

# FSC Guidance Note No. 56

## Principles of Internal Governance and Asset Stewardship

22 June 2026

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**Date of this version:** 22 June 2026.

**History (prior version) of this Guidance Note:** Previous versions as an FSC Standard:  
July 2017  
March 2023.

**Application of this Guidance Note:** This Guidance Note may be of relevance to any FSC Member who is an Asset Manager or undertakes asset management activities.

**Main Purpose of this Guidance Note:** The Guidance Note outlines a non-prescriptive disclosure for best practice, utilising a 'comply or explain' rationale, where Asset Managers may describe the internal governance and stewardship policy underlying their practices or explain why they are not relevant as appropriate within their business practices.

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## 1 Title

- 1.1 This Guidance Note may be cited as *FSC Guidance Note No. 56: Principles of Internal Governance and Asset Stewardship*

## 2 Version History and Date of Issue

- 2.1 This Guidance Note was initially issued as *FSC Standard 23: Principles of Internal Governance and Asset Stewardship*, taking effect from January 2018. Minor wording amendments were made in March 2023.
- 2.2 The Standard was updated to a Guidance Note on 22 June 2026, in recognition of developments in the legal and regulatory framework and industry maturity that has established high standards of common practice.

## Part One – Development of the Guidance Note

### 3.1 Introduction

This Guidance Note recognises approaches that Asset Managers may utilise to encourage high standards of internal governance and stewardship practices and provide useful information for clients and other stakeholders.

Asset Managers are in a key position, as they undertake their role as custodians 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.

The Guidance Note outlines a non-prescriptive disclosure for best practice, utilising a ‘comply or explain’ rationale, where Asset Managers may describe the policy underlying their practices or explain why they are not relevant as appropriate within their business practices.

### 3.2 Key Principles

#### 1. Organisational and Investment Approach

Asset Managers should clearly state the purpose, values and underlying investment philosophy or approach of their organisation. Asset Managers should be transparent about their organisation’s ownership, structure, internal governance and experience and competencies of its key staff [See 4.3.1].

#### 2. Internal governance

Asset Managers should either publicly disclose their policies or provide a clear description of their approach to key aspects of internal governance and management of business activities which could impact client assets [See 4.3.2].

#### 3. Asset Stewardship

Asset Managers should provide a description of their approach to asset stewardship and exercise effective asset stewardship on behalf of their clients.

Asset Managers should encourage the companies in which they are invested to meet the highest standards of governance, as well as ethical<sup>1</sup> and professional practices. They should provide a description of their approach to monitoring and engaging with investee companies and the connection between monitoring, engagement, proxy voting and investment decision-making.

Asset Managers should endeavour to hold boards and management accountable where they fail to maintain acceptable standards [See 4.3.3].

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<sup>1</sup> Please see ASX Corporate Governance Principles and Recommendations (4<sup>th</sup> edition) definition of ‘acting ethically’ under Principle 3.

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## 3.3 Application

In this Guidance Note, “**Asset Manager**” (also known as Investment Managers or Fund Managers) is a term used to describe an institution which has responsibility for managing or overseeing the management of assets of clients. This Guidance Note may be of relevance to any FSC Member who is an Asset Manager or undertakes asset management activities.

The FSC encourages other institutional investors, including superannuation funds and ‘manager of managers’, to also consider applying the Guidance Note where relevant to their circumstances. For example, if they have assumed the proxy voting rights from their asset managers, if they conduct direct engagement activities, or in the appointment of investment managers or other third parties to conduct stewardship activities on their behalf.

This Guidance Note may also apply to responsible entities of registered managed investment schemes or trustees of unregistered schemes where asset management is undertaken in that capacity (or for part of the assets of the scheme or trust). The internal governance of the Asset Manager refers to the governance and management of the Australian domiciled Asset Manager, operating in Australia.

Where asset owners have outsourced all of their investment management/asset management, they may also consider undertaking Stewardship either directly by assuming proxy voting responsibilities or conducting direct company engagement, or indirectly through the appointment of managers and other services providers. This Guidance Note may be partly relevant to them in assisting their ultimate beneficiaries to better understand how stewardship is conducted for their assets.

## Part Two – The Principles

### 4.1 Statement of purpose

This Guidance Note has been developed to:

- support high standards of internal governance and stewardship practices;
- provide better information for clients and other stakeholders; and
- raise and maintain the quality and standing of Australia’s financial services internationally.

### 4.2 Context and rationale

Stewardship is the careful and responsible management of something entrusted to one’s care. Since the FSC began promoting the role of asset managers in stewardship across its membership, organisations have implemented higher standards in their approach to investment governance and asset stewardship, providing a solid foundation of common industry practice that members continue to meet and exceed as implementation has matured.

This Guidance Note has been designed to support the adoption and maintenance of high standards that are consistent with other leading capital markets and flexible to be applied in the circumstances of global fund management. In addition to a focus on asset stewardship and conflicts of interest, a broader view that includes the internal governance of the Asset Manager is provided. The FSC has included this broader guidance because our members believe that the careful and responsible management of clients’ assets requires foundations built on good practices and robust internal governance.

This Guidance Note is split into the following sections:

1. organisational and investment approach;
2. internal governance; and
3. asset stewardship.

The Guidance Note is related to other FSC Standards and Guidance Notes, in particular FSC Standard 1: *Code of Ethics and Code of Conduct*.

This Guidance Note uses a ‘comply or explain’ approach, where Asset Managers may, where relevant within their business practices, either describe their practices or explain why they are not relevant to them. This

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approach is supported by a principles-based disclosure for best practice. By making these disclosures public we believe good practice will continue to develop organically and change over time as the market evolves.

## 4.3 Scope of the Principles

### 4.3.1 Organisational and Investment Approach

Clients of Asset Managers should understand the purpose and values, including the underlying investment philosophy or approach, of the Asset Managers to whom they entrust capital. A clear statement in this regard allows clients to assess the actions of their manager against their stated purpose.

Asset Managers should be transparent about the organisation's ownership, structure, internal governance and the experience and competencies of its key personnel. Asset Managers should also clearly articulate how they manage conflicts of interests and ensure ongoing alignment with clients' interests.

Material changes to these structures or key personnel should, as soon as practicable, be communicated to clients and updated in the firm's governance and stewardship disclosure.

*Appropriate disclosure should include, but is not limited to:*

1. A description of the distinguishing features of the Asset Manager and how these features are directed towards achieving client objectives;
2. An explanation of how the Asset Manager aligns its purpose and values with its duty to clients;
3. An overview of the ownership, management and governance structures of the organisation;
4. An overview of the key management and investment personnel within the organisation; and
5. Explain how the Asset Manager ensures client assets are managed in accordance with their investment strategies and how conflicts of interest are managed.

### 4.3.2 Internal Governance

Governance is the framework of rules, relationships, systems and processes within and by which authority is exercised and controlled in corporations and the mechanisms by which the organisation and its people are held to account. While stewardship is often focused on the corporate governance of entities that the Asset Manager is invested in, effective internal governance and stewardship requires the Asset Manager to also have robust internal governance practices to ensure they always act responsibly, act in clients' interests and treat clients fairly.

Asset Managers should provide a publicly available and concise description of their approach to the following areas of their business. If any of the following are not applicable, the Asset Manager should explain why that is the case. Asset Managers should refer to other publicly available information (e.g. policies) in their disclosure.

Asset Managers should either publicly disclose their policies or provide a clear description of their approach to managing business activities which could impact client assets. Disclosure is not expected to be to the extent that proprietary information or intellectual property is released but rather a description of the Asset Manager's approach to governance.

Asset Managers should outline their policy position in regard to their business activities.

*Appropriate disclosure should include, but is not limited to:*

1. ethical conduct and professional practice;
2. personal trading;
3. management of conflicts of interest to ensure client interests take priority (including gifts and entertainment);
4. risk management and compliance;
5. error correction policy;
6. brokerage and commissions;
7. equitable asset valuation and pricing;

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8. best execution and trade allocation;
9. remuneration policy;
10. whistle-blower protection policy;
11. training and development; and
12. complaints and dispute resolution.

### 4.3.3 Asset stewardship

Asset Managers should exercise effective asset stewardship on behalf of their clients.

They should encourage the companies in which they are invested to meet the highest standards of governance, as well as ethical<sup>2</sup> and professional practices. Asset Managers should use the tools available to them to encourage improving practices and endeavour to hold boards and management accountable where they fail to maintain acceptable standards.

Asset Managers should provide a description of their approach to asset stewardship which includes monitoring and engaging with investee companies and the connection between monitoring, engagement, proxy voting and investment decision-making.

Disclosure should include the Asset Manager's approach where relevant to the following stewardship activities and the governance and oversight associated with each one:

1. monitoring of company performance on financial and non-financial matters;
2. engagement with company management and the board (as appropriate) and escalation of issues in instances where initial engagements have not been adequately responded to;
3. approach to considering Environmental, Social and Governance factors (risks and opportunities) and whether these considerations influence investment decision-making and company engagement;
4. proxy voting (see *FSC Guidance Note 55 Voting Policy, Voting Record and Disclosure*);
5. collaborative engagement with other investors including involvement with industry groups and associations;
6. principles used for policy advocacy including participation with industry groups and associations; and
7. the approach to client engagement, education and communication regarding asset stewardship.

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<sup>2</sup> Please see ASX Corporate Governance Principles and Recommendations (4<sup>th</sup> edition) definition of 'acting ethically' under Principle 3.