Responsible Investment Association Australasia

Four key concepts in sustainable finance information

Information and transparency are vital for informed consumers, quality products and strong market integrity. To assist with comprehension and application, there are different ways of organising this information. For sustainable finance, there are four key concepts when it comes to information about financial products. These concepts can be interdependent and reinforce each other. Together, they create a coherent framework that supports sustainable investment, regulatory oversight, and market integrity.

	Product Labelling/Naming	Classifications	Disclosure	Taxonomies
Description	Requirements for consistent labelling, mostly for marketing purposes	Groupings of financial products according to shared sustainability-related characteristics	Rules governing sustainability-related information that needs to be made available	Common language system that allows assessment of whether certain economic activities meet prescribed sustainability standards and align with policy commitments
Key features	Usually includes definitions, requirements and restrictions for using specific terms	Usually establishes criteria for products to fall into each category. Sometimes classifications have corresponding insignia	Typically describes what, and how, information should be disclosed	Typically includes a list of *economic activities* and are considered to align with specific social or environmental goals, with *technical criteria* to assess alignment
Example	ESMA Naming Guidelines require strict criteria before a fund name can use sustainability-related terms. E.g. to use “sustainable”, a fund must commit to investing more than 50% of the portfolio in sustainable investments as defined under the SFDR	EU SFDR: 4 types of classification (6, 8, 8a and 9) based on the way in which ESG characteristics are promoted by the fund and the investment objective	EU SFDR: requires specific disclosure about the entity and financial products. E.g. how an entity integrates sustainability risks into investment decision-making processes; sustainability characteristics of products	EU Taxonomy identifies economic activities that can be considered environmentally sustainable. The SFDR requires certain funds to disclose alignment with the EU Taxonomy
		Note: The EU Sustainable Finance Disclosure Regulation (SFDR) is the longest established sustainable finance regulatory framework, which was developed to be a disclosure regime. In the absence of an EU-wide labelling regime for sustainability labels, it has been used by industry as a proxy labelling and classification system.		
Examples of other frameworks	UK SDR; Global definitions of ESG approaches (GSIA/PRI/CFA Institute); RIAA Certification Product Labelling Guidance Note; LuxFLAG; India’s binding regulatory guidance; Singapore’s binding regulatory guidance	UK SDR, RIAA Sustainability Classification Initiative	Australian climate-related financial disclosure regime; NZ climate-related disclosures regime; UK SDR; CSRD; ISSB; TCFD; TNFD; Transition Plan Taskforce Disclosure Framework; Stewardship Codes	Australian Sustainable Finance Taxonomy; NZ Sustainable Finance Taxonomy (under development); Hong Kong Taxonomy for Sustainable Finance, Singapore-Asia Taxonomy for Sustainable Finance
Objective	Restricts the use of certain terms without meeting specific criteria, largely to mitigate greenwashing	Helps differentiate sustainability-related products, largely to assist consumers and retail investors	Establishes a baseline for disclosures, facilitate oversight and compliance, and simplify finding and comparing information	Helps with understanding whether an economic activity (usually assets, projects, facilities or measures) meets the prescribed social and environmental criteria

More information on the RIAA website.