

ASFI Submission on Sustainable Investment Product Labelling Regime Consultation No. 2

18 March 2026

The Australian Sustainable Finance Institute (ASFI) welcomes this opportunity to make a submission on the design of the Australian Government's [Sustainable Investment Product Labelling](#) regime.

ASFI is the peak body for sustainable finance in Australia, and a not-for-profit organisation, committed to mobilising capital for climate, nature and social impact. 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\$16.5 trillion in assets under management.

Over-arching comments

ASFI supports the introduction of a sustainable investment product labelling regime and broadly welcomes the direction of Treasury's proposals. A well-designed regime will play an important role in strengthening consumer trust, improving comparability between products, and enhancing overall market integrity.

At the same time, it is important not to overstate what product labelling can achieve. Product labelling can strengthen confidence in the sustainable finance market and support more informed decision-making—but it will not, on its own, drive a significant allocation of capital for sustainable activities.

Achieving Australia's sustainability objectives and positioning the Australian economy for a low-carbon future will require a broader suite of policy settings. Policies that – through regulation or incentives – help to align sustainable finance and investment opportunities with institutional appetites will be critical to mobilising capital at scale. In this context, the forthcoming Safeguard Mechanism Review is an important opportunity to introduce a more effective and comprehensive carbon price into the Australian economy.

It is also important to work towards alignment of financial regulation so that sustainable capital allocation does not conflict with financial institutions' fiduciary and regulatory duties. Throughout this consultation, ASFI's superannuation members consistently identified the Your Future Your Super (YFYS) performance test and fiduciary duties as a key factor that impacts or constrains sustainable product development. ASFI welcomes the Government's ongoing engagement with industry on

potential reforms to the YFYS performance test and considers this an important complement to the product labelling regime in supporting capital mobilisation.

Summary of Positions

ASFI supports the introduction of a sustainable investment product labelling regime that strengthens consumer trust, comparability and market integrity, while allowing flexibility across different investment approaches. The regime should seek to align sustainable products with expectations of a reasonable retail investor.

- **Scope:** ASFI supports using the Corporations Act definition of financial products and a non-exhaustive list of sustainability terms, capturing products marketed as sustainable (including environmental, social and governance claims) while excluding general ESG integration and engagement not used for product marketing.
- **Consumer facing disclosure:** ASFI supports mandatory consumer-facing disclosures. We favour a hybrid model combining prescribed, standardised elements and flexibility for additional product-specific information. The goal should be to enable brief, plain language disclosures that are genuinely comparable and understandable. In targeted areas (e.g. exclusions, and “positive contribution”), common methodologies, definitions or guidance could support comparability and reduce complexity.
- **Thresholds:** On balance, ASFI supports disclosure of a self-selected threshold rather than a uniform minimum threshold. This is because different strategies may be more or less ambitious or impactful, and the threshold is not always the defining factor of ambition. Products should disclose their sustainability threshold and underlying strategy to enable informed investor assessment.
- **Strategies:** Products labelled as sustainable should meet reasonable retail investor expectations – namely contributing positively to environmental or social outcomes and avoiding harm. Positive allocation and exclusions are most consistent with these expectations; more process-based strategies (e.g. ESG integration, engagement) may not be particularly where they do not result in a change to the assets in the product.
- **No conflicting assets:** ASFI supports the inclusion of a “no-conflicting assets” principle to preserve the integrity of labelled products and ensure that all assets are aligned to baseline investor expectations.

- **Evidentiary requirements:** ASFI supports a principles-based approach to evidentiary requirements, underpinned by a non-exhaustive list of credible standards (including the Australian Taxonomy).

Responses to Specific Questions

Element 1: Scope	
1) Is the definition of financial product in the <i>Corporations Act</i> 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. <u>Conversely, does this approach miss any financial products that should be captured by the regime?</u>	Yes, ASFI considers that adopting the definition of financial product in the <i>Corporations Act</i> for products to which the Australian Product Labelling Regime will apply is appropriate. As noted in the consultation paper, this option covers a diversity of products available to retail investors and is likely to cover new financial products that may become available in future. We do not support narrowing the scope to specific types of financial products. Our understanding is that this scope would not capture products that adopt ESG integration, stewardship or exclusions where those products are not marketed as sustainable. We support this approach and note that issuers should be free to disclose their business-wide, or for superannuation funds ‘whole of fund’, approaches to sustainability without being captured by the regime, where these disclosures are not used for product marketing purposes. This is because these approaches are commonly adopted (and disclosed in financial or sustainability reporting) for standard financial risk/return management purposes.

2) Is the approach of using a non-exhaustive list of 'sustainability' terms appropriate for this regime?	Yes. As recommended in our submission to the Government's previous consultation on product labelling, ASFI supports the approach of using a non-exhaustive list of 'sustainability' terms that would be captured under the regime. The Government should consider the best way to ensure this list can be updated from time to time, for example by setting out the list in regulatory guidance rather than legislation.
3) Should terms relating to the governance and social elements of ESG be in the scope of this regime? Why?	Yes, ASFI supports including terms related to governance and social considerations in the scope of the regime. Products marketed as 'ethical', 'socially conscious', 'responsible' or 'ESG' generate the same investor expectation – and therefore the same risk of greenwashing – as products using environmental terminology. Including these types of products in the labelling regime would help achieve the Government's consumer protection objective and ensure that financial products marketed as having relevant non-financial credentials are true to label. It would also be consistent with approaches taken in jurisdictions such as the UK, EU, Singapore and Hong Kong.

4) Are there any terms in the non-exhaustive list that create unintentional consequences and should not be included? Are there any terms missing?	The terms ‘future’ and ‘equity’ are sometimes used in a way that is not intended to imply sustainability characteristics. They should be captured by the scheme only where the intention (or practical effect) is to market the product as sustainable. Treasury may wish to consider including the term ‘transition’ in the list. While it may not currently be in common use for retail products in Australia, it is commonly used in decarbonisation and climate change discourse, and in relation to wholesale or more niche investment opportunities (such as venture capital or private equity funds), and may in the future be adopted for retail products. We note that the EU’s proposed new framework includes “Transition” as a category and it is possible that products marketed in the EU using this label may also be marketed in Australia. Other terms that could be considered for inclusion include: circular economy, Paris-Aligned, SDG, regenerative.
Element 2: Consumer-facing disclosures	
5) Do you support the introduction of mandatory consumer-facing disclosure obligations?	Yes. As set out in our submission to the previous consultation on product labelling, ASFI supports the introduction of mandatory consumer-facing disclosure obligations. Providing clear, consistent information will help retail investors compare and select between financial products that make sustainability claims.
6) How could voluntary templates achieve the policy objectives?	A fully voluntary approach is unlikely to result in consistent, broad-scale market up-take because product issuers have an incentive to present sustainability attributes selectively, and will likely not be motivated to invest resources in changing their existing disclosure approach without a regulatory requirement. As such, voluntary templates are unlikely to achieve the government’s goal in supporting consumers to have access to clear, consistent and

	comparable information on products marketed as sustainable. A mandatory regime that applies to all products marketed as sustainable would create a level playing field for these products and promote clarity and consistency of disclosures.
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?	A fully prescriptive approach is unlikely to accommodate the diversity of products that are or will be available in the market. On the other hand, a principles-based approach is likely to result in inconsistent and unclear disclosure that fails to meet the objectives of the regime. ASFI supports a hybrid approach to template design: • Disclosure of key elements in a prescribed, concise, format should be mandatory. This will allow consumers to more easily compare critical information across different labelled products. • The label should also allow disclosure of further information about the product's sustainability strategy. This would allow issuers to provide additional information pertinent to the particular product that may not be accommodated in the mandatory fields. Mandatory elements could include: • The sustainability objective (short description in plain language – one or two sentences) • How the product intends to achieve the sustainability goal, i.e. what are the investment strategies adopted by the product (word limit) • Exclusions (select all that apply plus free text to add any others) • Threshold: what proportion of assets positively contribute to the sustainability objective; and a short explanation of how those assets contribute to the sustainability objective • Evidentiary basis or metrics • Reporting approach

	ASFI considers it likely that the average consumer would have low understanding of commonly used industry terms such as “Integration”, “Exclusions”, “Stewardship”, and “Investment Strategy”. We recommend Government consider developing plain language definitions for these terms in consultation with industry and consumer groups. These definitions could be required to be disclosed alongside labels to assist consumer understanding.
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?	As indicated in our response to question 7, ASFI supports disclosure of exclusions under the regime. We note that the term ‘indirect’ investment can be interpreted in different ways. For example, it could be understood to mean all investments that are not directly managed by in-house investment teams. Others use the term ‘indirect’ to describe investments in pooled vehicles where there is more than one asset owner – as distinct from investment through dedicated mandates with an investment manager. Or, ‘indirect’ can refer to an investor’s exposure to the subsidiaries of a company in which the investor holds shares. This definitional issue is something Treasury should clarify as part of the next phase of consultation, and consider defining in the regime if appropriate. The issue of direct/indirect exclusions is an area where ASFI considers that there is a gap between what a reasonable retail investor might expect, and what industry considers workable in practice. It is unlikely that consumers would differentiate between exclusions applied to direct investments and exclusions applied to indirect investments. This suggests that if an exclusion is being disclosed, it should apply to both direct and indirect. However, the ability of an investor to set the terms of, and access real-time information about, an investment varies depending on the type of assets in question. For example, investment in assets such as pooled vehicles is common

	especially for funds or for asset classes with smaller allocations. This type of investment typically offers less control and transparency than investing through an individual mandate with a fund manager.
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One way to bridge this gap would be through transparency: simply require products captured by regime to disclose their approach to exclusions and how it differs for direct and indirect investments. However, this type of disclosure could be long, technical, and difficult for retail investors to parse or to compare across products.

Alternatively, the regime could establish a common methodology (in consultation with industry and consumer groups) for how exclusions apply to direct and indirect investments (and potentially to different types of indirect investments). As part of this, the methodology might prescribe an approach to revenue thresholds for exclusions, consistent with the UK and proposed EU regimes. A common methodology would simplify disclosures, and allow for easier comparisons.¹

The regime could also establish definitions for commonly used exclusions – for example, does a ‘coal’ exclusion exclude coal-fired electricity generation or just coal mining? Does a ‘tobacco’ exclusion extend to packaging, distribution and retail of tobacco products? Does it exclude tobacco alternatives such as vapes? Definitions could be developed with regard to commonly adopted Australian and international standards. Again, this would allow for easier comparisons and reduce the need for retail investors to parse complex, detailed, and technical information. Setting

¹ As a technical consideration: in defining a common methodology, the regime should avoid prescribing or limiting the choice of data providers – this could inadvertently impose an unnecessary constraint on market choice and result in higher costs.

	definitions could support industry convergence on common methodologies, without unduly limiting flexibility.² We consider that Box 2 captures the key exclusions. It should also be optional to apply and disclose exclusions that are not included in this list.
9) What are other considerations should the Government consider if it progresses with the introduction of mandatory consumer-facing disclosure obligations?	Beyond Disclosure We consider that the regime should seek to achieve its objective primarily by requiring clear and consistent disclosure. However, in some areas it would be valuable for the regime to establish definitions or minimum criteria for products marketed as sustainable. This would reduce the need for complex and lengthy disclosure, and support comparability and investor understanding. See for example our response to Question 8 above, which suggests that defining a methodology for exclusions, and defining common exclusions, could be valuable. We also consider that the regime should provide clear guidance and examples regarding which investment strategies are consistent with consumer expectations regarding ‘positive contribution’ to an asset threshold (see our response to question 13 below). We recognise that the Government proposes the regime will cover only retail products. However, many retail products rely on wholesale building blocks, and wholesale and institutional products can influence the construction, asset allocation and strategies of products ultimately offered to retail investors. We recommend that thought be given to application of the regime to wholesale products, particularly in areas that go beyond disclosure requirements to develop common definitions or standards. Application to wholesale products in this context could make it easier for retail

	product issuers to standardise their approaches to technical or methodological issues. Enforcement approach 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. This 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, and/or failure to respond to regulator warnings. Such an approach would support compliance with the regime 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 effectively.
10) Should separate CFD requirements be developed for different types of financial products (i.e. non-fund products)?	ASFI considers that the regime should promote consistency in disclosure so far as possible because this aids consumer comprehension. The regime's disclosure template should be developed in a way that can be applied for all financial products likely to be captured under the regime.
11) When and how should the CFD be provided to the client/potential client?	The CFD should be provided to the client/potential client in a way that makes it likely that the client/potential client reads the information before making a commitment to invest in the product.
Element 3: Thresholds	

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?	On balance, ASFI considers that the regime should require disclosure of a product's sustainability threshold, rather than mandating a uniform minimum. The integrity of any threshold depends on the investment strategy used to achieve it, and strategies for achieving the sustainability objective may vary. For example, a 'green' product could have a strategy to invest in climate solutions. This would likely adopt a relatively low threshold. Provided that the remainder of the assets did not conflict with the sustainability objective, this product could have strong alignment with climate objectives. Conversely, a 'green' product with a 90% threshold that is achieved primarily through limited/weak exclusions may be less aligned with climate objectives in practice. Requiring disclosure of a threshold allows investors to assess both the threshold and the underlying strategy, supporting informed decision-making while accommodating legitimate variation in product design.
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?	Assets should count towards the threshold if they make a positive contribution to the stated sustainability objective. The definition of 'positive contribution' should align with the expectations of the average retail investor. UK consumer testing found that:³ • in general, consumers associated sustainable investing with positive impact and investments that aim to do good for people and/or the planet; and

³ Thinks Insight and Strategy 2023, Sustainability Disclosure Requirements (SDR) and investment labels regime (Qualitative Research), <https://www.fca.org.uk/publication/external-research/sdr-investment-labels-regime-qualitative-research.pdf>

	At a minimum, consumers abide by a ‘do no harm’ policy – avoiding investments that are not aligned with their values. This suggests that both positive allocation strategies, and exclusions, would be consistent with retail investor expectations for products marketed as sustainable. They are also simple to understand at a high level without investment expertise. Strategies that do not or may not ultimately make a difference to the assets that are included in a product – such as ESG integration and investor stewardship – may not align with consumer expectations for contribution to a threshold. They are also more complex to explain and less likely to be understood by retail investors than positive allocation and exclusion approaches. The Government’s product labelling regime should provide clear guidance for issuers regarding what strategies can credibly contribute to an asset threshold.
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?	See our response to question 8 above. We consider that consumers would expect that thresholds apply to both direct and indirect investments. Self-selection (and disclosure) of a threshold would enable an issuer to determine a whole-of-product threshold that can apply to direct and indirect assets.
16) Is there a role to adopt a mechanism which governs the assets not contributing to the threshold (sub option a)?	ASFI supports the inclusion of Sub-Option (a) to preserve the integrity of the product and ensure that all assets are aligned to baseline investor expectations.

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?	We consider the UK's approach, which requires the remaining assets in a product to not conflict with the product's sustainability objectives, provides guidance that could apply flexibly to a range of products. But it does leave a lot of room for interpretation. Additional guidance on what would be interpreted as 'conflicting' would be valuable. The EU's proposed approach provides useful clarity on what can and cannot be included in particular labels, but may not be appropriate for a regime that is allowing a wide range of product names to be used as the categories and associated exclusions may not be relevant for all product objectives.
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Element 4: Evidentiary Assessment

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?	ASFI supports a principles-based approach to evidentiary assessment requirements under the regime. This allows flexibility for application to a range of sustainability objectives, and also flexibility for product issuers to revise or adopt new standards as they evolve over time. As set out in our submission to the first consultation, ASFI recommends that Government consider providing a non-exhaustive list of standards that would be appropriate as evidentiary backing for products marketed in particular ways (for example, a product marketed as 'climate transition' or 'Paris-aligned' could rely on the Australian Taxonomy, or another credible taxonomy, as evidentiary basis). As outlined in our response to Treasury's first consultation, we do not recommend mandating the use of any specific standard. However, we do support including a non-exhaustive list of evidentiary standards that would be appropriate to reference to substantiate the positive contribution of an asset to a product's objective (for example, a product marketed as 'climate transition' or
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	‘Paris-aligned’ could rely on the Australian Taxonomy, or another credible taxonomy, as evidentiary basis). An example of this approach is the SBTi’s Financial Institutions Net Zero Standard’s Implementation List, which is a register of methodologies that can be utilised to define ‘climate solutions’ at the activity-level and ‘in transition’ at the entity-level (SBTi 2025, p.8 onward). More information on the Australian Taxonomy and how it could be used in product labelling regime is set out in the Appendix to this submission.
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?	ASFI members identified the following (non-exhaustive) list of evidentiary standards and approaches that may be used to substantiate claims depending on the type of claim being made: - Taxonomy alignment (inc AU Taxonomy; Climate Bonds Standard) - ESG ratings from ratings providers including MSCI/S&P or Green Star/NatHERS - Certifications such as Green Star or RIAA certification - Inclusion in reputable listings eg Workplace Gender Equality Agency Employer of Choice list - Investee ownership by women/other minorities - Bespoke, in-house methodologies.
19) How can a principles-based regime ensure sufficient consistency across products and issuers, while still allowing flexibility in evidentiary methods?	The extent to which consistency between products and issuers can be realised is limited due to the diversity of asset classes and investment strategies that may be pursued by different investors. For example: - a specialised impact investment product may prioritise sustainability-related investments based on selective impact indicators that apply at the project-level. - Conversely, a sustainable superannuation option with a diversified set of asset classes spanning

	listed and unlisted equities, labelled debt and a range of other direct investments and pooled vehicles will pursue a range of outcome indicators. For example, climate solutions investments in listed equities may assess the climate alignment of entity-level revenue, and the entity's transition plan relative to peers; real estate or infrastructure-related pooled vehicles may be assessed at the portfolio level. In such cases, the characteristics of the underlying investments will be distinct, and as such a direct comparison will not necessarily be possible or useful to the consumer. Greater consistency can be embedded in a principles-based regime at two levels: • Define exclusions in a way that can be applied to all asset classes, • Promote a set of standards and methodologies through which a positive sustainability contribution (distinct from No Significant Harm) can be assessed at various levels. This may include recognised entity-level methodologies, portfolio assessments (e.g. GRESB), and in frameworks that classify sustainable activities that encompass indicators related to, for example, net zero pathway alignment, sustainability impact or other indicators that demonstrate an outcome. While no one approach need be mandated, the inclusion of a broad 'basket' of methods could go some way to promoting consistency. There is a trade-off between enabling flexibility of product approach and evidentiary methods, and promoting consistency. Providing examples of appropriate standards, and providing additional guidance, would support convergence towards more consistent approaches.
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20) Are there particular challenges in evidencing certain sustainable investment approaches? a. If so, how should a principles-based regime accommodate these differences?	-
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Appendix

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.