November/December 2023

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Property woes loom in China

As China's property market faces a long recovery, many observers are keeping an eye on how China is reshaping its economy.

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Vice President and Head – Treasury
Thomas Cook (India) Limited

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Question Answered

What do corporates in Asia want from transaction banks?

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Volume 11/Issue 6
November/December 2023

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© Treasury Today ISSN 1466-4224

Treasury Today is published bi-monthly (6 issues) by Treasury Today Limited Courtyard Offices • Harnet Street Sandwich • CT13 9ES • UK

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Treasury Today USPS: (USPS 023-387) is published bi-monthly by Treasury Today Limited, Courtyard Offices, Harnet Street, Sandwich, CT13 9ES, UK.

Subscription records are maintained at Treasury Today Limited, Courtyard Offices, Harnet Street, Sandwich, CT13 9ES, UK.

Responding to and driving change

While ensuring their companies have stability and continuity, treasurers also need to keep one eye on the future and be prepared to adapt to change that is coming their way. In this issue of Treasury Today Asia we profile a number of different situations where corporate treasury has responded to, and even led, change.

Corporate treasury led the way at Thai Union – the largest producer of seafood products in the world – by overhauling and centralising its function. In Sustainable Treasury, Group Treasurer Yongyut Setthawiwat explains how this also drove an integration of sustainability into the company.

Thai Union is an example of dynamic change, but sometimes things do stay the same. This is what banks are having to accept with the handling of physical cash, as the Back to Basics feature shows.

At the same time, the external environment can change dramatically – such as the pandemic – which forces treasury to adapt. In this issue's Corporate View, Amit Baraskar, Vice President and Head – Treasury, at Thomas Cook India details how his team had to respond to the pressures of Covid-19 when the tourism industry took a massive hit.

Baraskar points to the importance of being able to let off steam, even in the most stressful situations. This emphasis on mental health is now something corporates are taking seriously as they realise it is in their interests to ensure the mental health and wellbeing of their employees – and not something individuals should manage on their own.

Thomas Cook India has now bounced back stronger from the pandemic, but unfortunately the same cannot be said of China's economy. There has been much discussion about China's outlook – especially as it is crucial to the overall economy in Asia – and whether it has recovered from the woes in the property sector. It is slowly recovering – although not as fast as some would like.

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Property woes loom over China's recovery

The reliance of China's economy on the property sector has dragged down its post-Covid recovery. As the outlook for the property market improves, corporates – and other observers – are keeping an eye on how China is reshaping its economy, as well as wider issues that impact their business.

Who knew that an eyebrow pencil would be a measure for the state of the Chinese economy? Amid various economic updates and projections about China's recovery since the Covid-19 pandemic, it was one social media influencer's throw-away comment that gave an insight that no econometrics could.

When people complained that an eyebrow pencil was too expensive at 79 yuan (~US$10), influencer Li Jiaqi said that if people couldn't afford it, they didn't work hard enough. The backlash was instant, and the BBC reported how this hit a raw nerve among China's youth who are struggling in an economy that has stumbled since Covid.

Dan Wang, Chief Economist at Hang Seng Bank (China), says job losses have been a major issue and the worsening job security has been a source of anxiety in China. "The economy is in a very uncertain and depressed state, but it is still growing," Wang explains. "The Chinese economy is slowly recovering – it is not getting worse, it is getting better – but it is not getting better fast enough and people are getting worried because of that."

The World Bank's most recent projections highlight China's 'fading bounce back' from the re-opening of its economy since the pandemic and the weakness in the property sector, as well as high levels of debt as persistent issues. The World Bank projects that gross domestic product (GDP) growth will be 4.4% in 2024. This was a reduction from a previous estimate of 4.8% and is China's slowest growth rate in decades.

Likewise, S&P Global Ratings economists for Asia Pacific Louis Kuijs and Vishrut Rana cut their forecast for 2024 from 4.8% to 4.4%. For 2023, they cut their growth forecast from

5.24% to 4.8%. They explain that because government spending was less than expected in July, and exports slowed due to weak global demand, "China's post-Covid recovery has consequently lost steam. Industrial production growth has remained subdued. While consumer spending on catering, travel, and other services has remained robust, goods consumption has slowed." Despite the seemingly negative outlook, the S&P analysts write, "We don't think the outlook is alarming."

Commenting on data from the third quarter of 2023, Bruce Pang, Chief Economist and Head of Research, Greater China at JLL, says that China's recovery had regathered pace and was on a more secure footing, which was helped by consumers splurging over the summer. "However, it doesn't mean policymakers can take a breather. As the economy is turning into a soft landing from a slippery slope to the recession, new remedies should be used to cure the déjà vu: unbalanced recovery; doldrums, and weakened growth," Pang tells Treasury Today Asia.

Pang adds that the government has lately signalled a pivot to a more 'pro-growth, pro-business mindset'. "The key policy priority will be how to boost domestic demand. In the most optimistic scenario, the government will engineer a gradual transition to slower growth with more balanced development across sectors," Pang says. "The key is to maintain the shape and pace of the economic recovery so that companies are willing to continue investing and residents are willing to continue consuming, forming a virtuous cycle and a balanced recovery. Fiscal and industrial policies rather than monetary stimulus would be needed to keep the recovery on track – just not 'big bang'-style policy spurs, but in a gradual and persevering way. It will take time for recent policies and measures to take effect and to improve housing sales and eventually, property investment," Pang explains.

It is the property sector that has been the source of many of China's woes and has been very visible to investors and China observers. The S&P Global economists note that the property downturn has weighed on China's growth. "With house prices falling again, the property downturn has also affected already weak consumer and business confidence. The downturn has also squeezed local governments' spending amid weak land revenues and financial strains."

In September 2023, analysts at Fitch Ratings said that the housing market hadn't stabilised, as was previously hoped, and they predicted that new sales could fall by 20%. They noted the importance of the property sector overall to China's economy: "Housing is a third of investment and 12% of Chinese GDP and has strong multiplier impacts on the wider economy."

With home ownership accounting for a substantial portion of people's wealth, Chinese people are now poorer as the value of their homes has slumped. Alicia Garcia-Herrero, Chief Asia Economist at investment bank Natixis, was quoted by the BBC as saying, "In China, property is effectively your savings. Until recently, it seemed better than putting your money into the crazy stock market or a bank account with low interest rate." It was expected that consumers would ramp up their spending after being released from Covid lockdowns, but this – because of the drop in property values – didn't happen.

A visible sign of the problems in the sector have been with Evergrande, the property giant that has been on the brink of collapse, and whose problems continue to put it in a state of crisis. It was late on its debt repayments in 2021 which, because of its size – with debts of US$300bn – sparked fears of a wider crash. This occurred after the central government's 'three red lines' policy (which capped debt ratios to cash, assets and equity) that sought to rein in the borrowing of property developers and prevent the sector from overheating.

Since then, the property market has slumped, and now there are signs of recovery. S&P Global Ratings, in its 'China Property Watch' report expects there will be a slow recovery in 2024. S&P Global primary credit analysts Ricky Tsang and Esther Liu write that China home sales will remain low, with China property sales for 2023 dropping an estimated 10% to 15% and 5% in 2024. "The good news for China's property developers is that a bottom is in sight," the analysts write. "The bad news is that the sector will likely bump along this floor for years."

Tsang and Liu expect to see a difference in the recovery between the first-tier cities, which are supported by the government's policy. Meanwhile, "Lower-tier cities are contending with excess supply and depleted confidence," they write. They also note that there will be a divergence between the state-owned developers – which have been focused on upper-tier markets – and the private developers, which are struggling to borrow particularly as a number of developers (not just Evergrande) have missed repayments on their debt.

S&P Global puts the property sector in context by dividing up recent history into three phases. They argue that China's property market is reverting back to the sales levels of its 'stable' period. They divide the history into three stages, with the first being 2009-2015 – its stable period – which followed the global financial crisis. Phase two was a bubble, which lasted between 2016 and 2021. And the current phase is from 2022 to the present day, which began with the government's intervention and 'three red lines' policy that put developers on a 'debt diet'. The analysts write: "The lesson for us is that policies come and go, and sentiment ebbs and flows. But the relatively drama-free first period is perhaps the mean to which things will ultimately revert. We view it as a kind of baseline."

Peter Alexander, Managing Director of Z-Ben Advisors, who has been in China for over 30 years, has witnessed many vicissitudes in the Chinese market. "I view this as yet another cycle, but I do believe it is an important cycle," he says. For long-time China observers, there have often been predictions of a property market crash and the economy subsequently imploding. This – despite the numerous predictions through various cycles – still has not happened, and Alexander credits China's policymakers with having the judgement and control to prevent this from occurring.

For international observers looking in, China's economy can be an emotive topic, says Alexander, and the views of the current situation can be quite polarised. At one extreme there are people with views that are all 'doom and gloom' and fear a massive crash because of the size of China's economy. At the other end of the spectrum are people who are overly enthusiastic about the opportunities of China as the world's second-largest economy.

The current cycle, Alexander explains, is linked to a broader shift in the nature of China's economy. The central

> When I talk to clients, I explain that China is not nuanced – it is just simply different, and critically so.
>
> Peter Alexander, Managing Director, Z-Ben Advisors

government is intentionally moving away from the previous economic model where growth was prioritised over other considerations, which is not sustainable, and is now charting a different course. Alexander says that China's policymakers are trying to wean the economy off its reliance on property, infrastructure and exports and towards consumption. This, Alexander adds, is one of the most consequential economic shifts to take place in China.

As with any economic planning, it is unclear whether it will be successful and there is a certain amount of anxiety that comes with weaning off one thing and relying on another. Looking to the future, one thing that people will be keeping an eye on, says Wang at Hang Seng Bank (China), is what China will choose to rely on instead of property. "A natural question is what will replace property given that it has been the key pillar of China's growth for 30 years – it has accounted for at least 20% of GDP." Wang argues that consumption alone will not be enough to replace the reliance on property, and infrastructure also won't be enough.

One promising sector is the electric vehicle (EV) supply chain. At the moment, Wang estimates that this accounts for 2% to 3% of GDP. If this industry grows at the current rate – which is currently in the double digits – then it could account for at least 15% to 20% of GDP by 2035.

This echoes the view of ANZ's Group Executive, Institutional, Mark Whelan who said in an interview with CNBC that he is still optimistic – and also cautious – about China's economy. The property sector and level of government debt are significant issues, but he said he expects them to be resolved within two years. Like Wang, he also looks to the future and sees the potential of China's focus on sustainability and its EV market. He notes that China is the biggest car exporter in the world (after recently overtaking Japan) and is a leader with its EV batteries – for export as well as domestic use – which will provide opportunities for China's economy in the future.

For corporate treasurers, and others who are doing business in China, it is one thing to keep an eye on such predictions and monitor the economic updates, but there are other pertinent issues that affect their ability to do business in China. Aside from the economic forecasts – and whether companies are optimistic or pessimistic about China's recovery – many multinationals view China through the lens of how they can do business there. The realities on the ground, Alexander explains, mean that many foreign executives don't have an appreciation of how to run a business in China. "When I talk to clients, I explain that China is not nuanced – it is just simply different, and critically so," says Alexander.

One issue is that organisations are "immensely calcified in terms of their ability to operate in different markets", says Alexander, which can make operating in China a challenge. He has observed many cases – particularly in financial services – where companies expect to plant their global business processes and platforms into China and run things as they do elsewhere. This kind of approach, however, often does not succeed in China, says Alexander. Multinationals have a way of operating, but they need to know how to adapt on the ground when they do business in China. Often those that will attempt to simply import their global practices and platforms will most likely be unsuccessful – not in the sense of failing completely – but having to change the way they operate.

This issue has come to the fore with multinationals that have taken advantage of a recent rule change that now allows them to be wholly-owned foreign enterprises (WOFE) in China. Previously, if a foreign company wanted to enter the market, its ownership was capped and it would have to enter into a joint venture with a local company. Since the rules came into effect in 2020 a number of financial services companies have taken advantage and established WOFEs. J.P. Morgan, for example, in 2021 received regulatory approval to be the first foreign-owned brokerage in China.

However, for companies that were previously in joint ventures and have now gone it alone, it has not been plain sailing. One issue that such foreign companies have found, comments Alexander, stems from the fact they are now representing a multinational on the ground and are no longer operating as a separate standalone joint venture. The nature of internal accounting at multinational corporations means that various enterprise functions – such as human resources, IT, risk and compliance, which provide services to the Chinese entity – have cost centres that are billed to them. For newly formed wholly-owned foreign companies in China, this means their costs have shot up and local management in China have no control over these internal expenses. "Their cost centres and structures are blowing out," says Alexander, and this has had an impact on their profit margins now that these entities are wholly owned companies and not independent joint ventures.

Wang comments on other issues that foreign companies are focused on when it comes to China's economy and future direction. Many are not just concerned with the economy and looking at the opportunities, but also the wider geopolitical situation, says Wang. In particular, there are concerns about the US-China relationship and a continued trade war. Also, the EU-China relationship has come into focus and there are concerns how potential anti-dumping action could impact China's ability to export to Europe – particularly its EV sector – which it views as a major export market, says Wang.

With issues such as these, many are taking a longer-term view of China beyond the current woes of the property sector and the downgraded growth projections. With signs of a slow recovery on the way, it still remains to be seen whether 79 yuan will still be too expensive for an eyebrow pencil. ■

standard chartered

Hariharan Subramanian

Senior Treasury Manager

Headquartered in the US, Cognizant is a multinational information technology services and consulting company. The Nasdaq-listed firm has over 345,000 employees and reported revenues of US$19.4bn in 2022. Cognizant has operations across APAC and a treasury team which operates from Kuala Lumpur, Malaysia and India.

Cognizant's in-country payments in China were managed manually by local finance teams, impeding visibility over cash and making it difficult to forecast future cash flows. The solution: working with Standard Chartered Bank to create a domestic cash pooling solution with host-to-host ERP integration.

Problem…

Cognizant has multiple registered entities and branches across China. As Senior Treasury Manager Hariharan Subramanian explains, "All our in-country payments – including vendor payments, travel and expenses and payroll – are managed manually, in the sense that they are directly initiated by our local finance team via a bank portal."

This situation resulted in a number of challenges. Without clear line of sight of daily cash collections, the treasury team found it difficult to forecast cash flows accurately, hindering effective working capital management and impacting payments to vendors. At the same time, manual end-of-day reconciliation processes led to an increased workload – and there was also an opportunity cost relating to yield on account balances.

In other countries in the region, the company's payments and cash flow management are managed by the central treasury team. As such, the treasury team wanted to address the arrangements in China and bring these activities under the umbrella of the central treasury. "This would reduce the work of the local finance team and enable them to concentrate on their own core work, instead of spending time supporting treasury," added Hariharan.

However, local language practices made this a challenging undertaking. As Hariharan notes, "We don't have language expertise in the treasury team – we are dependent on the local finance people for this."

…Solved

To create a solution, Cognizant's treasury team approached Standard Chartered Bank, which is the company's partner bank in China and has an extensive branch network in the country, as well as supporting Cognizant across Asia, Africa and the Middle East. "Standard Chartered supports all our markets across the China provinces, and they have the facilities and systems in place to handle all our requirements," notes Hariharan.

The result was a structured liquidity management solution, including a domestic cash pool and host-to-host connectivity with Cognizant's ERP system, which has been developed in-house. Daily and monthly sweeping reports provide a consolidated view of the company's cash positions, while the company also benefits from timely updates on its intraday cash positions. The concentration of funds has enabled the company to earn higher interest on its cash balances. At the same time, the use of segregated concentration and disbursement accounts has resulted in better control over Cognizant's payment flows.

As part of the solution, the bank provided a bespoke mapping tool to help the treasury team centralise its payment and cash flow management activities into the central treasury. "Standard Chartered recommended that we needed to assign alphanumeric codes in our system in an ISO XML file, and in parallel register the beneficiary details such as name and bank together with that code in Standard Chartered's portal," says Hariharan. The local finance teams helped to register around 2,000 beneficiaries as a one-off exercise.

Consequently, when a payment is made to a beneficiary, the corresponding vendor code is now transmitted from the global payments team in India to Standard Chartered Bank in China using the company's existing host-to-host connectivity. "Standard Chartered's system will then look for the code and pick up the beneficiary details registered in the local language," Hariharan explains.

"This solution automates the entire payment process, including reporting and retranslation. So we were able to move away from the manual process of uploading payments through our local finance teams."

Standard Chartered supported the transition with local expertise from China and helped to coordinate the local finance and centralised treasury teams. Looking forward, Hariharan says the solution is scalable and will be able to gain control quickly of any new acquisitions in China. In addition, the positive implementation experience could provide an opportunity to replicate the solution in other markets in the future. ■

Corporates shift gears with mental health

Working remotely, changing expectations and greater awareness all mean that organisations are doing more to ensure the good mental health and wellbeing of their employees. However, stigmas remain and there is still plenty more that corporates could be doing.

Good or bad, it's something we all have – whether we are aware of it or not. Mental health is something many individuals are better at managing, and now organisations are paying more attention to what they can do for their employees.

Although there is still a stigma surrounding mental health, corporate attitudes are changing. Alistair Carmichael, Expert Associate Partner, People and Organizational Performance Practice and McKinsey Health Institute leader at McKinsey, comments there has been a real change in recent years. "The conversation today is different to what it was five years ago. Today, organisations increasingly recognise the importance of addressing mental health as a critical component of overall wellbeing, benefitting both employees, employers and society at large," Carmichael tells Treasury Today Group.

Carmichael adds that the pandemic – and its accompanying growth in remote and hybrid working – has driven some of the change. He refers to research by the McKinsey Health Institute that found that in the UK, 27% of employees reported experiencing burnout symptoms in 2022. "Many employers responded by investing more into mental health and well-being than ever before. Across the globe, four in five HR [human resources] leaders report that mental health and well-being is a top priority for their organisation," Carmichael says.

The pandemic accelerated a growing awareness of mental health, says Bernie Wong, Principal and Senior Manager of Insights, at Mind Share Partners, a non-profit in that US that is focused on workplace mental health.

At the same time there has also been a shift in attitude on the part of employees, who are now re-evaluating their priorities after the pandemic, which forced them to work differently. Wong comments on the other issues they face: "Workers are struggling with costs of living, income inequality, layoffs, forced returns to offices, and still a lack of autonomy, flexibility, and work-life balance," all of which is driving a shift in their relationship to work.

What's more, organisations are expected to be providing an environment that is conducive to good mental health and wellbeing – and the younger generation that is coming into the workforce expect it. Frank Ng, Vice President of Marketing for Intellect, an Asian mental healthcare company that provides access to coaching, therapy and a self-care app, comments that most 20-year-old to 40-year-olds expect a company's employee value proposition to include mental health wellbeing and support, he says.

Mental health in Asia

Although the younger generation are putting a different emphasis on mental health, and making greater demands of their employers, there are some trends in Asia that make the handling of mental health different from other regions. Quintus Lim, Associate Director at the Milken Institute's Asia Center and author of the 'Framing the Issues: Digital Mental Health in Asia' report, comments, "Stigmas and lack of awareness are very strong across Asia, including developed countries." One issue is a generational divide between the younger generation and their elders who typically grew up poor. "Diligence is identity, whether or not one derives purpose and fulfilment. This can create a lack of sympathy towards the younger generations, exacerbated by superstitions and their own lack of education," Lim explains. The upshot of the stigmas and lack of awareness is inadequacy, he says, with long waits for brief consultations.

The cost and speed of mental healthcare are problems that Ng and his colleagues at Intellect are solving. "If it is affordable it can take a long time to get an appointment with a psychotherapist. Or if an instant appointment is possible, it is extremely pricey," he tells Treasury Today Group. Intellect tackles both of these problems at the same time, he comments. The platform can be incorporated into a corporate benefits scheme and opens up new standards of access, such as same week appointments with fully-vetted counsellors. "We want people to get help as fast as they need it – if you are in crisis you cannot wait," Ng adds.

Solutions to Asia's mental health problems are possible because of the technology that is now available. Ng argues that the nature of the problem has not changed – the need for mental healthcare was always there – even before the pandemic local institutions in Singapore, for example, were overwhelmed. "The problem has always existed, but the attitude from employers has changed – before they viewed this as something that the employee could deal with themselves. Now they're more likely to think 'I am providing physical health medical benefits, why not mental health?'," Ng says.

A Big Brother solution?

With the shift to companies – rather than only individuals – taking action with mental health, it raises the question of whether corporations are going too far? Is this a bit too much like Big Brother, where an all-powerful entity watches and

controls every move – and even every thought? Should mental health be the concern of companies and not just individuals? McKinsey's Carmichael thinks it should be. "A mentally healthy workforce is more productive, creative and better engaged. When organisations prioritise mental health and leaders role model genuine care, productivity and performance are boosted," he says.

Wong comments on the connection of work to mental health, and the role that employers have taken: "Historically, employers approached mental health as an individual health issue. 'We'll connect you to therapy, we'll give you a meditation app, we'll even throw in some days off to help you figure out your mental health issue', without understanding the core foundations that underlie mental wellbeing – that is, work itself." Wong at Mind Share Partners adds: "Work itself determines our mental wellbeing. So much of our lives are tied to work – our salaries, access to healthcare, how we schedule our days, our life education and life aspirations. Burnout itself is fundamentally rooted in poorly managed working conditions and work culture as defined by the World Health Organisation."

When companies have attempted to address mental health issues with certain benefits or services, they often haven't been used because of stigmas and discomfort about the prying eyes of their employers into their personal thoughts and feelings. Lim at Milken Institute comments that one of the issues in Asia is the low uptake of programmes that employers have traditionally offered. "Employees avoid employee assistance programs to avoid detection – the uptake was in the single digits," he says.

On the Big Brother question, Ng comments that is linked to a dilemma that organisations have faced in the past. He explains that traditionally many organisations have had in-house psychologists to help their workforce, for example in hospitals, or the aviation industry. However, doctors or pilots may be unwilling to seek support during a work crisis when the professional is a fellow colleague – they may fear being recognised or their confidentiality being breached. For that reason, many companies now are keen to establish such services through a third-party provider, says Ng.

Action for corporates

Even when companies do put programmes in place, it can be difficult to get their employees to use them. This is in part due to the stigma surrounding mental health and the unease that managers have discussing it, and the reluctance of employees in bringing it to their attention. Also, some employees may not be aware that the services exist. There are many steps, however, that organisations can take to improve the mental health and wellbeing of their employees.

When it comes to improving access to services, Lim offers some recommendations to organisations. Lim comments that there are a number of things that large companies can do to improve the wellbeing and mental health of their employees. He says the 'look and feel' matters if wellbeing initiatives are being wielded as a competitive advantage. "Does the space feel safe to employees? Are they perceiving privacy and anonymity?" Lim asks. Also, he advises companies to "obey the spirit of the intervention". He has more questions that organisations can ask themselves: "Are wellness sessions held on company time, or are employees made to wake up early/work overtime afterwards? Have effective steps already been taken to reduce overwork? Are employees convinced these efforts are sincere?"

Wong believes that a back-to-basics approach is necessary. "Therapy is table stakes. Perks are exactly that – simply perks. To truly shift our growing mental health crisis, we need core, human needs addressed, like liveable wages, protection from harm, and a voice for workers. We need safety and support around mental health. And we need healthy, sustainable cultures of work," he says.

Also, it is important for employers to be focused on solving the right problem. "I've seen employers provide meditation booths for workers who don't have the time to use the bathroom," says Wong.

Wong argues that companies should prioritise two things, the first of which is a culture of safety: "The ability for someone to not only share and seek support should they experience a mental health challenge of any kind, and also show up as their genuine, authentic selves. That includes conversations around mental health stigma and around identity, equity, inclusion and belonging." The second priority, says Wong, is a healthy and sustainable culture of work – which is where most companies fall short. "This means true work-life balance or integration. Autonomy, or the ability to self-determine, the where, when, and how of work, along with flexibility. And this also means recognition for the work you put in, fairness around work practices, healthy communication practices and more," he says.

He also adds that employers need to stay the course on diversity, equity and inclusion. He points to studies conducted by Mind Share Partners that found that historically marginalised identities at work faced worse mental health outcomes, were more negatively impacted and less supported by their workplace, and, as a result, less engaged.

Ng at Intellect also points to the need for organisations to consider all types of workers when they offer mental health services and not marginalise their employees. Benefits should be available to everyone not just full-time employees or more senior white-collar workers. Part-timers, contract staff and others should all have equal access to the services, Ng says.

Where companies do offer services and programmes, Lim at Milken Institute says it is important for their effectiveness to be monitored and outcomes being measured. Carmichael at McKinsey also says it is important to improve how employee health is measured and says organisations should regularly engage employees and measure mental health to get a real-time snapshot of employee wellbeing.

Also, Carmichael says, "A one-size-fits-all approach doesn't work. Organisations need to prioritise foundational levels of support and provide tailored assistance for individuals. For example, a simple but effective way of doing this is asking employees what support would help them."

As well as this, there are plenty of opportunities for leaders to drive material change, Carmichael says, such as effectively addressing toxic behaviours. This involves "taking the courageous step to take an honest look at your workplace behaviour and cultivate supportive, psychologically safe work environments." ■

A bigger catch: Thai Union charts the rewards of sustainability

Thai Union, the world's biggest tuna producer, has integrated sustainability throughout the company in a process largely driven by the company's overhauled and centralised treasury function. Yongyut Setthawiwat, Managing Director, Group Treasurer charts the company's sustainability progress and explains how it links to the bottom line.

Since 2015, Thai Union, the biggest tuna processor in the world and owner of household brands like John West and Chicken of the Sea, has spent US$100m on sustainable investment. In 2023 the company committed to spend an additional US$200m by 2030. "That's quite a lot considering our 2022 net profit is about US$200m," says Yongyut Setthawiwat, Managing Director, Group Treasurer, for Treasury and Finance Shared Services at Thai Union Group, speaking to Treasury Today from the company's Bangkok headquarters.

Thai Union's sustainability strategy rests on a conviction that policies like the traceability of its tuna catch to certified fisheries, detailed processing data and carbon reduction targets, will give its products a competitive edge that differentiate the company from rivals. European customers particularly demand traceable tuna requiring vessel quotas, monitoring systems and full disclosure around processing.

"Sustainability is no longer just an option for companies. It has become a way to do business globally. Committing to sustainability has already opened new opportunities for Thai Union and will continue to do so, helping drive the growth of the business," says Setthawiwat who has played a pivotal role in the company's sustainable transformation is testimony to both treasury's ability to enforce sustainability and strategic treasury in action.

Thai Union's treasury function is complicated by decades of acquisitions in a concerted growth strategy. It began in earnest in 1997 when the company acquired the third largest canned food brand in the US. A raft of subsequent purchases spanning the USA, Norway, and Vietnam amongst other countries has included factories, consumer brands in key markets, pet food operations, and health and wellness products. Since 2021, the company has focused its acquisitions on food tech, investing in incubators and trends in the food industry. "These acquisitions will help future proof the business," he says.

The steady expansion has run in lockstep with transformation in Thai Union's treasury function in a process that was also accelerated by Thai regulation. In 2015, the company restructured treasury, setting up a headquarters and global treasury centre in Thailand supported by two regional treasury centres in the US and Luxembourg (which moved from France) to realise tax benefits introduced by the Thai government to attract MNCs to the country.

New systems included cash pooling and an in-house bank to serve the company's daily liquidity needs. "Money flows back and forth automatically so that if a subsidiary has a surplus the money comes back to Thailand and if a subsidiary needs money it flows from the centre," says Setthawiwat. In 2015 the company also refinanced all its euro and dollar long-term financing replacing all these separate loans with finance from the company's headquarters in Bangkok. Today the company provides all the financing its subsidiaries require in their local currency, hedging the risk with an inhouse programme that locks in costs and avoids the impact of FX movements. The same strategy also allows the company to manage interest rate risk – for example over 72% of the company's interest rate debt was fixed before interest rates climbed higher.

Thai Union's centralised treasury has played a pivotal role in facilitating Setthawiwat's ability to drive sustainability throughout the company. Around the same time as Thai Union set up a new global treasury centre in Bangkok (2015), the company launched its SeaChange® strategy. Now in its second and third iteration it targets 2025 and 2030 goals around 10 Sustainable Development Goals (SDGs) through 11 interconnected ambitions.

Initially much of Thai Union's sustainable push was driven by regulation, admits Setthawiwat. Thailand was downgraded in 2014 to Tier 3 in US TIPs (Trafficking in Persons) report, the US Government's principal diplomatic tool to engage foreign governments on human trafficking, jeopardising the company's and the country's ability to export to the US. "We weren't doing anything wrong as a company, but we had our operations in Thailand and we realised that if we didn't change, we wouldn't be able to export to the US," recalls Setthawiwat.

It marked the beginning of the company working with the government to develop standards, particularly around labelling and new systems to support catch numbers and vessel movements that would put the company and Thailand's wider seafood industry on a par with developed nations.

These efforts also aligned with European IUU regulation (illegal, unreported and unregulated) that applies to all vessels sailing under any flag in all maritime waters. "In a way, legislation was being used as a trade barrier," he reflects. "But we also needed to admit that as a country we had a real problem if we didn't solve could impact our future. We are the largest tuna producer in the world, and we needed to lead the change."

The company's sustainability endeavour also means it is now ahead of competitors en route to net zero. Thai Union currently targets a 42% reduction in Scope 1, 2 and 3 emissions by 2030. Other targets include extending its responsible wild-caught seafood commitment to mackerel and sardines.

Elsewhere Setthawiwat is exploring different ways to reduce its Scope 3 emissions focused on exploring how to engage all its suppliers in a low carbon roadmap. Early analysis includes exploring the benefits of a sustainable supply chain financing programme with embedded KPIs, he says. "We don't differentiate with our pricing yet, but we are exploring how we can support our suppliers around sustainable working capital financing and are working with our banks."

Thai Union itself benefits from being in the supply chain of other groups. Like Walmart's supply chain finance programme that enables it to tap discounted financing by reducing its carbon footprint.

Cheaper borrowing

In 2021 Thai Union became the first company in Thailand to issue a sustainability linked bond in a process that involved new treasury processes like justifying which KPIs to target and educating investors. All new issuance in 2024 and 2025 will be blue finance attached to KPIs picked from 11 commitments in the company's 2030 targets. Setthawiwat estimates treasury will pick three to four of the 11 following discussions with its banking partners and says KPIs will also be selected according to their materiality, the ability to collect data and verification, and benchmarking processes. "As well as talking to our banking partners we will gather third-party opinion and talk to the sustainability team before we go to market. It's important that treasury and sustainability are truly linked."

In one important evolution of strategy, treasury no longer ties sustainable-linked borrowing to a specific project or issue. "We found it challenging keeping track of these multiple, often small projects, that only required a small investment," he says. Now, all blue finance is tied to KPIs linked to SeaChange® ambitions and targets which the treasury team can monitor and verify in its quest for lower borrowing costs. "This is a better way to borrow and allows us to really commit to the KPIs."

For example, the KPIs in the company's existing blue borrowings commits the company to coming in the top ten of food companies listed in the Dow Jones Sustainability Index – Thai Union is currently listed in the DJSI for the ninth consecutive year and is ranked number one in the food products sector of the index – and to reducing Scope 1 and 2 carbon emissions by 4% annually.

A third KPI enshrines the company's commitment to buying tuna from vessels that have on-the-water monitoring including electronic monitoring facilities, so the company knows exactly what happens on the boat. To date, meeting these targets has reduced the cost of borrowing by between 5-12 basis points. It has also opened the door to a larger cohort of investors who are focused on sustainability enabling the company to realistically plan for 75% of its long-term finance which will be blue finance by 2025. It's part of a strategy to capitalise on favourable pricing and conditions as banks increasingly focus on sustainable finance in line with their own lending targets. "By being first we can better access that pool of investment. By comparing Thai Union to other companies that don't have our level of sustainability, we have more marketing power."

Advice to others

Setthawiwat's key advise to other treasury teams positioning to lead on sustainability is to ensure strategy is supported by a robust programme with clear KPIs to hook onto. "It mustn't just be a PR exercise," he warns. "Otherwise, the finance function can't align with the targets, and it becomes too challenging for banks and investors to engage. If you are committed to a real programme, it makes it easier to talk to banks and investors." He also counsels on the importance of treasury nurturing a "deep understanding" of a company's sustainability objectives and the underlying importance of sustainability to the future of the business.

Setthawiwat notes Thai Union's size has impacted strategy, making integration more challenging given treasury must monitor progress and disclosure across global operations – for example, each one of the company's factories has the same greenhouse gas target. He concludes that having sustainability endorsed from the top has been central to strategy success. "Our CEO is Chair of our Sustainable Development Committee. It reflects our belief we can extract an opportunity from sustainability and we are now seeing recognition of what we have done from around the world." ■

ESG trends in Asia Pacific

Kamran Khan, Managing Director, Head of ESG for Asia Pacific, Deutsche Bank

We support our clients who issue all kinds of ESG related debt including SDG-linked and green bonds as well as green loans where we mostly come in as structuring advisor – anyone can bring money. If we are marketing a sustainable corporate bond to investors, we help the corporate with targets and frameworks. Elsewhere we offer corporates a variety of ESG-linked derivatives that include tools like currency hedges. The structure comprises an ESG commitment against the pricing of a hedge, and it's a very effective tool. The pricing is instantaneous so if a company doesn't reach the ESG target, they pay the price immediately. We have seen that the trading side of a corporate treasury division is very sensitive to losing money in this way, and corporate reputations can quickly get damaged, so the instruments commit the issuers in very meaningful way.

Our centre of excellence out of Singapore is also involved in due diligence linked to M&A activity supporting Asian acquisitions by MNCs. The process works the other way too. For example, an Asian company acquiring a listed European business will need to brush up on sustainability for consumers, investors and regulators and these companies might consider doing transactions to improve their profile.

We are seeing new sustainable manufacturing facilities spring up in countries like Vietnam. Almost 50% of global sourcing and manufacturing happens in Asia. The sales of MNCs are now also increasingly shifting towards Asia. We need to find a way to incentivise emerging nations to keep going up the ESG ladder because no amount of recycling in the west will save the planet if Asia does not join the global sustainability movement.

We also advise clients on the transition. We think about the transition in three layers. First, the asset mix – any new investments should be transformed into cleaner businesses. Next, it requires a focus on existing operations and what companies are doing to make them efficient and clean. Third, corporates look at who they sell to and who they buy from to clean up their supply and distribution chain.

One of the most important league tables shows the top global banks financing fossil fuels around the world. We want to be as low as possible on that list. We are currently at 24 and our position is continuing to improve.

Discussions between developed and emerging economies have focused on the extent to which rich companies will pay climate reparations to poor countries, but now the debate has moved on.

Fast emerging economies want access to markets and rules of the games they understand. For example, India wants to know how green steel is defined – does that mean it is only made from renewable energy, or does it depend on a technical formula based on patents that belong to companies in Europe? These countries are worried sustainability is going to be used as a trade restriction. It's a similar issue with plastics. The definitions and sustainability standards of many economic sectors were originally identified in the EU ESG taxonomy and other EU regulations.

Emerging markets were neither at the table nor were the ground realities of emerging markets considered in the analysis. The fast-emerging markets such as Brazil, India and China are now increasingly at the key tables, and they don't want the global sustainability standards developed without their involvement in the process.

Bouncing back and beyond

Amit Baraskar
Vice President and Head – Treasury

Set up in 1881, Thomas Cook (India) Limited (TCIL) is the leading omnichannel travel company in the country offering a broad spectrum of services including foreign exchange, corporate travel, meetings, incentives, conferences and exhibitions (MICE), leisure travel, value added services and visa services. It operates leading business-to-consumer and business-to-business brands including Thomas Cook, SOTC, TCI, SITA, Asian Trails, Allied TPro, Australian Tours Management, Desert Adventures, Travel Circle International Limited, Sterling Holiday Resorts Limited, Distant Frontiers, TC Tours, Digiphoto Entertainment Imaging (DEI), Go Vacation, Private Safaris East and South Africa and Luxe Asia. As one of the largest travel service provider networks headquartered in the Asia Pacific region, The Thomas Cook India Group spans 28 countries across five continents.

India has bounced back from the Covid pandemic, and Amit Baraskar and his team at Thomas Cook (India) Ltd have also emerged stronger from the experience. In this interview he discusses the importance of having good mentors, the nature of his recent personal growth, and why his team are like modern-day superheroes.

Although Leicester and Loughborough in the UK are only 11 miles apart, a journey between the two has become legendary since Thomas Cook took a group on a train trip in 1841. This tour was the genesis of his travel company, which was founded in the 1860s and expanded to India in 1881. Since then, the company that bears his name has witnessed a massive growth in travel, with the industry modernising and globalising as millions of people ventured to far-flung places.

Only a few years ago it would have been unimaginable that all of this would grind to a halt. Yet that is exactly what happened during the pandemic, and in 2020 even the journey between Leicester and Loughborough would have seemed impossible.

India, like many other countries, went into lockdown in March 2020. And the economic impact was immediate. In crisis times like these, "Travel is the first to take a hit," says Amit Baraskar, Vice President and Head – Treasury, Thomas Cook (India) Limited (TCIL). And for a company that is firmly planted in the travel industry, the company was hit hard, and its treasury team had to pull out all the stops to ensure that the company could continue to operate in such a tough environment.

For Baraskar and his team, the pressure was on. The situation they found themselves could be likened to a movie plot where the team must band together to face an external threat and challenges that seem insurmountable.

Impact of Covid in India

India was hit particularly hard by the pandemic and had one of the highest numbers of fatalities in the world. According to official figures published by the World Health Organisation, the number of deaths from Covid stands at 532,000, although some news reports suggest the figure could be far higher.

As well as the human tragedy that Covid brought, the country also suffered the economic impact as it went into lockdown. Earlier, in 2019, India's Prime Minister Narendra Modi had laid out his vision for India to become a US$5trn economy by 2025. "Covid shattered that dream," comments Baraskar. Despite this, however, "We bounced back very fast," and now India is back on track to achieve that goal.

Likewise, TCIL also recovered. After experiencing a dramatic decrease in its business – as travel dropped to near zero levels – the company has bounced back. And in some respects, the company has bounced beyond where it was pre-Covid.

Getting the rating back

One of the issues that Baraskar faced during the pandemic was the company's credit rating. Given the dramatic drop in travel, CRISIL – the Indian ratings agency that is a subsidiary of S&P Global – had downgraded TCIL. Baraskar was part of the team that worked hard to ensure the company did what it needed to get its rating back to where it was before the pandemic. Recently, in October 2023, it was announced that CRISIL had upgraded TCIL to AA-/Stable for its long-term rating and A1+/Stable for its short-term rating. CRISIL noted in a statement that, "The upgrade in ratings reflects better-than-expected scale-up in revenue and expectations of the same being sustained over the medium term supported by revival in demand post pandemic induced disruptions over fiscals 2021 and 2022 and structural reduction in cost resulting in better margins and return on capital employed."

Baraskar notes that the ratings upgrade also came as a result of stability in the senior management at TCIL – which has remained unchanged throughout Covid. Also, TCIL enjoyed the support of its parent company, Fairfax Financial Holdings, which was founded by Indian Canadian billionaire Prem Watsa. In March 2021, TCIL received a Rs.436 crore (approximately US$60m) infusion into the company, which has since been converted to equity.

These days, Fairfax Financial Holdings holds 72.34% stake in Thomas Cook (India) Ltd. (TCIL is an independent and separate company from the UK-based Thomas Cook Plc, which sold its stake in TCIL to Fairfax in 2012.)

Baraskar points to how TCIL has recovered in a number of segments, showing healthy growth – with an EBITDA [earnings before interest, taxes, depreciation and amortisation] of US$18m compared to US$7m for the same quarter the year before in June 2022. This is a clear indication of how the business has bounced back since the days of the pandemic – even bouncing beyond.

The foreign exchange business, for example, is now 106% of what it was before the pandemic; meanwhile the destination management services are 104% of what they were, while resorts are 149%. Such healthy results come with a virtuous circle; now the company has had a ratings upgrade, it has cheaper access to funding, which in turn improves its margins further.

Priorities during Covid

During the pandemic, one of Baraskar's key tasks was to maintain the company's banking relationships and ensure their ongoing support, which his team was able to secure. He notes that the local Indian banks were particularly supportive.

Amid the drama of the pandemic, Baraskar talks about another priority he and his team had: "One more critical priority for the team was protecting and preserving cash and monitoring it every day." That rhythm has now moved to every week. Another focus has been ensuring that the company has net zero interest – ie the interest it pays on its loans is less than the interest the company is earning on investments. "We achieved net zero interest in June 2023," Baraskar says of TCIL.

Bolstering the team

After going through the experience of the pandemic, where there was so much uncertainty and pressure because of the dramatic drop in travel, Baraskar has been able to take some key life lessons he can apply to his regular life now that business is back to normal.

Baraskar says that the one of the biggest lessons he learned was with communication and how teams interacted. "We started tackling problems as one single integrated unit and team, irrespective of departments and siloes," he says. As part of this, Baraskar had access to some heavyweight mentors who, because of their influence and experience, were able to guide Baraskar and his team through this particularly challenging time.

Baraskar had access to a number of senior leaders at TCIL who were able to advise him, and these include Madhavan Menon, the Executive Chairman of TCIL, and Mahesh Iyer, the company's Managing Director and Chief Executive Officer, as well as TCIL Group Chief Financial Officer Debasis Nandy. He speaks highly of them and comments how they are clear thinkers who supported him through the toughest challenges of the pandemic.

Baraskar also sings the praises of his team and is keen to give them all an honourable mention, along with their skills and talents. His team, he notes includes the "unstoppable" Rahul and his colleagues who were like a "problem-solving machine".

Throughout Covid we started regular interaction with the senior management and that brought us close together and so our thinking and approach got in sync.

He praises Swati for keeping the team united and also notes the skills and dedication of those who handle the reporting and the foreign exchange funds management. He focuses on how the team was able to pull together: "It's like the movie the Avengers," Baraskar says, referring to the film where the heroes band together in the face of the evil powers of Loki and his army.

The treasury version of this during the pandemic was fighting hard to maintain the company's banking facilities. "It was a genuine challenge," says Baraskar. And when the business did start bouncing back as borders reopened and people started travelling again, the treasury team had to work at an accelerated pace to keep on top of the rapid ramp up in business. "Speed was of the essence," he says. "I think we did a good job."

Commenting on the teamwork, combined with the leadership and guidance of some heavyweight business leaders, Baraskar says: "Now we are ready to take on any problem or challenge – that is the level of confidence we now have as a team."

Personal growth and development

Facing challenges, as well as being fast and agile, extend to Baraskar's personal life where he is a keen athlete. Formerly a champion high jumper, these days he is in training for the 100-metre sprint. "I aspire to be the fastest person in the state of Maharashtra for my age group," he says. These efforts are also helped by him becoming a Certified Sports Nutritionist, a qualification he gained from the US-based International Fitness Association during Covid.

Baraskar has also developed professionally as a result of his experiences during the pandemic. When asked about his personal growth and development and what has changed, he said he has had a couple of learnings. The first, he notes, is related to stress and how to handle it in high-pressure situations. Also, he says, time management skills really came into focus for him during this time. "Because the amount of stress was enormous in the Covid period, we are now much more equipped to deal with challenges. Now any problem that comes our way, even if relatively-large doesn't seem so difficult since we have gone through that – most things are now a cinch," he jokes.

On a professional level, the access he had to his senior leaders gave him insight into navigating crises and how to manage stressful situations. "Throughout Covid we started regular interaction with the senior management and that brought us close together and so our thinking and approach got in sync." Many of the meetings and interactions with these senior leaders were focused on the banking strategy and what the best course of action was given the extreme nature of the situation they found themselves in.

When asked what he learned most from his mentors, he says that working shoulder-to-shoulder with them – and not merely observing from a distance – meant that he really learned the meaning of tenacity. "I learned from them not to give up," he says, adding that if there is an insurmountable problem that he is now faced with, he has learned to keep escalating, to keep fighting and not give up. This kind of tenacity has since served him well and is something he can also apply to his athletics career outside the office.

Aside from the resilience and tenacity of the senior leaders, Baraskar learned other lessons from his mentors. "The second learning I had from the management team was motivating people in unpleasant circumstances and how to stay motivated while at the same time also motivating the teams. I learned how to become a single unit and work together and fight it out," he says.

Although in recent years Baraskar has worked in stressful situations, he is keen to highlight the importance of having fun and some kind of relief from the hard work. He notes that his team works very hard and long hours – something that is not unusual among corporate treasurers in India. His team's responsibility starts with the markets opening in Japan, Singapore and Australia, and then it ends with the markets closing in the US and Canada, which makes it a long day for all concerned. He adds that some members of his team have to work all weekend because of certain reporting requirements. He comments that it is important for teams working in this kind of environment to have some kind of release valve so the pressure doesn't get too much.

India also bounces back

The economic environment that Indian corporate treasurers now find themselves in is at least more favourable than it was a few years ago. Although Modi's 2019 dream of India becoming a US$5trn economy was shattered by Covid, that vision is now looking like it could be a reality in the coming years. India's prospects are looking hopeful and Baraskar cites estimates that put India on track to be the third-largest economy in the world by 2028 – with India overtaking Germany in 2027 and Japan in 2028.

Also, says Baraskar, India is becoming more of a force on the global stage. He points to a recent speech that the Leader of the House Piyush Goyal made on a diplomatic visit to France where he highlighted the opportunities of the Indian economy and how India is a trusted partner for many countries around the world. "Slowly and steadily, India is becoming a world leader," comments Baraskar. With Modi's vision for the economy, India's corporates will play a key role in fulfilling the country's ambitions. Baraskar comments that corporate treasurers will be crucial and they have an important part to play in ensuring the sustainability of India's economy. "It's an exciting time for India and for corporate treasurers in India to take a critical role," he concludes. ■

Saudi Arabia: time to commit not commute

Saudi Arabia is demanding that companies seeking access to its giant domestic market set up local operations, pay tax and most importantly, employ Saudi nationals. But the opportunity also brings reputational risk, legal uncertainty and a firm commitment to hire locally.

Early next year, Singapore's food and agri-business Olam Group will dual list one of two spun-off divisions, Olam Agri, in Singapore and Saudi Arabia. Olam Agri focuses on growing, processing, and trading commodities and the decision to list in Riyadh is part and parcel of the company's strategic focus on the Middle East, none more so than its ambitions to tap Saudi's 35-million domestic market.

It is the latest thread in a well-defined strategy. Olam has sold a 35.4% stake in the company to Saudi Agricultural and Livestock Investment Company, SALIC, the wholly owned subsidiary of Saudi Arabia's Public Investment Fund (PIF) in 2022. And the company is already a key supplier of commodities into Saudi in line with the government's commitment to build food security via long-term strategic investments around food production and processing enshrined in Vision 2030, its roadmap to diversify the economy away from oil.

"No international company has listed in Singapore and Riyadh before," says Jayant Parande, Managing Director, Global Head – Treasury & TSF (Group Treasurer) at Olam where he has worked in treasury for over 25 years and was part of the team involved in Olam Group's first Initial Public Offering (IPO) in Singapore in 2005. "What's different this time is the scale and size of the transformation," he says. In a sequential IPO, the company plans to list Olam Food Ingredients (ofi) in London and Singapore.

Olam Agri is one of many companies positioning to access the most favourable demographics in the region. Food, consumer, healthcare and entertainment groups – Saudi wants to be a global hub for the games and e-sports sector, targeting gaming companies, studios, and the creation of 39,000 jobs – are just some of the sectors developing Saudi strategies. They are following in the wake of infrastructure and construction groups already breaking ground on a series

of vast 'giga' projects. Like the construction of a futuristic city called Neom that will also house a year-round ski-resort, Trojena, slated to host the 2029 Asian Winter Games, and Saudi's giant tourist development, The Red Sea Project.

"People ask if these projects are real and they are absolutely real," says Stuart D'Souza, Founder and Director of Arabian Enterprise Incubators (AEI Saudi) which supports foreign companies doing business in Saudi. "There is nowhere else like Saudi on the planet. The market is characterised by optimism and confidence underscored by the government's flagship Vision 2030 policies."

Getting started

Global companies are not just motivated by the carrot of opportunity. They are also developing Saudi strategies because of the stick of government regulation. Most businesses selling their wares into the country don't operate out of Saudi Arabia. In a hub and spoke structure, many tend to register in countries like the UAE or Bahrain and fly executives into Saudi when needed. Now new rules that foreign entities must register, pay tax, and employ Saudi nationals in a quid pro quo for accessing the market are changing this approach.

In another development, if a company doesn't have a regional headquarters in Saudi by 2024, it won't be eligible to bid for government contracts or those issued by state-owned companies like oil giant Aramco. The strategy is already bringing results explains D'Souza, who says AEI Saudi supported 55 foreign businesses register in the country in 2022 compared to just one in 2019.

"You must set up an office in Saudi if you want to operate there," adds Stefanie Hausheer Ali, Director, Rice, Hadley, Gates & Manuel, RHGM, a Middle East specialist who worked at the Atlantic Council from 2013 to 2023 before joining the consultancy from its Washington DC offices. "Saudi is the biggest market in the region, but people have always commuted to do business. Now the government wants all the money and human resources that sit in the UAE and neighbouring countries to relocate to Saudi."

Chinese groups with construction expertise are amongst the cohort setting up local treasury operations, confirms Aditya Gahlaut, Managing Director and Co-Head Asia Pacific, Global Trade and Receivables Finance at HSBC in Hong Kong. A good window into the amount of business construction groups are pitching for, comes in the demand for bid bonds, continues Gahlaut. These bank guarantees, used to provide project developers with reassurance that bidding companies will complete the work if selected, are in high demand. "Bid bonds are a good indicator of the types of projects companies are going after and a precursor of increased economic activity in the future. Around a quarter of the cross-border guarantees that we are issuing on behalf of our Chinese customers are for projects in Saudi."

Legislative uncertainty

For all the cheerleading, service providers warn it's not easy setting up in the Kingdom of Saudi Arabia (KSA) and payback only comes after prolonged periods of planning, patience and presence. Legislative risk is one of the key uncertainties, particularly because new laws are still being written. Positively, D'Souza insists the climate is improving and the government is mindful that sudden swings in policy will chill investment.

For example, new legislation now helps navigate commercial disputes and there is an insolvency framework around bankruptcy. A Civil Transactions Law will codify personal and commercial contracting providing businesses with rules, and legislation is being written around health and safety, IT and insurance. "Like so much in Saudi, the process to transform is a journey. Before Vision 2030 the regulatory environment was less codified and less certain," he says.

"They are trying to create laws around commercial arbitration and consumer protection as well as new banking laws to cover supervision of banks," adds Hausheer Ali who says despite progress, more still needs to be done to reassure executives that in disputes the law clearly signposts how to proceed and signals fair treatment for companies. "New guidelines are helping but they are not complete," she says.

Take loopholes around taxation. In 2021 Uber and its Dubai-based subsidiary Careem reportedly faced a combined tax liability worth US$100m imposed by the Saudi authorities which issued bills dating back several years and which included cumulative penalties. Tax rules can also change rapidly. Like the sudden tripling in VAT from 5% to 15% in 2020 as the government sought revenue in response to Covid and the fall in the oil price.

Companies based in the West will also have to be compliant with their own anti-bribery legislation, drawing up policies in line with values absent in the Saudi market. And Hausheer Ali adds that anti-corruption laws also need stronger guardrails with whistleblower protections in place. "New laws are pending approval and companies are watching to see if they are fair. The risk for many businesses is that the laws are still being written," she says.

Commentators counsel that businesses navigating the risk, particularly around rules or duty on goods suddenly changing without notice or prior consultation, should keep close ties with their embassy and trade teams. "The best way to mitigate regulatory uncertainty is to have access to people directly involved in those sectors," says D'Souza. "It's about seeking advice from reliable, informed sources on the ground."

Reputational risk

Companies working in Saudi also face greater scrutiny from stakeholders and reputational risk, especially in the wake of the global outrage following the death of journalist Jamal Khashoggi, killed inside the Saudi consulate in Istanbul in 2018. The consultancy McKinsey came under fire in 2018 when it looked like its analysis was being used by Saudi authorities to target critics of the kingdom. Last May, Human Rights Watch called on Microsoft to stop its planned new cloud data centre in KSA "until it can demonstrate how it will mitigate potential rights abuses."

Hausheer Ali says reputational risk ratchets up depending on the sector. Companies in hospitality, tourism, or healthcare, for example, are unlikely to incur reputational risk. In contrast, consulting projects for the government should be evaluated on a case-by-case basis to ensure the task aligns with the MNC's values and standards. "A company will have to consider what it is doing to ensure it is not touching these types of [human rights] issues. These issues exist, so each company will have to figure out a strategy and how to mitigate it."

The paper burden

As well as an unclear regulatory landscape, companies must navigate complex bureaucracy. Setting up and selling into Saudi involves burdensome processes around registering a business, leading to correspondence with multiple government departments from tax to local councils and, perhaps most importantly, the Ministry of Labour which oversees strict rules around the employment of Saudi nationals.

Once companies are drawing revenue, they are tied to a flow of liabilities with these departments and authorities around renewals and payments. "It's a question of getting your head around it," says D'Souza whose team of 90 based in Riyadh provide corporates with tiered solutions from practical advice to wrap around care that includes finding employee accommodation and procurement. After a few years handholding, most clients graduate to run government relationships on their own, he says. "Once clients have their own HR teams, government relations and finance teams, they know what their monthly returns will be to various authorities, and licence renewals."

"It is onerous, yes. But define onerous. There are more onerous jurisdictions and markets in other parts of the world. Once companies know how the back office jigsaw falls into place, our clients graduate. We show them the path and before long they are managing their own portals, filing their returns and managing their own compliance," adds Mickey Stewart, Deputy CEO, AEI Saudi.

Saudization

Recruiting Saudi nationals into foreign owned businesses is perhaps the most important part of that jigsaw. Such is the government's priority around building Saudi representation in the labour market, MNC success really depends on understanding and aligning with its sweeping goals around upskilling Saudis and creating jobs. That means tech transfer, nurturing skills in the local population and manufacturing or assembling goods in-country as well as the incorporation of as much local content as possible.

In the government's bid to create employment and increase female participation in the workforce it has introduced percentage quotas around hiring Saudi nationals, applying a traffic light system where platinum is bestin class, followed by green, then red. Depending upon a business's declared and registered activity, foreign companies shown the red light employ too few Saudis and may find they can't file their tax return, or maintain a local bank account. "The traffic light system applies to all businesses," says Stewart.

Employees contracts (with a few variables, the same template is used for most jobs from CEO to a junior) are digitised and sit with the Ministry of Labour. This way the government can track people are paid the salary stated in their contract and declare their national insurance – as well as ensure companies meet quotas around local employment. "It's one way they audit foreign businesses to make sure there are Saudis in the business, and you are inside your percentages," he continues.

Still, the rules vary according to the type of business and operating licence. Saudis are not expected to do menial jobs: a foreign-owned cleaning business would not have a high target to employ Saudis, for example. In another caveat, companies setting up a regional headquarters can be exempt from Saudization for periods of up to ten years. "Corporations exempt from quotas still need to go in with a plan about how they will upskill and train Saudis. Otherwise, they will set up and invest in the country, but when their quotas end, they won't be prepared," warns Hausheer Ali.

Saudization also extends to professions within a business and is referred to locally as enhanced Saudization. For example, all HR executives should be Saudi, and Saudi nationals are increasingly dominating positions in engineering, finance, marketing and accounting roles. It leaves companies with challenges to navigate, for example knowledge transfer to new Saudi employees and how to nurture new skills from scratch. "Many people don't have the right kind of education for the jobs these companies have around data and energy tech. The country is getting there but it will take time," says Hausheer Ali.

She is most encouraged by the jump in the number of women in the workplace, and says it highlights what is possible. Vision 2030 targets 30% female participation in the workforce by 2030 but this has already hit 33% compared to just 19% 2018. "Women are joining the workforce, participating in ways they weren't in a really exciting trend."

Another issue for foreign companies is retention. "Retention is a big issue, as you would expect in any global market, young competent Saudis are very ambitious in a jobs sector full of opportunity," says Stewart. And it's not only retention of Saudi's that can be challenging. Commentators also flag issues for MNCs persuading their own staff to relocate, particularly those with families given concerns about autocracy and human rights, and negative associations with the country amongst women. Others say the kingdom's infrastructure and lifestyle benefits don't compare to rival business hubs, namely Dubai. A narrative that's difficult to change, despite progress on the ground.

The government has responded by making it easier for spouses to have work permits and dependents can now live in-country up to the age of 25, an issue in the past. The lifestyle will also grow more enjoyable with tourist developments in new parts of the country. D'Souza adds new infrastructure is going in to support families like western schools, and he believes expats will increasingly become comfortable living in Saudi.

Perhaps the most important first step for MNC's exploring a Saudi strategy is to visit the Kingdom. Executives and board members arriving in Riyadh are invariablly shocked by the pace of change and the difference between the reality on the ground and stereotypes and assumptions. "The best way to introduce confidence is familiarity. There is no substitute for coming to Saudi and everyone always says this is not what they were expecting," concludes D'Souza. ■

BNPL: PAYPAL'S CAN BALCIOGLU SHARES THE RISKS AND OPPORTUNITIES AHEAD

Can Balcioglu, VP, Treasurer at PayPal in Singapore shares his thoughts on the evolution of BNPL and its future adoption – but warns a challenging macro environment could also hold risks for the rollout of the new payment method ahead.

The pandemic resulted in a shift to e-commerce with a growing number of companies joining online marketplaces and traditional consumer goods companies starting to sell directly to consumers. This, combined with young and engaged customers looking for simplicity in shopping and paying for products and services, resulted in Buy Now Pay Later (BNPL) becoming one of the fastest growing online payment methods in many economies.

Having offered credit to consumers and merchants since 2008, PayPal has been well placed to take advantage of this trend: since launching BNPL in 2020, PayPal has issued over ~300 million loans to 35 million customers, giving them access to transparent, flexible payment options during these uncertain financial times. Today BNPL continues to be a priority for PayPal with BNPL's share of e-commerce expected to double by 2024. We believe a few notable factors will drive evolution of the BNPL space over the next few years.

On the macro side, BNPL's fundamental value proposition – offering consumers interest-free credit – is being challenged by rising inflation, interest rates and recessionary pressures. A persistent high interest rate environment will have an impact on some BNPL models that rely on a low cost of capital to provide interest free or cheap loans. A potential economic downturn in major economies across the globe is likely to result in a higher level of delinquencies. This has the potential to negatively impact the BNPL industry even more than other areas of credit given some of the newer companies have not yet been through a full credit cycle and may have employed less stringent credit checks in their underwriting. BNPL providers who have a track record of prudent lending practices, a strong balance sheet to provide continuity in operations and access to a diverse set of funding options will be best positioned to navigate this environment.

In response to the potentially unfavourable credit cycle and concerns around consumer well-being and affordability, regulators around the world have started to develop and implement new regulations for BNPL. New regulation will likely require more stringent credit underwriting and bring BNPL more in line with legacy consumer credit products. Heightened regulatory scrutiny may also come at an increased cost to service providers, while favouring participants with a strong compliance culture and foundation such as PayPal.

Continued product evolution with a more diverse range of repayment terms beyond "Pay-in-X" is expected with BNPL being offered for a broader range of goods, services and verticals at a wider range of price points. We expect innovation in this space to continue, as greater access to alternative data points can improve the credit underwriting process to further enhance BNPL's attractive features for the consumers, such as tailored offers and instant credit decisions.

While the fast pace of BNPL adoption we've seen over the past few years has been driven primarily by accelerating e-commerce, the next step for many BNPL players is to move into in-store payments as point-of-sale financing grows in popularity with both customers and merchants.

We expect competition to increase in this space with legacy financial institutions who have seen their credit card businesses disrupted stepping up their own BNPL product offerings. In addition, banks are likely to want to prevent the risk of losing access to millennial and Gen Z consumers attracted to the BNPL product. On the other hand, some BNPL players are likely to expand into traditional banking services to improve their profitability and value proposition to consumers.

We expect BNPL to enter the next phase of evolution with increasing regulatory scrutiny, macroeconomic pressures and competition. These factors are likely to result in a more challenging environment for some newer and pure play BNPL players; but with popularity of this product among consumer and merchants showing no signs of abating, we expect BNPL to evolve further into a sustainable business model that provides increased sales and profits without increasing risk exposure for experienced players. ■

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Taking note of payment preferences

Banks may be pushing digital transactions but for many businesses cash remains king.

Advocates of a cashless society would do well to remember Mark Twain's famous quote upon learning that his obituary had been published and acknowledge that the demise of cash has been greatly exaggerated.

UK Finance's latest payment markets report shows that the number of cash payments made last year was almost 7% higher than in 2021 as fears about inflation and the rising cost of living encouraged greater use of cash as a way of managing budgets.

More than 70% of respondents to a YouGov/Payment Choice Alliance survey conducted in June supported making it a legal requirement for businesses to accept cash.

The ECB's December 2022 study on the payment attitudes of consumers in the euro area notes that cash remains the predominant payment method at the point of sale and for person-to-person payments in the Eurozone (used in 59% of transactions).

These figures should come as no surprise since nervous consumers have turned to cash in the past. In the month after the bankruptcy of Lehman Brothers in September 2008, for example, the net value of euro banknote issuance was equal to the total for the previous 12 months.

It is perhaps ironic that Sweden has been in the vanguard of cashless payments given that it was the first European country to issue bank notes.

The Swedish central bank's 2022 payment report notes that 34% of the consumers surveyed had paid with cash in the past month, down from 50% in 2020 and 79% in 2016. Only 8% paid in cash for their most recent in-store purchase compared with 40% in 2010.

However, the report also acknowledges that not everyone has access to digital payment and that the ability to buy vital goods and services using cash must be protected.

Dr. Martens accepts cash in all its retail stores in the UK and EMEA. But when the company decided to open its first retail store in Stockholm it was deemed an ideal location for conducting some on-the-ground research around retail payment methods and preferences.

"Sweden is one of the few economies that has moved rapidly towards cashless – in fact, it is almost there," explains Mark Hirst, Group Treasurer, Dr. Martens. "However, after canvassing a large population of retailers in Stockholm, we decided to launch with cash on opening and monitor usage/uptake for the first three months."

He observes that the cost of accepting cash in Sweden is an extreme outlier – in other words, it is off-the-scale expensive when compared to other payment methods.

Hirst says Dr. Martens is having an internal dialogue with its retail colleagues about moving towards cashless in markets where non-cash payments are well established and cash is not mandated by local regulations or legislation.

"At the moment we are undecided about whether to launch cashless in markets that allow it, such as the UK and Sweden," he says. "We believe in giving customers choice at the checkout and often customer behaviour is a reflex when it comes to payment. They will express a preference for a particular payment method and while we see cash declining in all stores year-on-year, we wish to avoid creating negative friction for customers when it comes to their checkout experience."

Hirst also makes the point that a degree of friction is positive and can be deliberately inserted or engineered to serve a purpose or use case, such as the additional information provided at checkout on fees relating to BNPL.

"It is becoming increasingly difficult to work with banks and security companies when it comes to handling and processing cash," he adds. "Bank branches are closing and security companies are unreliable due to staff shortages. Costs are rapidly increasing and we are finding that many banks can no longer be bothered with the hassle of dealing with cash."

Patricia Arvanitakis, Global Head of Cash Management at CA-CIB agrees that individuals want to have the freedom to choose how they will pay for transactions.

"Clients with retail activities have the greatest need for cash handling services and it is quite painful for them since it is only a very small part of their cash flow but they have to pay a lot for the service," she says. "A cash handling policy is critical for businesses to maintain accurate bookkeeping and minimise the risk of waste, fraud and abuse."

Bank of America refers to two trends in the US that are related to the current inflationary environment. The first is an increase in the average value per deposit, and the other is an increase in demand for solutions that reduce costs and provide security for employees who handle cash.

"This has accelerated the movement of cash handling services away from branches to smart safes, or cash vaults and cash automation solutions," says Liba Saiovici, Head of Global Receivables at Bank of America. "Cash vaults and cash automation solutions support large transactions and as

average deposit value goes up, these solutions become more cost beneficial – especially when considering wage inflation and higher fees for armoured carriers."

She says the bank works with business customers to find the best solution for their cash handling needs, taking into account the cost of transporting cash to a branch versus the cost of alternative deposit solutions, the value of deposits, the need for change orders, security considerations and the hours of operations of the client's business.

Responding to consumer demand for cash payments while also reflecting the growth of other payment methods is an important challenge for NatWest according to Chief Payments Officer Mark Brant.

"Though the cost of living will certainly be contributing to some customers using cash, we expect cash to remain a vital payment method over the longer-term," he says. "Recent customer research we have undertaken shows that its use is sustained across a broad range of income and age groups, challenging conceptions about cash users."

NatWest's cash handling services differ according to the type of customer. Large national retailers arrange for deposits to be securely transported directly to its cash centres, whereas the bank offers cash centre solutions for smaller customers including 'Bank to You', a collection and delivery service which negates the need for customers to contract separately with cash carriers.

Simon Kaptijn, Director Cash Advisory & Structuring at ING Transaction Services refers to regional variations within Europe, with higher demand for cash handling services in southern and eastern Europe.

It is important to note that while some countries might have realistic aspirations to become almost entirely cashless, cash is still extensively used for in-person payments in major markets such as North America.

However, all these markets face similar challenges in terms of banks reducing the number of branches they operate and not wanting to handle cash deposits in those branches that remain open while maintaining a high level of service for their business and commercial clients.

This was one of the factors that led Clip Money to develop a network of self-service kiosks in shopping malls, big box stores and grocery chains across North America where businesses can make deposits to any bank account using RFID embedded deposit bags with a unique code without having to visit a bank branch or use a cash pick-up service.

"We have developed the only multi-bank deposit system in North America, enabling businesses to deposit and receive next day credit into their bank account of choice," explains Joseph Arrage, CEO at Clip Money. "Prior to this, business customers of a particular bank would have to either make their deposit in-branch or use an armoured carrier service, which is an expensive, long-term commitment."

With a shared system, multiple businesses can make deposits to accounts in many different banks. This is important because the fragmented nature of the US banking market means large companies could have hundreds or even thousands of separate accounts across many different banks, a set-up which is costly and difficult to manage.

Customers can assign permissions to employees authorised to make deposits and make changes to these permissions via an online dashboard. They also receive reports if a store does not make a scheduled deposit.

Clip recently signed a partnership agreement with NCR that will make its services available across over 2,500 ATM locations. "This is an important milestone for us because we are on a mission to build the largest deposit network in North America," says Arrage, who is keen to stress that the company is partnering rather than competing with banks.

"Our deposit network reduces bank cash processing costs per transaction, which is important because as cash usage declines, the unit cost of delivering cash handling services will rise," he adds. "It also accelerates business cash flow as funds are secured and processed once the money has been deposited."

Zennan Green, Global Director of Thought Leadership & Content at cash technology solutions provider Glory Global Solutions, agrees that there will always be people who want (and need) to use cash.

"In the current environment people are turning more towards cash as a budgeting tool to help them keep track of spending," he says. "This is especially true for smaller value payments in convenience stores, grocery and discount stores and food service outlets, but we also see high levels of cash usage in pharmacies and even among some of the clothing chains."

One of the reasons why businesses seek to reduce the amount of cash they take in is that it is effectively worthless until they can get it banked and release the liquidity, which is why having access to a bank branch locally is so useful.

"Banks need to scale and right-size their branch networks to match the volume of the business going through them, but that can make it harder for businesses to bank their money quickly," says Green. "One solution that reduces the impact of unbanked cash is local cash recycling. Enabling consumers to access cash over the counter means businesses can offload some of the cash they have taken. Not only can this help to reduce costs, but it can also help with access to cash and increase the circulation of money in their communities, especially where access to bank branches or even ATMs may be limited."

Enabling consumers to access this cash creates a local cash cycle, increasing the 'velocity' of cash between each transaction by reducing the time, costs and distances compared to moving cash between businesses, banks, cash centres and ATMs. Such a local cash cycle also brings associated environmental benefits.

"We have also seen the emergence of shared infrastructure solutions such as OneBanx, Clip Money, and services offered by post offices, which allow customers to deposit and withdraw cash regardless of which bank their account is held with," says Green. "In addition, many of these facilities are available outside regular bank opening hours, making them more convenient for businesses." ■

Transaction banking in Asia

What do corporates in Asia want from transaction banks?

Jason Teo
Head of Treasury SEA
LOGOS Property Group

The key things we look for and evaluate in our transaction banking relationships include the bank's overall relationship with the company beyond just the treasury team. We also evaluate our transaction banking partners ability to help us open accounts; partners' KYC processes and escrow account set up and fees. We look for ibanking platforms and the availability of intuitive dashboards to support cash management/visibility and lastly, we consider our banks' concentration risk, account related fees and availability of interest-bearing current accounts.

As a group, we open multiple bank accounts in different jurisdictions across ten countries with strong focus in APAC for the purposes of land or company acquisitions, setting up ventures, limited partnerships and project SPVs. We are seeing more stringent requirements from banks in areas of compliance due to respective in-country regulatory issues they must adhere to, particularly around enhanced KYC/UBO/source of funds. We do often find the regulatory challenges of doing business conflicts with the ease of opening accounts.

We have more than 40 transaction banking relationships and would like to rationalise moving forward for ease of operation. We do hope our transaction banking partners could offer platforms around consolidating KYC, compliance and support us in mitigating regulatory issues. We also need international banking partners that are prepared to bank with us regionally, going into new uncharted territories which may potentially present more risks. Cognisant of the fact not all banks are prepared to step foot into every market, we still wish for a holistic advice from our banking partners in new frontier markets as the company expands further in AI (ASEAN + India).

At LOGOS Group, we have a high-performance lean treasury team and we speak to most of our bankers on a daily basis. Not all correspondence is formal, some communications could be on WhatsApp, where we might have conversations around waivers or discounts, or pre-emptive approvals. In the past, we haven't looked for specific support around cash management and liquidity from our transaction banking partners, but this will change as treasury centralisation has its benefits for the entire group. In previous treasury roles I've held, cash management/liquidity was a priority, hence the capabilities of banking partners supporting cash/notional pooling, yield enhancement products, payments gateways and technology integration to company's ERP are some of the key considerations.

The next wave in transaction banking support for corporates will be around instant payments and facing non-bank counterparties with the advent of Fintech and Techfin players as industry disruptors. There is still a lag in corporates' ability to transfer funds immediately. Technology is also a key area of support, for example around seamless integration with APIs and open banking concepts. As we progress along the automation journey, both banks and corporates will benefit from the efficiency and thereby, reducing operating costs in the long run.

Tim Lee
Head of Transaction Banking
Greater China
BNP Paribas

Managing working capital remains the key focus for corporate treasuries in Asia Pacific. The current fast evolving interest rate and foreign exchange environment poses a unique challenge for multinational corporates in the region, where they have to ensure access to adequate cash levels to fulfil day-to-day working capital requirements across a diverse range of fungible and restricted currencies.

At BNP Paribas, we work with many European companies trading in Greater China and Southeast Asia, using Hong Kong as a procurement hub. The pandemic and various geopolitical tensions in recent years have prompted many companies to rethink their business resilience and supply chain strategy.

Across the retail and manufacturing sectors, businesses must manage the higher commodity prices and longer inventory holding period. We work with them to provide the appropriate trade and supply chain financing to bridge their working capital needs and secure the buyer and seller relationship. Many corporates are investing in expanding their manufacturing base beyond China. Looking across the region, Indonesia and Vietnam are popular options because of the availability of cheap labour and lower costs.

With the divergence of interest rates across different currencies, treasurers are seeking opportunity to optimise the overall borrowing cost and limit foreign exchange exposure. For example, many exporters are increasingly opting to keep and manage their USD receivables in Hong Kong to take advantage of higher yield and borrow in RMB.

Hong Kong is also a financial hub for Chinese corporates accessing offshore liquidity through debt and equity capital markets. Effectively managing cash flow and liquidity, onshore and offshore, is critical for these companies. To support their international expansion, we help these corporates set up cross-border cash pooling structures and roll out treasury integration projects to provide better visibility and control of their working capital across entities and geographies. Looking beyond Greater China, the shift to real-time payments in many Asia Pacific markets has prompted treasurers to devote more resources to integrate and automate their treasury operations. We are constantly in conversation with our clients, working with their IT teams and fintech companies, where required, to co-create pragmatic solutions that meet the unique needs of their business. For many corporates, ESG has become an operational imperative. Here in Hong Kong, we are deeply involved in rolling out sustainable supply chain finance programmes for our clients who are mostly international retailers. This involves close collaboration with their finance, procurement and sustainability teams, to first define KPIs, gather data and analyse their supply chains. We then develop a structured outreach programme to their suppliers to educate them on sustainable practices and bring them onboard. In this region, businesses have varying degrees of maturity in their ESG journey. Sustainable supply chain programmes can help address a business' scope 3 emissions, and I believe banks like BNP Paribas have an important role to play in supporting our clients' transition journey.

Aditya Gahlaut

Co-Head of Global Trade and Receivables Finance, Asia Pacific
HSBC

Manoj Dugar

Co-Head of Global Payments Solutions, Asia Pacific
HSBC

On the trade side, supply chains continue to evolve. More corporates are adopting "China+1" and diversifying to other countries in the region. This plays to HSBC's strengths as we are present in 19 markets in the Asia Pacific region. We are, for example, able to help Chinese corporates set up either directly or via joint ventures in markets such as Vietnam, Thailand, Indonesia and the Philippines.

There's also a growing demand from our corporate clients to help support their supplier ecosystem. In the past, efficiency was the biggest factor when choosing suppliers, but now it's a combination of efficiency, resilience and sustainability. Corporates are looking to build more strategic relationships with their suppliers, which includes requesting banks to put in place supply chain finance (SCF) programmes both for pre- and post-shipment needs of the suppliers. This is great for transaction banks such as HSBC to come in and make our banking relationships stickier. SCF, which was a push product for us when we started offering it about nine years ago, has become a pull product. Pre-covid, we managed about 150 SCF programmes; that figure has since grown to about 480. These programmes give us access to nearly 40,000 suppliers and represents a huge opportunity for us not just to provide post-shipment finance but also to support them on their procurement and manufacturing requirements.

Sustainability is another emerging use case of SCF that expands the programme's benefits to support the client's sustainability or CSR objectives. Our clients are spending time with their suppliers to determine the best KPIs, putting in place supplier-tiering criteria to support their sustainability objectives, while banks such as ourselves, are supporting them by incentivising suppliers through differentiated pricing based on their achievements against these KPIs. Sustainable supply chain finance is another example of how companies are building more long-term, strategic relationships with their suppliers.

On the payments side, higher-for-longer interest rates have underscored the importance of working-capital optimisation. Companies need to ensure they have good visibility of their underlying liquidity so they can reduce their debt level and enhance the yield on their balances. Technology such as APIs can help companies access real-time information on their balances, which also supports the liquidity piece Meanwhile, real-time or on-time treasury has become a reality as companies move away from the batch-based processes of old. Asian corporates are increasingly investing in TMS and ERP systems and over the past 12-18 months we have seen growing client interest in treasury centralisation and optimisation – as well as the use of technology to streamline processes.

We are supporting clients as they roll out online commerce strategies, which capitalise on the proliferation of real-time payments and allow them to grow their customer base. We are also helping our clients monetise their payments data, using real-time information to improve efficiency and fine-tune their strategies. For example, greater insights into transaction flows, supplier concentration or FX risks provide opportunities to improve treasury management. In forecasting as well, the use of data helps corporate treasurers to better analyse receivables and payables and optimise working capital and allow immediate reconciliation to manage liquidity risk. ■

Next question:

"How will AI change treasury – where is it used in treasury now, and where will it be used in the future?"

Please send your comments and responses to **qa@treasurytoday.com**

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