

Special Address by:

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Event: CFO Summit

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Venue: The Royale Chulan Hotel, KL, Malaysia

Theme

CFOs in the 'Transformational Age': Managing Risks and Rewards

- **Dato' Donald Lim Siang Chai**
Deputy Minister of Finance
- **Dato' Dr Michael Yeoh,**
CEO of Asian Strategy & Leadership Institute (ASLI)
- Distinguished guests
- Members of ACCA
- Members of the Press
- Ladies and gentlemen

First and foremost please allow me to add my own warm welcome to this CFO Summit jointly organised by ACCA (the Association of Chartered Certified Accountants) and Asian Strategy and Leadership Institute or ASLI. I would like to thank Dato' Dr Michael Yeoh for his kind words of introduction and to ASLI for working with ACCA once again to present this year's summit.

On behalf of ACCA I wish to thank **Dato' Donald Lim Siang Chai** for making time to be with us this morning and presenting an important address – sharing ideas and perspectives - with CFOs and finance professionals.

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As Malaysia move in tandem with its New Economic Model, driven by its Economic Transformation Programme or ETP, the theme of this year's CFO Summit ***CFOs in the Transformational Age: Managing Risks and Rewards*** is especially timely and highly relevant to today's CFOs.

Growing the business services sector through IT-enabled technologies is a key agenda under the ETP. With accountants and CFOs being integral members of this sector, the success in driving high-income growth through business services, pivots on improving the performance and caliber of finance professionals in leveraging smart digital tools and systems.

The finance function used to be charged only with accounting, measuring the company's performance and delivering reports to senior management and shareholders.

But that was before risk management and compliance became part of the daily business lexicon. Before - the company's myriad processes were mapped, measured, and improved. Before - information technology (IT) was embedded in almost every activity and job.

CFOs now are leading businesses from the front. They now not only need a sound grasp of financial know-how vital for the success of their organisation; but must also fully consider the risks and rewards of new and emerging technologies and how these will support the future success of their organisation.

There is a new reality for CFOs in the corporate world. As CFOs - you are now managing people, systems, and technology infrastructure. You're the gatekeeper when managers have projects or investment ideas to pitch. You're often the one who answers to business media and shareholders. And, of course, you have the core accounting and reporting responsibilities of the finance function.

The role of the CFO has transformed and expanded well beyond a traditional focus on finance and accounting to become more involved in strategy and operations.

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With a more diverse portfolio, CFOs would find that as they moved within this transformational age, the potential of risk management issues being particularly troublesome is high.

Driven by rapid developments in IT the worlds of business and finance turn ever faster. It has become easier for risks to manifest and finance professionals need to work harder than ever to be one step ahead.

In April of this year, ACCA published a collection of 11 essays, called *Risk and Reward: Shared Perspectives*, about the issues of managing risk and reward in business. Experts from ACCA, PwC, the UK's Audit Commission, the European Commission, and others contributed to the report.

Taking views from the public and private sectors, this report's contributors looked at the role of ethical corporate behaviour in risk management and governance.

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We say in the report that in the aftermath of the global financial crisis, we have seen a huge focus on structural matters, most obviously the regulation of the banking sector.

But however business activity is regulated, decisions will always, ultimately, be taken by individuals.

Decisions are made by people.

As we have seen, this is where the regulatory process can collapse. An individual's decision can sometimes be risky.

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ACCA believes that risks needs to be better identified and managed than they have been in the past.

Behavioural risk needs to be recognised as being crucial to the process of risk management. Risk management also needs to be seen within the wider framework of good corporate governance.

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We question in our report how ethical performance can be measured, how ethical risks can be identified and managed, and the importance of ethical leadership from the top: businesses need to operate with a clear sense of values.

Guidance, standards, and supervision may be put in place to regulate what businesses do. But really whether or not they operate in a way that is in tune with the long-term interests of a business and their stakeholder is down to the behaviour of a business's lead actors.

Again, it is people that matter.

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CFOs and other finance professionals have two very important roles to play here.

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Firstly, finance professionals often act as the 'standard bearers' of integrity for businesses.

A recent ACCA survey of global business leaders found that over half expected an increasing role for accountants in helping their organisations reach the highest ethical standards.

With a background of ethical and professional training, finance professionals, particularly qualified accountants, are naturally suited to the task of constructing ethical cultures within business.

With a heightened prominence within organisations in the wake of the financial crisis, CFOs are in a unique position to influence the ethical cultures of organisations.

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Secondly, business leaders, again evidenced by our research, are increasingly turning to their CFOs to manage and mitigate business risks.

Businesses need access to high-quality information on expected future risks and performance so that careful preparations can be put into place and the right decisions made.

CFOs must be ready to provide that information.

As CFOs rise to the challenge, we have seen the use of increasingly sophisticated analytics, predictive accounting, and scenario analysis to test how various business scenarios may play out, and to make sure the decision-making process is properly informed.

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Good risk management practices help create and protect value for businesses.

But good risk management practices must do more than simply address the effects of risks; they must identify the cause of risks too.

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For CFOs, getting risk management right matters for business, and it matters for Malaysia.

Research by ACCA, Deloitte, and others has repeatedly shown that ethical behaviour and effective risk management can have a positive effect on perceived financial performance.

Risk management and ethical behaviour matter for business; CFOs matter for risk management and ethical behaviour.

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Tomorrow's CFO must be a flexible one though; risk management will be just one part of their role.

An effective CFO cannot hide behind numbers.

They must deliver more to create value for their business.

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Businesses need broader based finance managers and leaders to reflect the growing influence of finance functions and the increasingly multi-disciplinary roles that accountants fill.

The effective CFO is one that not only manages risk, but also contributes to business strategy, and acts as a 'guardian' of a business' brand both internally and externally.

With expanding influence and expanding roles, finance professionals are finding themselves becoming a major interface between their business and key stakeholders.

The finance leader is the pivot for important business relationships.

This doesn't just mean traditional relationships with shareholders, regulators, and finance institutions, but an exhausting list including:

- Corporate and social responsibility groups
- Property consultants
- Asset management groups
- Management consultants
- Suppliers
- Customers
- Logistics partners
- And so on

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So, things are changing for the global economy, they are changing for Malaysia's economy, and they are changing for the CFO.

We are truly living in a transformational age, one that affects everyone.

It's a time of change that presents opportunities and challenges.

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There are challenges posed by the increasing inter-connectedness of financial dealings, new technologies, and old ways of thinking.

But there are plenty of opportunities too, if CFOs are ready to embrace them.

If CFOs are ready to be flexible, to be outward-facing, and to be prepared to think differently then they can do a lot for their businesses and a lot for Malaysia.

CFOs must be ready to embrace change, to adapt to change, and help shape change.

They must be ready to do things differently, to embrace new technologies to share and communicate information, and collaborate in new ways.

The demands asked of accountants are diverse, changeable, and challenging.

Without finance professionals that are flexible, well-trained, and ready to deal with all the latest challenges, businesses will lose out.

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The role of the CFO has changed in the past decade and will continue to change.

If the finance function wants to remain relevant in fast-changing environments then CFOs and finance professionals must have the skills suited to the demands of the market.

CFOs must be prepared to continue to change and improve.

The possibilities of what a CFO can do for business should be endless.

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Before I end, I would like to specially mention that CFO Summit 2011 would not be possible without the strong support from the following organisations and once again, on behalf of ACCA, our heartfelt appreciation to:

Our supporting organisations; *Accountant General's Department, Malaysian Institute of Accountants, the Association of Development Finance Institutions of Malaysia, and the Federation of Public Listed Companies Berhad.*

Our Main Sponsor: Oracle and SAP.

To all our key role players; speakers and moderators for making the time to share your expertise and knowledge with us today.

And last but not least, sincere thanks to our partner, ASLI and the supportive team for their hard work and excellent team work showed in making this event a success.

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We have a full and varied programme for today as we focus on the challenges and opportunities for CFOs in this transformational age.

The sessions are specially designed to encourage active participation not just from the panellist but also from all of you as entrusted CFOs and professionals in your organisations.

We hope the discussions, latest information and trends as well best practices highlighted today will assist you in adding significant value to your organisation and business at large.

I wish you all a successful and exciting summit. Thank you.

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