

# SUSTAINABLE INVESTMENT PRODUCT LABELS | MONASH RESPONSE

28 August 2025

## INTRODUCTION

Monash is pleased to contribute to this consultation on the development of standard sustainable investment product labelling scheme. Our response has been developed by financial, accounting, legal, regulatory and behavioural practitioners and researchers from

- Monash Business School Centre for Financial Studies
- Monash Business School Department of Accounting
- Monash Business School Green Lab
- Monash Faculty of Law
- BehaviourWorks Australia.

We refer the Government to an investigation conducted by BehaviourWorks Australia into the effectiveness of eco-product labelling schemes as part of the [2019-21 Waste and Circular Economy Collaboration](#)<sup>1</sup>. While not specific to financial products, a rapid evidence review found that two categories of intervention are likely to influence both business and buyer behaviour, and the adoption/success of any labelling scheme:

1. Policy or regulatory approaches
2. Marketing and education strategies

The effectiveness of a labelling scheme on business practices is shaped by general characteristics such as:

- clear and commonly valued scheme objectives
- criteria that are trustworthy (accurate and defensible) and transparent
- visibility of salient information at key decision points (for producers as well as consumers)
- a level playing field with competing non-sustainable practices (for broader adoption of more sustainable practices beyond the market that is already values aligned).

We have responded to the specific questions below and would welcome further engagement on any aspect as the scheme is developed.

**Associate Professor Mukesh Garg**  
Department of Accounting and Green Lab  
Monash Business School

**Associate Professor Nga Pham**  
Monash Centre for Financial Studies and Green Lab  
Monash Business School

<sup>1</sup> <https://www.behaviourworksaustralia.org/major-project/waste-circular-economy-collab-stream2-effectiveness-of-product-labelling-schemes>

## QUESTIONS

### Policy problem

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

Sustainable finance ensures that investment and financing decisions account for economic activity's environmental, social, and governance (ESG) dimensions. Sustainable financial product labelling is one of the four foundations required for success<sup>2</sup>:

- i. A disclosure regime (Sustainable Finance Roadmap Priority 1) to provide timely, adequate, and transparent data that allows investors and regulators to effectively evaluate climate- and nature-related risks and the credibility of sustainability claims made by reporting entities.
- ii. A broader sustainable finance taxonomy (Priority 2) to provide a classification system to define and categorise economic activities. Once the data becomes readily available and the reporting aligns with the taxonomy structure, investors and regulators will develop confidence and assurance in the quality of economic activity transparency and evaluate whether these economic activities align with ESG and sustainability goals.
- iii. A sustainable financial products labelling scheme (Priority 4) to allow investors and regulators to develop confidence and assurance in the credibility of sustainable products created to serve ESG and sustainability goals, and ensure nationwide alignment between these products and economic activities
- iv. A regulatory framework (Priority 8) to ensure consistency, comparability, and oversight of the functioning of the disclosure regime, implementation of the sustainable finance taxonomy, and a sensible design of a labelling scheme.

Existing disclosure requirements are maintained and monitored by a range of regulators and market stakeholders. There are challenges and gaps in the Australian environment that would be remedied by the introduction of a standard labelling system.

- **There is a large number of non-expert retail investors.** Australia's private pension system allows residents to either manage their own superannuation or select a super fund (and product options within it) effectively turning all Australian workers into investors. Given the range of products offered by each super fund, with no standardised labels, many super fund members may lack the skills, time and resources to understand the different investment strategies and the sustainability claims of product issuers.
- **The development of the Australian sustainable finance taxonomy is still ongoing.** Without standardised sustainability at the asset level, funds will not be able to substantiate claims like "X% of our portfolio is in sustainable assets." Australian labels and disclosures might lack a quantitative underpinning.
- **In the absence of government-sanctioned sustainability labels for financial products, industry-led certification schemes fill the gap.** However, it is challenging for many investors to understand and trust product descriptions offered by asset managers and super funds. The current labelling body, RIAA, is an industry association; hence, it lacks monitoring and enforcement authority over the funds and their certified products. It is also unclear whether and how the RIAA ensures the independence and merit of its certification service, and who provides oversight of the RIAA certification program.

Given the existing regulatory settings, such as ASIC's regulatory guidance (e.g., RG 65, RG 168), ASX Corporate Governance Principles and Recommendations, and the evolving climate-related disclosure regime, labels complement disclosure requirements by serving as an easily recognisable and comparable indicator of a product's sustainability credentials. Additionally, a new labelling framework should be accompanied by enhancing existing product disclosure regimes and their monitoring and enforcement.

---

<sup>2</sup> <https://www.icmagroup.org/assets/documents/Sustainable-finance/The-Sustainability-Disclosure-Regime-of-the-European-Union-ICMA-September-2021-220921.pdf>

Industry initiatives like RIAA's certification help fill the gap, and existing laws compel honesty in ESG claims, but a comprehensive framework will provide greater certainty and comparability, enhancing transparency, building investor trust, and aligning market behaviour with sustainability goals in Australia.

**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?**

Initially, new requirements should apply to all financial products that make any claim, explicit or implicit, regarding sustainability or related objectives beyond financial returns. This ensures that products promoting environmental, social, or governance (ESG) benefits are subject to minimum standards for disclosure, evidence, and accountability. This approach targets funds that enter the sustainability-labelled space, avoiding regulatory overreach on products that do not make such claims.

However, BehaviourWorks' research into consumer product eco-labels recommended mandatory labelling and found little evidence that a voluntary eco-labelling system creates substantial change in outcomes. Such labels rarely achieve sufficient market penetration amongst producers and suffer from issues such as free-riding. Voluntary eco-labels are more likely to be used to target marginal advantage in niche markets of green consumers.

**We recommend** a staggered approach to labelling sustainable financial products as the most effective regulatory strategy because it balances credibility, cost-benefit, market readiness, and investor protection and provides the following benefits:

- Financial institutions have time to strengthen their systems, data capabilities, and assurance mechanisms without disrupting existing products, while regulators can pilot early phases and refine standards before scaling up.
- Builds investor confidence by allowing clear communication and education around what labels mean, reducing confusion and scepticism.
- Encourages innovation by first targeting products that already meet well-defined sustainability criteria.
- Lowers the risk of greenwashing, as firms are less likely to rush into mislabelling products, and it enables regulators to adjust frameworks based on market experience.

Staging could be based on fund size.

## **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?**

Australia's approach should consider the context of and response to global developments. We support the additional rules that accompany the UK approach. The three regimes compared below are all voluntary, whereas we recommend the Government consider the staged introduction of a mandatory framework for Australia (see further above).

The EU focuses on broad transparency to let the market decide instead of product labelling, coupled with one of the most advanced and stringent sustainable finance frameworks - the Sustainable Finance Disclosure Regulation (SFDR).

- This disclosure-based approach imposes detailed, standardised disclosure templates for Article 8 and 9 funds (via regulatory technical standards). While these articles are not consumer-facing labels per se, in practice, investors and industry use "Article 8" and "Article 9" as shorthand labels for ESG funds. The SFDR is under review and the EU is also working on an Ecolabel for retail financial products, which would be a voluntary certification awarded to investment funds that meet very high

sustainability criteria. The design of the criteria and implementation has proven challenging, and the initiative has not been launched.

The UK's approach explicitly created user-tested consumer-friendly labels for sustainable investment products, together with mandated layered disclosures.

- Includes a consumer-facing disclosure (in plain language) that accompanies the label, a more detailed pre-contractual disclosure, and ongoing annual sustainability reports at the product level (for labelled funds). The labels are voluntary but if a fund does not meet any label criteria, it will face restrictions on using ESG terms in its name or marketing.

The U.S. approach is characterised by flexibility rather than taxonomy or labels.

- The Names Rule requires funds whose name suggests a focus (e.g. style or an industry sector) to invest at least 80% in that focus. In 2023, the Securities and Exchange Commission updated the Names Rule to cover ESG-related names. In 2022, the SEC also proposed a classification of three types of ESG funds: Integration Funds, ESG-Focused Funds, and Impact Funds. However, in 2025, SEC withdrew this proposal. There is also a political dimension in the U.S., as ESG investing has become politically polarised in some states. Some states have restricted their pension funds from considering ESG, while others mandate it. This makes a unified federal labelling regime harder to achieve.

#### **4. Is international interoperability important for Australian sustainable investment product labelling?**

International interoperability is essential with the EU, UK, US, and other emerging standards to enable cross-border capital alignment and reduce fragmentation. It will also help minimise compliance burdens for global asset managers operating in multiple jurisdictions.

### **Designing standardised labelling**

- 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?**

The approaches identified in Table A provide a strong foundation, capturing about 90% of what asset managers do.

We note that the proposed definition of stewardship could overlap with other categories. The strategy is about using ownership to influence change. It does not mutually exclude other strategies. Indeed, engagement and stewardship are a part of the strategy to ensure that the portfolio can achieve the intended sustainability outcomes or impact. Labelling stewardship as a category may risk introducing incentive for box-ticking engagements, weak escalation, and no demonstrable outcomes. We recommend it be withdrawn as a categorisation.

Subject to consultation, categories could be supported with sub-classes to reflect the evolving nature of sustainable investing. For example, within Thematic Investing, there could be:

Transition finance: Investments aimed at helping carbon-intensive sectors decarbonise.

Science-Based Targets Initiative (SBTi): Ensures investment strategies align with climate science.

Just Transition strategies: Incorporating social equity into climate transition plans.

Biodiversity-focused investments: Addressing natural capital risks and ecosystem services.

- c. Should the approaches be ranked on their ability to deliver sustainable outcomes?**

At this stage, the approaches should not be ranked by their ability to deliver sustainable outcomes. A single linear ranking invites false precision and harms the long-term integrity of the system if not properly designed

and implemented. As the science continues to evolve, there is no common standard or methodology to assess the ability to deliver sustainable outcomes of various investment strategies. There is also the difficulty of assessing the intended ability vs the actual sustainable outcomes.

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

**We recommend** a hybrid model. Legislation should set out the broad categories and minimum standards to prevent misuse, while allowing industry flexibility in implementation. Clear legislative boundaries provide regulatory certainty and protection against greenwashing, while principles-based guidance gives the industry room to evolve best practices.

Many regimes use high-level legislative principles with detailed technical criteria set in regulations or industry codes. Legislation defines the overarching categories, core objectives, and governance of the labelling framework, while the regulator or designated industry body issues and updates technical standards for allowable approaches, ensuring flexibility while keeping consistency.

**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?**

Similar to standard accounting disclosure regimes, the approaches should be:

- Outcome-focused, so investors see a clear link between the approach and real-world sustainability results.
- Transparent & comparable, so different products can be assessed on a like-for-like basis.
  - Criteria, methodology and verification process
  - Consistent definitions, metrics and categories
- Verifiable, so claims are backed by evidence and independent checks.
- Accountable. Issuers and managers should have ongoing obligations to maintain the stated sustainability profile, with monitoring, reporting, and enforcement mechanisms in place.
  - Regulators or certifiers should have authority to take action if a product fails to meet the criteria
- Operable. The labelling system must be practical to implement and maintain.
  - Clear processes, feasible compliance requirements, and manageable costs
- Accessible and understandable. Labels should be clear and intuitive, especially for retail investors.
  - Naming, visuals, and descriptions should be in plain language, free of jargon and unambiguous
  - Especially important given the domestic superannuation investment market

While it might not be possible to be exhaustive, especially in the early stages, as new product innovations are occurring and we are seeking to determine best practice, the initial framework should be

- Flexible - to adapt to evolving sustainability science, market innovations, and regulatory developments, without losing its core integrity.
- Inclusive - to cover all asset classes, so that products are not excluded unfairly.

A tiered labelling framework similar to the UK's [Sustainability Disclosure Requirements](#) would most effectively increase investor confidence. The UK categories are:

1. Sustainable Focus
2. Sustainable Improvers
3. Sustainable Impact

Products are categorised by their sustainability objectives and outcomes, helping investors match their values and risk tolerance with suitable options. Such an approach promotes comparability, transparency, and trust. It allows investors to differentiate between products that integrate ESG factors as part of risk mitigation and those that aim to deliver intentional and measurable sustainability impacts.

## Triggering the requirement

### 8. What should determine when product labels apply to a financial product?

BehaviourWorks' research into eco-labels for a circular economy found that eco-labels tend to provide information and/or purchase 'nudges' to already convinced 'green' audiences. Amongst the mainstream, while eco-labels may raise awareness and create intentions to purchase more sustainable products, they do not necessarily translate to purchases – the characteristics being highlighted by the label typically lose out to other purchase considerations, such as price, performance, brand association/familiarity, etc.

Ultimately, we recommend the framework be mandatory, but this requires staging.

In the meantime, labels should apply when a financial product makes explicit sustainability-related claims, either in its name, marketing materials, investment objectives, or disclosures, followed by implicit claims. This targeted approach ensures that regulation addresses the areas of greatest potential consumer harm, particularly the risk of *greenwashing*, while avoiding initial compliance burdens for conventional products that make no such claims.

While the system is rolling out a standard wording could be developed to note the product's stage, for example: *this product <has/has not been assessed or <is preparing for assessment> through the national standard sustainable investment labelling framework.*

If the intention is to influence, not just inform investment decisions, we recommend a simple, standard statement for products that don't make any sustainability claim, e.g. *<This product has not been assessed through the national standard sustainable investment labelling framework>*

To be effective, the regulatory framework should apply to direct statements (e.g., "ESG Fund," "Green Bond") and indirect signals (e.g., imagery, colour schemes, or language suggesting environmental or social impact).

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?

|          | Labelling all financial products   | Labelling financial products that make sustainability claims   |
|----------|--|--|
| Benefits | <ul style="list-style-type: none"> <li>Uniform disclosure framework with no ambiguity and transparency across the entire financial sector</li> <li>Ease of comparison</li> <li>Futureproofing</li> </ul>   | <ul style="list-style-type: none"> <li>Focuses regulatory oversight on products most likely to mislead or exaggerate claims</li> <li>Minimises compliance costs for products that don't make any sustainability claims</li> <li>Meaningful labelling, as it only applies to sustainability claims</li> </ul> |
| Costs    | <ul style="list-style-type: none"> <li>Compliance and reporting costs on products without sustainability objectives</li> <li>Overwhelming consumers with information that is irrelevant, reducing impact of labelling</li> <li>Dilutes regulatory focus away from higher-risk area of misleading claims</li> </ul> | <ul style="list-style-type: none"> <li>Limited impact to investors seeking sustainable products / lost opportunity to influence behaviour</li> <li>May create loopholes if firms avoid using specified terms to bypass labelling requirements</li> </ul>   |

### 9. Which approach would best address issues of greenwashing and/or greenhushing?

Making the labelling scheme mandatory for all products, not just those that are making sustainability claims may reduce greenhushing.

## 10. What features of a financial product should trigger a labelling requirement?

### a. Should particular words or terms be specified?

We recommend specification to reduce ambiguity and prevent misleading branding. However, as mentioned in Q9, this introduces potential for firms to avoid the trigger by using other language. The scheme should be accompanied by a broadbased education program that reaches all investment communities. Specified words could include “sustainable,” “green,” “climate,” “responsible,” “impact,” “ESG,” and references to SDGs.

### b. Should it be based on a threshold such as per cent of product invested under a sustainable investment approach or objective?

A minimum threshold should be established, e.g., at least 80% of assets under management must be aligned with the stated sustainability strategy. This ensures that sustainability is not peripheral to the product and promotes substantive alignment with the claimed objective.

## Evidence base

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

A mixture of both is ideal. Principles-based standards ensure flexibility and innovation, while prescriptive elements ensure minimum levels of transparency, accountability, and comparability. For example, principles can guide impact measurement approaches, while prescriptive requirements can define minimum disclosure content (e.g., methodologies, data sources, KPIs). This balance promotes market integrity without stifling innovation.

### 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)?

Yes. The taxonomy can serve as a reference point for defining sustainable activities, while the labelling framework can provide the consumer-facing implementation layer. Alignment ensures consistency across financial regulation, disclosure standards, and investment product governance. Aligning evidentiary requirements with the broader Sustainable Finance Roadmap, especially the Australian Taxonomy, would enhance policy coherence, improve investor understanding, and build credibility.

### 13. What should be the role of independent third-party certification?

#### a. If third-party certification is required, what criteria should the product be certified against and who should set those criteria?

If third-party certification is required, product issuers would face higher upfront costs and potentially slower product launch, but maximum investor confidence.

The product should be certified against clear, measurable, and publicly available standards covering:

- Sustainability intent and objectives: Is there an explicit environmental/social goal?
- Investment approach and criteria: Which responsible investment approach(es) are used and how? (e.g., screening thresholds, revenue alignment for thematic, KPIs for impact)
- Portfolio composition: Minimum % of assets meeting sustainability criteria, taxonomy alignment, or revenue thresholds.
- Process integrity: Governance, ESG research methodology, engagement/escalation procedures.
- Transparency & reporting: Frequency and quality of disclosures on holdings, methodologies, KPIs, and outcomes.
- Ongoing compliance: Monitoring mechanisms, recertification timelines, and triggers for review or withdrawal.

Criteria should be set through

- Policy & regulatory framework: Set by government/regulator (e.g., Treasury/ASIC) to ensure consistency, enforceability, and alignment with international standards.

- Technical standards: Developed by expert working groups combining regulators, industry bodies (e.g., RIAA), academics, and civil society. This mirrors how the EU Taxonomy or UK SDR criteria are built; principles in law, details in technical annexes that can be updated without new legislation.
- Certification process: Conducted by accredited independent verifiers (could be industry bodies like RIAA if accredited to the national standard). These independent verifiers should be under strict oversight by regulators and scrutiny of market participants.

To ensure credibility and trust in the system, the certification entity itself must be formally accredited by a recognised national accreditation authority (e.g., JAS-ANZ in Australia) against a standard like ISO/IEC 17065 (Conformity Assessment – Requirements for Bodies Certifying Products). This is crucial for building trust in the certification process and the quality of certified products, processes, and services. Other requirements for the certification entity and its features are:

- mandated independent governance, e.g., a board or representative advisory panel
- maintenance of public registers of certified products, withdrawn certifications, and reasons for withdrawal along with clear performance standards with specific KPIs and service-level expectations in the authorising agreement (e.g., turnaround time, error rates, audit frequency)
- periodic and triggered audits by ASIC or another designated regulator.
- regular transparent reporting on the certification activity and disclosure of funding sources to avoid conflicts of interest
- public complaint process for stakeholders to challenge certifications with independent review/resolution

The UK is a good example. The FCA retains ultimate oversight over the labelling under its SDR, but allows accredited third-party verifiers to assess certain label eligibility claims. Oversight is maintained via mandatory accreditation of verifiers under FCA rule. The FCA has the power to audit or revoke a verifier's accreditation if standards are not met. The FCA also maintains transparent publication of labelling rules and audit findings.

**b. If third-party certification is not required, how can credibility and robustness of labels be ensured?**

Without certification, costs would be lower, and issuers would have more flexibility, but there would be a higher greenwashing risk.

To be credible, a no-certification regime would require robust self-attestation, comprehensive disclosure requirements and regulatory oversight, including:

- Standardised disclosure templates: (like SFDR pre-contractual templates or UK SDR consumer-facing summaries) so investors can compare easily.
- Clear label eligibility rules: Defined by the regulator, so there's no ambiguity on minimum thresholds for each label.
- Public disclosure of methodology and holdings: So that any other stakeholder can verify whether claims match reality, similar to the current holdings disclosure requirements of APRA.
- Regulator monitoring and enforcement: Regular surveillance, thematic reviews, and spot-checks by ASIC/APRA to identify mislabelling.
- Audit requirements: Independent assurance of sustainability disclosures (mostly limited assurance now) to confirm the accuracy of reported metrics.

---

Further information:

Janet Creaney  
Principal Specialist, Public Policy