Super Consumers Australia

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3 September 2025

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The Treasury
By email: ClimateReportingConsultation@treasury.gov.au

Submission: Sustainable investment product labels

Super Consumers Australia welcomes the opportunity to comment on Treasury's proposal for a sustainable investment product labelling framework.

Super Consumers represents the interests of people on low and middle incomes in the superannuation system. Super is an important part of a fair and comfortable retirement for millions of Australians. Some care deeply about their retirement savings being invested in line with their personal values.

It is clear that Australians face a very difficult task when navigating and choosing super products that claim to be 'green', 'ethical', 'responsible' or 'sustainable'. However, the task has been shown to be practically impossible in recent years, with ASIC uncovering significant false 'green' claims by super funds.

This submission highlights:

- the significance of greenwashing as a problem for super fund members,
- the importance of designing the labelling regime with consumers at the forefront, and
- recommendations for a framework that is clear, credible, and effective for consumers, including:
    - prescriptive legislative definitions under the framework,
    - application of the framework to all products,
    - requirements to back up claims with evidence, and
    - enhanced regulatory supervision and enforcement.

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While this submission is focused on super products, our views and recommendations apply to retail investment products more broadly. We also note that the Consultation Paper does not propose that a labelling framework would apply to other financial products, such as bank accounts. Australians also face 'green' claims when they are selecting other financial products. For example, one bank calls itself the 'clean money bank' where people's money is a 'force for good' and 'together we're funding the solutions, not the problems'.[1]

Greenwashing by super funds

Greenwashing is clearly a systemic problem in super. Since 2022, ASIC has successfully taken court action against three super funds for greenwashing, and issued multiple super funds with infringement notices.[2]

Super funds have made demonstrably false claims about their own products despite specific existing legal requirements for Target Market Determinations, Financial Services Guides and Product Disclosure Statements, as well as consumer protections such as the prohibition on misleading and deceptive conduct.

The lack of consistent definitions or standards for the product claims mean Australians continue to face vague and inconsistent claims and technical jargon. Research from the Responsible Investment Association of Australia (RIAA) has found that 78% of Australians are concerned about greenwashing.[3] As Treasury's Consultation Paper identifies, trust in 'sustainable' product claims is relatively low.

Treasury's proposal for a new sustainable investment product framework has the potential to give consumers a better understanding of the claims made by sustainable investment product issuers such as super funds.

To be effective, the following elements are important in the design and implementation of the labelling framework.

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[1] Bank Australia - see https://www.bankaust.com.au/ and https://www.bankaust.com.au/join (as at 28 August 2025).
[2] ASIC Media release: ASIC's first greenwashing case results in landmark $11.3 million penalty for Mercer, 2 August 2024; Media release: ASIC's Vanguard greenwashing action results in record $12.9 million penalty, 25 September 2024; Media release: Active Super ordered to pay $10.5 million penalty in ASIC's third greenwashing court action, 18 March 2025;
[3] RIAA, From Values to Riches 2024: Charting consumer demand for responsible investing in Australia, p 13.

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Design with consumers at the forefront

Given the focus of the labelling framework is retail investors, all proposed labels and definitions should be thoroughly tested with consumers as part of the design process. This will establish whether the proposed labels and definitions will effectively guide people's understanding and decision-making. This is a critical step in the process, and consumer testing should be ongoing as the labelling framework is embedded in markets.

Through the design process, the product labelling framework should:

- allow similar financial products to be compared,
- be based on meaningful factors for consumers' real-world use of products,
- be based on factors that are proven to contribute to sustainability benefits, and
- ensure labels and information are salient, understandable and promote action.

If the labelling framework is not designed with the consumer perspective at the forefront, it could perpetuate confusion for consumers and lend a Government 'stamp of approval' to greenwashing.

Prescriptive definitions

As we recommended in our Joint Submission with Consumer Policy Research Centre on the Government's Sustainable Finance Roadmap in 2023, the labelling framework should clarify the meaning of common sustainability terms and ban the use of these terms without a basis of recognised excellence in environmental performance.

RIAA research has found significant differences in what Australians want to avoid investing in depending on their age. For example, millennials wanted to avoid animal cruelty, human rights abuses, cosmetic animal testing and tobacco (in that order), while baby boomers wanted to avoid pornography, 'companies that don't pay their fair share of tax', animal cruelty, tobacco and gambling.[4] People are therefore likely to have varied interpretations of terms like 'ethical' or 'sustainable'.

Consumer Policy Research Centre (CPRC) research on 'green' claims across different consumer markets has found that terms such as 'green' and 'sustainable' are used in many contexts. CPRC observed that:

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[4] RIAA, From Values to Riches 2022: Charting consumer demand for responsible investing in Australia, p 14.

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> *The varying circumstances and ways in which environmentally suggestive terms are used can lead to consumer confusion. It can be difficult to make meaningful comparisons when choosing one product or service over another. CPRC's previous research confirms that consumers are worried that many green claims they see are not true. When there is such a high level of variation and lack of standardisation for how the same term is used in different green claims, it is no surprise that consumers are concerned about the truthfulness of such claims made by businesses.*[5]

CPRC identified specific terms which should be banned from use unless they are adequately substantiated with evidence. These include 'green', 'clean', 'sustainable', 'for the planet', 'carbon neutral', 'carbon friendly' and 'carbon positive'. This approach is in line with the European Union's proposed ban on generic green claims, unless they are based on 'recognised excellence in environmental performance'.[6]

We agree with this approach for retail investment products. Common terms used by investment product issuers, such as 'green', 'socially responsible', 'socially conscious', 'sustainable', 'sustainability', 'impact' and any variation of those terms, should be defined in legislation and not be used without a product label and evidence backing the claim (see further below).

ASIC should also have a power to define and ban terms where there are clear risks of consumers being misled. This will ensure the regulator can keep pace with changes in markets over time.

While regulation of defined terms will not completely resolve the problem of people being confused and misled about investment products, it should significantly improve the consistency, comparability and transparency of product sustainability claims.

The labelling framework should prescribe allowable investment approaches in legislation. The existing definitions of responsible investment approaches (outlined in the Consultation Paper) can be used as a basis for consistent product claims. However, these definitions should be consumer tested in an Australian context, to understand if they are meaningful to consumers, or pose a risk of misleading people about products.

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[5] CPRC, Seeing Green, 2023, p 16.
[6] CPRC, p 24.

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Applies to all products

The labelling framework should apply to all retail investment products, to ensure product issuers are consistently assessing and labelling their products.

The super sector offers a huge number of options to consumers, and there is no consistency in claims about how products are invested. Misleading claims about managed funds and other investment options can be perpetuated in super products, where a super fund holds investments in a particular fund.

Claims backed up with evidence

We support Treasury's proposal of prescriptive requirements to provide evidence for product sustainability claims. Principles-based evidentiary requirements will clearly not provide the consistency and transparency required for an effective, trusted labelling framework.

The lack of evidence or consistency in approaches for sustainability claims has driven the greenwashing issues uncovered by ASIC in recent years. This is particularly true when it comes to:

- misalignment of some holdings within a product with its stated sustainability objectives, which is compounded by fund-level claims about sustainability, despite the fund having products which are not screened or actively managed,
- incomplete public reporting about portfolio holdings, meaning super funds' claims about alignment of assets (particularly privately held assets) can't be verified at all, and
- unclear methodology and a lack of Key Performance Indicators showing how the product is or is not meeting its stated goals.

As discussed above, there are also still significant differences in interpretations of terms, a recent example being high-profile member objections to HESTA claiming to have 'Paris-aligned' goals while investing in companies involved in gas projects.[7]

The labelling regime should tackle these issues.

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[7] Jo Lauder, Australian super funds in 'danger' of losing organisations over fossil fuel investment, ABC, 28 August 2025.

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Alignment of whole investment with sustainability label

Sustainable product issuers typically tolerate a percentage of their investments being out of line with the stated objectives of the product. Overseas labelling regimes perpetuate this confusion for consumers. For example, as the Consultation Paper identifies, the UK's new labelling framework requires just 70% of a product's assets to be invested according to the product's sustainability objective, and the rest 'may not have sustainability characteristics or may not pursue the sustainability objective, provided that they do not conflict' with the objective'.[8] This formulation and disclaimer could be highly misleading for consumers.

Consumer protections against misleading or deceptive conduct do not allow headline claims to differ from disclosures hidden in a PDS. This is done for good reason; it is completely misleading for the consumer. Creating a regime that departs from this logic will lead to deceptive marketing.

Labels must accurately reflect the product as a whole if the framework is going to be trusted and relied on by Australians. This should be a key focus in the design of any labels and definitions.

Complete portfolio holding disclosure

Under current portfolio holdings disclosure requirements, super funds provide incomplete information about the investments within a super product. Often super funds only publicly provide the name of a managed fund or parent company which a product is invested in. If a labelling regime is going to boost investment transparency, it must be accompanied by complete portfolio holdings disclosure of all underlying investments.

Methodology and KPIs

Funds should also explain the methodology used in their investment approaches, and set and report on Key Performance Indicators they have set for how their members' investments will perform against sustainability goals.

While detailed disclosures such as these have limited use for most consumers navigating product claims, this information will assist the regulator and advocates to identify whether product issuers are genuine about their claims and are meeting the requirements of product labels.

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[8] Financial Conduct Authority, Policy Statement PS23/16 Sustainability Disclosure Requirements (SDR) and investment labels, para 15.

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Enhanced regulatory supervision and enforcement

An empowered regulator will be an important element of an effective sustainable product labelling regime. ASIC should have a robust role in administering and enforcing the product labelling framework, in line with Priority 5 of the Government's Sustainable Finance Roadmap of 2023. This should include:

- legislation giving ASIC the power to ban or define generic sustainability claims about financial products and services, and
- strong penalties for breach of the labelling rules.

While third-party verification of product sustainability claims could be a good check and balance, ultimately ASIC plays a key role in ensuring product issuers are making accurate and reliable claims.

Please contact me if you have any questions about this submission: squinn@superconsumers.com.au.

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