

Rest Super Submission to the Sustainable Investment Product Labels consultation August 2025

Rest Super welcomes the opportunity to provide views to Treasury in its consultation on Sustainable Investment Product Labels.

Rest is one of Australia's largest superannuation funds, with over two million members – or around one-in-seven working Australians – and over \$100 billion in assets under management. We represent around one million members under the age of 30, who are decades from retirement. Many of our members work in part-time or casual jobs and tend to have lower balances by the time they reach retirement. We put our members needs at the centre of everything we do, and we are deeply committed to maximising the retirement outcomes of our members.

We support actions for a more sustainable future. We consider climate change and other environmental, social and governance (ESG) factors in our investment decisions. As a universal owner and long-term global investor, Rest believes that responsible investment adds value. Rest considers and integrates ESG factors to reduce risks, improve returns and maximise investment opportunities which supports investment outcomes for members' retirement savings.

Rest's 'Sustainable Growth' option enables members to choose an investment option designed to meet its return objective based on traditional risk return investment analysis, along with additional and more specific ESG considerations.

Rest welcomes this consultation in the context of broader Government policies under the Sustainable Finance Strategy and Sustainable Finance Roadmap priorities, to improve the information available to investors on sustainability. This includes climate-related financial disclosures (Priority 1) and other relevant developments including the Australian Sustainable Finance Taxonomy (Priority 2), transition planning guidance (Priority 3), and increased availability of sustainability-related data (Priority 7). Rest supports these initiatives.

Rest notes the Government's target of 2027 for the commencement of sustainable investment product labelling, subject to final policy decisions. We would encourage Government to consult further on a more detailed and specific set of design principles, following this consultation. This could involve workshops with super funds and other stakeholders to understand the potential impacts of regulatory design.

Benefits of Sustainable Investment Product Labels

Rest believes that sustainable product labelling of investment products can play an important role in providing ease of comparability across providers and products for members. We are committed to ensuring the labelling requirements for products are meaningful for our members. We support the objective outlined in the consultation paper: *"to ensure that investors have confidence in the sustainability claims made by product issuers, and to ensure that investors can confidently compare different products making sustainability claims"*.

As acknowledged in the paper, superannuation funds already have a range of products on the market that have sustainability objectives. There is considerable diversity of investment objectives, the

investment mechanisms for screening or exclusion, and risk rating for these products, making informed decision-making on the part of a consumer difficult. Consistent labelling requirements could enhance the transparency of the sustainable finance market and drive better outcomes for consumers as they seek to make informed decisions.

As noted in Rest's prior submission on the Governments' Sustainable Finance Strategy (December 2023), as investment providers of generally mature offerings with an understanding of the importance of sustainability, we believe that labelling considerations should be simple and flexible enough to provide transparency across a range of products. Further, any labelling standards should be designed to encourage participation aiming to improve transparency and disclosures to members.

Design of Sustainable Investment Product Labelling regime

Coverage of labelling regime

The consultation paper canvasses what features of a financial product should trigger a labelling requirement. The paper seeks views on whether the types of financial products that labels apply to should be prescribed or limited in some way, and what terms should be captured by the labelling framework, including whether certain terms or claims should trigger product labelling requirements (e.g. 'green', 'ethical', 'socially aware', 'responsible' and 'sustainable').

Rest believes the best starting point for the new regime is products that are marketed as 'sustainable' (or similar wording, as outlined above). Government can play a role setting out different suggestions on different types of sustainable products that might form the basis of a framework. Focusing on 'sustainable' (or similar wording) products will target regulation to the most relevant section of the market, while minimising regulatory burden on industry. Applying the new regime to all investment options initially, and no matter how they are labelled, such as MySuper options, would be a significant regulatory change and significantly more complex to implement. In the longer term, we do see merits in consumers gaining enhanced understanding of all aspects of their investments more deeply, including the definitions and design of other product options. Regarding the term 'sustainable', while we believe this is a useful starting point, we acknowledge Government will need to consider coverage of the scheme to other terms like 'green', 'responsible', 'socially aware' and 'ethical'.

Rest believes it is appropriate that funds are able to set out their own criteria and design of their sustainable investment products. Rest is open to the creation of a disclosure framework that can assist funds to communicate the key elements of a sustainable investment product, for example screening methods, ESG integration method and stewardship activities. The emphasis should be on transparency, and be principles-based rather than a prescriptive approach. This allows the market to continue to support product innovation while uplifting the consistency and quality of information that consumers receive on products labelled as sustainable. Such a framework could provide principles-based definitions and could evolve over time. In consideration of such a framework, Rest supports a climate-first, not climate only, set of principles and practices.

The Government will need to consider whether the scheme is 'opt in' for funds, or whether it automatically attaches to products with sustainable (or similar wording) in the product name, and we encourage further consultation on this if Government takes this approach to regime coverage.

The new regime, once implemented, should not restrict super funds' ability to transparently and accurately communicate about their investment approaches, such as net zero objectives for

investment portfolios, ESG integration, and stewardship for both non-labelled products and their portfolios as a whole. We think it is important for superannuation funds to continue to be able to take into account responsible investment approaches and ESG considerations in their investment approaches, in order to meet their best financial interests duty (BFID) to members. Overall, we consider it very important that labelling is not conflated with how funds integrate responsible investment approaches and ESG considerations into their investment processes.

It is important that Government provides clarity on whether funds would need specific authorisation to offer a 'sustainable' product.

Role of existing regulatory and market settings

Rest acknowledges existing laws and regulations to enhance consumer outcomes, such as product disclosure requirements, and prohibitions against misleading or deceptive conduct (including greenwashing). We believe these requirements should continue to play a key role in ensuring investors' disclosures align with their investment practices, including under a new labelling regime. We expect that Government will provide clarity during future consultation processes on any role for regulators under the new regime.

Detailed disclosures are currently provided by funds on the key features of their investment options. The new scheme could play a role in standardising how information is presented to consumers about the key features of a 'sustainable' investment option. We see value in third-party certification, such as RIAA's certification system, remaining an option for super funds to pursue as a mechanism to provide consumer confidence to sustainably labelled investment options.

The current ASFI-designed Australian Sustainable Finance Taxonomy will be available for use on a voluntary basis by both the private and public sectors, with the Government to explore options for long-term governance arrangements and potential regulatory use cases in consultation with key stakeholders. As noted by ASFI, the taxonomy provides a clear, Paris-aligned classification system for green and transition finance, tailored to Australia's unique economic and environmental context. It offers financial institutions and businesses a robust, voluntary framework to assess the green claims of economic activities and confidently invest in projects that advance net zero.

Rest is collaborating with ASFI on its sustainable finance taxonomy pilot to explore its potential benefits for the broader market, our fund and our members. It would be useful to consider how the Taxonomy can be integrated into investment product design, in the context of the new labelling regime.

Conclusion

Rest values the opportunity to engage in Treasury's consultation and provide this submission. We welcome the consultation as the start of the conversation about the introduction of Sustainable Investment Product Labels.

We would welcome the opportunity to further discuss any matters outlined in this submission at your convenience.