

13 March 2026

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

Delivery: [via Treasury's online portal](#)

Dear Sir/Madam

## Sustainable Investment Product Labelling Regime

Chartered Accountants Australia and New Zealand (CA ANZ), CPA Australia, the Institute of Public Accountants (IPA) and the SMSF Association (the Joint Associations) welcome the opportunity to provide this submission to the Treasury Consultation on *Sustainable Investment Product Labelling Regime*

We welcome the development of a framework that provides transparency and consistency across financial products marketed as sustainable (or similar) to help investors more easily understand and compare the merits of different sustainable investment options.

It is important that there is a balance between standardising practices, while also allowing flexibility to adapt in response to investment needs and product innovation. Further the outputs of the framework must be easily understood by the investor and comparable from one product to another.

We are of the view that this could best be achieved by establishing a hybrid approach with a prescriptive core that is embedded in the regulations. The value to the investor lies in clear disclosure that is available at all stages of the investment cycle, and ongoing reporting both publicly and to the regulator to monitor compliance with their stated objectives.

We would like to highlight that as part of the Sustainable Finance Roadmap<sup>1</sup> (SFR), the Government has committed to establishing consistent labels and disclosure requirements for investment products marketed as 'sustainable' or similar, including managed funds within the superannuation system. The purpose is to support product issuers as well as investors, given the increasing demand for investment products with sustainability objectives.

The SFR has been applied across investments broadly and not just to retail products, as such we do not believe narrowing the focus in the consultation paper to retail clients aligns with the priority of the roadmap as it then excludes the interests of investors.

Our detailed responses to the consultation paper are contained in the Attachment.

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<sup>1</sup> <https://treasury.gov.au/sites/default/files/2024-06/p2024-536290.pdf>



If you have any questions about our submission, please do not hesitate to contact Helena Gibson, Financial Services Leader via email [helena.gibson@charteredaccountantsanz.com](mailto:helena.gibson@charteredaccountantsanz.com)

Sincerely,

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## Element 1: Scope of Sustainable Investment Product Labelling- what products will be included?

### 1. Is the definition of financial product in the Corporations Act appropriate as the basis for the kinds of investment products captured by this regime?

a) Should the scope be narrowed to certain types of financial products (such as products with an investment component, e.g. superannuation or managed investment schemes), and if so, on what basis?

b) Should there be any exclusions on types of financial products?

c) Conversely does this approach miss any financial products that should be captured by the regime?

We agree that the definition of a financial product in the *Corporations Act*<sup>2</sup> is appropriate to use as it captures a broad range of products, including superannuation, managed investment schemes, insurance products and term deposits. We do not believe the definition should exclude any type of financial products.

The proposed regime should only apply to those financial products that choose to identify as 'sustainable'. Importantly, this term should be clearly identifiable and referenced as part of the product name or investment option to reduce potential confusion amongst investors. The inclusion of the term 'sustainable' also serves to automatically bring the product and/or investment option into the regime from a regulator's perspective.

As indicated above, we do not support limiting this regime solely to retail investors, nor do we support limiting the regime to pooled or investment products only.

Specifically, we would like to draw your attention to priority 4 of the Government's SFR which states: *The Government has committed to establish consistent labels and disclosure requirements for investment products marketed as 'sustainable' or similar, including for managed funds and within the superannuation system. Such a regime will support product issuers as well as investors, given the increasing demand for investment products with specific sustainability objectives.*

A 'sustainability' regime restricted to retail financial products does not align with the Government's own commitment to ensure consistent labels and disclosure requirements for investment products more broadly. The broad application also aligns with the objective of element two of the SFR, that is high-quality disclosure reduces information asymmetry, supports informed decision making and strengthens investor confidence.

Further, applying the regime to all investment products ensures investors who invest through platforms or those who are not truly wholesale (however fall within the definition due to the outdated thresholds) are also afforded the same disclosure protections in relation to sustainability considerations. For wholesale products, the obligation should apply to any marketing or investor facing material that is issued by the product provider.

There should also be a duty on platforms to communicate any sustainability claims to investors.

### 2. Is the approach of using non-exhaustive list of 'sustainability' terms appropriate for the regime?

We support the introduction of a broad and encompassing definition of 'sustainability' which would allow for a multitude of options to be considered and allow for innovation without requiring continuous change. This definition could be supported by the inclusion of a non-

<sup>2</sup> See Section 763A

exhaustive list of 'sustainability' terms. We recommend the terms are then grouped into key categories, for example climate, social, nature and governance.

These requirements must be embedded in the legislation, specifically the regulations as a non-exhaustive list (as currently proposed) to ensure they are adopted consistently across the sector to allow for true comparability, avoid regulatory arbitrage and maintain flexibility as new terminology emerges.

### **3. Should terms relating to the governance and social elements of ESG be in the scope of the regime? Why?**

We support terms relating to governance and social elements of ESG to be in scope as they fall under the sustainability umbrella and should be considered in the same way as the terms nature and climate.

### **4. Are there any terms in the non-exhaustive list that create unintentional consequences and should not be included? Are there any terms missing?**

We support the inclusion of a broad non-exhaustive list. We also recommend the addition of the following terms:

- Minimum Social Safeguards (MSS)
- Do No Significant Harm (DNSH)
- Transition
- Mitigation and
- Adaption.

We also support providing additional clarity around what each term means and ensuring the expanded version of each acronym is included, for example, ESG. However, we reiterate the importance of ongoing regulatory oversight to ensure new terminology does not dilute the intent of the regime. We have concerns that the term 'future' is not appropriate and suggest it is removed from the list.

## **Element 2: Consumer-facing disclosures**

### **5. Do you support the introduction of mandatory consumer-facing disclosure obligations?**

We support mandatory disclosure obligations and view this as pivotal to ensuring investors understand the sustainability objective. Disclosure is a crucial element in supporting non-prescribed thresholds, as without adequate disclosure it does not work effectively.

We recommend the sustainability obligations are embedded in the disclosure and marketing obligations that already exist, for example the Product Disclosure Statements (PDS) for retail clients and mandatory in any investor facing material for wholesale clients.

We do not support the introduction of a separately identified 'consumer-facing disclosure' (CFD) requirement. The regulatory framework is already excessively complex, and as the acronym already exists for another purpose, this would only lead to confusion. We do not agree that the fact that the term CFD is used in some other countries is reason enough to use the term in Australia.

Should there be widespread support for a term, we recommend 'investor facing disclosure (IFD)' be used as an alternative as it has wider application, that is to include wholesale investors and would not be confused with the current CFD acronym.

We also acknowledge that disclosure alone will not guarantee investor understanding and that sustainability is still an emerging space. However, it is important to start the process now to build investor awareness and knowledge.

## **6. How could voluntary templates achieve the policy objectives?**

A template would ensure a consistent approach to disclosure and would help investors make informed decisions on where to invest, including supporting comparability across the different options. It is also important the template is flexible by design so that it is not simply viewed as a checklist or tick box exercise, but rather meaningfully captures the key features and objectives of the product.

We also recommend that providers are required to include a simple and easy to understand summary of how the product is satisfying the sustainability requirements.

Further to our comments above, the templated information should be embedded in the PDS or investor facing material for wholesale products.

## **7. Which of the above design options do you support, and why?**

**a) If you support a prescriptive approach, what specific elements of the CFD should be mandated?**

**b) If a principles-based approach is preferred, what should be included in the principles-based template for CFD requirements?**

We support a hybrid approach (option 3) when designing disclosures for sustainable products. It is important that core disclosures are mandated in legislation across the following areas:

- Sustainability objective
- Key sustainability metrics and
- Sustainability targets

It is also important that indirect investments are included in the disclosure requirements and that the look through test applies as far as possible to ensure the sustainable objectives are satisfied. We recommend the core disclosures outlined above are disclosed as an additional layer that sits within the investment strategy of the product/investment option. The information should also be easily found on the provider's website and reported to investors and to the regulator at no less than on an annual basis.

We acknowledge that equities included within an investment option may also be subject to Climate-related disclosures requirements in line with AASB S2, which requires reporting of metrics and targets.

We do not support a purely prescriptive or principles-based approach (but rather a hybrid approach) for the following reasons, on the one hand a prescriptive approach may not capture the nuances across different sustainable options, nor would it support adaptability in response to changing trends and product innovation. On the other hand, a principles-based approach

historically has proven challenging to apply with product providers having a minimum base line of expectations.

**8. Would you support mandating that product issuers disclose their direct and indirect investment exemptions in the CFD requirement?**

**a) Does the exclusions list featured in Box 2 (p.13) capture an appropriate range of companies, industries or activities?**

We support mandating for issuers to disclose both their direct and indirect interests. However, as mentioned above, we do not support a separate CFD requirement but rather recommend the disclosure requirements are provided in addition to the investment strategy (where relevant) and/or key product features (for insurance products).

The exclusions list provides a useful starting point.

**9. What are other considerations should the Government consider if it progresses with the introduction of mandatory consumer-facing disclosure obligations?**

We recommend that mandatory disclosures utilise the existing disclosure framework and are embedded in PDSs, Annual Reports and Member Statements.

We would also suggest that consideration be given to:

- Avoiding duplication with existing disclosure regimes
- Ensuring disclosures are concise and prominent and
- Managing interaction with APRA-regulated performance requirements for superannuation products.

**10. Should separate CFD requirements be developed for different types of financial products (i.e. non fund products)?**

The core disclosure requirements should be consistent across the different type of financial products to ensure simplicity and support comparability. The hybrid option provides sufficient flexibility to allow the disclosures to be adapted as required.

**11. When and how should the CFD be provided to the client/potential client?**

The core information should be provided as part of the usual process of disclosure.

### Element 3: Thresholds

**12. Should a threshold be prescribed (option 1) or only require there to be a disclosure (option 2)?**

**a) Which option best ensures the credibility of the labelling regime?**

**b) If option 1 is adopted what is the appropriate threshold in the Australian context?**

We have revised our position from earlier submissions and no longer support a prescribed product threshold, on the basis that it would be very challenging to create a single threshold that would accommodate the diversity in ways investments can contribute to sustainability-related outcomes.

We support tailoring the nominated threshold amount depending on the nature of the sustainability claim, or the type of sustainable product or investment option, while 60% may be appropriate for one type of 'sustainable' product, 80% may be more appropriate for another. It is important that the requirement to disclose and track against the threshold amount is prescribed in legislation, namely regulations, to ensure consistency across the industry.

This approach also allows for the nominated threshold to be amended by the provider where appropriate, without requiring a change to the legislation, for example over time investors may expect a higher threshold commitment to invest in a sustainable product.

**13. How should the threshold be calculated under option 1 and 2? What assets should contribute to the threshold, and how should the different impacts that investments could have on sustainability be considered?**

The calculation of the sustainability threshold (under either option 1 or 2) could be challenging to maintain consistently and could result in issuers not meeting the threshold at a particular point in time throughout the year while satisfying it at another point in time.

For this reason, if a threshold is adopted, consideration may be given to averaging over the year and or the allowance for a variance threshold, with anything exceeding a nominated percentage requiring to be disclosed to investors with an explanation.

**14. If either option 1 or 2 are adopted, what are the practical administrative considerations that need to be resolved during implementation?**

Compliance with either option 1 or 2 would best be managed through ensuring a commitment to the thresholds, in the PDS and on the provider's website.

Any breach would be dealt with in the same way that any other breach of PDS obligations, including penalties and potential license conditions etc.

**15. Should direct and indirect investments be treated differently for the purpose of the thresholds?**

**a) How would compliance with thresholds be evidenced in regard to indirect investments?**

To ensure investors have confidence in the sustainability claims being made, we recommend that direct and indirect investments are treated in a similar way for the purpose of the thresholds.

**16. Is there a role to adopt a mechanism which governs the assets not contributing to the threshold (sub option a)?**

**a) What are the advantages and disadvantages of adopting the UK's criteria?**

**b) What are the advantages and disadvantages of specifying classes of investment as being ineligible for products covered by the labelling framework similar to the EU's proposed framework?**

**c) Which option should be preferred?**

We broadly agree that alignment with the UK model would support the credibility of our local framework and support comparability. It would also ensure that product providers are being true to label and reduce the emphasis on a prescribed minimum threshold.

We recommend the focus should be on ensuring that any assets that do not contribute to the sustainability threshold do not broadly conflict with the product's sustainability objective, rather than specifying classes of products as ineligible.

## Element 4: Evidentiary Assessment

### 17. Do you support principles-based approach to evidentiary assessment requirements for financial products marketed as 'sustainable' or similar? Why or Why not?

#### a) If not, what alternative approach would you prefer and why?

We support a hybrid model, where some elements are principles-based for flexibility, complemented by prescriptive elements for clarity and enforcement. The evidentiary requirements should align with:

- The Australian Sustainable Finance Taxonomy
- AASB S2 Climate-related financial disclosures, and
- Treasury's Transition planning guidance, which was recently subject to a public consultation in Australia, noting the work done by the Transition Pathway Taskforce would also be a useful reference.

### 18. If applicable, what types of evidence do you currently rely on to substantiate sustainability-related claims for financial products (if possible, please include information on internal methodologies, third-party data, standards or certifications).

#### a) What is the relationship between the labelling regime and industry standards? Should a labelling regime prescribe specific standards? If yes, which?

We agree that the labelling regime should prescribe industry standards, this would ensure consistency across the industry. ASIC Information Sheet 271 highlights that the current lack of standardised labelling for sustainability-related products requires product providers to 'think carefully about using absolute terms in a product label'.

ASIC's SIC's Regulatory Guide 280 - Sustainability Reporting is a helpful resource for providers for guidance on when an issuer is required to prepare a sustainability report under the *Corporations Act 2001* and disclose sustainability-related information, however, it is neither specific nor enforceable. We recommend that the reporting requirements in RG 280 for prospectuses (as set out between RG 280.130 to RG 280.137 inclusively) and for PDS (RG 280.138 to RG 280.151) are set out in regulations.

We recommend consideration is given to using the classification types and criteria applied by the Responsible Investment Association Australasia (RIAA) when certifying products as Responsible, Sustainable or Sustainable Plus.

### 19. How can a principles-based regime ensure sufficient consistency across products and issuers, while still allowing flexibility in evidentiary methods?

The challenge with a principles-based regime is that it allows flexibility in evidentiary methods and does not provide a standard for consistency and comparability.

We have grave reservations with a principles-based approach as historically where a regime is underpinned by principles, the industry has done the bare minimum.

Further, by not providing explicit guidance around the methodology, there will be many different versions of 'sustainable' in the same way we have many variations of the interpretation of a 'balanced' investor across the industry.

## **20. Are there particular challenges in evidencing certain sustainable investment approaches**

### **a) If so, how should a principles-based regime accommodate these differences?**

ASIC Report 791 on ASIC's interventions on greenwashing misconduct: 2023-2024 (page 4) recommends "entities disclosing climate-related metrics and targets should voluntarily consider and be informed by the disclosure requirements set out in the Australian Sustainability Reporting Standards".

In the absence of a framework to provide guidance and tools, the assessment process will be subjective and lack the rigour to substantiate the claims being made around sustainability. We recommend that a template based on broad based criteria be established as a base line that should be used and tailored to reflect the underlying category of sustainability. This would be further supported by mandatory reporting across a broad range of metrics.