The Guardian

Article 1.

What price privacy when Apple gets into bed with China?

John Naughton

Apple's much-vaunted principles melt away under China's cybersecurity law, which allows the state to access our data

Sun 4 Mar 2018 18.00 AEDT

Here's your starter for 10. Question: Apple's website contains the following bold declaration: "At Apple we believe privacy is a fundamental human right." What ancient English adage does this bring to mind? Answer: "Fine words butter no parsnips." In other words, what matters is not what you say, but what you do.

What brings this to mind is the announcement that from now on, iCloud data generated by Apple users with a mainland Chinese account will be stored and managed by a Chinese data management firm - Guizhou-Cloud Big Data (GCBD). "With effect from 28 February 2018," the notice reads, "iCloud services associated with your Apple ID will be operated by GCBD. Use of these services and all the data you store with iCloud - including photos, videos, documents and backups - will be subject to the terms and conditions of iCloud operated by GCBD."

The new terms and conditions for Apple users in China contain a clause. "If you understand and agree," it reads, "Apple and GCBD have the right to access your data stored on its servers.

This includes permission sharing, exchange and disclosure of all user data (including content) according to the application of the law."

So what's behind this change? Well, basically, Apple is moving the personal data and content of its mainland Chinese users to a place inside the country's borders to comply with China's sweeping new cybersecurity law which requires foreign companies to store *all* of the data they generate from China inside China's borders.

Henceforth, cloud services in China have to be operated by Chinese companies, so foreign outfits must either lease servers in China or establish joint ventures with local partners. Apple has chosen the latter option, which, it says, "will allow us to improve the speed and reliability of our iCloud services products while also complying with newly passed regulations that cloud services be operated by Chinese companies."

That guff about improving "the speed and reliability of our iCloud services" is the usual corporate cant designed to conceal a harsh reality - which is that henceforth everything that Chinese Apple users store in the cloud will be accessible to the Chinese state. And although the data is encrypted, Apple will, apparently, have to store the encryption keys in China - which means that its joint venture will have to comply with the cybersecurity law and provide them to the Chinese authorities if required. As Amnesty International points out, "Chinese police enjoy sweeping discretion and use broad and ambiguously constructed laws and regulations to silence dissent, restrict or censor information and harass and prosecute human rights defenders and others in the name of 'national security' and other purported criminal offences."

So what's new? In one sense, nothing: we've known for ages that there are no bargains that western tech companies will not make with an authoritarian state in order to gain access to the fastest-growing market in the world. But until now, Apple has laid claim to the moral high ground in this area - as witnessed not only by the aforementioned website declaration about privacy as a human right, but also by its principled stand in 2016 against the demands of the FBI to unlock the iPhone of the San Bernardino shooter.

Cynics used to point out that this kind of high-mindedness came cheap for Apple, since the company made its money by selling expensive hardware at premium prices. It didn't sully itself with the "surveillance capitalism" practised by Google and Facebook, which depended on exploiting the data of its users in return for the provision of "free" services. That was indeed true in earlier times. But Apple has discovered over the last decade that "services" (apps, music, videos, photos) are also a hugely lucrative business line. In fact, if its services business were a separate company, it would already be in the Fortune 100. And iCloud is the indispensable enabler of that business - which means that Apple is now into cloud computing and user data-hosting in a big way.

Hence the servile cringe of the February 28 announcement. Corporations can blather on all they like about corporate responsibility and human rights, but, in the end, maximising shareholder value is all that counts. And Apple is determined to get to that trillion-dollar valuation no matter what. So if you're an Apple user in China, you now have a simple choice: junk your iPhone, iPad and fancy Macbook laptop; or accept that your autocratic rulers can access your data at their convenience. In which case, whatever you say, say nothing - as they used to say in Belfast.

What I'm reading

John Naughton's recommendations

Article 2

The Guardian

National Australia Bank stops all lending for new thermal coal projects

Move makes NAB the first major Australian bank to phase out support for industry but it will continue to finance projects already on its books

Gabrielle Jackson

Thu 14 Dec 2017 13.57 AEDT

National Australia Bank says it will halt all lending for new thermal coal mining projects, becoming the first major Australian bank to phase out support of thermal coal mining.

While the bank will continue providing finance for coal projects already on its books, NAB said an orderly transition to a low-carbon Australia was critical for the economy and for continued access to secure and affordable energy.

"While we will continue to support our existing customers across the mining and energy sectors, including those with existing coal assets, NAB will no longer finance new thermal coal mining projects," the bank said in a statement on Thursday.

The news was welcomed by environmental groups.

"This is a market-leading position for an Australian bank and is even stronger than the position taken by Commonwealth Bank last month because it is formal policy," Greenpeace campaigner Jonathan Moylan said.

The Commonwealth Bank indicated to shareholders in November that it would not fund new, large coal projects, saying its support for coal would continue to decline as it helps finance the transition to a low-carbon economy.

ING has promised to phase out coal within a decade and has committed to stop funding any utility company which relies on coal for more than 5% of its energy.

ANZ and Westpac both have policies that limit lending to new coal projects under certain conditions.

"NAB has lifted the bar above its competitors by becoming the first major bank to end lending to all new thermal coal mining," said Julien Vincent, executive director of environmental finance advocates Market Forces.

"This policy means NAB joins the ranks of dozens of banks and insurance companies globally that are withdrawing from this most climate-polluting of industries."

The World Bank has also announced it will "no longer finance upstream oil and gas, after 2019" in an effort to be consistent with the Paris Agreement goal of limiting warming to 1.5C.

"It's time for ANZ and Westpac to do the same and rule out investing in new coal projects," Moylan said.

Last month, Australia's financial regulator warned banks, lenders and insurers that they had to do more to reduce risk relating to climate change, and flagged the possibility of "regulatory action" if they didn't act.

With Australian Associated Press

Topics
Banking

Article 3

Nov 30 2015 at 9:59 AM
Updated Nov 30 2015 at 7:31 PM

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Dick Smith backs away from profit guidance after inventory write-off

CEO Nick Abboud's job was on the line months before the retailer's collapse. **Sasha Woolley**

by **Sue Mitchell**

Dick Smith has been forced to defend its viability to shareholders who quit the company in droves after the retailer abandoned its month-old profit guidance amid falling sales.

Dick Smith shares – issued at $2.20 two years ago – plunged as much as 70 per cent to just 20¢ on Monday after the company slashed the value of inventories by 20 per cent less than four weeks before Christmas to clear the way for deeper discounting in a desperate attempt to boost sales.

The shares closed down 57 per cent, or 38¢, to 28¢, valuing Australia's third largest consumer electronics retailer at just $66 million.

Fund managers said the company, which has net debt of $40 million, is struggling to pay suppliers and could become insolvent if sales fail to rebound over Christmas.

"If I were a supplier I'd be getting worried," said Forager Funds Management co-founder Stephen Johnson. "It's priced like a distressed stock."

"There's a lot more uncertainty around the viability of the business than there was a few months ago."

However, a Dick Smith spokesman angrily denied that the company was in danger of collapse or of breaching debt covenants, saying it would have updated the market if that were the case.

"If we thought there was an issue with our debt we'd be obligated to inform investors," the spokesman said.

"Do we think we can turn things around and improve? Absolutely."

Last month Dick Smith managing director Nick Abboud warned that profits could fall as much as 15 per cent this year to between $37 million and $43 million as the retailer stepped up discounting and advertising to restore sales growth and reduce inflated stock levels.

Dick Smith's board launched an inventory review after the profit downgrade and decided to book a non-cash impairment charge of $60 million before tax. Further impairment may be required, depending on Christmas trading.

In a trading update on Monday Mr Abboud said November trading was also below expectations, stock holdings remained too high and the company was "unable to re-affirm the profit guidance previously provided".

"Given the non-cash write-down and the uncertain trading outlook, the company is unable to re-affirm the profit guidance previously provided," Mr Abboud said.

Dick Smith is now worth less than the $94 million that Woolworths fetched when it sold the business to private equity firm Anchorage Capital Partners in September 2012 after years of trying to turn it around.

Anchorage is estimated to have made a net profit of $370 million - four times its initial investment - after floating Dick Smith for $520 million 15 months later and selling its entire stake at $2.22 a share in September last year.

Now new questions are being asked about the sustainability of the turnaround under Anchorage and Dick Smith's new management.

In a recent report, Forager Funds Management described Dick Smith as "the greatest (legal) private equity heist of all time."

The firm detailed how Anchorage's cash commitment was only $10 million. It acquired Dick Smith using $12.6 million of the cash in the company, liquidating inventories and using the cashflow in the business to fund outstanding payments to Woolworths.

The value of inventory fell from $371 million in November 2012 to just $171 million by June 2013, boosting sales and working capital but leaving the company with little stock.

By the end of 2014 inventory had increased to $254 million, with new shareholders footing the bill, and at the end of June 2015 stocks had risen to $293 million, forcing the company to take on more debt to pay suppliers.

But as the company eased back on discounting and cut costs to preserve margins this year, sales started to tank. Analysts estimate that same-store sales slumped 4 or 5 per cent in October after slowing in the previous three months.

"Im astonished people bought the float," said Mr Johnson.

"There's nothing fraudulent in terms of what they've done," he said. "But it's been a poorly performing business for a long time - it's had one or two years of profitability and it will probably go back to being a pretty poor business again."

Dick Smith agreed that inventories had been cut in the early days of the turnaround, but denied that it was aimed at artificially boosting gross margins.

"The company did fund the payments to Woolworths, thats in black and white, you can read it in the prospectus," a spokesman said. "For them to claim there's anything untoward is wrong."

Dick Smith has now revived its "daily deals" campaign on television and radio and plans to hit the airwaves, increasing advertising spend on TV by 300 to 400 per cent after admitting that its previous marketing was not "resonating" with customers.

Mr Abboud has flagged deeper discounts on brands such as Apple and Fitbit, and products such as big-screen televisions to boost foot traffic and sales. He also plans to 'dial up" discounts on Apple to lure customers back after conceding that its mid-year decision to curtail discounts on Apple to protect margins had contributed to weak foot traffic.

"We remain cautious on the outlook for the Christmas trading period," said Mr Abboud. "We will continue to drive sales, maintaining flexibility on gross margin to reduce inventory and improve our net debt position."

'Accountable for life': why China's stockmarket vets reject so many

Australian 10/11 March.

CHAO DENG
LINGLING WEI

Chinese companies trying to list shares on China's stock exchanges are hitting a roadblock, as regulators tighten approvals and reject applications in droves.

The securities regulator has tightened its standards on initial public offerings in recent months, scrutinising candidates' reported profits and disclosures, according to investment bankers and analysts. Its powerful vetting committee is on notice that its members will be held responsible if approved companies turn out to be duds.

Beijing is trying to tamp down on financial risks across the board, including seizing a large private insurer last month. The tougher approach for public offerings is meant to ensure only top-quality firms list, thereby over time improving the stability and quality of stockmarkets. Commission members have no regrets rejecting firms, viewing them "like locusts that must be killed", says a lawyer who advises the commission. He said no official wants to be blamed for a faulty listing.

Since the committee changed members in mid-October, it has rejected 42 per cent of applications, compared with 13 per cent for the first nine months of 2017 and 7 per cent in 2016.

The sudden clampdown is depriving promising businesses of a potentially rich funding channel and, investors say, shows a lingering distrust of markets following a 2015 meltdown. It's pitching deeper into limbo a slew of Chinese companies that exited US and European exchanges to seek higher valuations by relisting in China.

Ye Huodong took his company off the London Stock Exchange in 2010 to relist on the Shenzhen exchange's start-up board. He figured his Longyan Zhuoyue New Energy Co, which produces biodiesel fuel from used cooking oil, was a shoo-in since it's the kind of environmental tech business the government wants to promote. The IPO committee rejected Longyan Zhuoyue in January, citing questions about its business model, particularly supplies of used oil and selling to overseas customers.

Mr Ye says some of his advisers suggested withdrawing the application when they saw rejections soar, but he persevered. "Of course, when it's your own business, you're always confident," he says.

The securities commission declined to comment about the IPO approval process. A vice-chairman, Jiang Yang, told a media forum in December that the commission is shortening the vetting period, "pushing for more high-quality firms to enter capital markets and preventing diseases from entering the body via the mouth".

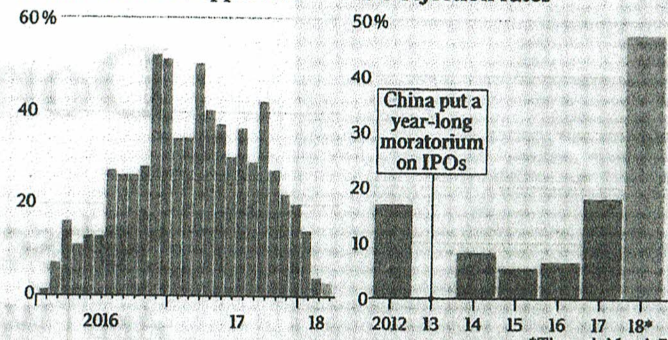
Unlike companies in the US, which market themselves to potential investors in order to list, Chinese firms can sell shares only after they get regulatory approval. Submissions to the securities regulator can take years to receive a verdict. Only then can the firms arrange a listing with the exchanges in Shenzhen and Shanghai. The securities commission chairman, Liu Shiyu, who was brought in to clean up the markets after the 2015 crash, has embraced the new ethos. At a closed-door meeting in July, according to officials at the meeting, Mr Liu took the stage to deliver a stern ultimatum: for all IPOs approved, officials would be "accountable for life".

"The problem is we don't know what the regulator's standards are," said Shen Meng, director at Beijing-based Chanson & Co. A client of his boutique advisory is invested in a business-software vendor that has been waiting for its approval for two years.

Before the recent chill, regulators were giving the green light to about 10 firms a week. By mid-November, it was five a week. News of the rejections rippled through the market. The head of one investment bank said that going before the committee is now like going through "a lucky draw".

Braking Hard

The Chinese securities regulator has been allowing fewer firms to go public



*Through March 7

Sources: China Securities Regulatory Commission (number of IPOs); Wind Info (rejection rates)

Article 4.

Article 5

Retail backlash outgunning the powerful NRA

Australian 3/4 March.

Business is turning its back on the National Rifle Association

For all the controversy that the National Rifle Association, America's gun lobby, arouses, Americans of all political stripes have tended to regard it as nearly unassailable.

The NRA and its five million members have therefore been valued customers for companies, too. But after the latest school shooting, at Marjory Stoneman Douglas High School in Florida on February 14, that has started to change. Not only has the political discussion shifted, but corporate America has reacted.

Snubs from big business began just a week after the shooting. On February 22, First National Bank of Omaha said "customer feedback" prompted it to stop issuing NRA-branded credit cards.

Angry customers and riled-up activists, students from Marjory Stoneman Douglas foremost among them, have pushed a campaign to #BoycottNRA on Twitter, piling pressure on companies. In the span of just a few days, several firms ended their discounts for NRA members, including Delta and United, two airlines; MetLife, an insurer; Symantec, an antivirus-software firm; and Avis Budget Group, Hertz and Enterprise Holdings, the country's three largest car-rental outfits.

"NRA Carry Guard", an insurance policy meant for NRA members to cover their legal costs in shooting cases, dubbed "murder insurance" by critics, was abandoned both by Chubb, the insurer underwriting it, and Lockton, the broker managing it (in Chubb's case, the decision was made months ago but only announced now).

On February 28, Dick's Sporting Goods, a large retailer, said it would stop selling assault rifles and raise the minimum age to buy any sort of guns from 18 to 21, declaring that "thoughts and prayers are not enough." The same day, Walmart also said it would bar firearm purchases from those under 21.

A backlash against the firms is already brewing. Conservatives and gun-rights supporters vowed to boycott them. Republicans in Georgia's state legislature, on the verge of approving a tax cut on jet fuel meant to benefit Delta, which is based in Atlanta, threatened to spike it unless the airline reinstated its discount. Companies that opted to do nothing face no less pressure.

Noting that it "opposes assault rifles ... in the hands of civilians" did nothing to save FedEx from liberal ire after the logistics firm opted to retain discounts on shipments for NRA members. It did not seem to matter that the discount was part of a routine program that offers them to members of all sorts of large groups, including the Society of American Florists.

Discounts were not the only issue at hand. Amazon and Apple, in turn, faced boycott calls for continuing to carry NRA TV, a bundle of online-only channels. These are chock-full of the gun lobby's pro-gun content (with programs such as *"Love at First Shot"*).

Activists and commentators on the left called on the private sector to do more. Democratic legislators in New Jersey plan to introduce a bill to bar the state's pension funds from investing in gun manufacturers.

BlackRock and State Street, the world's largest and third-largest asset managers, said they would speak with the gunmakers in their portfolios. The most radical idea floated so far, in the *New York Times*, is that banks and payment systems could block transactions for assault weapons, even if the federal government brings in no new restrictions — though this was received coolly by the industry. One banker reckoned the proposal was a "slippery slope" that would force banks to become unlikely arbiters of moral acceptability.

Could companies make a difference on gun control? The NRA itself dismisses the idea. Accusing firms dropping perks of "a shameful display of political and civic cowardice", the organisation insisted that these companies would, in time, be replaced by others who saw value in serving its members.

But with only five million of them, its influence stems from speaking for a wider group of sympathisers. If the wider public is put off by well-known firms taking a stand, the NRA may be diminished.

As for firms' staying power, a cynic would argue that their moves are driven by public-relations considerations. Once the furore dies down, they may say little more on gun control. But being seen to be opportunistic in a politically fraught environment could hurt firms, warns Nien-he Hsieh of Harvard Business School. They are better off being consistent, he says.

Their own workers will be watching closely. Employee pressure has factored in several recent positions taken by companies. Silicon Valley firms' stance against Donald Trump's ban last year on travel from several Muslim countries, or the outspokenness of Kenneth Frazier, the chief executive of Merck, a pharma giant, after Mr Trump refused to condemn white supremacists in Charlottesville, are just a few examples. Once again, companies and their bosses are expected to step into the void left by political dysfunction.

The Economist

Article 6

QBE faces a massive blowout of $1.5 billion thanks to US natural disasters

Written on the 23 January 2018 by David Simmons

INSURANCE company, QBE (ASX: QBE) has flagged a full-year loss of $1.5 billion on almost $US1 billion of one-off costs and blowouts associated with natural disasters in North America and the Caribbean.1

The insurance giant says the devastating fires in California, Hurricane Maria, and December's storms in Australia, has added $US130 million to its catastrophe costs in the fourth quarter.

Hurricane Maria is widely regarded as the worst natural disaster on record in Dominica and Puerto Rico.

The expected loss for the 12 months to 31 December also reflects a $US700 million goodwill impairment against QBE's North American business and a $US230 million write-down related to the cut in the US corporate tax rate.

This $1.5 billion loss is in contrast to the $US844 million profit recorded in 2016.

The catastrophes increased the full-year combined operating ratio - which measures expense, commission and claims ratios - by about one per cent over the previously estimated target range of 94.5 to 96.0 per cent.

Chief executive of QBE, Pat Regan (pictured), also cited another poor performance by QBE's emerging market operations, with a strategic review into its Latin American unit underway.

The company will update the market on its plans going forward on 26 February when its half yearly results are released.

"This has been a challenging year for QBE, reflecting an unprecedented cost of catastrophes as well as the particularly disappointing deterioration in our emerging markets business," says Regan.

Shares in QBE are down 3.48 per cent to $10.12 per share at 10.51am AEDT.