

3 August 2025

Director
Labelling and Disclosure Unit
Climate and Energy Division
Treasury
Langton Crescent
Parkes ACT 2600

Dear Sir/Madam,

Sustainable investment product labels

About ACSI

Established in 2001, ACSI exists to provide a strong voice on financially material environmental, social and governance (ESG) issues. Our members include Australian and international asset owners and institutional investors with more than \$1.9 trillion in funds under management.

Through our research, engagement, advocacy and voting recommendations, ACSI supports members in exercising active ownership, which enhances the long-term value of the retirement savings entrusted to them to manage. ACSI members can achieve value for their beneficiaries through genuine and permanent improvements to the ESG practices of the companies in which they invest.

This submission draws on the experiences of ACSI members who embed sustainability considerations across their portfolio-wide investment processes (ESG integration and stewardship), as well as members who offer superannuation investment options which are specifically marketed as 'sustainable' or similar. Superannuation funds implement sustainable investment strategies in-line with their best financial interests duty (BFID) obligations.

Summary of ACSI's position

ACSI recognises that many consumers take an interest in sustainable investment but can face challenges in identifying which products align with their goals. We therefore support the development of a targeted labelling regime to help retail investors and superannuation members better understand and compare investment products specifically marketed as 'sustainable' or similar. Broader policy objectives, such as attracting investment in the net zero transition, can be more effectively addressed via other mechanisms.

We favour a model which enhances transparency without placing restrictions on the design of products. The labelling regime should leverage existing regulatory frameworks where possible, including the misleading or deceptive conduct provisions in Australia's existing financial services legislation.

We note that including superannuation products will require consideration of their unique regulatory context, including the BFID. It is important that new requirements do not introduce barriers to the implementation of ESG integration or stewardship by superannuation funds, as these processes contribute strong, long-term financial returns for members.

The design of new requirements

To enhance retail investor understanding, ACSI supports a labelling regime which focuses on transparency. While key investment product features are already disclosed by issuers, there are opportunities to standardise the presentation of key sustainability information to an audience who may not have an in-depth understanding of approaches to sustainable investment. However, product design should remain at the discretion of issuers. This will provide flexibility which allows issuers to pursue a range of sustainability objectives and approaches, supports innovation and allows the regime to remain relevant in an evolving market.

Any new provisions should leverage and build on existing regulatory frameworks where possible. Misleading or deceptive conduct provisions provide a robust obligation for issuers to implement products which are 'true to label'. Using existing regulatory frameworks supports efficiency and practicality.

To remain consistent with existing regulatory approaches, certification of investment products by a third party should be voluntary option for issuers rather than a mandatory requirement.

Any new requirements should only apply to investment products which are specifically labelled as 'sustainable' or similar. This will address the key policy objective while mitigating unnecessary regulatory costs.

Avoiding disruption of ESG integration and stewardship processes

Regardless of how the labelling regime is implemented, it is vital that funds can continue to transparently and accurately disclose approaches to ESG integration and stewardship. This includes practices employed on a portfolio-wide or asset class basis, including as part of products that may not be specifically marketed as 'sustainable'. The Government should seek to ensure that superannuation funds can continue to implement investment strategies that are consistent with their BFID obligations, without necessarily triggering new regulatory requirements.

Please see attached detailed responses to consultation questions.

I trust our comments are of assistance. Please contact me or Kate Griffiths, Executive Manager – Policy and Research (kgriffiths@acsi.org.au), should you require any further information.



Louise Davidson AM
Chief Executive Officer
Australian Council of Superannuation Investors

APPENDIX: RESPONSES TO CONSULTATION QUESTIONS

Consultation question	ACSI response
<p>1) In the context of existing regulatory settings and disclosure requirements, what is the role for sustainable financial product labels?</p>	<p>The primary policy objective should be to help retail investors and superannuation members to understand and compare investment products marketed as 'sustainable' or similar.</p> <p>The labelling regime should not be developed with the aim of regulating the nature of products that are marketed as 'sustainable'. Rather, it rather should promote consumers' understanding of the product. As the consultation paper outlines, 'sustainable' means different things to different consumers, so focus on consumer understanding will support consumers to select products according to their preferences.</p>
<p>2) Should any new requirements apply to all financial products that make a claim or state a sustainability or similar objective other than, or in addition to, maximising financial returns?</p>	<p>New requirements should only apply to products with specifically promote sustainability characteristics to investors or superannuation members. We expect this would primarily apply to products or superannuation options with a sustainability-related term in its name. If this approach is taken, it will be important to provide clarity around which products are in-scope.</p> <p>Regardless of how the labelling regime is implemented, it is vital that funds can continue to transparently and accurately disclose their approaches to ESG integration and stewardship. This includes practices employed on a portfolio-wide or asset class basis or as part of products that aren't specifically marketed as 'sustainable'.</p> <p>APRA's SPG 530 Investment Governance provides further clarity on how ESG integration and stewardship can form part of a prudent investment strategy (see paragraphs 49-51).</p>
<p>3) What aspects of international regimes should the Government consider for Australian application?</p> <p>a. Is there merit in incorporating additional rules around the type of information required to be disclosed to consumers about sustainability characteristics, similar to the UK's consumer-facing disclosures requirement?</p>	<p>While key investment product features are already disclosed by issuers, there are opportunities to standardise the presentation of sustainability features to an audience who may not have an in-depth understanding of approaches to sustainable investment.</p> <p>The consumer-facing disclosure requirement in the UK regime (as opposed to the labelling framework) could inform development of a disclosure requirement in Australia which is appropriately targeted at retail investors and superannuation members.</p> <p>ACSI notes that the approach of the UK Financial Conduct Authority (FCA) was informed by in-depth consumer research. Treasury should consider the outcomes of this work and consider opportunities to better understand the needs and priorities of Australian retail investors who take an interest in sustainable investment.</p>

<p>4) Is international interoperability important for Australian sustainable investment product labelling?</p>	<p>The Government should be informed by developments in other jurisdictions, however international interoperability is generally not a primary concern for superannuation funds. Rather funds, are focused on the needs of their members.</p> <p>It is more important that new requirements can effectively and efficiently operate within Australia's existing legal and regulatory frameworks.</p>
<p>5) Do the Responsible Investment Approaches (identified in Table A), UNSDG and PRI cover the field for sustainable investment approaches? Are there others that should be considered?</p> <ul style="list-style-type: none"> a. Are any of these approaches inappropriate? If so, why? b. What are the merits and deficiencies of each approach? c. Should the approaches be ranked on their ability to deliver sustainable outcomes? 	<p>The list at Table A provides a reasonable overview of different sustainable investment approaches. Each of these approaches may have an appropriate role in the design and implementation of an investment product, however investment strategies are guided by the objectives prioritised. There can be significant diversity in how of each sustainable investment approach may be implemented and many sustainable investment products will adopt several of the listed approaches.</p> <p>Other considerations outlined in the consultation paper, such as investment strategies informed by the United Nations Sustainable Development Goals or the Principles for Responsible Investment, should not be considered specific sustainable investment approaches.</p> <p>We emphasise that some sustainable investment approaches, including ESG integration and stewardship, are 'business as usual' for many asset owners and managers who seek to maximise financial returns. These approaches therefore may not be relevant in the context of the paper's definition that 'sustainable' refers to the consideration of "one or more objectives beyond investment returns".</p> <p>As above, investment products should not be captured by new requirements solely because they have implemented and disclosed approaches to ESG integration and stewardship.</p>
<p>6) Should allowable investment approaches be prescribed in legislation, or left for industry to define?</p>	<p>The labelling regime should focus on transparency and the provision of information to consumers, rather than prescribing which investment approaches are "sustainable".</p> <p>Investment product design should remain at the discretion of issuers, with appropriate disclosure. This would provide flexibility which allows issuers to pursue a range of sustainability objectives and approaches, supports innovation and allows the regime to remain relevant in an evolving market, while also providing information to consumers.</p>

<p>7) Which approach can best improve the confidence of Australian investors? Which options best help investors to identify, compare, and make informed decisions about sustainable investment products?</p>	<p>As outlined in our response to Question 3, standardised and consumer-focused disclosures could enhance the confidence of investors who may not have an in-depth understanding of approaches to sustainable investment.</p> <p>Consumer-facing disclosures could include information such as:</p> <ul style="list-style-type: none"> - Sustainability-related objectives, if present. - Investment strategy, including asset class allocation and detail on the sustainable investment approaches employed. - Signposts to further information (i.e. a sustainable investment policy). - Overview of portfolio holdings (updated periodically).
<p>8) What should determine when product labels apply to a financial product? What are the benefits and costs of:</p> <ol style="list-style-type: none"> a. applying labels to all financial products regardless of sustainability claims? b. applying them only to products that market themselves as sustainable or similar? 	<p>New requirements should only apply to investment products which are specifically marketed as 'sustainable' or similar.</p> <p>Capturing all investment products is not necessary to meet the primary objective of informing consumers who take an interest in sustainability characteristics and could impose an unnecessary compliance burden and cost more broadly.</p>
<p>9) Which approach would best address issues of greenwashing and/or greenhushing?</p>	<p>Greenwashing is primarily a concern where sustainability characteristics are being actively promoted. Therefore, we support targeted disclosure requirements that capture investment products specifically marketed as 'sustainable' or similar. Existing misleading and deceptive provisions provide a robust obligation for issuers to implement products which are 'true to label'.</p> <p>Focussing on transparency rather than regulation will mitigate the regulatory burden and better manage the risk that new requirements present a barrier to offering investment products as 'sustainable' or similar. With appropriate disclosure, consumers can understand the products they are buying, and issuers remain able to innovate to meet consumer needs.</p>

<p>10) What features of a financial product should trigger a labelling requirement?</p> <ul style="list-style-type: none"> a. Should particular words or terms be specified? b. Should it be based on a threshold such as per cent of product invested under a sustainable investment approach or objective? 	<p>It will be important to provide certainty around which investment products are captured by new requirements. To achieve this objective, there may be a case for specifying specific terms in product names which trigger new requirements (for example, in regulations or guidance).</p> <p>Quantitative thresholds are not necessary to inform retail investors and superannuation members. Product issuers should be able to determine the design of their investment products, provided that key features are accurately disclosed. Specifying the disclosure elements required of 'sustainable' products can better inform consumers.</p>
<p>11) Should evidentiary requirements underpinning labelling be prescriptive, principled or a mixture of both?</p>	<p>Consistent with the existing law and regulatory enforcement, it is necessary that product issuers can substantiate claims made about the sustainability characteristics of the investment products they offer. This requirement should remain anchored in current misleading or deceptive conduct provisions.</p> <p>Prescriptive provisions for evidentiary requirements risk adding cost and is not likely to offer sufficient flexibility to capture the wide range of possible sustainable investment objectives and strategies. A non-prescriptive approach will therefore support innovation and allow requirements to remain relevant as sustainable investment landscape continues to evolve.</p>
<p>12) Should evidentiary requirements for investment product labels be linked to other policy initiatives being progressed as part of the Roadmap (such as the taxonomy)?</p>	<p>To maintain flexibility, any new requirements should not be specifically tied to other sustainable finance frameworks or initiatives.</p> <p>For example, the Australian Sustainable Finance Taxonomy is at an early stage of implementation and focuses on the objective of climate change mitigation. This could limit its ability to form the basis of a diversified investment product. However, the taxonomy could be integrated into the design of an investment product on a voluntary basis.</p>

<p>13) What should be the role of independent third-party certification?</p> <ul style="list-style-type: none"> a. If third-party certification is required, what criteria should be the product be certified against and who should set those criteria? b. If third-party certification is not required, how can credibility and robustness of labels be ensured? 	<p>Third-party certification is not a necessary component of a robust labelling regime. Mandatory certification is not a typical approach to financial product regulation and could add significant time, cost and complexity to offering sustainable investment products.</p> <p>Enforcement of existing requirements, including prohibitions on misleading or deceptive conduct, can address the risk that the implementation of a sustainable investment strategy is not 'true to label'.</p> <p>Industry practices, including existing voluntary labelling regimes, should however inform the Government's approach.</p>
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