

DSW'S SIXTH
INTERNATIONAL INVESTORS'S CONFERENCE
2nd OF DECEMBER 2008

WIESBADEN

Opening remarks by Dr. Eckart John von Freyend
President of DSW

Ladies and gentlemen,

It is a great pleasure for me to welcome you here at the Kurhaus in Wiesbaden to DSW's Sixth International Investors' Conference.

Two years ago at our last conference nobody had expected in which stormy weather we will come. The financial crisis which has its roots in declining home values in the US real estate market led to worldwide turmoils. DSW therefore requests European legislators to draw consequences by enhancing regulation and transparency:

1. Ban on naked short selling

Short selling — a bet that a stock price will decline — is the practice of selling stock without owning it, hoping to buy it later at a lower price and thus make a profit. While short sellers are supposed to borrow shares before selling them, naked shorts do not borrow. This saves the cost of borrowing, though the trader is still vulnerable to losses if the share price rises. During the last few months the bets of such short sellers have forced the share price of numerous banks down and thus increased pressure on their financial stability.

DSW opines that short sellers should not be allowed to have such a strong influence on the market without holding a risk position on their own.

Therefore, the provisional ban of naked short sales in banks that has been enforced can only be seen as a first step. It has to be extended to all funds such as hedge funds and private equity funds.

2. Relocation of risks in derivatives

The case of Lehman Brothers has shown that the risk of a complete loss in case of an insolvency of the issuer really exists. DSW sees need for regulatory action: In case of an issue of certificates, the risks – at least parts of them – need an underlying equity capital of the issuer.

3. Back to basics

The case of Lehman Brothers furthermore has made obvious that the structure of certificates is unknown to and too complicated for private investors. They did not know what they invested in and how the specific product worked. Transparency has been more than poor both on the sellers' side and the issuers' side. Therefore we need to go back to basics, to products which everyone understands.

4. Increased advisory services of banks

Neither the legal framework nor the EU Directives seem to be sufficient to provide an adequate investment advice of banks for their clients. Still products are sold which do not match with the client's risk profile. Additionally we note that the burden of proving an incorrect investment advice is on the client's side not at the bank. Here, DSW recommends that banks should be obliged to keep written minutes of the investment consultation which should be signed by both parties and handed out to the client. Secondly, DSW recommends a shifting of the burden of proof from the client to the bank.

5. Limit securitisations

The financial crisis is substantially due to banks selling their risks in packages. Such securitisations became more and more en vogue. Against this background, DSW explicitly supports the demand of German politicians to require issuers to keep 20% of the securitisations in their own books. This would force banks to limit their own risks and with that the risk of other market participants.

6. Additional risk buffer for private investors

Private investors are used as shock absorbers worldwide. They bear a large part of the risks for which the State should offer them an attractive return. Therefore, DSW recommends to let long term capital investments in general tax free.

7. Board accountability

Shareholders need to be able to hold the boards accountable, particularly in the area of risk management. An increased transparency about the companies' risk management is an essential part of the solution. It is the task of the EU Commission to introduce a direct liability claim of shareholders against wilful or gross negligent failures of board members in all Member States.

8. Say on Pay

Excessive remuneration of management board members shall be restricted. Shareholders should be enabled to enter into a productive dialogue with the company at the general meeting about the structure of board members' remuneration. Furthermore, the introduction of an advisory vote on the company's pay system for management board members is recommended by DSW. This should include a social and economical adequacy of directors' pay. This means that the remuneration of the company's peer group as well as the overall remuneration level within the company should be taken into account. Variable pay as well as share based remuneration shall be mainly long term oriented and the introduction of a long term bonus-malus system shall be considered.

9. Enhance Corporate Governance

Corporate Governance plays an important role in enhancing and/or restoring confidence. Securing shareholder rights' and developing transparency will help shareholders to exercise their rights in a responsible and informed way.

10. More competition among credit rating agencies

The credit rating agencies market is currently dominated by only three players. More competition is strongly needed, barriers for new entrants should be abolished as should conflicts of interests. Credit rating agencies should be obliged to disclose information they use to determine a rating. Additionally, a counterweight should be built to the US-dominated agencies by establishing at least one European rating agency.

Ladies and Gentlemen, in order to realize all these demands, we need a strong, independent and European-wide working DSW. In this context it is my

priority objective to make a large step forward in the next years. With our stake in ECGS, the European Corporate Governance Service, which provides corporate governance research and proxy voting advice on the leading European stocks and our membership in Euroshareholders, the confederation of European shareholder associations to represent the interests of individual investors at an EU-level, we have a strong basis. Now it is important to develop on this fundament.

Thank you very much for your attention. I would now like to hand over to the responsible organizer of our conference, Mrs. Jella Benner-Heinacher, who will give you some more details on our agenda.
Mrs. Benner-Heinacher, the floor is yours.