Principles for Responsible Investment

PRI RESPONSE

AUSTRALIAN TREASURY CONSULTATION PAPER: SUSTAINABLE INVESTMENT PRODUCT LABELS

August 2025

To inform this paper, the following group has been consulted: Australian Regional Policy Reference Group (RPRG)

While the policy recommendations herein have been developed to be globally applicable, the PRI recognises that the way in which policy reforms are implemented may vary by jurisdiction and according to local circumstances. Similarly, the PRI recognises that there may be circumstances where there are merits to allowing market-led initiatives to precede regulatory requirements.

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ABOUT THE PRI

The Principles for Responsible Investment (PRI) works with its international network of signatories to put the six Principles for Responsible Investment into practice. Its goals are to understand the investment implications of environmental, social and governance (ESG) issues and to support signatories in integrating these issues into investment and ownership decisions. The PRI acts in the long-term interests of its signatories, of the financial markets and economies in which they operate and ultimately of the environment and society as a whole.

The six Principles for Responsible Investment are a voluntary and aspirational set of investment principles that offer a range of possible actions for incorporating ESG issues into investment practice. The Principles were developed by investors, for investors. In implementing them, signatories contribute to developing a more sustainable global financial system.

The PRI develops policy analysis and recommendations based on signatory views and evidence-based policy research. The PRI welcomes the opportunity to respond to the Commonwealth Treasury call for feedback on sustainable investment product labels.

ABOUT THIS CONSULTATION

In June 2024, the Australian Government released the Sustainable Finance Roadmap, setting out its vision for the implementation of key sustainable finance reforms and related measures[1]. Per the Roadmap's objective to mobilize the significant private capital required to achieve net zero, developing sustainable investment product labels was identified as a priority for Treasury to consider.

In July 2025, Treasury published its consultation paper on sustainable investment product labels, which invites broad stakeholder feedback on policy options for a possible sustainable financial product labelling framework. Per timelines proposed under the Sustainable Finance Roadmap, the PRI understands that Treasury will continue deliberations toward a 2027 regime commencement (subject to final policy decisions).

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[1] The PRI made a submission to the Sustainable Finance Strategy consultation, which informed the Sustainable Finance Roadmap. PRI's latest consultations and letters can be accessed here.

KEY RECOMMENDATIONS

The PRI welcomes the opportunity to provide feedback in this early design consultation on a potential sustainable investment product label regime.

The consultation paper covers the following issues as relevant policy problems that Treasury aims to address through a potential labelling regime.

- Supporting retail investor decision making: existing practices (including disclosures in Product Disclosure Statements) do not support retail investors to sufficiently understand the degree to which certain sustainable investment products meet their investment objectives. This includes the use of technical terminology that retail investors are not familiar with, as well as the use of terms that are defined and interpreted differently by stakeholder.
- Protecting retail investors from greenwashing risks: retail investors are exposed to a situation where concerns of greenwashing can be a deterring factor for them to select sustainable finance investment products.
- Increasing product issuer confidence in making sustainability claims: market dynamics that encourage greenhushing are developing, including concerns of regulatory action and perceptions of lower performance or higher fees.

The PRI's submission is informed by a global landscape review and targeted comparative analysis of investor sustainability disclosure frameworks and regulations – primarily from the perspective of investors being subject to reporting requirements and expectations. Although key insights that we have extracted in this project reflect how investors understand the information needs of their beneficiaries and retail clients, our research does not cover this directly and Treasury will benefit from seeking information from consumer-facing research.

- Treasury may benefit from further clarifying the range of policy problems it aims to address, including those that may be implied, and their order of priority. If the primary objectives, as noted in the consultation paper, focus on investor protection and market integrity, perhaps a model that clarifies transparency and accountability expectations in applying existing product and conduct regulations where sustainability claims are made will be more appropriate – examples include Japan's Supervisory Guidelines on ESG Investment Trusts, Hong Kong's Circular on ESG funds, and Singapore's Circular on Retail ESG Funds, as well as the naming, marketing and disclosure requirements of the UK Sustainability Disclosure Requirements.
- A product label regime's appropriateness in serving Treasury's policy needs may be stronger if there is an implied or underlying objective to steer private capital towards sustainable investments, as international labelling rules tend to articulate or imply this as an objective of a labelling policy design. However, the effectiveness of product labels in directing capital toward sustainability outcomes has yet to be demonstrated. As we explore in detail in our Policy Toolkit, such policies are likely to aim to drive an economy-wide transition, with the policy design also playing a role in a whole-of-government approach – aligning incentives, actions, and responsibilities across both the financial system and the real economy. This is an important dimension to consider if Treasury is proposing product labels as an incentive for certain investment. The ability for investors to deliver better risk-adjusted returns by adopting responsible investment strategies also depends on the broader enabling environment that a whole-of-government approach can provide. At this stage, Treasury's appetite to position these product labels as an integrated component of a whole-of-government economic transition is unclear.

- In the case where a product labelling regime remains most aligned with Treasury's policy objectives, the PRI's understanding is that labelling based on investment approach will not be appropriate. In practice, most existing financial products combine different strategies. The categories should allow for a variety of responsible investment strategies (positive/negative screening, thematic, impact investing, etc.) and investor levers (capital allocation, divestment, stewardship) to be used in combination to achieve the product's objectives. To ensure clarity and consistency for end-investors, a product's objective (what it aims to achieve) should be the key element to differentiate between product categories.
- With regards to the design of a potential framework, we have noted that investors frequently raise fragmentation in such investor sustainability disclosure frameworks, as well as stringent reporting and compliance requirements as key concerns. These factors can lead to unintended consequences of crowding out innovation and potential greenhushing effects. Also considering that the Australian market is now responding to frameworks such as AASB S1 and S2 and utilizing other classification tools such as the Australian Sustainable Finance Taxonomy, a proportional approach that streamlines costs and maximizes efficiencies with international frameworks will be beneficial for practitioners.

The PRI stands ready to support Treasury in providing further detail on the research and analysis regarding investor disclosure frameworks and promoting discussions based on identified policy and regulation trends.

DETAILED RESPONSE

SECTION 1: POLICY PROBLEM

QUESTION 1: IN THE CONTEXT OF EXISTING REGULATORY SETTINGS AND DISCLOSURE REQUIREMENTS, WHAT IS THE ROLE FOR SUSTAINABLE FINANCIAL PRODUCT LABELS?

Sustainable financial product labels translate technical information into clear, comparable signals that support product differentiation, enable retail market participation, enhance market transparency and strengthen investor confidence. It is primarily a policy tool to deliver policy objectives such as investor protection and market integrity. If well designed and integrated into a holistic regulatory approach, label regimes may play a complementary role to channel capital to support sustainable outcomes.

- Product standardisation: With a clear set of criteria and standards, label regimes enable institutional investors to develop and distribute labelled sustainable financial products at scale and extend the appeal to retail investors outside of the specialised institutional markets.
- Enhancing transparency and efficiency: Although investor disclosure frameworks, including ASIC's Info 271 and the Australian Sustainability Reporting Standards, already require sustainability-related disclosure, well-designed labels can improve comprehension and decision-making efficiency for non-expert investors. Pre-contractual and periodic disclosure requirements linked to the label regime provide investors with further information for pre-investment decisions and ongoing monitoring.
- Improving credibility: transparency enables client and public scrutiny. Additional requirements or processes for internal or external verification or certification could further boost investor confidence and tackle greenwashing. However, considerations must be made regarding the implementation and operationalization of this concept. Such procedures for verification and certification risk exacerbating the concerns regarding greenhushing, may be costly, and crowd out innovation.
- Effectiveness in channelling capital towards sustainability outcomes remains to be tested: While labels are expected to play a role in directing capital toward the delivery of sustainability outcomes, including the economy-wide transition towards a sustainable future, there is limited empirical evidence that labelling alone could achieve that. To unlock this potential, labels should be part of a holistic approach that aligns disclosure, incentives, and market development. The PRI's *Sustainable Investment Policy Toolkit (Part I)* identifies six key challenges faced by investors and ten priority policy reforms for financial authorities, including measures to address the lack of incentives and improve policy coherence, and investor capability. Integrated in this way, labelling regimes can amplify the effectiveness of other policies and contribute meaningfully to channelling capital to deliver sustainability outcomes.

QUESTION 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?

All financial products making sustainability-related claims should be subject to requirements that ensure those claims are accurate, substantiated, clear, and fair. But this does not necessarily require creating entirely new rules or a labelling regime. Instead, existing product and conduct regulations should be clarified and applied consistently to sustainability claims, ensuring they remain fit for purpose in the sustainable investment context. The same core principles — transparency, credibility, and accountability — remain relevant and sufficient for regulating such products.

For labelled products, these principles can be operationalised through clear qualification criteria, robust disclosure, and verification or other mechanisms for monitoring whether investment managers have met their fiduciary and consumer duties in delivering sustainability objectives. Requirements for products making sustainability-related claims should be applied consistently with how rules are applied to other investment claims, such as thematic, sectoral, or geographic strategies. A proportionate and consistent approach avoids penalising sustainable financial products with unnecessarily stringent compliance requirements, while being robust enough to tackle greenwashing.

Scheme design should also consider existing market realities, naming and disclosure requirements, and certification schemes currently in use. Consumer market research and testing will need to be carried out on label names and categories to assess market fit. To ensure consistency in usage across the market, introducing equivalent requirements for wholesale as well as retail funds should also be considered. Finally, scheme design should consider and avoid any undue burden on the development and marketing of sustainable investment products, that might inadvertently create a disincentive for their use and create a market distortion.

SECTION 2: INTERNATIONAL CONTEXT

QUESTION 3: WHAT ASPECTS OF INTERNATIONAL REGIMES SHOULD THE GOVERNMENT CONSIDER FOR AUSTRALIAN APPLICATION?

1. **Establishing a layered system of disclosure requirements to meet a wide spectrum of investor needs.**
   PRI research suggests that investors prefer disclosure frameworks that address a broad range of data needs which are being shaped by multiple factors including sustainability objectives, compliance needs and capabilities. Instead of a one-size-fits-all approach to all data needs, investors seek a more dynamic approach with different solutions tailored to core and additional data needs.

Table : Shaping factors of Core and additional data needs

Shaping factors	RI objectives	Compliance needs	Investor capacity
Core data needs	Risk management	Investor duties established in financial conduct regulations and prudential regulations	Key indicators or metrics are highly standardised and investors commonly have the capacity to use the data.
Additional data needs	Managing system-level risks and pursuing impacts	Best practice guidance	Key indicators and metrics remain unstandardised, and effective use of the data requires additional resources and expertise

- **Layered disclosure framework with tailored requirements to core data needs and additional data needs.** PRI studies of investor sustainability disclosure requirements in the UK, EU and

Hong Kong SAR,[2] find that all three frameworks cover both **baseline disclosures** addressing core data requirements and **adoption-contingent disclosures** for additional data needs. These requirements are specified at both entity and product level, where the latter could be required on a pre-contractual basis or a periodic basis. Baseline disclosure typically requires investors to disclose how material sustainability-related risks are considered and managed in the investment process. This aligns with minimum standards of conduct in the EU, UK and Hong Kong SAR. At the product level, all three frameworks have disclosure requirements that are contingent on the adoption of specific sustainability-related characteristics or objectives, fund names, or labels.

- **Layered disclosure framework that tailors requirements to a product's sustainability objectives**: Taking the UK SDR as an example, it sets out a layered regulatory system on how investors should communicate the sustainability characteristics of their services or products to clients or potential clients, covering **a label regime**, along with **naming and marketing rules**, a set of broader **disclosure requirements** mostly tied to the adoption of fund labels and names, as well as **anti-greenwashing rules**. Products with a clear objective to pursue positive sustainability outcomes and seeking a sustainability label must meet stricter standards — including robust, evidence-based criteria for asset selection, explicit sustainability objectives, defined methodologies, and reporting against specific metrics. In contrast, products without such explicit objectives, but that use sustainability-related terms in their names, follow less stringent naming rules. These require fewer disclosures, with no obligation to set positive sustainability outcome objectives or report on key indicators such as evidence-based alignment, sustainability metrics, or stewardship plans. This differentiation ensures that higher claims are matched by higher accountability.

2. **Interoperability: converging structures and disclosure topics for fund names rules or product labels**

PRI studies of UK SDR (Sustainability Disclosure Requirements), EU ESMA Guidelines, and Singapore ESG fund guidelines (MAS Circular) identified converging trends in terms of the structure and disclosure requirements. Such policy development lays the foundation for greater global alignment.

Fund names rules across all three regimes cover two major parts: **criteria** for using sustainability-related terms in fund names, and **requirements for disclosure**.

- In terms of criteria, all three regimes require that the fund name accurately reflects sustainability characteristics or objectives that are material to the products' investment strategy, policy, or objective. Hence, all of them require a minimum proportion of assets to be aligned with the ESG-related term used in the fund names.

[2] UK SDR, EU SFDR and HK SFC Climate Circular and ESG Funds Circular

Table 2: Qualification criteria for using ESG terms in fund names

	UK SDR	EU ESMA Fund Name Guidelines	Singapore ESG Fund Guidelines
Sustainability characteristics	Required but not defined, though must meet a robust, evidence based standard that is an absolute (as opposed to a 'relative') measure of environmental and/or social sustainability.	Required, covering sustainability characteristics and objectives aligned with Articles 8 and 9 of SFDR.	Required and defined as using or including ESG factors as its key investment focus and strategy, excluding schemes that only use negative screening or ESG incorporation.
Threshold requirements	70% assets have the sustainability characteristics	80% asset alignment according to the binding elements of the investment strategy	Two-thirds (around 66.6%) of the net asset value (NAV) allocated according to the investment strategy
Exclusion	None	Yes, slightly different exclusion requirements for funds using terms specified in articles 16, 17, and 18.	None
Others	Terms such as 'sustainable', 'sustainability' and 'impact' cannot be used; The use of fund names needs to comply with anti-greenwashing rules; Required to explain why not to use labels.	Provided 6 sustainability-related terms; Provided additional requirements for funds using terms such as transition or impact; Temporary deviation should be treated as a passive breach and corrected.	Exception to NAV threshold requirement is permitted, but investors should explain why the scheme is substantially ESG-focused.

- In terms of disclosure requirements, all three rules require pre-contractual disclosure to inform investment decisions and periodic disclosure to provide updates on how sustainability characteristics or objectives have been achieved over the reporting period. Although the depth and format differ, there is a clear alignment regarding key topics to be disclosed. For example, responsible investment objectives or characteristics, risks and limitations, policies, strategies and monitoring processes, Methodologies, KPIs, and metrics for measuring progress, planned asset allocation, outcomes and progress (including actions taken, actual asset allocation, progress against objectives)

Table 3: Summary of key disclosure topics

Disclosure aspect		UK SDR	EU ESMA Guidelines (SFDR)	Singapore MAS Circular
Sustainability characteristics or objectives		✓	✓	✓
Adverse impacts on sustainability outcomes		Identify material negative sustainability outcomes	Disclose DNSH, PAIs, etc.	×
Risks and limitations		Risks	×	Both risks and limitations
Policies, strategies and monitoring process		✓	✓	✓
Methodologies, KPIs and metrics for measuring progress		✓	Includes alignment with the EU taxonomy	✓
Implementation process	Asset allocation plan	✓	✓	✓
	Stewardship	Includes escalation plans	×	✓

[3] Material effects of responsible investment objectives or strategies on financial products' financial returns.
[4] Limitations of sustainability strategy, process, data uses or methodologies.

	Resources	✓	×	×
	Due diligence	×	×	✓
Outcomes and progress update	Progress	✓	✓	✓
	Asset allocation	✓	✓	✓
	Actions	✓	✓	✓

3. Interoperability: embedding a recognition mechanism in fund names or label regimes

Both Hong Kong SAR and Singapore has set good example 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, MAS will consider the scheme/products' compliance with relevant ESG rules in their home jurisdictions. It is explicitly set out that UCITS schemes that are in compliance 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** introduces 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 to have generally complied in substance with the Circular's disclosure requirements.

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?

No additional information is needed. The rules should aim to make disclosures more simplified and accessible. Disclosure for retail investors and beneficiaries should be significantly simplified compared to wholesale reporting. These stakeholders do not require additional information beyond what institutional investors need, but it must be presented more accessibly. Simple, trusted labels may have a place where consumers show an appetite for this (e.g. government-backed labelling system), and any technical standards need to balance technical detail with usefulness to make informed decisions.

Merits of consumer-facing disclosures like UK SDR include:

- **Efficiency**: disclosure is substantially simplified to include core information, including sustainability goals, sustainability approach, and KPIs to measure progress. It excludes technical information, such as assessment of robust, evidence-based standards, stewardship and escalation plans, etc.
- **Standardisation and comparability**: Requiring consistent types of information across products allows investors to compare and make informed choices.

In practice, most existing financial products combine different strategies. Therefore, designing any categories based on investment practices and processes may be inappropriate. The categories should allow for a variety of responsible investment strategies (positive/negative screening, thematic, impact investing, etc.) and investor levers (capital allocation, divestment, stewardship) to be used in combination to achieve the product's objectives.

To ensure clarity and consistency for end-investors, a product's objective (what it aims to achieve) should be the key element to differentiate between product categories. Investors should then be able to demonstrate in the disclosures how different strategies and practices are used to achieve the objective over the life of the product. An additional layer could be added to the categories to reflect the specific sustainability issues targeted by the product (e.g. climate, biodiversity, workers' rights, human rights).

QUESTION 4: IS INTERNATIONAL INTEROPERABILITY IMPORTANT FOR AUSTRALIAN SUSTAINABLE INVESTMENT PRODUCT LABELLING?

Yes, international interoperability is important. Our research suggests that fragmented product standards and sustainability disclosure requirements pose challenges for both disclosing entities and data users.

For disclosing entities, a lack of interoperability across labelling regimes across jurisdictions increases compliance burden and creates market and investment barriers. It can also create market barriers, especially for investors operating in emerging markets. In these markets, investors can struggle to meet the elevated reporting standards through their investment chain, which makes it more difficult to attract capital from investors based in regions with (more) stringent reporting requirements. In jurisdictions where label rules work in tandem with anti-greenwashing rules, fragmented anti-greenwashing rules and enforcement practices across jurisdictions may also unintentionally penalise managers investing in highly regulated sectors or regions when capital allocators assess and compare funds globally.

For reporting users monitoring managers across jurisdictions, this fragmentation is a major barrier to using government-mandated disclosures effectively. The fragmentation can make it difficult to aggregate and compare the data at the product or firm level.

Our response to question 3 lists a couple of measures Australian government may consider for enhancing the interoperability of the sustainable investment product labelling regime.

In practice, most existing financial products combine different strategies. Therefore, designing any categories based on investment practices and processes may be inappropriate. The categories should allow for a variety of responsible investment strategies (positive/negative screening, thematic, impact investing, etc.) and investor levers (capital allocation, divestment, stewardship) to be used in combination to achieve the product's objectives. To ensure clarity and consistency for end-investors, a product's objective (what it aims to achieve) should be the key element to differentiate between product categories. Investors should then be able to demonstrate in the disclosures how different strategies and practices are used to achieve the objective over the life of the product. An additional layer could be added to the categories to reflect the specific sustainability issues targeted by the product (e.g. climate, biodiversity, workers' rights, human rights). Global developments surrounding ESG-related disclosures for investors are evolving rapidly, and numerous regulatory efforts have emerged to address market fragmentation in the use of ESG names and standards in various jurisdictions and regions. The Australian Government and regulatory agencies should proactively work with counterparts in other jurisdictions and multilateral organisations to minimise risks of increasing fragmentation.

As much as possible, any Australian policy reforms should contribute to the global alignment of investment and finance regulations to support an effective economic transition to net-zero. With this objective in mind, in designing any Australia-specific scheme the following international initiatives should be considered. In their report Recommendations on Sustainability Related Practices, Policies, Procedures and Disclosure in Asset Management, the International Organisation of Securities Commissions (IOSCO) provides useful suggestions on how regulatory bodies can better address issues related to greenwashing. Their report provides a general and global view of best practices in this area that can facilitate the government's consideration of practices that are internationally aligned with existing policies.

SECTION 3-1K: DESIGNING STANDARDISED LABELLING – INVESTMENT APPROACHES

QUESTION 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?**

In practice, most existing financial products combine different strategies. Therefore, designing any categories based on investment practices and processes may be inappropriate. The categories should allow for a variety of responsible investment strategies (positive/negative screening, thematic, impact investing, etc.) and investor levers (capital allocation, divestment, stewardship) to be used in combination to achieve the product's objectives.

To ensure clarity and consistency for end-investors, a product's objective (what it aims to achieve) should be the key element to differentiate between product categories. Investors should then be able to demonstrate in the disclosures how different strategies and practices are used to achieve the objective over the life of the product. An additional layer could be added to the categories to reflect the specific sustainability issues targeted by the product (e.g. climate, biodiversity, workers' rights, human rights).

The PRI's approach to responsible investment practices reflects the above understanding. We promote the implementation of the six Principles and recognize that there are various ways in which investors can practice them. Reflecting this reality, we are providing the Pathways as a new offering, where investors will be able to navigate three pathways based on different responsible investment approaches to achieving risk-adjusted financial returns – the PRI stands ready to brief Treasury on this framework.

QUESTION 6: SHOULD ALLOWABLE INVESTMENT APPROACHES BE PRESCRIBED IN LEGISLATION, OR LEFT FOR INDUSTRY TO DEFINE?

General guidance can support practitioners, but enough flexibility to accommodate an evolving space is necessary. Our research suggests that over-standardisation, where reporting requirements are too prescriptive, and regulators demand strict compliance may risk crowding out innovation of sustainable investing, especially when the requirements also involve audit and assurance.

QUESTION 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?

Please refer to our response to Question 5.

SECTION 3-2: DESIGNING STANDARDISED LABELLING – TRIGGERING THE REQUIREMENTS

QUESTION 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?

No, labels should not apply to all financial products regardless of sustainability claims, and should remain adoption-contingent disclosure requirements. To be effective, label regimes should work in tandem with other disclosure requirements that set baseline disclosure expectations applicable to all financial products.

Baseline sustainability disclosure requirements are applicable to all frameworks for investors (subject to certain size-related thresholds in some regulations), regardless of their sustainability claims. For government-issued frameworks, the disclosure requirements are usually underpinned by investor duties that expect investors to consider material sustainability factors in investment decisions. In most cases, these requirements are either mandatory or implemented on a comply or explain basis.

In contrast, **adoption-contingent sustainability disclosure requirements** only apply to investors that either voluntarily choose to engage in investment practices with sustainability characteristics (beyond legal obligations) or are required to disclose as they offer financial products that have a sustainability focus or objective(s). Typical examples of these disclosure requirements include frameworks with sustainability financial product labels or sustainability fund names.

Table 4: Baseline vs. adoption-contingent requirements

	Examples of baseline requirements	Examples of adoption-contingent requirements
EU SFDR	How market participants integrate sustainability risks into investment decision-making or advice at the firm level. (Article 3) Whether market participants consider principal adverse impacts (PAIs) of investment decisions on sustainability factors. If they do, they must report using mandatory indicators. If not, they must explain why. (Article 4, subject to meeting the threshold of 500 employees) How market participants' remuneration policies are consistent with the integration of sustainability risks. (Article 5) Disclose how sustainability risks are integrated or why they are not relevant at the product level. (Article 6)	For financial products that promote environmental or social characteristics, disclosure should include how such characteristics are met. (Article 8) For financial products that have sustainable investment as their objective, disclosure should include how that objective is to be attained. (Article 9)
UK SDR	How firms are managing sustainability-related risks and opportunities in relation to products managed on behalf of clients and consumers (ESG 2 of the ESG source book as amended by the SDR)	For financial products adopting sustainability-related terms in fund names or those adopting any of the sustainability fund labels (sustainability focus, sustainability improvers, sustainability impact, and sustainability mixed goals), they must meet the naming and marketing rules or fund label criteria. They must also provide consumer-facing, precontractual and periodic disclosure requirements, and comply with anti-greenwashing rules.

QUESTION 9: WHICH APPROACH WOULD BEST ADDRESS ISSUES OF GREENWASHING AND/OR GREENHUSHING?

Product labels alone will not sufficiently address greenwashing and/or greenhushing concerns. As noted in our response to Question 3, investor disclosure frameworks that provide layered requirements can capture a broader range of factors that cause these issues.

SECTION 3-3: DESIGNING STANDARDISED LABELLING – EVIDENCE BASE

QUESTION 11: SHOULD EVIDENTIARY REQUIREMENTS UNDERPINNING LABELLING BE PRESCRIPTIVE, PRINCIPLED OR A MIXTURE OF BOTH?

Our research suggests that over-standardisation, where reporting requirements are too prescriptive, and regulators demand strict compliance may risk crowding out innovation of sustainable investing, especially when the requirements also involve audit and assurance.

The PRI has experience of contributing to public policy on sustainable finance and responsible investment across multiple markets and stands ready to support the work of the Commonwealth Treasury further to implement policies proposed under the Sustainable Finance Roadmap in Australia.

Please send any questions or comments to policy@unpri.org.

More information on www.unpri.org