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Mr Kersi Porbunderwalla
Managing Partner
Controllers & the Organisers of the Copenhagen Compliance Conference

Thank you for inviting me to open the 5th Copenhagen Compliance Conference. I am very sorry that I cannot join you for what promises to be an extremely stimulating debate with very high calibre speakers and participants from around the world.

I am pleased by the efforts being made particularly in the EU to encourage sound corporate governance, risk management and compliance (GRC) for our listed companies across all sectors of the economy. The financial crisis has revealed how weak governance, poor risk management and compliance failures can endanger the life of a company, the viability of a whole economic sector, and even the social fabric of our societies.

Over the past few months, corporate governance, risk management and compliance have been found to be seriously wanting, particularly in the financial services sector. The inadequacy of the compensation schemes in many financial institutions is an unfortunate and striking illustration of the inappropriateness of certain **corporate governance** practices. Likewise, lip service has been paid to **compliance**. In short, **risk management** has, in too many instances, proven to be more of a figment of someone's imagination than anything to do with the careful consideration, weighing and pricing of risk.

In many cases, the **corporate governance** checks-and-balances in place have not allowed a robust culture to develop and flourish within the company whereby frank and open discussions take place in the boardroom, including with independent non-executive directors, on the company objectives, strategy or its risk appetite.

Board members should be able to constructively challenge decisions if only to ensure that a project or a strategy has been thoroughly examined, before being voted and implemented. As the OECD said recently in its report on Corporate Governance and the Financial Crisis, companies need boards that are "capable of objective and independent judgment". Shareholders, notably institutional investors, should pay particular attention to this.

However, more time and further debate will be necessary before we can take the full measure of the worst crisis that has taken place in our lifetimes.

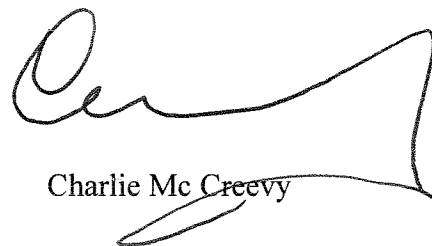
Nevertheless, some lessons have already been drawn. Probably the most important lesson is that global problems need to be addressed on a global scale. The European Union cannot act alone. The need for coordinated action internationally is inescapable. The **G20** process is a welcome response. In this global process, Europe has its role to play and can lead by example.

The European Commission has responded to the crisis pro-actively, consistent with the broad framework for policy actions set out in our Communication on "Driving European Recovery" in March 2009. This programme of financial services reform is well underway. Some of the measures are of direct relevance to GRC especially the action we

have taken on remuneration policies in the case of directors of listed companies and also senior players in financial institutions. We have adopted recommendations which call for a shareholder say on pay, greater disclosure and transparency of the level and structure of remuneration for senior staff including those who have a material impact on risk-taking. We have also gone a step further and proposed legislation in July 2009, by way of amendments to the Capital Requirements Directive in the case of remuneration policies of financial institutions. We were the first to do so.

Corporate governance, risk management and compliance are extremely topical matters. I am sure you will have a lively debate.

I wish you every success with your Conference as well as in your further work on GRC.

A handwritten signature in black ink, appearing to read 'Charlie McCreedy', with a long horizontal flourish extending to the right.

Charlie McCreedy