

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

By email: climatereportingconsultation@treasury.gov.au

Re: Consultation Paper on Sustainable Investment Product Labels (the ‘Consultation’)

Sir / Madam,

MSCI¹ welcomes the opportunity to comment on the consultation on Sustainable Investment Product Labels. As a leading provider of climate and sustainability data, indexes, and ratings to the global investment community, MSCI supports regulatory initiatives that enhance transparency, investor confidence, and the integrity of sustainability claims across financial products.

MSCI supports the Australian Government’s policy objective to create a credible, internationally interoperable labelling regime that will enable investors to make informed investment decisions and enable Australian firms to access the capital needed to finance their low-carbon transition.

We have five general comments set out below and offer more detailed responses in the Annex to this cover letter.

- 1. Support for Clear, Tiered Labels** – We support a structured, tiered labelling framework aligned with international regimes. The introduction of product labels will allow investors to more easily identify and compare sustainability claims, enhancing market discipline and reducing greenwashing. From a best practice standpoint, it would be prudent for the Australian Government’s approach to draw on internationally recognised frameworks. Equally important, ensuring compatibility, or at minimum a basis for mutual recognition with comparable regimes, would help support cross-border comparability, fund distribution and minimise unnecessary compliance costs.
- 2. Inclusion of a Transition Category in Sustainable Investment Labelling** – We emphasize the importance of incorporating a ‘transition’ or ‘transition-related’ label, even if such funds do not use conventional sustainability terms. This category should allow funds to use transition-related names based on credible commitments and actions toward science-based decarbonisation targets. A supportive policy framework is essential to facilitate financing of interim steps in the transition toward Australia’s climate neutrality and environmental goals.
- 3. Coverage of Products Making Sustainability Claims** – The regime should apply to all products that use sustainability-related terminology or make ESG claims in marketing or product names. This will help reduce risks of both greenwashing and ‘greenhushing’, by transparently categorising various sustainable investment strategies.
- 4. Recognition of a Broad Range of Investment Approaches** – A robust labelling regime must accommodate multiple sustainable investment strategies. These approaches are not mutually exclusive and should all be valid under the framework.

¹ MSCI ESG Ratings, research and data are produced by MSCI ESG Research LLC, a subsidiary of MSCI Inc.

5. **Caution on the Use of Fixed Quantitative Thresholds** – We support the use of quantitative thresholds to enhance transparency and investor protection but caution that fixed thresholds may inadvertently exclude certain asset classes, regions (particularly emerging markets), or evolving sustainable investment opportunities due to data limitations and market differences. We recommend a balanced approach and periodic reviews to ensure thresholds remain effective and inclusive.

We appreciate the opportunity to share our views and look forward to continued engagement with the Treasury.

Please do not hesitate to contact us to discuss our submission.

Yours sincerely,

Michael Percival

Michael Percival
Executive Director
Global Policy Head, Government and Regulatory Affairs

Annexure

Policy Problem

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

MSCI: MSCI supports the development of a clear, transparent, and tiered labelling regime that helps investors understand the sustainability characteristics of financial products. Labels should bridge the gap left by current disclosure obligations, which do not allow simple comparability across funds. Labels will enhance investor trust, promote consistency, and reduce greenwashing risks.

Developing a labelling regime for sustainable investment products could provide much required clarity about the objectives of the fund to a retail investor. The Treasury should draw insights from the EU's experiences in defining investment thresholds aligned with sustainability criteria.² Further, the Treasury should avoid implementing rigid quantitative thresholds that could unintentionally exclude certain categories of sustainable funds. We emphasise the importance of standards and thresholds to be commensurate with the fund objectives. It is crucial for the framework to include a transition category, recognizing funds contributing to transitional efforts without explicit sustainability labels, ensuring alignment with decarbonization targets and transparent progress metrics.

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?

MSCI: Yes. To ensure a level playing field and avoid regulatory arbitrage, any product making sustainability-related claims should be subject to the labelling regime. Products that use sustainability-related terms in names or marketing should be within scope, regardless of whether sustainability is the primary objective.

Transition or Transition-related investment products also need to be taken into account, even where these do not feature sustainability-related names. While drafting standards for sustainable investment labels, the specific provisions should allow for 'transition' or 'transition-related' sustainability names for products that allocate investments based on commitments and actions to meet transition and science-based targets. The Treasury should acknowledge the need for a supportive framework to finance interim measures critical to Australia's transition toward climate neutrality and environmental goals. Without a transition category, funding from the capital markets will not flow in an optimal manner to these transitioning companies and fail the objective of the Treasury to support financing the transition to sustainability and phased transition efforts. We suggest that the standards should establish a framework for the use of transition-related names rather than a quantitative threshold. The framework should include alignment of portfolio decarbonisation targets with a net zero transition pathway accompanied by metrics to communicate target progress and achievement. Useful references are provided by e.g. the Net Zero Investment Framework (NZIF 2.0), widely known among asset owners and asset managers.³ The Institutional Investors Group on Climate Change (IIGCC) is currently consulting on applying this framework to externally managed funds, including consistency with regulatory labelling.⁴

International Context

3. What aspects of international regimes should the Government consider for Australian application?

² [Guidelines on fund's names using ESG or sustainability-related terms](#) (ESMA | August 2024)

³ [Net Zero Investment Framework updated: NZIF 2.0](#) (IIGCC) (March 2024). The NZIF 2.0 is also compatible with the Net Zero Standard for Financial Institutions by the SBTi - Version 1.0 (July 2025)

⁴ [Public consultation document: NZIF Target setting and implementation guidance for externally managed funds](#) (IIGCC | August 2025)

MSCI: An international regime with a clear, interoperable definition of ‘sustainable investments’ and disclosure requirements for retail investors that closely align with other international frameworks would be welcomed. Such interoperability would help facilitate global fund distribution and harmonisation of disclosure requirements.

The following are some of the key aspects of international regimes that the Treasury should consider for Australian application:

1. **Thresholds for investment product classification should provide clarity but remain flexible to avoid excluding viable sustainable investments across regions, asset classes, and over time.**
Quantitative thresholds are effective mechanisms for providing clear criteria to classify funds; however, the Treasury should also note that their fixed nature comes with drawbacks. For example, thresholds may have an uneven impact, as disclosure and data availability vary across regions – particularly in emerging markets – and across asset classes. The uniform application of a fixed threshold may exclude asset classes and regional investments that could otherwise align with sustainable investment objectives. Moreover, as the sustainable investment landscape continues to evolve, thresholds set for minimum standards today may not remain fit for purpose indefinitely. Therefore, we recommend that any labelling regime with thresholds should be calibrated to avoid unintentionally and categorically excluding certain types of sustainable investment opportunities.
2. **Transition-focused investment products should also be covered by the labelling regime, even if not using ‘ESG’ or other sustainability terms** – Please refer our response to Q2 above.

a. Is there merit in incorporating rules around the type of information required to be disclosed to consumers about sustainability characteristics, similar to the UK’s consumer-facing disclosures requirement?

MSCI: International best practice suggests requiring concise, consumer-facing disclosures to improve transparency. MSCI also supports leveraging globally used sustainability-related terminology and referencing taxonomies like the EU’s, where relevant, along with the Australian taxonomy, without creating duplicative burdens.

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

MSCI: Yes. Consistency with international frameworks such as UK’s SDR,⁵ EU’s classification framework under the upcoming revision to Sustainable Finance Disclosure Regulations (SFDR)⁶ and Taxonomies developed by other APAC countries,⁷ supports global fund distribution and helps global investors navigate local markets. Interoperability reduces costs and avoids confusion, especially for cross-listed products or products sold in multiple markets.

Designing Standardised Labelling

5. Do the Responsible Investment Approaches (Table A), UNSDG and PRI cover the field for sustainable investment approaches?

MSCI: We support the inclusion of the Table A approaches and believe a Transition category should also be formally recognised (please refer our response to Question 2). Excluding these from the framework narrows the definition of sustainable investing unnecessarily.

⁵ [PS23/16: Sustainability Disclosure Requirements \(SDR\) and investment labels](#)

⁶ [Sustainable Finance Disclosure Regulation - assessment](#)

⁷ Five ASEAN Member States - Indonesia, Malaysia, Philippines, Singapore, and Thailand - have developed or implemented national sustainable finance taxonomies; China has issued and updated a **Green Bond Catalogue**, serving a similar classification role for green finance; Indonesia has recently launched a revised green investment taxonomy (using a traffic light system)

a. Are any of these inappropriate?

MSCI: No comment

b. What are the merits and deficiencies of each?

MSCI: We discourage the introduction of active stewardship rules or other requirements that are more closely linked to active management and should not be a requirement for index-linked funds. Requirements that are overly prescriptive or call for active stewardship at the product level, including direct engagement and measures of impact, could exclude index-linked funds. More broadly, these requirements would increase the cost of investing for retail investors and restrict the range of funds available for investors.

c. Should approaches be ranked on their ability to deliver outcomes?

MSCI: Ranking approaches may create perceived hierarchies and could be counterproductive if misinterpreted by consumers.

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

MSCI: A hybrid model is preferable. MSCI supports codifying broad categories but allowing industry flexibility to adapt and innovate. Prescriptive definitions could become obsolete as investment strategies evolve. A labelling regime that enables a wide spectrum of sustainable finance investment strategies would be welcomed by the market as the sustainable investment landscape continues to evolve.

7. Which approach best improves confidence of Australian investors?

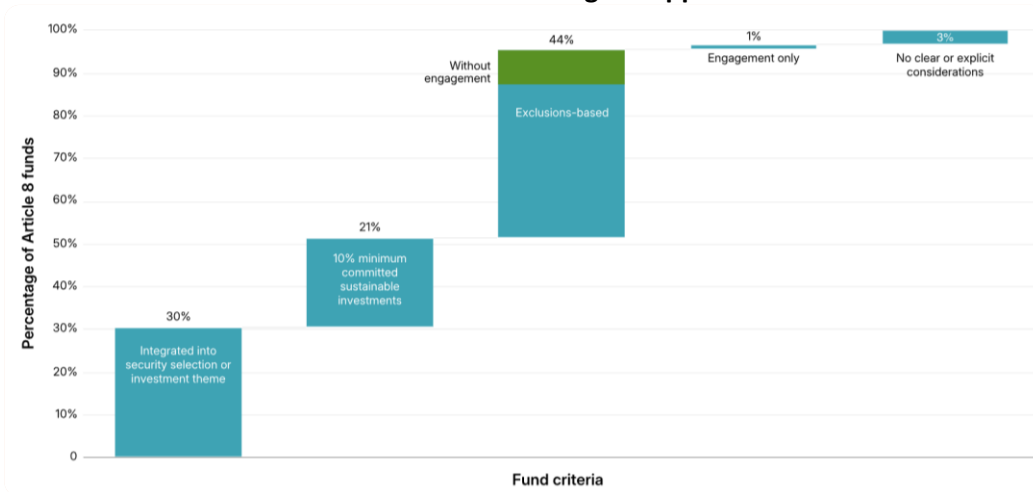
MSCI: Clearly defined, well-communicated labels aligned with international terminology and backed by transparent disclosure requirements will improve confidence. The UK regime provides a good example, but it has faced its own challenges in adoption.⁸ We recommend that the Treasury also considers the European Commission's proposal to review and amend the SFDR.⁹ The European Commission has proposed a product categorisation system which is due for review in November 2025. MSCI's research has noted that there is a strong market demand for purpose-made categories of sustainable investment products across the EU, as demonstrated by SFDR Articles 8 and 9 – now accounting for around half of the fund market in the EU – being used by financial market participants as a de facto categorisation regime. A well-defined set of categories would help guide capital flows, increase transparency and boost investor confidence. The new categorisation regime should be built on the existing disclosure requirements, frameworks and approaches. It should rely on self-declared compliance, alongside more general supervision tools, to prevent imposing an unnecessary burden on market participants and confusion amongst their clients.

MSCI's analysis of the EU SFDR Article 8 fund universe (chart below) shows the variety of investment approaches used by Article 8 products to integrate environmental or social considerations, broken down by different criteria. This underscores that a narrow product labelling regime would exclude many products making explicit ESG or sustainability-related claims.

⁸ [Implementation challenges slow SDR label adoption, despite transparency gains | Press Releases | The Investment Association](#) (The Investment Association | April 2025)

⁹ [Consultation document: Targeted consultation on the implementation of the Sustainable Finance Disclosures Regulation \(SFDR\)](#) (EU Commission | 14 September 2023)

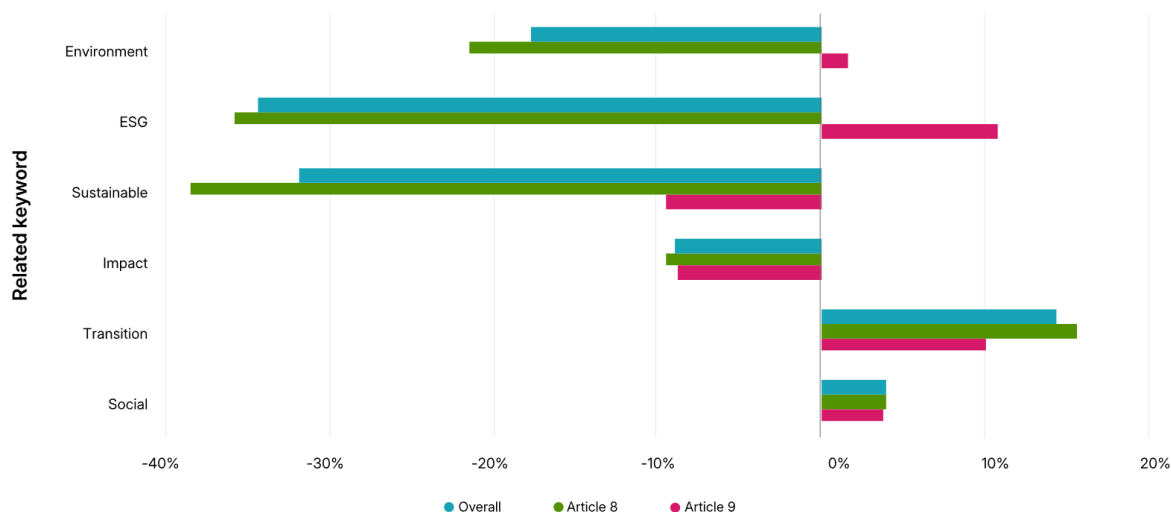
Article 8 funds: diverse range of approaches



Data as of June 15, 2025. Includes 14,126 Article 8 funds. Funds are considered in a hierarchy, where if a fund meets the first sub-category, it is no longer counted in the succeeding sub-categories. Source: MSCI ESG Research

The European fund market’s response to ESMA’s ESG & sustainability-related fund-naming Guidelines (‘Guidelines’) further illustrates the role of clear and consistent product labels. While many funds have dropped ESG/sustainability-related terms from their names, they continue to operate as ‘sustainable’ products. A sufficiently broad labelling framework, covering those investment products which did not meet the most stringent requirements of the Guidelines and thus dropped the keywords from their names, would enhance market transparency, enabling investors to more easily identify, compare, and allocate to sustainable products. Lastly, the growth in transition-named funds demonstrates the need for a dedicated transition category in a labelling framework, reflecting global investors’ growing focus on this topic.

Fund renaming activity in response to ESMA’s fund-naming guidelines (May 2024 – June 2025)



Data as of June 30, 2025. The chart shows the percentage change in the number of Article 8 and 9 funds using relevant keywords between May 2024 (when the European Securities and Markets Authority announced its fund-naming guidelines) and June 2025. Fund category is based on relevant terminology in the fund name. ESG is a subset of the environmental category. Source: MSCI ESG Research

Triggering the Requirement

8. What should determine when product labels apply to a financial product? What are the benefits and costs of:

a. applying labels to all financial products regardless of sustainability claims?

b. applying them only to products that market themselves as sustainable or similar?

MSCI: The labelling framework should be applicable to all products that use sustainability-related language or claims. This will help avoid greenwashing and greenhushing, by setting transparent standards for investment strategies of diverse sustainability ambitions. Applying it universally could impose unnecessary burdens on non-ESG products.

9. Which approach best addresses greenwashing and/or greenhushing?

MSCI: Focusing the regime on products making sustainability claims, coupled with disclosure and evidence requirements, would best address both greenwashing and greenhushing risks. Additionally, allowing the use of sustainability terms only with appropriate (product-level) disclosures would prevent misuse.

10. What features should trigger labelling?

a. Should particular words or terms be specified?

MSCI: Clarity in the definition of key terms is an essential feature of any labelling regime, as it enables investors to make well-informed decisions. At the same time, attempting to establish an exhaustive list of terms would be impractical and potentially counterproductive. A degree of flexibility is required to ensure the framework can evolve alongside innovation, market practices, and emerging sustainability priorities.

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

MSCI: We recognise the value of introducing a quantitative threshold to assess fund names that include specific terms. While we support quantitative thresholds as effective mechanisms to provide

clear criteria for classifying funds, we also note that their fixed nature does not come without drawbacks. For example, thresholds may have an uneven impact as disclosure and data availability vary across regions, particularly in emerging markets, and asset classes. The uniform application of a fixed threshold may operate to exclude asset classes and regional investment that may otherwise align with sustainable investment objectives. Further, as the sustainable investment landscape continues to evolve, the thresholds set for minimum standards today may not be fit for purpose indefinitely. Therefore, we recommend ongoing assessments of whether the thresholds are unintentionally and categorically excluding certain types of sustainable investment opportunities.

At the same time, it is also critical that the terminology and underlying metrics that underpin thresholds are clear, consistent, and predictable, while taking into account international naming guidelines such as ESMA’s final guidelines on sustainability-related terms in funds. This alignment will not only enhance clarity for investors but also facilitates comparability and cross-border recognition. Without this, interpretations of the thresholds may vary widely and thereby reduce the ability for investors to differentiate between types of funds. For example, as highlighted in the Consultation, ‘sustainable’ could mean different things for different people. The Treasury may also be mindful that a narrow definition of ‘sustainable investment’, the quantitative threshold may prove even more difficult to achieve. For example, the EU intentionally allows for both interpretation of sustainable exposure, revenue-based and pass/fail. If investments attributable to an issuer with a certain share of economic activities classified as sustainable should be measured ‘in part’ (revenue-based), the minimum 50% threshold for sustainable investments required by ESMA would be significantly more difficult to meet. As a result, funds with a high share of investee companies with meaningful revenue from sustainable activities (e.g., above 20% of overall turnover) and respecting ‘Do No Significant Harm’ and ‘Good Governance’ criteria, as required for Article 9 funds, may choose not to adopt terms that incorporate ‘sustainability effectively greenwashing their sustainability exposures.

Evidence Base

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

MSCI: We recommend a principle-based approach backed by clear guidance, allowing flexibility across fund types. Prescriptive requirements risk excluding legitimate strategies due to data or methodology limitations, especially in passive/index funds.

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)?

MSCI: Yes, where feasible. Taxonomy alignment enhances credibility. However, given taxonomy coverage limitations and the prevailing focus on environmental objectives, **labelling should not depend solely on taxonomy compliance**. Allowing for use of credible proxies, such as clean tech revenue or net-zero alignment targets as well as, for example, human capital and due diligence policy indicators, is essential.

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

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

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

MSCI: Third-party verification should not be mandatory but may be useful. Allowing use of third-party ESG data and ratings providers supports credibility and comparability. Regulators should provide guidance on the credibility of such providers, not enforce certification. Mandatory



certification could also add to the costs of investment product labelling which could in turn discourage some smaller investment product providers from participating in the regime.