

FACTSHEET

ResponsiBank
Indonesia

This fact sheet is based on a research report prepared by the ResponsiBank Indonesia Coalition entitled “Violations of Citizens’ Rights and Bank Responsibilities in the Financing of the Cement Industry in the Kendeng Utara Mountain”

June 2024

VIOLATIONS OF CITIZENS’ RIGHTS AND BANK RESPONSIBILITIES IN THE FINANCING OF THE CEMENT INDUSTRY IN THE KENDENG UTARA MOUNTAIN



I. Background

For over a decade, farmers and the indigenous Sedulur Sikep community in the North Kendeng Mountains have opposed the cement industry. Organized under the Kendeng Mountains Care Community Network (JMPPK), they argue that mining and cement factories cause environmental degradation and social divides, drastically altering their way of life. For Sedulur Sikep, Gunung Kendeng is ‘Mother Earth,’ essential for their water and agriculture, and must be protected. Farmings for the Sedulur Sikep is not just a livelihood, but a treasured knowledge/local wisdom from their ancestors. Hence, environmental destruction caused by cement factory operations is perceived as a threat to their beliefs.

JMPPK’s legal and non-legal efforts led to the 2016 Supreme Court revocation of PT Semen Indonesia’s permits and President Joko Widodo’s agreement to conduct a Strategic Environmental Study (SES). However, the Central Java government issued new permits despite SES findings indicating that the cement industry would exceed the region’s environmental capacity, increasing disaster risks. Similarly, Pati Regency ignored SES results, maintaining permits for PT Sahabat Mulia Sakti.

Environmental damage from mining includes dust disrupting crops and fodder, forcing farmers to buy animal feed. Pati farmers fear similar or worse impacts if cement operations expand. Socially, the industry has eroded community bonds, causing conflicts and even family breakups. Dust also damages air quality, which impacts the health conditions of communities.

Picture 1. Mining activities of PT Semen Indonesia in the Watuputih Groundwater Basin area of Tegaldowo village, Gunem District, Rembang Regency



Source: LBH Semarang, 2021

Banks funding these cement companies play a crucial yet often unnoticed role. Banks like Bank Mandiri, BNI, and Deutsche Bank have financed companies violating human rights and harming the environment despite

commitments to sustainable financing. This highlights the need for businesses to negotiate fairly with affected communities and for the state to safeguard citizens' rights.

Several frameworks and standards for business, human rights, and sustainable finance are supposedly obeyed by the banking sector in doing their business and investment. There are several frameworks that banks must refer to in their policies, such as the UN Guiding Principles on Business and Human Rights (UNGP BHR) developed by Prof. John Ruggie in 2008 and endorsed in 2011, providing a framework to balance corporate interests with human rights. The UNGP BHR framework has three pillars state duty to protect human rights, corporate responsibility to respect human rights and access to remedy for victims of human rights abuses.

The framework addresses the specific rights and challenges of local and indigenous communities, emphasizing gender-based risks. The state's commitment to human rights includes various legislation covering human rights, community protection, and environmental protection. Additionally, victims of human rights violations have the right to remedies, and perpetrators must be held accountable to prevent impunity.

The United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP), adopted in 2007, sets minimum standards for the rights of indigenous peoples, addressing historical injustices and promoting their right to development. Indonesia supports UNDRIP and aims to respect and protect indigenous rights through initiatives like the National Action Plan on Human Rights (NAPHR) 2021-2025, which targets women, children, persons with disabilities, and indigenous peoples.

Sustainable finance integrates environmental, social, and governance (ESG) factors into financial practices to support sustainable economic growth. The Financial Services Authority (FSA) in Indonesia mandates financial institutions to publish Sustainability Reports and Sustainable Finance Action Plans (SFAP). Sustainable finance aims to balance economic growth with environmental preservation and social welfare, progressing through stages from defensive to fully sustainable practices.

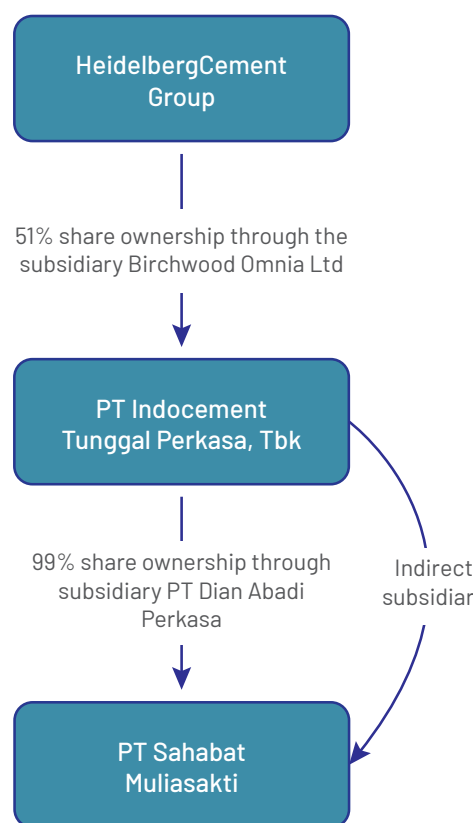
Standards and regulations guiding sustainable finance and corporate responsibility, especially in the mining sector, include the IFC Performance Standards and the OECD Guidelines for Multinational Enterprises. The IFC Performance Standards outline criteria for environmental and social management, labor conditions, resource efficiency, community health, land acquisition,

biodiversity conservation, indigenous peoples' rights, and cultural heritage protection. The OECD Guidelines, although voluntary, promote responsible business practices, encompassing human rights, labor, environmental protection, anti-corruption, consumer interests, and taxation, with a strong emphasis on stakeholder engagement and responsible supply chain management.

II. The involvement of HeidelbergCement Group, PT Indocement Tunggal Perkasa, and Associated Bank

HeidelbergCement Group, PT Indocement Tunggal Perkasa, and PT Semen Indonesia, as well as the broader operations of their subsidiaries, along with their associated banks and investors, play significant roles in the financing and investment activities that impact the environment, communities, and social dynamics in the Rembang and Pati.

Graphic 1. The Company Structure of HeidelbergCement, PT Indocement Tunggal Perkasa, and PT Sahabat Mulia Sakti



HeidelbergCement Group's Involvement:

- HeidelbergCement, through its subsidiary Birchwood Omnia Ltd, owns the largest share (51 percent) of PT Indocement Tunggal Perkasa.

- The financing and investment made to HeidelbergCement and PT Indocement Tunggal Perkasa between 2018 and January 2022 totaled 2.9 billion Euros.
- Most of the financing came from credit/loans (1.2 billion Euros) and bond issuances (974 million Euros). Investment included shareholding (588 million Euros) and bondholding (121 million Euros).
- Deutsche Bank emerged as the largest investor, providing 879 million Euros in financing through bonds, share ownership, and bond ownership.

PT Indocement Tunggal Perkasa's Involvement:

- PT Indocement Tunggal Perkasa, as the operating company, is involved in the financing and investment for the construction and operation of cement factories in Pati and Rembang.
- The financing data for PT Indocement Tunggal Perkasa is limited to shareholding, with Birchwood Omnia Limited being the largest shareholder.

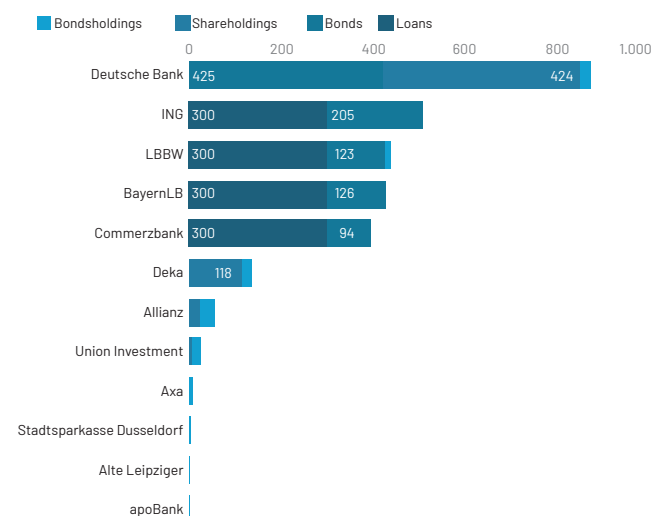
Involvement of Banks and Investors:

- Banks and investors from various countries, including the UK, US, Indonesia, and others, have provided significant financing to HeidelbergCement and PT Indocement Tunggal Perkasa.
- Besides Deutsche Bank, several other banks provide financing through syndicated loans, including ING, LBBW, BayernLB, and Commerzbank. The amount of financing provided by ING reached 507 million Euros, consisting of loans, bonds, and bond ownership.
- LBBW loan reached 439 million euros, followed by Bayern LB which provided 426 million euros, and Commerzbank which provided 397 million euros. The involvement of investors and banks in the financing of HeidelbergCement and PT Indocement shows their contribution to promoting the environmental destruction and social conflicts in the Kendeng Mountains. Banks and investors operating across continents can promote more responsible financing by complying with sustainability standards.

No	Investor	Amount (million US dollars)	Country/ Region
1	Birchwood Omnia Limited	1,334.12	United Kingdom
2	Dornier Profits Ltd.	136.81	Singapore
3	Treasure East Investment Ltd	107.11	British Virgin Islands
4	Invesco Advisers, Inc.	106.72	United States
5	Badan Penyelenggara Jaminan Sosial (BPJS) Ketenagakerjaan	105.69	Indonesia
6	Powerside Investments Ltd	103.75	Indonesia
7	Parallax Venture Partners XXX Ltd.	90.21	Singapore

8	Invesco Developing Markets Fund	72.96	United States
9	The Vanguard Group, Inc.	32.51	United States
10	Employees Provident Fund Board	30.15	Malaysia

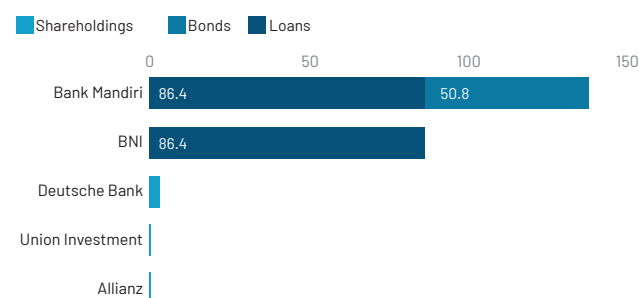
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PT Semen Indonesia's Involvement:

- PT Semen Indonesia, a state-owned enterprise, also received significant financing and investment for its operations, including subsidiaries such as PT Semen Gresik, PT Semen Padang, and PT Semen Tonasa.
- Financing to PT Semen Indonesia mostly came from loans and bond issuances, with Bank Mandiri, BNI, Deutsche Bank, Union Investment, and Allianz being the major contributors.
- The involvement of banks and investors in financing PT Semen Indonesia has contributed to the prolonged conflict in Rembang, highlighting their lack of awareness and commitment to sustainability.

Graphic 2. The Largest Investor of PT Semen Indonesia, 2018 - 2022 (in million Euros)



III. Factors Causing Irresponsible Financing Practices By The Associated Banks

Based on policy assessment in 2021 using the Fair Finance Guide International (FFGI) methodology for climate change, human rights, and the mining sector theme,

the three largest financiers of the cement industry in Rembang and Pati, it found that the banks lack of policies to regulate responsible financing.

The 2022 policy assessment by PRAKARSA revealed that Bank Mandiri and BNI lack comprehensive policies on climate change, human rights, and the mining sector, leading to irresponsible lending practices in the cement industry. Despite their commitments to sustainable finance and low-carbon economy, and their roles as “First Movers on Sustainable Banking” in Indonesia, both banks have failed to integrate environmental and social factors into their lending policies. They have not published data on indirect emissions related to their financing activities, nor have they required clients to disclose operational and supply chain emissions, which is crucial for setting emission reduction targets in line with the Paris Agreement. Their approaches to managing climate change risks remain limited to their operational activities, neglecting the broader impact of their financing and investment activities.

Similarly, in terms of human rights, both banks scored zero, as they lack policies requiring clients to conduct human rights due diligence to mitigate impacts on communities, indigenous peoples, and vulnerable groups. The banks rely on national benchmarks like AMDAL and PROPER but fail to adopt higher international standards, such as public consultation and dialogue in high-risk areas, FPIC procedures, and effective grievance mechanisms. In the mining sector, Bank Mandiri scored only 4 percent due to a policy avoiding financing projects that endanger UNESCO World Heritage Sites, but both banks lack broader sectoral policies to manage environmental risks, ensure water sustainability, and implement responsible waste management. The assessment underscores the need for Bank Mandiri and BNI to enhance their safeguards and risk management strategies in these critical areas.

Although more progressive than Bank Mandiri and Bank BNI, Deutsche Bank’s financing practices still fall short. According to the 2022 PRAKARSA policy assessment, Deutsche Bank scored moderately because it has sectoral policies regulating financing in the mining sector and addressing cross-sectoral issues like human rights and protected areas. These policies are outlined in the ‘Environmental and Social Policy Framework,’ which includes an exclusion list of projects not to be financed. Despite these policies, Deutsche Bank’s actual practices do not fully align with its commitments, indicating a gap between policy and implementation.

Deutsche Bank has aligned its ESG policies with international best practices, such as the Equator

Principles and IFC Standards, and is a founding member of the Net Zero Banking Alliance, committing to net-zero emissions by 2050. However, the bank scored only 48 percent on the climate change theme because it lacks short and medium-term targets for its net-zero strategy and has not disclosed data on indirect emissions from its financing activities. Under the human rights theme, Deutsche Bank scored 49 percent, as it requires clients to conduct human rights due diligence, including health and safety measures, land rights, and grievance mechanisms. The bank also monitors these due diligence processes and adopts IFC performance standards to protect indigenous peoples’ rights.

In the mining sector, Deutsche Bank scored 39 percent. The bank has strict due diligence policies to avoid financing projects that negatively impact protected areas, UNESCO World Heritage sites, and Ramsar Convention wetlands. However, it lacks policies prohibiting projects in areas with unmanageable environmental risks and does not require clients to conduct water impact assessments. Despite these gaps, Deutsche Bank’s adoption of best practice standards grants it some automatic scores, such as requiring clients to enable remediation of adverse human rights impacts. Overall, while Deutsche Bank has relatively stricter safeguards and risk management practices in place compared to other banks, significant improvements are needed to fully address environmental and social risks in its financing activities.

Graphic 3. Deutsche Bank Score on the Human Rights, Climate Change and Mining Sector Theme, 2022



IV. Problems in North Kendeng Mountains Caused by the Cement Industry Activities

➤ The inappropriate licensing consultation process in Rembang and Pati

There are several evidence that the cement industry’s practices, particularly by PT Semen Indonesia, violate human rights norms due to a lack of proper citizen participation in the licensing and consultation process. JP, a farmer from Tegaldowo Village, highlighted that there was no adequate socialization from the beginning, leaving residents uninformed. Despite seeking clarification from local authorities, residents did not receive clear information. The outreach conducted by PT

SG involved only select village officials and community leaders, excluding broader community representation. Residents, learning from a comparative study in Tuban, discovered the negative environmental and livelihood impacts of the cement industry, prompting their opposition to the cement factory in Rembang.

Similarly, in Pati, the plan to establish a cement factory did not involve proper consultation with residents, most of whom opposed the factory. According to Gunretno, a farmer from Baturejo Pati, the Environmental Impact Analysis (AMDAL) indicated that 67% of residents rejected the cement factory, suggesting that environmental permits should not be issued. Despite the Semarang Administrative Court recognizing the majority opposition, the decision was overturned by the Surabaya High Court. This lack of proper consultation contradicts Article 26 of Law 32/2009 on Environmental Protection and Management and PP 27/2012 on Environmental Permits, which mandate community involvement through public consultation. Consequently, the public consultation process in Rembang and Pati was deemed improper and unconstitutional. Additionally, the Environmental Impact Analysis (EIA) for PT SI in Rembang was appropriate, used the outdated EIA, and should be replaced based on Law 32/2009.

The cement industry's operations in the Kendeng Mountains, particularly by PT Semen Indonesia and PT Sahabat Mulia Sakti, have faced criticism for human rights violations and legal irregularities during the licensing process. Residents have opposed the industry since 2008, citing environmental sustainability threats and concerns over water resources. The legal basis for construction in Rembang and Pati differs, with the former issued by the Governor and the latter by the Regent, reflecting inequality in local government authority. However, both areas are designated as karst landscapes, protected by law due to their scientific, hydrological, and ecological significance.

Problem in cement industry environmental permit

Despite residents' objections and legal violations, environmental permits were granted without adequate citizen participation, violating laws mandating public consultation. The Central Java Governor's decision to issue new permits for PT Semen Indonesia in Rembang, without updating the Environmental Impact Analysis (EIA), further disregarded legal procedures. Moreover, the permits were issued despite warnings from environmental studies, highlighting potential disasters from exceeding the region's environmental capacity.

The struggle against these violations faces additional challenges from revisions in mining laws and government regulations favoring land conversion, complicating community participation and increasing the risk of criminalization for those defending environmental integrity against development interests.

Resistance movements in Rembang

The local community resistance against the improper licensing process in the Kendeng Mountains, led by the Kendeng Mountains Care Community Network (JM-PPK), has been multifaceted and persistent. In Rembang, protests, public hearings, and lawsuits have been the main avenues for expressing dissent against the cement industry's operations. Despite winning a lawsuit that nullified PT Semen Indonesia's environmental permit, the Governor of Central Java swiftly issued a new permit, disregarding the Supreme Court's decision. The community's resistance has extended to creative forms of protest, including tent occupations, cement casting actions, and appeals to the President for intervention.

Similarly, in Pati, the resistance movement has focused on protecting local lives and livelihoods, water resources, indigenous territories, and endangered species. Women, children, and the elderly have played active roles in protests, legal actions, and public hearings. The resistance has been driven by a deep-rooted understanding of the importance of nature and a commitment to safeguarding future generations' well-being.

The community's efforts only receive limited compensation through corporate social responsibility (CSR) programs, which ironically serve as a way for companies to halt the movements of residents opposing mines and cement factories. Despite facing repression, the community remains resolute in its belief that humans are stewards of the earth and must protect it from exploitation. Resistance movements in both Rembang and Pati have garnered international attention, with actions taken to engage HeidelbergCement shareholders and file complaints against the company's violations of OECD guidelines. These efforts underscore the community's determination to hold corporations accountable for their environmental and social impacts and to protect the rights of indigenous peoples and future generations.

Picture 2. Communities protest actions against the devastating floods in the Pati region due to the extensive mining activities in the Kendeng Mountains



Source: JMPPK, June 2022

V. The impact of the cement industry on human rights

The impact of the cement industry on human rights, as analyzed within the framework of the United Nations Guiding Principles on Business and Human Rights (UNGPR BHR), reveals a pattern of violations in both Rembang and Pati. The failure to adequately consult with and obtain the consent of local communities before commencing mining and factory development directly contravenes the rights of those affected. This lack of consultation disregards the principle of inclusive decision-making and undermines the government's commitment to promoting participatory processes.

Environmental degradation resulting from mining activities exacerbates the situation, affecting health, crop yields, and water resources. In Rembang, dust emissions from mining activities and cement production have led to reduced crop yields, land degradation, and water scarcity, impacting the economic, social, and cultural rights of residents. The disruption of water sources and agricultural land poses a particularly severe threat to women, who are disproportionately affected by environmental issues due to their roles in farming and domestic work.

Moreover, the social conflicts arising from the cement industry's operations deepen divisions within communities, leading to tensions between pro and anti-cement factions. This social fragmentation not only undermines community cohesion but also erodes traditional practices and cultural values, threatening the identity and way of life of indigenous peoples like the Sedulur Sikep in Pati.

The use of violence and intimidation by authorities and hired thugs to suppress resistance further violates the rights of protesters, including women, children, and the elderly. Instances of violence, such as miscarriages due to stress and disruption of learning activities, highlight

the profound impact of industrial activities on the physical and psychological well-being of affected individuals.

The control of agrarian resources by mining companies reflects a broader trend of "accumulation by disposition," whereby local communities are dispossessed of their means of production. This process of privatization and environmental degradation not only undermines the livelihoods of farmers but also perpetuates social inequality and exacerbates poverty.

VI. Environmental and health impacts

The impact of the cement industry on the environment and health in Rembang and Pati is profound and multifaceted, affecting water resources, air quality, and women's reproductive and mental health.

➤ Decline in Water Supply:

Mining activities and cement production have led to a reduction in water supply for communities in Rembang. Small rivers near residential areas are drying up, and the groundwater basin, crucial for drinking water, has been impacted. Women, who heavily rely on water for daily household chores, farming activities, and livestock care, are disproportionately affected by this decline in water availability.



"There is no more water in sewers, if there is no rain, there is no water. Before the factory exists, there used to be water in the sewers and forests. That is the difference from now and then, because now the forest is bare, now it's become a factory site."

(Mr, Tegaldowo Farmer, Rembang)

➤ Dust Emission and Air Pollution:

Air pollution stemming from mining operations and cement production poses significant health risks, particularly for vulnerable groups like the elderly and children. Dust emissions cause respiratory issues, eye irritation, and discomfort among residents. Additionally, blasting and vehicle movements generate noise and vibrations, leading to further disturbances and safety hazards.



"If is not raining like now, when many trucks are transporting limestone and driving very fast, the dust can be extreme. People around here call it "bledugh" (thick dust). The resident houses won't be visible especially during summertime because they are covered with dusts."

(K, Elderly Resident, Rembang)

➤ **Damaging Women's Reproductive and Mental Health:**

The cement industry's presence has had severe repercussions on women's reproductive and mental health. Increased rates of miscarriage, previously rare occurrences, are now attributed to factors like water scarcity and the additional burden of domestic work exacerbated by environmental degradation. Moreover, the psychological toll of environmental stressors has led to heightened levels of stress and, tragically, instances of suicide among affected women.



"Women need water every morning. In my opinion, as long as there is cement factory, the rate of miscarriage will increase, it also causes many diseases, cancers have increased. In the past, miscarriage is normal, but it does not happen so often. Now, the numbers have increased. Such as the women in front of my house, then one living in the other side, then one in the east side, in total there are seven (of miscarriages). And yesterday, someone living close to here just had a miscarriage."

(SK, Tegaldowo Farmer, Rembang)

VII. Impact on social, culture, and value of the local communities

The presence of the mining and cement industry not only impacts the environment and health but also leads to significant social and cultural consequences, and also threatens the rich cultural traditions and heritage of the affected communities.

➤ **Social Conflict:**

The coexistence of pro- and anti-cement sentiments has led to escalating social tensions and conflicts in both Rembang and Pati. These conflicts have permeated various aspects of community life, affecting relationships between neighbors, families, and even marital relationships. Traditional social activities, such as Quran recitations and communal gatherings, have declined or ceased altogether due to the division caused by differing views on the cement industry. This erosion of social cohesion and communal harmony highlights the deep-seated divisions within these communities, which continue to fester without resolution.

➤ **Impact on Social Relations:**

Social relations have deteriorated, leading to strained interactions and a breakdown of traditional practices like greetings and hospitable gatherings. In Rembang, for example, tensions between pro- and anti-cement residents have resulted in fractured relationships within families and among neighbors. Similarly, in Pati, social gatherings like *brokohan* and mourning ceremonies have been disrupted by the rift between supporters and opponents of the cement industry.

➤ **Factors Contributing to Social Division:**

Various factors contribute to social division, including the distribution of corporate social responsibility (CSR) benefits and compensation among residents. While some residents support the cement industry due to perceived benefits, such as employment opportunities or financial compensation, others remain staunchly opposed. This divide is further exacerbated by differences in economic interests, with some residents, particularly mining workers and local merchants, aligning themselves with the cement industry to safeguard their livelihoods.

➤ **Disappearance of Traditional Practices:**

The cement industry's encroachment on community spaces and resources has led to the gradual disappearance of important cultural traditions like *brokohan* and *pisoanan*. *Brokohan*, a sacred ritual involving communal meals and the release of cows in open grazing areas, has been disrupted due to the lack of suitable spaces for gatherings. Similarly, *pisoanan*, a tradition of community gatherings for conversations and socializing, has faded away as mining operations occupy previously communal spaces.

➤ Impact on Sacred Rituals:

Brokohan, traditionally held in open grazing areas, has been forced onto the streets due to the scarcity of available space. This not only diminishes the spiritual significance of the ritual but also poses safety concerns for participants and passersby. Moreover, the intrusion of mining activities into areas traditionally used for spiritual gatherings threatens the cultural and spiritual integrity of Sedulur Sikep indigenous people.

➤ Threat to Traditional Education:

The traditional education system of the Sedulur Sikep indigenous people, which relies on independent learning guided by parents and interactions with nature, faces significant threats from the expansion of the cement industry. Destruction of natural environments, which serve as crucial learning mediums for Sedulur Sikep children, undermines the continuity of their traditional education and cultural heritage.

Picture 3. Kartini Kendeng, during the cultural procession of Kupatan Kendeng, washes rice at the spring source as a form of gratitude for the blessings bestowed by God and nature



Source: LBH Semarang, May 2022

VIII. Violence Against Residents

The violence and intimidation faced by residents, particularly women, the elderly, and children, in their resistance against the mining and cement industry, highlights the grave human rights violations perpetrated in these communities. Here's a breakdown:

➤ Violence Against Women:

Women activists, labeled as "Kartini Kendeng," are actively involved in advocacy efforts, facing threats and intimidation, including rape threats. During protests, women have been subjected to physical violence by authorities and thugs, with reports of beatings and even stripping. Despite reporting these incidents, there has

been no meaningful response from law enforcement agencies, leaving women vulnerable to further violence and repression.

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"It's equal. During the rainy season, it is easier to get tired, during that time more men are in charge. You can't really say if there are more men or women, they don't even keep track of the time when doing actions. But both men and women have always been in the frontline, starting from protests until the leg cast action that was done twice, action in Jakarta, I was involved in all of them."

(SK, Female Leader, Rembang)

➤ Intimidation and Repression:

Residents opposing mining and cement factories have been met with intimidation, criminalization, and repression. The burning of tent, arrests, and violent crackdowns on protests demonstrate a pattern of systematic oppression and disregard for basic rights by both authorities and industry actors.

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"I filed a report to the police [due to struggle tent set on fire] Even, a junior high school [child] will be able to catch the suspect. I believe that someone superior is involved. Police can't do anything, they only care about their position. Everyone in power can control, although violence took place, it was not paid any attention."

(Sukinah, Tegaldowo Farmer, Rembang)

➤ Psychological Distress Among the Elderly and Disabled:

Elderly and disabled residents, who are actively involved in resistance movements, face psychological distress due to threats and fear of authorities. Despite this, their resolve to protect their livelihoods and the environment remains strong, highlighting their resilience in the face of adversity.

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“Yeah, it’s everywhere. Jakarta, Semarang, Bogor.... At first, I was afraid [of one of the authorities]. Even at times, people run off when they see army practicing. After fighting the police, many residents have become more brave.”

(K, an Elderly Resident, Rembang)

➤ **Impact on Children’s Education and Well-being:**

Children, part of the “Wiji Kendeng” movement, experience disruptions in their education and well-being due to noise pollution and health hazards caused by mining activities. The inability to concentrate on studies and limitations in social activities adversely affect their development and quality of life.

“

“The vehicle keep passing. I keep doing my homework. But it’s really annoying. The road is dusty, so it’s very disturbing when so many trucks pass by. [Finally playing] Just move inside the house.”

(J, a Child Resident, Rembang)

IX. Economic Impacts

The economic impacts of the mining and cement industry on the communities of Rembang and Pati are multifaceted and severe, affecting livelihoods, agricultural productivity, and the overall well-being of residents. Here’s a breakdown of these impacts:

➤ **Reduction in Crop Fertility and Livestock Feeding:**

Air pollution, primarily from dust generated by mining activities, has significantly reduced crop fertility and affected livestock feeding. Dust covering plant surfaces inhibits growth, leading to decreased crop yields and forcing farmers to incur additional costs to purchase animal feed, which used to be freely available in nature. Furthermore, land-use conversion and dust-covered grasslands have made it challenging for livestock to graze freely, necessitating the purchase of animal feed.

➤ **Decreased Agricultural Land:**

The expansion of mining and cement industry operations has resulted in a reduction in agricultural land size, both privately owned and jointly managed with Perhutani. Land acquisition by anonymous parties and the conversion of land for industrial use have forced many residents to sell their land, diminishing the volume of agricultural crops produced.

➤ **Droughts, Floods, and Crop Failures:**

Mining activities have disrupted water absorption surfaces, leading to an increase in floods during the rainy season. Floods pose a significant risk of crop failure, particularly for sensitive crops like chili and plajiwa. Additionally, residents fear that the development of cement factories will exacerbate water scarcity, threatening agricultural productivity and livelihoods.

Picture 4. Paddy fields submerged by flash floods and the damage to the karst ecosystem due to cement mining activities



Source: JMPPK, June 2022

➤ **Demands for Professional Transfer and Loss of Livelihoods:**

The transition from farming to other professions, prompted by the threat of land grabbing and environmental degradation, poses a significant challenge to residents’ livelihoods and standards of living. The claim that cement factories will create local jobs is refuted by demographic analysis, which suggests that most residents lack the qualifications required for available positions.

X. What Must the Banks Do?

To manage environmental and social risks effectively, banks must implement a comprehensive Environmental and Social Risk Management System (ESMS). This involves a set of integrated policies, procedures, tools, and internal capacities designed to identify and mitigate risks from their financing and investment activities. Here are the key steps banks must take:

- **Establish Robust Policies:** Banks need to develop and enforce detailed policies that clearly commit to managing environmental and social risks. These policies should include an exclusion list prohibiting financing for projects that violate human rights or contribute to significant environmental harm, and set minimum compliance standards for clients based on national laws and international best practices. Regular updates and reviews of these policies are essential to keep pace with evolving standards and regulations.
- **Conduct Rigorous Due Diligence:** Banks must screen all financing and investment transactions to assess compliance with established standards and categorize them based on risk levels—high, medium, or low. High-risk transactions should undergo enhanced due diligence, including site visits, environmental and social impact assessments, and detailed evaluations of clients’ mitigation plans. This ensures that potential negative impacts are thoroughly identified and addressed before proceeding.
- **Implement Continuous Monitoring and Evaluation:** Once transactions are approved, banks should regularly monitor clients’ compliance with environmental and social requirements. This includes reviewing clients’ performance reports, conducting site visits, and evaluating external audits and publications. Banks must also ensure clients develop and implement corrective action plans when risks are identified and maintain a transparent grievance mechanism for stakeholders to report issues.
- **Withdraw Financing and Provide Remediation:** Banks and investors must be prepared to pull out their financing from clients who engage in environmental degradation and human rights violations, such as those operating in the Kendeng Mountains, Rembang, and Pati areas. This step is crucial when clients fail to comply with corrective action plans or engage in activities with unmanageable environmental risks. Additionally, banks should provide or facilitate remedies for affected communities by ensuring that their clients implement effective mitigation and compensation measures for any harm caused. This includes developing processes to enable remediation of adverse impacts and ensuring fair compensation and support for affected individuals.
- **Encourage Best Practices:** Banks should encourage their clients to adopt international best practice standards, such as the Equator Principles, IFC Performance Standards, and UN Guiding Principles on Business and Human Rights. By fostering a culture of sustainability and responsibility, banks can significantly mitigate environmental and social risks, thereby promoting long-term, sustainable development.

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<https://theprakarsa.org/pelanggaran-hak-warga-dan-tanggung-jawab-bank-dalam-pembiayaan-industri-semen-di-pegunungan-kendeng-utara-2/>



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