

The DNA of the CFO

Do you define your CFO role? Or does it define you?

The disruption of the CFO's DNA
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The better the question.
The better the answer.
The better the world works.



Building a better
working world

EY is grateful to all the participants in this study. In particular, we would like to thank those who readily shared their insights and personal experiences in a series of interviews:

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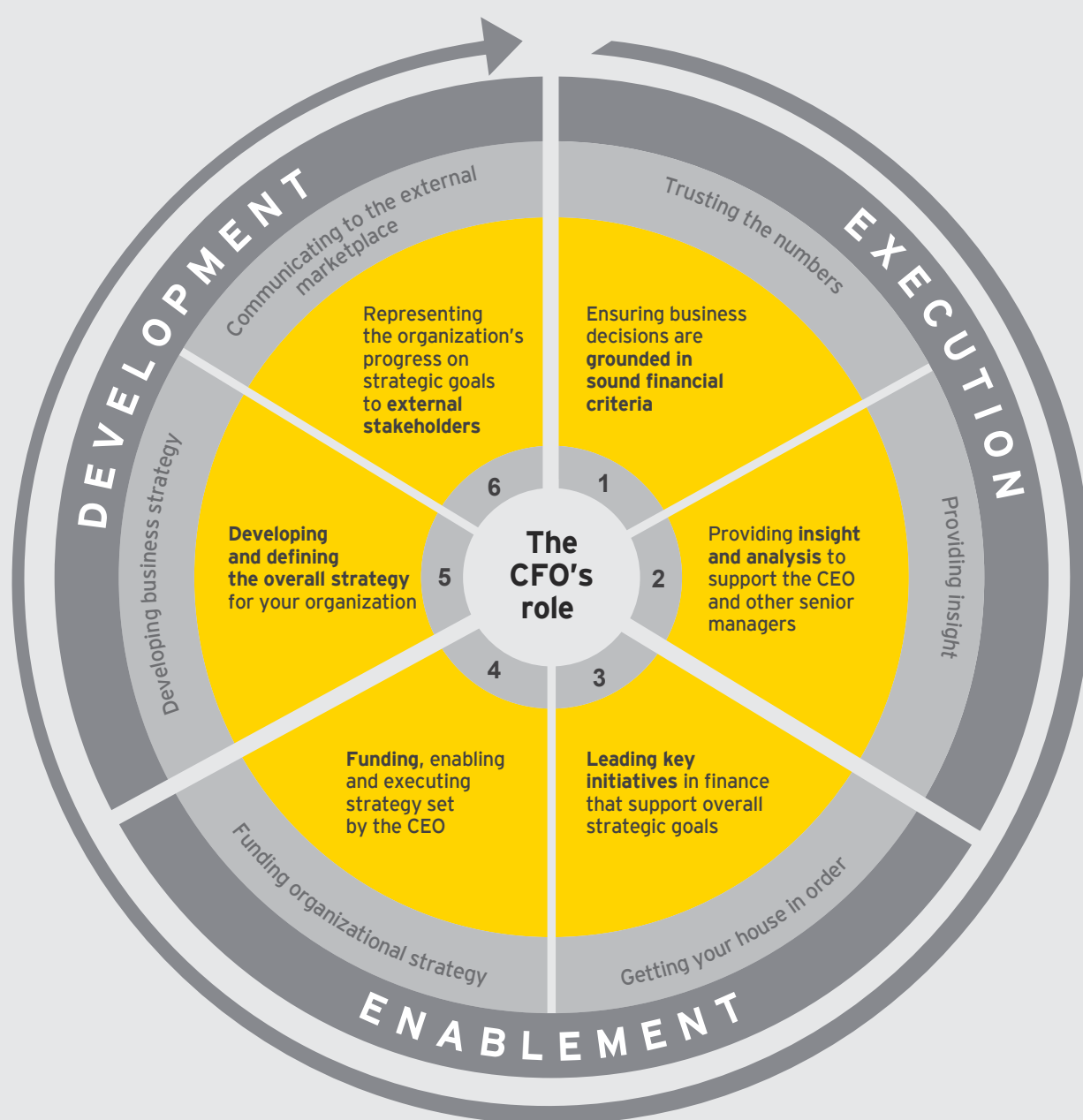
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Methodology

We surveyed 769 finance leaders across the Americas, Europe, the Middle East and Asia-Pacific from December 2015 to February 2016, and conducted one-on-one interviews with 21 CFOs, listed above. To view the demographics of survey respondents, go to pages 30-31 of this report.

The CFO's role

We believe the six segments of the wheel below – developed from the findings of our first *The DNA of the CFO* study in 2010 – represent the breadth of the CFO's remit. In our latest study, we identify four major forces that are increasing pressures on CFOs as they balance these different responsibilities. As a result, we are seeing a marked divergence in how CFOs are shaping their role, as well as in their profiles and backgrounds.



Contents

| | |
|---|----|
| Executive summary | 3 |
| The four forces disrupting finance leadership | 6 |
| Force 1: Digital | 7 |
| Force 2: Data | 9 |
| Force 3: Risk and uncertainty | 11 |
| Force 4: Stakeholder scrutiny and regulation | 14 |
| The many profiles of today's finance leaders | 18 |
| Embracing disruption: a CFO leadership development plan | 21 |
| Personal competencies: driving your own agenda | 21 |
| Strategic considerations: shape your role to support your organization's strategy | 26 |
| External forces: helping your organization adapt to a business environment in motion | 28 |
| Conclusion: mastering the future | 29 |
| Other publications of interest | 29 |
| Survey demographics | 30 |
| Contacts | 32 |

Executive summary

The chief financial officer (CFO) role is being disrupted by digital innovation, the proliferation of data, a volatile risk environment, increasing regulation and a growing circle of demanding stakeholders. CFOs who don't proactively define their role in response to these major forces could compromise their ability to shape strategy with the CEO and drive the innovation necessary for sustainable growth.

In EY's first *The DNA of the CFO*¹ study, conducted in 2010, we painted a picture of a role that had already broadened to encompass not only traditional financial skills, but also more strategic and market-facing responsibilities. Six years later, in our latest CFO research study, we've found that change has accelerated more rapidly than many would have thought possible.

"It's become a job that may be too big for any one individual to do well, given all the responsibilities and the incredible contrast between the day-to-day tactical controllership functions, and the very long-term, strategic, executive functions. It's now more important than ever for the CFO to not just worry about their role, but also the team that they surround themselves with."

Tony Klimas

Global Finance Performance Improvement Advisory Leader, EY

¹ *The DNA of the CFO*, EY, 2010.

The CFO – a leader feeling the pressure

CFOs are responding to these pressures in different ways. Our research shows that it is increasingly difficult to decode the DNA of the finance leader, with profiles and job descriptions becoming more and more diverse. Roles vary depending on the disruptions CFOs and their organizations face, as well as their company, sector, geography and personal strengths.

In this environment, perceptions of what makes a great CFO are harder to pin down, and the expectations of colleagues, including CEOs and supervisory boards, are shifting.

To help finance leaders respond to the forces disrupting their role and take control of their professional development, in this report we explore three themes:

1. The four forces disrupting finance leadership
2. The many profiles of today's CFO
3. A CFO leadership development plan

The CFO role is under **intense pressure**.

Ability to delegate

52%



cannot focus on strategic priorities by delegating responsibilities because of lack of necessary skills in the finance team.

Tension between old and new

56%



cannot focus on strategic priorities because of time spent on compliance, controls and costs.

Role stretch

51%



cannot focus on strategic priorities because of increasing operational responsibilities.

Concern over finance function

47%



say their current finance function does not have the right mix of capabilities to meet the demands of future strategic priorities.

CFO in person

Claude Changarnier

Vice President of International Finance, Microsoft International

Microsoft International is part of Microsoft Corp., one of the world's technology giants.



► Visit ey.com/dnaofthecfo to view a video featuring Claude Changarnier talking about how he is reshaping his role.

"I have 85 CFOs around the world. What's my job? I have to hire good people and make sure they are doing the right things. I can't stand behind them every morning, so I need to make sure they do the right thing by themselves. I have to have smart people, not monkeys. The people component is fundamental in a job like mine. That's not something you learn in school. You learn accounting, you learn marketing. You don't learn how to manage people. You don't learn how to be a leader."

Background

- Claude Changarnier has two master's degrees in Management and International Affairs.
- He started his career in external audit and as a CFO in IT services companies. He gained extensive experience in audit, finance and administration at the national and international level.
- Claude Changarnier has been at Microsoft more than 25 years, and was appointed to his current role in 2005. Previous roles at Microsoft include: Financial Officer for France and the Iberian Peninsula and the EMEA Vice President of Finance and Administration.

The four forces disrupting finance leadership

In our 2010 research,² we examined the growing breadth of the CFO role, and identified six core areas of the CFO's responsibilities (see page 1). While these core elements of the role remain true and relevant for finance leaders today, our latest research shows that four new forces are changing the expectations placed on CFOs: digital; data; risk and uncertainty; and stakeholder scrutiny and regulation.

There are **four forces** disrupting the CFO role.

Digital

58%



of finance leaders say they need to build their understanding of digital, smart technologies and sophisticated data analytics.

Data

57%



of group CFOs believe that the delivery of data and advanced analytics will be a critical capability for tomorrow's finance function.

Risk and uncertainty

57%



of finance leaders believe that risk management will be a critical capability in the future.

Stakeholder scrutiny and regulation

71%



of finance leaders say they will increasingly be responsible for the ethics of decision-making in support of their organization's purpose.

² The DNA of the CFO: a study of what makes a chief financial officer, EY, 2010.

Force 1: Digital

Caught in the eye of a perfect digital storm

The challenge for CFOs

Lack of understanding

Among the finance leaders we surveyed, 58% said that they “need to build their understanding of digital, smart technologies and sophisticated data analytics” in order to deliver against their critical strategic priorities.

For CFOs, digital disruption can feel like being caught between the promise of rain and the threat of drought. On the one hand, digitization offers the opportunity for new business models and revenue streams. But on the other hand, digitization makes the organization vulnerable to competition from new players and agile incumbents and creates exposure to new risk.

| Digital opportunity | CFO concern |
|--|---|
| Changing business models create opportunities for new products and services and recurring revenue streams. | Finance leaders must completely re-evaluate their underlying assumptions regarding business models, pricing, revenue streams and the related financial models. |
| Technology is helping to transform operations, reduce operational expenditure and support more flexible, scalable systems and processes. | Cyber threats are on the rise. As part of their risk agenda, CFOs must work with the CIO to establish a governance framework for quantifying digital risks, prioritizing and protecting digital assets, and mediating across functional technology silos to create an integrated approach that drives value creation. |

“With financial communication, the world has changed,” says Jacques Tierny, CFO at Gemalto, a world leader in digital security. “In a tech company, the investors know the business deeply. They have talked with suppliers, they have talked with clients, and so on in the eco-system. They know if there is a threat to the business and they are able to criticize our strategy and contribute interesting points. What these guys tell me is very helpful for my operational colleagues. It’s not only preaching to investors, but listening and coming back home with the message.”

To help their organization profit from digital opportunities, finance leaders like Jacques Tierny are using a traditional finance skill: striking a balance between innovation-led growth and prudent risk management. They are collaborating with colleagues to develop their understanding of how the technological landscape is evolving and what strategic investments are needed to encourage and enable innovation and support the business’s growth. Many CFOs are not there yet.

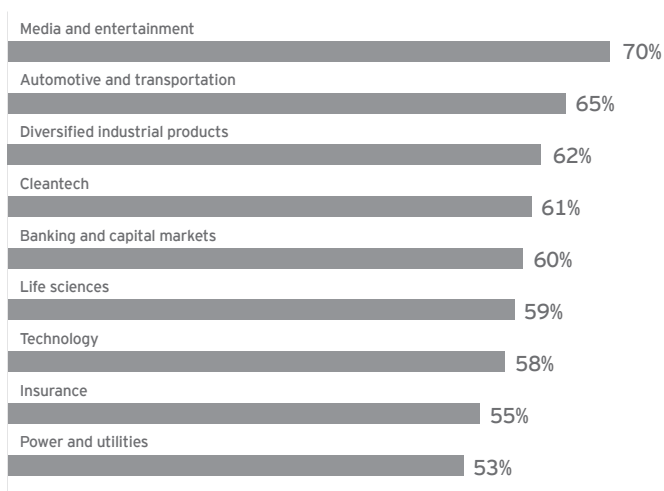
In our research, 58% of finance leaders say that they “need to build their understanding of digital, smart technologies and sophisticated data analytics” in order to deliver against their critical strategic priorities. This is a priority across all sectors, with finance leaders in markets such as media and entertainment and automotive particularly focused on this area (Chart 1).

“Historically, most risk management processes have not been data-rich. As we move into the new world of technology

that enables us to get data much more quickly, I believe data-driven insight will play a very important part in making better risk-based decisions quicker,” says Jonathan Blackmore, EMEA Risk Leader, EY. “This is because you can use data from multiple sources either to look for trends or predict potential risk events. In the future, that will be a key trend, because there is so much information available that you can begin to correlate different data sources to build up patterns and trends.”

Chart 1: Building digital know-how is a priority across sectors

Percentage of respondents who believe that they will need to build their understanding of digital, smart technologies and sophisticated data analytics



The CFO's role in digital readiness

To fulfill their agenda of growing and protecting the organization, finance leaders need to transpose and embrace a digital business model. They must also play a key role in building the organization's readiness and confidence to act and react with urgency.

Effective finance leaders must:

► **Understand the organization's ability to deliver on its digital strategy.**

CFOs need to assess their organization's current digital maturity and understand its key priorities, enterprise-wide digital budget and investments. That way, they can play a key role in helping to make coordinated and focused investments in areas that create real value.

► **Build the organization's confidence and capability to navigate the digital economy.**

CFOs must prepare their organizations for digital disruptions and help give them the confidence to handle them. Issues to tackle include the global tax implications for how goods and services are sold, where companies base their operations, robotics, the accelerated globalization of the world economy, and disruptive new competitors.

Critical digital knowledge for the future: blockchain and robotics process automation

For finance leaders, it will be critical that they build their understanding of two disruptive technologies: blockchain and robotics process automation (RPA).

Blockchain, which underpinned bitcoin, allows data to be exchanged via a decentralized ledger that is extremely difficult to tamper with, as a shared network of computers around the world verifies it. It could fundamentally change the role of the finance function in areas such as corporate reporting, where it could transform the speed of reporting and theoretically allow transactions to be recorded and logged in real time, helping to provide greater transparency and trust in a company's financial accounts.

RPA has been gaining momentum, and can reduce the need for people to perform back-office processes. As well as being extremely accurate, software robots are estimated to cost one-third the price of an offshore full-time employee (FTE) and as little as one-fifth the price of an onshore FTE. It has significant implications for how finance functions perform rules-driven, transactional processes. It will also dramatically change the training ground for junior finance professionals.

The digitally savvy drive growth

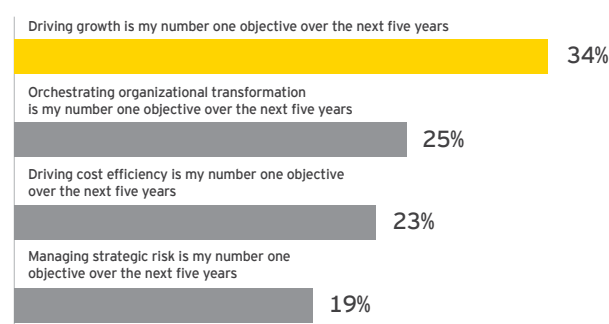
Digital offers enormous opportunities for organizations to enter new markets, transform existing products and introduce new business and delivery models. And finance leaders who are focused on growth seem to be embracing digital faster than the rest.

Our research shows that finance leaders whose number one priority over the next five years is to drive growth are more likely to be seeking to build their understanding of digital technologies than those who are focused on organizational transformation, cost efficiency or risk management (Chart 2).

However, it's important for finance leaders to understand that digital is not just important for the growth it can bring, but also for its potential cost efficiencies through operational transformation. Even if driving growth is not top of your agenda, digital should be.

Chart 2: Focus on growth places premium on CFO's digital know-how

Percentage of respondents who believe that they will need to build their understanding of digital, smart technologies and sophisticated data analytics



Force 2: Data

The disruption that will transform finance

The challenge for CFOs

Harnessing the power of data analytics

Data and analytics are crucial for CFOs on a journey to transform the finance function from a reporting entity to a group that guides strategy through business intelligence.

Data and analytics are changing the way CFOs think about business problems, opening their eyes to new opportunities, and challenging accepted and entrenched organizational beliefs.

“Data science moves us from the accounting role of reporting the past to the finance role of guiding the future,” says Kelly Wong, CFO at KIDO Group. “I think that’s one of the most exciting things I’ve seen happen in finance in many years.”

Our research shows that 57% of group CFOs believe that delivering the data and advanced analytics for business intelligence and management information will be a critical capability for tomorrow’s finance function. However, many organizations are struggling to turn the promise of data analytics into the reality of improved performance. In a recent EY and Forbes Insights survey of 564 executives in large global enterprises,³ most admit that they still do not have an effective strategy for competing in a digital world and struggle with getting business users to adopt analytics insights. This presents an important opportunity for CFOs to step in and transform their organizations by turning the promise of data analytics into measurable performance gains.

Finance extends its influence

And finance leaders are ideally positioned to define a role for themselves and the finance function that goes beyond pure finance-related data analytics.

“There’s no doubt that CFOs need to be a champion and driver for the use of analytics in all current core financial processes under his or her remit today,” says Chris Mazzei, Global Chief Analytics Officer, EY. “But you can start to extend out from that. Financial data, as well as other data, is a key input to many other business decision processes, whether it’s procurement, supply chain, operational-type decisions, or risk management-type decisions. The CFO can be a driver of the application of analytics in many of those areas. Not necessarily ‘owning’ that area, but acting as a catalyst for encouraging and driving the use of analytics in other business processes outside core finance.”

Winning data analytics: investing in the human element

In the past five years, 50% of CFOs in our survey have increased the amount of time they dedicate to using advanced analytics to provide insight to the CEO and other senior leaders.

As CFOs become more focused on deriving strategic insight from data, they increasingly see the need for investment in the right people as well as the right technology.

Over the past few years, many organizations have spent millions of dollars on technology to mine and manage data, but achieved disappointing returns. This is often because they spend relatively little on drawing actionable insights out of the data and convincing people to use them – that is, the human element of analytics.

In order to realize the potential of data and analytics for their organization, CFOs will need to focus increasingly on this crucial – and complicated – area.

³ Analytics: Don’t Forget the Human Element – Data and Analytics Impact, EY/Forbes, Nov. 2015.

The CFO's role in building better data analytics

To make these efforts into a long-term competitive advantage, CFOs will need to assess the potential disruption for the organization as a whole, and define the role that they and their finance function should play. In some cases, this will mean leading an enterprise-wide analytics capability; in others, it might mean providing crucial inputs.

Either way, the CFO has an important role to play in moving the organization toward more business value from analytics.

The organization as a whole must:

- ▶ Make data integral to the business strategy
- ▶ Align analytics delivery and business requirements
- ▶ Instill the right leadership and culture

CFOs should focus on:

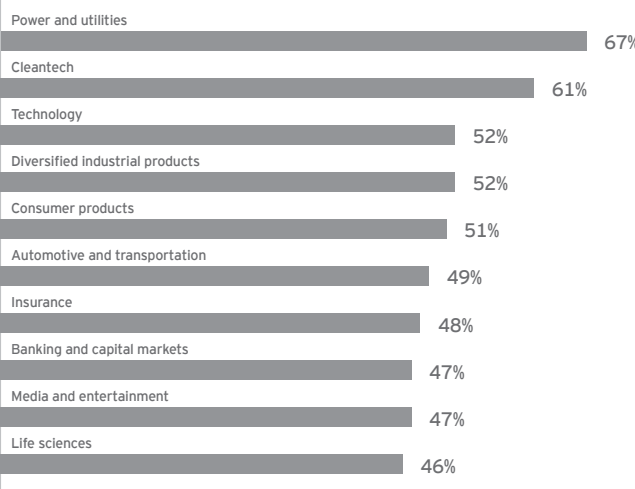
- ▶ Providing the training to help individuals recognize decision biases – the psychological assumptions that often lead to poor decision-making
- ▶ Providing easy-to-use tools for users of data
- ▶ Transforming the analytics-based insights into actions, and aligning incentives, rewards and measurement accordingly⁴

Powering data analytics in power and utilities

Among our respondents, CFOs from the power and utilities industry are most likely to say that they spend more time today than five years ago on providing analysis and insight to support the CEO and senior leadership. This is likely reflecting the broader transformation taking place within that sector. As smart energy disrupts power and utilities, and as pressure mounts to reshape the energy-generation mix, the sector's finance leaders need to spend an increasing amount of time on strategic analysis with their business peers.

Chart 3: More time spent on data and analysis today than five years ago

Percentage of respondents who spend more time today than five years ago providing analysis and insight to support the CEO and other senior leaders, including sophisticated data-driven analytics and strategic risk assessments



⁴ Analytics: Don't Forget the Human Element—Data and Analytics Impact, EY/Forbes, Nov. 2015.

Force 3: Risk and uncertainty

Decision-making in volatile times

The challenge for CFOs

Risk management is becoming a critical finance capability

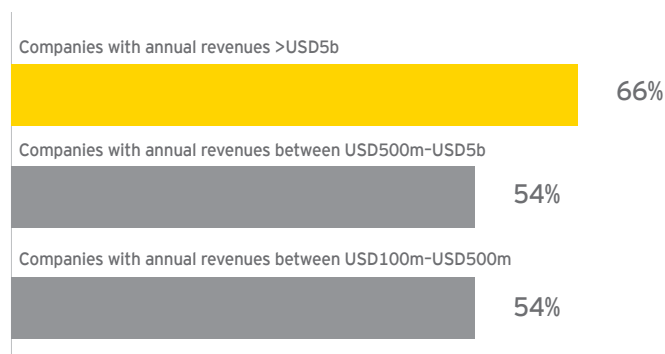
Managing all types of risk – strategic, reputational, regulatory and cyber risk – are growing parts of the finance remit particularly in larger organizations, where 66% of our respondents say it's a critical future capability.

Today, organizations and their finance leaders are challenged by a rapidly changing risk landscape shaped by disruptions that include market volatility, hyper connectivity, geopolitical crises, regulatory reforms and cyber threats, to name just a few.

Finding enough certainty to be able to make decisions in this volatile risk landscape is a major challenge for CFOs, and they are taking an increasing role in risk management. In the future, CFOs anticipate that the role will be even bigger, particularly in large organizations (see Chart 4).

Chart 4: The business will seek risk management capability from finance in the future

Percentage of respondents who believe that risk management will be a key capability that business units will demand from finance in the future



"The world we live in is much more connected," says Jonathan Blackmore, EMEA Advisory Risk Leader, EY. "Risk events in one part of the world can impact the entire world very, very quickly. CFOs and others need to be thinking about how they keep an eye on the future and what is happening in their markets, in their sectors and more broadly where they operate, so they can anticipate these risk events. We shouldn't be waiting for something to happen."

For example, a data breach can lead to a disastrous domino effect on enterprise value. Therefore, it is critical for CFOs to understand the cybersecurity that protects their organization's most valuable data assets and systems, and to know that they are prepared to respond to a breach at any moment.

Toward strategic risk management

However, in this volatile and fast-moving environment, it is difficult – but necessary – for CFOs to find the time to move beyond mitigating the risk implications of decisions that have already been made to managing strategic risk. Managing the risk and return implications of strategic choices that offer potential positive upside can be crucial to driving a growth agenda, and is the key to balancing the tension between the clamour for growth and the realities of the macroeconomic environment.

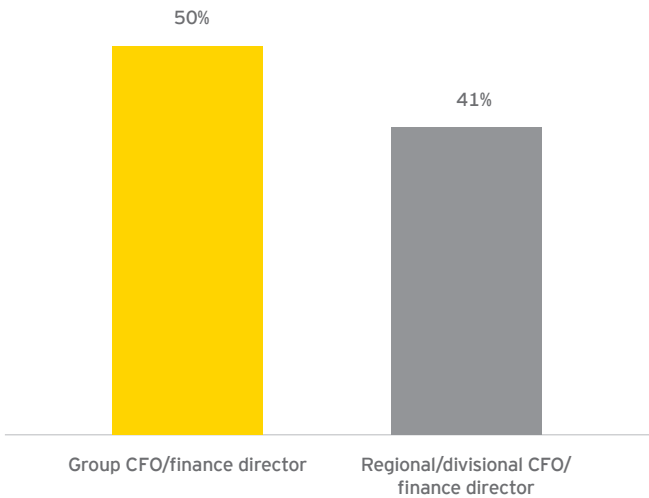
At the UK's Taylor Wimpey, which builds and sells more than 13,000 homes a year, and where the organization has to invest in buying land for long-term development potential, strategic risk management is second nature. "You have to make the right judgments," explains Group Finance Director Ryan Mangold. "One of those judgments is about maintaining the quality of the business by ensuring that we are investing very wisely and appropriately and understanding the risks being priced correctly. In our sector, that translates into margins or investments that we will make today that will take five to seven years to come through the P&L."

Our research shows that strategic risk is already an increasing focus for CFOs. Half of group CFOs, for example, say they are spending more time on it today than they were five years ago (Chart 5, page 12). However, many finance leaders believe that they need to do more to build their skills in this area. Of the respondents who are focused on risk as their primary priority in the future, 61% say they will need to improve their strategic risk management skills. This is in line with a 2015 EY survey on governance, risk and compliance,⁵ which showed that 85% of respondents indicated opportunity exists to further improve the linkage between risk and business performance.

⁵ Governance, risk and compliance survey, EY, May 2015.

Chart 5: Group CFOs devoting increased time to strategic risk

Percentage of respondents who spend more time today than five years ago developing and defining the overall strategy for their company, including the risk factors of different strategic decisions



Robust strategic risk management requires effort and leadership from a range of leaders in the business. To play their part effectively, CFOs must:

- **Think beyond preventable risks.**
Identify and surface strategic risks that organizations may not have otherwise thought of, including risks whose value-generation potential may outweigh the possible negative consequences.
- **Address risk directly.**
Bring up risk in strategic and business planning discussions, and routinely evaluate the risk profile and its impact on business strategy.
- **Make investments in key risk talent.**
Take the time and resources to recruit talent with the strategy and advanced analytics skills needed to enhance the risk function.

| Managing strategic risk | |
|--|---|
| The business strategy | The strategic risk |
| Expansion into new and emerging markets | Minimal ROI in new sales and distribution channels |
| Development of social and mobile platforms | Low adoption rate of digital platforms by consumers |

CFO in person

Francesco Tanzi

CFO, Pirelli & C. S.p.A

Headquartered in Italy, Pirelli is one of the world's largest tire manufacturers.

"The greatest satisfaction is being plugged into the cockpit of the CEO. The CEO calls you and says, 'What do you think about this potential transaction?' You gain trust. You can add value to the company with your opinion. The role of CFO has changed. Now you have to be proactive with the CEO in finding strategic alternatives, not only in relation to financial statements, but also risk management."



Background

- ▶ Francesco Tanzi has a Bachelor of Business Economics.
- ▶ He started his career in the Export Financing Unit of Pirelli & C. S.p.A and has worked across multiple roles within Pirelli & C. S.p.A.
- ▶ He has also gained experience in the telecoms sector, having served as Finance Director of Telecom Italia S.p.A.
- ▶ Francesco Tanzi was appointed CFO at Pirelli & C. SpA in April 2011.

Force 4: Stakeholder scrutiny and regulation

The CFO as a public person

The challenge for CFOs

Finding time to manage stakeholders' conflicting demands

Fifty percent of survey respondents say they will need to improve their skills in managing relationships, including with investors, the CEO, boards and other members of the C-suite.

CFOs are caught between a rock and a hard place when it comes to managing stakeholder relationships. Demands of stakeholders are often in conflict, and CFOs increasingly have to juggle the requirements of regulators with the demands of investors, and other stakeholders.

Dr. Stefan Kirsten, CFO of Vonovia, likens these responsibilities to those of senior government leaders. "I'm the foreign secretary of the company," he says. "I'm the one who spends one or two days a month in the office. You're traveling extensively, permanently meeting with regulators, trade associations and stock exchanges. In the mid-90s, I remember investor relations being a very exotic function. Now it's 40% of my time. If I add public – as in government – and rating agency relationships, it's two-thirds of my time. That is a dramatic change."

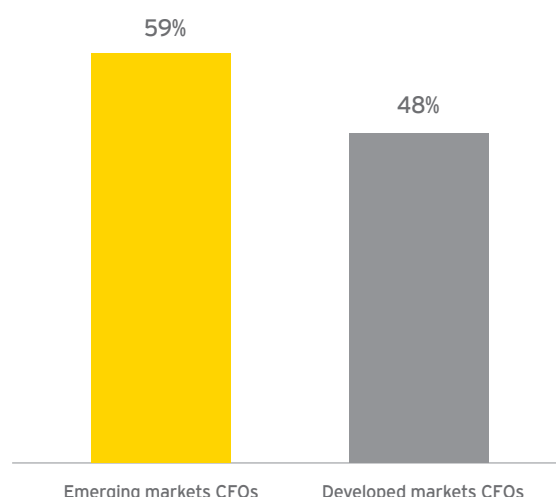
Disclosure effectiveness: giving stakeholders the information they need

A 2015 research report from EY and the Financial Executives Research Foundation – *Disclosure effectiveness: companies embrace the call to action*⁶ – found that 74% of the companies surveyed are taking action to improve their financial reports. The benefits of doing so included positive feedback from senior management, board members, investors and analysts who found the information easier to read and digest – allowing them to make more informed decisions.

In our research, 50% of finance leaders say they will need to improve their stakeholder management skills. This is particularly true for emerging markets finance leaders, where the skills to respond to increased scrutiny may not be as mature as in more developed markets (Chart 6).

Chart 6: Emerging markets finance leaders determined to build stakeholder skills

Percentage of respondents who will need to improve their stakeholder management skills to deliver against future priorities



"Time is a big issue. Investors require time. The board of directors, and the audit committee, require time. We have a global management team that meets six to eight times a year – at various locations around the globe. Plus, I have my own management team and a global finance council. Just making sure everybody is informed takes up quite some time."

Peter Vekslund

Executive Vice President & CFO, PANDORA A/S

⁶ *Disclosure effectiveness: companies embrace the call to action*, EY/Financial Executives Research Foundation, Nov. 2015.

CFO in person

Deborah Gibbins

CFO, Mary Kay

Mary Kay is a beauty brand and direct seller in more than 35 markets around the world, with 3.5 million independent beauty consultants.

"The activist investor agenda has very much changed the role of the CFO in the last three to five years. CFOs now spend a lot more time defending or getting ready to defend themselves in the event an active shareholder takes a stake in their company or agitates that way."



Background

- ▶ Deborah Gibbins has a Bachelor of Business Administration in Finance and Accounting.
- ▶ She has experience working across multiple sectors including cosmetics, food and beverage and professional services.
- ▶ Deborah Gibbins held senior leadership position within the finance function of PepsiCo's Frito-Lay North America division.
- ▶ She was externally appointed to Mary Kay in 2013 to take on her first role as a CFO, overseeing the strategic planning and financial growth of Mary Kay across the globe.

Relationships with regulators increase in importance

In the past, customers might have had the most significant potential economic impact on a business. Today, intense regulatory scrutiny means that policymakers are an increasingly important relationship for finance leaders. In a recent EY survey of 1,000 finance leaders, 48% of respondents reported having to comply with more than 10 sets of reporting standards, and a third work with 16 or more reporting systems.⁷ In our research, 57% of finance leaders believe that the future finance function needs to improve its regulatory knowledge to keep abreast of a changing and uncertain regulatory playing field.

Responding to regulatory scrutiny is a core pressure on the finance leader that is compounded by ever-increasing responsibilities.

“The downturn at the beginning of the 21st century was unique in that it was also a time when broad regulatory scrutiny across all industries was increasing dramatically,” says Tony Klimas, Global Finance Performance Improvement Advisory Leader, EY. “But today, CFOs also have to worry about areas like digital and analytics – and playing all these new roles – while still having to worry about the increased scrutiny from regulators, from government and from the public. That scrutiny never really went away. The traditional role around stewardship has only gotten harder and more permanently etched into their responsibilities.”

Managing the increasing scrutiny and complexity of the regulatory environment will be as much about management of relationships as it is capability. By effectively managing relationships, organizations can collaborate with regulators and play their part in shaping policy.

“In the future, not only adapting, but also helping to form the regulatory environment through stronger collaboration with other social groups, especially the political environment, will become increasingly important. We are becoming more and more public people.”

Dr. Stefan Kirsten
CFO, Vonovia

The CFO's role in strengthening stakeholder relationships

The high expectations of stakeholders and the increasing scrutiny of regulators are not likely to fade in the future. CFOs will need to practice ways to respond to conflicting demands more effectively:

► **Prioritize the stakeholder relationships that are most important.**

Analyze critical stakeholder relationships and build a strong understanding of what drives them.

► **Communicate proactively.**

With their increasingly public profile, CFOs need to take a strategic approach to managing communication with the media, customers, investors and regulators, either personally or via other parts of the business.

► **Tell a consistent value story.**

In order to be credible and build trust, CFOs need to have a consistent story about the business for all stakeholders.

⁷ Are you prepared for corporate reporting's perfect storm? Why trusted relationships, innovative technology and world-class talent matter, EY, 2016.

The ethics of decision-making

In recent years, increasing media scrutiny of the ethics of organizations' behavior has changed customer, investor and regulator expectations. For organizations that put aside ethical considerations in the pursuit of financial objectives, punishment from customers and the financial markets can be swift.

As CFOs become the increasingly public face of company performance, they need to pay far closer attention not just to the legality of their organizations' actions, but to the social and ethical consequences.

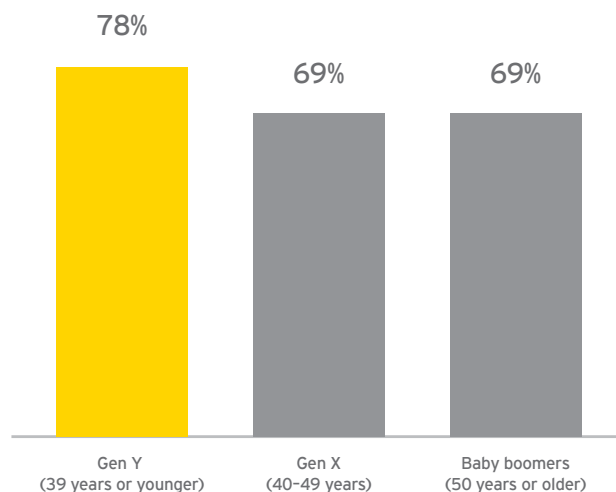
Tony Staffieri, CFO of Rogers Communications says: "The financial markets will only get more and more sophisticated. As a CFO, I think you need to be seen as credible and trustworthy. The investment community needs to know that when push comes to shove, you'll do the right thing. Throughout your career, never compromise your moral compass. And let it be known what it is."

Having a clearly defined "purpose" for the organization – an ultimate objective that goes beyond financial goals – helps provide a framework for this decision-making. In our survey, we found that 71% of finance leaders agreed that they will be increasingly responsible for the "ethics of decision-making in support of the organization's purpose."

While this is a priority for finance leaders of all ages, it is a greater focus for younger CFOs (see Chart 7). Younger CFOs have grown up in a business world where corporate social responsibility (CSR) has escalated as a major issue for companies, as they respond to the scrutiny of regulators, customers, employees and investors.

Chart 7: Ethical decision-making is an increasing focus, particularly for young CFOs

Percentage of respondents who believe that they will increasingly be responsible for the ethics of decision-making in support of their organization's purpose



Today, companies are reporting on far broader measures of value, which provides an opportunity to demonstrate that ethical decision-making is happening, and build the organization's reputation. "The reporting exercise is not a compliance exercise anymore," says Juan Costa Climent, Global Climate Change and Sustainability Services Leader, EY. "Companies are interested in better aligning internal management and decision-making with what they report to the market. Part of that report has to include different kinds of information: value for investors and value for society. Unless those drivers become part of the internal decision-making process – and part of the business's strategy – it's not possible to guarantee that the business is creating value in a sustainable way and with a long-term perspective."

The many profiles of today's finance leaders

Each CFO role today is unique, shaped to the particular demands of the company, sector, country and the individual's own passions and preferences. While this less formal structure creates opportunities for motivated CFOs keen to define their contribution, it also adds pressure. CFOs need to prove their worth in every single role they play, as opposed to fitting into a fairly uniform description from company to company.

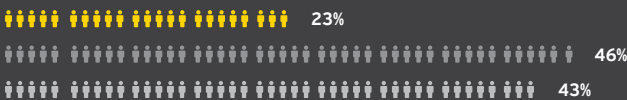
The following comparisons provide texture and evidence of how the role is evolving. They allow finance leaders to assess their own career path – and objectives – against their peers, and provide useful input as they shape their role, prepare for the next step in their career or consider talent development and succession planning.

CFOs through the generations

■ Gen Y CFOs ■ Gen X CFOs ■ Baby boomer CFOs

Profile

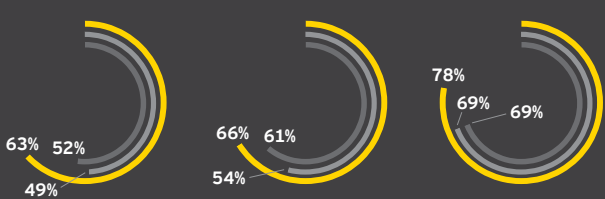
Hold an accountancy qualification (CA, CPA or equivalent)



Aspire to the CEO role



Priorities



"I need to build my leadership and team-building skills to deliver against future priorities."

"I will increasingly find myself managing multidiscipline shared service centers that provide services beyond finance processes."

"I will be increasingly responsible for ethical decision-making."

CFOs at different levels of seniority

■ The group CFO ■ The regional/divisional CFO

Profile

Aspire to CEO role



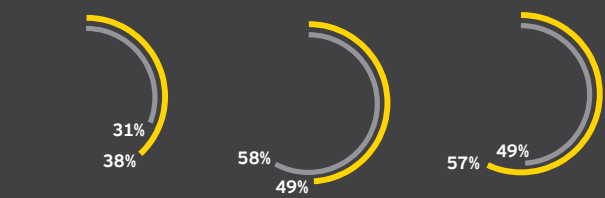
Internal appointment



Hold an accountancy qualification (CA, CPA or equivalent)



Priorities



"I will make 'driving growth' my number one strategic priority for the future."

"I need to improve my strategic risk management skills."

"I believe that providing data and advanced analytics for business intelligence will be a critical future finance function capability."

CFOs in different markets

■ Developed markets CFO

■ Emerging markets CFO

Profile

Have significant experience working in different international environments



Aspire to the CEO role



Priorities



CFOs at high- and low-growth companies

■ CFOs at companies with EBITDA of >5% over the past 12 months

■ CFOs at companies with static or decreasing EBITDA in the past 12 months

Profile

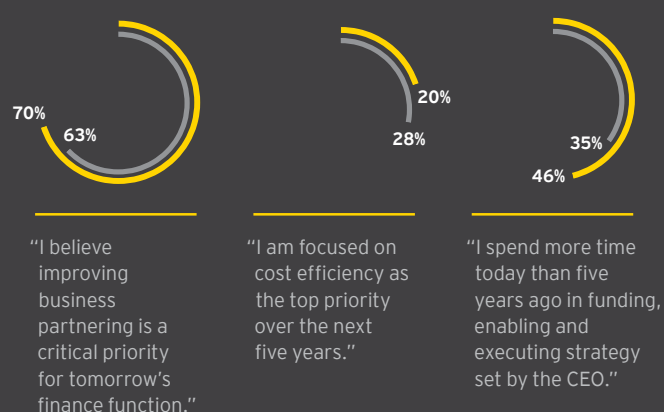
Have a Master's degree in Finance



Hold an accountancy qualification (CA, CPA or equivalent)



Priorities



CFO in person

Jacques Tierny

CFO, Gemalto

With more than 14,000 employees operating out of 118 offices around the world, Gemalto is a global leader in digital security.



“Finance is a service to the company. It is not responsible for managing the company. If it was, I wouldn’t buy the stock. If you become the CEO you have to change, you have to become another animal and forget a lot of the attitude you had as a finance guy, challenging operating decisions. There are some people who can do it, and I understand that it’s very helpful to have a strong financial background to make good decisions as a CEO, but the role is different.”

Background

- ▶ Jacques Tierny has a Bachelor of Business and MBA from studies in France (HEC), US (NYU) and Brazil (FGV/SP).
- ▶ He has worked in multiple sectors in France, including industry (tires), retail, professional services and technology.
- ▶ He was externally appointed to his current CFO role from a Big Four accounting firm in 2007 (where he was head of valuation and strategic finance).
- ▶ In previous roles, Jacques Tierny was Deputy Group CFO in tire industry and CFO/Executive Deputy General Manager in retail.
- ▶ He taught Corporate Finance at the Conservatoire National des Arts et Métiers and is a guest speaker at several French business schools.

Embracing disruption: a CFO leadership development plan

Mastering leadership

As the CFO role as a whole is disrupted, defining a contribution that will cement your place in an organization's inner circle of decision-making is highly complex. To help seize control of the role's direction, CFOs should re-evaluate their own competencies, the organization's strategic direction and the external forces shaping the business environment.

A candid evaluation of these three elements will help you determine how to rebalance your contribution, surround

yourself with the right team and prioritize the areas that are critical to the future success of the company. We hope the following pages will help you to do so.

CFOs can prepare for the future by focusing on three areas:

- Personal competencies
- Strategic considerations
- External forces

Personal competencies: driving your own agenda

"I do think there's a real danger for your traditional CFO who just does the nuts-and-bolts and gets the accounts out, and is the risk manager, etc. That role is in danger of not being seen as part of that core executive group in the future. It has the potential to become almost a service function, because a lot of the traditional role of the CFO is almost a commodity these days."

Simon Kelly

Outgoing CFO and COO, Nine Entertainment Co.

As the CFO role has extended in influence, finance leaders have crossed into new areas from their traditional finance heartland. There are three main domains in the CFO role: finance, operations and strategy. People leadership underpins all three, and is an essential aspect of the role.

Many CFOs will have a natural inclination toward one or another of these areas, depending on skill set, experience, relationships and personal interest. They may also focus on one particular area for other reasons:

- The particular needs of the enterprise at a given time
- Their personal ambitions
- Ring-fencing by CEOs and boards in certain sectors so the CFO focuses exclusively on core finance responsibilities
- Interests and skills of other C-suite peers will influence whether there is room to expand their role. For example, chief strategy officers may limit the opportunities or need for CFOs to move into strategy, and chief operating officers

may lighten the CFO's operating responsibilities. On the next page we map out some of the key attributes that are required of the three domains of the role. Some finance leaders will be comfortable playing across all three, but others will want to hone their expertise in certain areas.

Building the CFO's digital IQ

To lead effectively in a time of digital disruption, CFOs need to be up-to-speed with the fast-changing landscape of digital technologies. They can build their skills by reading and requesting demonstrations of new technologies and innovations and also engaging with 'digital natives' – Gen Y and Millennials who have grown up in the era of digital dominance. For example, CFOs could consider setting up a program of reverse mentoring, which connects them with a younger, digitally savvy employee, to discuss and demonstrate important tech trends and innovations.

Evaluate your development

| Finance | Operations | Strategy |
|--|---|--|
| <input type="checkbox"/> Firm grasp of finance fundamentals, from treasury to audit <input type="checkbox"/> Deal-structuring expertise <input type="checkbox"/> Close handle on risks and controls <input type="checkbox"/> Confidence to act as the public face of the company on financial performance, including sophisticated communication and influencing skills with stakeholders such as the media | <input type="checkbox"/> Highly informed about business operations and underlying company performance <input type="checkbox"/> Highly visible within the business with strong relationships with business unit leaders <input type="checkbox"/> Change management expertise <input type="checkbox"/> Ability to manage cost vs. service levels | <input type="checkbox"/> Bring analytical discipline to strategic decisions and use financial perspectives to frame strategic decisions <input type="checkbox"/> Manage trade-offs between capital resource allocations <input type="checkbox"/> Big-picture counsel and guidance to CEO <input type="checkbox"/> Relationship and influencing skills to act as CEO's co-pilot <input type="checkbox"/> Ability to marry judgment with rational data-driven analysis <input type="checkbox"/> Deep understanding of industry's competitive dynamics |
| <p>"You really need to have the corporate finance skills to be a good CFO for the company. Over the next five years, so many companies won't have enough capital, or will have made wrong acquisitions. The CFO will more and more need to be a very skilled corporate finance person."</p> <p>Jacques Tierny CFO, Gemalto</p> | <p>"My whole time as an auditor and consultant, close to 20 years, shapes my thinking and the way I act and interact with the organization in many ways. This is about thinking in terms of projects – getting the scope right and checking in with stakeholders during the different phases. This is very much something I learned as a consultant. It's a skill set I'm trying to also install in the organization."</p> <p>Peter Vekslund Executive Vice President & CFO, PANDORA A/S</p> | <p>"As CFO, you have the benefit of looking at the financial health of the organization at large, and not just a particular area. You have a macro-perspective of how the organization is performing and how the various parts are clicking together. As you are talking to external stakeholders such as investors and analysts, you also have the benefit of the perspectives of external parties. With both internal and external inputs, you are essentially bringing all the pieces together, synthesizing them to form a more educated and complete perspective on your strategy."</p> <p>Darren Tan Siew Peng CFO, OCBC Bank</p> |

An understanding of your strengths and weaknesses across finance, operations and strategy will provide the grounding to develop a plan to compensate for your skills gaps.

This may include:

- Surrounding yourself with team members with complementary skill sets
- Seeking coaching from external advisors and experts, and turning the feedback and opinions of stakeholders such as activist investors into learning opportunities
- Attending executive learning programs, with a focus on courses that are tailored to your particular context and where the objective of attending is clear
- Immersing yourself in a new area – gaining fresh perspectives and insights into how things can be done differently

While skills development will vary by individual, it does require a common trait: that CFOs open their minds to the fact that the requirements of the role are changing rapidly, and they need to keep up. CFOs should consider their own skills and competencies a life-long project needing ongoing attention.

CFO in person

Dr. Guy Look

CFO & Executive Director, Sa Sa International Holdings Limited

Sa Sa is a leading cosmetics retailing group in Asia. It has over 280 retail stores and counters in Asia, covering Hong Kong & Macau, Mainland China, Singapore, Malaysia and Taiwan.



“The finance function today involves the more technical and compliance part of accounting, but on top of that there’s the business part – the market data analysis and business intelligence. People may disagree with me, but in my mind, it takes different people to do these different things. It’s a different mindset.”

Background

- ▶ Dr. Guy Look has a Bachelor’s degree in Commerce and received a degree of Doctor of the University honoris causa from the University of Birmingham, England.
- ▶ He has over 33 years of experience in local and overseas financial and general management.
- ▶ Prior to joining Sa Sa in March 2002, Dr Guy Look was the CFO and an Executive Director of Tom.com Limited (renamed TOM Group Ltd), a Chinese-language media company in the Greater China region.
- ▶ He is an associate member of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants (HKICPA). He is a member of the Governance Committee of the HKICPA.
- ▶ He is a member of the CNBC Global CFO Council, the Financial Reporting Review Panel and a member of the Advisory Board of the Hong Kong Investor Relations Association.

**The corporate athlete:
CFO as operations leader**

Sixty-four percent of finance leaders worldwide agree that they will be increasingly asked to take on wider operational leadership roles beyond finance.

“More and more the CFO is being seen as a good general corporate athlete,” says Tony Staffieri, CFO at Rogers Communications, a leading Canadian communications and media company. “It could mean more corporate or shared services responsibilities, or in my case it is more about having an operational focus and guiding the executive team on what parts of execution are key to delivering the financial plan.”

There are many good reasons why CEOs and boards are asking CFOs to move into the operations sphere, including:

- ▶ CFOs are well equipped to challenge the long-held assumptions that encourage bureaucratic practices
- ▶ CFOs can help make sure that available resources go where they will generate greatest value
- ▶ CFOs bring a wealth of proven experience in delivering against cost and operational efficiency targets

The upside and downside of the operations role

And many CFOs welcome a greater role in operations for several reasons:

- ▶ Increased involvement in driving innovation in how the company is managed
- ▶ Broadening of their own management and leadership skills across disciplines
- ▶ Gives key members of the finance team development opportunities through operational responsibilities and secondments, which helps to retain talent and build the leadership pipeline
- ▶ Brings finance closer to line managers in the business, building relationships and establishing credibility for the finance team

However, there are potential downsides.

One important element of the CFO's role has always been impartiality, enabling them to ask difficult questions and maintain a high level of integrity, which is then reflected in their reporting to the market. As CFOs get more heavily involved in operations, they risk compromising this detachment.

Another pressing concern that emerged from our research was about time, or the lack of it. Respondents at all levels, particularly at large corporations, are concerned that extensive operational responsibilities take up time that CFOs should be devoting to strategic priorities.

A major factor underpinning this concern is whether finance leaders can free up the time to lead operations by delegating to the team below them. When we look at the group who say they are taking on more operational responsibilities, close to half (48%) believe that their current finance function does not have the capabilities to meet future priorities (Chart 8). This exposes a huge gap in the finance functions that CFOs need to find a way to bridge.

Chart 8: Are operational responsibilities a distraction?

Percentage of respondents who cannot focus on strategic priorities as much as they would like, because they are being asked to take on more and more operational responsibilities beyond core finance

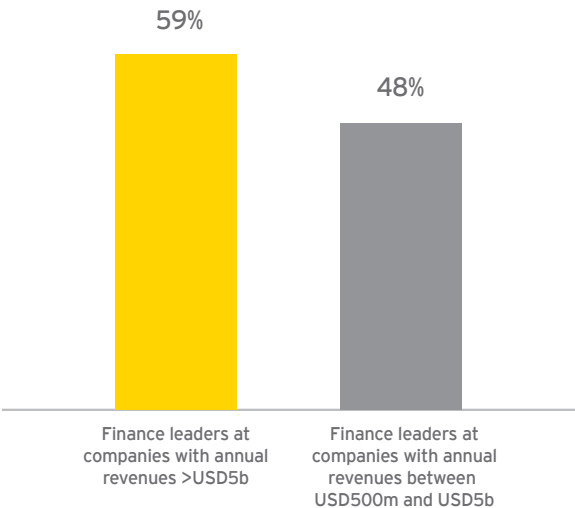
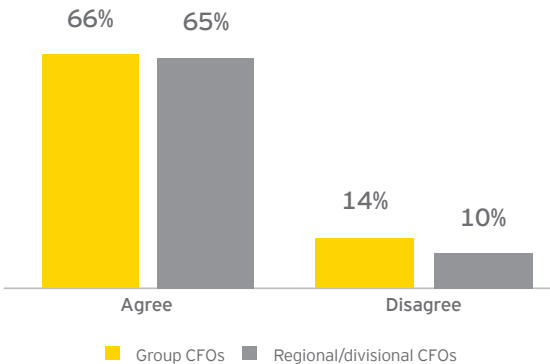


Chart 9: The CFO is a key player in operations transformation

Percentage of respondents who believe they will increasingly be asked to take on wider operational leadership roles



CFO in person

Gerry Bollman

CFO, Fletcher Building

With operations in Europe, Asia, the Americas, Australasia and the South Pacific, Fletcher Building is an integrated manufacturer and distributor of infrastructure and building products, and a construction company.

"I was brought in to my previous role at Formica North America from the outside at a senior level and I was brought into a very different function. The conversation we had was 'Look, what we want is somebody who is more operational, commercially savvy and strategic, and you will have a competent controller under you who can handle the accounting and competent people in the areas of treasury and tax. You need not be an expert in those areas. You just need to have enough understanding, that you can oversee those functions and lead them.'"



Background

- ▶ Gerry Bollman has a Bachelor of Science degree in Finance and an MBA.
- ▶ He has held two previous CFO roles: Formica North Americas 2008-2010 and Formica Europe 2005-2006.
- ▶ Gerry Bollman also held role as Formica Group's Vice President-Strategy & Business Development.
- ▶ He has extensive international experience across multiple sectors including building, legal services and management consultancy.
- ▶ He was appointed to his current role in New Zealand in 2014.

Strategic considerations: shape your role to support your organization's strategy

"You have to make sure that you understand the critical assets that create value. Intangible assets include the license to operate, the brand, the reputation of the business and the impact on society. If your business is creating social prosperity, that clearly can be translated into an intangible asset to generate more value. If your business is not creating social prosperity in the long term, your business may be performing from a financial perspective that is consistent with a short-term plan. However, if you are not creating social prosperity and you are destroying value, that is going to have an impact on the value of the business. That is very clear."

Juan Costa Climent

Global Climate Change and Sustainability Services Leader, EY

In today's economy, the rules of strategy and competition are changing. Ambitious competitors from emerging markets are taking on established developed market companies. Established digital players – such as Amazon and Google – are encroaching into different sectors. And newer platform businesses – such as Uber and Airbnb – connect providers and consumers to quickly seize market share and change established competitive rules.

CFOs need to help identify and assess fresh strategic alternatives and help their organization go on the strategic offensive.

Five areas are critical:

1. Support innovation and new business models

Many large corporations are turning to collaborations with entrepreneurs and start-ups in order to drive innovation and meet changing customer and emerging market needs. CFOs must play a key role in building successful collaborations, including effective due diligence on potential partners, aligning incentives between the two partners and establishing an effective governance model.

2. Develop and deliver agile strategy

These days, crafting a five-year strategy and setting it in stone is no longer tenable. Organizations need to adapt their strategy to changing competitive dynamics, differing customer needs, emerging technologies and a changing regulatory environment. In short, they need an agile strategy.

CFOs must work to develop and deliver these flexible strategies. For example, they can unlock capital and other resources, so they are quickly allocated to the new opportunities offered by a change in regulation or a new customer need.

3. Drive sustained long-term growth

Despite a somewhat improved outlook, the macro-economic environment remains complex. Companies are struggling with anemic growth in developed markets and

slowing growth rates in key emerging markets. There is much uncertainty and volatility about government policy on areas such as interest rates, the potential for inflation, the direction of employment levels and how key markets will perform in the long term.

CFOs must help the organization adapt to this volatility. They need to identify risks as early as possible, managing negative exposures and seizing positive opportunities. In addition, they have the investment flexibility to seize growth opportunities, such as creating new products and services or targeting new markets.

4. Inspire and lead the way with strong purpose and ethics

A strong and shared sense of purpose can help companies meet new challenges and transform their organizations. Articulating a business's purpose – and its ethical stance – helps people see they are working for something, rather than simply against the competition, tapping into a powerfully motivating universal need.

CFOs must help embed purpose in the business by leading through example and also grounding it to practical measurements, for example, aligning performance metrics to the organization's purpose.

5. Support digital

As we discussed in section one, organizations need to take the impact of digital into consideration in developing strategy, including understanding where the greatest opportunities (and threats) lie. The corporate strategy delivery also needs to be supported by digital, to increase efficiency and enhance performance.

CFOs must act to help the organization to deliver the right digital capability at scale, from striking a balance between near-term targets and the long-term potential of digital investments to building the ROI case for significant technology investments.

CFO in person

Dr. Stefan Kirsten

CFO, Vonovia

Vonovia is Germany's leading residential real estate company currently owns and manages 370,000 residential units in cities and regions throughout Germany.



"You're not the conductor of an orchestra here. You're getting dirt on your hands, because if a problem really arises, you'd better get to the bottom of it. The ability to solve problems under different circumstances, to make single-minded decisions, collective decisions, different ways to solve problems, is a very important skill set. From a communication point of view, communicate in a trustworthy and open way. Credibility comes on foot but leaves on horseback."

Background

- ▶ Dr. Stefan Kirsten holds a Master's degree in Business Economics and Computer Sciences, PhD in Economic and Political Sciences and completed the Stanford Executive Program with the Graduate School of Business of Stanford University in California.
- ▶ He was appointed to a professorship with the Westphalian University of Applied Sciences in Gelsenkirchen since 2001. Has taught at universities in Germany and abroad since 1995.
- ▶ Dr. Stefan Kirsten has worked across multiple sectors, including real estate, retail, engineering, and media and entertainment.
- ▶ He has worked extensively outside Germany, having held multiple senior finance positions and was a CEO with a real estate company in United Arab Emirates.
- ▶ He received his external appointment to his current role in 2011.

External forces: helping your organization adapt to a business environment in motion

“How many CFOs find time to think about the future megatrends and how they affect their business? All these big factors are going to profoundly affect the organization and CFOs should be key participants in, if not catalysts for, the leadership team’s debates. Unfortunately, many CFOs find little quality time to think about issues beyond the short-term imperatives and quarterly reporting.”

Richard Baker

Thames Valley and South Markets Leader, EY, UKI

Businesses today are such high-pressure environments that it is all too easy for CFOs – like any senior leader – to become totally involved in just meeting the next immediate demand. But this focus on the immediate task at hand can blindside finance leaders from emerging socioeconomic shifts, meaning that CFOs react too late to a disruption, compromising the strength of the response.

By taking the time to identify and understand emerging disruptions and risks, CFOs can lead the debate on key questions and opportunities and begin meaningful, action-oriented dialogue and collaborations.

Finance leaders must be well-versed in the key megatrends that are changing the way the world works, and how they can help their organization to navigate them.

Seize the opportunities of the global marketplace

- ▶ Help the organization to capitalize on the growth and cost-saving opportunities of a global marketplace while managing risks, such as volatility and regulatory compliance.

Manage the risk of political instability

- ▶ Understand how the organization can manage the risks of political instability, such as diversifying to spread risk and avoiding concentration in one geography.

Combat the talent drought

- ▶ Help the organization become more attractive to young talent by changing its operating model, flattening traditional organizational structures and encouraging diversity of cultures, ages, backgrounds and geographical locations.

Surf the capital markets

- ▶ Take advantage of increasingly globalized, interconnected and innovative capital markets to secure low costs of capital, while managing risks such as the impact of regulatory changes. Align risk with business strategy and leverage data and analytics to support real-time decision-making.

Navigate regulation

- ▶ As policymakers implement more regulations and increase regulators' power, help the organization successfully navigate the often conflicting requirements of the global compliance landscape.

Ride the digital and data storm

- ▶ Help craft the organization's response to the significant challenges and opportunities arising from digital, including enhanced customer experiences, increased efficiencies, new competition and cyber threats.

Conclusion: mastering the future

The business environment for CFOs is more complex, interconnected and unpredictable than ever. Digitization, data, stakeholder scrutiny and risk volatility are changing the rules of the game for finance leaders. The impact of these disruptions is seen in the increasingly diverse DNA of finance leaders worldwide, with an accepted definition of the CFO role increasingly difficult to pin down.

CFOs, like all leaders, need to adapt to this increasing complexity, focusing on the attributes and skills that their companies will need to succeed in the future. CFOs need to have a clear view of their own competencies, the role they want to play in strategy and the major disruptions that offer threat and opportunity. If they fail to adapt, they run the risk of being marginalized from the senior decision-making circle.

Of course, the business environment will continue to evolve and change in expected and unexpected ways. But finance leaders can build defenses and take pre-emptive steps to future-proof their role and build finance function capabilities to exploit opportunities and manage risks.

Successful CFOs will be those who proactively shape their role in response to the major forces transforming the business environment, and thus secure their place in the inner circle directing the organization forward.

Coming soon



Other publications for CFOs

Partnering for performance series:

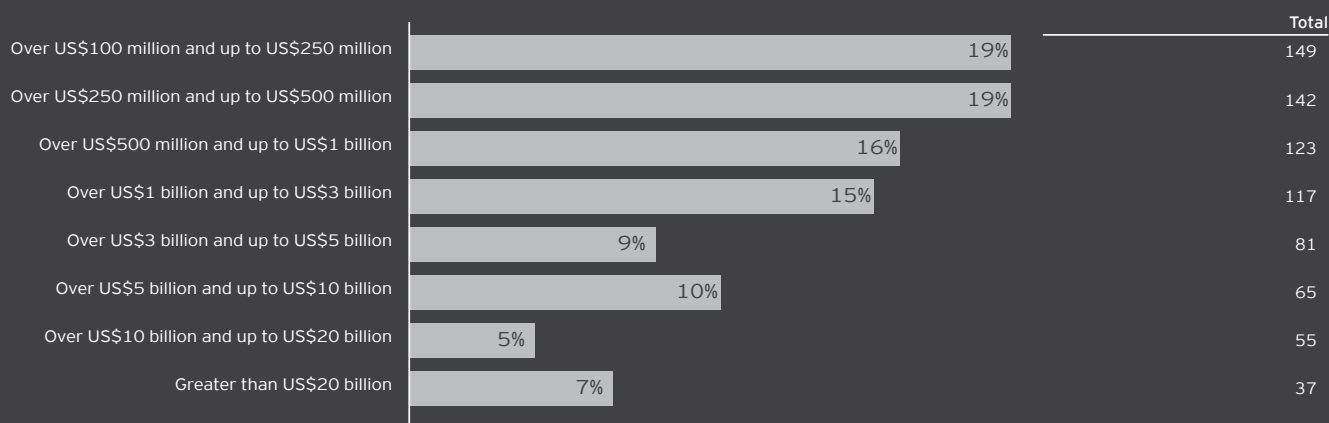


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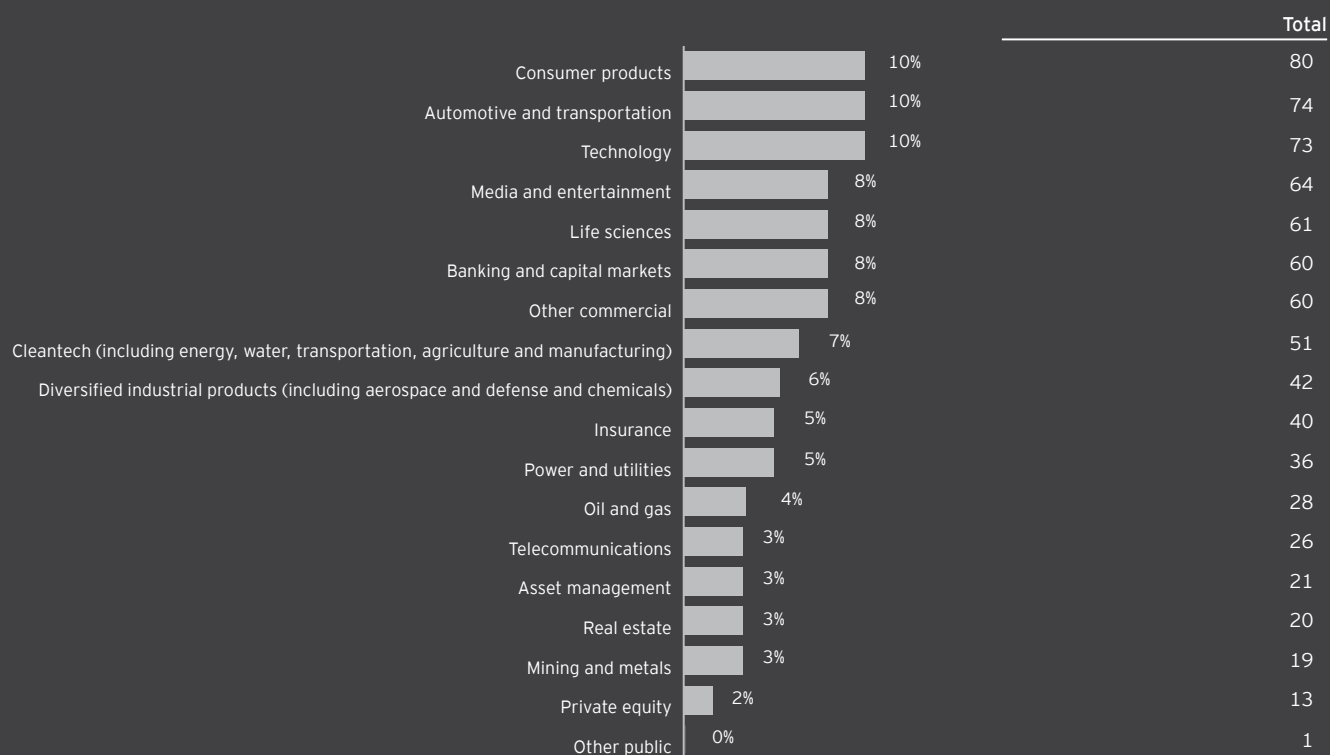
Survey demographics

We surveyed 769 finance leaders around the world from December 2015 to February 2016.

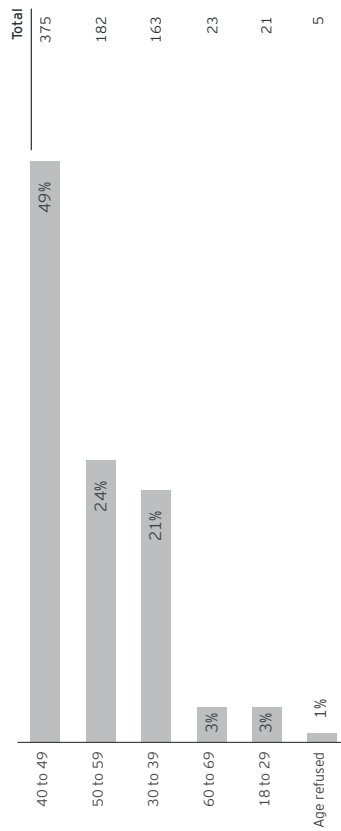
Revenue



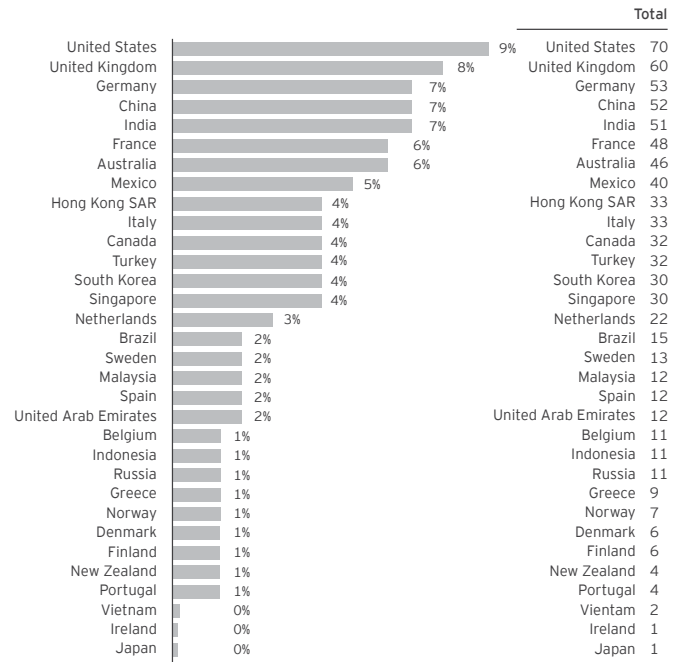
Industry



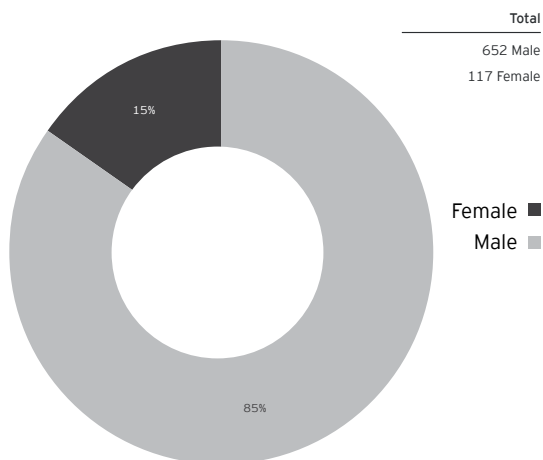
Age



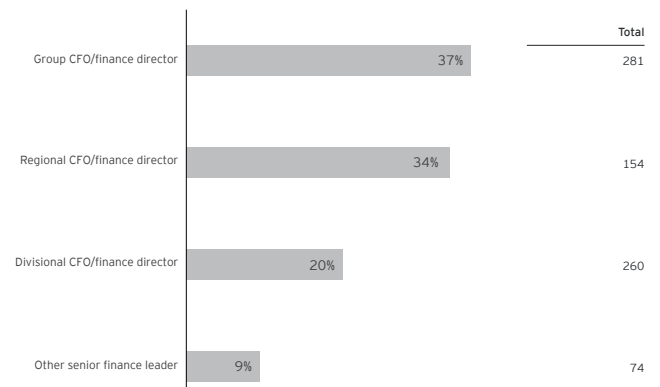
Region



Gender



Role



Note: Some charts do not add to 100% due to rounding.

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