



FOREWORD

It is a pleasure to acknowledge the active work of the Group of 100 in developing this Code of Conduct for the Chief Financial Officers of Australia's major enterprises.

The Code is recognition by the G100 that accurate financial information is the lifeblood of properly functioning capital markets.

The Code complements the work of the ASX Corporate Governance Council which encourages the provision of frameworks designed to ensure the integrity of reporting and of responsible and ethical decision making. The Council has brought together, under the chairmanship of the ASX, representatives of all major financial industry organisations in what has been a very constructive and timely discussion.

The Council is developing, for release next March, a complete set of corporate governance standards for Australia's listed companies. We have foreshadowed that we will introduce a Listing Rule requiring companies to report on their corporate governance practices by reference to these standards and to explain any departure from them.

I commend the work of the G100 and I congratulate you on this publication.

Richard G Humphry
Managing Director and CEO
ASX Limited

INTRODUCTION

"The CFO occupies a somewhat unique position as the focal point for driving the financial health and integrity of the finance function."

National Executive, Group of 100

The Group of 100, the representative body for the Chief Financial Officers (CFOs) of Australia's largest enterprises, has developed a Code of Conduct for the nation's CFOs.

This Code is applicable to the CFO and any other officers and employees of the finance function who have the opportunity to influence the integrity, direction and operation of a business and its financial performance. It is intended to be a practical guide for CFOs and their staffs as to the standards of ethical behaviour expected in the performance of their duties.

Where enterprises already subscribe to a set of ethical policies for their employees this Code is designed to complement such policies.

Our members believe that in today's competitive business environment it is crucial the investing public and the wider community have confidence in the integrity of financial information conveyed to them from our corporations, major public bodies and government enterprises.

The community, including shareholders, are entitled to demand and expect the highest professional standards from the nation's Chief Financial Officers. Public confidence and trust will be eroded if such standards are not observed.

This Code sets a best practice benchmark for the independent, ethical and professional behaviour of CFOs in Australia. This Code provides a framework for the actions of CFOs and finance executives.

We believe this Code will contribute positively to good corporate governance and contribute to international recognition of the quality of Australian standards of governance and supervision. Observance of this Code will provide another level of assurance to the Australian and international financial markets and regulatory bodies.

In developing this Code we have avoided approaching it as simply a "set of rules", a lengthy check list if you like, as such an approach is too narrow. This Code expects other important qualities such as honesty, integrity to influence attitudes and organisational culture. The culture of a professional group or organisation is in essence the "spirit" which drives it.

This Code provides guidance in carrying out the many duties and responsibilities a CFO is required to discharge. The Group of 100 believes that implementation of this Code will contribute towards maintaining and improving standards which will further enhance and protect the role of the CFO in today's modern enterprise.

The principles set out in this Code are also relevant to all financial officers who hold an important and elevated role in corporate governance.

Tom Pockett
National President

OVERARCHING OBJECTIVES

- The Group of 100 as an organisation desires to contribute positively to the development and maintenance of a fair regulatory environment, which serves to advance business in Australia. The Group of 100 believes that accurate financial information is the lifeblood of markets. Markets will punish poor financial information, values will fall and prosperity will decline.
- The Group of 100 will promote the highest ethical and professional standards of its members through a process of exchange of information, professional development activities and the monitoring of compliance with good governance principles.

PRIMARY PURPOSE

- The basis of this Code is that all stakeholders are entitled to expect conduct of the highest professional standard from financial officers in all corporations and entities.
- This Code provides authoritative guidance to CFOs in carrying out their duties and responsibilities in accordance with legal and regulatory requirements.
- Performance of the CFO function in accordance with this Code, or statement of governing principles, will contribute positively to good corporate governance of the organisation.
- Members of the Group of 100 in observing the statement of governing principles will provide assurance that financial information and statements issued by them are credible and may be relied upon by users in both domestic and international financial markets.

FOCUS OF THE CODE

Although this Code has been commissioned by the Group of 100, it has been drafted bearing in mind the responsibilities of all CFOs and any financial executive or finance officer who has the opportunity to influence the integrity of the financial performance of enterprises operating in the Australian business environment.

This Code provides a strong foundation to:

- Guide the current work of CFOs and finance officers;
- Develop this Code further; and
- Develop mechanisms for enhancing adherence to this Code.

Accordingly, wherever the term CFO is used throughout this Code it is to be interpreted as including any financial executive or finance officer who has the opportunity to influence the integrity of the financial performance.

THE CODE OF CONDUCT

This Code provides that CFOs and senior finance officers influencing financial performance will:

1. Discharge their duties at the highest level of honesty and integrity having regard to their position and their organisation. Integrity is the quality from which public trust is derived and a benchmark against which the CFO must measure all decision making.
2. Observe the rule and spirit of the law and comply with the ethical and technical requirements of any relevant regulatory or professional body.
3. Respect all the confidentiality of all confidential information acquired in the course of business and not make improper use or disclose such confidential information to third parties without specific authorisation or legal requirement.
4. Observe the principles of independence, accuracy and integrity in dealings with the board, audit committees, board committees, internal and external auditors and other senior managers within the organisation and other relevant bodies external to the organisation.
5. Disclose to the Board any actual or perceived conflicts of interest of a direct or indirect nature of which the CFO becomes aware and which the CFO believes could compromise in any way the reputation or performance of the organisation.
6. Maintain the principle of transparency in the preparation and delivery of financial information to both internal and external users.
7. Exercise diligence and good faith in the preparation of financial information and ensure that such information is accurate, timely and represents a true and fair view of the financial performance and condition of the organisation and complies with all applicable legislative requirements.
8. Ensure the maintenance of a sound system of internal controls to safeguard the organisation's assets and to manage risk exposure through appropriate forms of control.
9. Set a standard for honesty, fairness, integrity, diligence and competency in respect of the position of CFO that will encourage emulation by others within the organisation.
10. Remain committed, at all times, to observing, developing and implementing the principles embodied in this Code in a conscientious, consistent and rigorous manner.

A COMMENTARY ON THE KEY PRINCIPLES OF THE CODE OF CONDUCT

This Code provides that CFOs and senior finance officers influencing financial performance in respect to:

Honesty and integrity

1. Discharge their duties at the highest levels of honesty and integrity having regard to their position and their organisation. Integrity is the quality from which public trust is derived and a benchmark against which the CFO must measure all decision making.

The CFO should be competent, committed, independent and tough-minded. The CFO should protect and preserve the integrity of the organisation's financial reporting process. The CFO should behave in such a way as to ensure the integrity of the financial statements and by extension, the interests of shareholders are foremost.

Compliance with requirements

2. Observe the rule and spirit of the law and comply with the ethical and technical requirements of any relevant regulatory or professional body.

Many CFOs will already be subject to regulation by a professional body and they are also always subject to the operation of the general law. This Code is designed to buttress adherence to both these regulatory regimes.

This Code also stresses the requirement to observe the spirit of all relevant regulatory regimes. Specifically, CFOs must avoid recourse to technical "hiding places" to resolve difficult ethical issues.

Use of information

3. Respect the confidentiality of all confidential information acquired in the course of business and not make improper use or disclose such confidential information without specific authorisation or legal requirement.

In all systems designed to enhance observance of ethical standards, the issue of confidentiality is crucial. CFOs should not deal with confidential information so as to gain an advantage for themselves or an associate or to cause detriment to the organisation.

Internal communications and dealings

4. Observe the principles of honesty, independence, accuracy and integrity in dealings with the Board, audit committees, board committees, internal and external auditors, other senior managers within the organisation and other relevant bodies external to the organisation.

Establishing independence – within the context of a cohesive a team – can be challenging for CFOs. This Code is meant to help provide a powerful foundation for CFO independence. CFOs need to ensure they have independence in reporting to the CEO and the Board through appropriate access and authority.

Conflicts of interest

5. Disclose to the Board any actual or perceived conflicts of interest of a direct or indirect nature of which the CFO becomes aware and which the CFO believes could compromise in any way the reputation or performance of the organisation.

At the very heart of almost all codes of conduct lies “conflict of interest”. This is a complex issue that requires unremitting, close attention by CFOs in carrying out their duties by adopting the principles of honesty, integrity and transparency.

Transparency

6. Maintain the principle of transparency in the preparation and delivery of financial information to both internal and external users.

CFOs must ensure they are satisfied that all material matters in relation to the company that could impact the equities market have been appropriately disclosed.

Diligence and good faith

7. Exercise diligence and good faith in the preparation of financial information and ensure that such information is accurate, timely and represents a true and fair view of the financial performance and condition of the organisation and complies with all applicable legislative requirements.

The CFO should be diligent to ensure that an organisation’s financial statements are not materially misstated. This principle mandates adherence to the highest standards of care in the preparation of financial information. In particular, it requires CFOs to present a “true and fair” view of the financial performance and condition of the organisation – a requirement which means going beyond the letter of any statutory requirement, for example, when it is clear that this is materially important to the various persons who may be relying on the relevant financial information.

Internal controls

8. Ensure the maintenance of a sound system of internal controls to safeguard the organisation's assets and to manage risk exposure through appropriate forms of control.

The CFO, as the senior financial officer, must take responsibility for all the control systems. It is a basic principle of almost all codes of conduct such as this, that the persons directly covered by this Code are also professionally and ethically responsible for the personnel and systems under their charge. The CFO is responsible for designing, implementing and supervising systems to protect a company's assets.

Setting a standard

9. Set a standard for honesty, fairness, integrity, diligence and competency in respect of the position of CFO that will encourage emulation by others within the organisation.

Finance staff are strongly influenced by the attitude and actions of the CFO. The CFO is a role model in setting the standards for the entire finance function and throughout the organisation.

Compliance with this Code

10. Remain committed, at all times, to observing developing and implementing the principles embodied in this Code in a conscientious, consistent and rigorous manner.

This Code is not a document to be read and filed. It is a document that a CFO should turn to regularly. Each CFO – and all relevant staff should use it as a tool to enhance considered ongoing workplace reflection. Company Boards are encouraged to adopt the code for their company's finance functions.

CFOs are uniquely positioned to oversee the construction and operation of an organisation's financial affairs. But if the actions and influence of CFOs are to be real they must extend beyond prescribed rules, obligations and responsibilities. Instead, the boundaries of a CFO's effort must be shaped by an unwavering commitment to investors and a dedication to the integrity of high quality financial reporting.

Acknowledgement

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