ACGA 21st Annual Conference

ACGA

Conference Report

Asian Business Dialogue on Corporate Governance 2022

"Governance returns: Where next for Asia?"

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10-11 November 2022
116 Pall Mall, London, United Kingdom

ACGA 21st Annual Conference

Asian Business Dialogue on Corporate Governance 2022

"Governance returns: Where next for Asia?"

ACGA's 21st Annual Conference was held in London's impressive Institute of Directors building near Trafalgar Square on 10 and 11 November 2022, our first "Asian Business Dialogue on Corporate Governance" hosted outside Asia. We were delighted to have 33 speakers during the nine sessions to opine on topics ranging from stewardship, shareholder proposals and the governance of energy, to financial crime, corruption and China risks.

A big thank you to our sponsors CLSA, Fidelity International, Capital Group, EY, UBS, Blackpeak and CLP Holdings, as well as our supporting organisations ICGN and The Investor Forum. We are indebted to our speakers for sharing their time and insight, and of course we are most grateful to have reconnected with the more than 170 delegates who attended.

DAY ONE

The conference opened in the ornate Nash room on the morning of 10 November 2022, with ACGA Secretary General **Jamie Allen** acting as master of ceremonies, and ACGA Chair **Steve Watson** offering opening remarks. **Kerrie Waring**, Chief Executive Officer of the International Corporate Governance Network, welcomed the delegation to London. **Hans-Christoph Hirt**, Head of Impact Engagement at UBS Asset Management in London was also invited to offer pre-luncheon remarks.

CG reform and crystal balls

The first plenary, **"CG reform in Asia – The next 10 years"** moderated by ACGA Chair **Steve Watson**, featured speakers **Jamie Allen**, **Seungjoo Ro**, Head of ESG Research at CLSA in Hong Kong; **Yoo-Kyung Park**, Head of Responsible Investment & Governance for the Asia Pacific at APG Investments Asia based in Hong Kong; and **Nana Li**, Head of Sustainability & ESG, Asia-Pacific, Impax Asset Management who is also based in Hong Kong.

Jamie Allen noted progress in the region over the past two decades since ACGA was set up, including an official rethink of CG policy in Japan, India and Taiwan. **YK Park** recalled that when making country visits to raise CG issues in the early days of ACGA, "we went to those regulators and we almost got thrown out". There is now a lot more engagement, also with company boards—back in the day the IR people in Korea didn't even know what the "board" was, **YK** noted.

In the past two to three years, sustainability has become a core tenet of governance. **Jamie Allen** observed that without good governance you cannot fix issues such as climate change, so governance and ESG concerns should go hand in hand. **SJ Ro**, meanwhile, believes that companies are being pushed from “family first” to embracing governance by minority investors. Especially in the tech sector, retail investors are also the consumer and their support is needed for commercial success.

That said, not enough has changed in the 25 years since the Asia financial crisis first stimulated interest in corporate governance. Issues such as climate change were raised as long ago as 2007 in *CG Watch*. There is hope that a new generation of leadership with more interest in fairness and responsibility will spur progress on climate governance and reporting, as well as in gender diversity. On the flip side, CG reporting, regulator funding and public governance seem unlikely to improve. Greenwashing is a new problem that will take time to address.

In China, policy is now pushing companies to focus on climate-related goals. **Nana Li** noted that after nine years of being focused on China her “expectations of China are very low”, but the country has shown commitment to climate goals through its Five-Year Plan and there is some progress on the climate conversation.

Investor engagement should improve however—there has already been a lot of progress on voting and heightened interest in voting rights. But the governance-related “Korea discount” is unlikely to close, **YK Park** believes. An elite which pre-ordains company direction before decisions even reach the board leaves the latter lethargic. “Board members can discuss forever but can they flip the decision? No,” she said. Investors also need to combat cross shareholdings which tie up capital and are very obstructive.

Engagement will, as ever, be key. **Jamie Allen** observed that while crisis may stimulate regulatory change, the only way to ensure that the change is in the right direction is to have constant engagement with regulators. **YK Park** would encourage company CEOs to have more regular interactions with shareholders and to “trust the investor base...they can help”.

Are stewardship codes fit for purpose?

The second plenary, **"Are stewardship codes working in Asia?"** was moderated by **Devanesan Evanson**, Chief Executive Officer at the Minority Shareholders Watch Group (MSWG) in Kuala Lumpur. He was joined by speakers **Karin Ri**, Director, Responsible Investment & Stewardship at Asset Management One International in London, and **Sharmila Gopinath**, Specialist Advisor for India at ACGA.

Investors had been stepping up their voting activities even before the first stewardship code was established in Japan in 2014 and since then, adoption has advanced across the region, with Japan continuing to lead the way with code amendments and investor involvement. Most of the regional markets have now introduced a code, with several moving onto their third amended version.

Some countries are more complicated than others. As **Sharmila Gopinath** noted, India has three stewardship codes under its different regulators for insurers, mutual funds and pension funds. The codes are all mandatory, and regulators tweak these codes (as the Insurance Regulatory and Development Authority of India (IRDAI) did in 2019) when it is needed. The Securities and Exchange Board of India (SEBI) moreover will step in to amend the code if they find that funds are not following it in spirit, in terms of how it is being reported. Voting is pretty well documented for all investors other than insurance companies. Some mutual funds issue detailed stewardship reports but these can be hard to find via the company websites—try Google!

Most codes follow the structure, content and language of the UK's 2010/12 codes with some variations on how they address (or do not) collective engagement (for example, Japan has no separate principle for collective engagement while India actively encourages institutional investors to do this) and disclosure of voting emerging over time. Code ownership varies by market, which affects how it is run and applied: Japan for instance is quite active in revisions, updates and application. Hong Kong is far less so. Codes vary from comply or explain to voluntary but tend to be taken seriously by the investor community irrespective of the mandate. That said, markets with strong regulatory oversight have better outcomes than those which tend towards best practice guidance.

Comply or explain can be problematic since investors can mark an item as "complied" without providing further explanation. As **Karin Ri** observed, "Comply or explain often comes across as comply or excuse". Where investors use matrices to determine their outputs, focus on and communication of the process are important, more than simply reporting. Accountability is key. "Apply and explain" for Principles might be more forceful. By contrast, Malaysia did implement apply or explain, but everyone was explaining—for instance with board gender diversity—so one female director, for instance, is now a rule.

So Are they working? The panelists agreed that, in short, yes. Stewardship codes have led to dialogues between institutional investors and companies, while also moving "activism" (in many countries synonymous with stewardship) from being a dirty word to mainstream behavior. It has also led to the development of skills and resources in service of constructive engagement.

That said, there still needs to be a constant push from regulators. The entire investment chain is responsible to ensure effective stewardship, from asset owners through regulators to company boards. Asset owners should provide clarity on their beliefs, objectives, risk tolerance and expectations for ESG-related engagement. To ensure sufficient breadth and depth of talent, local and global investors need to work together. Portfolio managers are in a relatively privileged position as they have access without having to go out on the lash. Locals have other insights, so they need to work together which would give them more clout.

Taiwan has an iterative process for its CG code which it is rolling out to stewardship. It already incentivizes good stewardship through carrots such as faster access to new issues. Codes and regulators can encourage signatories to do a better job.

Where next for Japan?

We hosted two concurrent workshops after lunch on the first day. The first debated the direction of CG reform in Japan: **"After Abe – charting a new way forward "**, moderated by **Chris Vilburn**, APAC Head of Stewardship at Goldman Sachs Asset Management based in Tokyo. He was joined by speakers **Kei Okamura**, Portfolio Manager, Japanese Equities, at Neuberger Berman East Asia in Tokyo (by video) and **Shizuko Ohmi**, Executive Director, Japan Head of Investment Stewardship at J.P. Morgan Asset Management in Tokyo.

Shizuko Ohmi noted that little has changed in the past 20 years—despite reform, sustainable growth remains elusive. The panelists agreed that there are multiple challenges, such as inefficient capital allocation, with managements too hesitant to return capital to shareholders and CEOs not being challenged hard enough by shareholders about capital allocation plans. An increase in INEDs—with a now one-third independence requirement—has also not produced enough impact. Remuneration remains independent of achievement, and cross shareholdings protect management and keep them unaccountable. They also drag down returns.

Return on equity has been low for a long time as a result even though there has been some improvement on profitability. Japanese equities, observed **Kei Okamura**, are still undervalued on any metric compared to the US and Europe. Proposed solutions were put forward, including requesting a majority of outsiders to boost independence on boards, strengthening the CG Code and requiring more disclosure on cross-shareholdings.

Although the government has done a lot to lead reform, companies will need to do more going forward. Investors need to step up and help them, especially in areas where boards lack skills such as management, finance and M&A or human capital development. Investors have some advantage here and companies appear more willing to listen to guidance. Amendments to collective engagement guidelines would also help.

Kei Okamura noted that it is important for investors to have firm goals in mind and a mid-term strategy when engaging with companies. The same topic may need addressing many times with different people and require escalation if progress is too slow. Investors should also let management know that their interests are aligned with the company's long-term growth. "We are investors–we're doing this to help raise corporate value" should guide the priorities for topic discussions, starting with the most pertinent issue that would move the needle for the business to trigger an improvement in valuations. He noted that if investors emphasize "make improvements, make money," then it is easier for companies to agree.

Given the session was in workshop format, delegates broke into groups for round table discussions on the following topics:

Table 1 considered what the most important measures are for raising board effectiveness in Japan. The consensus was that the board needs to better understand its role compared to that of management. Boards also need to improve diversity, not just gender, but also non-Japanese ethnicity for diversity of thought and opinion. A skills matrix and director education and training would also be beneficial: other jurisdictions have more formal structures and Japan could benefit from similar requirements. For example, director onboarding needs formalization. Even if not disclosed, board reviews (external and internal) every three years are helpful. Companies should also make sure they are more available to investors, for example having an IR point person—even Japanese speakers often struggle find their contact details. Increased access to INEDs would also help. Finally, there should be an independent chair to run meetings, open conversations, but not make decisions.

Table 2 looked at how investors can assist companies in addressing capital allocation concerns. There was a sense that culture holds Japan back on this front, with companies still viewing cash as a virtue, and cross-shareholdings ensuring the avoidance of risk in this respect. Japan's culture and structures remain grounded in post-war Japan mindset even though the world has changed. There needs to be a national conversation on corporate purpose to reignite Japan's economy. Then the role and mandate of directors must be clarified.

Table 3 considered whether investor stewardship working and analyzed what needs to change. There was a view that a greater focus on outcomes, rather than the process, would be beneficial. Regulations on collective engagement also need clarification, although it is hoped that regulators are working on this. There is a sense that many Japanese asset managers lack an independent voice and that the asset owner industry would benefit from greater diversity. When engaging, investors must think holistically. Public policy plays a crucial role, in the form of the Stewardship Code and the CG Code.

Table 4 discussed their top recommendations for reforms of Japan's CG laws and regulations. At the top of the list was rules on collective engagement, with cautious optimism that a review by the Financial Services Authority would be fruitful. Quotas on board diversity were also favoured, as is a mandatory nomination committee and greater disclosure on cross shareholdings. Executive pay disclosure was also on the list, with a request that pay be linked to performance and business plans or KPIs. However there was caution that this could create competition and a race to the bottom seen in other Western markets.

Company engagement, Asian-style

A concurrent panel, **"Company engagement with Asian characteristics",** heard from both sides of the engagement table. The session was moderated by **Mike Lubrano**, Managing Director at Valoris Stewardship Catalysts, based in Washington DC, and featured speakers **Jocelyn Brown**, Head of Governance, EMEA & APAC at T. Rowe Price International in London; **Yoo-Kyung Park**, Head of Responsible Investment & Governance, Asia Pacific at APG Investments Asia based in Hong Kong; and **Gareth Hewett**, Head of International ESG and International PR at Ping An Group in Hong Kong (by video).

Mike Lubrano opened by noting the varying interpretations of engagement that exist in different markets and the effect of vested interests, as well as the poor crossover between stewardship and CG Codes. **Gareth Hewett** of Ping An advised that in order to facilitate better engagement, investors should allow the corporate to be fully prepared. There are huge and increasing volumes of enquiries and it would be helpful to corporates if investors were more explicit on they want to know. Sometimes people come in and throw questions from left field, which tends not to be productive. Investors also ask for a lot of data, for instance in energy and manufacturing, regarding pathways and transition. Given that this is often supplied by power producers, the concern is that the data is simply for box-ticking: it is always helpful to know the purpose for disclosure. A stewardship code for China would be beneficial—Ping An is both a corporate and a large asset manager and this would help them understand their responsibilities in both aspects.

Jocelyn Brown said that stewardship codes have normalized active ownership. Still, some companies have been slower than others to establish dedicated IR or communications teams. This makes it harder for them to sell their story in a way that investors can appreciate.

YK Park recommended collective engagement so that companies are less inclined to ignore investors. In response to the motivation behind requesting certain information, **YK** said it is an investor's fiduciary duty to care about the long-term success of the company. One misjudgment can kill a company or their business, so questions should be about investment and the business—less important issues are not worth covering. She also advised raising performance issues—how did a company perform compared to peers from a share price and business perspective?

Sustainability reporting: are we there yet?

Two workshops followed in the late afternoon. The first, **"How is Asia getting ready for global sustainability reporting standards?"** featured moderator **Julia Tay**, Partner, Asia-Pacific Public Policy Leader at EY in Singapore and speakers **Hendrik Rosenthal**, Director, Group Sustainability at CLP Holdings in Hong Kong; **Kathlyn Collins**, Vice President, Head of ESG at Matthews Asia in San Francisco and **Rick Wang**, Director at Taiwan's Financial Supervisory Commission London Office.

Julia Tay opened the session with a presentation on the current state of play. She observed that market participants are hopeful the International Sustainability Standards Board (ISSB) baseline standards will help harmonise the "alphabet soup" of existing sustainability reporting requirements. Taking a climate-first approach, the upcoming ISSB S2 standards will require Scopes 1, 2 and 3 GHG emissions disclosures but with certain relief provisions and safe harbours built-in. Definition of "material" will be aligned with IFRS and further coordination is expected. **Julia** noted that sustainability assurance is still at an early stage with only about half of the largest listed companies obtaining independent assurance, and a vast majority of those are "limited" in scope. She argued that to drive high quality sustainability assurance, all service providers should follow globally aligned standards and be subjected to professional and ethical requirements.

Hendrik Rosenthal questioned whether the current disclosure requirements are adequate with respect to where the risks and opportunities of sustainability and climate change lie and how to manage them. He welcomed the ISSB proposed standards as an important development to clarify disclosure expectations to issuers. **Hendrik** wondered however about the burden of another standard for those companies already providing climate and sustainability-related disclosure. In particular if existing disclosure requirements—such as HKEx Appendix 27—are not aligned to avoid duplication. More work on ISSB integration needs to take place to make adoption as practical as possible.

Kathlyn Collins noted that the focus is now on small and mid-caps in Asia and emerging markets: these investees need help with the process. ISSB will help with convergence, but that could take ten years. Some large emerging markets have not been involved in the ISSB standard development process—India and Brazil for example—and it will take a huge amount of time to get them up to speed. She feels it is unfair to hold them to these standards before then.

Rick Wang said that Taiwan implemented mandatory GRI sustainability reporting in 2014 for large firms and certain sectors. The country's challenge now is how to transition from GRI to TCFD to ISSB—Taiwan supports the ISSB standard framework and convergence.

Malfeasance, skullduggery and geopolitics

Concurrently, a session on corporate malfeasance, **"Crooks, kickbacks and cronyism – corruption and financial crime in Asia today"**, was moderated by ACGA's Head of Research, **Jane Moir**. Speakers **Mark Francis**, Director of Wholesale and Unauthorised Business Investigations at the Financial Conduct Authority in London, **Isabelle Scherf**, Global Head of Financial Crime Compliance at Fidelity International in Luxembourg (by video) and **Christopher Leahy**, Specialist Advisor for Southeast Asia at ACGA and Managing Director of Blackpeak in Singapore, shared war stories with the audience.

The consensus is that frauds and financial crime are more international in nature, but there is more global cooperation on investigations. "It is getting harder to hide money", observed **Chris Leahy**. **Mark Francis** noted that in the UK today, financial scams take up regulators' resources but the old fashioned insider dealings and market manipulation are still to be reckoned with. "I often describe my role as unique and equal parts thrilling and terrifying", he noted. In Asia a lot of the big cases are driven by the US or the UK—for example, the Malaysian 1MDB case did not get on the world's radar until the United States' Department of Justice became involved. But the international dimension of financial crime and corruption can cause complexities, and there is often a political dimension.

There are certain characteristics unique to Asia. As **Chris Leahy** put it, "The difference in the Asia Pacific is not only that there's a lot of corporate corruption—which there is in every market—but it's exacerbated in a lot of Asian markets because there is an endemic corruption within the political social systems." He also noted that the small public float for a lot of companies in Asian markets means close control by a "small cabal, or group, or family". The lack of institutionalisation in listed companies has not changed much in decades. That said, there are common red flags which are often more obvious than you think. The consensus of the panel was to look at the small print in every company document, from IPO prospectus to financial statements.

Chris Leahy also advised reading company accounts backwards: "Sometimes the interesting stuff is buried in the notes… you need to look at this with an extremely sceptical lens". Access to information such as director details and ownership is often not as easy to access in Asian markets, nor is the incentive to take corporate disclosure seriously. That said, he felt it is too simplistic to generalise—"some companies in Indonesia and the Philippines do well on company disclosure".

Geopolitical tensions and different regulatory requirements add another layer of uncertainty for doing business, as do conflicting sanctions requirements. **Isabelle Scherf** noted that from an industry perspective, there are a variety of issues: what keeps her awake at night is geopolitics and sanctions and the results these can carry. This goes in hand with growing geopolitical tensions. There can be conflicting sanctions requirements, for example those seen recently in Hong Kong, and those in the US and the UK.

DAY TWO

Master of ceremonies **Jane Moir**, ACGA Head of Research, welcomed **Jenn-Hui Tan**, Global Head of Stewardship & Sustainable Investing at Fidelity International in London to make opening remarks at the opening of the second day of the conference. This was followed by two concurrent panel sessions on energy governance, and shareholder proposals.

Electric dreams

In the session, **"The governance of energy: It's electric"**, moderator **Melissa Brown**, Specialist Advisor at ACGA and Director at Daobridge Capital in New York, was joined by speakers **Marty Syquia**, Deputy Chief Financial Officer at ACEN Corporation based in Manila (by video); **Putra Adhiguna**, Energy Economics & Policy Specialist at the Institute for Energy Economics and Financial Analysis (IEEFA) in Jakarta; and **Toru Kubo**, Director of the Energy Division, Southeast Asia Department at the Asian Development Bank, Mandaluyong City (by video).

In a specialist and technical talk, the speakers covered the challenges of energy transition: decommissioning or repurposing high carbon emissions energy production, and pooling capital in renewables. Funding is pivotal to achieve any decarbonisation in the power sector, and there was discussion of the role played by the Energy Transition Mechanism ("ETM") framework which originated from the World Economic Forum.

Toru Kubo gave an update on the Asian Development Bank's (ADB) progress on developing the ETM framework. The goal is for Southeast Asian countries to retire coal-fired power plants before the end of their useful life. Feasibility studies have been carried out in Indonesia, Philippines and Vietnam. Although there has already been an initial ETM transaction in the Philippines done by ACEN, Indonesia is more advanced in pursuing a comprehensive ETM programme than the other two. Unlike the situation in Indonesia's Java-Bali grid which has excess power capacity, Vietnam is challenged by the need to meet rapid power demand growth and rather than decommissioning and retiring assets, it has put switching away from coal at the top of its agenda. Vietnam's renewable energy capacities are also growing fast. He also highlighted the importance of energy storage and grid enhancement in this transition. Meanwhile, market turmoil, rising inflation and higher interest rates have diluted the core value proposition of the ETM. "ADB has had to consider a higher share of concessional funding, which is hard." He added that carbon pricing will help bridge financial gaps.

From the corporate side, **Marty Syquia** described ACEN's transition progress from coal and thermal assets to renewables. Its top priority was to divest ownership in a 246MW coal-fired power plant in the Philippines by cutting its 50-year useful life by half, and decommissioning the plant in 2040. This would result in an estimated 50m tonne reduction in forecast CO2 emissions. The main challenges for ACEN were convincing investors this was an ESG investment rather than a coal investment, the tenure of the investment product, as well as negotiating financing terms a difficult interest rate environment.

Putra Adhiguna discussed Indonesia's challenges in the transition process. With many coal-fired power plants covered by long-term guaranteed power purchase agreements, a vertically integrated state-owned power monopoly, and overcapacity of coal (double to triple that of international standards), Indonesia faces challenges in making space for renewables. The policy work on the ETM framework has helped sharpen discussion on transparency and the independence of regulators. Debate is now going beyond the role of state finances, helping to establish a middle ground between politics and private sector finance.

Toru Kubo and **Putra Adhiguna** also stress that projects have to involve numerous government entities, and there is often conflict and confusion at the country or government level regarding who "owns" the decommissioning project, leading to unclear directives. **Toru Kubo** says stakeholder engagement is key, particularly in state-driven markets such as Indonesia and Vietnam.

That said, the energy transition process is underway and there is a will to make progress. Carbon pricing needs to be rolled out more consistently as this can help to pay for decommissioning. The message was that if countries want to attract foreign direct investment, transparency and a voluntary carbon market are increasingly important.

Indecent proposal?

A concurrent panel considered the highs and lows of filing shareholder proposals in Asia. **"Shareholder proposals in Asia: It's complicated"** was moderated by ACGA Head of Research **Jane Moir** and featured speakers **Sachi Suzuki**, Senior Stewardship Specialist at HSBC Asset Management in London; **Jaime Gornsztejn**, Director, Stewardship and Corporate Governance at Federated Hermes EOS in London; and **Peter Barnett**, Head of Asia Climate and Energy at ClientEarth in London.

The feedback from the panel is that shareholder proposals can play an effective and important role in stewardship but investors in Asia are faced with significant hurdles when filing shareholder proposals, both on paper and in action. These include legal and regulatory challenges, including the prospect of breaking vague acting in concert and proxy solicitation rules, and high thresholds required to file in the first place in many markets. There is also often a cultural and political element which may need careful navigation. It can also be difficult to find a good lawyer to help with the process in markets such as Japan and Korea, and companies may be deliberately or unintentionally obstructive, for example not disseminating the proposal materials to shareholders.

There are also practical costs, and investors struggle with reputational risk when filing shareholder proposals. They do not want to be seen as aggressive and focussed on the short-term. That said, **Jaime Gornsztejn** stressed: "Shareholder resolutions don't need to be seen as necessarily hostile, they can be seen as supportive of the company".

Peter Barnett noted that while shareholder proposals are not commonplace, they are being used more often in markets such as Japan and are not seen as a "nuclear option" or a tool of last resort. "I hope there is market recognition of the leadership role that certain institutional investors are playing in taking the lead in filing shareholder proposals."

Sachi Suzuki added that filers can face tough questions from companies: for example, asking why institutional investors are not engaging with governments or regulators. She suggested investors thinking of filing a resolution find a good lawyer: for example in Japan there are reams of paperwork in getting a resolution off the ground. Other advice given by the panel was to be clear about the desired engagement outcomes ahead of time, and to start the process early.

Success does not only come in the form of an outright win. Getting buy-in from a significant portion of minorities can send a strong signal to management and can lead to enhanced dialogue and change, even if the resolution is not passed. In addition, other companies have also responded surprisingly constructively when they feel they might be a target themselves.

Despite the challenges, the panelists all said they would not be deterred from filing resolutions in the future, with one of the panelists observing that the legal expenses in their first attempt amounted to a "knowledge building exercise" and would save the company costs next time.

China prospects

Our closing plenary considered the future of CG and risk in China. **“China – Risk on, risk off, what next?”** was moderated by **Yuan Yang**, Europe-China Correspondent at the Financial Times in London. She was joined by speakers **Nana Li**, Head of Sustainability & ESG, Asia-Pacific at Impax Asset Management in Hong Kong; **Natalie Cade**, Managing Director, Head of China 360 Research at UBS in Hong Kong (by video); and **Tom Miller**, Senior Asia Analyst at Gavekal Research, who is based in Oxford.

Natalie Cade shared insights from a recent virtual tour of several Chinese cities, taking the view that the economy and its outlook are weak. Consumer spending is still suffering from the pandemic, visible in the macro numbers and in bottom-up data. Income expectations are falling and even those not directly affected by lockdowns or layoffs are spending less. Young consumers particularly are saving more—as much due to lack of opportunity in locked down cities. Smaller cities, originally less affected, are also taking a hit.

The Covid slowdown has meanwhile been exacerbated by stress in the real estate sector. All metrics from housing starts to sales to land purchases have fallen and unemployment has risen. Urban youth unemployment was 20% in July 2022, heightened by the new graduate cohort. Sectors including tourism, catering, education and the internet are all seeing layoffs, with young consumers very concerned about job security. **Yuan Yang** later noted that the phrase “political depression” is doing the rounds among young professionals. Reform and opening up (*gaigekaifang*) may be over, and the mood is somber.

Nana Li considered China’s response to climate and ESG as an area where there has been progress, in the form of policies from regulators. These include dual carbon goals of “peak carbon by 2030, net zero by 2060”, China’s plans to help other developing countries go low carbon, common prosperity and fair distribution. The China Securities Regulatory Commission’s (CSRC) ESG reporting guidance is in the works, based on ISSB frameworks.

On the political front, she noted that recent Party Congress releases for the first time in 40 years included no mention of "political system reform". Since Xi Jinping's ascension to power, there has also been no reference to learning from foreign markets. While the US often talks about China, China never mentions the US directly even though it is obviously the source of a lot of the issues that China faces. Xi's anointment for an unprecedented third term might mean that he can now relax. However, the risk is that he ends up in an information vacuum with no one wanting to challenge him. This could lead to more extreme policies.

Tom Miller was blunt on the political outlook: "the (20th) Party Congress was deeply depressing." He noted that a rise in use of the term "security" seemed to be as much about reshaping global governance norms as internal security. China wants to be a global leader in the governance sphere as well as economic—a role it considers commensurate with its economic clout and great civilization. He identified the three goals of China as: protecting core interests (for example, national security); being the regional hegemon—the natural leader of Asia, without US encumbrances; and being a global hub of trade and investment and a leader of governance.

It is achieving this by creating bilateral ties for example, in Africa, and the Belt and Road initiative with its 149 members. Meanwhile, China has the UN in its pocket with help of Africa—human rights violation statements always get voted down. The BRI has shifted focus from pursuit of mega-projects with poor due diligence to more green initiatives while favouring private over state partnerships.

Regarding China's debt situation, there was discussion among the panel that policy has shifted away from growth at all costs to stable growth and common prosperity. One large risk is perhaps that a lot of property market bad debts are not yet showing up—they will. Meanwhile a rise in state-owned enterprise (SOE) influence is worrisome for China's economic dynamism. SOE reform has been around for 20 years under SASAC with little progress. Despite active engagement from bodies such as ACGA, it seems to be going backwards. Meanwhile, local governments are trying to provide more venture capital, providing finance without assuming control.