

19 July 2017

MEDIA RELEASE: FSC launches Internal Governance and Asset Stewardship Standard

The Financial Services Council (FSC) has today launched a new Internal Governance and Asset Stewardship Standard for investment managers and asset owners – a first for Australia.

Australian asset managers are renowned for their expertise in managing funds in one of the largest and most competitive markets in the world, but until now have not been subject to a set of quality benchmarks.

Stewardship codes arose in response to the GFC with the first published in the UK in 2010. Since then many other markets have followed suit including the US, Japan, Hong Kong, the Netherlands, Switzerland, South Korea, Malaysia and Brazil, to name a few.

The FSC's Asset Stewardship Standard, which has incorporated the strongest stewardship and governance elements from these jurisdictions, is mandatory for all FSC asset manager members.

It will further boost their global standing, and offer consumers best-in-class information about investments.

Asset managers are in a key position, as stewards of significant amounts of capital on behalf of their clients, to ensure that responsible management and robust corporate governance practices form the basis of both their internal and external stakeholder interactions.

FSC Standard 23: *Internal Governance and Asset Stewardship* has been developed to:

- encourage higher standards of internal governance and stewardship practices;
- provide better information for clients and other stakeholders; and
- raise the quality and standing of Australia's financial services internationally.

The new Standard aims to strengthen consumer confidence in Australian financial services and ensure the long term sustainability of the industry.

Good stewardship supports companies with productive use of capital to generate long-term sustainable returns with the potential for societal gains. Crucially, it can also facilitate better alignment between companies and the end investor, leading to better outcomes for all.

The Standard requires a non-prescriptive disclosure, utilising a 'comply or explain' rationale, where asset managers will, where relevant within their business practices, be required to either describe the policy underlying their practices or explain why they are not relevant to them.

As is the case with all FSC Standards, compliance is mandatory for all FSC asset manager members.

The FSC is aiming for as broad a reach as possible and FSC membership is not a prerequisite for adhering to the Standard. All investment managers and asset owners are encouraged to sign up.

FSC CEO Sally Loane said: "Australian fund managers are responsible for managing and growing one of the biggest pools of funds in the world – almost \$3 trillion – the retirement savings of millions of Australians.

"The vast bulk of these funds exist because of our mandatory superannuation system. Fund managers understand their role and responsibility very clearly, increasing the wealth and improving the livelihoods of the people whose money they invest, and they now have a Standard which sets what is perhaps the highest bar in the world for stewardship and governance.

"Stewardship is about building and growing sustainable businesses to produce long-term benefits for all stakeholders, and in the process contributing to the community and economy as a whole.

"Australia was until now one of the only major economies without a Stewardship Standard in place and the only signatory of the Asia Region Funds Passport without one. For this reason, we are especially proud and excited to launch our Standard today."

ENDS

For further information please contact FSC Media Manager Mark Smith on 0434 566 764 or msmith@fsc.org.au.

About the Financial Services Council

The Financial Services Council (FSC) has over 100 members representing Australia's retail and wholesale funds management businesses, superannuation funds, life insurers, financial advisory networks and licensed trustee companies. The industry is responsible for investing more than \$2.7 trillion on behalf of 13 million Australians. The pool of funds under management is larger than Australia's GDP and the capitalisation of the Australian Securities Exchange and is the fourth largest pool of managed funds in the world. The FSC promotes best practice for the financial services industry by setting mandatory Standards for its members and providing Guidance Notes to assist in operational efficiency.