Legitimation within discussions of the Roundtable of Sustainable Palm Oil.

Indonesia's President Joko Widodo inspects peatland in Kalimantan. RSPO has suspended the certification of Malaysian palm giant IOI after complaints about the group's plantations in the Ketapang area of Kalimantan (Taufik, 2016).

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Abstract

This thesis studies strategies of legitimation to gain rule-making authority within the Roundtable of Sustainable Palm Oil (RSPO). It looks at how political struggle occurs between NGOs and companies as stakeholders within the RSPO due to their contradictory objectives. It analyses how stakeholders use strategies of legitimation in order to reach their individual objectives within the RSPO. Strategies of legitimation concern strategic engagement between stakeholders and actors, and the access to governance resources that stakeholders require through their position within the RSPO. By analysing a single company within the RSPO; IOI Group, it brings to the fore how stakeholders use their access to other actors and resources as means of leverage within discussions of the RSPO. By analysing primary literature on multi-stakeholder initiatives (MSIs), legitimacy and strategies of legitimation I emphasize the political struggle occurring *within* MSI such as the RSPO. Through analysing secondary literature such as press releases, statements and reports done by companies as well as NGOs this thesis provides a broad perspectives on the incentives for and the use of legitimation strategies and the results related to stakeholders' objectives within discussions of the RSPO.

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1. Introduction

Numerous policy makers and Non-governmental organizations (NGOs) are raising awareness for environmental and social problems caused by the production of palm oil. The WWF (2016) analysed the possible link between consumption and global environmental problems. There is an increasing demand for palm oil which is used in a variety of consumer products such as cosmetics, consumer food, bio fuels and animal feed. Rainforest Alliance links the production of palm oil to rapid conversion of tropical rain forests and dry savannah forests. To meet this growing demand for palm oil, the industry now exceeds 22 million hectares, most of which is located in Indonesia and Malaysia. This expansion caused damage to rainforests, indigenous communities and biodiversity. Also the emissions caused by fires to clear peat land in order to create plantations have been a focus of NGOs (Rainforest Action Network, 2016).

Within this political and economic field, Multi-Stakeholder Initiatives (MSIs) have emerged to bring local, national and international actors with different backgrounds together. Non-state market-driven (NSMD) governance systems became relevant through the creation of environmental and social standards with little or no involvement of governments. The emergence of MSIs with market-driven objectives is linked to the lack of effective national governance to address environmental problems (Cheyns, 2011). The Forest Stewardship Council for instance, was initiated because of a failure of the Earth Summit 1993 to sign a global forest convention (Cashore, 2002). NGOs that were focussed on tackling these global problems therefor focussed on creating standards through other forms of governance (Auld, et al. 2009). Within this 'policy gap' whereby government's implementation of policy is lacking, MSIs claim authority through representing a variety of stakeholders, often including several environmental and social NGOs (Cheyns, 2011). Still, as an alternative for state regulation, MSIs require other actors to support their network. The state does not grand them with decision-making authority to enforce compliance. MSIs operate within markets and supply chains. Compliance comes from audiences involved within this context (Cashore, 2002). These audiences are for instance actors that the MSI wishes to rule; companies or certain environmental and social groups. These audiences voluntarily adopt rules and criteria set by the MSI, which grants the organization with rule-making authority (Smith and Fischlein,

2010). I argue that *within* private governance, individual stakeholders also address other actors that seem useful to them in order to strengthen their positions within the process of rule-making. I argue that a distinction can be made between the objectives of companies and NGOs within MSIs and that therefore, different actors are addressed by these stakeholders in order to gain support for individual goals.

The Roundtable of Sustainable Palm Oil (RSPO) is a MSI that emerged and created sustainable palm oil certification within the palm oil commodity chain. This roundtable is a not-for profit organization that brings actors together to implement standards for sustainable palm oil. This MSI involves palm oil producers, processors, traders, manufacturers, retailers, investors and banks, environmental and social NGOs to develop standards under which Certified Sustainable Palm Oil (CSPO) can be produced. While the RSPO has market-oriented objectives, the organization is still involved with national governments through for instance planning applications for plantations. Therefor the organization is not totally non-state within its governance. The RSPO claims to minimize negative impacts on the environment and communities in palm oil-producing regions through palm oil cultivation. It does this through the promotion of the use of sustainable palm oil, review systems, standard-setting, monitoring and engaging with stakeholders. Examples of other roundtables are the Roundtable Responsible Soy, but there are also MSIs that certify natural resources such as the Forest Stewardship Council. Although MSIs bring actors together, these actors have different interests within the palm oil industry. MSIs claim to reach for consensus between these actors to create environmental or social standards. However, they have been criticized for not being effective as a MSI that functions as a policy-making institution (Nikoloyuk et al., 2010).

The reasons behind the malfunctioning of the RSPO have been discussed by many environmental and social NGOs. It has been claimed that the governance system does not comply with its own 'sustainability' claims (Nikoloyuk et al., 2010). Especially environmental NGOs such as Greenpeace question the functioning of the RSPO as a rule-maker for sustainable palm oil production. The palm oil plantations are mainly criticized because of their connection to the destruction of rainforest, pushing animals such as the orang-utans, rhinoceroses and elephants to extinction. NGOs state that the greenhouse gas emissions that are exposed ones peat land is set on fire are a major part of the emissions of Malaysia and Indonesia. Peatland is a major storage for carbon, which means that burning it causes greenhouse gasses to extract. Greenpeace emphasized that peal-land activities should

be regulated or even banned with the eye on reduction of greenhouse gas emissions. Because of this connection, the 'sustainability' claim of the RSPO has been criticized to have no meaning at all (Hurowitz, 2013).

Setting these 'sustainability' standards is a process that involves actors with different objectives. Stakeholders within the RSPO address different actors in order to gain support for their own objectives within RSPO's governance. Sustainability claims are subject to political struggle because of different perceptions on the objectives of the RSPO and competition over rule-making authority within the decision-making process. NGOs and companies have different perceptions on 'sustainable' standards. In order to reach their objectives within the process of standard-setting, stakeholders use strategies of legitimation to create leverage within these discussions.

Strategies of legitimation can be defined as 'ways in which organizations instrumentally manipulate and deploy evocative symbols in order to garner societal support' (Suchman, 1995). While this definition acknowledges legitimacy to be subject to managerial practices, evocative symbols are not the only method used to gain support from society. Within MSIs such as the RSPO, legitimacy is a process, a dynamic within arrangements and partnerships to develop (new) practices that are being accepted as authoritative within its operating field (Glasbergen, 2013). The extent to which the RSPO, as a multi-stakeholder initiative is effective in forming and achieving its sustainability claims is the result of this political struggle. Moreover, the differences between these stakeholders are often mentioned as the reason for a lack of effectiveness within the RSPO. Djama (2010) states that political struggle between NGOs and companies within the RSPO results in a pragmatic approach of problem-solving. Parties strive to find a solution to discussions in the most efficient way and within a short time. She claims that decisions formed within MSIs are subject to these managerial practices such as mediators to speed up the process of decision-making. This causes the 'consensus' between stakeholders to be fragmented; it moves way from the actual problem that was set to be the collective goal. Strategies of legitimation are an important object of study to analyse how stakeholders legitimize their objectives and claim rule-making authority within the RSPO.

As mentioned above, different types of stakeholders within the RSPO use different types of strategies to gain rule-making authority and reach individual objectives. On the one hand,

NGOs strive to base RSPO's standards on solid social and environmental criteria. NGOs therefore require support from for instance consumers in order to maintain a substantial influence within the palm oil supply chain. Palm oil companies on the other hand, strive for a (long term) market-share by providing products and services that will continue to grow in volume and profitability. Certified palm oil provides a niche market where companies involve other market-oriented actors to create sustainability standards (Suchman, 1995). Companies within the RSPO are pressured by NGOs to act and implement precautionary measures to prevent further environmental problems. At the same time companies are worried about maintaining a long-term market share and the demand for CSPO. Within the RSPO, these different interests often result in political struggle between NGOs and companies (Schouten and Glasbergen, 2011). MSIs appear to strive for collective goals and mutual values that need to be accepted by these surrounding actors (Bernstein and Cashore, 2007). However, the history of the RPSO indicates struggles when reaching for consensus on standard setting and setting objectives for the RSPO. From the very first meeting of the Roundtable, Unilever and the World Wildlife Fund (WWF) have had different visions about the aim of the RSPO. Unilever and the WWF for instance have different perceptions on what is 'sustainable' palm oil production. While market-actors such as Unilever strived for the value creation of a new sustainable palm oil chain and expanding its network, the WWF was focussed on creating a multi-stakeholder land-use planning process, promoting consumer awareness and creating demand for CSPO (Schouten and Glasbergen, 2011). MSIs thus claim to bring actors from different fields together and form general accepted commitments even though they have different perceptions on these commitments.

While inside these governance systems actors create standards; actors outside of it need to comply with them. The MSI requires this compliance in order to sustain its rule-making authority. In order to uphold their 'sustainable' reputation companies require NGOs to support the RSPO. Furthermore to create a (long-term) profitably market share, companies require other economic actors to comply with RSPO's standards and demand certified palm oil. NGOs require companies to get involved with the RSPO and comply with its standards in order to minimize social and environmental risk and sustain its influence within the palm oil supply chain. Within the RSPO, stakeholders thus need support of surrounding actors in order to reach their objectives. The way stakeholders within MSIs seek support is subject to strategies of legitimation; stakeholders address only actors that seem useful to them concerning their objectives within the MSI. To justify sustainability claims, actors within

MSIs use strategies of legitimation to gain and maintain rule-making authority within discussions on standards or decision-making. According to Cashore (2002) building a reputation relies on the pursuit of continuity, credibility and seeking support of others to create a shared belief. Organizations build a reputation to create stability and comprehensibility for their own organizational practices, in order to keep their rule-making authority within a political field. Legitimacy is used here as a *resource* that is used by actors to pursuit their goals. This instrumental view of legitimacy perceives strategies of legitimation as management strategies that can be used to uphold a certain reputation and strengthen a network (Cashore, 2002). In relation to Glasbergen (2013) I argue that legitimacy is a dynamic process that concerns arrangements and partnerships being accepted as authoritative by other actors. I also argue that this dynamic process is subject to managerial practices as mentioned by Djama (2010). She focuses on how managerial techniques are used within MSIs to neutralise controversies instead of facilitating debate. I emphasize that the RSPO used several of these 'managerial techniques' within its governance, which will be explained further in Chapter 3.

Smith and Fischlein (2010) argue that private governance networks are even in competition when it comes to defining the rules of sustainability performance. This is in contradiction with statements about MSIs reaching for consensus and speaking on behalf of various actors in order to sustain its rule-making authority within a political field. Smith and Fischlein (2010) argue that actors within MSIs use their access to governance resources in order to sustain rule-making authority. These resources are defined as strategic practices to pursue individual goals within political fields. These resources are for instance a combination of wildlife preservation, resource conservation, economic and social development and consumer advocacy. Thus, resources from various political spheres brought together within the governance of private environmental and social networks. MSIs use these different resources because they require acceptance from various sorts of industries and advocating groups. As we see with the RSPO, it uses several of these resources to create policy and promote its CSPO to a wide variety of actors. According to Smith and Fischlein (2010) rivalry between private governance comes from the desire to expand rule-making authority to new political fields. When entering a new political field, existing governance systems strive to be seen as the 'best' representative party to govern this new political field. For this, private governance networks try to expand in order to increase access to new resources that appeal to actors they wish to rule. When a niche of rule-making authority opens up within a new political field, the network will be ready to

use new partners and the access to new resources to gain leverage within discussions over defining rules of sustainability performance.

The RSPO is facing the development of the Indonesian Sustainable Palm Oil (ISPO), a certification scheme set up by the Indonesian government. Within the political field of palm oil, these governance systems exist next to each other and are both defining rules for sustainability performance. As explained above using Smith and Fischlein (2010), two governance systems are in competition over defining sustainability standards for palm oil production. These schemes influence each other within the political field, whether they diffuse, collaborate or compete with each other (Hospes, 2014). The RSPO and the IPSO both use their partners and access to resources such as commercialization knowledge or capital to maintain their position as rule-makers. I will however not discuss the between governance systems, but *within* governance systems. *Within* governance systems, resources are used by stakeholders to uphold their position to define rules within a political field. Although the might occur *between* governance systems, *within* these systems there is also a struggle to gain leverage within discussion on standards. To create this leverage, stakeholders use their networks to access new forms of resources *within* discussions of a governance system. These private governance systems can thus be analysed in line with the concept of rival private governance networks of Smith and Fischlein (2010), however the focus will be on strategies of legitimation within MSIs. Within this thesis the main research question will be:

- How do stakeholders within the RSPO use strategies of legitimation within discussions? -

To find an answer to this question the focus will be on strategies of legitimation which concerns how actors strategically use each other in order to gain access to *governance resources* and support for their individual goals and means of leverage within discussions of the RSPO. It is important to acknowledge the differences between stakeholders and their position within the RSPO because this influences their access to other actors and resources. Therefore I formulated the sub question: *1) what are the main different objectives of RSPO-members?* I will elaborate the main different interests between NGOs and companies to show the context in which stakeholders of the RSPO operate and what kind of discussions are held within the RSPO. These different objectives are also analysed to gain knowledge of the incentives of stakeholders to use strategies of legitimation.

The relations between RSPO stakeholders and other actors will be analysed in line with strategies of legation, namely strategic engagement. I argue that stakeholders within the RSPO only address and use other actors to gain support for their individual objectives. I will analyse the incentives of stakeholders to engage with other actors and how they profit from this engagement in relation to their individual objectives within discussions of the RSPO. For this I formulated the following sub question: *2) how do RSPO-members strategically use other actors in order to attain leverage within discussions of the RSPO?*

The process of gaining access to governance resources of Smith and Fischlein (2010) will be used within this thesis to show how strategic engagement leads to access to new governance resources that can be used as means of leverage within discussions of the RSPO. With these governance resources I mean for instance access to consultancy firms, knowledge of foreign laws concerning plantation planning, legal advice, raw materials, access to distribution etc. Resources are means that they can use in order to pursue their individual goals. These resources are the result of engaging with other actors on a strategic basis. Strategies of legitimation used by stakeholders are subject to their position within the RSPO, which determines their access to *resources* and the extent to which they find support of other actors for their individual objectives. To analyse this process of creating leverage within discussions of the RSPO I formulated the following two sub question: *3) how are governance resources used to attain leverage within discussions of the RSPO?*

Finally I will discuss how strategies of legitimation are contributing to the achievement of individual goals by stakeholders within the RSPO. I will argue that although the RSPO claims to reach for a consensus and therefor speaks on behalf of a variety of stakeholders, this consensus is based on their use of strategies of legitimation. Therefor the final sub question will be: *4) How are strategies of legitimation contributing to the achievement of individual objectives of stakeholders within the RSPO?*

By strategies of legitimation I thus refer to on the one hand, the use of their position by stakeholders of the RSPO to strategically interact in order to gain support for their individual goals and on the other hand I refer to the use of their position to gain access to governance resources in order to gain leverage within discussions of the RSPO.

1.1 Methodology

Within this thesis I will use the perspective of rival private networks. Smith and Fischlein (2010) describe how organizational fields are in competition over rule-making authority, which is not applicable to the RSPO. The organization only faced competition in its field from the government of Indonesia which is also making a certification scheme for sustainable palm oil. This Indonesian Sustainable Palm Oil (ISPO) scheme shows many similarities with the RSPO scheme. The main difference is the voluntarily basis of RSPO's Principles & Criteria while the government of Indonesia is promoting a certification scheme that is based on national laws, rules and regulations (Hospes, 2014). I will however use the process of gaining access to *governance resources* of Smith and Fischlein (2010) to explain that *within* the RSPO political struggle takes place between members through the use of these resources and strategies of legitimation. Strategies of legitimation which concerns the use of their position by stakeholders of the RSPO to strategically interact in order to gain support for their individual goals and the use of their position to gain access to governance resources in order to gain leverage within discussions of the RSPO will be central to the analysis of the RSPO and IOI Group. These concepts will be further explained and applied in the next chapters;

In Chapter 3 I will describe the emergence of the RSPO, the main interests of prominent RSPO-members and the main political struggles that have occurred throughout RSPO Roundtable meetings. A focus will be on the dynamics between NGOs and companies, because their objectives within the RSPO are the most different. I will explain how Unilever and the WWF used strategies of legitimation, described also by Bernstein and Cashore (2007); will provide understanding on how the RSPO gains rule-making authority within the field of sustainable palm oil. Schouten and Glasbergen (2013) will be used to elaborate this process of reaching 'consensus' further. Within this chapter primary literature will be used to describe the emergence of the RSPO and how the organization proclaimed moral justification for its standards. Describing the political struggle within RSPO's Roundtable meetings is of importance to understand in what context RSPO-members operate and which discussions are held. Throughout this thesis the use of strategies of legitimation used by both companies and NGOs is being discussed in order to show the broad, complex and multidimensional dynamics within governance of the RSPO.

In Chapter 4 I will discuss a case study on IOI Group, a large palm oil company that is a member of the RSPO. Scholars have analysed strategies of legitimation within the RSPO

from the perspective of the organization as a whole whereby individual actors are mentioned as examples. Therefor I present a case study on a single stakeholder within the RSPO. For this chapter I use mainly secondary literature that includes CSR statements and social and environmental claims made by IOI. This literature includes press releases and statements made on their website as well as to newspapers and other forms of media. These statements are important to mention when further describing the suspension of the company; it gives insight in how and why the company reacts to certain events. The company also needs moral justification for its CSR statements, and when these are questioned by other RSPO-members such as environmental NGOs, the company uses strategies of legitimation to maintain its reputation. This case study will be done within the timeframe of IOI's suspension since March 2016. Within this chapter I will discuss the events leading up to the suspension of IOI, how actors close to IOI reacted on these events and how IOI handled the situation. I will do this by providing an overview of the allegations made by NGOs over time, and what reactions these reports provoked by IOI. This will be done using reports of IOI as well as NGOs and newspaper articles, interviews, press releases and statements made by both parties. I will show how IOI uses strategies of legitimation to maintain its position within the RSPO and its reputation to the wider public. I will show how IOI sets its reputation within the RSPO and what actors are involved in keeping this reputation legitimate.

In Chapter 5 the focus will be also be on the strategies of legitimation of IOI and other members within the RSPO. However, I will go deeper into the resources IOI uses to claim its position. I will elaborate the communication between IOI and NGOs, the RSPO, the public and its partners to analyse how strategic engagement is used by the company to maintain its legitimacy. I will do this through applying concepts from primary literature that I used to form my research framework and analysing secondary literature. This secondary literature contains statements made by stakeholders within the RSPO (emphasizing IOI), press releases, interviews, critiques and reviews on IOI's suspension, news articles, CSR statements and reports by NGOs as well as reports done by consultancy firms hired by IOI.

I will emphasize the importance of strategies of legitimation by presenting a case study on a single actor; IOI Group. This company and member of the RSPO has a prominent position within the RSPO due to its large market share in palm oil production. This company was criticized to not comply with its own standards and thus RSPO's standards for certifying sustainable palm oil. When the company became the centre point of discussions, it used

various resources and support of actors to uphold its 'sustainable' reputation. By looking at strategies of legitimation, the motives for it and the use of it, discussions of the RSPO can be analysed in more detail. This will also provide a new meaning to the claim or the RSPO as a MSI that reaches for consensus between various stakeholders. I argue that the RSPO is a rival private governance network in itself, due to the different objectives of stakeholders and the use of strategies of legitimation in order to attain these objectives. The main research question "*How do members use strategies of legitimation within discussions of the RSPO?*" will be answered by an analysis of the RSPO and IOI Group. This analysis will also give answers to the three sub-questions formulated earlier.

I recognize that statements of various stakeholders within the RSPO are contradictory and that my perspective on strategies of legitimation is one of controversy due to the influence of very different perspectives on the RSPO. Throughout this thesis the term 'legitimacy' is often mentioned. This term will not be defined by myself in order to remain open to the definition different stakeholders attach to this concept. After all, they are the ones shaping their own legitimacy using various strategies. I emphasize that legitimacy has many definitions, but that creating this definition is a dynamic process that requires further attention.

2. Theoretical framework

Within this chapter I will first discuss the position of MSIs within the broader political and organizational field. I will discuss three perspectives on MSIs using the work of Smith and Fischlein (2010) and explain the multi-actor governance perspective, the self-regulation perspective and their own rival private governance perspective on MSIs. Secondly, I will argue that MSIs consist of many different actors, which each have their own interests within the MSI and strive to create leverage within discussions of the MSI to reach their objectives. I will discuss that this leads to political struggle within the RSPO when creating sustainability standards. The process of political struggle when creating sustainability standards will be discussed using a model of Bernstein and Cashore (2007). Critique on this model will be elaborated using other perspectives on the governance of MSIs. I will round of this chapter by presenting my own framework on MSIs and the use of strategies of legitimation by its stakeholders.

2.1 The position of Multi-Stakeholder Initiatives within the political field

State-centered regulation has been facing the growing force of the market system and private forms of governance have emerged. Within the social and environmental field, governmental intervention faces the influence of private actors. The position of these private governance systems within the political has been described by numerous scholars.

2.1.1. The multi-actor governance perspective

In their article, Smith and Fischlein (2010) distinguish three perspectives on MSIs; the multi-actor governance perspective, the self-regulation perspective and finally they present their own perspective; that of rival private governance. The *multi-actor governance perspective* states that however state-centered governance is displaced; the multi-actor governance system still is influenced by governmental institutions and its regulations. However this statement goes further and presents an analysis of the dynamics between public and private organizational fields. According to some of the scholars (Garrett, 1998; Schirm, 1999; Peters and Pierre, 1998) they have studied, this comes from incentives to regulate within fields where government regulation has been weak or ineffective. Because these forms of governance exist next to each other, the role of the state within regulation is changing. Although the state is not the single entity that creates regulation in certain fields, it can influence the process as an actor within the system. Since the government is not the sole source of legitimacy anymore, the MSI depends on the preservation by others as being

democratic; transparent, accessible and participatory. The dynamic between governance systems depends on a political will. Where these governance systems exist next to each other, they use *resources* from other governance systems. These resources are governance instruments to gain rule-making authority. These resources are for instance consumer knowledge, or governmental resources such as capital or knowledge about regulations.

Cheyns (2011) criticizes this perspective stating that MSIs claim to be a 'liberal political model of coalition with a balance of interest groups and power'. The multi-actor perspective presents MSIs as democratic, but lacks the effect of political will. Cheyns (2011) states that the 'political will' of stakeholders does not make the process of MSIs more democratic, at the contrary; she states that political will is based on strategic engagement of actors within MSIs. This means that only actors that seem useful to stakeholders are included in the process of creating standards. While MSIs claim to represent various actors, Cheyns (2011) claims that through a lack of inclusion and an imbalance of power-relations MSIs are lacking pluralism. She thus claims that the multi-actor perspective is based on an imbalance of power-relations between stakeholders of an MSI.

2.2.2 The self-regulation perspective

The *self-regulation perspective* that Smith and Fischlein (2010) introduce describes multi-actor governance as voluntary associations that are motivated by collective action. These actors operate within a single organizational field. The collectivization process is one of creating unanimous consent about regulation within an organizational field. This consent, consisting of shared rules, norms and codes of conduct are constructed without any form of governmental participation.

Bernstein and Cashore (2007) emphasize an economic driver as cause of self-regulation without involvement of the state. Bernstein and Cashore (2007) perceive MSIs as Non-State-Market-Driven (NSDM) systems. Instead of the 'political will' that drives the multi-actor governance perspective, Bernstein and Cashore (2007) emphasize the economic drivers of actors within these NSDM systems. They state that NSDM systems have an economic basis that drives on the market system. Within this perspective, an institutional arrangement is not implemented through the use of it by various actors, but through the sovereignty that it creates through economic success. This is however not corresponding to the vision of NGOs within MSI systems; they wish to have influence within the supply chain to create sustainable policy.

These different objectives trigger actors to gain rule-making authority within the NSDM system. So, NSDM systems do not gain rule-making authority from the state, but from manipulating global markets and analysing customer preferences. Traditionally the state has the authority to make decisions and create policy; it exercises legitimacy through its sovereignty. However NSMD systems operate within markets and the supply chain and seek other forms of legitimacy to gain rule-making authority. According to Bernstein and Cashore (2007), legitimacy comes from 'shared norms and rules as appropriate and justified' by actors within the supply chain. This is also mentioned as the driver behind self-regulation in the perspective presented by Smith and Fischlein (2010). They form a political community that collectively legitimizes these 'shared norms'. Only actors that are within the interests of NSMD systems are addressed to gain legitimacy and rule-making authority. These systems rely on positive recognition and market share to make certification standards. This is within the interest of actors within the supply chain.

2.1.3 The rival private governance perspective

In their own proposed perspective on private governance, *rival private governance*, Smith and Fischlein (2010) state that addressing a single environmental or social issue cannot be bound to a single product category or application. In the case of certification mechanisms such as the RSPO, rival initiatives have emerged that are organizing themselves in multiple private governance networks. Stakeholders from different organizational fields are representing different interests within the negotiation that forms an MSI. Smith and Fischlein (2010) describe how two governance fields are in political struggle through using governance resources from existing fields in order to gain rule-making authority within a new field of governance. In case of the RSPO, this new field of governance would be the niche of sustainable produced palm oil. The ISPO and the RSPO are trying to gain rule-making authority within this new field of governance. Resources, such as market knowledge and conservation knowledge which are originally coming from different organizational fields, are combined and used to achieve leverage in the new political field. Both governance fields use these resources to gain social approval and a legitimate, powerful position as a new rule-maker.

Although this perspective concerns the competition between two governance systems, this idea of competitiveness between actors can also be applied to actors *within* MSIs. Actors within MSIs have different interests, but also have different power positions. The influence

that this power position has on the possibilities and access to resources is also discussed by Köhne (2014). He describes that, because of an imbalance, participants do not have the same access to resources and competences. How these positions relate to strategies of legitimation will be discussed in the second part of this chapter. Having a certain position within a MSI also gives actors access to address other actors to support their own interests. This is a way to create leverage within rule-making discussions. For instance, motivations of companies to gain legitimacy are often combined with attempts to obtain this social approval. This is a reason to include NGOs within their process of standard setting. This seems like an aim to reach consensus, but the strategic objective of both parties is to gain rule-making authority within a field of governance. So, although Smith and Fischlein's (2010) theory concerns two different governance fields, it shows that creating regulation and authority are based on strategic practices using resources to gain rule-making authority. The result of these persuasions of individual goals is a political struggle over rule-making. This is why the competitive nature of MSIs as rule-makers within environmental and social governance, are questioned to be effective and efficient.

2.2 Legitimacy and strategies of legitimation

As mentioned above, Djama (2010) and Cheyns (2011) acknowledge that MSIs are operating within a 'governance gap' but this means that the MSI needs support from other actors than the government to claim its authority to create regulation. The consensus that the MSI claims to be collectively formed is according to them based on strategic managerial practices and strategic engagement to achieve *individual* objectives within the MSI and to make the debate more neutral as to facilitating it. Therefore, according to Djama (2010) and Cheyns (2011), the MSI is claimed to have no real legitimate authority and effective policy at all. This due to the lack of inclusion and the use of managerial practices to create a 'consensus' that is based on different standards as MSIs proclaim when stating that they represent a variety of stakeholders.

A 'coalition and balance of interest groups and power' is not easy to achieve due to a pragmatic approach to reach consensus. Bernstein and Cashore (2007) further analyse this political struggle and strategic engagement, which according to them often occurs between NGOs and companies. They observe that strategies of legitimation are used by companies to gain support for their objective of long-term cost-benefit analysis with the eye on profit maximization. NGOs however, use strategies of legitimation to support their strategic

evaluations of the compliance of companies to their own standards. For NGOs, result on-the-ground needs to be visible in order to legitimize social and environmental standards of the MSI. Companies thus need to show effect so that NGOs can legitimately promote the MSI. To create political legitimacy here is thus a constant struggle between stakeholders that strive to legitimate their own objectives. Bernstein and Cashore (2007) present a framework that describes NGOs and companies within the process of reaching political legitimacy for a MSI. The framework consists of three phases to reach this political legitimacy; the imitation phase, the phase of building support and the last phase, political legitimacy. These phases describe the process of strategies of legitimation used by NGOs and companies to reach their objectives within a MSI, and eventually form consensus. I will discuss these below with input from other scholars on legitimacy. The first two phases will be of use to describe the political struggle within the RSPO, however the third phase is one of controversy because it is questioned whether the RSPO has actually reached political legitimacy within its field. I use the titles of Bernstein and Cashore to denote the different phases.

2.2.1 Phase I: Initiation

In the first phase, support of companies is sourced by a small group of initiating NGOs. Without support of companies the NSMD cannot exist as it is market-driven. Companies that are already close to meet the requirements of the NSMD comply with the standards. Other companies that do not meet the requirements join in with the eye on long term benefits from working within the NSMD system. NGOs strategically promote the system in this phase, because if companies are pressured to comply with standards, this might have a negative influence on the support of the companies and thus the expansion of the network of the NSDM system. Strict standards might discourage companies to join because it is difficult to combine with a profit-maximization perspective. NGOs need companies to join because otherwise a structural influence on the management of the supply chain is not possible. A 'political community' is formed whereby NGOs and some companies are agreeing on the vision of the organization.

The strategic managerial practices described by Djama (2010) and Cheyns (2011) are already used by NGOs and companies to reach their own objectives within the 'collective' MSI. The 'consensus' that is being strived for in this final phase creates implementation problems. Through the pragmatic approach of stakeholders to create compliance, discussions are moving away from the original objectives set by the NSDM system. The question rises whether the

NSDM system really is considered legitimate when the focus is on the processes and debates within the system as supposed to reaching the original objectives.

2.2.2 Phase II: Widespread support

In the second phase, the network faces companies that have more difficulties with complying with the standards set by the NSMD system. Reasons for these difficulties could be a lack of financial means or because standards of the companies differ too much from NSMD standards. Companies that in the first phase complied without difficulties might face struggles when requirements are tightened. NGOs split into two groups; one which is still promoting the network, the other is pressuring the network. NGOs that promote the network perceive the network as the best possible organization to have rule-making authority, other forms of regulation is unthinkable. Other NGOs pressure companies that are not complying and strive for stricter requirements. This results in a fragmentation of interests between NGOs and companies, but also between NGOs and companies mutually. Bernstein and Cashore (2007) recognize that both actors act on a strategic basis to achieve their own goals. The logic of norm generation that brings them to a consensus (political legitimacy) is further described;

Bernstein and Cashore (2007) distinguish two logics that drive NGOs and companies towards consensus. These logics are *logic of consequences* and *logic of appropriateness*. Logic *of consequences* is the utilitarian vision of actors that cause them to act strategically and without regard to the consequences this action has for other actors. Companies and NGOs hereby maximize their own reach for objectives by working together. However, these objectives are still very different. The maximization of profit for instance is a short-term objective, standing against environmental damage in the long-term. This is a more pragmatic approach that focuses on convergence and short term practical solutions.

These pressures from outside of the network are described in more detail within the second logic, *logic of appropriateness*. This logic means that actors define shared norms and through learning create new definitions of interests. Learning is a process whereby NGOs and companies move from competing over norms to a more nuanced discussion about "win-win" solutions. Through global social pressures coming from among others, non-participating actors such as environmental and social NGOs, stakeholders within the MSI move from a pragmatic approach to a community-building approach. Bernstein and Cashore (2007)

describe that shared norms and rules coming from this community-building approach provide justification and therefore legitimacy for the organization.

Smith and Fischlein (2010) describe that motivations for companies to gain legitimacy are indeed often combined with attempts to obtain this social approval. However they state that, this seems like an aim to reach consensus, but the strategic objective of both parties is to gain rule-making authority within a new field of governance. This new field of governance consists of resources from two different governance fields that are used by actors to gain rule-making authority. Although this theory concerns two different governance fields, it shows that collectivization is also based on managerial practices using resources to gain rule-making authority.

Castañeda (2012) is discussing this moral justification in her article. She criticizes that these kind of theoretical approaches are focussed too much on adaptation and legitimizing standards. She focuses on how these standards are implemented on the ground, and how this often differs from the standards as set in policy statements. What is also lacking within the logics of this phase is that stakeholders have different power positions within the MSI and thus have an imbalanced access to governance resources or support from other actors. She argues that discussions over rule-making are not so much based on reaching 'consensus' or creating a 'community with shared norms and values', but that discussions are based on strategic managerial practices used by stakeholders with different power positions.

This is in line with the concept of assemblage used by Köhne (2014). In his perspective actors have certain objectives that they reach using only certain parts of the MSI that seem useful to them. Köhne (2014) describes a way to think about MSI using the concept 'assemblage'. Assemblage is used to define how institutional arrangements are put into practice although emerging from different actors, practices, places and using a variety of methods to achieve different goals. Due to strategic engagement, Cheyns (2011) states that an 'open political debate' with democratic characteristics not possible. She goes further into the use of resources by stakeholders within MSIs. According to Cheyns (2011), stakeholders are strategically engaging with other actors in order to achieve individual goals. Because of a pragmatic approach of solving problems, also mentioned by Djama (2010), open collaboration is not in place. Köhne (2014) goes further into the different power relations between stakeholders and the effect of this imbalance on their access to resources and other actors. Strategic

engagement and assemblage can be used to analyse how different actors with contrasting interests together form policy and produce governance. Actors use its network to achieve their own goals, which results in that they only use the actors, governance or policies that seem useful to achieve these goals. Actors use certain parts of the MSI to create leverage within discussions. This is made clear through the example of local communities protesting against a company that is part of a MSI. The local communities pressured the company to comply with its own standards. The company on the other hand also strives to comply with these standards using other methods within the MSI. Consultancy companies are used to show evidence of their effort to comply. Assemblage comes forward when social meaning and social significance is given to it by multiple actors. Assemblage is constantly changing, because it is socially constructed and goals of actors within MSIs change. An institutional arrangement is therefore not implemented the same way as it is modelled within policy statements. The assemblage stands because actors use the institution while using various practices and relations for their own different interests.

2.2.3 Phase III: Political legitimacy
Bernstein and Cashore (2007) conclude that the final phase of their model is one of convergence. Shared norms and learning lead to community building and the spread of norm-governed behaviour through the two logics that I have described above. According to Bernstein and Cashore (2007) this phase is marked by participation in a shared community, that the emphasis is not on strategic calculations about NSDM systems but within them; processes and debates whereby all participants accept these as legitimate.

This phase of generating norm sharing that causes convergence and justification of shared norms and rules is criticized by Djama (2010). Although both visions of the scholars recognize that actors reach for consensus, the process and meaning of this 'consensus' is described differently. The 'consensus' described by Bernstein and Cashore (2007) is debated by Djama (2010) to be based on strategic managerial practices to gain rule-making authority. Strategies of legitimation play an important role in achieving objectives by these actors. According to her, MSIs have a pragmatic approach whereby problem-solving is focussed on short-term and practical solutions. This causes 'consensus' to be fragmented; it is moving away from the overall problem that was set to be the collective objective. It moved away from finding a long-term solution on problems that inevitable would still exist such as environmental problems. Especially Smith and Fischlein (2010) argue that private governance

systems do not strive for consensus, but that different private governance systems are in competition over rule-making authority within a new political field. They describe how competition over rule-making authority creates political struggle between private governance systems. Cheyns (2011) also emphasizes that legitimacy is based on strategic managerial practices and that this results in less pluralism within private governance. Because stakeholders are subject to a pragmatic approach of problem solving within the RSPO, the inclusion of stakeholders that might slow the process of standard-setting and decision-making will be avoided. So while claiming to speak 'for a wide variety of stakeholders', MSIs lacks inclusion of actors within the process of rule-making. To elaborate the critique of these scholars on the political legitimacy within the RSPO and the process of creating legitimacy, I will discuss several scholars that have described the process of legitimacy within the RSPO.

2.4 Strategies of legitimation within the RSPO

Schouten and Glasbergen (2013) used the theory of Suchman (1995) to analyse the legitimacy of the RSPO in terms of moral justifications, but also in terms of legality. According to them, legitimacy is also traced back to the legality of the standards set by the RSPO. This has to do with the extent to which the organization can be hold accountable for its own actions. Instead of creating social and environmental objectives using CSR strategies, more detailed procedures are implemented within the organizations' standards. These are for instance procedures about reaching consensus; when discussions are not leading to a shared view, voting has to be in place to reach consent of the members. The organization itself for instance sets up complaint systems or monitoring systems, while it also needs to hold existing government and economic trade rules into account (Schouten and Glasbergen, 2011). Although the legality of the organization is part of its legitimacy, Glasbergen (2013) also provides concepts that are drivers of strategies of legitimation and practices. Although the motive for private partnerships has an economic focus, the promotion of their social and environmental standards also needs moral justification. Setting criteria for legitimacy leads to a perspective that is lacking the recognition of the dynamics within strategies of legitimation. According to Glasbergen (2013), legitimacy is a process of social change. It is a process whereby a partnership is accepted as a global norm for creating sustainable alternatives for current practices. Strategies of legitimation are important to set these standards and create moral justification for them.

To understand how these managerial procedures are implemented, it is important to know how the organization is represented and thus which actors have a prominent voice within the RSPO. Varkkey (2012) describes different power positions through the concept of patronage politics. This concerns a 'patron' with a higher socioeconomic position that has a tie with a 'client' which as a lower status. The patron provides benefits for the client in the form of economic benefit or protection, in exchange for support of the client in the form of assistance. These relationships are important within the RSPO to for instance obtain access to governance resources that for instance can provide land-using permits. Companies lose money maintaining these relationships but profit in knowledge about for instance the law, cheap labour and the access to new markets. It is claimed that due to a lack or inefficient regulation, patronage politics may even increase bureaucratic efficiency through for instance cultural familiarity. Within the RSPO close company relationships between Malay and Indonesians are very common. Through increasing patronage politics, 'regionalization' has occurred whereby companies are difficult to approach because of their relationship with the Indonesian or Malaysian government and local clients that assist them. It is also difficult to approach these companies because these relationships at the same time have relationships in other countries because of a growing interest in foreign investment and monetized relationships instead of kinship bonds. Board commissioners of companies within the RSPO usually have retired senior bureaucrats in power that act as intermediaries with the state and the local people (Djama, 2010).

Djama (2010) describes the legitimacy process of 'consensus building'. She provides an analysis of the first steps of Unilever and the WWF in making standards for the RSPO. In this phase, collaboration is already strategically formed through the use of facilitators and mediators that are used to solve disputes between companies and NGOs. The procedures of participation and the dialogue between actors is a prominent focus of the RSPOs Principles and Criteria (P&C). The actors involved are moved to think towards solutions and consensus building is set high on the agenda. Perceptions on managerial practices to reach consensus often differ between actors. The RSPO presents itself as a regulatory instrument to create certified palm oil. The focus is on reaching authority from markets, as well as the public's approval of good practices. To achieve this legitimacy, the RSPO uses third parties to gain trust. Djama (2010) describes this pragmatic approach as managerialism. This concept describes the focus on management within an organization. Within this focus, instruments to make management more efficient and effective with the eye on economic benefits and fast

ways to form consensus are used. Within the RSPO facilitators have been used to develop criteria and to mediate between NGOs and companies within the context of forest conservation and the expansion of palm oil plantations. As there are different perceptions on the objectives of the Roundtable, the actors on the board of the organization develop different strategies to promote the RSPO and its visions. Which expert knowledge is used influences the leverage within discussions on standards, also mentioned by Köhne (2014). It is used to highlight certain points of attention because it delivers evidence. This evidence is used in favour of the objective of the actor that uses expert knowledge within discussion. Expert knowledge is also used to reach 'consensuses within these discussions. The definition of consensus that is driving the parties to have a dialogue is an instrument that the RSPO uses to facilitate debate. When hot topics are debated, the use of facilitators comes in hand to remove hot-headedness from the debate.

2.4 Research framework

Based on the theories described above I will present my research framework concerning strategies of legitimation within discussions of the RSPO. First I have to argue that my perspective on MSIs is in line with the rival private governance networks, as described by Smith and Fischlein (2010). However, in my approach rivalry between governance networks is translated to political struggle within governance networks. I argue that political struggle occurs between stakeholders of the RPSO through their use of strategies of legitimation to pursue individual objectives. I emphasize that companies and NGOs within the RSPO have contradictory objectives that are the main cause of political struggle. I will discuss this rivalry by analysing the discourse between NGOs and companies as described by Schouten and Glasbergen (2013). In my approach I emphasize the contradicting objectives of NGOs and companies within the RSPO. I will do this in order to analyse the context of political struggle and the incentives for stakeholders to use strategies of legitimation to attain individual goals. I also argue that MSIs claim legitimacy through claiming to represent various actors that reach for consensus, while being subject to political struggle between stakeholders. I will discuss how 'consensus' is formed within the RSPO to create a new approach on how 'consensus' is claimed and how it is constructed.

I argue that the process of reaching 'consensus' within the RSPO is based on strategies of legitimation. With strategies of legitimation I emphasize two processes, namely strategic

engagement and the use of governance resources to gain leverage within discussions of the RSPO and to attain individual goals of stakeholders.

By using the concept of strategic engagement I emphasize that the interaction between stakeholders of the RSPO and other actors is strategically based in order to gain support for individual objectives of stakeholders. I argue that within discussions of the RSPO, stakeholders only address actors that seem useful to them concerning their individual goals. I emphasize strategic engagement whereby stakeholders are using patronage politics (family ties) in order to gain leverage within discussions of the RSPO. Within the case study on IOI I emphasize strategic support between actors and IOI. I emphasize that this support is strategically based concerning the objectives of IOI and its surrounding actors to profit from their mutual support.

I emphasize the use of governance resources within the RSPO in order to show how the position stakeholders have within the RSPO influences their access to governance resources. I argue that these governance resources are used by stakeholders to gain leverage within discussions of the RSPO. I emphasize the use of consultancy firms by stakeholders to provide 'evidence' within discussions that is being used to create leverage. By 'evidence' I mean field work material or legal investigations done by consultancy firms that are hired by stakeholders within the RSPO. I also emphasize how powerful companies and NGOs use their own reputation as a *resource* that they can use to create leverage within discussions. By using the concept of governance resources I also emphasize the use of facilitators and expert knowledge as a mean of leverage within discussions of the RSPO and to the public. These strategies of legitimation are used within the RSPO to create 'consensus', because parties with conflicting interests call for facilitators to lead discussions into 'consensus'. Within discussions concerning IOI, facilitators and expert knowledge is used by stakeholders and other actors to convince the public of their legitimacy.

Furthermore, to distinguish different actors within the RSPO I will use the concept of horizontal and downstream partners of Smith and Fischlein (2010). I use the concept of horizontal partners do distinguish prominent partners within the RSPO that have a great influence in standard development and implementation of the RSPO. I will use the concept of downstream partners to distinguish partners that are voluntarily applying RSPO's certifying

standards. I also emphasize that downstream partners strategically support or reject the network of the RSPO.

3. The emergence of the RSPO

The emergence of the RSPO was marked by the WWF and Unilever finding a common strategy to find a sustainable scheme for certified palm oil. Still, the pathway to make policy and set goals has not been one without discussion and competition. The WWF was interested in setting standards to prevent environmental and social damage due to bad land planning and managing practices. Furthermore the WWF strived to create consumer awareness for palm oil. At the same time Unilever was interested in creating a long term market share through setting standards for sustainable produced palm oil. In this chapter I will discuss the interests of these parties further and the main political struggles parties within the RSPO have encountered during the Roundtable meetings. This process will bring to the fore the contradictory interests of prominent RSPO-members and presents the struggle that arises during discussions held within the RSPO. I will do this by linking the process to the first two phases mentioned by Bernstein and Cashore (2007). This chapter provides a basic understanding on what objectives NGOs and companies have and why they use strategies of legitimation to their advantage. This description also provides the context for the IOI case presented in the following chapters.

3.1 Interests of actors within the RSPO.

Although actors within the RSPO have signed the Principles & Criteria, there are different perceptions on how to manage these standards. The promotion of these P&C is different for each stakeholder. From the first meetings of the RSPO, co-founders WWF and Unilever have had different perceptions on the objectives of the RSPO. Actors within the RSPO claim to seek consensus, yet they are facing political struggle when it comes defining rules and authority to set standards.

In the late 1990s WWF Switzerland was asked to develop strategies to tackle problems within the palm oil industry. The WWF was already experienced in developing standards for the Forest Stewardship Council. The first meeting in 2002, consisting of retailers, food manufactures, palm oil processors and traders, financial institutions and WWF-Switzerland, was held to develop the roundtable. The WWF defined roles for market actors and their own organization that Schouten and Glasbergen (2011) have described;

Market actors	WWF
• Co-own the process of developing standards for sustainable palm oil • Provide technical and industry expertise amongst the different actors along the value creation chain and with NGOs (development of environmental and social standards) • Motivate other actors to join the development and implementation of standards for sustainable palm oil (e.g. other market actors, producers or consumers. • Implement standards for sustainable palm oil	• Co-own the process of developing standards for sustainable palm oil. • Provide expertise on environmental and social aspects • Develop tools an initiate multi-stakeholder land-use planning procedures. • Work with producers, market actors and investors on the implementation of standards • Coordinate NGO activities on the issue of palm oil and soy • Launch consumer awareness campaigns to create demand for sustainably produced palm oil and soy

Source: Schouten, G., & Glasbergen, P. (2011). Creating legitimacy in global private governance: The case of the Roundtable on Sustainable Palm Oil. Ecological economics, 70(11), 1891-1899.

Criteria and standards, implementation and communication mechanisms were formed. Actors sometimes only claimed position within the RSPO when certain criteria were met by other actors. Unilever claimed not to participate within the certification scheme if the focus was on rain forest protection. Unilever stated that the focus should be on the sustainability of palm oil in general (Schouten and Glasbergen, 2011). At the first meeting of the RSPO NGOs already had to apply strategic management to keep the support of large companies such as Unilever. If NGOs did not provide companies with strong economic incentives, a structural influence within the supply chain of palm oil. WWF and Unilever eventually formed the Roundtable whereby Unilever would be the representative of the Executive Board and thus would have substantial influence on the objectives and managing of the RSPO.

3.2 Political struggles within the process of standard-setting

At the first roundtable meeting the Statement of Intent (SOI) was created and ProForest did a research on palm oil and its effect on forests. It also developed mechanisms to define sustainable palm oil. ProForest is a consultancy company that specializes in responsible management of natural resources. The company was also heavily involved with making standards for FSC (Djama, 2010). This consultancy company was the mediator between the industry and NGOs when creating sustainable palm oil standards. It made sure that different interests were represented within the creation of sustainability standards. The second roundtable meeting concerned creating a platform for exchange of information among stakeholders, start implementing sustainable best practices along the supply chain and

strengthen the support of stakeholders and international agencies in promoting sustainable palm oil. The production of sustainable palm oil needed to be promoted to the users of palm oil in order to create a market demand (Schouten and Glasbergen, 2011). This is consistent with the strategies that Bernstein and Cashore describe for the initiation of NSMD systems. Within this 'initiation phase', a small 'community' is formed whereby NGOs are careful not to pressure companies, but gain their support by presenting market incentives (Bernstein and Cashore, 2007).

According to Nikoloyuk et al. (2010), the setting up of a partnered governance structure caused divergence in perceptions and judgment. Discussions on definitions and standards caused political struggles for the RSPO. There was for instance no consensus about the connection between palm oil production and deforestation. Although ProForest investigated this connection, the document with principles, standards and criteria for sustainable palm oil had to collectively be accepted by all RSPO stakeholders. Unilever however also analysed this connection and concluded that oil palm production could not be held responsible for more than 10 to 15 per cent of the whole deforestation in Indonesia. It was hard for the WWF to discuss this with Unilever, since this is an important goal for them. Furthermore, Unilever questioned the initiative of a palm oil user group and argued for carefully involving palm oil producers and producing countries to set standards for sustainable palm oil. Also, it was questioned whether there should be a separate 'sustainable' palm oil grade because of possible additional costs that consumers would not be willing to pay (Nikoloyuk et al., 2010). To strengthen its bargaining power with 'legitimate evidence', Unilever decided to hire a consultancy company, a governance resource, to support its claims. This was in contrast with the goal of the WWF, which caused both parties to use their membership and reach out to other actors in order to support their claims for rule-making authority. At this stage, NGOs that were members of the RSPO were careful when criticizing companies and setting strict rules. At the same time NGOs outside of the RSPO, such as Greenpeace were heavily contesting the parties to not meet strict regulations (Schouten and Glasbergen, 2011).

Through the collaborative character of NGOs within this initiation phase, a small community of companies and NGOs formed with a market oriented vision and somewhat criteria for sustainable development. It was perceived as a success that RSPO-members did not had to vote for the passing of the ProForest proposed document. One participant in the Criteria Working Group pointed out: "We globally approved the proposals of ProForest. Our task was

to work towards a consensus. If we hadn't succeeded in obtaining a consensus, we would have voted. I don't know how we did it, but we always avoided the vote." (Djama, 2010). Still, this 'consensus' is already subject to managerial practices. As mentioned earlier, mediators are used to neutralize the debate between companies and NGOs. Resources from different organizational fields such as consultancy companies, mediators or even having a prominent position within market system are used to legitimately gain rule-making authority within the process of setting standards.

During the next four roundtable meetings other actors were asked to mediate between NGOs and companies with contradicting objectives and some discussions resulted in political struggle over standard-setting;

During the third roundtable meeting the P&C were ratified by the members of the RSPO. A task force was set up to include smallholders within the RSPO process. At the fourth roundtable meeting a discussion between NGOs and palm oil producers arose about the implementation of the P&C. NGOs were concerned about the compliance with the P&C and with the way rules were set within the RSPO system. Producers on the other hand were concerned about the costs and implementation of the P&C. During the fifth roundtable meeting, the certification system for CSPO was implemented and P&C were critically analysed to get standards in place. An auditing scheme was prepared to asses actors for certification. At the sixth meeting there was discussion on the compliance to the P&C by producers. NGOs emphasized that the Code of Conduct should be extended with the requirement that RSPO members should make annual plans to move towards producing or buying CSPO. NGOs also criticized that requirements for producers to guarantee their compliance should also be extended (Schouten and Glasbergen, 2011).

The tone of NGOs such as Oxfam and CARE as stakeholders within the RSPO becomes more critical when going on to the second phase of 'seeking widespread support', whereby the RSPO seeks support of other actors to strengthen its position as rule-maker. NGOs outside of the RSPO such as Greenpeace are more militant about the implementation of sustainable standards by companies. At the sixth meeting, especially Greenpeace pressured the RSPO because it was unclear how forests with 'high natural value' were defined in order to implement a sustainable planting system. There was also no system to deal with social problems that occur with smallholders. The RSPO responded to this criticism by requiring

RSPO members to publicize plans and criteria for new plantings and the certification of plantations (Nikoloyuk et al., 2010). At this stage, companies within the RSPO experience more pressure from NGOs to define 'sustainability' criteria in more detail. Greenpeace is using its reputation as an 'outsider' as a resource to create leverage for NGOs within discussions over standards.

Conclusion

This outline of the emergence of the RSPO shows that the process of standard-setting within the RSPO is subject to managerial practices. Strategies of legitimation such as mediators and consultancy firms are used within the debate. Mediators are part of RSPO's governance to reach a consensus and neutralize the debate due to contradicting objectives of companies and NGOs. While companies strive to create long term market share for sustainable produced oil, NGOs are determined to keep their influence within the supply chain. Although in the initiation phase of the RSPO NGOs were presenting economic incentives for companies, in the second phase of seeking widespread support, NGOs become more violent and show critique on the function of companies within the RSPO. Within the second phase, whereby the network of the RSPO is expanding, NGOs will take different standpoints in order to stricter rules within the supply chain and at the same time expand the network by creating economic incentives for market-oriented actors. Stakeholders even use their position as a resource to create a means of leverage within discussions of the RSPO. NGOs use their position to criticize the functioning of companies within the RSPO, while companies use their market position as a bargaining tool within discussions. Stakeholders within the RSPO have different perspectives on what 'sustainable' standards contain. NGOs and companies have different objectives, but the RSPO claims to aim for consensus between its members. This 'consensus' is however based on strategies of legitimation.

4. The case of IOI Group

To analyse how political struggles are occurring within the RSPO and how strategies of legitimation are used by actors to achieve goals, I present a case on IOI Group. IOI consists of a couple of companies in Malaysia as well as in Indonesia. As mentioned in the introduction, this palm oil company was criticized for not fulfilling the sustainability standards of the RSPO. Therefore a discussion arose between IOI, its downstream partners and NGOs. Within this discussion, all actors are using a variety of strategies of legitimation in order to gain leverage. Before I will elaborate and analyse the case of IOI in the next chapter, I will describe the position of IOI within the RSPO, its main sustainability claims and CSR objectives, and actors that are of importance for IOI to reach objectives within this chapter. By doing this I will show the standpoint of the company and its surrounding actors within the discussion. This chapter will also show the incentives stakeholders and actors have to use strategies of legitimation in order to create leverage within discussions. The case of IOI will first be broadly introduced in order to create a timeframe of the events leading up to IOI's suspension from the RSPO. Hereafter several events in the course of this suspension will be analysed in more detail to bring to the fore how strategies of legitimation are used by IOI and its surrounding actors to gain leverage within discussions.

4.1 CSR statement and environmental claims of IOI

IOI has been one of the co-founders of the RSPO and plays an important role within the Roundtable because it has a significant market share within the palm oil industry. It is an integrated company that consists of plantations, processing facilities and producing oleo chemicals. IOI is also involved with real estate and hotels. The company grew fast because of innovation in yields and cost efficiency. Nowadays the plantations of IOI exceed 230.000 hectares in Malaysia and Indonesia. It is one of the biggest companies within the palm oil industry, ranking third place in contributing to the Malaysian economy. IOI consists of plantation estates, palm oil mills that provide crude palm oil (situated in Malaysia as well as in the Netherlands), palm kernel and biomass that are used as fuel and refineries. Furthermore IOI is involved in real estate, such as hotels, residents in townships, even ornamental landscape planting material. IOI minimizes inputs while at the same time maximizes outputs within its plantations. This is the companies' belief that the most efficient company model can be an effective environmental model, as stated within its Annual report of 2015 (IOI Annual Report, 2016). Land is efficiently used, thus minimizing pesticides, energy use and fertilizer.

Although minimizing the use of these chemicals, IOI states that its performance comes from its developments in agronomy sciences (Mason, 2011).

The combination of the efficient economic company model and an environmental model is claimed to be very important. In annual reports the company explains its environmental friendly activities such as returning empty fruit bunches and palm fronds to the land to reduce the need for fertilizer. The IOI vision combines economic efficiency and environmental company practices (IOI Annual Report, 2016):

"Our Vision is to be a leading corporation in our core companies by providing products and services of superior values and by sustaining consistent long-term growth in volume and profitability."

Also, one of the Guiding Principles of the organization is (IOI, Annual Report, 2016):

"We shall strive to achieve responsible commercial success by satisfying our customers' needs, giving superior performance to our shareholders, providing rewarding careers to our people, cultivating mutually beneficial relationship with our company associates, caring for the society and the environment in which we operate and contributing towards the progress of our nation.".

Apparently, a total economic focus could also be sufficient to achieve the overall vision of maintaining a long-term market share and at the same time serve an environmental purpose. However, IOI also has to comply with the P&C of the RSPO and therefore it must also focus on other management objectives. These are building traceable and transparent supply chains strive not to deforest by conservation of High Carbon Stock (HCS) forests and protecting peat areas and increase the economic benefits while ensuring beneficial impacts on people and communities (IOI, Sustainable Palm Oil Manifesto, 2016). The company does this by biomass preservation and no burning of peat lands. Furthermore as mentioned, IOI presents an intergraded pest management and soil management and energy saving strategies (Mason, 2011).

4.2 The suspension of IOI from the RSPO

IOI was first criticized by Greenpeace in 2008 for the destruction of orang-utan habitat and peat land forest. Since 2008 Greenpeace had been involved in drawing the palm industry to the attention of consumers. With numerous reports on peat land fires, rainforest destruction, greenhouse gas emissions and pushing animals to extinction the organization has been actively involved in getting the palm industry on the radar for consumers and companies (Greenpeace, 2015). Ketapang, West Kalimantan in Indonesia is subject to IOI's operations. This area used to be an area marked by indigenous animal species such as orang-utans, proboscis monkeys and sun bears. Nowadays the area is marked by the industrial plantations. In 2009 IOI reacted to Greenpeace's criticism by stating into their Corporate Responsibility Statement *'to avoid encroaching forested or peat land and/or develop new plantation estates that will result in deforestation.'* (Greenpeace International, 2016).

In 2010, after a collaborate investigation with 11 other NGOs, Greenpeace submitted a complaint to the RSPO. The company was criticized by Greenpeace, which is not a member of the RSPO, for being involved with the numerous fires caused by peat land clearing in Indonesia, in PT Bumi Sawit Sejahtera (BSS) (Greenpeace, 2015). The complaint covered clearance of peatland, clearance of high conservation value forest areas, illegal encroachment into production forest, breaches of community land rights IOI's Pelita license in Sarawak, Malaysia.

IOI was also pressured by Milieudefensie and Friends of the Earth in 2010. According to their reports, IOI did not comply with its own Corporate Social Responsibility Statements in the Ketapang district, West Kalimantan. Plantation development had been undertaken without proper Environmental Impact Assessments, statements of the IOI did not comply with activities on the ground, plantation development was undertaken without approval of the Ministry of Forestry, land clearing had been taken place in areas without a proper permit, encroachment had been taken place in peat lands and there was a significant increase in fire hotspots in newly acquired land (Milieudefensie, 2010). IOI did not have sufficient evidence to prove that it had the right permits. Although some of the allegations were denied by the IOI to be true, Milieudefensie still maintains some of its statements. IOI for instance denied to have deforested land that according to Milieudefensie is under plantation development. Because of the confidentiality claims of IOI, a transparent discussion and investigation report could not be mentioned (Milieudefensie, 2010b).

In 2014 the company was pressured by a Finnish NGO called Finnwatch for labour issues on its plantations in Malaysia. In was alleged to have confiscated workers' passports, making contracts without translating it for its workers, restricting freedom of association and not paying sufficient salary that is the mandatory minimum wage (Taufik, 2016). IOI responded with the Sustainable Palm Oil Manifesto (SPOM) that included statements to protect peat land and HCS forests.

In 2015, IOI was pressured by not-for-profit consultancy Aidenvironment that hat submitted a formal complaint to the RSPO. It alleged that IOI was deforestation within Ketapang, West Kalimantan. While the complaint was being investigated by the RSPO, Aidenvironment noted that new drainage canals appeared in the area. IOI denied these allegations stating that except for one; the complaints were 'unproven and unsubstantiated' (IOI Group, 2015). The complaint of Aidenvironment included evidence that showed that IOI constructed a drainage canal through an HCV forest and cleared areas of forest on deep peat. Furthermore it showed illegal planting outside its permitted boundaries of PT Berkat Nabati Sejahtera (PT BNS) (Greenpeace International, 2016).

Now, six years later the IOI has been suspended from the RSPO because of on-going violations of sustainability claims. The CP officially suspended IOI after decision taken on 14 March 2016. Furthermore the suspension to produce CSPO was effective as of 1 April 2016. IOI quickly reacted to the allegations with a statement of Lee Yeow Chor, the CEO of IOI: *'We wish to assure all our stakeholders that after the complaint was made to the RSPO one year ago, we have taken corrective actions to review and enhance our sustainability practices'* (Chatterjee, 2016). The company may no longer produce palm oil under the sustainability certification of the RSPO. Through the SRSP Complaints Panel IOI was accused of illegal land grabbing, peat land clearing and drainage. This caused damage to the high conservation forest of Sarawak, West Kalimantan.

Loders Croklaan, a downstream subsidiary of IOI was also temporarily suspended. It stressed this decision from the RSPO stating that it would deeply impact consumers and customers of the company. One prominent customer of Loders Croklaan is Nestlé, a well-known consumer goods company. Global trading with these partners also forms a financial risk for IOI, because of the dependency on the foreign exchange rate. Pressure on the property market and palm oil prices make IOI focus on mitigating a favourable long-term palm oil demand. IOI had

struggles to increase its Certified Sustainable Palm Oil and make it profitable. Because of this suspension the company now faces pressure on their share price which could be damaging for their market position. Biofuel producer Neste Oil already stopped buying palm oil from IOI because the company did not comply with the RSPO P&C (Chain Reaction Research, 2016). After the official decision from the CP to suspend IOI, several other big companies and buyers from IOI stated that they would source out palm oil from IOI. Nestlé, Mars, Unilever and Kellogg are cutting back supplies of palm oil from IOI (Burrows, 2016). Nestlé stated doing business with IOI for the time being, but is watching developments before further decisions are made. Mars' stated that it will not source palm oil from IOI Loders Croklaan while the suspension is in place. Unilever stated to disengage with IOI over the coming months. Kellogg immediately moved most of its palm oil supplied by IOI to their suppliers. Clare Oxborrow, senior food campaigner of Friends of the Earth reacted to the suspension of IOI by stating that they have been raising an alarm over the serious environmental and human rights impacts of the operations of IOI in Malaysia six years ago and that the RSPO is now finally taking action (Burrows, 2016).

Several NGOs have singed a resolution that was critical on the fairness, transparency and impartiality within the grievance system of the RSPO. The RSPO General Assembly accepted this resolution with a large majority. IOI was already forced to comply with the P&C in 2015 and threatened with suspension, which did not occur until now. Late March of this year, the IOI's membership was frozen. This took two formal complaints that were filed to RSPO's Complaint system and numerous reports of NGOs and civil society organizations. IOI still denies some of the allegations such as its involvement with fires to clear land. The company was obligated to not cell certified palm oil anymore (Chain Reaction Research, 2016). IOI submitted an action plan on 23 March that was accepted by the RSPO (RSPO Case Tracker, 2015).

After its suspension, IOI challenged the RSPO board stating it had been 'unfairly affected' by the suspension. The company filed a lawsuit to the green bodies that pushed its suspension from certification of sustainable palm oil (Vaughan, 2016). In April of this year, the RSPO however stated that it would reverse the suspension of IOI, claiming it was 'satisfied' with IOI's action plan to improve sourcing practices (Baldwin, 2016). The events after the suspension of IOI will be further elaborated within the next chapter.

Conclusion

Within this chapter it has come to fore that IOI claims to be a 'responsible' corporation that takes the inclusion of its stakeholders very serious. The company claims to reach sustainability through minimizing its input and maximizing its output. The company acknowledges that a total economic focus for reaching its objectives within the RSPO is not sufficient. The company's objective to sustain a long term market share with growing volume and being profitably goes hand in hand with some CSR statement about environmental and social aspects of the production of palm oil. The main critique on the company made by NGOs is that it neglected these CSR statements. What is important is that while both parties must reach consensus on standard-setting within the RSPO, the company does this by changing its CSR statements without creating strict guidelines to implement these statements. IOI denies many of the allegations made by several NGOs and even challenged the RSPO within a court case. This shows how the process of standard-setting is turning into a political struggle between stakeholders with different objectives. This chapter shows that the implementation of standards is differently perceived by NGOs and companies within the RSPO.

5. Strategic engagement and the use of governance resources by IOI and other stakeholders within the RSPO.

Within this chapter I will discuss two strategies of legitimation; strategic engagement and the use of governance resources to gain leverage within discussions of the RPSO. I will discuss strategic engagement through analysing patronage politics. The strategic use of governance resources will be elaborated through analysing the use of facilitators and expert knowledge within discussions. This chapter will have a focus on IOI Group, however other stakeholders within the RSPO are also analysed. First I will discuss how family ties are used within IOI using the concept of patronage politics. Through the use of family ties the company is holding decision-making power to a small amount of relatives. I will elaborate how this powerful position affects the access to resources and other actors that can be addressed to achieve leverage within discussions of the RSPO. Furthermore I will elaborate how the use of facilitators and expert knowledge is used as a means of leverage within discussions concerning IOI's suspension from the RSPO. I will analyse how IOI, downstream partners of IOI and NGOs use consultancy firms to provide 'evidence' to claim a certain reputation. I will also discuss how facilitators are used as a managerial practice within discussions of the RSPO. By doing all this I will elaborate how strategies of legitimation are contributing to gain leverage within discussions and reach individual objectives of stakeholders within the RSPO.

5.1 Strategic support: patronage politics

IOI's board consists of prominent members such as Group Executive Chairman, Tan Sri Dato' Lee Shin Cheng, which wealth is reported to be 14.9 billion in February 2008. Most of IOI's shareholders are family-based. Cheng's wife and their two sons control a high percentage of IOI's interests through progressive Holdings Sdn Bhd, which is the real estate company of IOI. In 2008, three of the 26,562 shareholders of IOI, controlled 44.32% of the total holdings (Mason, 2011). When voting occurs, family members will have a real means for leverage. Familiarity with cultures within Indonesia and Malaysia lowers transaction costs and develops trust and cooperative behaviour between local and foreign investors (Djama, 2010). IOI has a history of prominent Malay board members such as Datuk Hj Mohd Khalil B Dato' Hj Mohd Noor, which have strong connections with the national government (Djama, 2010). Through these connections IOI not only has leverage when it comes to voting, it also gains access to governance resources that the government can provide. This is important for companies in relation to gain planning permits or access to land to create their plantations. Through these connections, board members can use their influence and resources to gain

support and assistance or personal services from their clients. IOI's two main shareholders are Tan Sri Dato' Lee Shin Cheng and Dato' Lee Yeow Chor, both holding an interest of 39% of total share value.2 in 2009, Dato' Lee Shin Cheng was listed by Forbes as the third richest man in Malaysia and is CEO of the 50th largest company of Malaysia (Varkkey, 2012). The RSPO strived to *"Transparency should be the rule, confidentiality the exception"* (RSPO, 2016). However, it is hard to get insight in company practices due to the non-official agreements between these patrons with strong patronage ties and their clients.

These CEO members of IOI have been in the spotlight by many statements concerning IOI's suspension. As said above, shortly after the suspension was officially initiated by the RSPO, IOI filed a law suit against the green bodies that perused the suspension. Dato' Lee Yeaow Chor stated that *'the decision to challenge the RSPO board's suspension decision is a difficult and painful one for us to take'* and that *'IOI has gone beyond the requirements of RSPO by signing an industry manifesto which specifies no HCS deforestation, no planting on peat and driving positive socio-economic impact for people and the communities.'* Datuk Darrel Webber, secretary general of the RSPO was mainly concerned with the amount of time and money that will be spend on the process and stated in a memo that *'IOI suffered commercial and governance losses as a result of this injustice'* (Vaughan, 2016). Furthermore this leaked memo of The Guardian revealed that IOI *'prefers to keep this legal action kept low profile'*. Webber wrote that it is was insured against claims of this character up to 10 million Malaysian ringgit (around 2,5 million dollar) and that *'whilst the situation is serious, I do not feel it is something to be overly worried on... The claims made are simple enough to counter'* (Jacobson, 2016). However Richard George, head of forests at Greenpeace UK stated *'no one should be surprised that IOI has chosen to bully its critics. The RSPO and its members must meet this intimidation head on by excluding IOI until it has cleaned up its act and repaired the forests and peatlands it has destroyed.'* This law suit was however withdrawn by IOI stating that *'since the filing of the challenge proceeding, IOI has engaged with many of our stakeholders such as customers, NGOs and RSPO to resolve this matter.'* This refers to IOI chosing ProForest as a sustainable partner to solve the matter; because IOI was heavily criticized by green groups such as Greenpeace Indonesia. IOI however stated that the lawsuit *"is a last-resort measure to draw serious attention to the weaknesses in the decision-making process in certain parts of the RSPO"* (Shah, 2016). Still, before going through with filing the lawsuit, IOI suddenly reversed the decision and acknowledged that it had not played by RSPO's rules but did not want their downstream processing plants to be affected (Shah,

2016). On March 23, IOI submitted its first action plan and a legal review of its actions to resolve its issues with the RSPO. Only after revising this plan and submitting a renewed Action Plan, the RSPO accepted the promised actions. IOI presented a Memorandum on their sustainability policy initiatives and resource deployment. This initiative, according to IOI, shows their *'commitment and support towards the sustainability principles and the work of RSPO, an organisation of which we are a founding member and on whose Board we have been serving for 10 years already'* (IOI Group, 2016). This flow of communication shows that IOI is reaching out to prove its 'sustainable' position mentioned before although going against RSPO's decision to suspend the company. Within the discussion it repeatedly refers to its CSR statements and commitment to the RSPO. At the same time the company is going against the decision of the RSPO to suspend the company. Within this discussion, it is clear that the company is seeking leverage within the discussions on its 'sustainable' reputation.

Loders Croklaan, a downstream company of IOI and supplier of Nestlé, supported IOI in 2009 to make new company targets. The plan, 'taking responsibility' was well received by the whole corporation and implemented in the beginning of 2015. It was controversial that IOI counters allegations through using its own Environmental Impact Assessment, but also that it still strives to implement more ambitious CSR policies (IOI Loders Croklaan, 2016). It is noteworthy that IOI first denied allegations from Aidenvironment in 2015, while now stating to make *'corrective actions to review and enhance its sustainability practices'*. This by rehabilitating affected areas, improving fire fighting capabilities and engaging consultants to advice on relevant Indonesian laws and regulations. Loders Croklaan supported the new action plan. Here we see how a downstream partner of IOI is strategically supporting the companies' sustainable practices. In this case, IOI gained support from powerful companies for its new CSR policies, which is a means of leverage within the discussions on IOI's sustainability performance.

A couple of weeks after these allegations IOI seemed to restrain its reputation as a 'responsible corporate citizen' and made changes in their Sustainability Policy Statement by submitting a Sustainable Palm Oil Manifesto (SPOM) applying to IOI Loders Croklaan. This SPOM stated that IOI Loders Croklaan is *'a responsible, global palm oil processor'* and that their High Carbon Stock Study takes *'into consideration both the environmental and socio-economic elements of palm oil production'*. Milieudefensie claimed that IOI did not consider avoiding peat land that had only a depth of 1-2 meters, so the company changed the

sustainability claim in 'protect peat areas regardless of depth in new developments'. Furthermore the SPOM stated that 'no deforestation should happen through the conservation of HCS forest (IOI Sustainability Policy Statement, 2016).' The RSPO already stated on their website that failures to deliver the required proposal could result in suspension of IOI's license to certify palm oil (RSPO News and Events, 2012).

Unilever, one of the major clients from IOI made a statement that it would still buy palm oil from IOI's mills if they had been certified as green. Jan-Kees Vis, global director of sustainable sourcing development at the Anglo-Dutch consumer goods giant stated that '*IOI can still trade the oil from mills certified in the past*'. The director however did not want to make a statement about how much palm oil IOI delivers the company. Four mills of IOI have been certified green by the RSPO, three have been audited and five remain scheduled for auditing (Koswanage, 2011). Still, a while after the official suspension, Unilever apparently stopped supporting IOI by cancelling its contracts with the company. It stated that only after seeing *'tangible progress and on-the-ground implementation'* of the declared action plan by IOI it will resume sourcing (Unilever Investor Relations, 2016). Furthermore the company stated that they '*reiterate that we expect the highest standards from all of our suppliers and only source from suppliers who demonstrate strict adherence to the Unilever Sustainable Palm Oil Policy.'* Before Unilever cancelled its contracts with IOI, a Greenpeace campaign was organized to pressure companies to cancel their contracts with IOI.

5.2 The use of facilitators and expert knowledge.

Even though parties have to comply with the criteria set by the RSPO these standards were approved with the help of facilitators that would mediate between the industry and NGOs. ProForest, an NGO that helps managing and sourcing natural resources in a sustainable way and is known for its militant character was a facilitator between the industry and NGOs in the beginning of the RSPO Roundtable meetings. ProForest was known to have no industrial interests but with technical expertise tried to mediate between the parties and remove heatedness from the discussions. This mediation is a form of strategies of legitimation that provide the RSPO with an 'objective' character because they set up an open dialogue focussed on reaching consensus. Furthermore ProForest relied on two studies, one about the debates on the relations between deforestation and the expansion of palm oil plantations and the other about the mechanisms for the creation of sustainable palm oil production standards. Together with audits and criteria from Migros (a Swiss retail company) and sources from the

agro-food industries it formed the standards for the RSPO. When the company wanted to involve scientists and technical experts within the debate, this was contested by some initiators to be not 'practical' or 'economically feasible' (Djama, 2010). This example shows how NGOs are carefully picked when it comes to reaching certain goals within a debate.

The certification system of the RSPO is implemented while relying on certification bodies. Certification bodies (CB) which are independent auditors or operations based on standards that are again subject to a set of values. The certification system of the RSPO works as follows: when a company is willing to expand company, it makes an appointment with a CB that is listed and which practices are accepted by the RSPO. This CB makes an assessment on the ground using the National Interpretation of the P&C and provides consultation through contact with relevant stakeholders such as communities, NGOs and workers. During some time after this assessment the public can comment on the arranged plans. When an auditing party fails to meet criteria, a Corrective Action Request (CAR) is raised by CBs. CARs are action plans that sometimes have to be carried out within a specific time frame for instance documentation about implementation. The CB comes forward with a report that states whether the company fits certification standards. Certificates are valid for 5 years, and are annually reviewed. This CB based certification system is not in place without weaknesses. For instance IOI Plantations remained certified despite the complaints filed against them. Together with the user-pays arrangements of auditing parties, this raised questions about RSPO's integrity before (Fernandez, 2011).

Concerning the case of IOI in West Kalimantan that led to the suspension of the company, this system was not used very often concerning the complaints that had been filed through RSPO's complaint panel (CP). Only two official complaints have been investigated by the RSPO's CP; these concern the complaint made by Aidenvironment and Greenpeace. Greenpeace, together with 11 other NGOs, filed an official complained in 2010 concerning clearance of peatland, HCV forests and illegal production expansion by IOI. Aidenvironment filed a formal complaint in 2015 against IOI concerning deforestation without required plantation permits, deep peat clearance, the connection between peat land fires and drainage of conservation areas. Six years after NGOs first pressured IOI, the RSPO has found fulfilling evidence to pressure IOI to take action. Although these complaints were filed against IOI, ground activity was still going on according to the Greenpeace 'Burning Issue' report of 2016 (Greenpeace International, 2016). However, Greenpeace got verbal assurance from Dato Lee

that the company was committed to stop clearance of peatlands and forests within BSS. Furthermore Dato Lee refers to the SPOM report (a reaction on the 'To Green To Be True' report of Aidenvironment) should have supported the companies *'commitment to halt clearance of peat land and potential HCS areas applies to all our active concessions'* and *'PT BSS is the only concession where IOI is currently clearing land'* (Greenpeace International, 2016). In IOI's 'Taking Responsibility' report of late 2014 it states to rehabilitate areas that have been 'accidentally cleared' in the past (Aidenvironment, 2015).

In 2014 IOI consulted Aksenta to investigate the well-being of communities BSS and identify HCV areas including doing an investigation on peat land management. As a result the company found that half of the concession area burned in 2014 alone, including 141 hectare of a 'restoration area'. In 2015 another 1700 hectare burned in BSS including most of this 141 hectare of the 'restoration area' (RSPO, 2014).

Reports of NGOs in this matter are based on physical evidence such as satellite images, field investigations and reviews from reports. While IOI also uses reports from hired consultancy firms, it mainly adapts statements within their CSR policy statements and sustainability claims when being criticized by NGOs. IOI subsequently sued and dropped cases against the RSPO. The company used consultancy companies to support its sustainability claims. IOI used Malaysian-based non-profit non-governmental organization Global Environment Centre (GEC) to support the statement of IOI that it was complying with RSPO's P&C and especially the P&C regarding peatland, HCV and fire-management. This consultancy company is not listed and accredited by the accreditation services international (ASI) of the RSPO, which means that it is not annually reviewed by the RSPO.

In 2015 IOI consulted Aksenta again to support its claim that deep peat areas had been cleared because 'severe degradation has decreased their conservation value'. In a land clearance progress report Aksenta pointed out that peatland clearance was stopped immediately on 14th February of 2014, which is supporting the companies' commitment end peatland clearance. Greenpeace, with the help of consultancy company Landsat, images that show progress of land clearing and development of canals within this area (Greenpeace International, 2016).

IOI used these consultancy firms to gain leverage within the discussion on its sustainability performance. It used the 'expert knowledge, a governance resource, supplied by these consultancy firms as a means of leverage.

Conclusion

Through family ties IOI givers direct family members great decision-making power. By performing patronage politics the direct family of Group Executive Chairman, Tan Sri Dato' Lee Shin Cheng gains leverage when voting occurs. This is a form of strategic engagement within the direct family. IOI also has many business men in high functions that used to work for or had connections with the national government of Indonesia. This creates access to governance resources the government of Indonesia can supply for the company. Aside from this, IOI and its downstream partners also strategically engage with each other. Throughout this chapter downstream partners of IOI first supported the company making positive statements about its sustainability performance, while suddenly stopping the support for the company a while after the suspension when a report of Greenpeace came out stating that downstream partners should not buy palm oil from IOI. This indicates that the support of downstream partners for IOI is strategically based. Expert knowledge and facilitators are governance resources that are being used within reports of NGOs and IOI to strengthen their claims within the discussion on IOI's suspension. ProForest is a consultancy firm that was hired as a facilitator to neutralize the debate between NGOs and companies, which indicates that the 'consensus' formed by the RSPO is based on managerial practices. Expert knowledge or 'evidence' is used by both NGOs and IOI to create leverage within the discussion whether IOI's sustainability performance is complying with RPSO's standards. Through using these governance resources, the discussion had become subject to strategies of legitimation by stakeholders of the RSPO.

6. Discussion and conclusion.

The emergence of the RSPO is market by political struggle over standard-setting. Within this thesis I have argued that within MSIs such as the RSPO, this political struggle occurs through the contradictory objectives of its stakeholders. Within this political struggle two main parties stand out to have different objectives within the RSPO: NGOs and companies. Within this political struggle companies strive to achieve long-term market share and profitability. NGOs on the other hand deal with the struggle of presenting economic incentives to attract companies in order to have a sustainable influence within the palm oil supply chain and stricken rules and guidelines in order to implement further environmental and social regulation within the palm oil sector. By showing the differences within the objectives of stakeholders within the RSPO, I have shown incentives form stakeholders to use strategies of legitimation to create leverage within discussions and to find support for their individual goals. By applying the first two phases of Bernstein and Cashore (2007) i have shown that the reach for 'consensus' between stakeholders, that is claimed by the RSPO to be the power of its rule-making position, is subject to strategic engagement and the strategic use of governance resources. Mediators and consultancy firms are used as governance resources to neutralize the debate over standards between NGOs and companies. This causes the 'consensus' claimed by the RSPO to be subject to strategies of legitimation and moving away from a 'political will' to create standards.

Within the process of standard setting within the RSPO, NGOs and companies use strategies of legitimation to reach their individual objectives. These strategies of legitimation consist of governance resources, which are bound to the power position the stakeholder has. This includes other actors within their network that support the stakeholders' objectives. Furthermore governance resources are used which are, in the case of the RSPO, often consultancy firms that deliver 'evidence' in the form of field work or legal investigations that support the claim of the stakeholder. These concepts go hand in hand with the concept of strategic support, whereby patronage politics is used to create support for the objectives of a stakeholder.

When it comes to the case of IOI, I have shown how strategies of legitimation are contributing to the achievement of its objectives and how IOI relates to its surrounding actors. By studying one company in particular, much of the strategies of legitimation to sustain a certain reputation and market share become visible. IOI used consultancy firms to provide 'evidence'

within the discussion of its sustainability performance with NGOs. While NGOs claimed that IOI had not followed its CSR statements and RSPO's standards within certain districts, IOI hired consultancy firms to supply counter 'evidence' to show it could not be held responsible for some of the claims made by NGOs.

IOI did have CSR statements about environmental and social aspects of producing palm oil. However, these have been claimed not to be implemented by various NGOs. The company was suspended by the RSPO in reaction to the six years of allegations by numerous NGOs and two official complaints through the RSPO complaint panel by Aidenvironment and Greenpeace. When looking at the communication and statements between the company and these NGOs, the company and its clientele, the RSPO and NGOs outside of the RSPO network, strategic engagement is showing. Shortly after the suspension IOI denied allegations and its clientele supported its purchase of IOI's products. Some part of the clientele quickly reacted and immediately moved purchase from IOI to other suppliers. IOI even undertook measures to sue the RSPO after quickly dropping its cases again and again. When it comes to uphold a certain 'sustainable' reputation, strategic engagement is very important for IOI. Through patronage politics, the CEO board of IOI made sure that voting power was high within the direct family. By doing this the company created leverage within the decision-making process of the company. This form of strategic engagement was combined with many prominent business men being involved with the national government of Indonesia, which could also provide the company with access to governance resources.

Although MSIs such as the RSPO claim to represent various stakeholders and reach for a consensus among them, within this thesis I have shown that this goes hand in hand with political struggle. Acknowledging the different standpoints of stakeholders within the RSPO has given me the opportunity to analyse incentives of the use strategies of legitimation within discussions of the RSPO. The RSPO has been described to operate within a 'governance gap', but it does not require immediate legitimacy from that. It requires other actors to comply and support the network. Therefore the company will always seek for support, which I have argued to be strategically based. This is something I will argue that needs further attention. Many scholars have written about the functioning of the RSPO as a whole, but as Castañeda (2012) claims; comparing the result on the ground with the process of creating sustainability standards by individual stakeholders, taking strategies of legitimation into account, creates a broader perspective on the functioning of the RSPO.

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