

# RepRisk Special Report

## **Indigenous communities and how ESG issues are impacting them around the world**

## Introduction

**Irresponsible business practices can have a disproportionate impact on indigenous communities, many of which continue to suffer from political and economic marginalization. This report highlights some of the environmental, social and governance (ESG) risks businesses face in their encounters with indigenous communities.**

Over the past decades, indigenous communities around the world have felt the impacts of globalization. As industries such as mining, hydropower, alternative energy, and agriculture acquire new land and resources for their operations, the rights of indigenous people have too often been neglected.

From Asia to America, indigenous people have been forcibly displaced, disrupting not just their way of life but also their livelihoods. Even when indigenous communities have been able to remain on their land, their traditional way of life – which relies on hunting, fishing and gathering – has at times been heavily impacted by industrial activities leading to pollution and environmental degradation. It is also not uncommon for communities to receive little compensation for the loss of their livelihoods or land.

A common theme that RepRisk has detected over the past years is the lack of consultation and community participation in industrial activities. Companies that acquire land in certain regions, whether legally or not, have been accused of failing to engage with local indigenous communities before starting a new project, and of taking advantage of the fact that legislation governing the rights of indigenous people is often vague and open to interpretation.

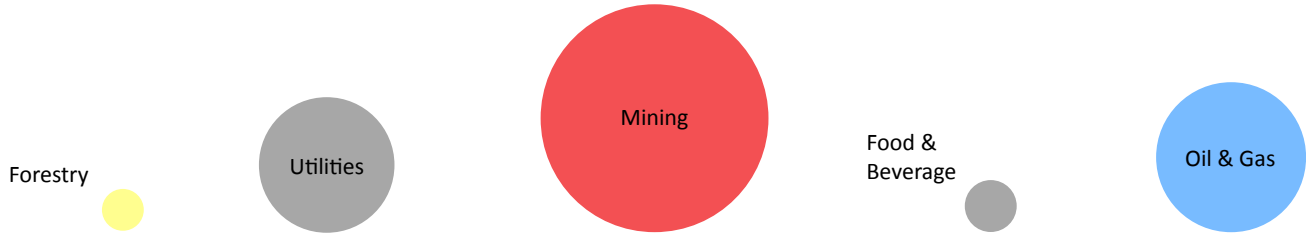
Migrant laborers that work on industrialized projects have also been blamed for introducing drinking, gambling and prostitution to isolated tribes, and cases of sexual abuse and harassment have been frequently reported. For uncontacted tribes there is also a significant risk from exposure to new diseases. Another grievance is the practice of bringing in workers from outside, so local people see little, if any, benefit in terms of employment.

This report looks at six countries where indigenous communities have suffered due to industrial activity on their territory. The case studies are based on the RepRisk database which screens, identifies, analyzes, and quantifies documented negative incidents, criticism and controversies related to environmental, social and governance (ESG) issues. The following case studies analyze the effects of hydropower in Brazil, tar sands in Canada, forestry in the Democratic Republic of Congo, mining in Guatemala, palm oil in Indonesia, and transgenic crop production in Paraguay.

**“Indigenous peoples suffer higher rates of poverty, landlessness, malnutrition and internal displacement than other members of society, and they have lower levels of literacy and less access to health services.”**

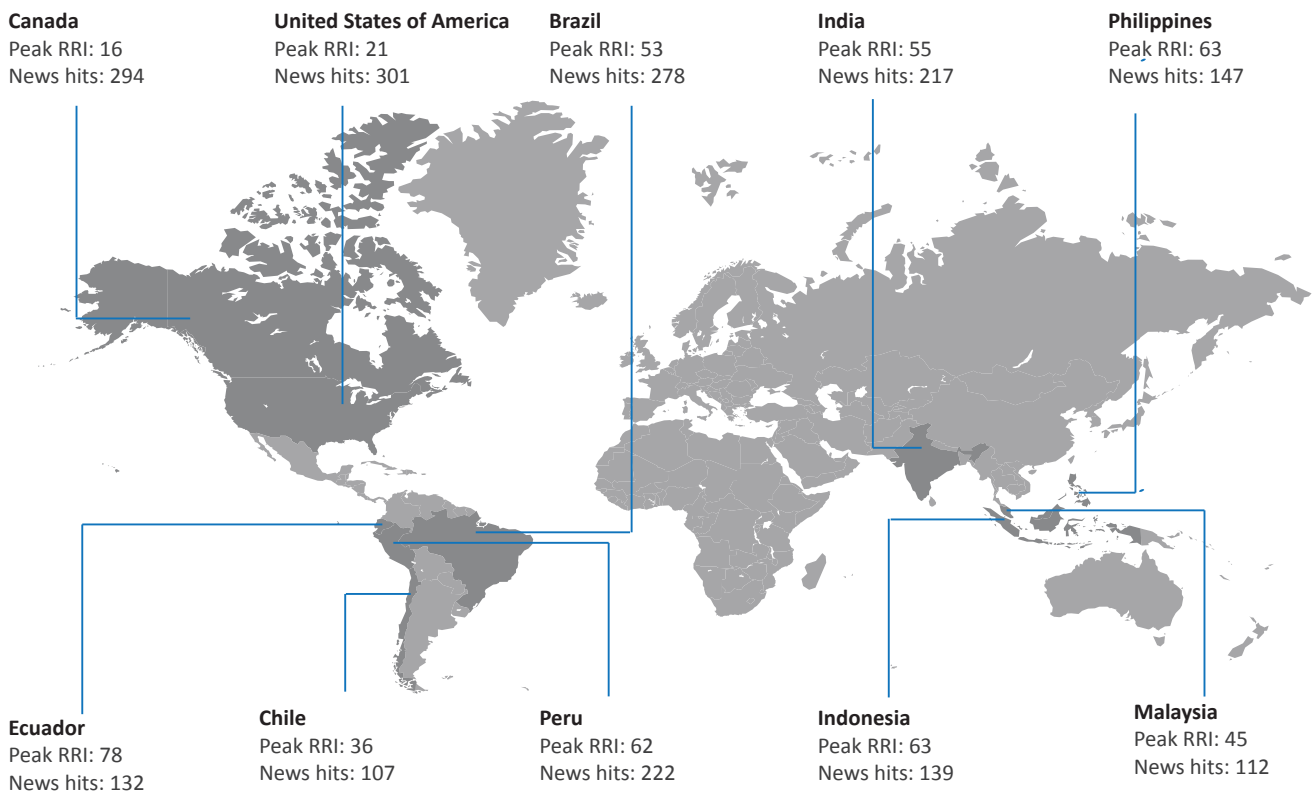
International Fund for Agricultural Development (IFAD)  
Agency of the United Nations

## Five Most Exposed Sectors for Impacts on Indigenous Peoples<sup>1</sup>



<sup>1</sup> Chart scale is based on the number of risk incidents related to impacts on indigenous people and communities for a particular sector, based on the RepRisk database. For more information about RepRisk’s methodology, please see the “About RepRisk” section at the end of this report.

## Ten Most Exposed Countries for impacts on Indigenous Peoples<sup>2</sup>



<sup>2</sup> Peak RRI: The RepRisk Index (RRI) is a quantitative risk measure that captures criticism and quantifies risk exposure related to environmental, social and governance (ESG) issues. It is based on the number and frequency of the risk incidents captured by RepRisk, the severity and novelty of the criticism or incident, as well as the source of the news. The Peak RRI refers to the highest RRI over the last two years and is an indicator for the overall risk exposure.

News hits: News hits refers to the number of risk incidents captured by RepRisk related to indigenous people and communities in a particular country, based on the RepRisk database. For more information about RepRisk’s methodology please see the “About RepRisk” section at the end of this report.

Case Study 1

**Brazil: Hydropower**

In order to meet increasing demands for electricity that has come with Brazil's rapid economic growth, the country has turned to hydroelectric power, harnessing the energy provided by the Xingu, Parana and Madeira Rivers. Hydroelectric plants now provide more than 80 percent of Brazil's power supply. While viewed as a green source of energy, the construction of hydroelectric plants has caused widespread problems for local people, particularly those living in indigenous communities.

Even though Brazil's indigenous people have legally established land rights – that are consolidated by a United Nation's declaration and by Brazil's national constitution – hydroelectric projects have reportedly led to social conflict and land grabbing. It is estimated that there are currently around 200 indigenous tribes in Brazil, including 70 who remain uncontacted.

Tens of thousands of people have been displaced to make way for dam construction, and there are widespread complaints about lack of compensation. Indigenous people also complain that their communities have not received the promised benefits and have not been consulted about the proposed projects.

Hydroelectric plants have also affected biodiversity in regions inhabited by indigenous tribes. Local communities have criticized utility companies and have claimed that dam construction has altered water flows and has led to flooding and the destruction of rainforests. This in turn has led to an increase in greenhouse gases, which are blamed for global pollution. Industrial activity has dangerously affected indigenous people, whose livelihoods depend on fishing, hunting, gathering and farming. It has also been claimed that rare animals and hundreds of species of fish could become extinct due to the effects of dam construction and hydropower operations.

Flooding caused by the construction of hydroelectric plants has not only devastated the environment and living areas of indigenous communities, but has also been blamed for the deaths of numerous people who have drowned near the dams.

In addition, indigenous communities claim that construction projects do not boost the local economy or provide meaningful employment, as the companies contract laborers on a temporary basis and the local population faces economic ruin once the projects are completed. The proximity of construction workers also places previously uncontacted tribes in great danger of contracting diseases, which can prove fatal for indigenous people who have no immunity against such illnesses.

The influx of immigrants and construction workers has also led to increased social tension. Indigenous groups report attacks and harassment, and on several occasions native people have been killed and their property destroyed as a result of the construction of hydroelectric plants. There have been allegations that most of the energy produced by the plants will be channeled towards industrial production, and will not benefit the people living in the area.

Case Study 2

## Canada: Tar Sands

Taking into account the Alberta oil sands, previously considered too expensive to develop, Canada is estimated to hold one of the largest crude oil reserves in the world – second only to Saudi Arabia. It is also one of the biggest exporters of natural gas. Given its vast reserves and projected economic drivers, Canada's energy production is expected to increase significantly in coming years.

Increased oil and gas exploration and exploitation activities could provide significant advantages to local communities in Canada, but may also pose serious social, cultural and environmental risks, particularly for indigenous people. Since 2007, RepRisk has detected numerous risks based upon information from external stakeholders and third-party sources on issues concerning indigenous communities in Canada, including but not limited to allegations of local participation issues, environmental degradation of indigenous lands, and impacts on the social life and cultural heritage of First Nations, the term used to describe the indigenous people of Canada.

Particular concerns have been raised concerning the impact of tar sands development in Alberta on indigenous communities. Approximately 23,000 indigenous people reportedly live in Alberta's oil sands areas, the majority of whom live within 24 officially designated settlements. Thousands more live outside the settlements and may therefore not be accorded the same legal rights. Human rights groups claim that local indigenous communities have been adversely affected by oil sands development in the area, most significantly through air and water pollution. Pollution has been linked to various related issues, including lack of clean drinking water, health issues that have affected indigenous communities, and contamination of ancestral lands. According to the Tar Sands Solution Network, as much as 80 percent of the Mikisew Cree and Athabasca Chipewyan First Nations' traditional territory has been rendered inaccessible for parts of the year due to tar sands development.

Similar concerns have been raised regarding the impact of oil pipeline expansions in Canada that form part of the tar sands development program. Indigenous communities have strongly protested about pipeline construction, complaining that it breaches their rights and affects their livelihoods, which are based on hunting, fishing and trapping. Some groups have claimed they have not been properly consulted about the pipeline routes or compensated for loss of territory.

Laws that allow the federal government to expropriate land in a designated First Nation's reserve, without the consent of indigenous communities, have also been criticized for distorting the negotiation process between native groups and oil and gas companies. While companies operating in indigenous territories have a constitutional obligation to consult with indigenous communities, critics claim that definitions of what constitutes consultation remain vague and open to interpretation. Finally, many indigenous groups have expressed concerns related to the risk of oil spills and other environmental hazards that could be caused by the construction of pipelines.

Case Study 3

## **Democratic Republic of Congo: Forestry**

Although the government of the Democratic Republic of Congo (DRC) estimates that there are around 600,000 members of the Pygmy community in the country, civil groups put the number at around two million. The traditional way of life and culture of the Pygmies is based on hunting and gathering and most of the tribes live in the forest and depend on it for their survival. Apart from the Pygmy population, about 40 million rural Congolese also depend on the forest for food, income, energy, shelter, as well as medicinal plants.

The rainforest in the DRC covers around 65 percent of the country and is part of the Congo Basin forest ecosystem, the world's second largest tropical rainforest. However illegal logging is rapidly stripping forest areas and forcing the Pygmy communities to abandon their way of life and live in extreme poverty on the edge of villages. Some have been forced into situations of bonded labor, working for village dwellers.

Although small, artisan units that supply wood for the domestic market carry out much of the illegal logging, multinational companies are also reportedly involved in large-scale activities to provide wood for export. Greenpeace claims that, "These companies are routinely flouting Congolese law with complete impunity." The sector has also been associated with human rights abuses and reports of rape, kidnappings and torture have been linked to the eviction of forest peoples from their territory.

Logging companies allegedly circumvent the DRC's 2002 moratorium on new industrial logging permits by illegally using artisanal permits. Others continue to log even though their industrial permits have expired, and some companies log without any permit at all. According to Global Forest Watch, the DRC lost nearly 300,000 hectares of forest between 2000 and 2013.

Around 60 percent of the country's illegally logged timber is exported to Asia where controls are allegedly quite lax, although Greenpeace has uncovered shipments of illegal timber from the DRC into Europe where it has been subsequently confiscated by the authorities. Most companies evade Congolese taxes on exported timber by significantly under-reporting or omitting their volume in government records.

Some logging companies claim that chopping down rainforests for cheap tropical timber provides jobs and infrastructure for local people and therefore contributes to the economic development of the country. However, Greenpeace claims that communities rarely benefit from logging activities and instead are reduced to poverty.<sup>1</sup>

Banks, too, have been criticized for financing logging companies in the DRC. Global Witness claims that under the guise of helping communities develop, banks and logging companies are profiting from the sale of tropical hardwood, while stripping countries of their natural resources.

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<sup>1</sup> Greenpeace report: Cut it Out: How illegal logging in DRC threatens livelihoods, forests and trade. April 2013.

Case Study 4

## **Guatemala: Mining**

Indigenous communities in Guatemala have been protesting for decades against mining activities by multinational companies. The majority of the country's indigenous communities are of Mayan descent, and it is estimated that Mayan groups account for 51 percent of the total population.

Mining companies have apparently used the country's military to evict indigenous communities to make way for mining projects, and there have been reports of widespread human rights abuses including murder, gang rape, kidnappings, disappearances, and the use of extreme violence against communities who refuse to move off their land.

The indigenous groups claim that their community members have been arrested and imprisoned for protesting, while the perpetrators of the violence are allowed to act with impunity. The NGO, Rights Action, has accused mining companies of hiding behind Guatemala's authoritarian regime, well aware that it has "systematically criminalized mining-affected communities."<sup>1</sup> The People's Permanent Tribunal (PPT) has accused mining companies of violating the ILO and UN conventions on the rights of indigenous peoples in Guatemala.

Between 2007 and 2009, members of the Mayan Q'eqchi community were reportedly violently evicted by security guards and military personnel employed by mining companies. Apparently Q'eqchi women were gang raped, community members were violently attacked, and over 100 homes were burned or destroyed. Although mining activities were subsequently suspended, the Q'eqchi is allegedly once again living in fear as there is renewed mining interest and armed private security guards have once again threatened them with eviction.

The parliament of the Xinca indigenous community has called on the Government of Guatemala to revoke licenses for companies who want to mine gold, silver, copper, lead, zinc, nickel, iron and chromium, due to the alleged environmental damage they are causing in their territory. In March 2013, a community leader was reportedly kidnapped and his companion was found dead after they opposed mining activities.

The Maya Mam and the Sipakapa communities have also been protesting against mining activities for over a decade. In 2009, an indigenous activist died after allegedly being set on fire by mine workers for speaking out against mining activities. In 2010, the Inter-American Commission on Human Rights (IACHR) ordered the Guatemalan government to halt mining activities that were affecting the Sipakapa community and 18 other Mayan communities. The Commission claimed that the mining activities violated land ownership rights, the communities' right to be treated equally, their right to health, and their right to be consulted. Despite the Commission's criticism, the Guatemalan government has been accused of not taking appropriate measures.

Finally, the Waqib' Key tribe and other Mayan communities have also reported instances of human rights violations, and claim mining activities in their territory are causing diseases, using precious water supplies and putting their lives at risk.

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<sup>1</sup> <http://www.theguardian.com/environment/2014/jul/24/central-american-guatemala-biggest-nickel-mine-reopens-amid-violent-clashes>

Case Study 5

**Indonesia: Palm Oil**

While Indonesia is a signatory to the UN Declaration on the Rights of Indigenous Peoples, the country has not implemented this treaty, as government officials argue that almost all Indonesians are indigenous, and therefore it is not applicable. The Indonesian Constitution, however, does recognize the rights of indigenous people in its third amendment.

The indigenous people in Indonesia have suffered forced evictions by palm oil companies who are reportedly involved in land grabbing to develop their plantations. Activists have accused plantation owners of greenwashing their palm oil production by signing up to various initiatives and manifestos, when in fact they continue to destroy the rainforests and peatlands that form the homelands of indigenous people.

Deforestation to make way for monoculture plantations has had a tremendous impact on local livelihoods. Huge portions of Indonesia's forest, including High Conservation Value Forest, has been cleared to make way for the production of palm oil. This has destroyed the livelihoods of local indigenous people and has caused mass displacement as well as severe ecological damage. Land grabbing has become a common issue as companies seek to acquire large sections of land for palm oil plantations at the expense of local people living from or on the land. In some cases, land grabbing has occurred even when the land has been officially granted to the indigenous population. Furthermore, in Central Kalimantan, deforestation has allegedly driven the endangered orangutan to the brink of extinction and has heavily contributed to local and global pollution.

In some cases, mercenaries and soldiers have been purportedly used to help drive villagers out of areas that companies have targeted for palm oil production. Local communities have reported violent raids by men with machetes, who have forced them from their homes, looted cash, jewelry and livestock, and have set fire to their crops and houses. They have identified the men as being staff of major corporations, hired thugs, security forces, the military and the police mobile brigade. Indigenous people also claim that they have been tricked or manipulated into selling their land, and only offered a token amount of compensation.

Palm oil has also been associated with the use of forced child labor in Indonesia. According to the findings of an investigation by the Schuster Institute on the islands of Borneo and Sumatra, where 96 percent of Indonesia's palm oil production takes place, thousands of child laborers are among the roughly 3.7 million workers. Working conditions are allegedly abusive with little attention paid to safety. In addition, many workers apparently find themselves in a situation of debt bondage.

While many palm oil producers have signed up to the Roundtable on Sustainable Palm Oil, there have been constant complaints of failure to meet the organization's guidelines and blatant violations of its principles.



Case Study 6

## **Paraguay: GM Crop Production**

The indigenous population of Paraguay is apparently living in extreme poverty due to the expansion of genetically modified (GM) crops. There has been a boom in the cultivation of transgenic soy, and monoculture plantations now cover over 80 percent of Paraguay's agricultural land. Activists have accused multinational agribusinesses of jeopardizing the country's food sovereignty as well as the lives of thousands of farmers and indigenous peoples.

Since the 1980s, paramilitary groups connected to large agribusinesses have forcibly evicted almost 100,000 Paraguayan farmers and numerous indigenous communities to make way for GM crop plantations. NGOs report that activists have been assassinated and thousands of peasants have faced falsified charges for resisting the industry. Activists also partially blame the GM crop producers for the June 2012 undemocratic coup in Paraguay, which ousted President Lugo, and claim he was driven from office for blocking the expansion of transgenic crop production.

Major agribusinesses have also been accused of contributing to Paraguay's deforestation, which is destroying the woodlands that provide wild foods eaten by indigenous people. According to the Alliance for Biodiversity, the country has lost 3.2 million hectares of native forest as a consequence of monoculture plantations.

GM crop production has also been blamed for polluting Paraguay's soil and water sources with dangerous chemicals. Apparently every year around 20 million liters of toxic pesticides are sprayed on the country's crops, poisoning the workers, water, farmland and livestock. Many of the pesticides contain glyphosate, a chemical linked to serious health issues and deaths amongst peasant and indigenous communities.

The pesticide manufactures refute all claims that the chemicals pose a risk to human health, but doctors are warning that the uncontrolled use of pesticides could be the cause of growing health problems in South America's farm belt. Many farming communities in South America's have complained of respiratory problems, chronic dermatitis, immunity disorders, birth defects, miscarriages and infertility.

The problem is mainly due to the use of aircraft to spray toxic pesticides onto the crops. Even if the crops planted by indigenous peasant communities escape contamination, the pests flee the plantations and attack their produce and cattle. Thousands of peasants have moved to the cities after selling their land to the plantation owners, but have then been left destitute when the money ran out. Frustrations about indiscriminate spraying of glyphosate have also led to armed confrontations with security forces employed by transgenic soy producers.

NGOs warn that monoculture plantations offer few benefits for the indigenous population as they require little manpower and offer few employment opportunities for local communities. The Argentinian NGO, Ethical Judgment of Multinationals, claims that agribusinesses are destroying the culture and livelihoods of the world's indigenous populations by forcing transgenic crop production on the agricultural sector.

## DISCLAIMER

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## METHODOLOGY

RepRisk Special Reports are compiled using information from the RepRisk database, which consists of negative incidents, criticism and controversies related to environmental, social and governance (ESG) risks for companies, projects, sectors and countries. The RepRisk database currently contains criticism on more than 44,000 private and publicly-listed companies. RepRisk analysts monitor the issues related to ESG risk across a broad shareholder and other stakeholder audience of NGOs, academics, media, politicians, regulators and communities. Once the negative news has been identified with advanced search algorithms and analyzed for its novelty, relevance and severity, risk analysts enter an original summary into the database and link it to the companies and projects in question. No article is entered twice unless it has been escalated to a more influential source, contains a significant development, or has not appeared for the past 6 weeks. This helps to ensure the balanced and objective rating and weighting of the negative news, and thus the company’s quantitative measure of risk exposure, the RepRisk Index (RRI). The RRI measures the risk to a company’s reputation, not its actual reputation. RepRisk objectively monitors the level of criticism to which a company is exposed. All data is collected and processed through a strictly rule-based methodology. Controversial issues covered include breaches of national or international legislation, controversial products and services, environmental footprint and climate change, human rights and community relations, labor conditions and employee relations as well as fraud, anti-competitive behavior, tax evasion, and corruption. In particular, all principles of the UN Global Compact are addressed.

## ABOUT REPRISK

RepRisk is the leading provider of business intelligence on ESG risks. It systematically screens, identifies, analyzes and quantifies negative incidents, criticism, and controversies related to companies and projects worldwide. It does so on a daily basis and in 14 languages from tens of thousands of external stakeholders and third-party sources including international and local media, governmental bodies, non-governmental organizations (NGOs), newsletters, social media and blogs. The RepRisk database currently includes information on over 44,000 companies, 10,000 projects, 7,000 NGOs and 6,000 governmental bodies. These numbers are continuously growing as relevant ESG information is added. The use of RepRisk business intelligence allows companies and financial institutions to proactively assess ESG issues that may present financial, reputational and compliance risks.



### Contact Information

For more information about the RepRisk ESG database or this Special Report, please contact [media@reprisk.com](mailto:media@reprisk.com) or visit [www.reprisk.com](http://www.reprisk.com).