

Product labelling, greenwashing and RIAA certification

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Responsible Investment
Association Australasia

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Australian Government – Product labelling



Nayanisha Samarakoon
Head of Policy & Advocacy

Australian Government product labelling regime

- \$1.6 million over two years from 2024-2025 for Australian Securities & Investments Commission (ASIC) and the Treasury to **consult on the design of a labelling regime to regulate the use of sustainability labels on retail investment products**
- In addition to other additional sustainable finance-related funding for:
 - investigation & enforcement action against greenwashing & “sustainability-related financial misconduct”
 - green bonds
 - data improvement
 - international engagement on sustainable finance
 - sustainable finance taxonomy

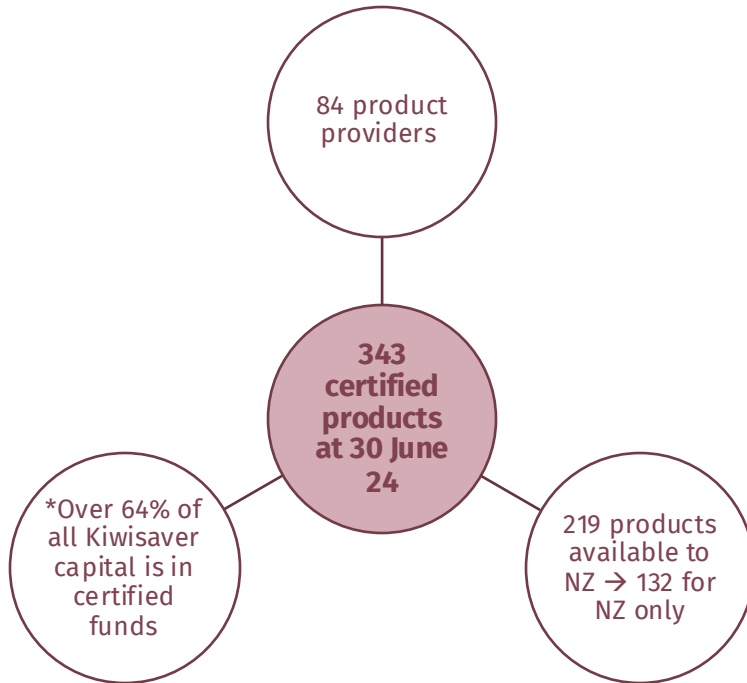
RIAA's position on Australian Government's plan to introduce a product labelling regime

- If done well, product labelling will be a critical step in improving transparency and providing consistency of information across the sustainable finance industry.
- RIAA cautions against the Government creating a whole new labelling regime, noting the existence of robust industry initiatives such as RIAA's Responsible Investment Certification Program, which integrates international developments and industry standards and has a robust governance framework.

RIAA's position on Australian Government's plan to introduce a product labelling regime

- RIAA recommends that the Government:
 - endorse the framework within RIAA's Certification Program as the basis for a product labelling regime for sustainable investment products;
 - resource RIAA to expand its Certification Program and develop the labelling regime with the oversight of relevant government bodies and consultation with industry;
 - appoint RIAA as the service provider for the finalised product labelling regime.

Why RIAA certification?



- Strong governance procedures and experience – over 18 years!
- Maps to international regimes
- Elevating the standard of responsible investment
- Industry accepted = swift adoption of government regime

Introduction to RIAA Certification and Product Labelling



Shalini Samuel

Head of Certification

Global financial product labelling standards



CERTIFIED BY RIAA

Overseas labels

RIAA Certification is one of the world's oldest

- Operating for 18+ years
- 344 certified products (at 22 Jul 2024) in Australia and Aotearoa New Zealand
- Super, managed funds, banking, KiwiSaver and other products
- Informed and shaped by global definitions and standards with a local focus

 SRI Label (France)	 Towards Sustainability (Belgium)	 LuxFLAG Environment (Luxembourg)
 FNG-Siegel (Germany, Austria & Switzerland)	 Umweltzeichen (Austria)	 LuxFLAG Climate Finance (Luxembourg)
 LuxFLAG ESG (Luxembourg)	 Nordic Swan Ecolabel (Nordic countries)	 Greenfin Label (France)

Of these overseas labels, only FNG-Siegel runs a classification system.

https://www.novethic.com/fileadmin/user_upload/tx_ausynovethicetudes/pdf_complets/Novethic_Overview-European-Sustainable-Finance-Labels_June_2020.pdf

RIAA Certification

Investment product or service



Meets all the requirements of the RI Standard:

- RI strategies
- Product labels
- Avoids significant harm
- Accounts for ESG
- Mandatory disclosures
- Active stewards
- Commitment to RI
- Provides RI education



CERTIFIED BY RIAA



RESPONSIBLE

CERTIFIED BY RIAA



- Sustainability objectives are prominent
- Portfolio & stewardship alignment with sustainability objectives



SUSTAINABLE

CERTIFIED BY RIAA



- Sustainability objectives are binding & measurable
- Progress is measured and tracked
- Measurement is disclosed



SUSTAINABLE PLUS

CERTIFIED BY RIAA

Most closely aligned with international classification systems*:

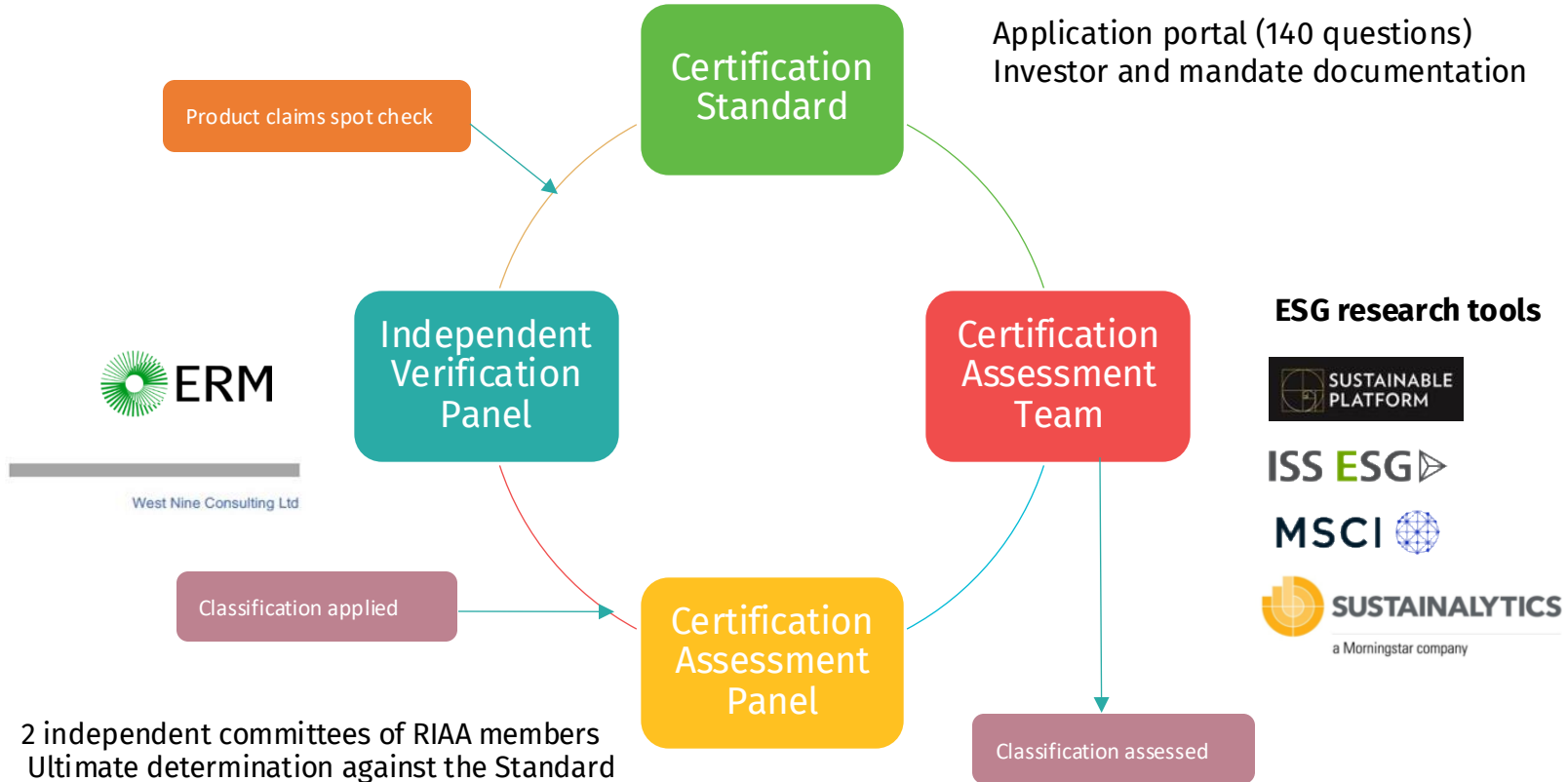
*While we rely heavily on international classifications and labelling systems we make no representation that our classifications meet the requirements of other regimes.

- European Commission: SFDR Article 8
- UK FCA: No label
- US SEC: ESG Integration

- European Commission: SFDR Article 8
- UK FCA: Sustainability Focus, Sustainability Improvers, and Sustainability Mixed Goals
- US SEC: ESG Focused

- European Commission: SFDR Article 8+ or 9
- UK FCA: Sustainability Improvers, Sustainability Impact, and Sustainability Mixed Goals
- US SEC: ESG Focused and ESG Impact

RIAA Certification and Classification Process



Responsible Investment Standard



RI STRATEGIES; FORMAL,
DISCLOSED, CONSISTENT,
AUDITABLE, FIT FOR
PURPOSE



PRODUCT LABELS;
CLEAR, HONEST AND
NOT MISLEADING



AVOIDS SIGNIFICANT
HARM



ACCOUNTS FOR ESG



MANDATORY
DISCLOSURES



ACTIVE STEWARDS



ORGANISATION HAS
COMMITMENT TO RI



PROVIDES RI
EDUCATION

Product Labelling – Clear, Honest and Not Misleading

Accurately reflect the social, environmental, sustainability and/or ethical outcomes or responsible investment approach

What a reasonable investor should expect in the portfolio

Claims are honest and not false or misleading; No puffery, un-substantiations & unqualified predictions

Social, environmental and/or sustainability performance & the methodology for measuring the such outcomes

Greenwashing protections

ASIC Regulatory Guide 65 <ul style="list-style-type: none">• Truth in promotion• Clarity in communication	ASIC Info. Sheet 271 <ul style="list-style-type: none">• Misleading and deceptive conduct• False or misleading representations	FMA Guidance Note Disclosure framework for Integrated Financial Products <ul style="list-style-type: none">• Substantiate your claims• Omissions can be confusing or Misleading• Disclosure expectation	Others <ul style="list-style-type: none">• ACCC Guidance on Green Marketing• Financial Market Act• Responsible Investment Guidance• Green Bond Information Sheet• Consumer Law• International Norms
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	Product features / claims	Issue
Example 1	Claims not to invest in the production of nuclear weapons, controversial weapons and armaments	The fund invests in an ASX-listed ETF that holds a weapons manufacturer
Example 2 (multi-asset product)	Claims to exclude casino operations and production of adult entertainment materials as well as alcohol from its portfolio	Fails to disclose that the screening only applies to the public equities asset class
		Fails to disclose that the screening is based on the data provided by a third-party, which only covers 70% of those holdings
Example 3 (transition product)	Claims not to invest in stocks that fall below a certain score within a low-carbon transition management scoring system in accordance with a third-party data provider's methodology.	An error by the third-party data provider was made where a few stocks that fell below the assigned score made it in when the screen was applied. This was only discovered couple of months later during a scheduled quarterly review.
	The fund also states on its website that "it will eliminate investment in oil sands and tar sands" without further explanation or qualification	Fails to disclose the fact that it applies a 30% revenue threshold for exclusion of oil sands and tar sands production.

Useful links

- [Greenwashing Archives - Responsible Investment Association Australasia \(RIAA\)](#)
- [Definitions for Responsible Investment Approaches](#)

RIAA Certification – challenges in labels and definitions



CERTIFIED BY RIAA

Approximately 70% of products are required to make changes before being certified, 10% due to product labelling concerns

Common problems

- Misuse of terms in label - e.g. impact investment
- Lack of substantiation – e.g. Sustainable equities strategy, SDG aligned
- Companies in portfolios that don't meet their label definitions as outlined in their policies
- Mismatch between labels and practices - e.g. "ESG Leader Funds" that include the worst performers in the ESG scoring approach used by the fund

RIAA Certification – challenges in representation



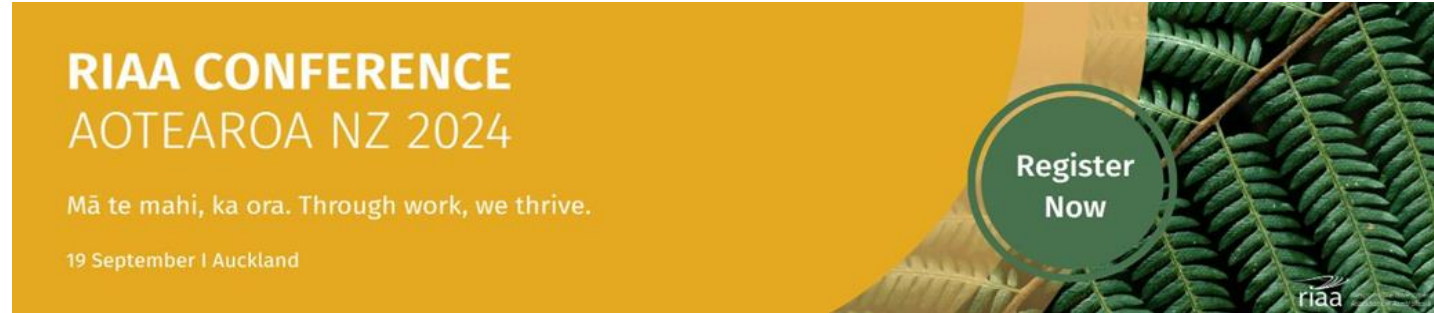
CERTIFIED BY RIAA

Approximately 70% of products are required to make changes before being certified, 30% relate to reliability of representation

Common problems

- Loose and imprecise language – e.g. exclusion of weapons, "no exposure to tobacco"
- Vague claims – e.g. fossil fuel free
- Lack of quantification of objectives/ targets and reporting on progress e.g. sustainable funds, low carbon funds
- Lacking disclosure of revenue thresholds or value chain activities for negative screening
- Lacking disclosure of the limitations in the use of third-party resources – e.g. scope portfolio of coverage when screening

Upcoming event



RIAA CONFERENCE
AOTEAROA NZ 2024

Mā te mahi, ka ora. Through work, we thrive.

19 September | Auckland

Register Now

riaa



We are launching a climate claims annex to our Product Labelling Guidance Note at the RIAA Conference New Zealand 2024.

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