



CERTIFIED RESPONSIBLE INVESTMENT STANDARD

GUIDANCE NOTE

Product labelling

P2: Make honest claims and label appropriately

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Purpose of this Guidance Note

The purpose of this Guidance Note is to inform how Certified product providers show compliance with the following RI Certification Standard requirements, which specify that Certified Responsible Investment Products:

- P2 Make honest claims and are appropriately labelled:
 - a. are named to accurately reflect the claims pertaining to social, environmental, sustainability and/or ethical outcomes or responsible investment approach applied to the product; and
 - b. describe what could be reasonably expected by an investor in terms of the portfolio holdings of the product; and
 - c. ensure all claims made about the product are honest and not false or misleading nor include puffery, un-substantiations and unqualified predictions.
- P5e Have relevant and accessible RI disclosures: for products asserting certain sustainability outcomes or claims, publish the product's social, environmental and/or sustainability performance against benchmarks, goals or targets, at least annually as well as the methodology for measuring the Product's contribution to social, environmental and/or sustainability outcomes.

What is the intent of these Requirements?

The intent of the requirement P2 is:

- to protect those products already certified under the Program, by ensuring the integrity that Certification brings to products
- to support product providers in mitigating the risk of greenwashing – an activity prohibited under the Australian Securities and Investments Commission Act 2001 (Part 2 consumer protections), Corporations Act 2001 (e.g. sections 1041E, 1041G and 1041H) and Financial Markets Conduct Act (fair dealings provision in Part 2).

In the labelling of Certified Responsible Investment products and services, the label cannot intentionally or unintentionally mislead the consumer.

Labels must reflect the substance of the product or service, meaning they must be carefully designed and chosen mindful of thresholds, and what the RI strategy shall deliver in terms of the portfolio holdings. Refer to the series of fact sheets and guides available on RIAA's website and from the regulators, including:

- [Definitions for Responsible Investment Approaches \(November 2023\)](#)
- Assessment Note for products trading with 'impact' in their product labels (dated September 2023)
- Assessment Note for products trading with 'sustainable' in their product labels (dated November 2023)
- Climate Claims Annex to this Guidance Note (p.9)
- ASIC [Information Sheet 271](#) *How to avoid greenwashing when offering or promoting sustainability-related products*
- ASIC [Regulatory Guide 65](#) *Section 1013DA disclosure guidelines*
- [FMA Guidance Note Disclosure framework for Integrated Financial Products](#)
- FMA Integrated Financial Products: [Review of managed fund documentation](#)

Disclaimer: RIAA Certification Program and regulatory requirements have different focusses. RIAA makes no guarantee that in showing compliance with the RI Certification Standard requirements, a product has therefore achieved legal/regulatory compliance.

Types of unsubstantiated product labels and claims the Certification assessment aims to combat

Use of normative terms

Made-up examples of products using normative terms and why this is an issue are below.

Label/ Claim	Product feature	Issue
Ethical balanced	ESG integration and exclusion of tobacco, controversial weapons and alcohol stocks only	The term 'ethical' has been used for decades and over this time a reasonable responsible investor would expect to see companies and assets that produce goods and services considered harmful to people and planet to be excluded. It would be expected that an 'ethically' labelled product negatively screens for most of the following 'harms': Alcohol, armaments, gambling, pornography, tobacco and uranium (including nuclear power) Furthermore, that the revenue or exposure thresholds applied to these screens would be at or near zero. Given that there is no one set of values that satisfies all people it is usual that an ethical product is accompanied by an Ethical Charter, that explains the product issuer's rationale for the exclusions applied. These are often aligned to values such as moral principles, faith (Islam, Christian), rights (animal, environment) or causing no or less harm more broadly.
Sustainable Future Australian Share Portfolio	ESG integration and exclusion of tobacco, controversial weapons and fossil fuel exploration and miners (10% revenue threshold)	The term 'sustainable' has a broader range of interpretations but applied in this case with the term "future" a reasonable responsible investor would expect that the portfolio would contain stocks within the ASX with certain companies excluded based on exposure to a small number of harms, but also tilting towards stocks selected on their merits for contributing towards a more <i>sustainable future</i> – namely renewable energy companies, grocery companies managing water and food security issues etc. This product doesn't deliver on its promise – at best, it's less harmful not contributing to a sustainable future

Legal underpinnings

There are several laws that apply to product issuers including:

New Zealand – Financial Markets Authority (FMA)

- [Financial Market Conduct \(FMC\) Act](#), part 2
- [Responsible investment guidance](#)
 - Fair dealing provision
 - Disclosure expectations
- [Green bonds information sheet](#)
- FMA Integrated Financial Products: [Review of managed fund documentation](#)
- [Guidance Note: Advertising offers of financial products](#)

New Zealand - External Reporting Board (XRB)

- [Aotearoa New Zealand Climate Standard 3 General Requirements for Climate-related Disclosures \(NZ CS 3\)](#)

Australia - Australian Consumer and Competition Commission (ACCC)

- [ACCC's guidance on Green Marketing and Australian Consumer Law](#)
 - Misleading and deceptive conduct
 - False or misleading representations (sponsorship, approval, performance characteristics and benefits)

[Australian Securities and Investment Commission \(ASIC\)](#)

- See [ASIC information sheet \(INFO 271\)](#)

- [Regulatory Guide 234](#): Advertising financial products and services (including credit): Good practice guidance

[Treasury Laws Amendment \(Financial Market Infrastructure and Other Measures\) Act 2024](#)
[Australian Sustainability Reporting Standard S2 Climate Related Disclosure](#)

Alignment with the EU's Sustainable Finance Disclosure Regulations (SFDR)

The EU has passed regulations to enable and require sustainability disclosures across investment products, advice, insurance and banking ([Regulation 2019/2088 on sustainability-related disclosures in the financial services sector](#)). The roll out of the regulations are staged but the following is provided as a guide for applying issuers of product vis a vis alignment with the SFDR. Further amendments to these regulations are proposed but have not been finalised.

This Guidance is informed in part by regulation 2019/2088 on sustainability-related disclosures in the financial services sector.

Common methodologies for implementing environmental, ethical and social considerations across the relevant laws include:

- Positive screening
- Norms-based screening
- Exclusionary / negative screening
- Sustainable thematic investing
- ESG integration (with binding selection criteria); and
- Stewardship activities

Products classifying as Article 9 funds have sustainable investment (as defined by areas of economic activity) as their objective, and most often deploy:

- Sustainable thematic investing
- Impact investing

Article 9 funds contribute to an environmental objective, as measured, for example, by key resource efficiency indicators on the use of energy, raw materials, water and land, the production of waste, impact on biodiversity and/or a social objective, e.g., tackling inequality, fostering social cohesion, social integration and labour relations.

Both Article 8 and Article 9 funds are likely eligible for RI Certification whilst funds classified under Article 6 are not.

Made-up examples of products disregarding the legal underpinnings and why this is an issue are below.

Label	Product feature	Issue
Sustainable Australian equities fund	Excludes stocks with exposure to revenue from tobacco production	Redundant claims: Claim is redundant given that there are no tobacco production stocks listed on the Australian Stock Exchange.
Sustainable international equities fund	ESG integration and exclusion of stocks with revenue exposure to tobacco and weapons	Over or misleading statements (stretch): Label implies the portfolio comprises companies that are sustainable. Normatively speaking a 'sustainable' company would be a signatory to the UN Global Compact, Guiding Principles for Business and Human Rights etc. and be actively addressing significant contemporary ESG issues such as climate risk, ethical sourcing and workforce diversity and inclusion. 'Sustainable' portfolios may also screen out a broader range of environmentally and socially harmful activities / sectors and tilt towards companies and sectors that contribute favourably in terms of the goods and services from which they derive revenue. Statements regarding screening out harmful activities/sectors should not overstate the extent to which harmful activities are excluded.
More sustainable companies fund	Best-in-class screen	Dishonest product labelling: The fund excludes the worst performing companies – bottom 10%.
International sustainable balanced fund	ESG integration and screening <u>over equities only</u>	Over or misleading statements (scope): Fixed income, cash, property and other assets have no responsible investment overlays and/or fund does not meet the 75% FUM coverage as per the Multi-asset Guidance Note
Sustainable solutions fund	ESG integration with some regular negative screens	Over or misleading statements (stretch): Claims a positive tilt, but only 5% of companies are focused on 'sustainable solutions'. Additional example of this includes 'rainbow washing': <ul style="list-style-type: none"> • <u>alignment</u> with the 17 SDGs goals claimed; use of logo/goals • little or no intentionality (i.e. no link to 169 SDG <u>targets</u>)
Transition fund	Some extractive industry exclusions (such as pure play fossil fuel companies) and corporate engagement	Over or misleading statements (unsubstantiated): Transition normatively relates to a fund containing a range of high carbon stocks that need to decarbonise the basis on which they generate revenue in order to stay relevant in a low carbon world. This product is tilted towards carbon heavy stocks (less the exclusions noted) and does not explain how stocks are selected to be consistent with 'transition'; nor does the product comprise targets for corporate engagement which would result in this product achieving alignment with the pace of decarbonisation expected from a 'transition fund'.
Low carbon growth fund	Claims that the portfolio presents 20% lower in greenhouse emissions intensity than the mainstream benchmark	Sustainability related claims unsubstantiated: <ul style="list-style-type: none"> • Benchmark chosen and/or the methodology for calculating this sustainability-related claim is not disclosed • Greenhouse gas emissions intensity (extra-financial performance) of the fund is not reported, at least annually

No explanation of broad terms

Broad terms are sometimes used without adequate explanation of what is meant. Terms include but are not limited to:

- Significant
- Material
- Substantive
- Majority
- Principally
- Primary

Made-up examples of products using broad terms without explanation and why this is an issue are below.

Label	Product claim	Issue
Sustainable Equity Fund	The universe is refined to remove companies subject to long-term earnings sustainability risk including companies with <u>material</u> direct exposure or a <u>significant</u> indirect exposure to the production or distribution of tobacco, armaments, or the mining of thermal coal.	Without the issuer providing an explanation of what is implied by the terms 'material' and 'significant' it is not possible for the consumer to discern whether this product meets their investment needs. RIAA requires terms such as these to be explained in legal or at least explanatory memoranda and that these include a quantitative expression of these terms where possible and appropriate.

Use of qualifying statements

Legal and risk management personnel often prefer to add qualifying statements to PDS', especially where passive and or underlying managers are used to manage portfolios. However, the use of qualifying statements may undermine the perceived strength of the research the product provider's team uses to screen and assess holdings.

An example of a product using qualifying statements is below.

Label	Product claim	Issue
Sustainable Future Trust	'The Trust does not invest in companies that <u>to our knowledge</u> receive any revenue from...'	<p>Should the issuer be required to publish qualifying statements such as this one, it would be expected that the issuer (or product) operates under a responsible investing process that directs robust guidance to systematically identify, control and treat incidence of non-conformance.</p> <p>Qualifications should not be inconsistent with content in disclosure documents or the responsible investments policy. Any qualification to a headline claim should be displayed prominently.</p>

FAQ

1. **How does RIAA view differences between RI labels used by products and indices they rely on?**

The certification assesses the product seeking certification and not the underlying index. If the responsible investment process of the product fully relies on the underlying index, it must first be assessed as true-to-label. Upon satisfying the Responsible Investment Standard and the Program's quality and thresholds test, the product can achieve certification.

If the index label itself does not reflect the underlying process for constituent inclusion/exclusion, the Certification Program may recommend that the product provider engages with the index provider to make relevant adjustments.

2. **If a passive product carries a sustainability-related label (e.g., 'climate', 'social good') how much of the index is expected to be covered by the environmental or social strategy?**

For products labelled "sustainable" and "impact", the Standard requires at least 80% of FUM aligned with their sustainability or impact objective(s) for single-asset class products and 50% for multi-asset class products. The way the remaining FUM is invested should not contradict the objective(s) and is subject to the Program's Quality and Thresholds test. RIAA does not currently have prescriptive requirements for other labels.

Products must prominently disclose the proportion of underlying investments that align with the label, including an explanation of how that proportion has been measured. This includes the basis for determining what classifies as compliant with the label definition (the index strategy in the case of a passive product). RIAA expects that any part of the index not covered by the label's underpinning strategy should not contradict the intent of the strategy.

If a negative screening approach is adopted and the index's investment universe includes an asset class that's not screenable due to data limitations, RIAA must derive comfort that the asset class will not breach the intent of the negative screen.


With regard to the Program's Avoid Significant Harm criteria, the Certification Program tests the provider's processes including criteria for selecting issuers of such securities or the nature of the asset (such as residential property mortgage-backed securities) to verify that despite the absence of screening, the intent of the requirement is met.

3. **Does RIAA assess the negative effects a product may have against its sustainability-related label?**

Providers of sustainable or Impact labelled products must articulate and disclose the methodology for considering adverse impacts, any adverse impacts identified against the stated sustainability/impact objective(s) and how the provider seeks to reduce and/or avoid them.

For other sustainability-related labels, while RIAA does not require explicitly stated policies or statements addressing potential negative impact, the product is subject to a Quality and Thresholds Test.

Holdings with adverse effects on the stated claim will be identified and the product provider must provide a clear rationale/justification subject to the Program's Quality and Thresholds Test. For



example, a passive strategy with a climate-related objective investing in high emitting companies may demonstrate that these investments are significantly underweighted against the benchmark and have credible transition plans.

Annex: Guide to the assessment of climate-related product names, labels and claims in the RIAA Certification Program

The following FAQs serve as a guide to how product providers can show adherence to RI Certification Standard requirements P2 and P5e where **climate-related product claims** are made, and **names / labels** are used.

Note that the examples provided are informed by the RIAA Certification Program's ongoing approach to verifying climate-related names, labels and claims, and should be read as illustrative examples only. They are neither exhaustive nor prescriptive expectations of what products must state or what thresholds must be used to meet certification requirements.

RIAA will continue to assess the operational practices and product disclosures provided to substantiate climate-related product claims on a case-by-case basis for their adherence to the RI Certification Standard.

Examples of climate-related product names and labels: Green, Transition, Climate, Clean Energy, Clean Technology, Renewable Energy, Low Carbon, Carbon Reduction, Net Zero, Net Zero aligned, Paris-aligned. *Examples of climate-related product claims:* "We don't invest in fossil fuel production"; "our portfolio constituents derive at least 50% of revenue from renewable energy"; "we are committed to aligning our portfolio with a 1.5-degree pathway"; "we target a reduction in exposure to fossil fuels by applying a 5% revenue threshold on the exclusion of thermal coal mining."

Product providers should ensure that they adopt these terms, names and labels consistently to ensure clarity of defined terms and ensure investors have a clear understanding of this meaning.

Descriptions of climate-related product names, labels and claims

Item Number	FAQ	Examples to illustrate the item
1	Do climate-related phrases and terms used need to be defined? If climate-related terminology such as 'green revenue', 'green energy', 'green transportation', 'fossil fuel reliant', 'direct fossil fuel', 'decarbonisation enabling solutions', 'climate bonds', 'financed emissions', etc is used in the fund's marketing material and/or any supporting documentation, they should be well-understood by the document's audience and defined. RIAA will seek comprehensive and accessible definitions and explanations of methodologies that may be required for clarity.	<p>Example 1a: Green transportation includes portfolio constituents that have made measurable progress in reducing greenhouse gas emissions from fossil fuel combustion in internal combustion engine (ICE) vehicles. This encompasses portfolio constituents offering transportation products and services that facilitate a transition away from the reliance on private ICE vehicles.</p> <p>Example 1b: Green bonds are bonds issued specifically to finance projects with positive environmental or climate benefits. They should demonstrate alignment against accepted external criteria such as the Climate Bonds Initiative or ICMA Green Bond Principles. The types of use of proceeds allowed for inclusion when reviewing green bonds should be disclosed.</p> <p>Example 1c: The Fund invests in listed water companies only. Portfolio constituents (water companies) cover a wide range of activities, including water utilities, filtration, monitoring technology and the manufacture of pumps, pipes and irrigation equipment.</p>
2	If broad terms are already used to describe climate-related product claims, do they need to be changed altogether?	<p>Example 2a: Our exclusions include companies and other assets that have a material involvement in mining thermal coal (extraction). By this, we refer to those that derive more than 5% of their revenues from the production of thermal coal. We</p>

	<p>As a general rule, RIAA discourages the use of broad terms like ‘material’, ‘increased’, ‘more’ or ‘higher’ in climate-related product claims. However, if used, a clear explanation should accompany the use of the broad term, by describing the quantifiable criteria for each term, and the source of the data where appropriate.</p>	<p>screen for these exclusions based on our ESG data provider [provider name] methodology: [link to exact page that clarifies the methodology].</p> <p>Example 2b: We only invest in more sustainable companies / We target increased exposure to renewables. For us, this means that at a minimum, every one of our portfolio constituents derives at least 50% of revenue from renewable energy power generation. We base our portfolio inclusions on in-house research conducted by our responsible investment team.</p> <p>Example 2c: An additional fossil fuel screen based on our ESG data provider [provider name] methodology: [link to an appropriate and accessible page that clarifies the methodology] is applied to the eligible universe of securities, removing portfolio constituents with material indirect exposure. Material indirect exposure to fossil fuels means portfolio constituents that derive equal to or more than 10% of their reported revenues from products, services, finance, or insurance specific to the fossil fuel industry (all types of coal, oil or natural gas).</p>
3	<p>What information is required when describing fossil fuels exclusions?</p> <p>The types of fossil fuels (such as oil, coal, and natural gas), related activities (e.g., production and distribution) excluded and any relevant quantitative thresholds at a fund and investment level should be disclosed. A more common example of this principle in practice is if the product applies exclusions on some types of coal, but not others, this should be clearly and consistently specified.</p>	<p>Example 3a: We exclude constituents whose revenue from the exploration and production of thermal coal, oil and natural gas exceeds 5%.</p> <p>Example 3b: We apply exclusions with a 5% revenue threshold on the mining of thermal coal, including lignite, bituminous, anthracite, and steam coal, and its sale to external parties; the mining of metallurgical coal, including coking coal, and its sale to external parties; the extraction, production, or refining of oil and gas; and power generation using thermal coal, liquid fuel, and natural gas.</p> <p>Example 3c: Portfolio constituents that fall within the following Global Industry Classification Standard (GICS) sub-industry categories are excluded:</p> <ul style="list-style-type: none"> •Coal & Consumable Fuels •Oil & Gas Drilling •Oil & Gas Equipment & Services •Integrated Oil & Gas •Oil & Gas Exploration & Production <p>For information on the categories see: [link]</p>
4	<p>Do changes need to be made to absolute statements such as, “we do not invest in fossil fuels”?</p> <p>Absolute claims (for example, fossil fuel free) should be fully backed by evidence that covers all types of exposures, activities and value chain points, all related entities, consolidated and unconsolidated investments made by portfolio constituents (including managed funds or ETFs). In the absence of this, absolute statements should be changed.</p>	<p>Example 4a: We apply exclusions on companies that control fossil fuel reserves, mining, extraction, and the burning of fossil fuels, with fossil fuels defined as all types of coal, oil, and gas. Our screens apply a revenue threshold of 0%.</p> <p>Example 4b: We seek to avoid investments in oil sands and tar sands exploration and extraction activities by applying a 5% allowable revenue threshold on these activities. We do not exclude conventional oil and gas exploration.</p>

	<p>RIAA supports precise explanations of climate-related claims, and clear communication of quantifiable materiality thresholds where these are used in practise.</p>	
5	<p>What if claims that the product is net zero aligned are used? All alignment categories should be defined, including the corresponding criteria, and the percentage of AUM corresponding to each alignment category should be specified.</p> <p>Explanations, criteria and definitions should be included for any version of terms such as 'achieving net zero', 'aligned', 'aligning', 'committed to aligning' or 'not aligned'.</p> <p>Any climate commitment should state what its target is, how and when the product issuer expects to meet the target and how the product issuer will measure its progress.</p>	<p>Example 5a: We classify portfolio constituents as -</p> <ul style="list-style-type: none"> • Achieving net zero: have successfully reached a state of net-zero emissions, meaning their greenhouse gas emissions are balanced by the removal of an equivalent amount. (5% of AUM) • Aligned to a net zero pathway: following and implementing strategies in line with a net-zero emissions pathway. (60% of AUM) • Aligning towards a net zero pathway: have adopted measures to move towards a net-zero emissions pathway, including science-based targets and a decarbonisation plan. • Committed to aligning: Portfolio constituents that have made public commitments to align their operations with a net-zero emissions pathway. (20% of AUM) • Not aligned or insufficient data: Portfolio constituents that have not taken substantial actions or commitments towards aligning with a net-zero emissions pathway. (15% of AUM) <p>A criteria-based framework informed by the Net Zero Investment Framework 2.0 was used to develop our classifications based on information from the Climate Action 100+ Net Zero Company Benchmark and the Transition Pathway Initiative.</p> <p>Example 5b. This fund/product is covered by our climate commitment and targets set under the recognised international net zero initiative < Net Zero Asset Managers / Paris Aligned Asset Owners / UN Asset Owners Alliance> [link to commitment statement] and [link to signatory target disclosure].</p>
6	<p>What if a product's portfolio constituents have their own consolidated minority investments in the highest GHG-emitting industries? Where portfolio constituents hold consolidated assets or minority investments that mean the product is indirectly exposed to the highest GHG-emitting industries, the product issuer should state the exposure to demonstrate compliance with P2.</p>	<p>Example 6: While we do not invest directly in fossil fuels, we may hold companies with consolidated assets or minority investments (less than 50% ownership) in the fossil fuel industry, i.e., with involvement in fossil fuel exploration, extraction or production.</p>
7	<p>In view of RIAA's required alignment thresholds for products trading with 'impact' and 'sustainable' in the label, do products with labels like</p>	<p>Example 7: As of 30 June 2023, 90% of the portfolio comprised constituents that derive at least 50% of their revenues from products and services that help address climate change by both mitigating emissions and reducing the physical risks of climate change.</p>

	<p>“Green”, “Low Carbon”, or “Climate Leaders” need to pass similar tests?</p> <p>Products with climate-related labels should prominently disclose the proportion of underlying investments that align with their label including an explanation of how that proportion has been measured. This includes the basis for determining what classifies as their label definitions, e.g. data provider classification, taxonomy, or proprietary methodology.</p> <p>RIAA’s more prescriptive alignment thresholds for products trading with ‘impact’ or ‘sustainable’ in the label do not currently apply here.</p>	
8	<p>What if a product’s climate-related claim and/or measurement is anchored on an index or benchmark?</p> <ul style="list-style-type: none"> • If a product anchors its climate-related claim and/or measurement on the tracking of an index, or measurement against a benchmark, it should state the extent of any deviations that may occur as part of the investment process. The product issuer should state the extent to which it may influence the composition of any index. • If different benchmarks are used to track the financial performance and climate-related performance of the product, the reason for using different benchmarks should be disclosed. • If a climate claim is made against a specific benchmark (e.g. a claim to beat the benchmark with a lower carbon intensity), a quantifiable reduction threshold targeted by 	<p>Example 8a: Our global equities portfolio adheres to the exclusions and objectives of the X Climate Index [accessible link to index methodology], as well as the additional exclusions specified by the fund, which can be found in our Responsible Investment Policy [linked].</p> <p>Example 8b: Due to the cost of accessing the underlying sustainability performance data for the respective financial performance indices, different benchmarks have been used to report on our carbon intensity performance and our financial performance. X ETF is based on Y Index representing a close approximation of the financial performance benchmark.</p> <p>Example 8c: The Fund targets a reduction in Weighted Average Carbon Intensity (WACI) of at least 50% relative to the S&P/ASX 300 Index.</p> <p>Example 8d: The actual average carbon intensity may vary slightly from the underlying index as sometimes the weightings of the portfolio constituents are slightly different due to cashflow from fund redemption or subscription.</p>



	<p>the product should be specified.</p> <ul style="list-style-type: none">• The quality of a customised benchmark should be carefully considered to ensure that it is appropriate to the climate-related claim.	
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Consistent representation of climate-related claims

Item Number	FAQ	Examples to illustrate the item and guidance that has informed it
9	<p>What does RIAA look for when ensuring consistency in the way climate-related claims are represented?</p> <p>Climate-related claims should not contradict any other claims or practices of the product. Any perceived contradictions should be clearly explained.</p> <p>An example of a perceived contradiction may be where the product articulates a carbon emissions reduction target while simultaneously allowing a 20% revenue threshold for fossil fuel exploration, without clear articulation of how this is consistent with its carbon emissions reduction target.</p>	<p><i>Example Guideline 9a:</i></p> <p>A product states in its PDS that its investment approach involves utilising a thematic approach to identify companies providing climate solutions.</p> <ul style="list-style-type: none"> As part of the description of its approach it provides <ul style="list-style-type: none"> a clear definition of what qualifies as a climate solution, for example, through the use of a particular taxonomy, proprietary taxonomy/definition or data provider classification, and any revenue/capex thresholds applied on activities that constitute a climate solution This investment approach is consistently represented across its product collaterals. The investment process undertaken aligns with the stated investment approach, and excludes fossil fuel producers that lack a credible Transition Plan, as defined by the minimum metrics listed in the fund's documentation. <p><i>Example Guideline 9b:</i></p> <p>A product that invests in power generators that derive less than 30% of revenue from gas-powered generation. The public reporting of these investees indicates measurement in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) on their progress to net zero by 2050 with clear transition plans. The product's disclosures include the statement "we will regularly monitor the progress of those investees towards net zero and may divest such holdings if progress toward the transition is not satisfactory."</p>
10	<p>How does RIAA assess the way products advertise climate-related performance of the portfolio in periodic reporting?</p> <p>While the advertising of financial products and services is outside of the scope of the RIAA Certification Program (beyond information contained on the website and within primary product collateral), RIAA encourages product issuers, when reporting relative/ cross-cutting indicators of measurement, to select consistent, like-for-like comparison points, especially when reporting on trends over time.</p>	<p>RIAA draws guidance on this topic from ASIC RG 234 'Advertising financial products and services' and FMA's "Guidance Note: Advertising offers of financial products under the FMC Act".</p> <p>RG.234.47-234.53 states under 'Warning, disclaimers, qualifications and fine print':</p> <p>"234.47: We recognise that an advertisement will not always include in its headline claim all information about the product that is relevant to the consumer's decision. However, the more that a qualification is required to balance the</p>

	<p>It is important to avoid choosing indicators for reporting in a manner that could potentially overstate the product's performance and mislead the consumer.</p> <p><i>Examples of what to avoid:</i></p> <p>Example 1: Positioning information on a product website that attributes emissions reduction in an index. Investors may be misled by an exaggerated representation of the fund's contribution to the emissions reduction over time.</p> <p>Example 2: Comparing the product's carbon footprint to that of a benchmark where the calculation footprint of the benchmark includes investee Scope 1, Scope 2 and Scope 3 emissions but the product's carbon footprint calculation only includes the Scope 1 and Scope 2 emissions of its portfolio constituents.</p>	<p>information contained in the headline claim, the more prominently placed the qualification should be. The headline claim must not itself be misleading.</p> <p>234.48: If warnings, disclaimers and qualifications are required, they should not be inconsistent with other content in the advertisement, including any headline claims. They should also have sufficient prominence to effectively convey key information to a reasonable member of the audience on first viewing of the advertisement.</p> <p>234.49: Statements referring the consumer to another website or webpage, or a document such as a PDS, prospectus or contract, will not be sufficient to correct a misleading or deceptive headline claim.</p> <p>234.51: If a qualification is required, it must be published at the same time as the original message. Subsequent qualifying disclosures will not be effective as the misleading impression will already have been created.</p> <p>234.52: Qualifications should not be used to change the meaning of a headline statement. Some headline claims are so strong that any separate qualification will not correct any misleading impression."</p> <p>Information sheet 271, also provides the following guidance: Statements referring the investor to another website or webpage, or a document (such as a PDS, prospectus or contract), to find out information may not be sufficient to correct a misleading or deceptive impression.</p> <p>FMA's 'Guidance Note: Advertising offers of financial products under the FMC Act' states:</p> <p>Warnings, disclaimers, and qualifications contained in advertisements must be prominent, and consistent across different communication channels. Subsequent disclosure of information, or qualification of a headline (e.g. in footnotes) may not be sufficient to correct a misleading or confusing first impression created by a false, misleading, deceptive or confusing claim.</p> <p>The more that a qualification is required to balance a headline claim, the more likely the claim is to be false, misleading, likely to deceive, or confusing. Where qualifications to headline claims are unavoidable, they must be prominent, as information is less likely to be noticed or</p>
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		understood if it is in fine print or contained within a block of text.
11	<p>How does RIAA assess the climate-related images used in product collateral?</p> <p>While the assessment of imagery within product collateral is not within the scope of the RIAA Certification Program, where products do not carry a climate-related label, or do not make climate-related claims, RIAA discourages excessive use of positive climate-related imagery, for example, images of wind turbines, solar panels, or hydroelectric dams, etc.</p> <p><i>Example of what to avoid:</i></p> <p>A product brochure featuring a photo of a wind turbine on its front page, while the product only applies a negative screen on thermal coal, oil and gas extraction industries, and does not invest in renewable energy assets.</p>	<p>RIAA draws its guidance on this topic from ASIC RG 234 'Advertising financial products and services'.</p> <p>RG 234.125 states that "images should not be used where they are likely to misrepresent the nature, stage or scale of the product or the issuer's business. This is the case whether or not the photograph has a disclaimer."</p> <p>FMA's 'Guidance Note: Advertising offers of financial products under the FMC Act' states:</p> <p>"It is the overall impression that counts</p> <ul style="list-style-type: none"> the relevant test for whether something is misleading, deceptive or confusing is the reaction of an ordinary and reasonable (or typical) member of the advertisement's audience – normally anyone who is neither unusually astute nor unusually gullible. The audience is not the audience that the advertiser would like, but the audience the advertisement actually reaches consumers cannot be expected to study or revisit an advertisement – the most important consideration is the overall impression created by the advertisement when viewed for the first time."

Description of the methodologies that inform climate-related claims

Item Number	FAQ	Examples to illustrate the item and guidance that has informed it
12	<p>What information is required when describing emissions indicators, calculations and estimates?</p> <p>Where emissions indicators, calculations, and estimations are referenced, the source of the emissions data, the methodology and metrics for calculating financed emissions and estimates, data quality scores, and a link to the source of the information should be provided.</p> <p>Financed emissions calculation methodologies should align with global leading practices, such as PCAF. If a product provider uses an internally designed methodology, it should disclose the methods and assumptions (including limitations) used and the sources and nature of data and estimation uncertainties (see item 3 in this section).</p>	<p><i>Example Guideline 12a: Indicating the emissions data and the methodology used</i></p> <p>Example 12a: We source Scope 1 and 2 emissions data from [source of data]. Our approach to financed emissions for the following asset classes is guided by the Partnership for Carbon Accounting Financial (PCAF). For more information, please visit the [PCAF website].</p> <p><i>Example Guideline 12b: Indicating the emissions data and the methodology used</i></p> <p>Example 12b: We calculate Weighted Average Carbon Intensity, Total Carbon Emissions and Carbon Footprint using the portfolio holding values, carbon emissions data from [source of data] (monthly scope 1 and 2 emissions) and market capitalisation and revenue information from [source of data].</p> <p><i>Example Guideline 12c: Description of what a 'carbon intensity' calculation includes</i></p> <p>Example 12c: For our strategy, the use of 'carbon intensity' is defined as Scope 1 GHG emissions plus Scope 2 GHG emissions measured in metric tons of carbon dioxide equivalent (CO₂e), divided by company revenue (\$m USD).</p>
13	<p>Do product providers need to specifically indicate whether material Scope 3 emissions are considered in their methodologies?</p> <p>There is an expectation that products specify whether they incorporate Scope 3 emissions in their indicators, calculations, and estimates. If so, they should indicate how they determine which GHG Protocol Scope 3 categories are included.</p>	<p>Example 13a: The chart below shows the total carbon apportioned to the fund's Australian shares and international shares asset classes, and their respective benchmarks, by scope. This illustrates scope 1, scope 2, and non-electricity first-tier supply chain emissions (scope 3) from portfolio constituents in these asset classes.</p> <p>Example 13b: Carbon emissions in a portfolio constituent's value chain, referred to as Scope 3 are currently not included in our calculation. This is primarily due to the complexities of comprehensively accounting for value-chain emissions for funded projects.</p>
14	<p>What if in-house proprietary methodologies for carbon ratings calculations are used?</p> <p>If companies and assets in the portfolio are selected based on an in-house climate /</p>	<p>RIAA draws its guidance on this topic from page 6 of ASIC INFO Sheet 271:</p>

	<p>carbon ratings framework, the calculation methodology, how monitoring takes place, and how the manager adjusts its strategy as needed, should be disclosed.</p> <p>In cases where product issuers choose not to disclose specifics of their in-house methodologies due to proprietary information concerns or for competitive reasons, the Certification Program still expects clear communication of the extent of sustainability-related practices and any significant criteria that influence investment decisions.</p>	<p>“Have you explained how you use metrics related to sustainability?</p> <p>If you rely on sustainability-related metrics (such as ESG scores) to evaluate whether a new or existing investment aligns with your product’s investment objective or strategy, you should disclose the following:</p> <ul style="list-style-type: none"> • The extent to which the metrics are used to evaluate new and existing investments in implementing your investment objective or strategy • The sources of your sustainability-related metrics, including whether these are based on your own proprietary methodologies or from certain third-party providers • A description of the underlying data used to calculate your sustainability-related metrics, as well as the calculation methodologies for those metrics • Any risks or limitations arising from your reliance on the metrics (where applicable).” <p>Example 14a: X Transition Fund’s proprietary emissions reduction scoring methodology comprises (1) a carbon strategy questionnaire that is completed by investees annually. The questionnaire consists of 80 questions covering carbon targets, strategy, governance structure and industry-specific questions, and (2) quantitative data provided by a third-party data provider, including but not limited to, carbon intensity, and scope 3 emissions data.</p> <p>Example 14b: We include renewable energy investments through a Green Energy Score, capturing future growth opportunities in the green energy sector. The Green Energy Score calculates the percentage of total energy produced from renewable energy sources, ranging from 0% (entirely non-renewable energy) to 100% (entirely renewable energy). Carbon and energy data are sourced from X. We continuously monitor these metrics and adjust our strategy as needed to ensure alignment with our carbon reduction goals.</p>
15	<p>What if measurement methodology, data sources or categories reported are changed over time?</p> <p>Where a product provider changes their source of climate data, climate data categories reported, or measurement or reporting methodology from one reporting</p>	<p>RIAA draws its guidance on this topic from Aotearoa New Zealand Climate Standard 3 General Requirements for Climate-related Disclosures (NZ CS 3) paragraph 43 and 46:</p> <p>“Presenting climate-related disclosures consistently from one reporting period to the</p>

	<p>period to the next, a description of, and rationale for the changes should be provided.</p> <p>If available, RIAA encourages product providers to include the relevant datapoints under both the old and new methodologies for at least one comparison period to provide investors insights into the effect of the change.</p>	<p>next allows for inter-period comparisons and provides information about trends. If a product changes what it discloses, or the methods used, it should explain those changes and of the effect on the current reporting period's climate-related disclosures."</p> <p>"When deciding whether to restate comparative information for reasons other than for correcting material errors, an entity considers the needs of its primary users and should restate comparatives if this provides the most decision-useful information. A common example of restating comparative figures would be where a metric or target is redefined. Restatement in this case would provide the best information for a primary user to assess trends and progress of an entity. For example, an entity could redefine a GHG intensity metric to expand the emission sources in the calculation from scope 1 emissions and scope 2 emissions only, to also include scope 3 emissions."</p> <p>Example 15a: We have recently updated our methodology and data sources for measuring and reporting climate-related metrics. Below, we outline the changes and their rationale, providing a comparison to help investors understand the impact. These changes aim to offer a more accurate and detailed understanding of our portfolio's climate-related performance.</p> <p>Example 15b: From 2025 onward, we will report on material scope 3 emissions of the portfolio based on the public disclosures provided by portfolio constituents. If the data is unavailable, we will determine an appropriate proxy. If data coverage is insufficient to provide an accurate representation, we will provide a coverage ratio (i.e. the proportion of holdings with scope 3 data available). From 2026 onward, we will provide year on year comparison data.</p>
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Description of negative effects/ adverse impacts against climate-related claims

Item Number	FAQ	Examples to illustrate the item
16	<p>Do high-emitting portfolio constituents need to be excluded from the product?</p> <p>Products with climate-related claims do not have to demonstrate full exclusion of high-emitting portfolio constituents to show compliance with P2 and P5e of the RI Certification Standard. If, however, there are portfolio constituents from the highest GHG-emitting industries¹, or constituents that are otherwise known to have significant direct negative impact on climate change, e.g. energy and heating, product documentation or methodology must include:</p> <ul style="list-style-type: none"> • An explicit statement that the fund holds constituents with exposure to these activities, e.g. fossil fuel production, and disclosure of the source of this information • An accompanying explanation for how the holding(s) is/are consistent with the product label/claim <p>Where products have exposure to high-emitting portfolio constituents, product issuers should be careful to not use definite terms such as such as 'not invest', 'no way' and 'eliminate' when referring to products.</p> <p>A quality and thresholds test on the presence of high-emitting portfolio constituents in products with climate-related claims will be applied on a case-by-case basis².</p>	<p>Example 16a: While the fund targets a 30% reduction in exposure to fossil fuels compared to the relevant benchmark for the fund [name and link to the benchmark], it maintains investments in portfolio constituents involved in fossil fuel exploration, mining and production. Any remaining investments in companies involved in fossil fuel exploration, mining and production are the focus of active stewardship to improve their alignment with a science-based net zero pathway in accordance with the criteria of the Net Zero Investment Framework.</p> <p>Example 16b: Given that the product has a climate-related sustainability objective, it may be surprising to see any exposure to portfolio constituents active in the fossil-fuel sector. However, high emitters may still be included if they demonstrate a strong improvement trend in their emissions profiles and have aggressive SBTi-approved carbon reduction targets. By including these holdings in the portfolio, the fund rewards those transitioning towards more sustainable practices.</p>
17	<p>Are Transition Plans³ taken into consideration?</p> <p>For products with portfolio constituents that will need to transition their business models as the world decarbonises, the product issuer should confirm that they have credible Transition Plans⁴. Where there is not one, or the product issuer has determined</p>	<p>Example 17a: In our portfolio, we have holdings with significant fossil fuel production exposure that do not have Transition Plans in place. We maintain these investments to engage actively with these portfolio constituents on the development of their transition strategy while closely monitoring any progress.</p>

¹ [Chapter 2: Emissions trends and drivers \(ipcc.ch\)](#) (Section 2.4.2)

²Quality: Is the information made public by the applicant relevant to, and consistent with the information provided to RIAA as part of the Applicant's application.

Threshold: Is this what a reasonable consumer would expect from any claims made by the product?

Threshold: If looking through the eyes of the responsible investment industry (as defined by RIAA membership), would this claim be little, confuse or lessen the credibility of the collective industry or others' RI efforts and performance?

³ [Investor Group on Climate Change \(IGCC\): Corporate Climate Transition Plans: A guide to investor expectations](#)

⁴ [IGCC, CDP, PRI: Joint Investor Statement: Corporate climate transition plans are an essential building block on global reporting baseline](#)

	<p>that a Transition Plan lacks credibility, product documentation should:</p> <ul style="list-style-type: none"> - at a minimum, provide an indication of the presence of these holdings, and - describe their approach to mitigating the negative effects/ adverse impacts of these holdings against the product's climate-related claims. <p>RIAA will not assess the credibility or otherwise of constituent Transition Plans (this is out of the certification scope). RIAA will, however, consider the approach taken by the product issuer in doing so. This approach should be clearly outlined in public documents.</p>	<p>Example 17b: At a minimum, the fund considers a credible Transition Plan to include deriving at least 10% current revenue from renewable energy or enabling technologies and have no commitments to facilitate or invest in new fossil fuel exploration, production, storage, transport, trading, or refining capacity, or new fossil fuel-based power generation without emissions capture.</p> <p>Example 17c: We evaluate the transition plans and decarbonisation strategies of our portfolio constituents to analyse whether they are supported by clear action plans for addressing the challenges presented by climate change. We also assess the alignment of these transition plans with the goals of the Paris Agreement, evaluating if they are both ambitious and achievable. For this, we are assessing different methodologies to better understand how they are progressing towards their targets. This helps us to understand their ability to manage risks and leverage the opportunities arising from the transition. We ensure that the findings from our assessments are adequately addressed with these investees. We also publicly disclose these findings in our annual climate report, providing transparency to our investors.</p> <p>Example 17d: We monitor the decarbonisation strategies of our investees to better understand our exposure to transition risk. Investees with decarbonisation targets supported by clear actions provide us with confidence that they are managing the risk and are ready to take advantage of the opportunities that the transition presents. We are assessing different methodologies to better analyse how they are progressing towards their targets. This analysis will provide further insights into how aligned our portfolio is with the Paris targets.</p>
18	<p>Should stewardship activities be aligned with climate-related product claims? Alignment between stewardship activities and climate-related claims should be evidenced and disclosed where climate risk is material.</p> <p>RIAA is increasingly considering the quality of stewardship activities undertaken to determine if alignment is demonstrated.</p>	<p>Example 18a: The fund conducts stewardship activities on the following topics: Transition plans and action (capital allocation), Net Zero emissions targets, TCFD aligned reporting, Carbon intensity of the portfolio, Waste and water reduction targets, modern slavery in supply chains, cybersecurity, ESG disclosure, and nature and biodiversity loss. Case studies of our engagements can be found on p.13 of our Stewardship Report.</p>

		<p>Example 18b: We restrict (*footnoted to a link to exclusion thresholds for various activities) investments in fossil fuel companies, and for over a decade we have leveraged our investment in the finance sector to seek to turn off sources of funding that enable fossil fuel expansion to continue through our involvement in collaborative engagement via Climate Action 100+.</p> <p>Example 18c: Our theory of change is that we can help address livestock-driven deforestation in Australia by bringing attention to the issue through investor forums and engagement initiatives. In FY23 we built on what we started in FY22, which was to create or participate in forums where we thought collective conversations about these issues can happen.</p> <p>Example 18d: We prioritise engagement with the top 20 emitters (Scope 1 and 2 emissions) in our Australian-listed equities portfolio. In the 2022/23 financial year, we focused on 15 portfolio constituents, many of which are also the highest Scope 3 emitters in our portfolio. We engage with them on material physical climate risks, discussing critical issues such as strengthening climate governance, setting emissions reduction objectives, deepening our understanding of a company's decarbonisation strategy, evaluating their TCFD disclosures, and other relevant topics.</p>
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