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**Private Environmental Governance Institutions in Sustainable Palm Oil:
Opportunities for Retailer Participation, Environmental Outcomes, and Legitimacy**

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ABSTRACT OF THESIS submitted by:

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The rapid and steady growth of the palm oil industry has led to massive deforestation in Indonesia and Malaysia, threatening biodiversity and contributing to global climate change. Private environmental governance institutions (PEGIs) have been established to address these issues, namely, the Roundtable for Sustainable Development, and institutionalized collaborations between non-governmental organizations (NGOs) and palm oil consumer companies (retailers and consumer goods manufacturers). I identify these institutions as a civil society institution, and private-private institutions, respectively. I have chosen retailers as the focal actors and therefore explore how these PEGIs differ in terms of the role that retailers play within them, their environmental impact, and their legitimacy. I conclude that retailers face challenges to effective participation within the RSPO, but that the institution has established an adequate (albeit not comprehensive) baseline environmental standard for the palm oil industry, and has an operating structure that establishes it as a legitimate organization. Within the private-private institutions, retailers are able to have a more direct impact on their supply network and the institutions are able to address more comprehensive environmental criteria. Due to a lack of transparency of the private-private institutions, it is difficult to evaluate their legitimacy according to the chosen criteria; however, this does not necessarily translate into a conclusion of their illegitimacy, but rather a failing of the criteria. Accordingly, I recommend that retailers collaborate with NGOs in order to most effectively impact the sustainable palm oil industry.

Keywords: Sustainable palm oil, private environmental governance, legitimacy, retailers.

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List of Abbreviations

BHCVWG	Biodiversity and High Conservation Values Working Group
CSPO	Certified Sustainable Palm Oil
ERWG	Emission Reduction Working Group
FAO	Food and Agriculture Organization
FSC	Forest Stewardship Council
GAR	Golden Agri-Resources
GCC	Global Commodity Chain
GHG	Greenhouse Gas
GHGWG	Greenhouse Gas Working Group
GPN	Global Production Network
GVC	Global Value Chain
HCV	High Conservation Value
HCS	High Carbon Stock
NGO	Non-Governmental Organization
NSMD	Non-State Market Driven
PEG	Private Environmental Governance
PEGI	Private Environmental Governance Institution
RPOG	Retailer Palm Oil Group
RSPO	Roundtable on Sustainable Palm Oil
SHWG	Smallholders Working Group
SSCM	Sustainable Supply Chain Management
SCM	Supply Chain Management
TFT	The Forest Trust
USDA	United States Department of Agriculture
WWF	World Wildlife Fund

Chapter One: Introduction

In this thesis, I will explore the private environmental governance institutions (PEGIs) that have been established to address sustainability issues within the palm oil supply network. With a focus on retailers, I will illuminate how retailers are able to participate in these institutions, the institutions' environmental outcomes, and their legitimacy. Through this work, I will conclude that although the palm oil supply network is extremely complex and it is therefore difficult for retailers to have a tangible impact, the environmental issues with palm oil production are significant enough that retailers' contributions are nevertheless important in the sustainable palm oil PEGIs.

1.1 Background and Justification

Climate change is a global issue with consequences expected in the near future and for generations to come. A major contributing factor to climate change is the net release of greenhouse gases (GHGs) that occurs as a result of deforestation (Harris *et al.* 2013). Forests act as significant carbon sinks, and even if the felled trees are replaced with plantations of other tree species, their ability to sequester carbon falls (often drastically) short of the original forest (UNEP 2011). In addition, deforestation contributes to habitat loss for species of all kinds, and therefore translates into extirpation (loss of a species in a particular location) and extinction (Fitzherbert *et al.* 2008). Deforestation can also disrupt the water cycle and negatively impact soil quality, as well as other abiotic aspects in the affected area (UNEP 2011). As a result, deforestation—particularly of biodiversity-rich tropical forests in Southeast Asia—has gained global attention, with actors from a variety of sectors attempting to tackle the issue.

Over the past decade, palm oil production has become a focus of the anti-deforestation movement. Palm oil comes from the palm tree, *Elaeis guineensis*, and is used for a wide variety of purposes, most significantly as an ingredient in food products, in the oleochemical

industry, and as a biofuel (Teoh 2010; Poku 2002). As of 2011, palm oil was cultivated on approximately 15 million hectares around the world, with the production area having increased by about 43% since the 1990s (UNEP 2011). Vegetable oils in general are among the fastest growing agricultural products by consumption, and palm oil accounts for approximately one-quarter of all vegetable oil consumption and 60% of the international vegetable oil trade (Fitzherbert *et al.* 2008; UNEP 2011). It is the most widely used vegetable oil, and has the highest level of market penetration (Schouten and Glasbergen 2011).

The rapid and steady increase in global palm oil production and trade since the 1970s has occurred for two primary reasons (Thoenes 2006). Yields from the oil palm far exceed those of any other oil-producing crops, with the palm fruit containing about 56% oil (Poku 2002). In addition, the cost of palm oil production is low compared to other oil crops, partially due to low labor costs in the countries where palm oil is predominantly produced (Thoenes 2006). Currently, production in Indonesia and Malaysia accounts for 80-90% of global palm oil production, depending on the estimate (UNEP 2011; USDA FAS 2014b). Indonesia is the largest producer of palm oil, responsible for approximately 50% of global production (USDA FAS 2014b); Malaysia follows, with an estimated 33% of global palm oil production (USDA FAS 2014b).

The swift expansion of the palm oil industry has had disastrous consequences for the tropical forests of Indonesia and Malaysia. With increasing demand for palm oil, landowners in Indonesia and Malaysia have engaged in land conversion on a massive scale, clearing primary and secondary forests, as well as peatlands, in order to make way for oil palm plantations (UNEP 2011). In Indonesia, the area of oil palm cultivation grew from about 3.2 million hectares to 6.6 million hectares, during 1990-2000 (McCarthy and Zen 2010). In Malaysia, between 1990 and 2005 the palm oil production area expanded by 1.8 million hectares to 4.2 million hectares (Fitzherbert *et al.* 2008). Evidence suggests that between

1990-2005, at least 56% of oil palm expansion in Malaysia and Indonesia occurred at the expense of forests (Koh and Wilcove 2008).

This type of large-scale deforestation for the purpose of establishing vast monoculture oil palm plantations has widespread effects. Environmental and social impacts include loss of critical habitat for endangered and other species; loss of biodiversity; local population disempowerment or displacement; increased vulnerability to wind, desiccation, and fires; soil erosion; soil, water, and air pollution; and significant GHG emissions (Thoenes 2006; UNEP 2011). It is important to note that due to the high yields of oil palms compared to other oil crops, any potential replacement crop would require a significantly larger land area to produce the same amount of oil, and would also be more costly. As such, alternatives to palm oil are not the viable solution; rather, strategies to reduce the harmful environmental impact of oil palm plantations are necessary to meet global demand, without devastating the environment of Indonesia and Malaysia.

1.2 Thesis Objectives

In this thesis I will explore how retailers can contribute to sustainable palm oil production through the established PEGIs. Partially resulting from a lack of response from the Indonesian and Malaysian governments, international civil society organizations and transnational corporations alike have mobilized to address sustainability issues within the palm oil supply chain. Collaborations have emerged that engage actors at each stage, including oil palm growers, palm oil processors and traders, as well as consumer goods manufacturers and retailers. In Coe *et al.*'s (2008) discussion of the Global Production Network (GPN), these actors are each understood as one type in a range of stakeholders who have influence in "the nexus of interconnected functions, operations and transactions through which a specific product or service is produced, distributed, and consumed;" in this case, the network through which palm oil is produced. The GPN concept emphasizes the global nature of such networks, and the involvement of various diverse actors and stakeholders, which

characterizes the process as a “network” rather than a linear structure (Coe *et al.* 2008). As such, it is an appropriate framework under which to examine the extremely globalized palm oil supply network, and the extent to which various non-state actors are able influence policies and environmental impacts at the site of production.

The established initiatives for sustainable palm oil largely exclude governmental actors, and thus fall into the category of PEG. The PEG concept acknowledges a recent movement in global environmental governance in which private actors, such as for-profit companies or civil society organizations, determine environmental policy in certain areas, as opposed to the local or national government (Falkner 2003). These private governance arrangements are self-mandated and voluntary, and have begun to create new global environmental governance patterns that are increasingly independent from governmental regulations (Schouten *et al.* 2012; Schouten and Glasbergen 2011). Rather than legislation, PEGIs rely on performance-based or market-based instruments to create incentives for environmentally positive change (McCarthy and Zen 2010). The main examples of PEGIs concerning palm oil are the Roundtable on Sustainable Palm Oil (RSPO), and the less formal, but nonetheless institutionalized collaborations between other actors, such as non-governmental organizations (NGOs) and retailers.

This thesis focuses on food retailers because of their unusual position as consumer-facing companies with the potential for direct involvement in their supply chain. Food retailers have thus been acknowledged as “gatekeepers,” or a link between food producers and the end consumer (Comploi *et al.* 2013). By being able to choose what products they sell, they can use their buying power to define and push for higher sustainability standards (environmental, social, and economic) (Ytterhus *et al.* 1999). This purchasing power over actors upstream in the supply network means that retailers often have the ability to dictate what should be produced in countries around the world, how, and by whom it should be produced (Andersen and Skjoett-Larsen 2009). For example, food retailers have been at the

forefront of sustainable seafood initiatives, driven largely by growing consumer awareness of the threatened status of fisheries all over the world (Smith 2008). Many food retailers have removed certain particularly threatened species from their shelves, and some have actively engaged with their suppliers to ensure that they are only selling fish that come from well-managed fisheries (Iles 2007).

Palm oil, as a commodity and an ingredient in other products, must be dealt with differently than a product such as seafood. The supply networks are more fragmented, making the sources of palm oil more difficult for a retailer to identify. However, large consumer goods manufacturers, including international brands like Nestle, Unilever, and P&G, are in a situation of more dominance with their suppliers, due to the significant percentage of their suppliers' production that they command (Cox *et al.* 2003). As a result of the sheer volume of product that they consume, they are a preferred target for NGO campaigns (compared to retailers), but simultaneously are able to have a more significant impact when addressing issues within their supply network. Engaging in their supply network is thus a far easier choice and more straightforward task for manufacturers than it is for retailers.

Because the quantities that each intermediary in the chain deals with are usually relatively small, the retailer has less leverage along the chain. Consequently, although retailers are targeted by NGO campaigns, their path to sustainability is less obvious and can entail a high cost in terms of financial or human capital. As such, retailers must find ways to collaborate with other actors in the network of sustainable palm oil initiatives in order to maximize their impact. Little to no research has been conducted thus far into challenges faced by retailers engaging in sustainability initiatives in the palm oil industry, or on comparing the types of PEGIs that are available to retailers. This thesis will therefore investigate how retailers participate in the sustainable palm oil PEGIs, and how these PEGIs differ in terms of the role that retailers can play within them, their environmental impact, and their legitimacy.

With consideration of the steady emergence of PEGIs, and the contribution of palm oil production towards deforestation, and climate change (among other impacts), this thesis will address the following questions:

- How do PEGIs allow retailers to participate in the palm oil global production network?
- What type of PEGI contributes most effectively to a positive environmental outcome?
- What type of PEGI is the most legitimate?

This research will attempt to contribute to the body of literature concerning GPNs and PEGIs. It will offer a new perspective by emphasizing a network approach to what has traditionally been referred to as “sustainable supply chain management” (SSCM). In this thesis, PEGIs will be considered to be an expression of a GPN, in which a variety of actors—not exclusively those directly involved in the supply chain—are engaged to affect change within the palm oil supply network. The research will provide insight into the growing trend of PEGIs by evaluating two different types of PEGIs, which will allow for a greater understanding of the network of actors within the institutions, their actual ability to impact the environment, as well as their perceived legitimacy. In addition to the academic contribution, the result of this thesis will also be to recommend courses of action for retailers to take in engaging with the complex production network of palm oil.

1.3 Outline

In Chapter One, I have provided the background and justification for this topic. Chapter Two describes my methodology. Chapter Three will follow with an extensive description of the discourses I have brought together in order to form my theoretical framework. Chapter Four will provide the literature review on the history and current state of palm oil production and trade. Chapter Five will begin the analysis, with a consideration of the two types of PEGIs in the palm oil arena that retailers and other actors are able to participate in, as well as a discussion of the dynamics of the network of actors within the

institutions that affect the structure and outcomes of the institutions. Chapter Six will explore the different roles that a retailer can play in the two networks, and what these roles mean in terms of a retailer's direct impact in the palm oil supply network. Chapter Seven will go into a discussion of the environmental outcomes of the institutions, and finally, Chapter Eight will evaluate the legitimacy of the two institutions according to four criteria. I will conclude with a summary of the analysis, and with recommendations for retailers seeking to participate in sustainable palm oil initiatives.

Chapter Two: Methodology

2.1 Research Approach

I took a qualitative approach to the research for this thesis. Accordingly, the findings are based primarily on literature reviews and semi-structured interviews. I deemed a qualitative approach to be appropriate since much of the research was aimed at exploring the participation of various actors in a network and characterizing the impact that the two different network structures had on the ability of retailers to effectively participate within them, the eventual environmental outcome of the institutions, and their perceived legitimacy. I therefore conducted open-ended interviews with significant actors from the institutions and used the information gathered from the interview to piece together an understanding of the networks, building off of the existing descriptions in the literature. I brought together the theoretical frameworks of the Global Production Network (GPN) and Private Environmental Governance (PEG) in order to examine private environmental governance institutions (PEGIs) as expressions of the tenets of the GPN.

I began the research with an extensive literature review of retailers' participation in SSCM initiatives in general, and as the importance of the greater network of actors became clearer, moved into an exploration of the GPN literature. From further investigation, it became clear that PEGIs fit well into the concept of the GPN, and indeed that PEGIs could be characterized as a natural expression of the role of the truly global and diverse network of actors acknowledged in the GPN framework. The two frameworks were subsequently used as a lens through which to examine the retailer participation in the institutions set up to promote sustainability within the palm oil supply network. In order to gain a broad understanding of the field of private sector engagement in commodity networks, I read relevant literature addressing key concepts such as sustainable supply chain management, global commodity chain analysis, global production networks, collaborations between NGOs and retailers, global environmental governance, private environmental governance, and private governance

institutions, among others. When possible, previous literature reviews or widely cited articles were consulted to gain an overall understanding of the theories.

Palm oil was determined as the appropriate focus for the study because it is a highly significant commodity that is currently the center of a number of initiatives that address its sustainability. Additionally, it represents a fitting example of an extremely globalized production network, with many types of private stakeholders becoming engaged with its sustainability management. A literature review of the history and current impacts of palm oil production was conducted in order to gain an understanding of the background of the issue. To date, the literature on palm oil primarily discusses the environmental impacts of production, namely deforestation and its consequences. As such, I narrowed the scope of this thesis to consider only environmental issues, rather than social and economic as well. Although there has been some discussion of the legitimacy and impacts of the RSPO, there is virtually no consideration in the literature of other institutions established to promote sustainability within the palm oil arena. As such, my comparison of the RSPO as a “civil society institution” to the NGO-retailer collaborations as “private-private institutions” begins a discourse in the academic fields of GPN analysis and PEG. It additionally has practical applications for retailers looking to participate within these networks.

Due to stumbling blocks that I encountered, the focus, and therefore the methodology, of my thesis changed throughout the research process. Initially, my thesis was focused solely on the relationships between retailers and NGOs in the palm oil arena. My intent was to conduct a participant observation study with Forest Conservation Global in their European office in order to gain an inside perspective on the direct relationships between Forest Conservation Global and a retailer with which they work; however, Forest Conservation Global ultimately decided that this type of study would not be feasible. Subsequently, I broadened my scope to examine the primary ways in which retailers could engage with palm oil’s sustainability issues, and therefore identified the RSPO as a significant institution.

Recognizing the distinction between Forest Conservation Global's work as compared to the RSPO's, I directed my study towards identifying how retailers were able to participate in these two distinct institutions, and what these institutions meant in terms of their actual output and legitimacy. Within this scope, I attempted to gain perspectives from retailers and NGOs who were part of either institution.

I attempted to contact a total of 53 different actors, out of which I was only able to interview 18. In order to attempt to reach as many actors as I could, I used the snowball technique, and additionally independently identified other actors of relevance. For my sampling, my aim was to interview relevant actors within each type of PEGI, namely retailers who were either members of the RSPO or those who were partaking in a private-private institution, and RSPO member NGOs and focal NGOs of private-private institutions. My focus was on identifying international NGOs, as they have more direct contact with retailers than regional or local NGOs, and large retailers, as they are more likely to be actively engaging with their palm oil supply network. I intended for the retailers to be European, because European companies represent the most significant group working towards sustainable palm oil, however, I contacted North American retailers as well. In addition, as my focus is on the environmental impacts of palm oil production, I contacted primarily NGOs working towards forest conservation.

Ultimately, my sample included retailers, NGOs, a representative from a North American Retail Council, a RSPO representative, as well as experts in the field of sustainable palm oil. The retailers were based in North America, the United Kingdom, and Sweden. The NGOs were all large, international organizations with offices in various parts of the world. Two of them are forestry-related NGOs, while the third is focused on social issues such as poverty and injustice. The first expert has been involved with the RSPO since its inception, and the second expert has worked extensively on sustainable palm oil issues from a retail perspective through various organizations. For a full list and description of interviewees, see

Appendix A. Interviews within the same company or organization were conducted with representatives of different departments, or from different country offices. I conducted several interviews with representatives of Food Smart in person, with the majority of the rest of the interviews occurring remotely, via Skype or telephone. Yumco chose to respond via email only. I conducted follow-up interviews via Skype with representatives from Food Smart, as well as Forest Conservation Global. Several other interviewees responded to follow-up questions via email after the initial Skype or telephone interview.

The interviews were semi-structured, with a list of general questions that applied to each stakeholder category. In order to address the objectives of the research, my questions focused around themes including the actors with whom the company or organization was engaged, the dynamics between the actors, their characterization of their role in the network of actors, and how they defined sustainable palm oil. For a list of sample questions, see Appendix B. Interviewees were provided with questions in advance upon request, and the interviews were recorded with permission. Each recorded interview was transcribed and analyzed. To protect the interests of those actors involved, I have anonymized each interviewee and organization or company. I have created pseudonyms for each company and NGO, as well as the two experts who were unassociated with a particular group. In addition, in the cases in which I interviewed more than one person from a company or organization, I have attributed quotes to a particular interviewee. I have provided the interviewees an opportunity to review a draft of the thesis prior to publication.

2.1 Limitations

The most significant limitation of this thesis is that of sampling. Due primarily to issues of access to contacts within companies and NGOs, my ultimate sampling of interviewees is relatively small. The majority of the individuals whom I contacted did not reply, while others did not ultimately agree to an interview. For retailers in particular, there is a significant reputational risk in exposing their involvement in palm oil issues, which is likely

a significant reason that many retailers were unresponsive. Many of the respondents from the NGO community simply did not have time to participate. As a result, the sample of representatives from both NGOs and retailers is not necessarily representative of major actors or geographic regions of significance. For example, I was unable to speak with a representative from World Wildlife Fund (WWF) or Greenpeace, both of which are organizations of note within the palm oil network. Furthermore, although my focus was on environmental NGOs, one out of the three NGO respondents was a social development NGO. This proportion may have served to put an unintended emphasis on issues of less concern to environmental NGOs. In addition, although retailers in France and Belgium have been particularly active in sustainable palm oil initiatives, I was ultimately unable to interview representatives from retailers in those countries. I interviewed the two experts in part to add breadth to the scope of the information gained from the interviews. I also interviewed the RSPO representative in order to gain an understanding of the perspective of RSPO members in general.

Another factor that may have affected the information obtained is that of non-response bias, in that the potential answers from those who did not reply may have varied significantly from the answers of those who did respond. Particularly in the case of retailers, those that *did* respond may represent retailers that are more active in their participation in sustainable palm oil initiatives, which could lead them to be more willing to speak about their involvement. These interviews could therefore lead to a skewed understanding of the general level of retailer participation. Because this thesis has sought to identify ways in which retailers do participate however, rather than the consequences of their non-participation, this limitation is not considered to overly impact the validity of the conclusions.

In addition, due to limitations concerning the scope of the thesis, as well as access to contacts, data was not obtained from suppliers further downstream in the palm oil production network. As such, conclusions about retailer relationships with their suppliers, as well as the

on-the-ground impacts of the sustainable palm oil initiatives are based on previous literature, information from the retailers about their supply chain, and NGOs involved in the ground level work. Although the NGOs will have had contact with various suppliers, the retailer representatives may have had little or no direct contact with the downstream actors. Conclusions about these aspects should therefore be considered limited, and worthy of further research.

Finally, the particular focus of palm oil could limit the generalizability of the findings. Palm oil is a unique commodity in that it is used in often miniscule, or unknown quantities in a vast array of products. Retailer and supplier relationships to the commodity are therefore different than the relationship between those actors and a product such as seafood. In addition, due to the overwhelming percentage of palm oil that is produced in the Global South, rather than spread throughout the world, such as with timber which is produced and harvested in the Global North as well as the Global South, the relationship between the downstream producers and upstream consumers is more complicated, and potentially less relatable to other commodities. Nevertheless, it is partially the result of its complex production network that palm oil becomes an interesting commodity to study.

Chapter Three: Theoretical Framework

For this thesis, I will draw upon literature from the discourses of supply chain management (SCM), global production network (GPN), and private environmental governance (PEG). The concept of the GPN—with its attention to a wide set of actors and the interactions between them—serves as a highly appropriate framework for the analysis of the palm oil supply network. A consideration of the SCM literature is also necessary, however, as most of the literature that relates to actually implementing change within a GPN uses the discourse of SCM. For example, although Cox's (2001) work on buyer-supplier relationships is set within the framework of SCM, it fits well with the actor-network theory element of the GPN framework, and is highly applicable to the relationships between suppliers and buyers in the palm oil supply network.

The discourse on PEG also fits in well with the concept of a GPN. The main tenet of the GPN framework is the acknowledgement that the actors with influence on commodity networks are not limited simply to the upstream and downstream actors in the supply chain, but also include external actors, such as governments and private sector organizations. The concept of PEG in turn discusses the increasing prevalence of private sector-led institutions in determining environmental policies across the globe, particularly in relation to global commodity networks. In this way, the formation of PEGIs, such as the RSPO, can be considered to be expressions of the GPN concept.

Previously, the discourses of SCM, GPNs, and PEG have remained separate. The concept of the GPN builds on the SCM concept by allowing for a more realistic analysis of the actors involved in the actual SCM initiatives. It therefore makes sense for the two to be considered together, although the literature thus far does not reflect this. In addition, as both the concept of the GPN and PEG acknowledge the importance of actors outside of the direct links between producers, processors, distributors, and buyers, and fit together well in terms of exploring how the networks can be sustainably managed, a consideration of both can add

depth to the analysis of the environmental governance of a specific commodity network, such as the palm oil supply network. Again, this combination has not been represented in the literature, but may allow for further analysis of the complexities of affecting sustainable change in a global commodity network.

3.1 Retailers and Supply Chain Management

Although I will use the GPN framework, and consider PEGIs as the expression of the palm oil GPN, it is first necessary to discuss supply chain management (SCM), and sustainable supply chain management (SSCM). The concept of the GPN arose from the discourse on SCM or commodity chain analysis, and as such, SCM is important to define. A supply chain “encompasses all activities associated with the flow and transformation of goods from raw materials stage (extraction), through to the end user, as well as associated information flows” (Handfield and Nichols 1999). SCM is the coordination of supply chain activities to maximize efficiency and profit (Mentzer *et al.* 2001). SSCM is defined as “the management of material, information, and capital flows, as well as cooperation among companies along the supply chain while taking goals from all three dimensions of sustainable development, i.e. economic, environmental, and social, into account...” (Seuring and Müller 2008).

Seuring and Müller (2008), in their comprehensive review of 191 articles on SSCM, point to the various combinations of triggers that lead companies to engage in SSCM. These triggers include (in order of most to least- frequently mentioned in the literature):

- Legal demands/regulation;
- Customer demands;
- Response to stakeholders;
- Competitive advantage;
- Environmental and social pressure groups (as a subgroup of stakeholders);
- Reputation loss (Seuring and Müller 2008).

It is clear from this list of triggers that external stakeholders of various kinds have a significant impact on a company's SCM. As will be discussed later, these external stakeholders can also play an important role in the actual implementation of policies within a retailer's supply network, through PEGIs.

Seuring and Müller (2008) also highlighted three major barriers to companies engaging in SSCM from the literature: higher costs associated with SSCM, the complexity and effort of coordinating initiatives, and insufficient or missing communication within the supply chain. A content analysis of a number of Canadian corporations' SSCM strategies highlighted several other barriers, listed below:

- Lack of understanding of the interrelatedness of economic, environmental, and social aspects within the supply chain;
- Risks associated with the required transparency of information along the supply chain;
- Lack of corporate culture or strategy that aligns with SSCM initiatives (Morali and Searcy 2010).

These barriers also play a part in how and why retailers participate in the two different types of PEGIs in the palm oil supply network.

Besides the motivation for and challenges associated with SSCM, the literature also discusses the strategies that companies can use to most effectively manage their supply networks. Cox has written extensively about this subject, namely the different types of power relationships between suppliers and companies, and how these dynamics translate into different best practices for management (Cox *et al.* 2001; Cox *et al.* 2003; Cox 2004).

Cox *et al.* (2001) introduce the idea of the power regime perspective on SCM. In this article, they discuss the importance of going beyond descriptive analysis of SCM to a discussion of why materials flow through supply chains in the way that they do, as well as how a focal company might best participate in the management of the material flow. With the addition of the concepts of power and leverage into SCM, Cox *et al.* (2001; 2003)

demonstrate that there are various buyer-supplier relationships, which each necessitate their own type of management strategy. Their work is therefore of relevance to an evaluation of retailers' participation in their palm oil supply network, and I will draw on their discussion of buyer-supplier relationships in order to elucidate the nature of a retailer's relationship with those suppliers involved in the palm oil supply network.

According to Cox *et al.* (2003), there are four general buyer-supplier power structures: buyer dominance, supplier dominance, interdependence, and independence. The table below outlines factors that contribute to the various types of buyer-supplier relationships. Because retailers have relatively little leverage in their supply chains, of note for this thesis are supplier dominance and independence, in which the relationships are characterized either by factors that allow for leverage on the part of the supplier, or by factors that translate to equally low leverage for both the supplier and buyer. Supplier dominance represents a situation in which there are many buyers, sourcing from few suppliers; the buyer accounts for a relatively low percentage of the supplier's market; the supplier has many alternatives for revenue; supplier switching costs are low, while buyer switching costs are high; and/or, the supplier's product is relatively unique or scarce (Cox 2001). The supplier and buyer are more or less independent when there are many buyers and many suppliers; when the buyer represents a low share of the market for the supplier; the supplier has many alternatives for revenue; switching costs are low for both actors; and/or the supplier is offering a standardized commodity (Cox 2001).

ATTRIBUTES OF BUYER POWER RELATIVE TO SUPPLIER		BUYER DOMINANCE	INTERDEPENDENCE
		<ul style="list-style-type: none"> • Few buyers/many suppliers • Buyer has high % share of total market for supplier • Supplier is highly dependent on buyer for revenue with limited alternatives • Supplier switching costs are high • Buyers switching costs are low • Buyers account is attractive to supplier • Supplier offerings are commoditised and standardised • Buyer search costs are low • Supplier has no information asymmetry advantages over buyer 	<ul style="list-style-type: none"> • Few buyers/few suppliers • Buyer has relatively high % share of total market for supplier • Supplier is highly dependent on buyer for revenue with few alternatives • Suppliers switching costs are high • Buyer switching costs are high • Buyers account is attractive to supplier • Supplier offerings are not commoditised and customised • Buyer search costs are high • Supplier has significant information asymmetry advantages over buyer
		INDEPENDENCE	SUPPLIER DOMINANCE
		<ul style="list-style-type: none"> • Many buyers/many suppliers • Buyer has relatively low % share of total market for supplier • Supplier is not dependent on buyer for revenue and has many alternatives • Supplier switching costs are low • Buyers switching costs are low • Buyers account is not particularly attractive to supplier • Supplier offerings are commoditised and standardised • Buyer search costs are relatively low • Supplier has only limited information asymmetry advantage over buyer 	<ul style="list-style-type: none"> • Many buyers/few suppliers • Buyer has low % share of total market for supplier • Supplier is not at all dependent on the buyer for revenue and has many alternatives • Supplier switching costs are low • Buyer switching costs are high • Buyers account is not attractive to the supplier • Supplier offerings are not commoditised and customised • Buyer search costs are very high • Supplier has high information asymmetry advantages over buyer
		LOW	HIGH
		ATTRIBUTES OF SUPPLIER POWER RELATIVE TO BUYER	

Figure 1 Source: Cox 2001.

According to Cox *et al.* (2003), power relationships impact the type of collaboration that is possible or likely between buyer and suppliers. Cox (2001; Cox *et al.* 2001; Cox *et al.* 2003) makes it abundantly clear that it is most realistic for a focal company to actively collaborate with its supply network in situations of buyer dominance. As will be discussed, due to the small volume of palm oil that retailers consume, as well as the complexity of their palm oil supply network, retailers are in a situation of supplier dominance or independence. Consequently, retailers can find it difficult to participate effectively in the PEGIs established for the palm oil supply network. As will be discussed, the two types of PEGIs offer retailers distinct ways of engaging with sustainable palm oil initiatives.

3.2 Global Production Network

The analysis in this thesis will be grounded in the Global Production Network (GPN) framework. This framework was developed by Henderson *et al.* (2002), and has been expanded by several other authors (Ernst and Kim 2002; Coe *et al.* 2008; Levy 2008). The GPN framework expands upon insights gained from the previous discourse on Global

Commodity Chains (GCCs) (Gereffi 1994; Gereffi and Korzeniewicz 1994) and Global Value Chains (GVCs) (Dolan and Humphrey 2004; Gereffi *et al.* 2005), in combination with the concept of the actor-network theory (Latour 1996; Law 1999). A GPN is defined as a “nexus of interconnected functions, operations, and transactions through which a specific product or service is produced, distributed, and consumed” (Henderson *et al.* 2002). The “global” element emphasizes that the “network is one whose interconnected nodes and links extend spatially across national boundaries, and in so doing, integrates parts of disparate national and subnational territories” (Coe *et al.* 2008).

Although all three concepts GPN, GCC, and GVC essentially deal with goods and services production, within GCC and GVC analysis emphasis is placed on sequential and hierarchical structures that linearly add value to a commodity (Henderson *et al.* 2002). The notion of the network in the GPN framework, however, allows consideration of horizontal and diagonal links in addition to the vertical links implied by the terminology of the “chain” (Henderson *et al.* 2002). In addition, GCC and GVC are situated in a state-centric context, and thus fail to capture the globalized, and therefore transboundary, nature of production and distribution that exists in reality. A GPN, on the other hand, is flexible in terms of geographic scale, and can include a number of different actors, besides just those with a direct influence on added value in the chain (Coe *et al.* 2008). A GPN analysis also allows room for consideration of the power and influence that flows not only uni-directionally down a chain, but that can come from various nodes within a production network, including from actors external to the flow of materials within the supply network. Borrowing from the actor-network theory, the GPN framework considers the connectivity of actors and nodes within the network, and therefore allows for a more subtle understanding of the power dynamic within the network than that of a value chain analysis (Henderson *et al.* 2002). The notion of the network, in combination with actor-network theory, allows for a broader (both geographically and relationally) understanding of production processes, with an emphasis on the social

processes of producing goods and services, the local and national contexts of each node, and the power relationships that affect the norms and values (in addition to the goods and services) that are created throughout the network.

The GPN framework expands the concept of a supply chain to include actors and power relationships not merely based on ownership or inter-firm transactions. Over the past decade, it has become increasingly clear that external actors such as consumers and NGOs can influence the production and distribution processes of goods and services, and the GPN framework allows for consideration of these actors and power structures (GEMI and EDF 2008). One can note even the difference between Henderson *et al.*'s (2002) initial conception of the GPN, which allows for, but only minimally references the involvement of actors such as NGOs, to Coe *et al.*'s (2008) re-envisioning of the framework that explicitly discusses the importance of civil society organizations in influencing the expression of specific values and norms (such as the value of sustainability) in production networks.

Ultimately, GPNs are seen as not only economic entities, but also political, social and cultural structures (Levy 2008; Coe *et al.* 2008). Accordingly, a GPN framework is an appropriate one to examine the complex web of interactions between actors within the PEGIs that have formed to address issues of sustainability in palm oil production, and what those interactions mean in terms of the institutions' environmental effectiveness and legitimacy.

3.3 Private Environmental Governance Institutions

3.3.1 Definition

Private environmental governance institutions (PEGIs) can be defined as institutions in which a wide variety of actors, including those from the for-profit sector and civil society, collaborate to establish a system of voluntary rules, norms, and/or obligations to regulate particular issues of sustainability, often regarding a particular product or commodity (Pattberg 2004a). PEGIs have been labeled and described in a number of different ways. For example, Cashore (2002) characterizes them as “non-state market driven” (NSMD) governance

structures, placing the emphasis on the market tools used in the systems, rather than prevalence of private actors within them. Bartley (2007) discusses private environmental regulations, but focuses primarily on certification schemes; Fulponi (2006) writes about private voluntary standards, with less focus on the institutions set up around these standards. Within each of these various concepts, however, there are common elements. I have chosen to develop the term ‘private environmental governance institutions’ because it places emphasis not only on the influence of private actors in the governance scheme, but also on the institutionalized nature that separates these initiatives from symbolic commitments or simple collaborations between actors.

Various PEGIs have arisen as modes through which retailers and other corporations can actively engage with their supply networks. The concept of PEGIs fits well with the framework of the GPN, as the GPN framework acknowledges the many, varied actors that have influence throughout the process of producing, distributing, and consuming a product or service. PEGIs are expressions of the GPN framework; they demonstrate the diverse private stakeholders, such as multi-national corporations or civil society organizations, that are increasingly involved in creating and implementing environmental policies and sustainability standards around the world (Glasbergen 2011). PEGIs have grown in number since the early 1990s, and have broadened the creation and implementation of environmental policy beyond the domain of governments (Schouten *et al.* 2012). Environmental policy no longer has to be structured within the boundaries and capabilities of a state; through PEGIs, environmental policies can be established to address specific issues within a particular commodity in a GPN, no matter the geographical reach of the network.

Although these institutions have emerged from simple collaborations between private actors, there are several elements of PEGIs that differentiate them from mere collaboration. Primarily, PEGIs are labeled as “institutions” because they establish consistent procedures and policies that circumvent or bolster traditional state-centric decision-making, and because of

how the actors involved adjust their behavior in acknowledgement of the legitimacy of the institution (Falkner 2003; Pattberg 2004b).

PEGIs gain their governing authority from the market, due to the ability of intermediaries (manufacturers, retailers) to push for standards in the upstream, as well as the ability of NGOs and consumer boycotts to influence the final demand (Schouten and Glasbergen 2011; Pattberg 2004a; Cashore 2002; Bernstein and Cashore 2007). PEGIs do not merely rely on uncoordinated market incentives, however; rather they involve the coordination of actors from multiple stakeholder groups, in order to create voluntary commitments that are guided by how market actors can influence both the supply and demand, but that have a specific ecological and/or social impact (Schouten and Glasbergen 2011). Although the main function of PEGIs is to set standards in particular issue areas, they also serve to produce knowledge and disseminate information about the issue areas, as well as monitor stakeholder compliance, and even influence public opinion (Pattberg 2004a).

3.3.2 Types of PEGIs

There are several types of PEGIs, with different combinations of stakeholders, relationships to government, and reporting mechanisms. Although several authors focus on hybrid forms of private governance (Lemos and Agrawal 2010; Falkner 2003), such as public-private partnerships, this thesis will examine only truly private institutions, without direct state involvement. As such, this thesis will rely on Pattberg's (2004a) definitions from his working paper from the Global Governance Project. In this paper, he discusses three types of private governance institutions—private sector institutions, private-private institutions, and civil society institutions.

Private sector institutions are limited to those involving only industrial sector actors, whether within a single industry, or across industries (Pattberg 2004a). Examples of these institutions include the Responsible Care Initiative for the global chemical industry, and the Global Mining Initiative. To date, there is at least one example of a private sector institution

in the palm oil arena. This group, the Retailer Palm Oil Group (RPOG), consists of retailers seeking to collaborate in order to address retailer-specific issues within the palm oil supply network. The RPOG is not a public facing group, however, and as a result is difficult to obtain information about its proceedings. In addition, it is composed only of members of the RSPO and as such, works as a sort of subset of the RSPO itself. I will therefore discuss its contribution to the RSPO, but not as a distinct type of institution. Therefore, as this is apparently the only example of an established private sector institution in the palm oil arena, this thesis will not focus on this type of PEGI. I will focus instead on the RSPO as a civil society institutions and NGO-retailer collaborations as private-private institutions.

Civil society institutions involve multiple international NGOs as well as for-profit actors in a collaborative, highly coordinated network (Pattberg 2004a). The RSPO is clearly an example of this, but others include the Sustainable Agriculture Network (SAN), and the International Federation of Organic Agriculture Movements (IFOAM). These institutions are characterized by standard setting that is based strongly on the expertise of the NGOs involved, but that reflects the interests of the for-profit and other actors involved as well.

Private-private institutions result from cooperation between actors who have traditionally been adversaries, usually multi-national corporations and international NGOs (Pattberg 2004a). These are less formally structured institutions than civil society institutions. An early example of this type of institution would be McDonald's collaborating with Environmental Defense Fund in the 1990s, a partnership that has continued until the present. This type of consistent collaboration between for-profit and non-profit actors has been widely acknowledged to benefit both types of actors (Kong *et al.* 2002; Smith 2008; Jay *et al.* 2008; Freidberg 2004). NGOs gain a wider reach and greater leverage when they are able to harness the market power of large corporations in their work, and the company actors gain credibility, expertise, and brand protection from the NGOs (GEMI and EDF 2008; Freidberg 2004).

3.3.3 Praise and Critiques

PEGIs have been both praised and criticized for their impact on global environmental policy. Proponents of these institutions highlight their flexibility to act quickly when government is unable or unwilling, their inclusion of stakeholders who ordinarily would not have as much of a voice (or any voice at all), and, as a result, their foundation in science and on-the-ground knowledge (Lemos and Agrawal 2006; McCarthy and Zen 2010; Bernstein 2004).

Although there are hybrid, public-private governance institutions, arrangements like Roundtables often explicitly exclude governments, with authors citing governments effectively as dead weight in the decision-making process (Schouten and Glasbergen 2011). Governments are notoriously slow, and have their own particular agenda to promote, which is not necessarily compatible with environmental protection (McCarthy and Zen 2010). Accordingly, private governance arrangements that can act without explicit support from the government are better able to adapt to stakeholder interests, can produce results more quickly, and can have a policy impact that goes beyond national boundaries (McCarthy and Zen 2010; Lemos and Agrawal 2006). Governments cannot be left out of the picture altogether though, since voluntary institutions are established within the context of local and national legislation, and often use existing legislation as a baseline standard (Smith 2008; Schouten and Glasbergen 2011). In addition, several authors state the necessity of the threat of government regulation as a motivator for the adoption of these voluntary initiatives (Lemos and Agrawal 2006; McCarthy and Zen 2010; Falkner 2003). For these threats to be effective, however, they must be realistic and seemingly imminent, and as a result, part of the function of a PEGI may be to do initial legwork around the implementation of standards in order to ease the process for governments to follow with regulation. Accordingly, PEGIs can serve as important pre-cursors to government regulation (Smith 2008; de Man and Burns 2006).

In this way, PEGIs can be seen as an ideal situation, acting more quickly than governments are able or willing to, and subsequently prompting governments to codify the voluntary regulation into law. Additionally, these institutions can be instrumental in determining and promoting the discourse of sustainability around the specific issue area, even when it is not (as of yet) incorporated into law. Both the Forest Stewardship Council(FSC) and RSPO have played an important role in establishing standards of sustainable forestry that are widely accepted as baseline standards for any actor claiming sustainability in that issue area (Glasbergen 2011).

PEGIs are also praised for their engagement of stakeholders representing a variety of interests. Although the impetus most often comes international NGOs or multi-national corporations, the institutions usually include actors from local NGOs in the area affected, scientists and academics (at least as advisors or observers), as well as representatives from all stages of the production network. This inclusion is particularly important in light of the North-South dynamic of GPNs, in which the producers are increasingly in the Global South, and the consumers of the products from the Global North (Gereffi *et al.* 2005; Glasbergen 2011). PEGIs that involve stakeholders from both perspectives, particularly actual citizens of the affected area, or small-scale NGOs that can represent them, with appropriate democratic processes are seen to be more legitimate and more effective (Glasbergen 2011). Specifically, it brings the decision-making closer to those who will actually be affected by the policies, increasing the level of accountability within the institution (Lemos and Agrawal 2006). These collaborations can also serve to achieve more ambitious changes than the individual actors could separately.

Despite the positive aspects of PEGIs, they can be easily criticized as well. Namely, they are criticized for their lack of implementation capacity, the democratic deficit of some institutions, the formulation of policies firmly embedded in the neoliberal context rather than critiquing it, and the loss of independence of NGOs through collaboration with for-profit

interests, (Falkner 2003; Glasbergen 2011; Lemos and Argawal 2006; Abbott and Snidal 2009).

Perhaps the biggest critique of PEGIs is their voluntary nature, which allows less responsibly minded actors slip through the cracks. With palm oil, for example, there is a significant enough demand from India and China for uncertified palm oil, that many producers see no incentive to work towards certification (de Man and Burns 2006). In addition, many institutions are criticized for their weak implementation and monitoring capacity, which allows free-riders to take advantage of the reputational benefit of participating in the institutions, without needing to adjust their behavior (Hughes 2005; de Man and Burns 2006; Bernstein 2004). Institutions such as RSPO have been accused of “green-washing,” and by not properly following through with members failing to meet the standards, of actually legitimizing the poor behavior of those members (Schouten and Glasbergen 2011). Because for-profit private actors are accountable to their shareholders as well as those directly affected by their actions, they may have competing interests to satisfy, and the interests they actively work to pursue may be different from their publicly stated goals (Schouten and Glasbergen 2011).

There is also the problem of democratic deficit in PEGIs. Lemos and Agrawal (2006) point out that despite the benefit of the multi-stakeholder platform, there will be those actors who have greater resources, and therefore greater access to the decision-making mechanisms than those with more limited resources. This imbalance allows certain actors to exert more influence on the decision-making and therefore benefit more from it. This problem is exacerbated by the fact that the institutions are often formed at the initiative of powerful actors with headquarters, shareholders and/or members in the Global North. As a result of their initial predominance, as well as their greater resources, their interests can be more strongly represented, over the interests of those in the Global South (Glasbergen 2011). In addition, the question of who should be represented in the institutions, i.e. the “community”

of actors, is not always clear, nor is it clear whose interests certain actors represent (Bernstein 2004). As such, even with a diversity of stakeholders, the institution can still fall short in terms of the norms of representation and accountability (Glasbergen 2011).

There is the additional critique that rather than addressing the global economy as a root cause of environmental issues, private environmental regulations and institutions promote market-friendly, and therefore less radical, and potentially less effective, environmental policy (Glasbergen 2011; Falkner 2003). Bernstein (2004) writes strongly about the potential issues of privatizing global commons, including private property rights over crucial natural resources like water, and the establishment of the norm that free trade and environmental protection are mutually supportive. Within this norm, the predominant neoliberal paradigm is strengthened, and the resulting environmental governance initiatives may serve to benefit the interests of multi-national corporations, over the other stakeholders with different interests (Falkner 2003).

Furthermore, some authors express concern for the changing role of NGOs involved in these institutions. With an increasing interdependence between NGOs and large corporations, NGOs have the potential to change the ecological emphasis of their values in order to collaborate with the corporations (GEMI and EDF 2008). Some have accused the NGOs in contractual agreements with companies of “rent-seeking,” while others acknowledge the benefit that NGOs derive from increased funding, although they nevertheless admit the potential for this dependence to limit the scope of their activism (Glasbergen 2011; Falkner 2003). Again, there is the fear that NGOs collaborating with corporate actors in these institutions serves to legitimize the business operations of the companies (Falkner 2003; Hughes 2005).

3.3.4 Legitimacy

Finally, a discussion of PEGIs is not complete without considering the issue of legitimacy. Through PEGIs, actors gain their governing authority from the power of their

market influence, rather than through the more traditional means of gaining legitimacy, namely electoral or representative processes (Cashore 2002; Bäckstrand 2006). Legitimacy can be characterized in many different ways, however, a general definition from Suchman (1995) provides a good foundation: Legitimacy is a “generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed systems of norms, values, beliefs, and definitions.” Bernstein (2004), who emphasizes a sociological perspective on legitimacy, calls it the “acceptance and justification of shared rule by a community.” The community aspect is important in this definition, as it is not always clear who is a member of the community, and therefore, who has a claim to determine the norms against which legitimacy of the institution will be tested.

Because PEGIs virtually create their own governing authority through their ability to impact the market, rather than being systematically approved of by an external body, their legitimacy should be, and often is, called into question. In addition, legitimacy creates the conditions for efficiency and effectiveness, and therefore can be considered a precondition for the success of the institutions (Schouten and Glasbergen 2011). This thesis will therefore consider legitimacy as an important element of the overall effectiveness of the PEGIs in sustainable palm oil.

As mentioned above, inclusion of diverse stakeholders, as well as transparency and open access are all key to the legitimacy of PEGIs (Glasbergen 2011). Schouten and Glasbergen (2011) express these requirements in four criteria: representation, participation, neutrality, and procedural regularity. These authors discuss how PEGIs can demonstrate or improve their legitimacy according to the concepts of legality, political philosophy, and sociological philosophy. Bernstein (2004) similarly discusses the legal and sociological perspectives, citing them as important to include alongside the more common democratic theory, which is the theory on which Bäckstrand (2006) relies. Bernstein and Cashore (2007), identify a three-phase process through which PEG-type institutions (labeled

NSMDgovernance systems) can gain political legitimacy. Cashore (2002) refers to moral, pragmatic, and cognitive legitimacy.

Bernstein (2004) acknowledges that “it is unlikely that a universal formula to satisfy all legitimacy concerns will emerge.” Because the term PEGI covers a variety of types of institutions, including institutionalized collaborations between only two actors (like an NGO and a firm) as well as the more deliberative multi-stakeholder initiatives such as the RSPO, a single perspective on legitimacy may not prove to be sufficient. Accordingly, for the purposes of this paper, I have identified common themes within the literature on legitimacy in environmental governance, and will use these themes to evaluate the legitimacy of the institutions. The common themes I have identified are transparency, representation, participation, and output. Transparency will refer to the openness of the procedures and decision-making within the institution; representation will address the issue of including the necessary and appropriate members of the relevant community (or communities), while participation will discuss the access that these members have to participation, and the quality of participation that is possible through the structure of the institution. Output refers to the actual impact of the institution at the ground level.

Through these criteria and definitions, I have attempted to include consideration of other themes. For example, although procedural regularity is not explicitly considered because it does not necessarily fit with the governance structure of civic governance initiatives, the importance of procedure is included within the definition of transparency. The ideas of representation and quality of participation speak to the sociological conception of legitimacy in which legitimacy comes from a shared understanding of norms, values, or definitions within the relevant community. Finally, as Bernstein (2004) rightly points out, many NGOs and other actors will not grant legitimacy to these institutions until they can prove a positive impact on the ground. As such, the output (the performance or efficiency) of the institution is an important final consideration.

3.4 Conclusion

By bringing together the discourses of supply chain management, global production networks, and private environmental governance, I have established a framework in which PEGIs are the expressions of the GPN, and retailers are actors attempting to engage in SCM. This allows for a discussion of the PEGIs established in the palm oil industry, an exploration of how retailers are able to engage with the palm oil GPN, and how the institutions differ in terms of environmental outcome and legitimacy. These topics will be discussed in the following chapters.

Chapter Four: Palm Oil Literature Review

4.1 What is Palm Oil?

The oil palm, *Elaeis guineensis*, produces a highly versatile vegetable oil that has become the most widely used vegetable oil worldwide (Teoh 2010). The United States Department of Agriculture (USDA) estimates that palm oil accounts for approximately 40% of the global production of vegetable oils, 67% of vegetable oil imports, and 67% of exports (USDA FAS 2014a).

Elaeis guineensis originated in West Africa and was brought to Southeast Asia in the 17th century (Poku 2002). Since that time, oil palm production has been concentrated in Indonesia and Malaysia—to the extent that the two countries now account for roughly 86% of worldwide production (USDA FAS 2014a). Oil palm was introduced in Indonesia in 1848, but did not develop into a commodity crop until sometime later (Kiple and Ornelas 2000). A Belgian agricultural engineer was reportedly the first to see the crop's potential for profit, in 1905 (Kiple and Ornelas 2000); by 1919, the industry was well established, with over 6,000 hectares of plantations in Sumatra (Kiple and Ornelas 2000). Similarly, oil palm was first introduced in Malaysia in 1871 as an ornamental crop, after which the first oil palm estate was established in 1911 (Bariron and Weng 2004).

Oil palm produces two distinct oils, palm and palm kernel oil, both of which have been incorporated into a wide variety of products (Poku 2002). Palm oil is used as cooking oil, as well as in food products such as shortening, margarine, as a milk fat replacer or cocoa butter substitute (Teoh 2010). Palm kernel oil on the other hand is used in the oleochemical industry, in products such as soaps, detergent, and cosmetics (Teoh 2010). Palm oil can be used for such a variety of products partially because of its high melting point (Edem 2002). Its naturally semi-solid state also means that it is an appropriate consistency without having to undergo hydrogenation, the chemical process used to solidify liquid oils (Edem 2002). Hydrogenation leads to the creation of trans fatty acids, and because this step is not necessary

with palm oil, it is low in trans fatty acids, which is of interest to the food industry and consumers (Thoenes 2006). In addition, it has a high resistance to oxidation, and so has a longer shelf life than other oils (Edem 2002).

Oil palm gives the highest yield of oil per unit area compared to any other vegetable oil crop (Carter *et al.* 2007). Estimates of yield vary, but widely quoted Food and Agriculture Organization (FAO) data states that under ideal conditions with good management, high-yielding varieties that have been developed by breeding programs have the potential to produce over 20 tons of bunches per hectare per year, which is equivalent to five tons oil/ha/year (Poku 2002). Recent studies suggest that average yields are between four and six tons per hectare per year (Carter *et al.* 2007; Tan *et al.* 2009; Boons and Mendoza 2010; Johnston *et al.* 2009). As a comparison, rapeseed, the next most productive vegetable oil crop produces roughly one ton of oil per hectare per year (Mattsson *et al.* 2000; Tan *et al.* 2009). Its high yield is part of the reason for palm oil's extreme popularity.

Palm oil also tends to be cheaper to produce than the other major vegetable oils, and therefore can be sold at lower prices (Carter *et al.* 2007). Palm oil can be at least USD 200 cheaper per ton than rapeseed oil (Tan *et al.* 2009), and production costs of soy are up to 20% higher than the production costs of palm oil (Thoenes 2006). The low price and versatility of the oil itself has led to palm oil becoming the vegetable oil with the highest level of market penetration (Thoenes 2006).

4.2 Global Production and Consumption

The palm oil supply chain involves a complicated network from production to eventual consumption. The diagram below illustrates the major steps from oil palm plantations to the retailer as an end point. Palm oil is most successfully cultivated in tropical climates, thus the concentration of plantations in Indonesia and Malaysia (Kiple and Ornelas 2000). From there, the nodes within the supply chain are distributed globally. India and China are the largest importers of palm oil, representing 21% and 15% of total imports, respectively.

The European Union accounts for just under 15% of total imports followed by Pakistan with 6% and the United States with only 3% (USDA FAS 2014a). Thus far, India, China, and Pakistan, have not used their buying power to increase the demand for sustainable palm oil. Accordingly, this thesis will focus on consuming actors within the European Union and North American markets, despite their relatively smaller consumption.

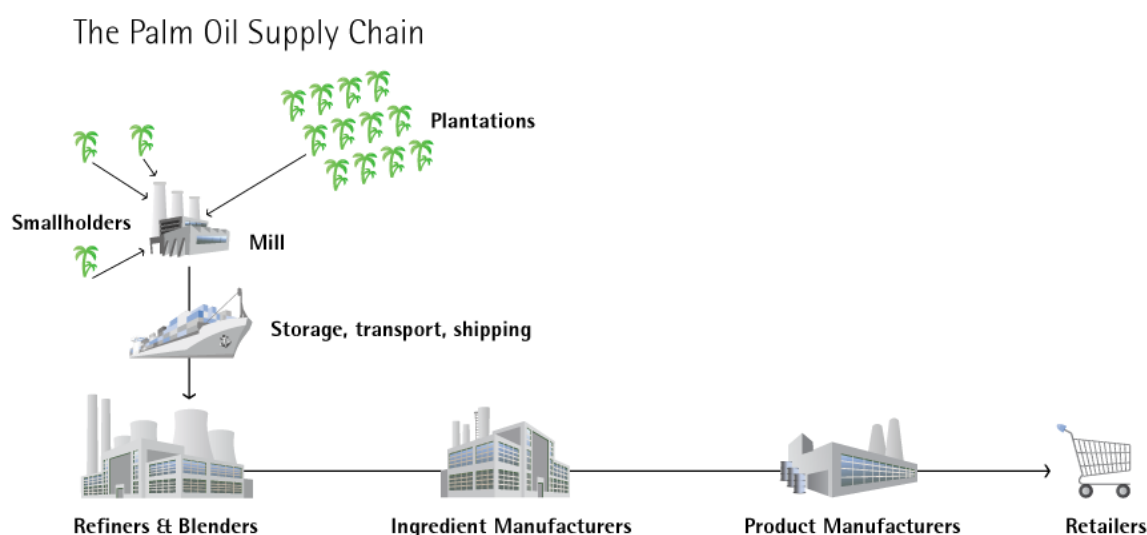


Figure 2 Source: KOLB 2014

Currently, Indonesia is the largest producer of palm oil, having surpassed Malaysia in production volume in 2007 (USDA FAS 2007). Indonesian production in marketing year 2012-2013 reached an estimated 28.5 million metric tons (Wright and Wiyono 2014). Malaysia follows closely behind with production having reached approximately 19 million metric tons for the same period (Wahab 2013). Indonesia is also the largest exporter of palm oil, contributing to just under 50% of global exports in marketing year 2012-2013, with Malaysia accounting for just over 40% (USDA FAS 2014).

As depicted in the graph below, in recent years, development of oil palm plantations has slowed in Malaysia, while it increased in Indonesia (Carter *et al.* 2007; USDA FAS 2011). Growth in the palm oil industry in Malaysia has begun to stagnate as a result of restrictive governmental policies on labor creating a labor shortage in the industry, as well as

a recent reduction in yields (USDA FAS 2012). Malaysia, recognizing also that only about 750,000 hectares of uncontested or unprotected land are left for future expansion, has turned its attention to Indonesia (USDA FAS 2011). Malaysia has increased investments and landholdings in Indonesia to such an extent that Malaysian conglomerates are now the second largest enterprises in the country, after the Indonesia companies themselves (USDA FAS 2011). The future of Indonesia's forests is therefore of particular concern.

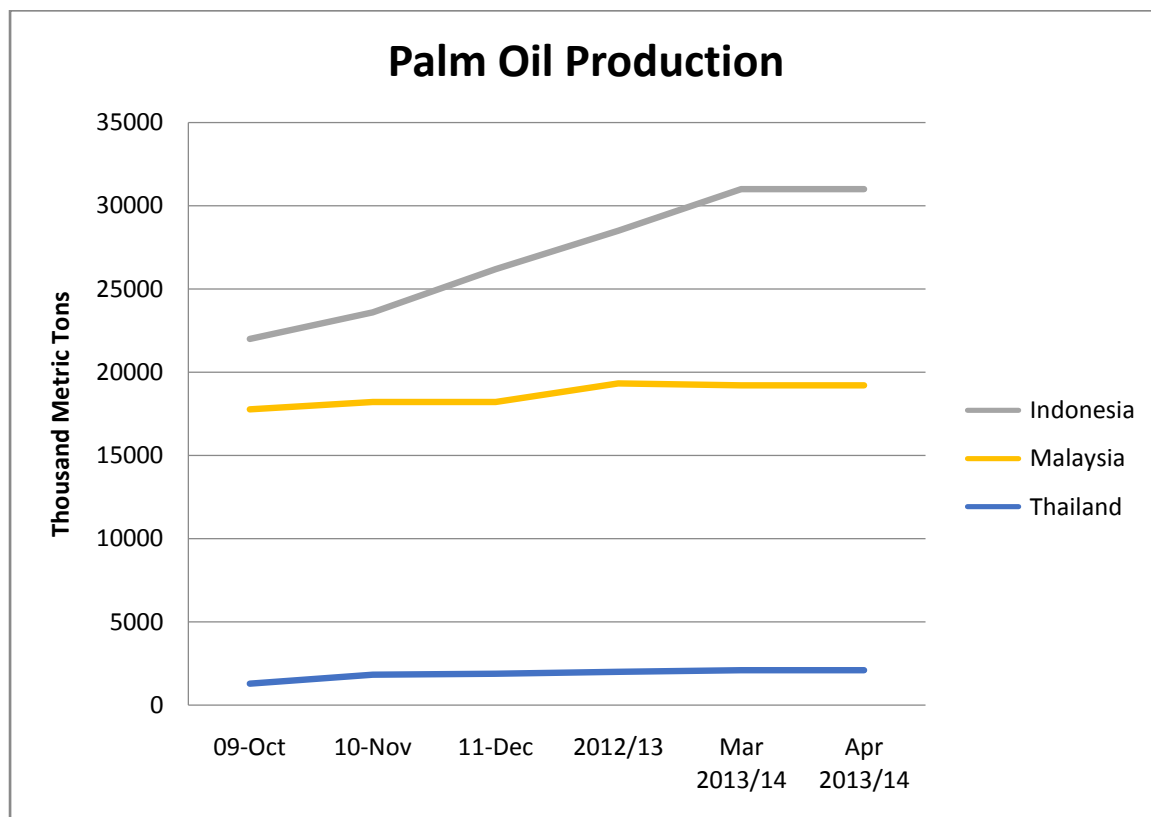


Figure 3 Data from USDA FAS 2011

4.3 Palm Oil and Deforestation

The rapid increase of crude palm oil production increase since the 1970s has been primarily as a result of the significant expansion of areas planted with oil palm at the expense of landsuch as forest and peatlands, rather than as a result of improvements in yield (Carter *et al.* 2007). Malaysia and Indonesia hold more than 80% of South East Asia's remaining primary forests, and 11% of the world's remaining tropical forest, which are crucial habitats for many already threatened endemic species (Fitzherbert *et al.* 2008; Koh and Wilcove2008).

The high concentration of oil palm plantations in Malaysia and Indonesia has led to massive loss of primary and secondary forests, as well as peatlands throughout the area (Carter *et al.* 2007).

Palm oil plantations in both countries have spread rapidly, with the area under production increasing from 3.5 million hectares in 1990, to over 9.5 million hectares in 2005 (Teoh 2009). According to Koh and Wilcove (2008), at least 55% of deforestation in both countries during that period was due to oil palm expansion. Expansion has only continued since then, with an estimated 12.8 million hectares under cultivation in 2011 (Obidzinski 2013). An RSPO report estimates that during 1990-2010, 62.6% of all new plantations in Indonesia and 65.3% of new plantations in Malaysia were established on non-agricultural lands, including disturbed and undisturbed upland forest, swamp forest, and grasslands (Gunarso *et al.* 2013).

The establishment of new plantations is of particular importance, because the most significant impacts of oil palm plantations come from the initial land clearing. This land conversion is often done with fire, killing seeds and sedentary animals. The clearing also leaves the soil exposed to erosion and increases the sediment loads in streams, although they return to baseline levels after the initial disruption. (Fitzherbert *et al.* 2008)

Oil palm expansion can contribute to deforestation in a number of ways. For example, expansion of plantations can be the primary motive for the land use change, including both the clearance of undisturbed forest or peatland, or by planting in previously disturbed, yet still ecologically stable land areas (Fitzherbert *et al.* 2008). In addition, land is cleared indirectly for palm oil plantations through the construction of roads and infrastructure to improve access to remotely planted areas (Fitzherbert *et al.* 2008). Oil palm can also be planted on areas that were previously deforested for other crops, making it difficult at times to accurately attribute deforestation to oil palm specifically (Fitzherbert *et al.* 2008). However, although it is difficult to quantify the rate of past deforestation that is directly linked to palm oil production,

it is clear that palm oil will continue to be a powerful agent of deforestation (and therefore climate change) for the foreseeable future.

4.4 Palm Oil and Climate Change

Establishments of plantations on peat soils or where they replace primary or secondary forest contribute significantly to GHG emissions (GAR and SMART 2012). Tropical deforestation is a significant factor in anthropogenic carbon emissions, accounting for an estimated 7-14% of total global carbon emissions (Harris *et al.* 2013). In 2010, Indonesia ranked third in global GHG emissions (after the US and China), which was largely attributed to land use change and deforestation (McCarthy and Zen 2010). Indonesia has since dropped slightly in the rankings, although, as can be seen from the graphs below, both Indonesia and Malaysia's carbon dioxide emissions (per capita and absolute) have increased dramatically during the period of oil palm's most rapid expansion (World Bank 2014a; 2014b). Although the RSPO definition of sustainable palm oil excludes any oil sourced from plantations replacing primary forest and peatlands of a certain depth, this does not take into account the GHG emissions and loss of biodiversity resulting from secondary forest conversion.

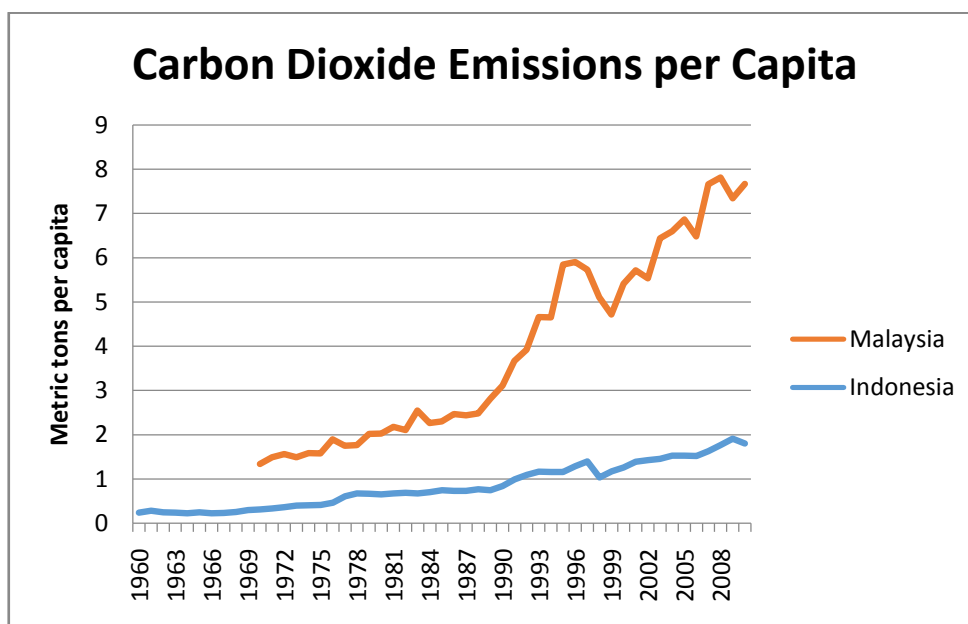


Figure 4 Data from World Bank 2014b

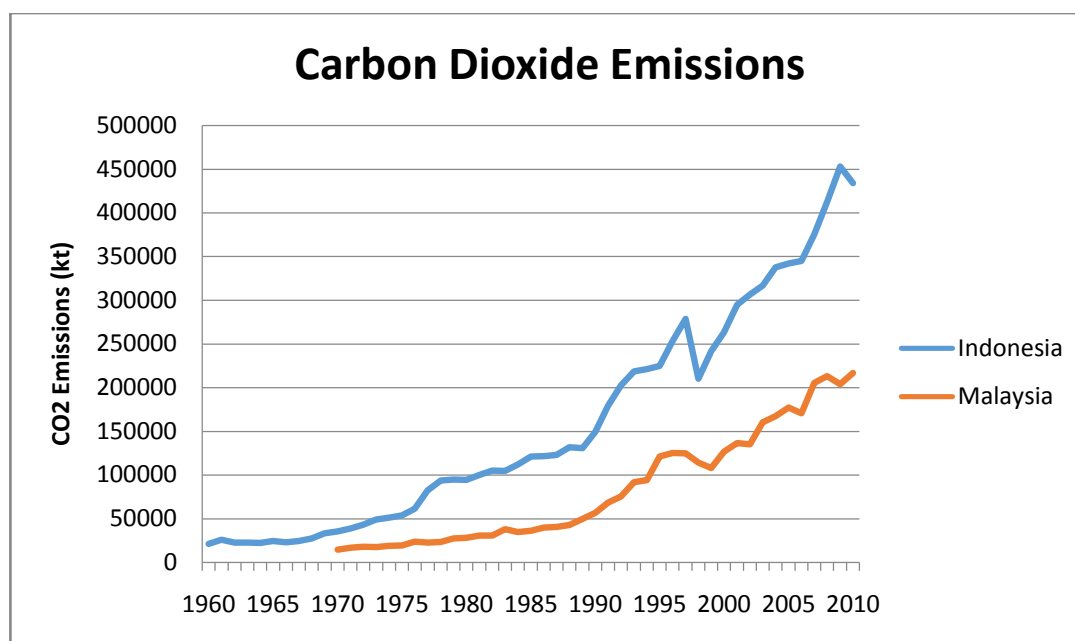


Figure 5 Data from World Bank 2014a

Converting almost any type of land, particularly peatlands and primary forest, to oil palm plantations leads to a net release of GHG emissions. An RSPO report projecting emissions scenarios due to land use change in Indonesia, Malaysia, and Papua New Guinea estimates that in a business as usual scenario for oil palm plantation expansion in the areas, net cumulative carbon emissions would be 15.2 Pg CO₂ by 2050, 77% of which would result from drainage of peat on new and existing plantations (Harris *et al.* 2013). A moratorium on expansion into peatland has the potential to reduce total net cumulative emissions by more than 50%, and a scenario with rewetting and restoration of retired plantations to peatland could lead to near zero annual net emissions in mature, stable oil palm plantations (Harris *et al.* 2013).

Compared to certain land areas like grasslands, or those planted with annual crops, however, plantations can better provide certain ecosystem services, such as carbon sequestration and soil protection (Fitzherbert *et al.* 2008). The provision of these ecosystem services as compared to annual crops or grassland is important when considering the possibility of increasing demand for palm oil in the future: if the expansion of palm oil plantations is to continue, converting grasslands to plantations can contribute to a net

reduction of GHG emissions (Boons and Mendoza 2010). Priority should be put on converting this type of land, rather than deforestation of primary or secondary forests, or peatland. From 1990 to 2010, only 6.4% of new plantations in Indonesia were established on swamp shrub and grasslands, and in Malaysia the percentage was negligible, just 0.2% (Gunarso *et al.* 2013).

4.5 Palm Oil and Biodiversity

Although the effects of deforestation due to palm oil have been written about with various foci, less than 1% of the scientific literature on oil palm since 1970 has dealt with biodiversity (Fitzherbert *et al.* 2008). Despite the lack of attention, oil palm plantations have an extremely significant impact on biodiversity: Wilcove and Koh (2010) state that oil palm plantations are the most significant immediate threat to biodiversity in Southeast Asia. Fitzherbert *et al.* (2008) found that a mean of only 15% of species typically found in primary forests are also found on oil palm plantations. Studies on bird and butterfly richness in these areas illustrate this decrease. Peh *et al.* (2005, 2006) estimated that the conversion of primary and logged forests to oil palm plantations in Malaysia decreases the species richness of forest birds by 77% and 73%, respectively. Similarly, Koh and Wilcove (2008) estimated that establishing oil palm plantations on primary and logged forests decreases the species richness of forest butterflies by 83% and 79%, respectively. This data demonstrates that oil palm plantations are a poor substitute even for degraded forests. A number of factors contribute to this, namely the disruption that plantations cause to the crucial forest structure: plantations can act as a barrier to animal movements, they can isolate forest fragments which in turn support fewer species than continuous forests, and they increase the length of the forest edge, which is then exposed to harmful abiotic edge effects (Fitzherbert *et al.* 2008).

4.6 Palm Oil and Other Effects

Finally, an often-overlooked aspect of palm oil production is the pollution from pesticides and fertilizers on the plantations, as well as from waste products at the mills and

refineries, such as palm oil mill effluent or the large amount of solid waste from empty fruit bunches and palm oil shells (McCarthy and Zen 2010). The pollutants can have significant negative impacts on the quality of any water sources, as well as soil quality in the surrounding areas, and the solid waste can accumulate until disposal becomes costly and potentially damaging to the environment (McCarthy and Zen 2010).

4.7 Conclusion

Palm oil has become increasingly popular in recent years, and its popularity is not likely to decline in the near future. Due to its high yield, relatively low cost of production, and its versatility, palm oil has become the vegetable oil with the highest market penetration. Although its production has contributed to massive deforestation in Indonesia and Malaysia, with widespread impacts on biodiversity in the area and global GHG emissions, any potential replacement oil crop would require a significantly larger land area to produce the same amount of oil, and would be more costly as well. Alternatives to palm oil are therefore not a viable solution; rather, strategies to reduce the harmful environmental impact of oil palm plantations are necessary to meet global demand, without devastating the environment of Indonesia and Malaysia. PEGIs have been established to tackle these issues, and develop a market for sustainable palm oil.

Chapter Five: Types of PEGIs and their Actor NetworkDynamics

Within the palm oil arena there are two main types of PEGIs. As mentioned above, although Pattberg (2004a) highlights three types of PEGIs—private sector institutions, private-private institutions and civil society institutions—currently there are no well-established examples of private sector institutions in the palm oil arena. Accordingly, this thesis will focus on civil society institutions and private-private institutions, beginning with the RSPO. I will compare the RSPO, which is civil society institution composed of members from seven different stakeholder categories, with one primary example of a private-private institution, in which a large retailer has collaborated with an international NGO. In this chapter I will use the findings from the literature on PEGIs to explain the emergence of these two PEGIs in sustainable palm oil. Then I will draw comparisons between the two PEGIs in order to elucidate the nature of the network of actors within each one. I will use this comparison as a basis for the analysis of the networks in the following chapters, specifically on the way that retailers are able to participate in them, the environmental outcome of the institutions, and their legitimacy.

5.1 Civil Society Institution: The Roundtable on Sustainable Palm Oil

The literature on PEG discusses several reasons for the emergence of PEGIs. With relation to the formation of the RSPO as a civil society institution, several of those factors are relevant, namely, corporate actors seeing this institution as a useful pre-competitive strategy for them to address issues of sustainable palm oil, the lack of governmental action on the issue of palm oil production, and the extremely globalized nature of the palm oil production network. These factors have contributed to the way in which the RSPO was formed and the network of actors that is engaged within it.

The RSPO is the largest and most well known institution established to deal with sustainability issues in palm oil. The RSPO was founded in 2004 with the stated vision to “transform markets to make sustainable palm oil the norm” (RSPO 2014f). It is an

international multi-stakeholder organization and certification scheme focused on using a market-based certification process to promote sustainable palm oil production. Specifically, its mission is,

- “To advance the production, procurement, finance and use of sustainable palm oil products;
- To develop, implement, verify, assure and periodically review credible global standards for the entire supply chain of sustainable palm oil;
- To monitor and evaluate the economic, environmental and social impacts of the uptake of sustainable palm oil in the market;
- To engage and commit all stakeholders throughout the supply chain, including governments and consumers” (RSPO 2014f).

The RSPO was formally established in 2004, after a series of meetings beginning in September 2002. RSPO was initially the brainchild of WWF, and in 2002 they invited a number of actors together to discuss the possibility of such a roundtable. In this first meeting, as described by Erik Kuepers, the participants included representatives from European retailers, consumer goods manufacturers, palm oil processors and traders, financial institutions, as well as WWF itself.

The formation of this type of institution was particularly attractive to consumer-facing companies, i.e. the retailers and consumer goods manufacturers, since, according to Erik Kuepers, they were an innovative group already looking towards addressing issues with palm oil in their supply network. Kuepers had already determined that some sort of market transformation approach would be necessary to tackle the sustainability issues in palm oil, because of how far removed the consuming companies were from the actual production. In this case, the process of implementing and monitoring stricter standards in a supply network is less costly through a collaborative institution than if a retailer or a manufacturer were to do it individually (Pattberg 2004a). It can therefore be a “pre-competitive” strategy for corporations to participate in this type of civil society organization, because the emphasis is more on jointly creating cost-effective standards and implementation techniques that benefit

the industry in general, rather than individual company actions that give only that company an advantage (Smith 2008). As a result, with the threat of negative activist NGO campaigns due to the controversial issues within palm oil production, a civil society institution such as the RSPO was a natural choice for the corporate actors to get involved with. The idea of the pre-competitive strategy also serves as potential explanation for the dominance of consumer goods manufacturers in terms of membership numbers in the RSPO. With a large portion of the sector mobilized, consumer goods manufacturers not only have a significant amount of influence, but collectively have a lot to gain in terms of creating standards that are beneficial for the sector as a whole.

According to Erik Kuepers, the participants decided not to include governments at that time, and state actors have remained only indirectly involved in RSPO. Malaysian and Indonesia Palm Oil Associations are currently members of RSPO, and report back to their respective governments; however, governments do not officially have a seat at the RSPO table (Schouten and Glasbergen 2011). As Kuepers described, the decision was made based on the sentiment that government representatives would come to the conferences with very particular mandates, and would therefore limit the flexibility and speed with which RSPO could act.

This sentiment reflects the discussion of governmental inaction in the literature in relation to environmental legislation. Governmental inaction could result from a lack of capacity, whether it be a lack of expertise, or a lack of human or financial capital to effectively carry out environmental policy (de Man and Burns 2006). The inaction could also represent a calculated strategy for government in the case of political bias; for example, a government could be reluctant to pass regulation that would hinder the competitiveness of a particular (powerful) industry (McCarthy and Zen 2010). In response to the lack of government action, leading NGOs (in the case of palm oil, WWF) may motivate the

formation of a civil society institution in order to confront issues that they have the expertise to address, but for which they need the cooperation of other relevant actors.

In this instance, the cooperation of other relevant actors was necessary because of the globalized nature of the palm oil production network itself, as well as its environmental outcomes. Deforestation at the scale that it is occurring in Malaysia and Indonesia has global implications, particularly in relation to GHG emissions and biodiversity loss. Accordingly, non-state actors, such as NGOs, as well as private companies from the Global North, saw reason to intervene and to use their reach to deal with the transboundary nature of the issues while governments remain largely inactive, or are restricted to dealing with the causes and effects solely within their own boundaries.

Initially, therefore, consumer-facing companies and actors from the Global North were represented in the planning stages of the RSPO, with, as Erik Kuepers characterized it, a notable absence of growers or others from the Global South. WWF's preliminary idea had been a group composed of palm oil consumers who would use their collective buying power and influence to, in the words of Kuepers, "arm wrestle" growers into increasing their sustainability standards. Kuepers noted that other actors at the table felt that in order to credibly call itself a "roundtable" the growers needed to be represented, and that the rules of the game were truly to be the rules of a roundtable, meaning each stakeholder group needed equal access and an equal voice (Schouten and Glasbergen 2011).

The subsequent meetings included growers, which was perhaps the first attempt to form the RSPO in a way that accurately reflected the globalized nature of the palm oil supply network. Globalization is highlighted as a cause of the increasing complexity of production networks, which has thereby necessitated new patterns of environmental governance (Lemos and Agrawal 2006; Falkner 2003; Fulponi 2006; Bartley 2007). As seen with the GPN framework, globalization has begun to mean that production networks, as well as the environmental impacts of these networks, are transboundary in nature (Bartley 2007).

Increasingly, the production stages of supply networks are taking place in the Global South, because of lower costs and less stringent environmental regulations, while the majority of the consumption of many products occurs in the Global North. As a result, an inclusion of growers from the Global South in the RSPO, as well as actors such as local Malaysian and Indonesian NGOs, was necessary in order to address the reality of the “global” element of the palm oil GPN.

Accordingly, in its formalized state, the RSPO is composed of members from seven different stakeholder categories, including oil palm growers, palm oil processors/traders, consumer goods manufacturers, retailers, banks and investors, environmental/nature conservation NGOs, and social/development NGOs. Overall membership is broken into three types, each with different rights in the structure of the organization: Ordinary Members, voting members who must specify and qualify for a single stakeholder sector; Affiliate members, who are not actively involved in one of the specified sectors and therefore do not have voting rights, but who nevertheless have an interest in RSPO activities (academics, for example); and Supply Chain Associates, who are non-voting members who use less than 500 mt/year of palm oil or derivatives (RSPO 2014e).

Retailers are one of the seven stakeholder groups in the RSPO. Currently, there are 49 retailers as Ordinary Members of the RSPO. With 957 total Ordinary Members, retailers represent a mere 5% of the voting members. Consumer goods manufacturers, on the other hand, represent just over 40% of the total membership, and processors/traders account for 35% of the total.

Stakeholder Category	Attendees, First General Assembly: 2004	Attendees, Most Recent General Assembly: 2012	Current Membership May 2014
Palm Oil Growers	21	63	127
Palm Oil Processors and/or Traders	8	110	342
Consumer Goods Manufacturers	2	116	388
Retailers	3	32	49
Environmental NGOs	5	16	26
Social NGOs	2	8	13
Banks/Investors	3	8	12

Table 1 RSPO Membership, Past and Present

Together, these stakeholders have determined Principles and Criteria to be used in their certification scheme for “sustainable palm oil,” as well as a structure for certifying supply chains, and a platform for continued discussion and improvement. The RSPO is easily the largest institution set up to address issues of the sustainability in the palm oil supply chain. As such, it wields significant influence in terms of initiatives throughout the entire palm oil supply network.

Putting the RSPO in the context of the literature on PEG, it can be seen that the institution arose from the reality of the highly globalized production networks as they exist currently, and reflected the inability or unwillingness of governments to act to mitigate the negative impacts of palm oil production. The established structure reflects this reality, and is an attempt to represent the complete array of involved stakeholders. The structure of this institution that arose as a result of the conditions discussed above has led to certain relationship dynamics between the actors within the network. As will be seen with the discussion of the private-private institutions within the palm oil arena, the way in which the network of stakeholders is engaged in the RPSO is different from that of stakeholder engagement in the private-private institutions.

5.2 Private-Private Institutions

As with civil society institutions, private-private institutions have arisen out of a context that is described within the literature of PEG, as well as that of SCM. Namely, private-private institutions emerged from NGOs and corporate actors alike recognizing the benefits of collaborating with each other rather than maintaining the antagonism that has characterized relationships between these two actor groups in the past. The primary benefits realized by retailers in the collaboration are that NGOs can aid them in addressing complicated issues within their supply networks, and can provide them protection against reputation-damaging other, activist NGO campaigns. From the NGO perspective, the collaboration can provide them greater leverage with the supplier stakeholders with whom they are trying to work, as well as increased access to resources.

Private-private institutions are defined as long-term or well-established collaborations between actors in different sectors (namely, the for-profit world and the non-profit world) with international reach (Pattberg 2004a). The interactions go beyond that of contractual obligations (although contracts may be a part of the relationship), and the outcome that is reached represents the goals of both parties involved. I spoke to Food Smart and Forest Conservation Global as the focal actors of one such private-private institution, and used interviews with other retailers, NGOs, and experts to supplement my analysis of the network of actors.

Food Smart and Forest Conservation Global agree that this type of PEGI can come about in a number of ways. A company may approach an NGO about a particular (often contentious or complex) issue because it has been brought to their attention by activist NGOs or by consumers, or the company may see others in its sector beginning to address it. In the case of Forest Conservation Global (Interviewee 1) and Food Smart, the collaboration began with a Food Smart staff member recognizing that European retailers were beginning to address issues within their palm oil supply chains, while North American retailers had yet to

pay attention. The Food Smart staff member approached Forest Conservation Global after a trip to Indonesia palm oil plantations revealed to him the number of issues with production, as well as their complexity. Food Smart recognized that it could not adequately address the issues within its supply chain on its own, and because Forest Conservation Global's values aligned well with their own, the partnership seemed promising.

This starting point for collaboration reflects the benefits of PEGIs for corporate actors as described PEG and SCM literature. Specifically, corporations understand the risks they face from negative NGO campaigns, and as a result, they have begun to recognize the potential benefits of collaborating with NGOs, or engaging in multi-stakeholder environmental governance initiatives (Morali and Searcy 2010). Private-private institutions can be a competitive strategy for companies to protect their brand image, as well as a way to raise the "price of entry" for others in the market (Bartley 2007; de Man and Burns 2006; GEMI and EDF 2008). In this case, as an early mover on palm oil in the North American retail sector, Food Smart may have been attempting to capitalize on the competitive advantage of participating in a private-private institution.

In addition, this collaboration illustrates that corporate actors can choose to seek out the expertise of NGOs. Morali and Searcy (2010) wrote that one of the barriers to SSCM for an actor is a lack of understanding of the sustainability issues within their supply chain. As with Food Smart and Forest Conservation Global, and similarly with Fresh Market Group and WWF, companies often collaborate with NGOs in order to gain their expertise on subject matter that is outside the scope of the retail staff's knowledge. The retailer trust in the NGO has a dual function: first, the NGO identifies the most pressing and significant environmental or social issues for the retailer to address, and second, the NGO identifies the most public issues, so that the retailer will be safe (or at least safer) from scrutiny from media or activist NGO campaigns. Both Food Smart and Forest Conservation Global mentioned the idea of the NGO providing brand protection against activist NGO campaigns, which also follows Seuring

and Müller's (2008) finding that pressure from environmental and social pressure groups was a trigger for companies to engage in SCM.

Forest Conservation Global's relationship with Food Smart represents one expression of how private-private institutions emerge. At other times, Forest Conservation Global has sought out a particular company to work with when they identify an opportunity in terms of that company's leverage in a supply chain. This illustrates a recent trend in which NGOs have begun to understand the impact that they can have if they cooperate with—rather than simply target—large, for-profit actors (Kong *et al.* 2002). These NGOs, including organizations such as WWF, Environmental Defense Fund, and The Forest Trust (TFT), have established themselves as 'consultant NGOs', who are able to lead initiatives that achieve their environmental goals through collaboration with corporate actors that in turn can protect the corporations' reputations (Hughes 2005). Although it can be construed as "rent-seeking," NGOs can capitalize on the greater financial resources available to them when they enter into contracted collaborations with companies (Kong *et al.* 2002; Glasbergen 2011). Additionally, according to Forest Conservation Global, particularly when working with actors in a complex supply network it can be useful for NGOs to be able to demonstrate that the demand side is in support of, or explicitly asking for, the proposed requirements for the supply side. As Forest Conservation Global (Interviewee 2) mentioned, these proposals can carry more weight because of the brand name of the corporations with which the NGO is working.

For Forest Conservation Global, the process of agreeing to work with a particular company can involve a long period of behind-the-scenes work to determine whether the company is serious about its commitment to sustainability issues. Forest Conservation Global described a partnership that was made public after a year of laying the groundwork, with Forest Conservation Global (Interviewee 1) stipulating that they would not "work with [the company]... until [they] announce [an agreed-upon] policy, and [they] know exactly what it means, and [they] can say the bulldozers stop today."

In certain expressions of private-private institutions—as with Forest Conservation Global and Food Smart—the collaborations involve a contract between the parties that is based on deliverables, while others are formed with less specific outcomes in mind, through membership to the NGO. Some NGOs, like the Environmental Defense Fund, explicitly do not accept funding from the corporations with which they work (EDF 2014). No matter the specifics of the arrangement, the outcome is generally a mutually constructed policy or plan to address a particular issue of concern to both parties. The policy will generally represent a commitment from the retailer to work with the NGO to help the NGO accomplish its stated vision and mission. In the case of palm oil, retailers collaborate with NGOs committed to the protection of tropical forests and the retailer's sourcing policies become the tool through which the NGO is able to work towards its goal. The deliverables expected from the relationship between Forest Conservation Global and Yumco, for example, will be a mapping of Food Smart's palm oil supply network and understanding of its palm oil footprint, as well as a company policy developed with Forest Conservation Global that will demonstrate their commitment to sourcing deforestation-free palm oil.

The process of collaboration between Food Smart and Forest Conservation Global was initiated via several meetings laying out the expectations of both parties, and continues with in person meetings or conference calls. Food Smart will at times sit in on calls between the NGO and the retailer's suppliers, although Forest Conservation Global will also conduct fieldwork on its own, and report its findings back to the retailer. Once the contract has been fulfilled, Food Smart and Forest Conservation Global can decide to end their collaboration, with the expectation that the Food Smart would be able to manage further policy decisions on its own, or the two parties can continue to collaborate on a separate issue, as often becomes the case with Forest Conservation Global's partners.

Although private-private institutions do not have as formalized a structure as civil society institutions such as the RSPO, it is important to recognize that these institutions

nevertheless have a number of identifying characteristics. First, the institution goes beyond a contractual agreement. An exchange of funds does not immediately exclude a relationship from being considered a PEGI; however, the relationship must be seen by both parties as more than a simple exchange of services. For example, Food Smart has been collaborating with Forest Conservation Global(North America) for approximately two years now. Both the Food Smart and Forest Conservation Global acknowledge that the relationship is that of a true collaboration, with adequate space for each actor to express its opinions or preferences and a willingness to acquiesce to the other when appropriate, i.e. when the agreement does not compromise values that are of central importance to either party. In addition, Fresh Market Group and WWF have had an agreement and have been working together to set sourcing targets for Fresh Market Group for approximately ten years. According to Fresh Market Group, through this work both the retailer and WWF have been able to push each other, and learn from each other.

An important aspect of these types of PEGIs is mutual trust between the actors. For example, when working with companies on their sustainable sourcing policies, Forest Conservation Global asks companies for full visibility into their supply networks and purchasing history. This information is extremely sensitive for a company, and this visibility could represent a huge reputational risk for them. The company must therefore trust that the NGO is going to use the information appropriately. This visibility is important for the NGOs consideration of reputational risk as well, however, because these consultant-type NGOs have faced criticism from the media and more activist NGOs as a result of their collaboration with certain companies. A prime example includes greenwashing accusations of WWF as a result of their partnerships with various big businesses (Glüsing and Klawitter2012; Paddison 2013). As a result, according to Forest Conservation Global, these relationships must be handled strategically from the NGO perspective as well, with trust that the companies will be open about the potential issues within their network and hold true to their commitments.

Forest Conservation Global (Interviewee 1) captures the dynamic of dual trust by acknowledging that because the organization is aligning its name with the company, the NGO is “willing to stand by [our partners] if things get tough in some ways, for instance, if they end up being the subject of an NGO campaign, but we also have to have them trust us well enough to let us know what issues might be present.”

It can be seen that private-private institutions such as the relationship between Forest Conservation Global and Food Smart arose from consideration of a different set of factors than that which triggered the formation of the RSPO. While the RSPO was established in a way that addressed issues such as governmental inaction and globalization, and companies were motivated to join as part of a pre-competitive strategy, this private-private institution was shown to have arisen from two traditionally adversarial actors recognizing the mutual benefits of collaboration for themselves. These two institutions have therefore resulted in two distinct networks of actors (albeit with overlap between them), and different types of interactions between the actors involved.

5.3 Comparison between RSPO and NGO-Retailer Networks

The structures of these institutions that arose as discussed above have led to different networks of actors and different accepted proceedings for each institution. As Lemos and Agrawal (2006) write, “Key to different forms of environmental governance are the political-economic relationships that institutions embody and how these relationships shape identities, actions, and outcomes.” Indeed, as will be seen, it is not merely political-economic relationships that can affect the outcomes of these institutions, but personal relationships between actors as well. In this section, I will describe the two networks of actors that have arisen through the creation of these institutions, and examine how the networks lead to different styles of procedure. This discussion will serve as introduction to the following chapters, in which I will evaluate how the institutions have resulted in different opportunities

for retailers to participate, different environmental outcomes, and different assessments of their legitimacy.

5.3.1 Civil Society Institution Network

When the initial actors brought to the table by WWF decided that the RSPO should truly follow the rules of a “roundtable,” it set this institution on a path to attempt multi-stakeholder inclusion and open access to participation for each stakeholder. Indeed, one major success of the RSPO is its facilitation of communication and relationship building between stakeholders that ordinarily would rarely associate with each other. This success does not come without qualifications however; as it becomes a trade-off for swift action and the reality of participation does not necessarily represent the ideal of total multi-stakeholder participation. Nevertheless, personal relationships between actors within the RSPO have become of significance, and have facilitated the process of compromise and decision-making. A final element of significance in the RSPO network is that of the relationship between members and non-members. These factors have created the network dynamic through which the RSPO functions, and as such serve as an introduction to the chapters on how retailers are able to participate in the RSPO, on the organization’s environmental outcome, and finally, its legitimacy.

A structural attempt to achieve stakeholder inclusion and open access to participation is the RSPO’s intention of multi-stakeholder participation not only in the General Assemblies, but in every aspect of the RSPO—the Board of Governors, the Standing Committees, Working Groups and Task Forces (for a diagram of the organization structure of the RSPO, see Appendix C). The RSPO representative mentioned this process as significant because of the RSPO aim to transition the whole market—a goal that requires the cooperation of both producers and consumers—rather than creating a niche market. Through this structure, the RSPO has theoretically created a network of equal actors who are able to collaborate together to tackle sustainable palm oil issues.

The multi-stakeholder decision-making process is not all positive, however. Although interviewees from various sectors agreed that the multi-stakeholder format of the RSPO is crucial to its credibility and its success, several also acknowledged that the consensus procedure does slow operations down. As Better Societies said, “It’s a rule in the RSPO that if possible, things are multi-stakeholder...so that’s what makes RSPO sometimes slow, but also what makes it strong, because what has been decided is basically supported by all the stakeholder groups.” Bernstein (2004) acknowledges this potential trade-off between effectiveness and participation, but notes that is an important trade-off to consider in terms of establishing the legitimacy of the institution. A further discussion of legitimacy will follow in Chapter Eight.

A second qualification of the positive aspects of the equal network of actors is that the reality does not necessarily match the expectation of participation by all stakeholder groups in the committees and working groups. Erik Kuepers describes that “the accepted RSPO way of working is that all constituencies are represented in the board, in the standing committees, and in all task forces and in all working groups.” This is not the reality, however. The RSPO representative highlighted the absence of banks/investors on the Traceability Standing Committee, and as will be seen in Chapter Six, retailers are notably absent from a number of the committees and groups as well. This discrepancy between the expectation and the reality is significant because these groups are set up specifically to promote equal access to participation for the various stakeholder groups, and to avoid a situation in the General Assembly in which a single, large stakeholder group dominates the proceedings. Indeed, the RSPO representative stated that because of the equal representation of stakeholder groups in the working groups, the overall number of actors in particular stakeholder groups (such as the significantly greater number of consumer goods manufacturers or processors and/or traders) does not become a problem. Although it seems to be true that the large stakeholder groups do not stand in the way of the organization reaching its aims, the RSPO’s procedural structure—

the expectation of full stakeholder participation in the various groups and committees—may not offer a full explanation. Kuepers described personal relationships that have developed between actors, as well as the actors' need to use their veto power strategically as two factors that likely contribute to the decision-making success that the RSPO is able to claim.

An important dynamic within the network of actors is the spirit of compromise that has arisen from closer communication and relationships between the individual actors present at the General Assembly meetings. According to Erik Kuepers, "...if RSPO has done one thing, then at least it has greatly, greatly improved the communication between the various stakeholders." Kuepers spoke of the difference in body language from the first meeting in 2003, to the more recent meetings. As he described, in 2003, "...the NGOs would huddle in one corner, and the growers would huddle in another corner, and the consumer goods companies [would] huddle at the bar." Now, "Friendships have come from RSPO, friendships between NGOs and growers, between retailers and NGOs...." Better Societies also highlighted the importance of the informal relationships between stakeholder actors, in terms of facilitating agreement between them. Better Societies described the outcome of the personal relationships as contributing to a feeling (in some instances) of listening to a friend in the proceedings, rather than an adversary. The informal relationships in fact have gone beyond simply agreeing on the practices and procedures of the RSPO, but to certain corporate actors informally seeking out the aid and opinions of NGOs on their own corporate sustainability policies, according to Better Societies.

A final aspect that contributes to the dynamic of the RSPO is the role of external actors in impacting RSPO policies without actually being members. For example, activist NGOs such as Greenpeace that have maintained a strong stance against joining the RSPO can nevertheless influence the proceedings within it. Although several activist NGOs were mentioned in total, virtually all the interviewees mentioned Greenpeace in some way. As discussed below, Greenpeace uses campaigns to target corporate actors and force them into

action, which is an important factor in the formation of private-private institutions. Greenpeace can also play a significant role in the policy-making in the RSPO itself, however.

The RSPO representative and Better Societies described two different ways that Greenpeace can have an influence in the RSPO without being members. The RSPO representative acknowledged that the RSPO welcomes Greenpeace to contribute, and invites the organization to conferences in order for them to add their opinion to the discussion of what standards are acceptable. According to the RSPO representative, conversations between Greenpeace and the RSPO have been improving, although she still regarded it as apparent that Greenpeace will never join the RSPO as a member. Through this type of consultation, combined with their campaigns against the worst offending members, Greenpeace wields a significant amount of influence. Better Societies also described what they call an “insider-outsider” strategy in which the Better Societies will enter into a dialogue with NGOs both that are members of the RSPO, as well as those who remain outside of it. Through this dialogue, Better Societies can use the combined expertise of the NGOs to push effectively for policies within the RSPO. This strategy also allows Greenpeace to have a role in advocating for certain policies within the RSPO, while maintaining its position as an external critic.

In this network, therefore, relationships between members and non-member actors are significant, as well as among members. The multi-stakeholder consensus model was crucial in the formation of the roundtable, yet it does not necessarily represent an ideal situation for the institution. Obtaining consensus can slow down the process of decision-making, although personal relationships between members have perhaps facilitated this process. In addition, the expectation of complete stakeholder participation does not necessarily translate into reality, which therefore has an impact on the legitimacy of the institution, as will be discussed in Chapter Eight.

5.3.2 Private-Private Institution Network

Private-private institutions create an entirely different kind of network that impacts not only how they are able to accomplish their goals, but their claims to legitimacy as well. As opposed to the formally inclusive structure of the RSPO, a very significant aspect of the private-private institutions is the NGO within the relationship being the central partner. Although these relationships can be seen as partnerships between the NGO and individual retailers (as Food Smart sees it), in actuality, the NGO is in the center of a wide network. Taking Forest Conservation Global as an example, despite the collaboration that occurs in the development of company sourcing policies, no matter which company Forest Conservation Global collaborates with, it is the NGOs goals (of forest conservation, for example) that will take center stage. The benefit to retailers of brand protection and the satisfaction of “doing the right” thing is simply a side effect, albeit one that is satisfactory enough to justify the collaboration for the company. There is no transparent procedural structure to the relationship; however, the NGO has its own structure for how it will accomplish its goals, and an important aspect of that is building a network of companies with which it can work. Each individual company is more or less a contributing piece to the puzzle laid out by the NGO. Through the orchestration of this network, the NGO is able to work much faster than if a number of diverse stakeholders had to weigh in on the desired standards before they could be implemented.

In addition, in a private-private institution the choice of which actors to involve is not limited to those who voluntarily became members of an organization such as the RSPO. In the spirit of “fixing the worst,” a retailer-NGO collaboration can work with any supplier in the retailer’s network to encourage them to make even small changes. These potential changes may not be up to the standard of certification, but they may address important issues or land areas that otherwise would go unnoticed. For example, Forest Conservation Global works with smallholders—a group that the RSPO is struggling to represent—as well as the larger plantations. The smallholders may also be clearing biodiversity-rich land, or may be

using harmful techniques such as burning, and yet because they do not fit well into the RSPO certification scheme, which favors larger actors, their practices could be allowed to continue. Forest Conservation Global, in its work with retailers' and other companies' supply networks addresses issues with smallholders as well, and by widening their network in this way can prevent further environmental degradation that the RSPO policies would overlook.

It is important to note the role of activist NGOs such as Greenpeace in private-private institutions as well. The interviewees most often described the organization's work in terms of raising awareness and catalyzing action, albeit not necessarily providing solutions. Interviewees from retailers and NGOs alike acknowledged the damage that Greenpeace can inflict on the reputations of corporate actors, and this was deemed an important factor in pushing corporations to act. Fresh Market Group and Tim Perry, for example, similarly expressed sentiments about the importance of Greenpeace in terms of drawing attention to the issues, however, they also both highlighted that the organization simply "demands" solutions rather actively working with companies to achieve them. This dynamic is important in the private-private relationships since Greenpeace forces companies to act, without helping them to determine how. Greenpeace's strategy is therefore a significant factor in the formation of private-private institutions, as corporate actors will seek out the help of other NGOs in order to avoid being a target of one of Greenpeace's campaigns. In other words, Greenpeace tells companies to jump, and they turn to consultant NGOs to ask how high.

Private-private institutions have therefore created a wide and flexible network of actors. Not limited to specific standards determined by consensus, focal NGOs can determine which standards to implement with which actors. As a result, these institutions can act quickly and adaptively in the palm oil industry.

5.4 Conclusion

As a result of the two different dynamics set up in the two PEGIs, there are significant differences between them in terms of retailer participation, the environmental outcomes that

arise from their work, and their claims to legitimacy. These elements will be described the next chapters.

Chapter Six: Retailer Participation in the Palm Oil PEGIs

The two types of PEGIs offer two distinct avenues for retailer participation. Before discussing the ways in which retailers are able to participate in sustainable palm oil initiatives, however, there must be a discussion of the challenges that retailers face in engaging with their palm oil supply network in general.

Ultra Grocer characterized the challenges to retailer engagement with the palm oil supply network as issues with volume and fragmentation. First and foremost, retailers use a relatively insignificant amount of palm oil in their private label brands (which comprise the products over which the retailer has full control), when compared to major consumer goods manufacturers, such as Unilever or Nestle. Ultra Grocer, for example, had recently calculated that it uses approximately 2,600 tons of palm oil annually, compared to Unilever, which used over 1.5 million tons from July 2012- July 2013 (Unilever 2013). Fresh Market Group uses even less, with an estimated total of 2,200 tons of palm oil per year. Food Smart (Interviewee 1) also acknowledges that its palm oil usage is “just a drop in the bucket” compared to that of the truly major players in the market.

Furthermore, both Ultra Grocer and Fresh Market Group discuss that palm oil is, for retailers, often simply one of a myriad of issues that they must deal with in order to maintain consumer satisfaction or to stay ahead of NGO campaigns. Food Smart, as well as the Retail Council representative, discussed issues such as seafood, animal welfare, pulp and paper, GMO products, and locally sourced products as other priorities in the retail sector; Fresh Market Group similarly mentioned timber, soy, and cotton. With the majority of these other concerns (GMOs and soy being notable exceptions), the issue is with a specific product that is easily identifiable for both the retailer and the consumer. Animal products such as beef, chicken, or seafood are end products unto themselves and as a result, mapping the supply chains is relatively straightforward, and products can more easily be separated out into

categories of sustainably managed vs. conventional products. Palm oil, on the other hand, is a virtually invisible ingredient found in a huge variety of products. Even products claiming other sustainable ingredients, or displaying eco-labels for certifications such as “organic,” may have uncertified palm oil in them, listed as an ingredient that consumers do not recognize or that retailers themselves are not aware of. This problem is part of what Ultra Grocer described as fragmentation. Palm oil is included in some form in about 400 of Ultra Grocer’s private label products, and those are supplied through about 90 different sites. This fragmentation makes SCM difficult because the suppliers may require only minuscule amounts of palm oil for the production of their goods. Ultra Grocer estimates that about one third of their suppliers use less than a quarter of one percent of Ultra Grocer’s total volume of palm oil. Accordingly, some suppliers are using only a few kilograms of palm oil a year, spread out in a number of different products. As a result, managing the supply can be extremely complex, and can also seem to be not worth the effort, both from the retailer’s perspective as well as the supplier’s. Ultra Grocer is nonetheless aiming for full supply chain certification for the palm oil.

Cox (2001) describes this situation as supplier dominance, or, depending on the specifics, supplier/buyer independence. In either case, the buyer (in this case the retailer) represents a low share of the supplier’s market, and the supplier (i.e. a processor) has other sources of revenue available, for example, accounts from large consumer goods manufacturers. Complicated requests—for example, tracing or segregating the palm oil used in one’s products—from a buyer in this circumstance would be of little interest to a supplier, and the further the request has to go through the network of suppliers, the less leverage the retailer has. As Food Smart (Interviewee 2) describes the situation: “It’d be rare that you’d be [the suppliers’] only customer, so part of it is moving incrementally to reduce the environmental impact of private label products through a supplier network that is shared through other companies,” which proves to be a difficult task for a retailer working

independently. In order to increase its leverage, a retailer may join a PEGI such as the RSPO or collaborate with an NGO. These institutions have varying degrees of success in terms of the retailer's ability to impact their supply chain through them, as will be discussed below.

It is not just the lack of leverage that a retailer has in a fragmented supply chain that hinders their ability to impact their palm oil supply network, however. Sufficient education about palm oil and in what products and ingredients it is used is also a considerable factor. Palm oil is not only largely invisible to consumers, but it can be invisible for the retailers and suppliers as well. Ultra Grocer discussed that palm oil can be used as an ingredient *in* other ingredients, for example, as a carrier in colorants. It may be a third or fourth tier supplier that has contact with the palm oil, and as a result, the first or second tier supplier using the colorant as an ingredient may not be aware that there is palm oil within it, and therefore that information may not get passed along to the retailer either.

The RSPO representative stressed education as crucial to greater retailer participation in sustainable palm oil initiatives, but this education is important not solely for the retailers, but for their suppliers as well. Fresh Market Group described its work as both “pushing and educating” suppliers. Many interviewees from retailers and NGOs alike stressed the amount of work required to effectively educate suppliers, meaning that if they are to do so, the retailer's desire to engage with their suppliers must be strong. Forest Conservation Global (Interviewee 2) emphasized that it is important for retailers to study their supply chain and be aware of their palm oil footprint. Even simply understanding a retailer's palm oil footprint is a significant task; both Food Smart and Ultra Grocer had contracted external organizations to map their palm oil supply chains, due in large part to the considerable time and effort that would be required to trace palm oil through their products. Forest Conservation Global points out that this mapping can be the first step in a greater collaboration between a retailer and an NGO on sustainable palm oil, while for retailers it can represent a step in the process of reaching their RSPO targets.

Retailers can attempt to address these barriers to engaging with their palm oil supply network by joining one of the two types of institutions available as options. Due to the small volume of palm oil that retailers consume, as well difficulties that retailers have in engaging with their palm oil supply network in general, in either case, a retailer's best opportunity to contribute is by adding its voice to those of the network of actors in each institution with which it would be collaborating. As will be demonstrated, due to the structure of the RSPO, retailers are unable to effectively add their perspective to the policy decisions made in the RSPO, and are more so able to directly contribute their voice through participation in a private-private institution.

6.1 Retailer Participation in the RSPO

Currently, retailers represent just 5% of the Ordinary Members of the RSPO. Several interviewees gave some insight into the underwhelming numbers of retailers which are active members—or members at all. The RSPO representative reported that retailers often mentioned the cost of membership as a barrier to their becoming members, although the RSPO representative was skeptical that cost was indeed the limiting factor. An annual membership fee for a retailer as an Ordinary Member is EUR2,000, which is not likely to present a significant financial burden to most chain retailers.

As discussed above, Ultra Grocer emphasized that due to the relatively small volume of palm oil used by retailers and the fragmentation of the supply throughout a number of products and suppliers, palm oil may fall low on a retailer's list of priorities, especially compared to other potentially contentious issues that may be easier to address. A compounding factor that also serves as a disincentive for retailer action is the generally low consumer awareness about palm oil issues, particularly in North America and parts of Europe (excluding countries such as Norway, Sweden, and France, according to Erik Kuepers). Lack of consumer attention to the issue translates to palm oil not being seen as a major priority for retailers, especially outside of sustainability departments.

As a result of these factors, membership in the RSPO can be seen to occupy a disproportionate amount of a sustainability-staffer's time. With sustainability departments generally being rather small, sending one or two representatives to a three or four day long conference in Southeast Asia can effectively grind the entire department's work to a halt. There must therefore be a strong motivation from a retailer to join the RSPO and actively participate. This motivation can come from a corporate culture that values time spent on sustainability, or it could come as a result of increased consumer awareness or targeted NGO campaigns. According to Fresh Market Group and Erik Kuepers, consumer awareness around palm oil issues is much higher in countries such as Sweden and France, and the effect can be seen in the RSPO membership. There are five Swedish retailers that are Ordinary Members in RSPO, and ten French retailers. Retailers in these two countries alone therefore account for just under 30% of all retailer Ordinary Members of the RSPO. Another significant group comes from the United Kingdom—a region in which retailers are generally seen to be active in sustainability initiatives—with ten retailers as well. As comparison, the United States currently has two retailer members and Canada just one.

An important aspect of retailer participation in the RSPO is their perceived benefit from it. Although both Ultra Grocer and the RSPO representative agreed that there was not adequate justification for retailers *not* to join the RSPO, interviewees provided only a small amount of rational *to* join the RSPO. Tim Perry cited friendly competition among actors in the sector, and several interviewees mentioned the idea that retailer leaders in sustainability join as a way to set an example for others, especially, as Forest Conservation Global (Interviewee 2) stated, since retailers have “a natural tendency” to follow each other. Retailers therefore seem to be taking their cues from each other, with several early or prominent actors leading the way to encourage or push participation from others. For the leaders in the sector, joining the RSPO could be seen as a competitive strategy to gain reputational benefits from being seen as frontrunners in the palm oil arena.

Even retailers who are not frontrunners may recognize the potential benefits of joining the RSPO before consumer awareness demands action on their part. Retailers that are not responding to consumer demands have a tricky balance act to perform, however, because, as Erik Kuepers notes, if they are going to bring their efforts to the attention of their consumers, they first have to educate them on how harmful palm oil production can be. Although, as mentioned above, there can potentially be a competitive advantage in publicizing their work before others in the industry, it can be risky to bring the negative side of things to the attention of the public. Joining RSPO could be seen as a relatively low-risk way to bring a retailer's work on palm oil to the attention of the public, without over-emphasizing the retailer's own contribution to the negative affects of palm oil production.

A sustainability initiative such as the RSPO would therefore generally be a safe institution to join for companies looking for brand protection. However, Ultra Grocer acknowledged that due to controversy over various aspects of RSPO policy and implementation, "the standard is not giving us the reputational protection that we would want, and would anticipate from a sustainability scheme." To protect their brand, many retailers (as well as other stakeholder actors, like Nestle or Unilever from the Consumer Goods Manufacturers) have chosen to go beyond the standards and goals of the RSPO. One such retailer is Carrefour in France, which has publicly stated that it would like to see future RSPO standards become more stringent (Carrefour 2013), and whose affiliated charity organization the Carrefour Foundation has collaborated with WWF on a training program for over 200 smallholders in Indonesia (FDC 2014). The RSPO's standards and criteria that address smallholders have been criticized by Forest Conservation Global and others (World Growth 2013), and therefore, Carrefour's work could be seen as a strategic move to distance itself from this criticism.

The case of Carrefour highlights an interesting element of RSPO membership. Although, as Ultra Grocer mentioned, similar sustainability schemes would generally provide

brand protection for those companies that are members of it, because the RSPO has been criticized as “greenwashing,” this is not necessarily the case. Indeed, members of the RSPO can be implicated in criticism of the RSPO if they are accused of joining the RSPO to give an impression of sustainability, without the follow-through of effective action. This criticism can actually serve as a disadvantage for members of the RSPO because, as the RSPO representative noted, their commitments are more widely publicized than those of retailers who do not have the platform of the RSPO from which to present their initiatives. In addition, both Tim Perry and the RSPO representative highlighted that because of the RSPO requirement for members to publish an annual report of progress, information about members’ progress (or lack thereof) in converting to certified sustainable palm oil (CSPO) is readily available to NGOs who might use the information in their targeted campaigns against a retailer or other actor. Retailers who are not part of the RSPO, and who may not be taking any action on palm oil whatsoever, are better able to fly under the radar.

6.1.1 Retailer Participation in the General Assemblies

For those retailers who have chosen to participate in the RSPO, participation in the General Assemblies is required, and yet the structure of the General Assembly meetings themselves makes it difficult for them to participate in a significant way. Decisions in RSPO are made according to a simple majority vote in the General Assemblies (or Extraordinary General Assemblies). Each ordinary member of the RSPO has one vote. Based on the number of retailers compared to other actors such as consumer goods manufacturers, it is clear that the retailer voice could easily be drowned out. Indeed, this governance system could theoretically allow for one stakeholder group to dominate decision-making in RSPO; however consensus-based working groups are established with the intent to give equal access to participation to each stakeholder group and therefore to avoid this possibility (Schouten and Glasbergen 2011). As discussed, these working groups do not necessarily fulfill this function appropriately.

As the structure of the General Assemblies stands now (described by International Forest Group), member organizations with the resources or interest are potentially able to influence the proceedings and therefore the decision-making. RSPO members meet annually at the General Assembly (with Extraordinary General Assembly meetings as necessary), and this process takes place over a number of days. As explained by International Forest Group, at the most recent General Assembly proposals were negotiated in an open format, called a Solicitation and Facilitation process. Individuals from the RSPO Secretariat facilitated discussions on set topics and members were invited to participate in discussions of interest to the company or organization they represent. According to International Forest Group, the discussions contributed to the proposals to be voted on by all the members in the formal General Assembly meeting later in the week.

This format allows members to directly participate in the negotiation of issues that they prioritize. However, it also potentially allows member organizations with more resources or higher investment in the outcome to send multiple representatives and therefore have more significant input on multiple issues. Larger retailers are certainly not lacking in resources; yet, as they lack the incentive to send a number of representatives, the outcome is virtually the same. As discussed above, palm oil may not be a high priority for retailers as compared to other contentious products because of the small volume that they consume and palm oil's relative invisibility. It may be difficult for a sustainability department to justify sending a number of representatives to the conferences if its corporate executives do not feel that sustainable palm oil is worthy of the time. Although each actor only has one vote in the General Assembly, because of the structure of negotiations prior to the vote, retailers are at a disadvantage compared to other actors with more capability to send representatives in terms of providing valuable input to what will be voted on during the meetings. Those other organizations can therefore exert more influence than others on the topics and conditions that are voted on at the General Assembly.

Besides the General Assembly conferences, members can actively influence RSPO policies through their participation in the Board of Governors, and by either initiating or participating in Working Groups or Task Forces. Retailer representatives are noticeably absent from many of these decision-making groups within the RSPO, and as such retailer influence is mostly limited to the sector's mere 49 votes out of a potential 957 total votes. I will discuss retailers' participation in each of these types of group in turn.

6.1.2 Retailer Participation in the Board of Governors

The Board of Governors has allocated two seats for representative from each of the stakeholder groups (excluding the Oil Palm Growers which has four), however at the time of writing, there is only one representative from the retailer group listed on the RSPO website (RSPO 2014b). Ultra Grocer confirmed that the retail group had indeed had difficulty filling the two seats, and is the only group that has not filled the seats allotted to it. Interestingly, the representative currently on the board is not even from a particular retailer, but rather is a paid representative for the RPOG. This is a group of RSPO member retailers, mostly from Northern Europe, but with members from Canada, Australia and South Africa as well, who have joined together and collectively hired a consultant to aid the retail group in representing their particular experiences and challenges with palm oil to the RSPO. By paying this representative (who was not available for an interview) to speak for them at the Board of Governors meetings, retailers have skirted the issue of filling the time consuming role on the Board. The second slot allocated to retailers has recently, albeit not yet officially, been filled; however the difficulties in successfully nominating two representatives are nevertheless significant.

6.1.3 Retailer Participation in the Standing Committees, Working Groups, and Task Forces

There are four permanent Standing Committees. They address the topics of "Trade and Traceability," "Communications and Claims," "Standards and Certifications," and "Finance." These committees are meant to address essential RSPO functions, without the necessity of involving the entire Board of Governors or the organization as a whole (RSPO

2014d). Standing Committees are also expected to have representatives from all stakeholder groups, and so the RPOG representative serves on several of the Standing Committees as well. There are specific retailer representatives who also have chosen to participate, although participation is primarily limited to three retailers. Ahold, Carrefour, and IKEA have elected to be a part of several committees, while other retailers are mostly absent.

Working groups are established to address particular issues as they arise. The Biodiversity and High Conservation Values Working Group (BHCVWG), for example, was set up to improve the Principles and Criteria that specifically related to biodiversity conservation, which are generally recognized to be inadequate, but are not fully understood by a number of actors (according to Better Societies). The working group is also expected to advise in other conservation-related matters, such as reasonable “on-the-ground” methodologies for achieving and monitoring compliance. Similarly, the Emission Reduction Working Group (ERWG) was set up to address issues highlighted by TFT and Greenpeace about the emissions resulting from clearing secondary or degraded forests.

Better Societies cited its initiation of a particular Working Group as a significant way that it had used its membership to affect change; however, participation in working groups is another aspect of the RSPO procedures that retailers have been unable to take full advantage of. Although not every group has published a list of members, for all the groups that have their membership published on the RSPO website, retailers do not have a representative. These groups include the BHCVWG, the ERWG, and the Smallholders Working Group (SHWG). The lack of retailer representatives in these working groups in particular is significant because the RSPO is often criticized for its handling (or lack thereof) of these policy issues.

As a comparison, NGOs have a strong presence in many of the committees and working groups, despite having small numbers in terms of RSPO membership as well. The two NGO groups combined have fewer members than the retailer stakeholder group (39 vs.

49), but nonetheless have strong representation in the standing committees, and working groups such as the SHWG and BHCVWG. NGO concerns about external criticism for their involvement in the RSPO may be a factor here, but retailers can face criticism as well. Criticism of the lack of initiative from the retail sector is an issue of concern to Ultra Grocer, who was actively engaging in specific capacities within the RSPO in part to stem criticism of the sector as a whole. Significantly, this decision was seen as a strategic move by Ultra Grocer's executive management.

6.1.4 Retailer Participation in RSPO Conclusion

In the context of the RSPO, therefore, retailers seem to have little impact on the sustainable palm oil initiatives. Relatively few retailers have chosen to join the organization, for reasons ranging from image concerns to a lack of adequate time to devote to membership duties. In addition, due to retailer's consumption of a comparatively small volume of palm oil, the fragmentation of their supply network, and the lack of consumer demand for sustainable palm oil, many retailers see active participation in the RSPO as a trade-off that does not provide adequate benefits. Because the best way to affect change in the RSPO is through time-consuming participation in Standing Committees, Working Groups and Task Forces, retailers are generally unable or unwilling to engage in a way that would allow them to have a significant impact.

6.2 Retailer Participation in Civil Society Institutions

The situation is somewhat different for retailers that engage in collaborations with NGOs. Although the retailers face the same challenges of volume and fragmentation, through collaboration with NGOs, they are able to engage more directly with their suppliers, and their voices can carry more weight.

With help from the NGO, a retailer can not only obtain data about their palm oil footprint, but they can trace back their supply to be able to identify the key players. These, according to Forest Conservation Global (Interviewee 2), are the refiners. Although the

intermediary suppliers are fairly anonymous and therefore not particularly threatened by the reputational risk that branded companies face, Tim Perry discussed that the key refiners—as with the retailers—have a brand name to protect. As Forest Conservation Global (Interviewee 2) describes it, “Industrial work is really receptive to the message of retailers, mostly because they’re frightened.” Retailers, because of their brand name and their close relationship to consumers that has led to them being considered “gatekeepers” between industry and consumers, can send a message through their supply network that the key players will feel pressured to follow (Comploi *et al.* 2013). As Forest Conservation Global (Interviewee 2) explains, “...even if they don’t have big leverage, and they can’t change the palm oil sector on their own, they can put things in motion by spreading the message.” The RSPO representative noticed retailers in general playing this role, citing it as important because, in most cases, the pressure has been coming from retailers rather than consumers.

An important factor of these collaborations is that the NGO can be the lead actor in terms of the fieldwork with the suppliers and producers. Once the retailer has determined its sourcing policy, it will then likely sit in on meetings with the NGO and the retailer’s suppliers as necessary, but will generally trust that the NGO has expertise in the field of SCM in the context necessary. For example, Forest Conservation Global, which considers itself to be a “boots on the ground” type of organization, will have a large amount of expertise working with producers in the Global South, in addition to other intermediaries with whom the retail staff would not normally interact. In addition, the NGO has the tools and the understanding to assess and monitor the environmental status of the production stage, skills which are outside the scope of the retailer’s knowledge base. Food Smart, therefore, feels confident in its sustainable sourcing policy, having developed it through the collaboration with the NGO, and will be able to rely on Forest Conservation Global to alert them when action on their part is required. The actual burden of action is therefore less for the retailer, and accordingly, retailers may find it much more manageable to participate in this type of PEGI.

This type of arrangement between the NGO and retailer can have impact because of the NGO's overarching perspective on the palm oil supply network. As discussed, in private-private institutions, an NGO is the focal actor within a wide network of stakeholders. Forest Conservation Global, for example, will work with a number of different companies—retailers and consumer goods manufacturers alike—and therefore, it can not only target key actors in the network, but can encourage the companies they work with to align their policies to send a clear message throughout the network. In this way, although their role is somewhat passive, retailers can serve as an important voice in the chorus of demands being passed directly to their suppliers. Fresh Market Group's experience with WWF illustrates the collective message that an NGO can encourage, in that the target that Fresh Market Group and WWF determined together was appropriate for sourcing 100% CSPO is the same target that WWF has negotiated with a number of other retailers. This congruence sends a clear message to suppliers when they will need to meet the demands for CSPO, as opposed to targets set by RSPO member organizations which range from sourcing 100% CSPO by 2012 to 2020.

International Forest Group has also taken advantage of their work with multiple companies and has set up a data-sharing platform in which companies ask their suppliers to enter relevant data. Because many companies share suppliers, once a supplier is asked to complete a data survey for one company, there is no need for the supplier to address questions from another company. This platform makes sense of the fragmented and complex network, and allows it to become more cohesive. As a result, retailers, by engaging with their suppliers in this way, can help to contribute important data to the overall network of palm oil suppliers and consumers.

6.3 Conclusion

It is apparent therefore, that retailers can have most influence on their supply chain when they are part of a private-private institution. Although in both cases, the retailers' main role is to add its voice to the chorus of messages being sent through the supply network, a

retailer voice in the RSPO is easily drowned out by other actors. In order to attempt to better represent the retail sector in the RSPO, Ultra Grocer has recently begun to be more active in the RSPO operations; however, in most cases, the corporate culture of the retailer would not necessarily support the disproportionate amount of time required to actively influence the operations of the RSPO. Overall, incivil society institutions such as RSPO there are simply too many barriers for an average retailer to be able to participate effectively. It is much more effective for a retailer to collaborate in a private-private institution, where its voice contributes to the chorus of cohesive requests that will directly impact their supply network. Since the NGO will take the lead on the on the groundwork, the time commitment for the retailer is less, and the eventual results are more tangible for the retailer than the work done through the RSPO.

Chapter Seven: Environmental Outcomes of PEGIs

As discussed in Chapter Four, the main environmental issue associated with the production of palm oil is that of deforestation, which reduces biodiversity and contributes to global climate change. Due to the way the network of actors is engaged in the civil society institution and the private-private institutions, the environmental outcomes of the two PEGIs are somewhat different. As discussed, the multi-stakeholder consensus model of the RSPO means that, in effect, all stakeholders must agree on the policy decisions that are made. In terms of the environmental outcome of the RSPO, this model means that the RSPO has been able to create a widely accepted baseline environmental standard, but also that the standard is less stringent than some actors would like. The main example of a less stringent standard is that of the RSPO criteria that calls for the protection of primary forests and High Conservation Value (HCV) land areas, but not other types of potentially significant areas. HCV land is that which is of local, regional, or global significance because of its biodiversity, unusual ecosystem, or value to local people (RSPO 2014a). In the case of the private-private institutions, their more flexible network of actors has enabled them to build off the baseline standard established by the RSPO to include consideration of High Carbon Stock (HCS) land areas. HCS areas may be secondary or degraded forests, but will have a carbon stock above 35 tC/ha (tons carbon per hectare) (GAR and SMART 2010). As a result, although both types of institutions can claim to have had a significant impact on the environmental status of palm oil production, the private-private institution has been able to push for the protection of a wider characterization of significant land in the affected area.

7.1 Environmental Outcomes of the Civil Society Institution

According to RSPO, sustainable palm oil “is comprised of legal, economically viable, environmentally appropriate and socially beneficial management and operations” (RSPO 2007). This somewhat broad definition is substantiated with eight principles and detailed criteria to fulfill these principles. The Principles and Criteria were first put into effect in 2007.

They are reviewed every five years, and so in 2012-2013 they were reviewed by the RSPO Principles and Criteria Review Taskforce (RSPO 2013). The RSPO definition of sustainable palm oil production highlights the three tenants of sustainability, and as such the Principles and Criteria as they stand now include considerations of the economic viability as well as the social and environmental impacts of the palm oil sector. It is interesting to note, however, that the definition specifies that the sustainable palm oil must be “socially *beneficial*,” while the environmental management is sufficient as merely “appropriate.” The focus that this wording implies may serve to explain why the RSPO representative and Better Societies feel that the RSPO is adequately strong on social issues, but continues to receive criticism from other NGOs on its environmental criteria.

The eight principles broadly cover the following topics:

- Transparency;
- Compliance with applicable laws and regulations;
- Use of best practices by growers and millers;
- Environmental responsibility and the conservation of biodiversity and natural resources;
- Responsible consideration of employees, and individuals and communities affected by growers and mills;
- Responsible development of new plantings; and,
- Commitment to continuous improvement in key areas of activities (RSPO 2013).

In terms of environmental outcomes, the significant Principles and Criteria are those that deal with the development of new plantings. As mentioned above, the RSPO has designated primary forests and HCV areas as land areas to be protected, and therefore they cannot serve as ground for new plantations under the RSPO certification scheme. Other criteria address other environmental issues associated with palm oil production, safe disposal of waste, soil erosion, and water contamination through pesticide and fertilizer use.

7.1.1 RSPO Standards as Baseline Standards

The RSPO was credited by a number of interviewees as having developed a good baseline standard for sustainable palm oil production. Although many interviewees—

members of the RSPO and non-members—acknowledged that RSPO’s standards are insufficient to protect forested areas as needed, most also point out that in general, as a result of the RSPO’s work, company sourcing policies must *at least* meet the standards of the RSPO to be considered credible.

Many of the interviewees included a consideration of the RSPO criteria in their definition or understanding of sustainable palm oil. Yumco and Fresh Market Group, for example, specifically recognizes the RSPO definition of sustainable palm oil as adequate for their sourcing policies. Food Smart, in its collaboration with Forest Conservation Global (North America), trusts the NGO to determine a sufficiently rigorous definition of sustainable palm oil, and Forest Conservation Global (Interviewee 1) in turn describes its definition as “meets the principles and criteria of the RSPO, plus protects High Carbon Stock Forests, plus protects peatlands of any depth.” Additionally, Better Societies expressed concern that some companies are releasing sourcing policies that are not based on the RSPO standards, and therefore do not adequately address issues with land clearing. As with the FSC and its influence on discussions of sustainable forestry, any discussion of sustainable palm oil will be heavily influenced by the standards developed through the RSPO (Glasbergen 2011). Due to the multi-stakeholder process of decision-making, the RSPO standards are agreed upon by the growers themselves, as well as virtually all the key stakeholder groups. This general consensus makes them a realistic baseline goal to set, and indeed, makes less stringent standards irrelevant. Unfortunately, for the standard to be so widely accepted, it also has to be lower than perhaps is necessary to save crucial areas of forested land.

RSPO standards stipulate that primary forests and HCV areas should be protected from conversion. HCV is a designation that has been supported by a number of forestry-related organizations, including FSC, the Rainforest Alliance, and ProForest. The RSPO bases its definition of HCV areas on the stipulations described by FSC, and thereby includes land areas that contain rare, threatened, or significant species or ecosystems, provide

important ecosystem services, and/or are of fundamental importance to local communities (FSC 1996; RSPO 2014a). Many interviewees agreed that this designation is not sufficient to protect the complete array of significant land areas, such as those with high carbon stocks. Many members agree and indeed, when the Principles and Criteria were first formally adopted in 2007, the RSPO Criteria Working Group at the time recommended that the RSPO establish a Working Group to address explore issues pertaining to GHG emissions so that a consideration of GHG emissions due to land conversion could be incorporated into the criteria during the review in 2013 (RSPO 2007).

The RSPO Greenhouse Gas Working Group (GHGWG) was subsequently formed, and the RSPO Principles and Criteria Task Force worked with their recommendations to include a criterion concerning GHG emissions in the revised Principles and Criteria in 2013. The new criterion requires that “new plantation developments are designed to minimize net greenhouse gas emissions” (RSPO 2013). According to this criterion, growers must identify and estimate the major potential sources of emissions from their developments, and should plan to minimize net GHG emissions from the new plantation. This takes into account the high net GHG emissions that come from conversion of HCS areas, which should therefore not be converted. This criterion acknowledges the work of Greenpeace and TFT, which advocates for the protection of HCSforest areas, in addition to the HCV areas. The inclusion of HCS areas as part of private-private institution standards will be discussed below.

The criterion also mentions the possibility of sequestration, however, which suggests that HCS forests may still be sites for the development of new plantations if sequestration methods are used. This would appear to be a compromise between the environmental NGOs and the growers and millers, allowing environmental NGOs or other interested parties to monitor and critique grower or miller practices that result in the clearing of HCS forest areas, while still giving growers and millers a sanctioned alternative to avoiding these areas. Potential methods for sequestration are not suggested and it is unclear how feasible it may be

as a strategy for growers or millers. NGOs participating in the RSPO may have recognized this, and seen this criterion as a positive step towards the restriction of the conversion of these areas. Both Forest Conservation Global and International Forest Group, as well as the retailer group, however, still do not see this as going far enough to limit the adverse effects of new developments on significant forest areas or the overall GHG released into the atmosphere (RSPO Retailers 2014).

7.1.2 Actor-Network Impact on RSPO Environmental Outcomes

Indeed, as Erik Kuepers points out, due to the consensus-based model of the RSPO, there will always be a back-and-forth between those who would like to see stricter environmental and social standards, and those who would not. Kuepers characterizes the dilemma as such: “If you put the bar too low, everybody can join, but nothing will change. If you put the bar too high, nobody can join, and again, nothing will change. So you need to put the bar somewhere between too high and too low, and then figure out how much you’re able to change.” Kuepers and the RSPO representative note that the oil palm growers are on the side of the spectrum vying for lower overall standards, compared to the environmental NGOs on the other side, pushing for higher environmental standards. They also both argue that the standards are not high enough as far as the consumer goods manufacturers or retailers are concerned, although in Tim Perry’s experience, many NGOs think that the consuming companies (retailers and consumer goods manufacturers) are not pushing hard enough.

Although the social NGOs and environmental NGOs cooperate on many issues, there are times where the environmental and social interests collide. Better Societies points to set-aside land policies as one such example. Hypothetically, a plantation owner can set aside HCV land in an attempt to fulfill the criteria of protecting biodiversity, for instance, but in doing so, make the land inaccessible to the local community. As a result, the community loses the land, not due to palm oil production as would otherwise have been expected, but due to the environmental policy. In this instance, the Social NGO would side with the community

members, and may act to impede the implementation of this type of environmental policy. In addition, Better Societies notes that the social NGOs will at times side with the growers. Better Societies sees it as unfair to the growers that the uptake of RSPO CSPO by consuming companies is so low (around 50%), despite their demands on growers to create the CSPO supply. In these cases, although the tension likely ultimately serves to better the standards, the multi-stakeholder format of the RSPO once again slows down the process of environmental protection.

In summary, although the multi-stakeholder format has allowed the RSPO standards to become a widely accepted baseline standard for environmental protection, in the palm oil industry, it has prevented the emergence of RSPO standards that include more than the explicit protection of primary forests and HCV land areas. Below, I will illustrate how private-private institutions are better able to protect a greater categorization of land due to the flexibility of their network.

7.2 Environmental Outcomes of Private-Private Institutions

As mentioned above, the RSPO has established a baseline standard on which actors within private-private institutions have based their own policies. While the RSPO is limited to policies on which all of the actors within its network can agree, focal NGOs of private-private institutions can use the flexibility within their network to push actors to adhere to more comprehensive standards, with the understanding that these standards will serve to protect the brand image of the NGO partners. As a result, private-private institutions have built off the baseline standard of the RSPO and expanded the type of land that they aim to protect to go beyond primary forests and HCV areas, to include secondary or degraded forests under the designation of HCS areas. These institutions also work with smallholders, which are a stakeholder group that the RSPO has been unable to adequately incorporate into its proceedings.

7.2.1 Private-Private Institutions Going Beyond the Baseline

High Carbon Stock (HCS) is a classification that acknowledges that certain types of land may have significant stores of carbon that would be released through deforestation. A scientific study conducted collaboratively by Golden Agri-Resources (GAR), the world's second largest palm oil plantation company, its subsidiary SMART, a palm-based consumer company, Greenpeace, and TFT determined that even secondary or degraded forest areas can be storing up to 35 tC/ha (tons carbon per hectare), which the study considered to be a "high carbon stock" (GAR and SMART 2012). As a result, the actors determined that even if forests are not primary forests, or they cannot be considered "High Conservation Value," they nevertheless have cause to be protected.

One of the main strengths of the private-private institutions is the flexibility within their network that allows actors such as the focal NGOs to push other stakeholders to adhere to stricter environmental standards than the RSPO is able to implement. As described above, Forest Conservation Global (Interviewee 1) defines its criteria of sustainable palm oil as "meets the principles and criteria of the RSPO, plus protects High Carbon Stock Forests, plus protects peatlands of any depth." Stricter criteria based on HCS areas were rejected by the growers in the RSPO; however, Forest Conservation Global is able to target key actors (even within the RSPO) to address issues of significance that the RSPO is unable to tackle. For example, Forest Conservation Global has been successful not only in convincing a large plantation owner in Indonesia (an RSPO member), to adopt standards that include consideration of HCS forest areas and peatlands. Forest Conservation Global has also been successful in working with retailers and other buyers to demand palm oil produced to this comprehensive standard.

This situation mirrors that of other NGOs as focal actors within a private-private institution. For example, International Forest Group's standards go beyond those of the RSPO by including provisions for soil conservation and integrated crop management, among others.

International Forest Group similarly has pushed actors to implement these standards at the ground level, and throughout the supply network. In both of these examples, as there is no requirement for complete consensus among all actors (although the actors must of course feel the standards are reasonable if they are to implement them), the NGO can work to adapt the standards it is trying to promote according to the interests of each actor, as long as fundamental values are not being compromised. Consequently, the environmental outcomes are not limited to the result of implementing standards that are necessarily made less stringent so that they are acceptable to diverse stakeholders, such as in the RSPO.

7.2.2 Actor-Network Impact on Private-Private Institutions' Environmental Outcomes

These types of PEGIs are significant not only because of their ability to go beyond the RSPO standards, but also because of their flexibility to adaptively address issues as necessary. According to Erik Kuepers, although the RSPO was initially founded as a group that would be able to “act fast,” the multi-stakeholder process of decision-making has slowed it down. Forest Conservation Global (Interviewee 2) “wants to move faster, and work to protect what’s out there now, and not necessarily wait for the RSPO to approve something,” consequently, it works to address the most pressing issues as they arise.

For example, Tim Perry expressed a sentiment about the potential risk of the RSPO focusing too heavily on certification, and therefore on actors who adhere to relatively high economic, social, and environmental standards. Indeed, Erik Kuepers expressed that, from an RSPO perspective, working with these actors was part of the initial RSPO goal. Kuepers stated that in the discussions concerning the formation of the RSPO, “what we wanted, what we realized was that we would probably attract the front runners, we would probably attract forward-looking companies with a taste for innovation.” Although attracting front-runners in the field of sustainable palm oil has undoubtedly given the RSPO clout in the palm oil industry, Perry warns that this can have a side effect of allowing those with the worst practices to continue. Perry advocates for an approach that “fixes the worst first,”

which private-private institutions can accomplish by adaptively working with actors who would not be able to achieve RSPO standards. Private-private institutions are therefore flexible not only in the actors that they are able to work with, but also in terms of the standards they can push those actors to achieve.

7.3 Conclusion

From this discussion, it can be seen that the greatest contribution of the civil society institution (the RSPO) is its success in establishing a widely accepted baseline sustainability standard in the palm oil network. This standard has not only been accepted by the members who represent a significant proportion of the global palm oil production and consumption, but it has been generally accepted by actors external to the RSPO as well. That being said, the RSPO lacks the flexibility and speed needed to act to address other significant and immediate issues in palm oil production. In addition, although the multi-stakeholder involvement has contributed to the RSPO standard becoming the baseline standard that it is, it can result in the standards being less stringent than many NGOs and other actors feel is necessary.

The private-private institutions, on the other hand, can work quickly and effectively to push actors—both members of the RSPO and non-members alike—to implement standards that are more comprehensive than that of the RSPO. By adding HCS forest areas to the criteria of lands that should be protected, work by NGOs such as Forest Conservation Global can claim a significant impact in terms of reducing GHG emissions associated with palm oil production. In addition, due to the flexibility of the networks within private-private institutions, these focal NGOs are able to target the worst perpetrators of environmental harm, who would not necessarily join the RSPO, but are still able to work towards improving their practices. As a result, although these types of private-private institutions cannot be said to have as wide of a reach as does the work of the RSPO, their strength lies in being able to both “fix the worst first” when necessary, or in other cases push already progressive actors even further.

Chapter Eight: Legitimacy

The structures of the civil society institution and private-private institutions lead to two very different claims of legitimacy. As written in Chapter Two, I have chosen criteria of legitimacy based on common themes within the literature evaluating the legitimacy of PEGIs. These themes are transparency, representation, participation, and output (Schouten and Glasbergen 2011; Bernstein 2004; Bäckstrand 2006; Bernstein and Cashore 2007). Transparency refers to the openness of the procedures and decision-making within the institution; representation addresses whether the necessary and appropriate members of the relevant community have been represented, while participation refers to access that these members have to participation, and the quality of participation available. Output refers to the actual impact of the institution at the ground level.

In this chapter I evaluate each institution's legitimacy according to the criteria listed above. I will argue that the RSPO as a civil society institution adequately, albeit not comprehensively, addresses the criteria necessary to deem it a legitimate institution. With the private-private institutions, however, I will discuss that although the institution's lack of transparency makes a full evaluation of their legitimacy difficult, this does not necessarily translate into a lack of legitimacy. Rather, it may mean that the criteria are not sufficient for evaluating the legitimacy of a less formally structured governance system such as a private-private institution.

8.1 Legitimacy of the Civil Society Institution

8.1.1 Transparency in the RSPO

Schouten and Glasbergen (2011) have written about the legitimacy of the RSPO, albeit with a slightly different set of criteria than used here. They do, however, include a discussion of transparency and representation. The authors discuss transparency as part of procedural regularity, in which the institution should strive for maximum transparency concerning their operating procedures and decision-making (Schouten and Glasbergen 2011). Transparency is built into the structure of the RSPO: the first principle laid out in the RSPO's Principles and Criteria describes the expectation of transparency for all actors involved, including the requirement that actors publish their plans and impact assessments relating to environmental and social impacts, as well as their plans for continual improvement (RSPO 2013). An Annual Communication of Progress is a requirement listed in the Member Code of Conduct; however, many actors have neglected to follow this procedure, with no evidence of repercussions (RSPO 2012).

In addition to the transparency expectations for members, a generally thorough procedural record is kept of the RSPO's overall functions. Financial reports are published annually, and minutes are recorded and published for each General Assembly meeting, Extraordinary General Assembly meetings, and the meetings of the Board of Governors. Minutes from the Standing Committees, as well as a number of working groups, such as the SHWG and the BHCVWG are also available on the RSPO website. Several groups are less comprehensive in their documentation, however. The Standards and Certification Standing Committee, for example, does not publish a list of its members nor minutes of their meetings, and the documentation for the task forces is generally lacking. In addition, although the final voting occurs during the formal General Assembly meetings, much

deliberation about the terms of what will be voted on in the meetings occurs in an open format prior to the General Assembly. There is no record of the discussions that occur during this time, and as a result, there is still an important aspect of the decision-making process that is not fully transparent. Overall, however, because the deliberation between members as well as the eventual decision-making is recorded and publicly available, the RSPO is a relatively transparent institution.

8.1.2 Representation in the RSPO

Representation is another aspect of legitimacy in which the RSPO fares well. There is a general critique of representation in private environmental governance schemes because the community to whom the institution is accountable is not always clear, nor is it always apparent whom the parties in the institution are representing (Glasbergen 2011). For example, several of the retailers mentioned feeling accountable to their customers, while Better Societies felt accountable to the communities in the producing countries. Schouten and Glasbergen (2011) discuss the norm of representation being that those governed should be represented and have a voice in the decision-making. As an institution focused on market transformation, with policy requirements directed to those with an active role in the supply chain (producers and refiners, etc.), those “governed” by the RSPO are therefore well represented in the seven stakeholder categories (with the exception of smallholders). Indeed, many interviewees (members and non-members alike) lauded the highly representative multi-stakeholder aspect of the RSPO, and credited it as one of the key strengths; however, just as its structure makes it difficult for retailers to participate in an impactful way, other groups, such as smallholders, with limited resources, may also find it difficult to participate, despite being relevant actors (Schouten and Glasbergen 2011).

In addition, palm oil production impacts not only those who are actively producing it, but also the communities in the area around the palm oil production. Land clearing can hinder a community's ability to function in an area in the way that they are accustomed to, but palm oil production can also alleviate poverty in an area. Local community members who are not part of a grower network are not included in the stakeholder categories, and therefore do not have a specific platform within the RSPO to voice their concerns. Better Societies discussed that part of its work in the RSPO is focused on empowering groups such as the smallholders and communities to speak up for themselves, and as a result, these groups are offered a space to talk. Public consultations are also used as a tool to engage with community members and smallholders. Without explicit membership, however, these groups lack voting power within the institution. Therefore, while local communities and smallholders remain on the periphery of decision-making, the RSPO cannot claim legitimacy based on full representation, despite the interviewees' overall positive view of its inclusiveness.

8.1.3 Participation in the RSPO

Participation is an important consideration alongside representation. Participation addresses the access to decision-making that the representatives have in the institution and the quality of contribution that the representatives are able to make (Schouten *et al.* 2012). Dingwerth (2007) links participation to the equality of opportunities for stakeholders to contribute to decision-making. As discussed in Chapter Five, the formation of Standing Committees, Working Groups, and Task Forces, with the expectation of full representation of the stakeholder groups, was a structured attempt to promote equal participation. Theoretically, each stakeholder group and each actor has an equal opportunity to participate in the various decision-making groups within the RSPO.

In addition, although in the General Assembly decisions are made through a simple majority vote, in the committees and working groups resolutions are reached through consensus, which allows any stakeholder group to veto a proposal with which they disagree.

Schouten *et al.* (2012) commend the numerous opportunities that members have to participate in the decision making in the RSPO. Similarly, among the interviewees, there was a general sentiment that the RSPO structure allowed for a truly multi-stakeholder consensus on the collective decisions. As argued previously, however, the picture of true multi-stakeholder consensus may not be completely accurate if one considers the limited capacity of some actors to participate (such as retailers, not to mention smallholders). As a result, the decision-making process slightly favors those actors with greater financial and human capital to devote to membership in the RSPO.

8.1.4 Output of the RSPO

Finally, an institution's actual output, or its ability to achieve its stated mission and goals, is important in terms of establishing legitimacy in the eyes of external parties, such as activist NGOs and the general public. The RSPO's broad vision is to "make sustainable palm oil the norm" and its specific mission includes several objectives:

- "To advance the production, procurement, finance and use of sustainable palm oil products;
- To develop, implement, verify, assure and periodically review credible global standards for the entire supply chain of sustainable palm oil;
- To monitor and evaluate the economic, environmental and social impacts of the uptake of sustainable palm oil in the market;
- To engage and commit all stakeholders throughout the supply chain, including governments and consumers" (RSPO 2014f).

In terms of advancing the production of sustainable palm oil, the RSPO has done an impressive job. According to the WWF Palm Oil Scorecard, more than 620 factories and facilities are engaged in delivering CSPO to the market (WWF 2013). In addition, the production of CSPO has increased in volume from 1.3 million tons in 2009, to 8.2 million tons in 2013 (WWF 2013). According to the RSPO representative, 16% of the current global palm oil production is CSPO. As the representative states, this progress, for an institution at the RSPO's maturity, is high compared to other sustainability initiatives: according to Erik Kuepers, RSPO's progress in general is that which most other standard organizations "can only dream of." Despite this success, critics would point to the overall low uptake of CSPO in the market, which has in recent years consistently hovered around 50%, a fact that the RSPO representative acknowledged as problematic as well.

Concerning its second objective, the RSPO has contributed significantly to the creation of a baseline standard of sustainable palm oil production by establishing its Principles and Criteria. The RSPO criteria for sustainable palm oil are now widely accepted as appropriate and realistic criteria for palm oil sourcing policies for companies, whether they are members of the RSPO or not. Through the RSPO, these Principles and Criteria have begun to be implemented and monitored, and are reviewed every five years, thus generally fulfilling the second objective.

In terms of the third objective—monitoring and evaluating the environmental, social, and economic impacts of the CSPO market—the RSPO representative acknowledged that this is an area that the RSPO requires work. The representative noted that the institution was beginning to work with a standard setting organization in order to develop a reporting process for monitoring and evaluating the long-term environmental

impacts on the ground. Through this reporting process, the RSPO will attempt to gain insight into practical matters at ground level, such as whether the standard has limited deforestation, if it has improved social challenges, and benefitted the local communities. Until this type of monitoring and evaluation system is in place, however, the RSPO cannot claim to have achieved the third objective. It is important to acknowledge, however, that this type of monitoring must necessarily happen after the standards have been in place for a long enough period to have had an effect. The standards are certainly at this point currently, however, until fairly recently, the focus of the RSPO was primarily reaching consensus on the Principles and Criteria for sustainable palm oil, and establishing the mechanisms through which the organization would operate and the standards would be implemented. As a result, there is still great potential for the RSPO to fulfill the necessary requirements for implementation and monitoring in the future.

Finally, the RSPO has made significant progress in terms of its goal to engage stakeholders throughout the supply chain. After its initiation, the RSPO represented actors responsible for approximately one third of global palm oil production, and by 2008, the percentage had increased to about 40%, with approximately 1,000 members (Schouten and Glasbergen 2011). Today, its membership is close to 1,500 members. The seven stakeholder categories represent actors who have significant influence within the supply network, although Schouten *et al.* (2012) argue that the range of actors does not account for the full range of parties interested in sustainable palm oil production. As discussed above, some of the interests that do not have access to adequate participation are the local communities and the smallholders, which hinders the RSPO's ability to claim that it engages all stakeholders in the supply chain.

The inclusion of governments and consumers in this final RSPO objective is interesting as governments were explicitly excluded from membership from the beginning and, although roundtables are commodity- and market-focused, they are generally not expected to be inclusive of consumers. As RSPO-certified palm oil production must first and foremost be compliant with applicable laws and regulations, however, this can be considered engagement of the government. In addition, the Malaysian Palm Oil Association reports to the Malaysian Minister of Plantations, and the Indonesian Palm Oil Association reports to the Indonesia Minister of Agriculture (Schouten and Glasbergen 2011). Since both associations are members of the RSPO, they too, represent ties to government. Government representatives are also invited to observe or speak at General Assembly meetings.

Consumers have been less explicitly engaged by the RSPO. Each member is expected to promote the RSPO to external stakeholders, however, and many consumer-facing companies (i.e. retailers and consumer goods manufacturers) choose to do so by engaging with consumers via their websites. Public consultations can also serve to involve consumers in the RSPO process. Overall, however, consumer engagement is rather limited.

Therefore, in terms of the RSPO's legitimacy according to the criteria of output, the RSPO's performance is again generally positive. For a civil society institution of its maturity, its affect on the global palm oil market is certainly significant. According to the organization's stated objectives, however, there are still a number of aspects on which the organization can improve, namely, implementing and monitoring the standards, as well as engaging a slightly wider set of stakeholders.

Evaluating the RSPO's legitimacy against the criteria of transparency, representation, participation, and output demonstrates that the RSPO has made great strides in addressing each one, but cannot profess to have fully succeeded in any. As a result, the RSPO has some cause to claim legitimacy, but criticism of its procedures are not entirely unexpected, nor unwarranted. The RSPO could improve its legitimacy as a civil society environmental governance institution if it were able to allow for more equal access to participation by stakeholders, if it included stakeholders such as smallholders and local community members as voting members, and if it more successfully implemented its criteria and monitored their impacts.

8.2 Legitimacy of Private-Private Institutions

Evaluating the private-private institutions by the same criteria of transparency, representation, participation, and output yields significantly different results. As shown below, if taken at face value, such evaluation leads to a conclusion of the illegitimacy of these types of private-private institutions. It is important to recognize, however, that these criteria come from literature that discussed more structured or formalized types of governance. Private-private institutions as type of private environmental governance are relatively new, and therefore do not necessarily fit well into the types of criteria that have been used to evaluate legitimacy in the past. I will attempt to include explanations for why this private-private institution may not fulfill each criteria of legitimacy, in order to represent the idea that a true evaluation of the institution's legitimacy may not be possible from the available data taken at face value. Further research into the subject of private-private institution legitimacy will be necessary to explore this idea with more depth.

For the purposes of this evaluation, I will focus on a single example, namely, the type of collaboration that is exemplified by the partnership between Food Smart and Forest Conservation Global. I have chosen to do so because I was able to speak to both of the key actors in the collaboration. Information from other interviews will serve to supplement my discussion of this type of PEGI. In this discussion, I will focus on the actions of the NGO, in this case, Forest Conservation Global, as they are the focal actor in the institution and lead the fieldwork and reporting that is of relevance to these criteria. This is not to say that Food Smart does not play a role in establishing the legitimacy of the institution; rather, it reflects the reality of the NGO as a focal actor, with its partner (in this instance, Food Smart), as an outwardly passive actor (there is no public mention of Food Smart's collaboration with Forest Conservation Global). The retailer's seeming nonparticipation can be a critique in itself of the institution's legitimacy.

8.2.1 Transparency in Private-Private Institutions

Several interviewees criticized private-private institutions for their lack of transparency, with Erik Kuepers and International Forest Group even citing Forest Conservation Global's work directly. Indeed, although transparency is mentioned as an overarching theme of Forest Conservation Global's work, the transparency does not extend to an external audience. On the NGO's website, it is possible to see a list of its members; many members also have profiles describing the nature of the their collaboration with the NGO. Although it seems there is a norm of including a profile of the collaboration, many companies have neglected to do so. The website also contains a section explaining various projects that the NGO is currently involved in, although this does not appear to be a comprehensive list of engagements. In addition, although companies publish their commitments for sourcing traceable and deforestation-free palm

oil by a certain date, there is no requirement for a Communication of Progress, such as in the RSPO. Accordingly, although the project descriptions can include brief updates, in general it is difficult to know the progress of the work.

In addition, although general descriptions of the NGO's strategies are included on the website (collaborating with local NGOs to identify key issues on the ground, for example), there are many specifics that are missing. The NGO uses the RSPO definition of sustainable palm oil as a basis, but unless one delves into the more scientific reports published by the NGO, it is unclear that Forest Conservation Global intends to go beyond the RSPO standards with the companies with which they are working. These reports should not be overlooked though, as they are useful in terms of establishing the scientific methodology in which some of their standards have been grounded. Explicit reference to following this type of methodology in specific collaborations is still lacking, however. This ambiguity may be due to the flexibility with which Forest Conservation Global works on their projects. As described above, this type of institution generally functions to fill the gap of action that needs to be taken, whether this gap involves protecting HCS forest areas from the threat of deforestation, or dealing with potentially less immediate issues that involve smallholders. The gap of action may be different according to the company with which they are collaborating, and as a result, a comprehensive explanation of Forest Conservation Global's policies and strategies may not be realistic or completely relevant. Consequently, however, Forest Conservation Global has limited its transparency, which in turn limits the legitimacy of the institution for which it is the focal actor.

As a comparison, International Forest Group, which functions as the focal NGO in private-private institutions in a slightly different way, has specific standards against which a company's supply network can be evaluated and certified, and clearly describes the standards that their collaborators are required to reach, as well as the stakeholders who were involved in the development of those standards. For the creation of their standards, International Forest Group involved representatives from academia, the non-profit sector, industry, and government. As such, the institution for which they are the focal actor has a stronger claim to legitimacy based on representation of appropriate stakeholders, and International Forest Group's work with third party certifier adds an element of oversight that additionally contributes to the legitimacy. International Forest Group nevertheless lacks transparency in terms of the parties that they are actively engaged with, as well as the progress of the collaborative work. As with Forest Conservation Global, International Forest Group does not publish reports equivalent to the Annual Communications of Progress that the RSPO requires of their members. Consequently, private-private institutions often fail to achieve legitimacy through this criterion of transparency.

A lack of transparency is not necessarily wholly negative, however. In the case of private-private institutions, it may be both a result of the nature of how these institutions have arisen, as well as a key to the success that they have had in engaging various actors and enabling positive environmental outcomes. Typically, private-private institutions are not established with explicit governance structures such as that of civil society institutions. As discussed, companies often participate in this type of institution for brand protection, as well as to gain competitive advantage, and transparency may

hinder an NGO's ability to deliver those objectives. NGOs in these institutions may recognize that they will be better able to attract partners and therefore be more effective if they are able to promise a high degree of confidentiality with the actors. This confidentiality may contribute to the wide range of actors that these institutions are able to engage, as well as the flexibility of the outcomes that they are able to promote.

8.2.2 Representation in Private-Private Institutions

Due to the lack of transparency, it is difficult to evaluate these institutions' legitimacy in terms of representation. There is no explicit list of involved stakeholders as there is for the RSPO, and so beyond the NGO itself and the list of its direct company partners, it is unclear which stakeholders are engaged in each project. In interviews, as well as on the website, Forest Conservation Global discusses the importance of partnering with local NGOs in addition to Forest Conservation Global's own fieldwork in order to gain a complete picture of the issues facing the involved actors and the community members in the surrounding areas. Several NGOs with which Forest Conservation Global collaborates are listed on the website, but this list is not comprehensive. As a result, it becomes a situation in which one must simply trust Forest Conservation Global's efforts to include the necessary stakeholders. It does seem from discussions with the representatives from Forest Conservation Global that there is a genuine attempt to go beyond the work of the RSPO in terms of environmental standards, and inclusion of relevant actors (such as community members and actors with minimal influence in the overall palm oil network).

Although interview data from Forest Conservation Global is not enough for a comprehensive evaluation of the representational legitimacy of their private-private

institution, again, the lack of publicly available data may represent a conscious choice on the part of Forest Conservation Global. If they are as involved on the ground level as they purport to be, then their relationships with actors such as community members, smallholders, and local NGOs may be difficult to characterize. For example, it would be difficult to convey their relations with individual community members in a way that would be both representative and easily digestible by an external audience. In addition, it may serve to build trust between individuals representing various interests if the understanding is that the relationships remain somewhat informal. As a result, although the lack of transparency makes it difficult to evaluate this private-private institution's adequacy in representation, it is not necessarily accurate to extrapolate that the institution is necessarily illegitimate.

8.2.3 Participation in Private-Private Institutions

Evaluating this type of institution legitimacy in terms of stakeholder participation faces the same challenges. Again, because there is no explicit governance structure and because the stakeholders who are actively engaged do not have a public platform within the institution to participate, the access that stakeholders have to participation and the quality of that participation simply cannot be evaluated from an outside perspective. Although the interviewees discussed being attuned to the issues brought up by various stakeholders, including local community members, through Forest Conservation Global's fieldwork, this claim should be verified through direct observation of the activities in order to hold weight. The NGO does not provide minutes of discussions with stakeholders, or any other type of record that would indicate that the actors have equal voices in the deliberation and implementation process. It is unclear how often or through what means the stakeholders are engaged and therefore what resources are necessary for

participation, (such as internet capabilities, or the money and/or time to devote to travel to a meeting). Therefore it is impossible to evaluate stakeholder's ability to participate, or the significance of their contribution to the overall process.

As with the criterion of representation, participation may be difficult to publish in a way that allows for anonymity of actors when necessary, and that reflects the potentially informal and personal relationships that may characterize various actors' participation. As a result, the lack of publicized data about the stakeholders' participation in this institution may not mean that actors are unable to participate effectively. Indeed, if Forest Conservation Global's assertions of inclusivity are accurate, then the institution could be considered legitimate.

8.2.4 Output of Private-Private Institutions

Finally, output is also difficult to evaluate with any kind of accuracy. As with the RSPO, due to the significant amount of background work necessary before implementing policy changes on the ground (defining terms of sustainability, mapping supply networks to identify key areas of stress, etc.), and because most of the goals are set for the medium-term (2018 and 2020, notably), it is challenging to appropriately evaluate the output of these private-private institutions. Forest Conservation Global lists a five-step process through which it attempts to help companies work towards its vision of responsible products that do not contribute to deforestation. The benchmarks include mapping the supply chain of the product, complying with legislation, and communicating the progress to stakeholders. Certain of the partner profiles on the website include a statement about which stage in the process the collaboration has reached, but this information is not

available for each one. As a result, it is difficult to assess how well the NGO has done in terms of achieving its objectives.

Additionally, because of the nature of the transparency of membership in the RSPO, the organization is able to calculate and publish estimates of the proportion of actors within the palm oil production process that it has engaged. This type of proportional data is not available through Forest Conservation Global, nor is it apparent to an external observer what the extent of their reach is. As well, due to the specific criteria that allow for RSPO-certified product, the RSPO is able to report exactly how much of the global palm oil supply has been produced according to their standard. Again, Forest Conservation Global does not offer such an estimate, nor would it be a simple calculation, as their sustainability criteria are much less structured. As a final point, since there is no third party involved in verifying that the actors are following through with their commitments, yet another aspect of transparency is absent, which thus makes a reliable assessment of the organization's output difficult to obtain. Consequently, this type of PEGI cannot be properly evaluated according to its output, and it lacks another significant criterion that would lend it legitimacy.

8.3 Conclusion

The evaluation of the civil society institution and the private-private institution according to the criteria of transparency, representation, participation, and output yields different understandings of each institution. The RSPO, as a civil society institution, was found to sufficiently fulfill all criteria to be determined fairly legitimate. The overall structure of the RSPO lends itself well to being evaluated according to criteria put forward by the literature on legitimacy and PEG.

The collaboration between Forest Conservation Global and Food Smart, however, as a private-private institution, does not fair as well according to these criteria. Due to the lack of transparency on the part of the focal actor (Forest Conservation Global) in terms of the actors it engages with, the strategies and tools it uses to accomplish its goals, and the overall outcome of its work, the institution as a whole suffers in terms of legitimacy. The institution's poor performance according to these criteria, however, does not necessarily reflect poor legitimacy on the whole. Although the institution is clearly less transparent than that of the civil society institution, this lack of transparency may be a choice in order to attract a wider set of actors, to form less formal relationships with them, and to have the flexibility to enact various policies as necessary. As the criteria were chosen from literature that focused on more formalized structures of PEG, it may simply be a failure of the criteria to be able to adequately evaluate the newer and less structured form of PEGI, the private-private institution. Exploration into the potential types of legitimacy criteria that correspond better to private-private institutions could be the subject of further research.

Chapter Nine: Conclusion and Recommendations

In this thesis, I have examined two private environmental governance institutions through which retailers can participate in sustainability initiatives in the palm oil supply network. The RSPO was described as a civil society institution that actively engages stakeholders from the various nodes within the supply network, representing a mix of international actors from both industry and the non-profit sector. Well established collaborations between at least one international NGO and a retailer (or other consumer-facing company) were identified as private-private institutions, although it was later demonstrated that it was not necessarily the specific collaboration between the two actors that was significant, but the work of the NGO itself, which used the companies as tools through which their goals could be reached. The structure (or lack thereof) of each kind of institution offers retailers different methods of participation, allowing retailers various degrees of direct impact on their palm oil supply network. The institutions also contribute to different environmental outcomes within the palm oil supply network; these differences were illustrated in part through the examples of protecting HCV forests, as opposed to HCS forests. Finally, each institution was evaluated against four criteria for legitimacy—transparency, representation, participation, and output. A number of conclusions have resulted from this exploration.

9.1 Conclusions

I first noted that retailers in general face barriers to successfully participating in initiatives for sustainable palm oil due to the small volume of their palm oil consumption, as well as the fragmented nature of the supply network. Accordingly, it is very difficult for retailers to have any impact in the RSPO setting, and even in the private-private institutions, they have limited reach. In the private-private institutions, however, they will

be able to have a more direct impact on their palm oil supply network, and will be able to more effectively use the leverage provided by their brand name, rather than having their voices drowned out in the RSPO.

In terms of environmental outcomes, the RSPO is an appropriate baseline standard, but has many gaps, namely adequate consideration of HCS forest areas and peatlands, and its handling of smallholders. Private-private institutions can be more adaptive and can work to address what the RSPO neglects, as well as promote stricter standards. The collaborations can also work more quickly than the RSPO can, and can focus on "fixing the worst first" to ensure that the forest that still exists is adequately protected while the RSPO is still struggling over defining criteria and their implementation.

Finally, the RSPO has been shown to hold up well against the criteria of legitimacy. Although it cannot claim to have completely fulfilled the criteria of transparency, representation, participation, and output, it does an adequate job at each, and can therefore be considered suitably legitimate. On the other hand, the private-private institutions are significantly lacking in transparency, which make an assessment of their legitimacy according to the final three criteria near-to-impossible. It is very difficult to see how the decisions are made, who has been engaged, what progress they have made, and unless they are engaging in a certification scheme as well, there is little to no external monitoring of their activities. Although private-private institutions therefore perform poorly according to the criteria used to evaluate legitimacy, this evaluation should not be taken at face value. The criteria were chosen from literature primarily dealing with more formalized governance structures, and as a result, they may not be the appropriate criteria

to evaluate the newer form of PEGI, the private-private institution. A lack of transparency does not necessarily speak to a lack of adequate representation, participation, or output, and moreover, the lack of transparency could be a conscious choice on the part of the focal NGO in the private-private institution that facilitates less formal and potentially more impactful relationships between actors.

9.2 Recommendations

Based on these conclusions, it is my recommendation that retailers in countries with low consumer awareness about palm oil actively engage with their palm oil supply network through a private-private institution. Through the collaboration, the retailer will be able to feel confident that their sustainable sourcing policies are rigorous, and are directly contributing to the promotion of sustainable palm oil within their supply network. In addition, retailers in these institutions are likely to face less external criticism as their partner NGO will work to ensure that they are addressing the most pressing and relevant issues. A civil society institution such as the RSPO can occupy a significant amount of time for a retail staff member, and can still expose the retailer to criticism from external actors such as activist NGOs. In addition, through this institution it is more difficult for the retailer's voice to be heard.

In countries with high consumer awareness about palm oil, however, membership in the RSPO may be a necessary starting point, particularly if many other retailers have already joined as a pre-competitive strategy (such as in Sweden and France). Although retailers have less direct impact on their palm oil networks through the RSPO, it can nevertheless be a relatively straightforward way to display their commitment to sustainable palm oil production. In order to take that commitment further and have a

more tangible impact on their supply network, however, entering into a private-private institution would be necessary.

In either case, the vastness and complexity of the palm oil supply network should not be taken as a reason for retailers to limit their engagement with it. These institutions have been established to engage a wide network of stakeholders, and retailers are an important group within that network.

9.3 Future Research

This thesis has expanded upon the literature of global production networks and private environmental governance. My discussion of the RSPO as a civil society institution contributes to what has been written about PEGIs; however, my discussion of private-private institutions only begins a discourse on the less formalized governance systems, which have thus far been minimally included in the literature. PEG literature would therefore benefit from future research on the topics discussed here, particularly by providing additional comparisons between the two types of PEGIs. In-depth case studies, particularly with participatory or action research to gain an insider perspective on the power dynamics and the procedures within the networks, as well as their environmental impact, could expand on the preliminary work that this thesis has done through interviews. In addition, further discourse on the subject of legitimacy in regards to private-private institutions would serve to expand the understanding of the role that these institutions play in creating transboundary environmental policies.

With transboundary environmental issues (such as deforestation) causing global climate change, topics such as the palm oil GPN and its sustainability are becoming of increasing importance. This discourse raises important questions about the wide array of

actors that are impacting global and transboundary environmental policy. This thesis has contributed to the discussion by analyzing two of these institutions for a particular commodity, and characterizing one type of actor's role within them. Much more research can and should be done into these topics, in order to add to our understanding of global climate change and how various commodities and actor networks play a role in its causes, as well as its solutions.

Appendix A: Description of Interviewee Associations

Retailers	Description
Food Smart	Food Smart is a North American retailer currently working to engage its palm oil supply network.
Fresh Market Group	Fresh Market Group is a Nordic retailer group, which is currently a member of the RSPO.
Ultra Grocer	Ultra Grocer is a UK retailer, which is currently a member of the RSPO.
Yumco	Yumco is a North American retailer, which is currently a member of the RSPO.

NGOs	Description
Better Societies	Better Societies is an international social/development NGO focused on poverty and social injustice. It is a member of the RSPO.
Forest Conservation Global	Forest Conservation Global is an international environmental NGO focused on responsible products. It is not a member of the RSPO.
International Forest Group	International Forest Group is an international environmental NGO focused on the conservation of tropical forests.

Experts	Description
Erik Kuepers	Erik Kuepers has been involved with the RSPO since its inception.
Tim Perry	Tim Perry has extensively engaged with organizations and institutions in the palm oil arena, from a retail perspective.
RSPO Representative	The RSPO representative works as part of the Secretary General at the RSPO.

Other	Description
Retail Council	A North American retail council.

Appendix B: Sample Interview Questions

Questions for retailers:

- What do you feel is the responsibility of food retailers to participate in sustainable palm oil initiatives?
- How would you characterize your membership in the RSPO (Driver? Observer? Watchdog?)?
- What actors are you communicating with on sustainable palm oil? How would you characterize your relationships with various actors on this issue?
- How do actors from the seven stakeholder groups interact and collaborate in the RSPO setting? How would you characterize the relationships between the different stakeholder groups?
- Has the RSPO had the intended impact?
 - What does success look like, and how is it measured?

Questions for NGOs:

- How do you identify the issues that are most relevant in the palm oil supply chain? What are some of these most important issues?
- Do you have a definition sustainable palm oil? Is this a controversial point, and if so, why?
- What stakeholder groups are you collaborating with on sustainable palm oil?
- How do stakeholder commitments differ as members of the RSPO vs. non-members?

Questions for Experts:

- How do actors from the seven stakeholder groups interact and collaborate in the formal RSPO setting? How would you characterize the relationships between the different stakeholder groups?
- Why might a food retailer not join the RSPO? An NGO?
- What is an appropriate goal for a retailer concerning sustainable palm oil? How can collaborations with other non-state actors contribute to achieving this goal?
- Are retailers, NGOs and multi-stakeholder groups the appropriate institutions to enforce standards in global supply networks?

Appendix C: RSPO Structure Diagram

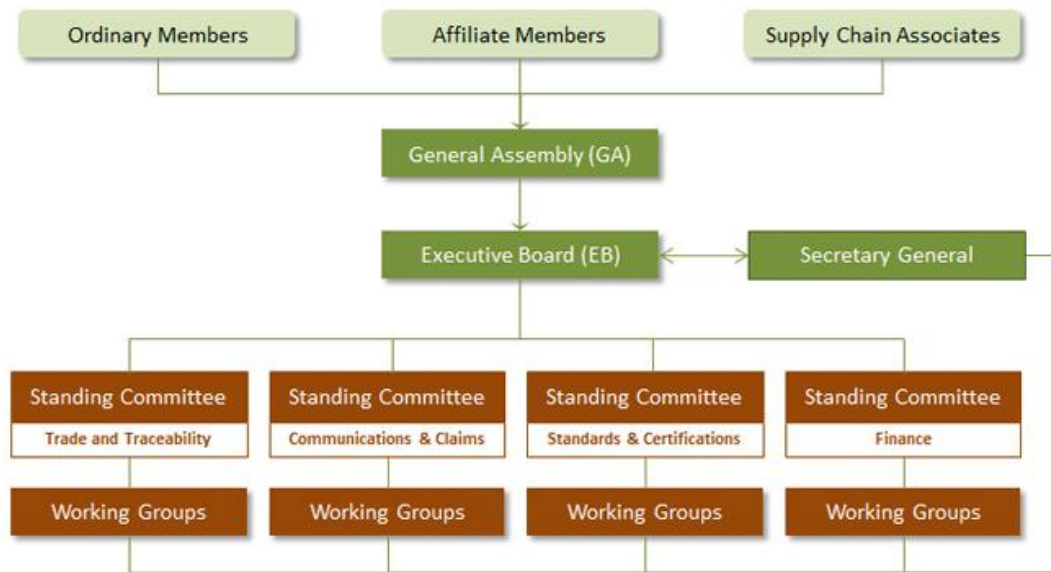


Figure 6 RSPO 2014c

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Personal Communications

Better Societies, Interviewee 1. Policy Advisor, Private Sector. Skype Interview: 7 April 2014.

Expert 1 (Kuepers, Erik).Expert in Roundtable of Sustainable Palm Oil. Skype Interview: 1 April 2014.

Expert 2 (Perry,Tim).Expert in retailer involvement in sustainable palm oil. Skype Interview: 4 April 2014.

International Forest Group, Interviewee 1. Private Sector Consultation Manager. Skype Interview: 14 April 2014.

International Forest Group, Interviewee 2. Oil Palm Consultant. Skype Interview: 22 April 2014.

Food Smart, Interviewee 1. Sustainability Manager. Formal interview: 21 January 2014. Skype interviews: 18 and 19 March 2014.

Food Smart, Interviewee 2. Director of Sustainability. Formal interview: 21 January 2014. Skype interview: 27 March 2014.

Food Smart, Interviewee 3. Director of Procurement, Meat and Seafood. Formal interview: 21 January 2014.

Fresh Market Group, Interviewee 1. Corporate Social Responsibility Manager. Skype Interview: 14 May 2014.

Forest Conservation Global, Interviewee 1. Project Manager, North America. Skype Interviews: 31 January 2014, 19 March 2014.

Forest Conservation Global, Interviewee 2. Project Manager, Europe. Skype Interviews: 17 February 2014, 21 March 2014.

Retail Council Representative. Sustainability Manager. Skype Interview: 22 January 2014.

RSPO Representative. Roundtable of Sustainable Palm Oil representative, from the Secretariat. Skype Interview: 8 April 2014.

Ultra Grocer, Interviewee 1. Sustainable Development Manager. Skype Interview: 15 April 2014.

Yumco, Interviewees 1 and 2. Senior Sustainability Managers. Joint email questionnaire response: 9 April 2014.