocation of a product towards the stated sustainability objective.
 - o Government may also wish to explore a tiered approach, where the use of specific terms (for example, those most commonly associated with high ambition/outcomes) triggers higher requirements.

- Not dictating or limiting the universe of potential sustainable investment strategies, but requiring product issuers to be able to substantiate their claims with reference to appropriately robust standards and frameworks.
- Not requiring third party certification, but recognising that voluntary third party certification could play a role in product issuers' efforts to substantiate claims.

While there are arguments for applying disclosure requirements to all investment products, on balance at this stage, we consider that product labelling requirements should apply only to those products marketed as having sustainability benefits. We note the consultation paper's scope is limited to retail investors. We agree that any new product labelling requirements should apply to retail investment products and that consumers should be the primary focus. However, Government should also consider whether there is also a case for applying requirements to wholesale products, recognising that some of these products will ultimately be marketed to consumers, and that all investors may benefit from better information.

Principles for an Australian Product Labelling Framework

ASFI considers the following principles to be important for an Australian labelling framework:

Flexibility – the framework should be sufficiently flexible to accommodate and apply to a wide range of investment products and sustainability-related benefits, while providing enough detail and rigor to support clarity for investment product issuers and consumers. Highly prescriptive requirements that could have the effect of creating de facto standardised investment products should be avoided to enable ongoing innovation in the emerging sustainable finance market.

Integrity – the framework should ensure that products marketed as having sustainability characteristics meet a minimum level of credibility, consistent with consumer expectations. According to consumer testing undertaken by the UK Government in the development of the UK product labelling scheme, consumers expect investment products marketed as sustainable to contribute to positive environmental or social outcomes.¹ Consumer research in Australia echoes this, with 79% of Australians expecting their bank, super fund or other investment to deliver positive impact in the world.² The Australian framework should require 'sustainable' products to demonstrate that funds invested under that product are supporting activities that are aligned with the product's sustainability objective.

International alignment – while we expect an Australian product labelling framework would be based in Australian corporations and consumer law, there would be value in Australia's approach being informed by and potentially aligning with core elements of one or more comparable jurisdictions where appropriate. This would reduce transaction costs and complexity for global investment managers looking to offer products in Australia.

Responses to consultation questions

	Consultation Question	ASFI Response
1)	<i>In the context of existing regulatory settings and disclosure requirements, what</i>	ASFI views product labelling as complementary to other requirements. A labelling scheme would support better compliance with existing regulation around greenwashing and misleading conduct; provide better information to the market about the sustainability credentials of financial

¹ Thinks Insight and Strategy, [Sustainability Disclosure Requirements \(SDR\) and investment labels regime \(Qualitative Research\)](#)

² Responsible Investment Association of Australia (2024), [From values to riches 2024: Charting consumer demand for responsible investing in Australia](#), p.9

	<i>is the role for sustainable financial product labels?</i>	products; and improve consumer protection and confidence in sustainable products. Over time, this would support the growth and credibility of sustainable finance and investment in Australia – contributing to Australia’s net zero and broader sustainability goals.
2)	<i>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?</i>	Yes, new requirements should apply to financial products that are marketed as having non-financial benefits related to sustainability. We note the consultation paper’s scope is limited to retail investors, and agree that these should be the primary focus of any new requirements. However, it is important to consider that products which are not explicitly marketed to individuals or retail investors may still end up in the hands of consumers, particularly through platform, bundled or ‘fund of funds’ type products, or indirectly through superannuation funds. Government may wish to consider the advantages and disadvantages of extending the scheme’s application more broadly to any investment product that markets sustainability claims within Australia.
3	<i>What aspects of international regimes should the Government consider for Australian application?</i> a. <i>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?</i>	ASFI supports the introduction of additional rules that require standardised disclosure of the sustainability characteristics of investment products that are marketed as sustainable. Government should consider the experiences and approaches of key markets in developing Australia’s product labelling approach. The United Kingdom’s approach to consumer-facing disclosures provides a useful template for Australia. New disclosure requirements should enable consumers to easily understand and compare sustainable products. It would be valuable to draw from the consumer testing undertaken by the UK Government in the development of its labelling framework. The UK framework also strikes a sensible balance between rigor of the scheme in terms of the information that product issuers must provide to substantiate their claims, and flexibility to allow a variety of products with differing sustainability benefits to be developed.
	<i>Is international interoperability important for Australian sustainable investment product labelling?</i>	The investment product labelling scheme will be based in Australian consumer and corporate law and will necessarily be designed to operate within that framework. However, ASFI supports international alignment wherever possible to reduce transaction costs and reduce barriers for international financial institutions to offer products to the Australian market.
Designing standardised labelling		
5	<i>Do the Responsible Investment Approaches (identified in Table A), UNSDG and PRI cover the field for</i>	The investment approaches outlined in Table A provides a reasonable overview of sustainable investment approaches, although we note there may be additional nuances – for example negative screening versus

	<i>sustainable investment approaches? Are there others that should be considered?</i> <i>a. Are any of these approaches inappropriate? If so, why?</i> <i>b. What are the merits and deficiencies of each approach?</i> <i>c. Should the approaches be ranked on their ability to deliver sustainable outcomes?</i>	positive screening. We do not consider that the UNSDG or PRI Principles are (or are intended to be) investment approaches.
6	<i>Should allowable investment approaches be prescribed in legislation, or left for industry to define?</i>	Government should avoid rules that would unduly limit the universe of possible investment strategies, objectives or focus areas for sustainable investment products. As an illustrative example, we would not foresee rules that dictate that a product that focuses on addressing climate change by investing in net zero aligned businesses can be marketed as sustainable, but a product that focusses on improving gender equality by investing in businesses that benefit women cannot. However, there may be value in defining (in a non-exhaustive list) at a high level the types of investment approaches that product issuers typically adopt to execute their sustainability strategies – similar to the list set out in Table A of the consultation paper. Establishing a clear and standardised way to describe these approaches could benefit consumer understanding of investment options, and form part of consumer facing disclosure requirements. Government may also wish to set minimum thresholds for which investment approaches can be legitimately marketed as sustainable. For example, we do not think that a product that is marketed as sustainable but only employs the approaches of ESG risk integration and stewardship (particularly in the absence of a robust escalation policy) would meet consumer expectations of a sustainable investment product. ASFI considers there may also be value in setting objective thresholds for products marketed as sustainable, at least where certain terms are used that imply a high level of sustainability performance or outcomes. See further our response to question 10(b) below.
7	<i>Which approach can best improve the confidence of Australian investors? Which options best help investors to identify, compare, and make</i>	As set out above, ASFI supports the introduction of new rules for the standardised disclosure of information related to investment products that are marketed as having non-financial benefits (such as for climate change, nature, or social wellbeing). We also consider

	<i>informed decisions about sustainable investment products?</i>	that a level of objective standard would support credibility and integrity of product issuances consistent with consumer expectations – see further our response to question 10(b) below.
	<i>Triggering the requirement</i>	
8	<i>What should determine when product labels apply to a financial product? What are the benefits and costs of:</i> <i>a. applying labels to all financial products regardless of sustainability claims?</i> <i>b. applying them only to products that market themselves as sustainable or similar?</i>	At this stage, ASFI considers that requirements should apply to financial products marketed as having sustainability (broadly defined) benefits. We acknowledge that introducing additional requirements only for sustainable products places an additional compliance burden on those issuers. This could disincentivise the development of sustainable products. It also means consumers would not have access to comparable information about sustainability credentials of the full range of products they may be considering as investment options (ie both ‘sustainable’ and regular). However, universal coverage would increase overall compliance costs for financial products and we are not currently persuaded that the costs of applying label and disclosure obligations to products which do not market themselves as sustainable would be outweighed by benefits.
9	<i>Which approach would best address issues of greenwashing and/or greenhushing?</i>	ASFI considers that sustainable product disclosure combined with a minimum level of substantive requirements or thresholds (as described in our response to Q10(b) below) be an effective complement to existing legislative prohibitions against greenwashing and make enforcement of the existing law more effective and practical. An approach to minimising the risk of greenhushing could be to apply the scheme’s requirements to all retail products which would ensure that the sustainability bona fides of all investment products could be easily compared against each other. However, a more proportionate approach could be to ensure that regulation is effective and efficient and not overly prescribed or burdensome – providing a reasonable level of baseline regulation which the market can meet in a variety of ways. The aim should be to exclude non-genuine claims to sustainability, while providing maximum flexibility for products whose sustainability characteristics align with their marketing approaches and with consumer expectations of those approaches.
10	<i>What features of a financial product should trigger a labelling requirement?</i>	Requirements should apply to products whose names and/or marketing material indicate they will deliver non-financial benefits in addition to financial returns. This trigger could be complemented by a non-exhaustive list of terms that would trigger the rules – including words

	a. <i>Should particular words or terms be specified?</i> b. <i>Should it be based on a threshold such as per cent of product invested under a sustainable investment approach or objective?</i>	such as sustainable, ethical, green, responsible. Setting these out in subordinate legislation or guidance would support them to be updated from time to time as required. ASFI considers that there is a case for setting a threshold for what percent of product should be (at minimum) invested in alignment with the stated sustainability objective. This would promote certainty for product issuers; help to align product characteristics with consumer expectations; and be consistent with approaches in the UK and EU. As with all the rules that ASFI is proposing in this submission, these requirements would only be triggered when product issuers choose to market a product as having sustainability characteristics. Government could also consider a tiered approach – where certain terms trigger only minimum disclosure rules, but other terms where consumer expectations may be higher (such as ‘green’, ‘net zero’, or ‘sustainable’³) trigger a higher level of requirements including a minimum investment thresholds requirement.
11.	<i>Should evidentiary requirements underpinning labelling be prescriptive, principled or a mixture of both?</i>	Product issuers should be expected to be able to substantiate claims regarding the sustainability characteristics of their products, consistent with existing misleading and deceptive conduct obligations. It would be valuable for Government to provide guidance and examples of the types of evidence that could be appropriate to substantiate claims – including identifying established standards and frameworks that could be used to support claims. ASFI would not support an overly prescriptive approach to evidentiary requirements as this is unlikely to be fit for purpose to support a broad range of sustainability related products.
12.	<i>Should evidentiary requirements for investment product labels be linked to other policy initiatives being progressed as part of the Roadmap (such as the taxonomy)?</i>	As outlined above, the product labelling framework should avoid prescriptive evidentiary requirements, instead setting an expectation that product issuers be able to substantiate their sustainability claims. The Australian Sustainable Finance Taxonomy has so far been developed to cover climate mitigation only. In its current form, the Australian taxonomy could be used to support claims related to products with a specific focus on climate mitigation outcomes. To substantiate broader sustainability-related claims beyond climate mitigation, product issuers will need to draw from other standards, tools or frameworks. Given this, we do not recommend mandating the taxonomy or other specific frameworks as

³ We note that industry interpretation of the term ‘sustainable’ typically encompasses a broad range of investment objectives and may be considered by industry to be setting a lower bar than more specific terms such as ‘green’ or ‘net zero’. We recommend Government consider (or undertake) consumer research to understand what consumer expectations are in relation to different terms.

		evidentiary requirements, although they could be referenced. See Box below for more detail on the relationship between the Australian taxonomy and a potential product labelling regime.
13	<i>What should be the role of independent third-party certification?</i> <i>a. If third-party certification is required, what criteria should be the product be certified against and who should set those criteria?</i> <i>b. If third-party certification is not required, how can credibility and robustness of labels be ensured?</i>	ASFI does not consider mandatory certification should be part of a Government product labelling regime. This would add significant cost and compliance burden, and may deter product development. Voluntary third-party certification has played a role in the development of the responsible investment market to date. Voluntary certification could continue to play a role alongside Government requirements. For example, product issuers may wish to seek third party certification against a defined standard as a way to support their substantiation of their claims. Credibility and robustness of labels would be supported by a combination of clear rules and guidance from Government, and effective enforcement by the regulator (which we assume would be ASIC). In general, ASFI considers that compliance and enforcement in relation to a sustainability labels scheme would be an extension of compliance and enforcement activities to prevent greenwashing and other types of misleading conduct in the market. ASFI considers that the establishment of a sustainability labels scheme could support better, outcomes-based compliance and enforcement action from regulators. Clear guidance in the form of sustainability product requirements will provide regulators with an important tool to identify and combat greenwashing or other misleading conduct. We would encourage a capacity-building approach to enforcing sustainability product labelling, particularly in the early years, to encourage adoption and appropriate use of labels in the market. Such an approach would involve providing the market with clear guidance of the regulator's expectations, and where non-compliance had been identified, working with industry participants to bring products into compliance where this is clearly achievable. Public enforcement action should be reserved for cases of deliberate and/or egregious non-compliance with the law. Such an approach would support compliance with the law while also providing market participants with a level of confidence to issue and market sustainability-focussed products where they are doing so in good faith and applying good practice. ASIC would need to be appropriately resourced to play this type of role.

BOX: Product labelling and the Australian Taxonomy

The role of the Australian Sustainable Finance Taxonomy in product labelling

The development of the Australian sustainable finance taxonomy for climate change mitigation was a joint initiative between the Australian Government and finance sector, led by the Australian Sustainable Finance Institute. Currently available for voluntary use, the Australian Taxonomy supports the credible allocation of capital towards Paris-aligned activities by strengthening investor and consumer confidence in low-emissions investments and capital allocation claims.

A sustainable finance taxonomy is a classification system identifying assets and economic activities that deliver on key climate and/or other sustainability objectives by reference to transparent performance metrics. The Australian taxonomy can currently support climate mitigation outcomes of assets and activities but does not provide information on broader sustainability or ESG considerations of entities.

In its current form, the Australian taxonomy could be used to support claims related to products with a specific focus on climate mitigation outcomes. It is particularly useful to support capital allocation for credible 'transition' activities including in sectors such as mining, green metals, and agriculture, alongside more traditional 'green' activities such as renewable energy and electric vehicles. To substantiate broader sustainability-related claims beyond climate mitigation, product issuers will need to draw from other standards, tools or frameworks.

The taxonomy is a part of the Australian Government's Sustainable Finance Roadmap. It is intended to work together with other pillars of the Roadmap – including climate-related financial disclosures, transition plan guidance, and product labelling – to support the growth and credibility of the sustainable finance market in Australia.

Considerations for superannuation funds

It may be challenging in some cases for superannuation funds to balance product labelling requirements – particularly should minimum investment thresholds be set – with existing legislated requirements including the requirement to act in members' best financial interests, and compliance with the Your Future Your Super Performance test. This may result in superannuation funds electing not to issue products that are marketed as sustainable.

To avoid this outcome, ASFI recommends the Government prioritise reform of the YFYS performance test to remove this regulatory barrier to pursuing sustainable investment strategies. ASFI welcomes the Government's recent decision to revisit the YFYS performance test reform agenda. Government should also consider whether the best financial interests duty is inhibiting the ability of superannuation funds to respond to member preferences for sustainable products.⁴

Complementary reforms

ASFI recommends the Government consider introducing a requirement for financial advisers to solicit information from retail clients about their sustainability preferences, such as

⁴ For further information, see ASFI's 2024 [submission to the Annual Superannuation Performance Test Consultation Paper](#)

currently occurs in the EU under the MIFID II regulations.⁵ Such a reform would enhance the value of sustainability labels, by ensuring consumers receive advice that is consistent with their goals and objectives, using the information provided in sustainability label disclosures. Experience with the MIFID II regulation in the EU suggests that requiring financial advisors to actively seek clients' preferences and providing a clear way for them to articulate those preferences has led to an increase in demand for sustainability aligned investments.⁶

⁵ [Commission Delegated Regulation \(EU\) 2021/1253 of 21 April 2021 amending Delegated Regulation \(EU\) 2017/565 as regards the integration of sustainability factors, risks and preferences into certain organisational requirements and operating conditions for investment firms](#)

⁶ ASFI (2023), [Australian Sustainable Finance Progress Tracker](#)