Latest Developments in Governance, Stewardship and Sustainability

Valoris
Stewardship Catalysts

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Japan and Australia advance parallel corporate governance reforms

Two of the largest markets in Asia Pacific revised their governance principles in mid-2026, broadly moving in the same direction by reducing the number of principles and focusing on substance.

In Japan, the Financial Services Agency (FSA) finalized the 2026 revision of the Corporate Governance Code. The revised Code focuses on improving expectations on capital efficiency, asking boards to show how cash and retained earnings support growth. This comes in a response to large amounts kept in cash by Japanese-listed companies instead of being deployed. It also seeks clearer disclosure of the purpose of cross-shareholdings and of beneficial ownership and emphasizes board responsibility for oversight of cybersecurity, supply chain and geopolitical risk. The revision builds on the FSA's Stewardship Code version 3.0 from June 2025 and updated guidelines on corporate takeovers issued in June 2026.

In Australia, the ASX Corporate Governance Council released the draft fifth edition of its Principles and Recommendations in July 2026 for an eight-week consultation, with submissions due by mid-September 2026. The draft is the shortest version since 2007. It retains the eight Principles and the *if not, why not* approach. It removes recommendations that duplicate the Corporations Act, gender equality law and the Criminal Code, in order to cut compliance burden.

EBA finalizes Pillar 3 ESG disclosure standards for banks

The European Banking Authority (EBA) published its final draft Implementing Technical Standards amending the Pillar 3 framework for ESG risks. Pillar 3 is the public-disclosure component of bank capital rules. The EBA standards complete the disclosure requirements introduced under the third Capital Requirements Regulation and align them with the European Sustainability Reporting Standards.

The focus here is also simplification. Large banks will report about 37 percent fewer data points and medium banks about 17 percent fewer than under current rules. Small and non-complex institutions, brought into scope for the first time, will report a set of data points, about 84 percent fewer than large banks. The Green Asset Ratio and EU Taxonomy-alignment templates have been removed.

New templates require banks to disclose aggregate exposures to shadow banking entities, meaning credit provided by non-bank players such as money market funds, hedge funds and securitization vehicles that do not fall under normal bank regulation. The standards now move to the European Commission for adoption and are expected to apply from early 2027, with small and non-complex institutions granted an extra year before first reporting.

GHG Protocol and ISO move to a single global carbon accounting standard

The Greenhouse Gas Protocol (GHG), created by the World Resources Institute and the World Business Council for Sustainable Development, is the most widely used framework for corporate carbon accounting. Its Scope 1, 2 and 3 method is used for reporting by CDP, the Science Based Targets initiative and the ISSB. ISO, the International Organization for Standardization, is the global standards body behind the ISO 14064 series for measuring and verifying emissions.

Building on the partnership the two announced in September 2025, GHG and ISO will merge the GHG Protocol standard with ISO 14064-1 into a single co-branded corporate standard and develop a joint product carbon-footprint standard. A consultation draft is planned for the second quarter of 2027, with publication expected in the fourth quarter of 2028 and the standard taking effect in 2028. A formal name has not yet been announced. The aim is to eliminate the use of two overlapping methods and give the market one common language for measuring and reporting emissions. This will make it easier to compare entities and help with assurance and verification.