MEDIA RELEASE

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RIAA welcomes ASIC greenwashing guidance

The Responsible Investment Association Australasia (RIAA) has welcomed ASIC’s greenwashing guidance, saying that it will help investment managers to raise the overall quality of sustainable finance products in Australia and to better meet consumer expectations.

ASIC’s new greenwashing information sheet provides clarification on the existing obligations and laws investors should comply with to avoid greenwashing, including what disclosures they should be making and how to avoid making misleading claims.

“Greenwashing poses a real threat to the future of sustainable finance. Our 2021 research shows that while the majority (89%) of the Australian investment market claims to be responsible, it is just 40% of managers that are engaged in leading practice responsible investing” said RIAA CEO Simon O’Connor.

“We welcome the focus on greenwashing by ASIC which reinforces that, by law, any investor making a sustainability claim must be able to substantiate this and provide supporting evidence. This guidance will be essential reading for investors and product issuers to understand how greenwashing is defined, the existing regulations they need to comply with and the questions to consider when marketing sustainability related products, such as if the product is true to label.

“RIAA’s Responsible Investment Standard – underpinning our longstanding Responsible Investment Certification Program – requires appropriate labelling and substantiation of sustainability claims, alongside a demonstrable commitment to responsible investment. As a result, it is the most in-demand certification used by the marketplace to distinguish bona fide responsible investment products.”

RIAA’s 2022 consumer study found 72% of Australians are concerned about greenwashing, with three-quarters of Australians considering moving to another provider if they found out their current fund was investing in companies engaged in activities inconsistent with their values.

“Greenwashing undermines the integrity of the marketplace and the efforts of investment managers working hard to create and market products that adopt specific responsible investment approaches and have strong sustainability credentials.

“Consumers are attuned to the threat of greenwashing and they are demanding more transparency from their providers, with 75% of people wanting to know which companies their fund or bank are invested in. Portfolio holdings disclosure is a key tenet of leading practice responsible investment.

“Equally important for investors to tackle greenwashing is improved company sustainability reporting. We welcome ASIC’s reference to the International Sustainability Standards Board (ISSB) draft standards, and encourage the Government to push for these standards to be both robust and effective for implementation in Australia.

“There is also the need for a single ‘taxonomy’ for sustainable investment, so investors can compare how companies are performing on ESG issues, and finance can provide greater comparability between product exposure to sustainability assets. The Australian Sustainable Finance Institute (ASFI) is developing a taxonomy purpose built for Australia, aligning with international efforts such as that in the European Union,” said O’Connor.

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