

Food and commodities

Danske Bank

Investments in commodities and basic foodstuffs through structured products and financial speculation have been linked by several sources (such as the FAO and UNCTAD) to increases and heavy volatility in commodities prices. The poorest people in the world are hurt the most by these effects on prices.

Since the right to food is a basic human right, financial speculation in foodstuffs can lead indirectly to a violation of fundamental international principles. High food prices are not necessarily uniformly bad for the world's poor, however. For example, some of the people support themselves as farmers and sell their commodities on the market, where they benefit from higher prices. On the other hand, they are also food buyers, and high prices hurt their finances. In any case, there is widespread agreement that fluctuating prices create uncertainty and cause difficult conditions for farmers.

While research is steadily giving us a better understanding of how financial speculation affects the real prices of commodities, no political steps have been taken yet to prohibit speculation. Work is being done on various fronts to define rules that would prevent speculation without hampering healthy and natural trade and investment in commodities.

Danske Bank's investment policy

Companies that conduct ordinary trade in commodities do not violate the Bank's Responsibility Policy. But structured products in themselves may possibly be involved in violating some of the guidelines we follow in our investing.

At Danske Bank we have adopted a precautionary approach to issuing new products linked to agricultural commodities. Because we are currently monitoring the risks and opportunities associated with the potential impact on real food prices, we will not issue any new structured products linked to agricultural commodities. The offering of new investment products will be restarted only when we have adequate assurance that these products will not compromise our commitment to respect basic human rights.

However, existing product offerings will not be affected while we monitor the situation. We currently have one commodity fund in the Finnish market investing in commodity derivatives. The fund will remain open to protect existing clients while the investigation of this topic continues.