Executive summary

The destruction of Borneo’s forests has been referred to as one of the largest environmental crimes of our time.\(^1\) Predictions, based on current deforestation rates, show that Borneo’s lowland forests outside of limited protected areas could be completely vanished by 2020.\(^2\) Since the 1960s, logging, oil palm plantations, mining, and hydropower development have had extensive impact.

The forest destruction and the dispossession of land from its traditional owners has resulted in a far-reaching human rights disaster. Large areas of indigenous land and forests have been approved for development under land concession agreements, without protection of indigenous peoples’ right to be informed and consulted prior to any planned developments. Communities have been displaced, lives uprooted, and traditional livelihoods severely impacted. Environmental and human rights defenders have been exposed to intimidation, threats, arrests, violence and even killings.

Although states are responsible for protecting indigenous peoples’ rights, the state bodies and court systems in both the Malaysian and the Indonesian part of Borneo have failed to protect the rights of their indigenous citizens. Also, in line with internationally recognised standards, companies and financial actors, are required to respect the rights of indigenous peoples throughout their operations and financial activities. This has, however, fallen short in Borneo.

This report outlines the investments of the Scandinavian banks Danske Bank, Handelsbanken, Länsförsäkringar, Nordea, SEB, Skandia and Swedbank in four companies associated with risks and impacts on indigenous peoples and their forests in Borneo. The study explores the seven banks’ actions and responsibilities, the positive and/or negative effects of these, and highlights the crucial role which investors can play to uphold international standards in situations where states do not protect indigenous peoples’ rights.

Although all banks reviewed have endorsed international standards and conventions on indigenous rights in their policies and participate in important global investor initiatives on human rights, they have not yet seized opportunities to raise the specific challenges for indigenous communities affected by the investments. The findings in each case show that the banks reviewed have failed to stringently identify, analyse and act on their portfolio companies’ risks and impacts on indigenous rights and forest areas with community and cultural values.

**Case 1:** The traditional agriculture land of a Kayan and Kenyah indigenous community in Sarawak was bulldozed with no prior consultation, to give way to the Malaysia-registered company IOI’s oil palm plantation. The company has not provided compensation to enable them to maintain their traditional livelihoods for the future.

**Case 2:** A Dayak Murung indigenous community in Central Kalimantan has been affected by the Australian-British mining company BHP Billiton’s large IndoMet Coal

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project. The community’s access to traditional forests and land has been restricted, and there have been negative impacts on their agriculture.

In these cases, involving BHP Billiton and IOI, the banks failed to conduct their own checks and balances to verify project documentation, capture communities’ perspectives and ensure independent field checks to verify actual impacts on indigenous lands and forests. The banks also report that they have been reassured by statements from the companies themselves, which claim, for example, that projects are developed on ‘state land’ with ‘no protected areas’, and that the communities have been ‘consulted and compensated’.

Case 3: The Swedish company AAK imports and sells palm oil to customers that produce food, chocolate and cosmetics. The analysis highlights gaps in the company’s due diligence regarding risks and impacts on indigenous rights on Borneo. Despite several banks being in close dialogue with AAK, they had not brought these weaknesses to the company’s attention.

Case 4: Deutsche Bank provided financial services to a former Sarawak political leader, who in turn has been accused of facilitating large-scale deforestation and dispossession of indigenous land for the benefit of himself and his family. The report’s analysis concludes that the seven banks, which all hold shares in Deutsche Bank, do not have adequate systems in place to detect and act on allegations, which concern a financial relationship between a bank and a disputed leader, which is extended over time.

The report concludes that more resources, and more effective processes and methods, are needed to enable banks to respect indigenous rights in both new projects and – importantly – in existing concessions and ongoing projects to allow the largest wins to be made for the benefit of millions of indigenous people and their traditional forests.

There is a critical and urgent need for banks and investors to become active, informed enforcers of indigenous rights, and to put pressure on companies and governments to improve the situation of affected communities. By requesting information and improvements from their banks, retail customers could act as change agents and raise the bar for banks’ respect for indigenous rights.