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Ladies and gentlemen, welcome to the Group of 100 Congress for 2006.

I am sure you will find today's program both challenging and informative.

We are already off to a great start with Sol Trujillo's presentation at our Congress dinner last night – *"Transforming Business Culture – Impediments and Opportunities"*. I'm sure all of those that were there will remember many ideas that will enable us to deal with business transformation. It is an appropriate precursor to today's program with its strong focus on the CFO as a leader, value creator and contributor to the change process.

The Group of 100's vision for its members sits well with this focus and is best expressed as:

- to be a global influencer by widening our focus beyond technical and striving to make a difference
- to strengthen and streamline our strategic alliances and connections nationally and globally and
- to have our brand recognised as prominent and acknowledged for its thought leadership

Our Congress, which is an important expression of this vision, is being held at a timely point in the evolution of Australian business.

The last two years have been particularly challenging for the CFO function. It has also been a particularly busy one for the Group of 100 and for Australian business generally. Much has transpired since our last Congress in September 2004.

Corporate Australia has now come through a period of significant regulatory reform. This was preceded by many months of intense discussion and deliberation in this country involving Government, regulators, the ASX, business bodies - including the G100 - and the broader Australian community. The implementation process which followed has been the subject of considerable public scrutiny and media comment.

At the same time and as a consequence of these developments the role of the CFO has become more public and, it seems, of increasing interest to business commentators. No longer are we hidden from view – comfortable perhaps behind our PCs or desks. Increasing attention on our function brings with it new demands and the need to acquire new skills.

So, What Next?

There is still work to be done in the regulatory area. But there is also a need for the CFO to recalibrate and refocus to that of being strategist, business builder and leader.

There is a danger the role of strategist has been “lost in translation” over recent years as regulatory, governance and standards issues escalated dramatically. The CFO role was weighted towards that of steward as compliance processes took precedence. The role was more inward looking than opportunity driven and outward looking.

It's now time to redress the imbalance.

Congress will explore some of the important steps we need to take along the pathway to achieving a better balance.

But let me come back to this in a few moments.

So, turning to business regulation – What next?

There are two areas of continuing and special importance for us. These are:

### **1. Post IFRS – Still Challenges Ahead – Consistency is one of them**

Year 2005 adoption of IFRS is now virtually completed as the vast majority of companies have finished their first set of financial reports applying Australian equivalents to IFRS.

Most companies have confronted and resolved a range of transitional issues which have required them to adapt to changes in behaviour and relationships. For example, with audit firms now seeking clearance from their international desks on compliance with IFRS-type issues. Notwithstanding these issues and problems, the significant effort and costs incurred by companies have been reflected in the orderly implementation of the new requirements.

*What now remains is to ensure that the benefits of the adoption of IFRS are now realised by Australian companies.*

However, the G100 has continuing concerns about the commitment of some jurisdictions to the new international regime and the potential erosion of its benefits. Now that the IFRS have been implemented, it is essential that those applying the standards are all “singing from the same hymn book”.

*For example, it is important that consistent and unambiguous interpretations and guidance on a timely basis is provided for those companies in jurisdictions that are actually applying the standards.*

This is best achieved where interpretations are developed by the International Financial Reporting Interpretations Committee (IFRIC) either in its own right or in conjunction with national bodies – otherwise interpretations from diverse sources have the potential to derail the process.

Interpretive risk also arises where jurisdictions seek to change or modify the requirements of IFRS: the benefits are eroded if the statement of compliance with IFRS means different things in different jurisdictions. For example, this has occurred in Australia with the removal of some options from standards for example, accounting for interests in joint ventures and in the European Community in respect of IAS39 “Financial Instruments; Recognition & Measurement.”

The G100 supports the AASB's changes to dealing with interpretations of Australian equivalents to IFRS, in particular, that it would only develop an Australian-specific interpretation in rare and exceptional circumstances.

However, this approach is likely to attract significant pressure if the IFRIC fails to provide guidance to preparers in a timely and efficient manner. The nature of its response to the needs of those actually applying the standards is integral to the ongoing commitment to, and enhancement of, the new regime.

### **Influencing the IASB**

These views have been provided to the IASB and will be reinforced when the G100/IASB Liaison Group (formed by the G100 and comprising BCA, AICD, ICAA and CPA Australia) meets with IASB members and staff in December.

The formation of the Liaison Group was part of the G100's response to the changed paradigm. A key purpose of the group is to co-ordinate and develop common positions, to inform IASB representatives of the views of Australian business and to receive feedback on IASB activities.

It is a mechanism to also ensure Australia is not marginalised in the ongoing process of developing international accounting standards. We want to see a standards environment which is driven by the IASB and its adherents rather than an environment unduly influenced by the US standard setter, the FASB.

The G100/IASB Liaison Group has also been useful in nominating Australians to IASB Working Groups on the grounds that involvement in these groups is an important way of participating in, and influencing, IASB activities.

*For example, Judith Downes (ANZ) is a member of the IASB's Standards Advisory Council (SAC), Leanne Leong (CBA) is a member of the IASB's International Working Group on Financial Instruments and Peter Day (Amcor) was a member of the Joint International Working Group on Financial Statement Presentation which recently held its last formal meeting. Peter was also an inaugural member of the SAC. Last week the G100/IASB Liaison Group supported an Australian nomination to the IASB's International Working Group on Accounting for Leases.*

*Closer to home since our last Congress the G100 has achieved representation on the Financial Reporting Council. John Stanhope (Telstra) now brings a preparer and CFO perspective to the deliberations of the FRC.*

I commend those representing "our" interests as CFOs of major corporations at each of these forums.

While dealing with the significance of interpretations an important local development has been the acknowledgement by ASIC that in a principles-based standards regime more than one acceptable interpretation of a requirement is possible in some circumstances.

This is a most welcome development from the perspective of companies and their advisors in their dealings with the regulator. However, it is important that these views are reflected in the behaviours and attitudes of those who are dealing directly with companies and their advisors.

## **2. Governance and Financial Reporting – A suitable case for review and simplification**

Let me now look at Business Regulation and the stated objective of the Federal Government to implement a range of actions directed at simplifying the regulatory environment. An aspiration strongly supported by the G100.

We support the Government's view, as outlined earlier this year by Chris Pearce, Parliamentary Secretary to the Treasurer, that there is a need to move the focus of regulation from efficacy to efficiency.

The diversity of regulators, regulatory overlap between Federal and State jurisdictions and the ongoing need to deliver clarity and certainty in regulatory requirements are just some of the reasons why the establishment of the Government's Regulation Review Task Force is an important initiative.

Apart from providing greater consistency such a review should also enable costs to be squeezed out of the system through reductions in duplication/overlap. For example, we are all frustrated with complying with the existing director and executive remuneration disclosures and look forward to removing duplication and conflicting approaches.

While, its establishment and intended actions will serve as an important accountability and governance tool to assess progress on implementing regulatory reforms, it is essential to ongoing reform that the current review and process is not considered a "one off", an end in itself.

Indeed, we hope to see the Task Force play an integral and ongoing role in the regulatory reform process. It should be viewed as an opportunity to establish a transparent and robust regime to assess the need for, and effectiveness of, regulation.

In the context of reform the G100 has argued for the streamlining and simplification of the requirements of the Corporations Act as a means of achieving better regulatory outcomes more effectively and more efficiently.

Two areas I will mention specifically involve shareholder communication. These are:

### **The Concise Financial Report**

The G100 has been concerned about the increasing volume of the concise report particularly since the inclusion of the remuneration report in the directors' report with the effect that the concise financial reports are a minor part of some concise reports.

For example, approximately half the 2005 concise report of the Commonwealth Bank (of 80 pages) is taken up with the directors' report, and the remuneration report in the 2005 AXA concise report comprised 23 pages while the concise financial report comprised 11 pages.

While supporting the proposals to include more summary information in the concise report, other reforms may lead to companies developing different means of communication with shareholders.

The original notion of the concise report is being seriously eroded and its role in communicating to shareholders in a simplified and direct way is diminishing rapidly and leads to a questioning of its ongoing relevance and usefulness.

### **The Annual Report**

Increasing regulatory complexity, corporate governance requirements and the new IFRS regime focus attention on the ongoing role and effectiveness of the annual report for communicating with shareholders and other stakeholders.

Annual reports tend to focus on corporate governance and statutory requirements including the financial statements and are couched in technical and legal language.

The G100 strongly supports proposals to permit companies to put the annual report on the website rather than sending a hard copy to shareholders.

Under the proposed change referred to above, the annual report may become purely a compliance document. In these circumstances it may be appropriate for companies to develop different formats and types of reporting such as shareholder-friendly reports including a narrative

Operating and Financial Review for communicating information to different classes of shareholders in a simpler, more informative and interesting presentation.

For example, with the annual report on the website, a company may choose to develop a simplified form of reporting to shareholders which satisfies more directly and in a more user-friendly fashion the key information about the company's financial position and performance that is of interest to shareholders.

### **Corporate Governance**

The Corporate Governance Council is now reviewing the guidelines to all principles and is expected to issue its proposals shortly. The G100 has been active in the review process.

Some have argued that the guidelines should also address issues relating to corporate social responsibility (CSR).

The G100 view is that it strongly supports the recommendations of the Parliamentary Joint Committee on Corporations and Financial Services (PJC) in respect to CSR which provides for a flexible environment in which experimentation with CSR reporting is able to flourish rather than a prescriptive approach.

In a competitive environment, the way companies choose to report and differentiate themselves will encourage improved reporting – an approach unlikely to occur under a mandatory regime with its “one size fits all” approach.

For instance, Westpac issued a sustainability report two years ago and subsequently one of its competitors, the ANZ Banking Group, issued its first CSR report. Both reports use different formats and presentation but this does not diminish their role or usefulness.

Therefore, given the recommended approach of the PJC, it would be unfortunate and possibly counter productive if the Corporate Governance Council was to adopt a different approach.

We will continue to be active in the discussion and development of processes expressed through our participation on the ASX Corporate Governance Council, in our submissions to Treasury and in the activities of the G100 IASB Liaison Committee already referred to.

In the pursuit of best practice we have been active in recent years in the research, preparation and launch to the business community of a number of corporate best practice initiatives such as *“Sustainability - A Guide to Triple Bottom Line Reporting”* and *“A Guide to Review of Operations and Financial Condition”*.

### **A Return to Strategy – A Better Balance**

We like to talk about the dual roles of steward and strategist. For some time it's been weighted towards the steward as we helped steer our companies through the complex compliance and regulatory landscape.

Now it is time to bring the role back into balance, bringing out the role of the strategist where the CFO is delivering high value decision support to the CEO and the Executive Management Team and greater engagement with the Board.

It is also a time for the CFO to acquire new skills so he or she can better leverage financial knowledge and tools to improve the company's overall business performance.

Skills such as:

- focusing on opportunity realisation not just on performance measurement,

- helping build cross-company alliances to drive the CEO's strategic objectives,
- ensuring the finance team is properly synchronised with the CEO's agenda and allocating time to effectively meet with Executive Team members and investors as well as
- improving leadership skills.

In effect, enhancing metrics and management skills whilst also acquiring some non metric skills such as performance leadership and team building.

## **Networking**

The Group of 100 provides a forum for the exchange of ideas, the provision of early warning of impending challenges and issues likely to confront CFOs and as a facilitator to develop best practice responses and skills to meet such challenges.

It does this through specialist workshops, subject matter forums and our close working relationship with the US based CFO Executive Board which is participating in this Congress.

The Board presented a workshop yesterday afternoon for CFOs on the subject of *"CFOs - Building the Edge in the Financial Labour Market "*.

This is an excellent example of the sharing of international best practice and the maintenance of leading edge skills by our members - one of the important drivers of the G100.

The G100 also recognises the CFO's strategic role in the future will be further defined, grown and enhanced by those coming behind us – the next wave of professionals.

## **Mentoring - Our Next Generation of CFO Leaders**

I would like to take this opportunity to announce that we have now established a Mentoring Program for the next generation of CFOs.

The Group of 100 instituted this on July 1 after an extensive period of planning and consultation. This pilot program, administered by the National Executive, has 12 participants in its first intake. I am pleased to say that a number of mentees, I think ten, are attending all of the activities associated with the Congress.

Under the scheme, each mentor is matched to a mentee drawn from a company outside the mentor's responsibility. A number of contact hours will be factored in across the business year and at tomorrow's National Executive Meeting we will receive the first Status Report covering the first quarter of operation of our Mentor Program.

In brief, the objectives of the program are:

- to enhance the skills of CFOs in coaching, listening, mentoring and the sharing of knowledge and experience
- to assist in fostering the development of finance community members including their understanding of the broader perspectives and issues which impact on the role
- to ensure stronger networking and the development of networks across member organisations at the lower level
- and to promote the role of the CFO.

Speaking personally I have received enormous benefit from being part of this pilot program. Firstly, acting as a mentor to a highly talented individual (Sue Srsen from Coles who is here today) has enabled me to understand the issues that are facing finance staff at her level, and has allowed me to adjust some of my approaches to the team at Computershare.

Secondly, and more importantly, have one of my team (Tony Ristevski who is also here with us today) being mentored by someone of the standing of John Stanhope has opened his eyes to how the CFO of a much larger organisation deals with many finance issues. The mentoring approach has allowed Tony to understand both the similarities and the differences between our organisation (Computershare) and Telstra.

As we settle into today's Congress we will be stimulated, I am sure, by the excellent speakers we have with us and the subjects they have chosen to explore with us.

In *"Leveraging the Unique Perspective of the CFO to Add Significant Value"* we will get a unique perspective into the strategic side. Trevor Rowe, chairman of United Group and Rothschild Australia, will provide us with *"A Chairman's Perspective on Audit and Risk Committees"* and later in the day Egon Zhender International's two speakers will explore *"The Momentum Towards Greater Leadership among CFOs"*.

Taken together, these papers and others to be delivered today will help us further frame the strategic role for Australia's CFOs going forward.

In conclusion, I would like to especially thank Deloitte for its support of this Congress through the provision of our Congress satchels, complete with a very useful little piece of wi-fi technology, and the CFO Executive Board of the United States for its continuing involvement and participation with the Group of 100 on a range of initiatives not least today's Congress.

**Thank you and enjoy the day.**