Responsible Investment Association Australasia

Submission to Consultation: Sustainable Investment Product Labels

29 August 2025

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About RIAA

The Responsible Investment Association Australasia champions responsible investing and a sustainable financial system in Australia and Aotearoa New Zealand. It is dedicated to ensuring capital is aligned with achieving a healthy society, environment and economy.

RIAA represents

75% professionally managed funds in Australia

73% professionally managed funds in New Zealand

A$ 76 trillion managed by our members in assets globally

CERTIFIED BY RIAA

World's longest running certification program for responsible investment products

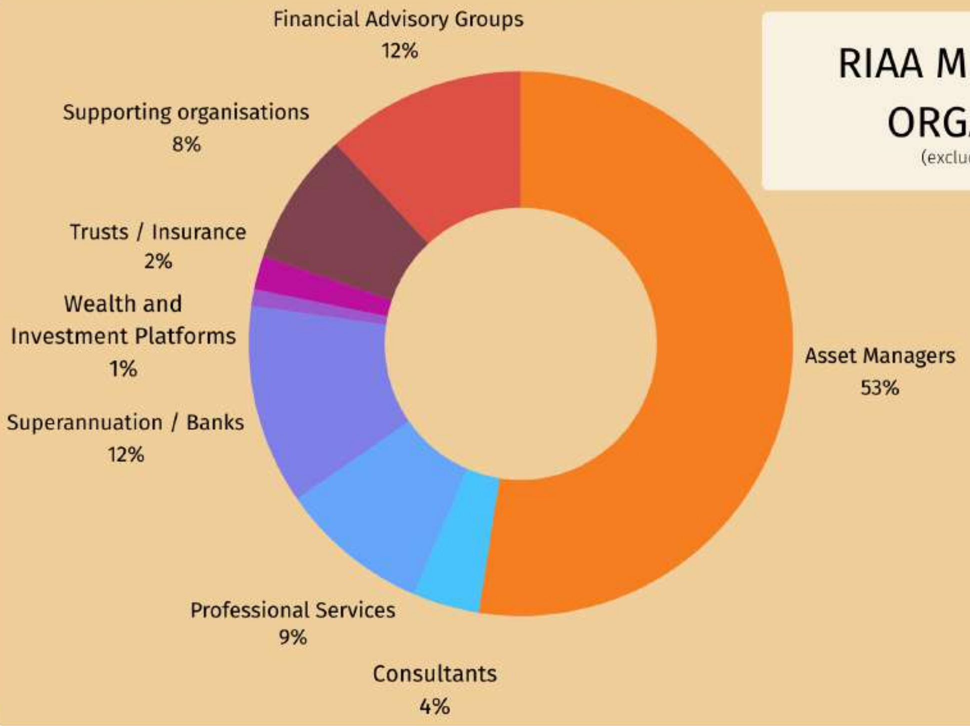
340+ RIAA certified products

10 largest super funds by no. members / asset under management in Australia are RIAA members

10 largest KiwiSaver Funds by no. members are RIAA certified products

RIAA MEMBERSHIP BY ORGANISATIONS

(excludes individual members)



*as at September 2024

Overview

The Responsible Investment Association Australasia (RIAA) thanks Treasury for the opportunity to comment on the *Sustainable Investment Product Labels* Consultation Paper. We strongly support Treasury progressing this important initiative, which marks a significant step forward following the Government's commitment in the *Sustainable Finance Roadmap* released in June 2024.

RIAA has long advocated for the Government to develop a robust and credible sustainable investment product labelling regime in Australia. We warmly welcome this consultation as a step toward enhancing transparency, building trust, and protecting consumers in the responsible investment market.

Australia's growing uptake of sustainable finance, across investors, the private sector, government, and everyday Australians, is making the Australian economy more resilient and a more attractive place for investment to bring proven technologies to scale.

In the absence of a legislated framework, RIAA established the *Responsible Investment Certification Program* two decades ago with the aim of improving the products which are offered to consumers and retail investors and raising industry standards. As at August 2025, over 350 financial products are certified under this program. As Australasia's leading expert and standard-setter on sustainable financial product labelling, RIAA brings over 25 years of expertise to this consultation.

We believe that a well-designed labelling regime can play a critical role in preventing greenwashing and guiding capital toward sustainable outcomes. To be effective, the regime must be:

- principles-based;
- anchored in widely accepted industry standards; and
- developed in close collaboration with industry stakeholders.

It must also be fit-for-purpose for the Australian market, set a clear minimum standard to avoid greenwashing, and be ready for industry adoption from day one to meet growing consumer demand.

RIAA's response has been informed by the input of RIAA members – we are grateful for the strong engagement from our membership and thank those RIAA members who contributed to the development of this submission.

Summary of recommendations

1. **Adopt a principles-based labelling regime** – The legislative framework should adopt a principles-based approach by endorsing RIAA's Responsible Investment Standard—including its supporting guidance—as the foundation for sustainable investment product labelling. This standard is well-established, industry-accepted, and rigorous.

2. **Encourage <u>optional</u> third-party verification through certification –** Verification should be strongly encouraged for products making explicit sustainability claims. Should the government choose to go down the path of <u>mandatory</u> certification, RIAA is in the best position to provide this with appropriate government/regulator involvement and oversight, as RIAA's Certification Program has undertaken this role for 20 years.

3. **Require specific disclosure for non-financial objectives** – Where products include non-financial objectives—such as sustainability claims—specific disclosure obligations should apply.

4. **Distinguish labelling from classification frameworks** – Labelling and classifications are different and perform separate functions in the market. Care should be taken to ensure the correct term is being used for the intended purpose.

5. **Avoid prescriptive product categorisation** – The framework should not require all financial products with sustainability objectives to fit into a single classification. Given that the policy objectives of this regime in Australia do not include capital allocation to specific sectors—as seen in some overseas regimes—such a requirement would be misaligned and likely restrictive.

6. **Ensure strategic interoperability with international regimes –** Interoperability should be guided by principles and strategic alignment, rather than rigid or prescriptive requirements.

7. **Avoid ranking or prescribing responsible investment approaches** – Responsible investment strategies are diverse, often used in combination, and tailored to product structure, asset class, market, and investor needs. The framework should reflect this complexity, avoiding hierarchical treatment and supporting informed investor choice for aligned sustainability objectives, in line with industry norms.

8. **Support transparency through clear definitions and disclosure** – Use a consumer-focused disclosure framework that fosters transparency and enables retail investors to assess a product against their own values and sustainability goals.

9. **Ensure broad applicability across product types** – The framework should be inclusive of all investment product categories and must clearly differentiate between impact investing and philanthropy, while upholding fiduciary responsibilities across all product types.

10. **Support broader sustainability objectives –** The labelling regime should address the full spectrum of sustainability, incorporating social and governance considerations alongside climate-related goals.

11. **Establish robust evidentiary requirements –** The framework should be underpinned by strong evidentiary standards. A principles-based approach, complemented by targeted prescriptive elements, is recommended. In the short term, evidentiary requirements remain independent of the sustainable finance taxonomy, while continuing to support its voluntary adoption and the development of product-specific use cases.

General submissions

Distinction between 'labelling' and 'classifications' is important for effective policy

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:

- Product labelling or naming regimes
- Product classification systems
- Product disclosure requirements
- Taxonomies

These concepts can be interdependent and reinforce each other, for example:

- Product disclosure enables transparency about taxonomy alignment, product classification, and product labelling.
- Taxonomies are one of the tools that can be used to underpin sustainability objectives and claims within a product's *classification* and/or *labels*.
- Product labelling and *product classification* help consumers and investors navigate the market confidently.
- Together, provided they are credible, they create a coherent framework that supports sustainable investment, regulatory oversight, and market integrity.

RIAA has developed the following resource ***Information about responsible investment products*** which explains the different mechanisms through which important information about sustainable finance is shared. It differentiates these terms to ensure clarity when evaluating and recommending regulatory and policy developments.

	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 *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.*	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
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

Regime must be fit-for-purpose for Australia's financial markets and retail investors

<u>Australia's financial system, and thus consumers and retail investors, have unique characteristics</u>

To effectively achieve consumer-focused policy objectives, the labelling regime must be practical and applicable across all financial services sectors. For Australia, this includes:

- **Superannuation**: Being mandatory, and the increasing prevalence of defined contribution schemes (which place greater responsibility on consumers to save for their retirement, compared with the defined benefit schemes common overseas), and their increasing market facing sustainability profile, consumers and retail investors are engaging more actively with their retirement investments. The labelling regime must reflect this heightened interaction.
- **Retail Investor Access**: The regime should accommodate both direct retail investment and investment made through financial advice channels and all retail client platform channels, ensuring clarity and consistency for all retail participants (i.e. both direct and indirect). This includes standardising the criteria and disclosure for relevant sustainability-labelled products.
- **Wholesale and Institutional Investment Relationships**: Many financial products accessed by retail investors are built upon those created by and for institutional or wholesale investors, adapted to be accessible to retail investors, typically through products like ETFs, pooled funds and private wealth platforms. Thus, the labelling regime should also apply to wholesale and institutional sectors to ensure transparency and alignment across the entire investment lifecycle.

In addition, for consumer benefits to be fully realised, the labelling regime must be usable and accessible to the full spectrum of market participants involved in the investment ecosystem. This includes:

- **Asset owners and superannuation funds**, who are responsible for managing retirement savings on behalf of members (retail investors).
- **Asset managers**, who design and manage the investment products for that retail and institutional investors.
- **Financial advisers**, who operate under strict regulatory oversight and play a critical role in helping retail investors choose products that align with their financial goals and needs.
- **Index providers**, who contribute to the construction of investment products.
- **Investment platforms**, which distribute products and are seeing growing demand for RI options.

Finally, a labelling regime must be applicable for a variety of financial products. In Australia, multi-asset products are common, particularly in superannuation, and provide a mechanism through which different investment strategies are employed to progress towards one or more objectives.

EXAMPLE

Tension with Australian multi-asset products in Australia

The application of a labelling regime to multi-asset products was a consistent concern raised by RIAA members. This was informed by insights (directly from RIAA members as well as through commentary) from funds operating in the UK and EU which use regimes that do not comfortably apply to these types of products. For example, multi-asset products in Australia often blend RI strategies, include a range of sectors, invest in listed and unlisted markets, and contend with a lack of usable data across some asset classes. These aspects can make it difficult to meet requirements such as the SFDR's Do No Significant Harm and Principal Adverse Impact reporting requirements and align with SDR's prescriptions. Even if a multi-asset product provider has positive intent and objectives with their investments making an important contribution to our transitioning economy and meeting the values and needs of consumers and retail investors, it may fail to meet the technical requirements of either regime."

Applicability to multi-asset products is also a common reason why RIAA members support RIAA's Responsible Investment Standard on product labelling (and constituent guides) being the basis for the Government's product labelling regime.

Without successful implementation, policy objective will not be achieved

RIAA members have reported to RIAA that they have experienced challenges on implementation of various UK SDR rules that were not evident through the framework itself, but became apparent in the application and interpretation of the framework by the UK's Financial Conduct Authority (FCA). This is because the foundational requirement of the UK SDR is that the product has intentionality to seek or produce positive environmental or societal impact. This intention is required to be stated clearly in its sustainability objective which must form part of its investment objective. As a result of this interpretation, the possible products which are able to use a label under the SDR has narrowed to being versions of impact products, reducing the options available to consumers and retail investors.

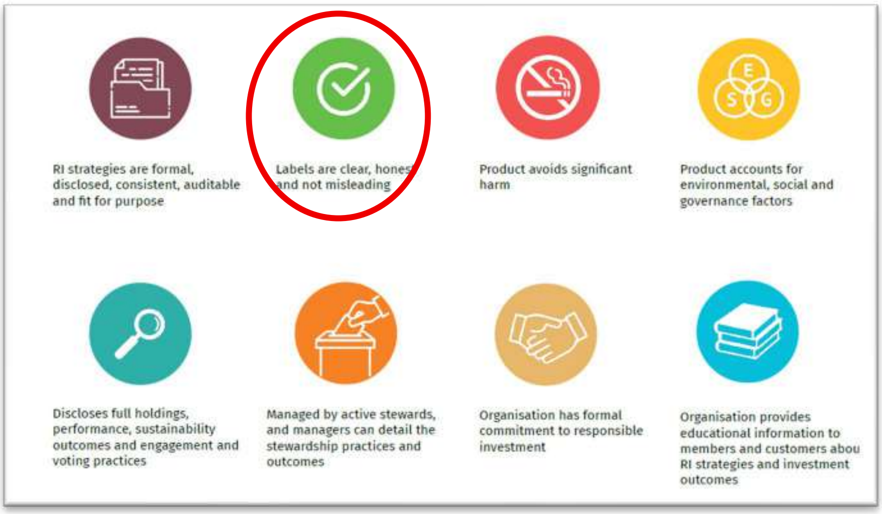
Long-standing industry standard should be the basis of legislated regime

Since 2005, RIAA's Certification Symbol has differentiated responsible investment products from the rest of the market, directing investors towards quality products underpinned by reliable, fit for purpose investment processes.

The RIAA Certification Program has acted in the absence of a legislated regime to improve the products which are offered to consumers and retail investors and raise industry standards. For example, the 2024 *ASIC v Vanguard* judgment highlighted the value of the Certification Program and the certification process: see paragraphs 69-74. Correspondence between Vanguard and the RIAA Certification team was relied on to demonstrate that the misconduct in front of the Court had been brought to Vanguard's attention.

RIAA **strongly recommends** that the Government endorses the well-established, industry-accepted and rigorous framework within the RI Standard for product labelling, including the constituent guidance, as the basis of the legislative product labelling regime.

RIAA's recommendation pertains to the Standard's product labelling requirements. RIAA Certification goes beyond labelling.The Responsible Investment Standard is underpinned by eight requirements that act as the guiding principles of the RI Certification Program. RIAA's Guidance and Assessment Notes for products and services certification provide detailed insight into how the Responsible Investment Standard is applied in practice.



Despite this, and in recognition of the role verification plays beyond labelling and the need to ensure Government policy is balanced, efficient and effective, RIAA's recommendation to use the RI Standard as the basis, above, is in relation to the adoption of the Standard's product labelling requirements.

As at March 2025, RIAA has certified over 350 certified products totalling $193.6b funds under management. 205 of which are available in Australian totalling $94.4b funds under management which already comply with the RI Standard in relation to product labelling, some of which made significant changes to do so.

Product labelling in the RI Standard

To fulfil the RI Standard's product labelling requirements, issuers must demonstrate the following for each product they wish to certify:

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.

RIAA's Product Labelling Guidance Note provides detailed information on how Certified product providers can demonstrate compliance with the RI Standard.

Along with the Guidance Note, RIAA has published 2 Assessment Notes and a Climate Claims Annex, indicative of the continuing lifting of standards and development of norms in responsible investment and financial product labelling.

See Appendix B for detailed information about the guidance and tests provided by RIAA Certification.

Recommendation: The legislated product labelling regime should use the product labelling criteria of RIAA's Responsible Investment Standard as the basis for the regime's product labelling criteria, including composite guidance.

The Certification Program carries industry acceptance and good will, with a significant proportion of sustainable funds on the market already complying, which will ensure rapid adoption and support to allow retail investors to have clarity over their investment products, allowing for informed decision-making.

The RIAA Certification Program **engages internationally, closely monitors international trends and** keeps up to date with international developments including through RIAA's active involvement in the Global Sustainable Investment Alliance (GSIA). The Program's criteria remain relevant and reflect global industry leading practice. The legislated regime must be able to evolve and adapt to market developments and the evolution of global norms.

Response to consultation questions

Policy Problem

(1) In the context of existing regulatory settings and disclosure requirements, what is the role for sustainable financial product labels?

The urgent need for a sustainable investment labelling regime

Building trust in responsible investment and protecting Australian consumers is a shared responsibility across investors, government, regulators and the broader industry.

RIAA's research shows that 88% of Australians expect their super or other investments to be invested responsibly and ethically, and 65% of Australians would be motivated to invest more if they could be sure their investments were making a positive impact in the world. More and more Australians are seeking out investment options that deliver sustainability outcomes. They increasingly understand the positive difference that re-allocating even a small amount of the more than $4.75 trillion worth of managed funds in Australia could make for their future and their children's future.

But consumers and retail investors struggle to trust their bank, investment fund or superannuation fund: 78% of Australians are concerned about greenwashing in the finance sector. Australians who say they're more likely to invest in a super fund that was verified by an independent body rose from 47% in 2023 to 79% in 2024.

Greenwashing can be intentional or unintentional. While Australia's corporations and financial services laws are overall sound, they fall short of being sufficient to address greenwashing due to:

- inadequate product labelling and naming conventions which provide a consistent standard across the market;
- the existing disclosure regime for sustainability related investment product information is not specifically designed to address greenwashing;
- skills and capability gaps in all stages of the investment lifespan, both public and private sectors and financial advisers;
- uncertainty around regulatory expectations, particularly during the current stage of transition; and tension between needing to innovate and progress transition with increased regulatory scrutiny.

The Australian Government can build consumer confidence in the financial system's sustainability credentials with better targeted regulation that improves the standard, transparency and consistency of financial products offered to Australians.

If done right, a strong and Government-endorsed Australia's financial product labelling regime can:

- help avoid greenwashing → **market integrity outcomes**
- allow for consumers and retail investors to access information about non-financial factors affecting their investing decisions and make informed choices → **consumer-focused outcomes and protections** and
- provide policy and regulatory certainty for institutional investors to have enough confidence as well as sufficient flexibility to innovate and to issue products to meet the increasing consumer demand to invest in non-financial objectives alongside financial returns → **consumer choice and issuer/market confidence outcomes**.

Working together, these outcomes will indirectly direct capital to more sustainable outcomes.

Objective of the regime

RIAA supports the objective of the regime as stated within the Consultation "to ensure that investors have confidence in the sustainability claims made by product issuers, and to ensure that investors can confidently compare different products making sustainability claims." However, the regime should not do this in a way that inhibits, discourages or disincentivises new sustainable investment products and/or product innovation from being issued in the market.

RIAA further notes that the consultation paper uses terms related to the regime interchangeably, which may cause confusion and threaten the achievement of the objective. As outlined in the table above, there are a number of terms which explain the different mechanisms through which important information about sustainable finance products are shared. It is important that these terms are differentiated, and the correct terms are used to ensure clarity when evaluating and recommending regulatory and policy developments.

Specifically, it is important to distinguish between labelling/naming requirements which restrict the use of certain terms without first meeting set criteria, with classifications which are categories to differentiate between different types of products which have complied with such criteria. For the objective of the proposed Australian product labelling regime, both are recommended, supported by updated guidance regarding disclosure which describes what, and how, information should be disclosed:

<table>
<tr><td>…to ensure that investors have confidence in the sustainability claims made by product issuers</td><td>Criteria to be met before using certain terms allows for consumers to know that seeing e.g. 'sustainable' will mean XYZ has been met

<u>Labelling/naming requirements</u></td></tr>
<tr><td>, and to ensure that investors can confidently compare different products making sustainability claims.</td><td>Groupings of products which have met labelling/naming requirements e.g. to be labelled 'sustainable' and how they can be differentiated

<u>Classifications</u></td></tr>
<tr><td colspan="2" align="center">In support of both objectives, new guidance to describe what information should be made available and how this information should be provided

<u>Disclosure</u></td></tr>
</table>

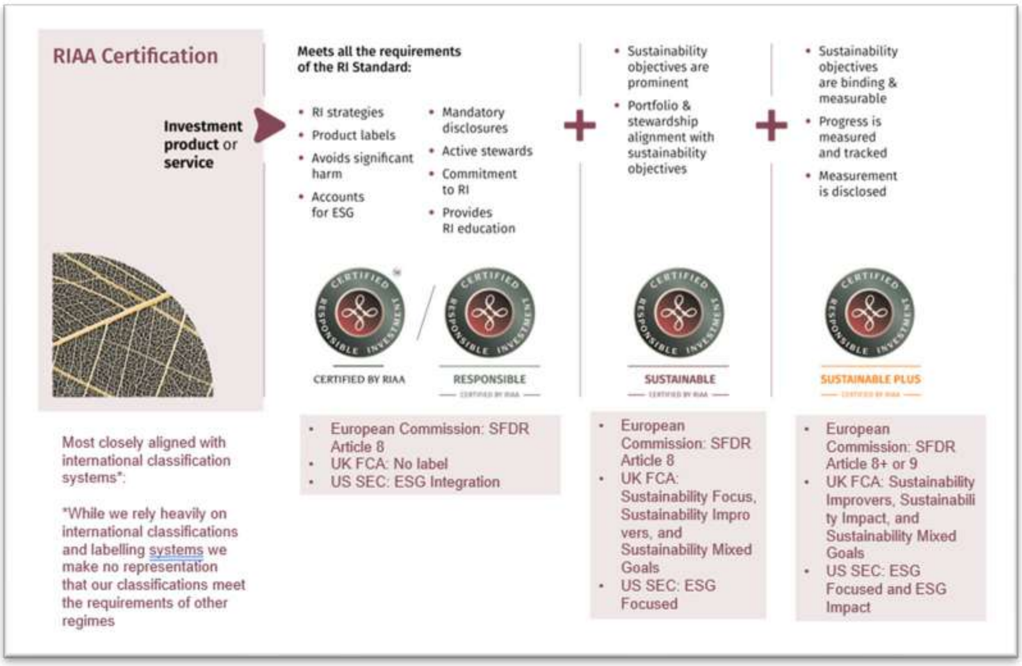
RIAA submits that, for the objectives outlined in the consultation paper, which (unlike overseas jurisdictions) do not include an objective of allocating capital to specific sectors, it would be misplaced to require all financial products with sustainability objectives to fit into a certain category (i.e. classification) – this would threaten the policy objectives of the product labelling regime: see below. It would also complicate matters for consumers and retail investors as financial products employ a range of measures to achieve these objectives: see below.

EXAMPLE

RIAA Sustainability Classifications Initiative (SCI) introduced three classifications to the RIAA Certification Program. These are designed to make it easier for investors to distinguish between, and compare, the many responsible investing approaches now promoted in the market by Certified product providers. By extension, this better progressed RIAA's mission to align capital with achieving a healthy and sustainable society, environment, and economy.

Benefits for retail investors/consumers:

- **Differentiating certified products:** RIAA's Classifications can serve as a compass, allowing investors to identify the varying degrees of consideration given to sustainability factors within each investment product.
- **Making informed choices:** The transparency and clarity offered by RIAA's Classifications empowers investors to make well-informed investment decisions. By offering critical information about each product's approach to aligning capital with achieving a healthy society, environment and economy, it better enables investors to align their investments with their values.
- **Greater confidence and trust:** RIAA's Classifications provide investors with a basis to trust the sustainability of products certified under the initiative, a reputable and leading program since 2005. Being the most popular voluntary fund labelling certification program of its kind in Australia and Aotearoa New Zealand, this stamp of credibility is particularly valuable for individuals seeking to invest responsibly, in a way that reduces the risk of funds greenwashing.



(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?

RIAA member views reflect both support for enhanced transparency and caution about regulatory burden.

It is RIAA's view that inclusion of non-financial objectives, such as sustainability claims, should trigger specific disclosure obligations. These objectives should be clearly and consistently communicated across product documentation, including Product Disclosure Statements (PDS), factsheets, and marketing materials.

RIAA also proposes considerations to amend the Target Market Determination (TMD) to include a simple declaration—whether a product makes sustainability claims, and if so, what type. This would help standardise disclosures and prevent the use of sustainability-related terms in products that do not substantiate such claims.

However, some RIAA members raised concerns about the practicality and enforceability of verifying non-financial objectives on an ongoing basis. Expanding disclosure requirements too far could become overly burdensome and potentially restrict the distribution of responsible investment products. An approach that a short summary of information for consumers and retail investors such as the consumer-facing disclosures under the UK SDR may be a useful inclusion, where the information has already been provided by issuers but is presented in a consumer-focused format and in a single place.

For disclosure frameworks to meet the needs of retail investors further consultation with financial advisers to assess the value of such changes would be valuable, as well as building on market research such as the RIAA consumer research *From Values to Riches 2024*.

While there is merit in integrating sustainability considerations into existing disclosure frameworks, we urge Treasury to ensure that any changes are proportionate, practical, and do not hinder market participation. A targeted, standardised approach to disclosure—particularly around sustainability claims—could enhance transparency without imposing excessive compliance costs.

International context

> **(3) What aspects of international regimes should the Government consider for Australian application?**
>
> **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?**

Distinguishing objectives of international labelling regimes

Treasury has declared that the objective of the forthcoming Australian regime (the subject of this consultation) will be 'to ensure that investors have confidence in the sustainability claims made by product issuers, and to ensure that investors can confidently compare different products making sustainability claims.' International regimes may not have the same objectives.

The UK SDR and EU SFDR each function to allocate capital to more sustainable investments (noting that the EU SFDR was not introduced to be a labelling regime). While each approach has benefits, the rigidity in the administration of these regimes, their narrowly prescriptive scope, and lack of clarity about their application and definitions, is a concern for asset owners, managers and product designers. These concerns for both regimes include:

- the use of highly prescriptive metrics which are not suitable for a variety of sustainability challenges – particularly social measurement;
- the narrowly prescriptive scope;
- the lack of applicability to diverse investment approaches such as passive strategies and Impact Investing;
- a lack of clarity around definitions and lack of guidance to define 'sustainability' for the purposes of the regime;
- the lack of appropriate resources with both employees and expertise to support industry rollout, noting the degree of uncertainty the regimes provided;
- Dual purpose elements of the UK regime (financial and non-financial) have been difficult to navigate and have not meaningfully mitigated greenwashing;
- SFDR increased compliance instead of deployment.

In addition, it is difficult to apply the UK SDR to Australian super funds:

- majority of products offered by super funds would likely fall into the "unlabelled product" because they market one or more sustainability characteristics – e.g. a fund wide exclusion or their UNPRI credentials etc. The consequence is that they would be required to make the same prescribed disclosures as a labelled fund and in addition would need to explain the reasons why they are not labelled;
- forcing superfunds to use a label or explain why they are not using a label will have broad industry implications;
- any sustainable investment option would also be characterised as an unlabelled fund and suffer the same consequences as the main fund set out above. In addition, if the sustainable option uses the word "sustainable" in its name or marketing it would need to cease;
- this would effectively create two classes of sustainability products (effectively comparable underlying processes and approaches) within super – those labelled and unlabelled creates an outsized burden and forced specialisation.

(4) Is international interoperability important for Australian sustainable investment product labelling?

RIAA supports an Australian sustainable investment product labelling regime being internationally interoperable. RIAA members expressed a range of views, reflecting both global and domestic priorities.

Many RIAA members agree that interoperability is important, particularly for global issuers and platforms that distribute products across jurisdictions. Aligning with international standards can enhance consistency, reduce compliance burdens, and support cost-effective operations. It also helps maintain the integrity of investment processes that span multiple markets. For many product issuers being able to operate across jurisdictions is vital but there's also recognition that all regimes are still learning and interoperability must allow for changes without the risk of greenwashing allegations. For example, where an international regime changes the criteria for a label, subsequent changes to a financial product by an Australian product issuer may be necessary. This does not necessarily indicate greenwashing. It is important that the regime does not render it too expensive to enter the Australian market.

Alignment should be principles-based and strategic, not rigid or prescriptive. Australia should aim to learn from established regimes, such as those in the UK, US, and EU, without replicating them in their entirety.

RIAA members emphasise the need for fit-for-purpose regulation tailored to the Australian market. For superannuation funds and domestic-only issuers, local relevance and flexibility are more important than global alignment. These RIAA members argue that most Australian investors engage with domestic products, and that the regime should reflect local consumer expectations and market nuances.

Overall, RIAA **recommends** a balanced approach: one that considers international standards where practical, but prioritises Australian investor needs, regulatory efficiency, and the prevention of greenwashing. Interoperability should be pursued where it adds value, but not at the expense of clarity, innovation, or market suitability.

For the Australian regime to be fit-for-purpose to support its objective and to be adopted by industry from day one, there must be recognition and clarity of not only how regimes overlap but how they will function differently. This will enable global managers to offer products in Australia, and local issuers to have confidence and certainty around their global product offering.

It has been the experience of RIAA Certified product providers that the requirements of RIAA Certification product labelling allow operations across jurisdictions, that is, they are able to offer RIAA-certified products in other jurisdictions. See RIAA's interoperability index at Appendix D.

A framework of **mutual recognition** might be useful to explore. Both HK and Singapore have set good examples of enhancing global interoperability by embedding recognition mechanisms in their sustainability disclosure frameworks which helps investors navigate the increasingly fragmented landscape of investor disclosure.

- When assessing compliance, Monetary Authority of Singapore (MAS) will consider the scheme/products' compliance with relevant ESG rules in their home jurisdictions. It is explicitly set out that Undertakings for Collective Investment in Transferable Securities (UCITS) schemes comply with articles 8 and 9 of EU SFDR would be considered as in compliance with disclosure requirements set out in the MAS Circular while they still need to comply with the NAV threshold.
- The HK SFC ESG Fund Circular contains a recognition mechanism to help investors navigate complex regulatory landscapes and reduce disclosure burdens. It allows UCITS funds that comply with the disclosure requirements of SFDR Article 8 or 9 to be deemed broadly aligned with the Circular's requirements. Additionally, the Circular enhances transparency by publishing a list of recognised ESG funds, substantially improving public access to ESG-related fund information.

Mutual recognition already operates in relation to other corporate regulations between Australia and New Zealand, for example when offering financial products, which allows an issuer in Australia or New Zealand to offer certain financial products in both countries using one disclosure document prepared under regulation in its home country: ASIC RG 190 *Offering financial products in New Zealand and Australia under mutual recognition*.

Designing standardised labelling

Investment approaches

(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?

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?**

RIAA supports a labelling framework that reflects the complexity of responsible investment, promotes transparency and aligns with industry norms. This approach will uphold the integrity of sustainable finance, foster investor confidence, and support Australia's transition to a more sustainable economy. When considering RI Approaches, RIAA submits that it is crucial to recognise that the regulation of these Approaches, and how they are used, does not relate to consumer protection. The sustainability objectives will be progressed by institutional investors through the use of different RI Approaches, its application changing as needed throughout the life of a product.

RIAA recommends:

1. **Avoid Ranking RI Approaches** – These strategies are not hierarchical or mutually exclusive; rather, they are diverse, often used in combination, and tailored to product structure, asset class, market, and investor needs. Ranking would oversimplify this complexity and risk misleading consumers.

2. **Support Transparency Through Clear Definitions and Disclosure** – Instead of rigid hierarchies, a consumer-focused disclosure framework should be required, one that fosters transparency and enables retail investors to assess a product against their own values and sustainability goals. Options may include:
    - A table with defined terms to indicate which RI approaches are employed.
    - A table to map which RI approaches are employed in a given product.
    - A table-based or list based selection guide to indicate which RI approaches are employed.
    - A matrix to indicate which RI approaches are employed. use a tick-box table to indicate which RI approaches are employed in a given product.

3. **Recognise the Multifaceted Nature of RI Strategies** – RI strategies range from ESG integration (a risk management tool) to stewardship (now an industry norm), thematic investing, and impact strategies. Some approaches are product-specific, while others are firm-wide. The RIAA Responsible Investment (RI) Spectrum is widely used within the industry to articulate the variety and intersecting investment strategies used to deliver products. The labelling framework must reflect this diversity and allow for innovation and responsiveness to evolving market conditions. A framework should recognise the multifaceted nature of RI strategies, encourages informed investor choice, and aligns with industry norms and governance structures. This approach would uphold the integrity of sustainable finance while allowing for innovation and responsiveness to evolving market and policy conditions.

4. **Ensure Applicability Across Product Types** – The framework should be inclusive of superannuation, pension, retail, passive, and exclusionary ESG products. It must also distinguish between impact investing and philanthropy, recognising fiduciary duties across all investment products.

5. **Support Broader Sustainability Objectives** – The labelling regime should encompass social and governance dimensions, not just climate-related goals. It should also support strategies that contribute to sustainable development and the transition to a net-zero economy. Overall, the regime should be agnostic regarding the subject of the sustainability objectives of a product, focused instead on ensuring proper information is provided to consumers.

6. **Learn from International Experience** – Lessons from regimes such as the EU's SFDR Article 8 highlight the risks of overly broad categories. Australia's framework should ensure that labels distinguish between ESG risk integration and portfolios that consider ESG opportunities and tilt positively toward a sustainability objective. ESG risk integration is not a sustainability objective per se but an additional way for managers to manage risk.

EXAMPLE

UniSuper Sustainable Balanced investment option uses multiple investment approaches to work towards one or more sustainable objectives:

> *Suits members who want exposure to a range of asset classes, are comfortable with the value of their investments fluctuating, are comfortable with greater volatility because of sustainable screens, and are comfortable with the explanation of listed property exposures in the How we invest your money booklet (PDF, 1.1MB) and the returns being different from (and more volatile than) returns from owning real property.*

RI approaches used by this product are:

- Negative screening
- Positive screening
- Norms-based screening
- Thematic screening
- Stewardship.

How we invest your money booklet (PDF, 1.1MB)

(6) Should allowable investment approaches be prescribed in legislation, or left for industry to define?

RIAA does not recommend prescribing allowable RI Approaches within legislation. As noted in our response to Question 5, RI strategies are diverse, evolving, and often used in combination to meet varied investor needs. Codifying specific approaches in legislation risks creating rigidity, stifling innovation, and misrepresenting the dynamic nature of sustainable finance.

While legislation has an important role in establishing accountability and consequences for non-compliance, the detailed definitions and operational guidance for RI approaches are best suited to regulatory instruments or guidance. This allows for flexibility, responsiveness to market developments, and alignment with global best practices.

RIAA recommends that the legislative framework focus on high-level principles and governance, while regulatory guidance provides the necessary detail and disclosure requirements to support useability, transparency, integrity, and effective implementation.

(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?**

When considering RI Approaches, RIAA submits that it is crucial to recognise that the regulation of these Approaches, and how they are used, does not relate to consumer protection and there is no 'trade-off' for using one RI Approach over another. Sustainability objectives will be progressed by institutional investors through the use of different RI Approaches, its application changing as needed throughout the life of a product. RIAA supports a labelling framework that reflects the complexity of responsible investment, promotes transparency, and aligns with industry norms. This approach will uphold the integrity of sustainable finance, foster investor confidence, and support Australia's transition to a more sustainable economy.

To improve investor confidence and enable informed decision-making, RIAA recommends a framework that prioritises clarity, transparency, and flexibility over prescriptive, and erroneous, categorisation or ranking of RI Approaches: see response to Question 5. It can be difficult for retail investors to compare products using similar labels or strategies. This is further exacerbated when accounting for the wide variance of general financial literacy. RIAA's financial adviser members – the number of which is growing – observed the complex and nuanced work being done by institutional investors however noted that consumers and retail investors are in general more binary.

Consumers are increasingly seeking to understand the sustainability characteristics or positive/negative impacts of non-sustainable labelled options (for example, investment in fossil fuels). Distinguishing between the sustainability outcomes relevant to specific products is important to consumers, regardless of the strategy used. In addition, consumers commonly describe wanting to have a "positive impact" on the environment and society – this must not be assumed to equate to impact investing, which is a strategy that is highly engaging and can therefore result in higher fees.

Financial advisers report a huge spectrum of client preferences, ranging from 'light green" to "dark green", with similar thematic interests (such as animal testing, fossil fuel exclusions). Given its simplicity, standard screening (both positive and negative) is the most preferred approach of most clients.

RIAA recommends the following principles to help investors to identify, compare, and make informed decisions about sustainable investment products:

- **Principles-Based with Minimum Requirements:** A principles-based framework allows flexibility across diverse products and strategies. However, minimum requirements for products with sustainability objectives will aid comparability and reduce greenwashing risk.
- **Design for Diverse Retail Investor Needs:** – Retail investors often seek simple, binary indicators of sustainability, while institutional investors engage with more nuanced strategies. Financial advisers play a key role in translating between these groups. The regime must be accessible to consumers and retail investors seeking information with or without financial advice. It may be helpful to distinguish Responsible Investment approaches that directly impact the investable universe—such as thematic investing, impact investing, and some forms of screening—from those that do not, like ESG integration and stewardship.
- **Consider Classifications:** Classifications may be a useful tool to help consumers and retail investors understand the approaches used, and to what extent, by sustainability-related products: see the SCI example above.
- **Address Screening Complexity:** Screening is widely used but varies in application and significance. Greenwashing action taken to date has focused on breach of negative screens, but screening is only one strategy of many. It is often misunderstood by consumers and product issuers alike, especially in light of recent ASIC greenwashing actions. RIAA recommends supporting guidance to the labelling regime clarifies regulatory expectations of screening (which is relevant to both passive and active strategies and addresses the reliance of third-party data providers) to reduce uncertainty and ensure proportionate disclosure.

- **Ensure Compatibility and Consistency** – The regime should align with existing labelling systems (i.e. RIAA Certification) to reduce compliance burden and investor confusion. It must also account for grandfathering of existing products, such as excluding closed funds from new requirements.

Confidence in sustainable investment products will be best supported by a framework that is transparent, flexible, and responsive to investor needs. RIAA **recommends** Treasury avoid rigid rankings of aspects which are unrelated to consumer protections, provide clear guidance on screening as well as consumer-focused disclosure, and ensure the system is accessible to all investors—while maintaining integrity and comparability across the market.

Triggering the requirement

(8) What should determine when product labels apply to a financial product? What are the benefits and costs of:
a) **applying labels to all financial products regardless of sustainability claims?**
b) **applying them only to products that market themselves as sustainable or similar?**

RIAA submits that a balanced and practical regulatory approach is needed to determine which products are included in the regime.

Any financial product making sustainability claims**,** whether or not it is explicitly labelled as 'sustainable' or similar**,** should be subject to appropriate regulatory oversight. This is important to ensuring that such claims are credible, transparent, and not misleading to investors. However, we also caution against imposing full labelling requirements on all products, particularly those that only incorporate sustainability considerations in a limited or ancillary way. Applying comprehensive labelling rules to these products could create unnecessary compliance burdens, stifle innovation and create greenhushing, especially for complex products like multi-asset funds.

Following the UK SDR regime model is not fit for the objective of the Australian regime: requiring all financial products which make any sort of sustainability claim to have a sustainability-related label or classification, failing which they must make additional disclosures explaining why they don't qualify for a label. That is, requirements for all products are more aligned to an "allocating capital" objective like the SFDR and SDR, not for an objective focused on informed consumers.

RIAA recommends taking a tiered approach:

- Products that are explicitly marketed as sustainable or similar should be held to a higher standard and subject to clear labelling requirements. These labels should be meaningful and backed by robust criteria, such as a threshold for asset alignment with sustainability objectives— with clear materiality thresholds consistent with industry standards.
- For products that are not explicitly marketed as sustainable or similar (e.g. the product is not labelled as sustainable or similar) but does have sustainability-related claims, additional proportionate disclosure requirements or minimum standards should apply designed to enable consumers to understand the product. This would ensure transparency and investor protection without imposing the full weight of labelling obligations.

There must be regulatory clarity and consistency. Clear guidelines of what constitutes a "sustainable" product, with appropriate disclosures along with guidance on naming conventions and marketing practices, would help ensure a level playing field across the industry. Aligning any new requirements with existing frameworks, such as ASIC's Regulatory Guide 65 (which should be updated to reflect this incoming regime) and RIAA's own Product Labelling Guidance Note, including its annex on climate-related claims and Assessment Note for Sustainable-labelled funds is an appropriate starting point.

Avoid conflating labelling with classification frameworks. Labelling should serve as a signal to the market and a tool for investor understanding, not as a rigid categorisation mechanism. The use of sustainability-related terms in product names and marketing materials should trigger appropriate scrutiny, but not necessarily full labelling obligations.

RIAA supports a regulatory framework that is proportionate, principles-based, and aligned with existing standards.

RIAA recommends targeted labelling of products that explicitly position themselves as sustainable or similar, proportionate requirements for products making limited sustainability claims, and clear guidance to support consistent and credible implementation. This approach would protect investors, promote transparency, and allow the market to continue evolving in response to both financial and sustainability objectives.

(9) Which approach would best address issues of greenwashing and/or greenhushing?

Current labelling and disclosure practices: Regulatory scrutiny around greenwashing has led to both:

- Greenhushing: Some market participants are choosing not to disclose sustainability-related information to avoid regulatory risk, due to current uncertainty.
- Over-disclosure: Others are including excessive detail in regulated documents to pre-empt regulatory action, even when the information may not be relevant to consumer decision-making.

Marketing ESG credentials: some market participants are drawing attention to their ESG credentials, but consumers may not fully appreciate the implications of holding those credentials and how they might be relevant to consumer decision -making.

This over-saturation of information can overwhelm retail investors and reduce the effectiveness of disclosures. To address this, comprehensive, flexible, and practical guidance on the use of labels together with appropriate disclosure requirements alongside is needed to ensure disclosures are meaningful and accessible to consumers.

Additionally, there is a disproportionate regulatory burden placed on sustainable finance products. For example, while frequently-used terms like “growth strategy” and “balanced option” do not have commonly-agreed definitions and are commonly used without extensive explanation or justification, sustainable products often face stricter requirements—even though all information provided about a product can influence consumer decisions.

To ensure the regime supports informed consumer choice, it must:

- Focus on what consumers need to know when considering an investment.
- Ensure information is presented in clear, accessible language.
- Make disclosures easy to find and understand—especially in digital formats, rather than buried in lengthy legal documents.

Investment managers are keen to offer consumers more choice, but they must balance this with the cost and complexity of compliance.

(10) What features of a financial product should trigger a labelling requirement? Should particular words or terms be specified? Should it be based on a threshold such as per cent of product invested under a sustainable investment approach or objective?

In addition to the submissions made in response to question 8 above – RIAA recommends the regime use the RIAA Product Labelling Guidance Note as the basis for which products should trigger the labelling requirements. See submission made above.

Evidence Base

(11) Should evidentiary requirements underpinning labelling be prescriptive, principled or a mixture of both?

RIAA supports strong evidentiary requirements to underpin sustainable investment product labelling. We recommend a principles-based approach with targeted prescriptive elements, drawing on the RIAA Responsible Investment Standard and Product Labelling Guidance Note – see above.

The principles-based foundation allows flexibility across diverse products and evolving strategies, while more detailed guidance (such as for products labelled 'sustainable', 'impact' or claiming climate benefits) ensures clarity and consistency where needed.

Overly rigid requirements risk excluding integrated or innovative approaches, while weak standards could enable greenwashing. A balanced model will give product issuers confidence to develop high-quality offerings and empower investors to make informed, trusted decisions.

(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)?

RIAA supports the development of a coherent and integrated sustainable finance framework in Australia. However, we recommend that evidentiary requirements for investment product labelling remain independent from the Australian Sustainable Finance Taxonomy in the immediate term.

While the taxonomy, which was developed by the Australian Sustainable Finance Institute (ASFI) with government funding, has recently been published and represents a valuable tool for allocating capital toward net-zero aligned economic activities, it is not yet sufficiently tested to serve as a foundation for product-level labelling. The taxonomy was designed primarily for sector-level application and project-level screening, not for labelling investment products or portfolios. In its current version, its technical screening criteria are not easily adaptable to the diverse and complex strategies used in responsible investment.

Currently, there are no piloting examples or use cases demonstrating how the taxonomy can be applied to investment products. Without these, its practical relevance to product construction and labelling remains limited. Until the pilot work is concluded, linking evidentiary requirements to the taxonomy risks creating confusion, regulatory complexity, and unintended compliance burdens.

Treasury has stated that the primary purpose of product labelling should be to protect consumers and promote transparency. Labels must clearly communicate the sustainability characteristics of a product, enabling investors, particularly retail investors, to make informed decisions. This requires clarity around investment approaches (e.g. ESG integration, screening, stewardship), rather than alignment with a taxonomy unless a product explicitly claims to be taxonomy-aligned.

In the future, the taxonomy may play a role, especially if the labelling regime evolves to include more prescriptive elements or adopts principles such as "Do No Significant Harm" (DNSH). In such cases, elements of the taxonomy could serve as useful reference points to substantiate claims.

RIAA also emphasises the importance of policy coherence. Alignment between labelling requirements and broader initiatives—such as the taxonomy, the Your Future, Your Super (YFYS) performance test, and international developments like the EU's SFDR—should be pursued carefully to avoid contradictions and support consistency. However, this must be done in a way that preserves flexibility, supports innovation, and avoids imposing impractical standards.

RIAA **recommends** that evidentiary requirements for product labelling remain independent from the taxonomy in the short term, while continuing to support its voluntary uptake and the development of product-specific use cases. This approach will allow the labelling regime to evolve in step with broader policy developments, without being prematurely constrained by frameworks still in development.

(13) What should be the role of independent third-party certification?
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?

RIAA supports the principle of independent third-party verification as a key mechanism to uphold the credibility, integrity, and trustworthiness of sustainable investment product labels. RIAA members acknowledge the significant benefits of, and support, certification, particularly when products make more ambitious sustainability claims—such as impact investing or climate-related benefits—where rigorous verification is essential.

In Australia's financial services industry, third-party verifications and certifications are vital because they provide an independent layer of oversight that strengthens public trust, mitigates systemic risk, and ensures that professionals and institutions operate with integrity and competence. Given the complexity and fiduciary responsibilities inherent in financial services (particularly in superannuation, investment management, and financial advice) external validation helps assure consumers, regulators, and investors that rigorous ethical, educational, and operational standards are being met.

EXAMPLE

Impact of third-party verification: RIAA Certification Program

From 2021 to 2024, over 250 products were assessed for both certification and re-certification through the RIAA Certification Program. As the volume of certified products grew steadily, so did the rigour of assessments, including updates to the Product Labelling Guidance Note in 2021 and 2023 for impact-labelled and 'sustainable'-labelled funds, respectively.

During this period in Australia, approximately 70% of products are required to make changes in order to achieve certification. The most common improvements made to products through the Certification process were related to definitions within exclusions and truth in labelling, particularly for superannuation and exchange-traded funds (ETF).

In addition:

- AU Managed Funds had the highest proportion of conditions across all categories, reflecting their volume and complexity.
- AU ETFs were most affected by truth in labelling conditions, often due to broad claims not linked to or inconsistent with index methodologies.
- SMA/MDAs and Credit/Private Debt products had fewer conditions overall but still faced scrutiny on exclusions and stewardship clarity.

See Appendix C for more information about the impact of the RIAA Certification Program on the investment industry.

Despite this, RIAA submits that mandatory certification for all products could impose disproportionate costs and administrative burdens, especially on smaller firms, potentially discouraging innovation and market participation. Instead, certification should be voluntary but strongly encouraged, with more stringent requirements applied to products making impact or sustainability-specific claims.

Should the government not require third-party verification, the labelling regime must support participation and market confidence with accepted industry standards (including strong minimum standards), and transparent disclosures aligned with consumer expectations. Clear regulatory guidance on the use of sustainability-related terms and the evidentiary requirements for claims is essential to prevent greenwashing and ensure consistency.

Regardless of the model adopted, the process to verify product claims and labels must be taken seriously and implemented with rigour. A well-designed labelling regime—whether supported by third-party certification and/or clear legislative and regulatory requirements —will help build trust, support informed investor decision-making, and ensure that sustainable finance continues to grow responsibly.

RIAA **recommends** a principles-based regime with optional third-party certification, using the RIAA Responsible Investment Standard and RIAA Certification. Certification should be strongly encouraged for products making explicit sustainability claims. This balanced approach promotes transparency, accountability, and accessibility across the market.

Should the government choose to go down the path of mandatory certification, RIAA is in the best position to provide this, as RIAA's Certification Program has undertaken this role for 20 years.

There are several examples of successful industry standard setting and verification that are trusted by government, industry and/or consumers. These function under a range of models with varying degrees of public-private engagement, oversight and partnership. Many non-government initiatives receive government funding to develop industry standards. There are also examples of industry/government co-regulation models between government and membership-based associations where the association continues to provide services to members while in partnership with Government to progress shared objectives and standards.

EXAMPLE

Australian Council for International Development (ACFID) and Department of Foreign Affairs and Trade (DFAT)

ACFID is a peak body representing Australian not-for-profit organisations involved in international development and humanitarian action.

DFAT's partnership with ACFID is a key mechanism for pursuing DFAT's objective of working with NGOs to achieve the goals of the Australian aid program. DFAT's partnership with ACFID is formalised in a Partnership Memorandum of Understanding (2019-24).

Australian non-government organisations wishing to receive funding under the Australian NGO Cooperation Program (ANCP), must be accredited with DFAT. To apply for accreditation, organisations must first be signatories to ACFID's Code of Conduct, and meet the standards required by DFAT for accreditation.

Australian Council for International Development (ACFID) partnership | Australian Government Department of Foreign Affairs and Trade

DFAT accreditation - ACFID

In addition, the *Corporations Act 2001* (Cth) allows for an "enforceable industry code" where ASIC has the ability to approve a code of conduct for the financial sector: section 1101A. Examples include the Customer Owned Banking Association governing the Customer Owned Banking Code of Practice, the Insurance Council of Australia administering the General Insurance Code of Practice and the Australian Banking Association (ABA) overseeing the Banking Code of Practice, below.

EXAMPLE

The Australian Banking Association (ABA) and the Banking Code of Practice

The ABA is a membership organisation representing Australia's major banks and governs the Banking Code of Practice. All member banks that offer retail banking services required to subscribe to the Banking Code of Practice as a condition of membership.

The ABA provides a wide range of services to its members beyond the Code, such as policy advocacy, research & thought leadership, training and guidance.

The 2025 Banking Code of Practice was approved by ASIC in June 2024 under section 1101A of the *Corporations Act 2001*. This approval means that certain provisions of the Code are legally enforceable. These provisions include:

- The Conduct Standard: Banks must now provide services efficiently, honestly, and fairly, aligning with the legal standard under the Corporations Act and the National Consumer Credit Protection Act.
- Guarantor Protections: Banks must take reasonable steps to meet with prospective guarantors before accepting a guarantee and provide clear information about the financial risks of the guarantee.
- Support for Vulnerable Customers: Banks must recognise a broader range of vulnerabilities (e.g. disability, language barriers, incarceration), allow vulnerable customers to appoint third-party representatives and train staff to identify and support vulnerable individuals.
- Small Business Protections: increased the threshold for small business protections which extended coverage to an additional ~10,000 businesses.

RIAA can work with the government and regulator to develop a corporate structure that could include one or a number of the following:

- Carve-out a separate entity with a mandate to assess products against the Government's product labelling criteria.
- Implement a code of conduct or code of practice for product labelling based on the RI Standard and related guidance, including reviewing RIAA's existing strong governance and compliance structures to ensure they remain appropriate.
- Allow for appropriate oversight by Government or Council of Financial Regulators.
- Include regulator (e.g. ASIC) specialists, along with industry experts, academics, financial advisers and lawyers, in a final decision-making body or panel.

- Support accreditation of RIAA and the Certification Program and/or above body by a credible third-party (for example, against ISO 17065).
- Proceed with divisional separation of RIAA with guardrails and a conflicts policy to separate a division to conduct certification against the government's product labelling criteria, overseen by the regulator/Council of Financial Regulators.
- Partner in a joint RIAA/government/regulator governance model.

The undertaking of labelling certification against the government's labelling criteria would therefore be separate from RIAA's Certification Program, the criteria of which is wider than product labelling.

Appendix A

RI Standard guidance material

5 Guidance Notes outline the factors to be considered in examining and assessing product eligibility for the Certification Program

- Guidance Note – Portfolio Holdings Disclosure
- Guidance Note – Banking Product Certification
- Guidance Note – Stewardship Practices and Disclosures
- Guidance Note – Product labelling
- Guidance Note – Multi-asset products

3 Assessment Notes outline how products can demonstrate compliance with the Responsible Investment Standard regarding certain criteria

- Assessment Note P3 – Avoid Significant Harm
- Assessment Note P2 – Products trading with ‘impact’ in the label
- Assessment Note P2 – Products trading with ‘sustainable’ in the label

Appendix B

RI Standard - Product labelling guidance and tests

How product providers can show adherence to RI Certification Standard where climate-related product claims are made, and names/labels are used.

Provides tests that are applied to products to procure the required evidence in support of compliance with the Program Requirements.

Provides tests that are applied to products to procure the required evidence in support of compliance with the Program Requirements.

Assessment Note P2 – Products trading with ‘impact’ in the label

The purpose of this Assessment Note is to inform product issuers how products claiming to be impact investment products can demonstrate compliance with the Responsible Investment Standard.

Impact Tests – The following Impact Tests will be applied to any product that wishes to obtain RIAA Certification and trade with the term ‘impact’ in its title/label. The Impact Tests provide additional evidence in support of compliance with the Program Requirements.

Intentionality	1. Impact thesis
	2. Impact goals - metrics to deliver impact thesis
	3. Invest in impact business & services >50% revenue
	4. Prioritisation of the impact intent – duel intent
	5. Responsible exits
Measurement	6. Portfolio-level
	7. Asset/constituent
Manager contribution	8. Engages for greater impact
	9. Contributes to the growth of undersupplied market
	10. How financial contribution scales impact

Assessment Note P2 – Products trading with ‘sustainable’ in the label

This purpose of this Assessment Note is to inform product issuers how products claiming to be sustainable investment products can demonstrate compliance with the Responsible Investment Standard.

'Sustainable’ Test – The following test will be applied to any product that wishes to obtain RIAA Certification and trade with the term ‘sustainable’ in its title/label. The 'Sustainable’ Test provides the required evidence in support of compliance with the Program Requirements.

1	The product provider has established sustainability objective(s) for the fund
2	The sustainability objective(s) are built into the product's RI Strategy and Process
3	Portfolio Holdings and stewardship practices align with the stated sustainability objective(s)
4	Publish sustainability performance against its goals or targets as set in its sustainability objectives

Climate Claims Annex to Guidance Note – Product labelling

The Climate Claims Annex serves 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.

Appendix C

Impact of the RIAA Certification Program

Table 1: Conditions category comparison by select product types and country (%)

Category	AU Managed Funds	AU Super	AU ETFs	AU SMA/ MDAs	AU Credit/ Private Debt
Avoiding Significant Harm	32	28	22	6	6
Stewardship	36	32	12	6	6
Product labelling	28	22	32	12	6
Sustainability claims	22	26	12	6	6
Climate Claims	12	16	6	3	4
Other	8	6	6	3	4

Because each product type can have multiple conditions across different categories, the sum of percentages across categories for a single product type can exceed 100%. This reflects the multi-dimensional nature of certification assessments. Products often receive multiple conditions spanning several categories.

Table 2: Conditions category comparison by select product types and country (normalised % distribution)

Category	AU Managed Funds	AU Super	AU ETFs	AU SMA/ MDA	AU Credit/ Private Debt
Avoiding Harm	24.0	21.9	21.5	17.1	18.2
Stewardship	27.0	25.0	11.8	17.1	18.2
Product Labelling	21.0	17.2	31.4	34.3	18.2
Sustainability Claims	16.5	20.3	11.8	17.1	18.2
Climate Claims	9.0	12.5	6.0	8.6	12.1
Other	2.5	3.1	2.5	5.8	15.1

Normalising the data per product type means adjusting the percentages so that the total across all categories for each product type equals 100%. This helps clarify how each product type distributes its conditions across categories, making comparisons more meaningful.

Appendix D

Product Labelling Interoperability Index – DRAFT

Explanatory Notes	RIAA Responsible Investment Standard (RIS) principles-based approach allows for financial product **ESG integration and disclosures** to be fulfilled in a variety of ways, including but not limited to the approaches taken by product issuers for compliance with UK SDR and EU SFDR. **Stewardship strategy and disclosure** requirements of RIS are broader in nature than that required by UK SDR and EU SFDR, ensuring that adherence to RIS (while not equivalent to UK SDR or EU SFDR), is supportive of efforts to comply with the requirements of both regimes. All regimes, standards and guidelines under comparison set different criteria for minimum exclusions. RIS requires **periodic portfolio holdings disclosure** in full. UK SDR does not mandate this, but requires the percentage of sustainable assets, KPIs, stewardship strategy and asset rationale to be disclosed. EU SFDR does not prescribe a requirement for full holdings disclosure but requires asset breakdowns, Principle Adverse Impact indicators, taxonomy alignment, and periodic reports to demonstrate compliance for Article 8 and 9 funds. RIS sets a standard that requires stakeholders to exercise judgement in making informed product selection choices. In this way, meeting RIS' requirement does not inhibit but can support a product's compliance with UK SDR and EU SFDR. RIAA's **Sustainability Classifications** are not equivalent to the regimes under comparison but are able to accommodate funds that are compliant with EU SFDR, UK SDR and ESMA Naming Rules. Products must meet a minimum threshold of "sustainable assets" that is 10% higher in order to adhere to RIS and ESMA Naming Rules compared to UK SDR. In this way, adherence to RIS does not inhibit compliance with UK SDR labelling requirements. RIS' approach to **product labelling** is anchored on principles that support compliance with UK SDR, ESMA Naming Rules, and EU SFDR requirements. While RIS can be adopted by product issuers for **self-assessmen**t, in practice, it is accompanied by voluntary **RIAA Certification**. A requirement for external validation is currently under consideration by the regimes under comparison.

Interoperability topic	RIAA Responsible Investment Standard (RIS)	UK Sustainability Disclosure Requirements (SDR)	European Securities and Markets Authority (ESMA) Naming Guidelines	EU Sustainable Financial Disclosure Regulation (SFDR) (disclosure regime used by industry as proxy labelling and classification system)
Principles vs Prescription	Prescriptions on Avoid Significant Harm requirements, stewardship practice and disclosure, portfolio holdings disclosure, and label-specific criteria for 'sustainable', 'impact' and climate-related claims. Principles on product names, ESG integration, interpretation of a sustainable investment, eligible activities, greenwashing protections, disclosure formats and impact measurement.	Prescriptions on label-specific criteria, KPIs, measurable objectives, stewardship expectations. Principles on how sustainability outcomes are defined and pursued, and on clarity, integrity and consumer understanding.	Prescriptions on minimum thresholds of asset-alignment, exclusion criteria (PAB), and threshold for use of the term "sustainable". Principles on naming and investment strategy consistency.	Prescriptions on disclosure templates, PAI indicators, DNSH test. Principles on interpretation of a sustainable investment, eligible activities, and self-classification.

Interoperability topic	RIAA Responsible Investment Standard (RIS)	UK Sustainability Disclosure Requirements (SDR)	European Securities and Markets Authority (ESMA) Naming Guidelines	EU Sustainable Financial Disclosure Regulation (SFDR) (disclosure regime used by industry as proxy labelling and classification system)
Product names and labels	RIAA's RIS requires that product names are not misleading and appropriately reflect strategies, processes, practices and disclosures. This aligns conceptually with ESMA's naming guidelines and SDR's anti-greenwashing rule. SFDR enforces disclosure alignment.	The use of SDR labels is voluntary. If a label is used, the qualifying criteria must be met and FCA must be notified.	For funds with ESG/ sustainability-related names, requires at least 80% of assets in investments that meet the environmental and/or social characteristics (Article 8 SFDR) or sustainable investment objectives (Article 9 SFDR).	No specified naming requirements, but disclosures must match ESG/ sustainability-related claims or terms used.
Governance disclosure	RIAA RIS requires consideration of ESG factors without establishing prescriptive requirements for how governance is accounted for or disclosed.	Governance disclosures required for sustainability-labelled products. Firms (managers) must have in place appropriate resources, governance, and organisational arrangements, commensurate with the delivery of the sustainability objective.	Not explicitly required on ESG and sustainability-related fund names but governance-related terminology in fund names must be substantiated.	Required for Article 8 and Article 9 products. Good governance practices investee companies.
ESG integration	RIAA RIS requires ESG integration, and this is assessed in-depth as part of product certification.	ESG factors must be integrated into the investment process for all sustainability-labelled products as a general criterion.	Must align with naming claims, i.e., if 'ESG', 'sustainability' or related terms are used. Otherwise not required.	Article 6 products must disclose how sustainability risks are integrated or explain why they are irrelevant. Article 8 products must disclose ESG integration. Article 9 products must have a sustainable investment objective with an expectation that they would disclose an annual product Principal Adverse Impact (PAI) table in a periodic report.
Do No Significant Harm (DNSH) / Avoid Significant Harm (ASH)	All funds must apply minimum exclusions criteria.	Funds must identify and disclose any material negative environmental or social outcomes that may arise in pursuing their sustainability objective.	Funds using ESG or sustainability-related terms must apply minimum exclusion criteria to avoid misleading claims.	Article 9 funds' investments must contribute to an environmental or social objective and not significantly harm any other sustainability objective. This is explicit and mandatory, based on Article 2(17) of SFDR and aligned with EU Taxonomy principles. Article 8 funds may include sustainable investments, which must also meet the DNSH test.

Interoperability topic	RIAA Responsible Investment Standard (RIS)	UK Sustainability Disclosure Requirements (SDR)	European Securities and Markets Authority (ESMA) Naming Guidelines	EU Sustainable Financial Disclosure Regulation (SFDR) (disclosure regime used by industry as proxy labelling and classification system)
Stewardship	RIAA RIS requires stewardship embedded in policy and disclosures.	Required for products using sustainability labels. Does not expect firms to demonstrate a causal link between those activities and outcomes.	Engagement is one of a list of possible strategies mentioned but not mandatory (p.35 of ESMA34-472-440 Final) Report on the Guidelines on funds names.	Not mandatory unless claimed. The SFDR also interacts with the Shareholder Rights Directive II which requires voting and engagement transparency for institutional investors
Disclosures	RIAA RIS requires periodic disclosures. Apart from portfolio holdings disclosure, the structure of disclosure is not prescribed.	Requirements for pre-contractual, ongoing, and consumer disclosures.	ESG-related terms in fund names must be substantiated by disclosures.	Pre-contractual, periodic, and website disclosures.
Classifications	RIAA's Sustainability Classifications (SCI) are 'Responsible', 'Sustainable', 'Sustainable Plus'. SCI does not explicitly distinguish 'impact' products and includes prescriptions on stewardship. Classification is only available to certified products.	Sustainability Focus, Sustainability Improvers, Sustainability Mixed Goals, Sustainability Impact.	Funds do not need to be formally classified as Article 8 or 9 under SFDR to use ESG-related names, however the investment strategy and disclosures must substantively align with those classifications.	Article 6: A fund that discloses how sustainability risks are integrated or why they are not. Article 8: A Fund which promotes, among other characteristics, environmental or social characteristics, or a combination of those characteristics. Article 9: A fund that has sustainable investment as its objective.
Greenwashing protections	RIAA's RIS establishes standards for "sustainable", "impact" and climate-related terms, and applies a principles-based quality and thresholds test to all other claims.	Anti-greenwashing rule applies to all Financial Conduct Authority (FCA)-authorised firms including financial product disclosures where sustainability-related claims are made.	Requirement for naming to be substantiated through approach and disclosure.	While not a product labelling regime, SFDR requires disclosures that help investors assess the credibility of sustainability claims. Regulatory Technical Standard (RTS) introduces standardisation which reduces ambiguity. Strict rules are accompanied by regulatory oversight.
Impact measurement	RIAA's Sustainable Plus classification requires measurement and reporting of sustainability performance/ outcomes.	To qualify for Sustainability Impact, products must invest in assets intended to have a measurable contribution to sustainability outcomes.	Not required but fund name must be clearly supported by actual investment approach and documentation.	Required for Article 9 products. Funds classified under Article 9 must report on the extent to which their sustainable investment objective has been met.

Interoperability topic	RIAA Responsible Investment Standard (RIS)	UK Sustainability Disclosure Requirements (SDR)	European Securities and Markets Authority (ESMA) Naming Guidelines	EU Sustainable Financial Disclosure Regulation (SFDR) (disclosure regime used by industry as proxy labelling and classification system)
Use of ESG or sustainability-related terms	RIAA's RIS and Product Labelling guidance require that in principle, product names reflect the product's strategy, processes, practices, and disclosures, however the use of ESG/ sustainability-related product names and labels is not expected. Where 'sustainable' or 'impact' are used in the name/label, an 80% threshold applies.	Must align with naming/claim (minimum threshold of 70%).	Must align with naming/ claim (minimum threshold of 80%). Funds using terms like Environmental, Impactor Sustainability must apply Paris-Aligned Benchmarks (PAB) exclusions, while those using Transition, Social or Governance must apply Climate Transition Benchmarks (CTB) exclusions	No specified naming requirements, but disclosures must match ESG/ sustainability-related claims or terms used.
External validation and assurance	RIAA's RIS is accompanied by external validation. SDR and SFDR do not require external confirmation / assurance.	Self-assessment. FCA does not approve or verify. Expectation of robust internal process including annual reviews. FCA has enforcement powers via the anti-greenwashing rule.	Self-assessment. ESMA may review and enforce compliance.	Not required.
Retail investor focus	All frameworks prioritise clarity for retail investors.	Both consumers and institutional investors, with strong emphasis on consumer protection and clarity.	Naming clarity for retail funds.	Both retail and institutional.

Note on EU SFDR (August 2025)	Summary of current opinions and proposed approaches from the European Supervisory Authorities (ESAs) and the EU Platform on Sustainable Finance regarding fund classification under SFDR:
	
	Key Concern: SFDR's Articles 8 and 9 are being used as de facto labels, leading to greenwashing risks and investor confusion.
	
	Proposed Solution:
	• Introduce voluntary product categories:
	    o Sustainable Products: Aligned with environmental/social objectives.
	    o Transition Products: Financing the shift toward sustainability.
	• Develop clear criteria and standardized indicators to support these categories.
	
	Proposed Categories: Sustainable: Invests in a minimum % of taxonomy-aligned or SFDR-defined sustainable investments, applies Paris-Aligned Benchmark (PAB) exclusions and must pass Principal Adverse Impact (PAI) thresholds.
	• Transition: Allocates to transitioning assets, e.g., taxonomy-aligned CapEx or companies under engagement, and applies Climate Transition Benchmark (CTB) exclusions.
	• ESG Collection: Includes best-in-class, fund-of-funds, or ESG-integrated strategies.
	• Unclassified: Funds not meeting the above criteria must still disclose taxonomy alignment, emissions, and social metrics.
	• Impact Category: Not proposed due to lack of a common definition. Recommendation to develop a shared understanding before formalising this category.
	
	DNSH and Sustainable Investment Definition:
	• Recommendation to tighten the definition of sustainable investment.
	• Proposed thresholds for DNSH tests, especially for environmental objectives.
	• Suggestion to delay strict DNSH tests for social investments until a Social Taxonomy is developed.