



**BNP Paribas's response to the concerns raised in FoE's report "Farming money: How European banks and private finance profit from food speculation and land grabs", released on the 12th of January 2012**

**01/27/2012**

The report issued by Friends of the Earth Europe (FoE) is based on:

- a desk-top review of publicly-available data, including financial reports, fund factsheets, and research papers,
- an analysis of the answers to a questionnaire (attached file) sent by FoE in October 2011 to several financial institutions.

However, it is important to highlight- that the research methods do not disclose neither the number of institutions which were sent a questionnaire among the 29 institutions analysed in the report, nor the number of institutions which completed and returned it. And yet, in accordance with the footnotes referring to the 'Response to the questionnaire' received by FoE, it seems that only 8 institutions fulfilled it among the 29 institutions surveyed.

In line with its policy of transparency towards its stakeholders, BNP Paribas was among the few financial institutions that chose to answer the questionnaire<sup>1</sup>. This answer consisted of a 4 pages document presenting precise figures and detailed information that BNP Paribas was able to provide thanks to the contribution of several of its internal experts. However **the report doesn't distinguish between the financial institutions which took the time to answer the questionnaire and showed transparency on their activities and those who didn't.**

Furthermore, we would like to point out some of the report's inaccuracies.

**1/ The writing is confusing and tends to give a false image of our activity in the sector. The authors use writing devices that modify the content of our answers:**

- **"Commodities" repeatedly used instead of "soft commodities"**

In our answers to the questionnaire, we explained that *soft* commodities are not the cornerstone of BNP Paribas' strategy in commodity derivatives. Indeed, soft commodity exposure represents less than 8% of our global commodity exposure. Nonetheless, the report insists on the fact that *"BNP Paribas is among the most active banks in commodity derivatives trading, alongside Goldman Sachs, Morgan Stanley, Barclays Capital, Deutsche Bank and JP Morgan"*. Also, page 21, the report quotes *"Amine Bel Hadj Soulami, head of commodity derivatives at BNP Paribas, [who] told the Financial Times in an interview that his target was "to double commodity derivatives revenues over the next three years".<sup>85</sup>* Aside from the fact that this interview is quite old (2009), we believe these sentences are confusing. The report is supposed to be addressing the issue of *soft* commodity speculation whereas these claims about BNP Paribas' activities are about *commodities in general*. This leads the reader to confuse soft commodities

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<sup>1</sup> See the following footnotes in the report : Footnotes n° 83, 88, 111, 141, 146, 187, 212, 261



with commodities activities, and to believe that BNP Paribas is very active in soft commodities trading when we precisely explained in the questionnaire that **soft commodity offer is not a prominent part of BNP Paribas' product offer.**

– **Omission of “in agricultural commodities” concerning proprietary trading**

In the questionnaire, Friends of the Earth Europe also asked what was our “*Ratio of proprietary trading in agricultural commodities to trading on commission in the recent 12 months / 5 years (average)*”? We answered that there is no proprietary trading in agricultural commodities at BNP Paribas. But there is a risk that somebody reading the report understands otherwise because of the phrasing of some sentences such as « *There is some evidence for significant proprietary trading at BNP Paribas. However, different sources offer contradictory information on this area.<sup>100</sup>* “. First of all, the footnote 100 refers to two articles dating from 2007 and 2009, which is, again, quite old now for a report regarding 2011 data<sup>2</sup>. Second of all, the wording in the report (“*evidence of proprietary trading*”) might lead the reader to think that BNP Paribas is hiding some proprietary trading activities, which is absolutely not the case. We want to make it clear that, as we stated in the questionnaire, although there is proprietary trading at BNP Paribas, the group does not engage in **any proprietary trading in agricultural commodities whatsoever.**

**2/ The report does not distinguish between companies that implemented initiatives to address the issues of soft commodities trading and land grabbing and those who have not.**

BNP Paribas is one of the first and is amongst the few financial institutions to have addressed the issues at stake (food speculation and land grabbing) through its **CSR financing and investment policies\*** on **Palm oil** and **Wood pulp** as well as through its position paper\* **Essential food commodities** in which the group commits to a certain number of principles so as to ensure that its financial instruments do not contribute to the destabilization of the market for basic food commodities. There is, of course, always room for improvement, even for the best available sustainability standards, and for this reason, BNP Paribas believes that all sustainability initiatives should both be challenged and encouraged by stakeholders. This is why we believe that such initiatives as BNP Paribas' should at least be acknowledged by the authors of the report.

Finally, we would like to thank you for giving us the opportunity to respond to the report's allegations as we believe it is important that no potentially misleading information be reproduced in future communications. **This is an important issue and for this reason we believe the debate should be fuelled with serious analysis and quantitative evidence.**

\* these documents are public and are accessible on [bnpparibas.com](http://bnpparibas.com)

Attachments:

- BNP Paribas Questionnaire Response to FoE and Banktrack
- BNP Paribas financing and investment policies on Palm oil and Wood Pulp (2 documents)
- BNP Paribas position paper: Essential food commodities

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<sup>2</sup> “See, for example, <http://www.tradersmagazine.com/issues/20071112/2942-1.html> and <http://www.handelsblatt.com/unternehmen/banken/eigenhandel-der-bankenbeerdigt/3098722.html>”.