Governance *in Brief*

March 9, 2023 Edited by: **Martin Wennerström**

Biden and Republicans at loggerheads over ESG rules

The U.S. Congress has passed a resolution repealing a Department of Labor ("DOL") rule empowering retirement plan managers to consider climate change and ESG factors in their investment decisions. The rule, introduced by the Biden administration, falls under the Employee Retirement Income Security Act ("ERISA"), a federal law which sets protection standards for participants in private pension plans. Biden's ruling entered into force in January this year, overturning prior Trump-era DOL rules that limited pension fund managers to restrict their investment strategies to "pecuniary factors." Over the course of its 40-year history, ERISA's ESG guidelines have been periodically revised under both Republican and Democratic administrations, which according to the DOL has led to confusion among stakeholders. Nevertheless, President Biden has announced his intention to veto the bill, which is unlikely to achieve a veto-proof majority once it is returned to Congress.

U.S. Congress | DOL (1) | DOL (2) | Whitehouse | CNBC | NYT (1) | NYT (2) | Reuters | WSJ | P&I | ABC

Japan Post Holdings sells 30% stake in Japan Post Bank

Japan Post Holdings has announced the sale of up to USD 9 billion worth of shares in its subsidiary Japan Post Bank. The deal will reduce the parent's stake from 89% to about 60%, allowing the bank to meet the 35% free float listing requirement of the TSE's Prime Market. As part of a privatization process initiated in 2005, Japan Post Holdings intends to further decrease its ownership in the lender to 50% or less by 2026, mirroring the divestment process completed in 2021 at the bank's sister company, Japan Post Insurance. Japan Post Bank has retired approximately 60 million shares to counter the share price decline that is anticipated to result from the sale.

Nikkei | Reuters | BNN | JPX | JPB (1) | JPB (2) | Japan Times | Market Watch |

Belgium reduces stake in BNP Paribas

The Belgian government has completed the sale of nearly 3% of its ownership in French lender BNP Paribas in a deal valued at USD 2.3 billion, decreasing its investment from 7.8% to 5.1%. The government's holding in BNP Paribas arose after the 2008 financial crisis, when a state-owned investment vehicle bailed out the Belgian Fortis Bank before selling it to BNP Paribas in exchange for an equity stake in the latter. The state had previously expressed a wish to decrease its exposure to the financial sector, and the recent increase in the bank's valuation, reinforced by rising interest rates, created the favourable circumstances to initiate the divestment.

Yahoo | Reuters | Bloomberg | Market Watch

HSBC AGM to consider demerger and dividend proposals

A group of Hong Kong retail investors have submitted two proposals to HSBC's 2023 AGM. The first calls for a restructuring of the bank through the spin-off of its Asian business, the company's most profitable market segment. The request for a demerger was first introduced in 2022 by Ping An Insurance Group, the bank's largest investor, as a strategy to boost shareholder returns. A second proposal asks for HSBC's dividend payouts to be raised to pre-COVID levels. The resolution is expected to gather limited support, as HSBC's latest quarterly results reported strong revenue growth and a commitment from the company to reintroduce quarterly dividends.

Bloomberg | U.S. News | FN | Reuters |

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