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Tap Dancing Around Sustainability: The Case of Palm Oil Key Stakeholders

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Tap Dancing Around Sustainability: The Case of Palm Oil Key Stakeholders

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Content

Content	ii
List of Figures	iv
List of Tables	iv
Abstract	v
Summary	vi
Abbreviations	vii
1. Introduction	1
1.1 Oil palm plantation and its impacts	1
1.2 Sustainable palm oil initiative	1
1.3 Problem formulation	2
1.4 Aim and research questions	3
1.5 Delimitations of the study	3
1.6 Outline	4
2. Method	5
2.1 Choice of research design	5
2.2 A literature review	5
2.3 Empirical approach	6
2.3.1 Unit of analysis	6
2.3.2 Approach and data collection	6
2.3.3 Data analysis	7
2.4 Critique and quality assurance	8
2.5 Ethical consideration	9
3. Theoretical framework	10
3.1 Stakeholder theory	10
3.1.1 Stakeholder approach in strategic management	10
3.1.2 Engaging fringe stakeholders	12
3.1.3 Stakeholders role in CSR	13
3.1.4 Stakeholder influence strategies	14
3.2 CSR and Value Chain frameworks	15
4. Results	18
4.1 Background empiric	18
4.1.1 Implementation of ethical sourcing code of conduct in three sectors	18
4.2 Empirics	19
4.2.1 Global production and consumption of palm oil	19
4.2.2 Palm oil supply chain network	21
4.2.3 RSPO certification scheme	24
4.2.4 Case Study	27
5. Analytical discussion	40

5.1	Analysis	40
	5.1.1 Important key stakeholders	40
	5.1.2 Stakeholders' influence strategies	42
	5.1.3 Implementation of ethical sourcing initiatives in companies.....	43
5.2	Discussion.....	44
	5.2.1 The palm oil key stakeholders roles	45
	5.2.2 The effects of upstream and downstream conditions to the Swedish initiative	46
6.	Conclusion and further research	47
6.1	Conclusion	47
6.2	Further research	48
	Acknowledgement.....	49
	References	50
	Appendices	54

List of Figures

Figure 1.	Stakeholder map of a very large organization.....	13
Figure 2.	Stakeholders: Core and Fringe	14
Figure 3.	Corporate stakeholders	15
Figure 4.	Looking inside out: Mapping the social impact of the value chain.....	19
Figure 5.	World major producers of palm oil	24
Figure 6.	World major consumers of palm oil.....	24
Figure 7.	Palm oil supply chain network	26
Figure 8.	Interplay between institutional arrangements in supply chain of FFB and land use.....	27
Figure 9.	Cost and complexity of RSPO certification scheme	30
Figure 10.	Fazer's palm oil use by country	42
Figure 11.	Fazer's responsible palm oil status.....	43
Figure 12.	The important key stakeholders	48
Figure 13.	The key stakeholders influence strategies	49
Figure 14.	The key palm oil stakeholders value chain activities	51
Figure 15.	The framing of the palm oil key stakeholders with their roles in this study	52

List of Tables

Table 1.	Swedish palm oil key stakeholders that participated in this study.....	8
Table 2.	Quality assurance measures for validity and reliability of the study results	10
Table 3.	Typology of influence strategies	16
Table 4.	Palm oil use by member-state and sector	25
Table 5.	KTF's important stakeholders	34
Table 6.	The Swedish Food Federation's important stakeholders	36
Table 7.	Kicks's important stakeholders	40
Table 8.	Världsnaturfonden's important stakeholders.....	41
Table 9.	Fazer's important stakeholders.....	44
Table 10.	Croda's important stakeholders.....	46

Tap dancing around sustainability: the case of palm oil key stakeholders

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Abstract

The Swedish Initiative on Sustainable Palm Oil in food and cosmetic and detergent industries has emerged in 2014 following other EU national initiatives. This thesis project aims to explore the condition of the initiative by examining who the key important stakeholders are and how these palm oil key stakeholders in Swedish market develop and implement their Sustainable Palm Oil Initiatives. A qualitative approach using case study technique is used to guide the study and supported by a combination of several theoretical frameworks, such as stakeholders' theory and the value chain concept to address the research questions. Rooted from six organizations as study cases, the study found that the key important stakeholders for these organizations in developing and implementing the initiatives are retailers, suppliers, consumers, trade associations, and Non-Governmental Organizations. Furthermore, the study also found that these six organizations use ethical sourcing tool based on Roundtable on Sustainable Palm Oil certification scheme to implement the Initiative in their respective member companies. As authorisers, the Swedish Food Federation and the Swedish Cosmetics, Detergents and Toiletries Association developed Palm Oil Working Group and a simple platform for their member companies both in Swedish food and cosmetic and detergent industries in order to spread and manage the initiative. Världsnaturfonden, on the other hand serves as an external influencer that conducts lobbying and facilitations to support Swedish companies to use certified segregated palm oil products to drive responsible palm oil production. The results show that Kicks, Croda, and Fazer facilitate the operationalization of ethical sourcing initiative throughout their primary and supporting value chain activities. In addition, intertwined relationship between upstream and downstream parts of palm oil supply chain networks influences the outcome of the Swedish Initiative on Sustainable Palm Oil in spreading the initiative toward market transformation in Sweden.

Keywords: ethical sourcing, food & cosmetic industries, influence strategies, palm oil, sustainable palm oil initiative, sustainable development, stakeholder theory, stakeholder roles, value chain activities

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Summary:

This thesis project aims to explore the condition for an industrial initiative on sustainable palm oil in Sweden by examining who the key important stakeholders are and how these palm oil key stakeholders in Swedish market develop and implement their Sustainable Palm Oil Initiatives.

A qualitative approach using case study technique is used to guide the study and supported by a combination of several theoretical frameworks, such as stakeholders' theory and the value chain concept to address the research questions. The thesis is consists of six chapters.

Rooted from six organizations as study cases, the study found that the key important stakeholders for these organizations in developing and implementing the initiatives are retailers, suppliers, consumers, trade associations, and Non-Governmental Organizations. Furthermore, the study also found that these six organizations use ethical sourcing tool based on Roundtable on Sustainable Palm Oil certification scheme to implement the Initiative in their respective member companies.

By understanding on who the key important stakeholders are and highlighting their respective roles in the implementation of the initiatives, this study contributes as a source for understanding on how the key stakeholders in the Swedish food and cosmetic industries develop and implement their Sustainable Palm Oil Initiative. Results imply that these key stakeholders, in developing and implementing their initiatives, collaborate with each other within and outside of the industry based on their roles to promote RSPO certification scheme as an ethical sourcing tool. Furthermore, this study also can be used as supplementary knowledge and information for further research on sustainable initiatives in the same or other sectors and other market.

Keywords: ethical sourcing, food & cosmetic industries, influence strategies, palm oil, sustainable palm oil initiative, sustainable development, stakeholder theory, stakeholder roles, value chain activities

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Abbreviations

CSPO	:	Certified Sustainable Palm Oil
CSR	:	Corporate Social Responsibility
EU	:	European Union
FFB	:	Fresh Fruits Bunch
FSC	:	Forest Stewardship Council
HCV	:	High Conservation Value
HCS	:	High Carbon Stock
H&PC	:	Home Care and Personal Care
LI	:	The Swedish Food Federation, http://www.livsmedelsforetagen.se/
KTF	:	The Swedish Cosmetics, Detergents and Toiletries Association, http://ktf.se/
MT	:	Metric Tonnes
MTI	:	Market Transformation Initiative
NGO	:	Non-Governmental Organisation
P&C	:	Principles and Criteria
RSPO	:	Roundtable on Sustainable Palm Oil, http://www.rspo.org/
SAP	:	Systems Applications and Products
SEDEX	:	The Supplier Ethical Data Exchange, http://www.sedexglobal.com/
UN	:	United Nations
WRI	:	World Resources Institute
ZSL	:	Zoological Society of London

1. Introduction

As an introduction part, backgrounds of research topic and problem formulation are presented, and then it is followed by aim and research questions and delimitation of the study.

1.1 Oil palm plantation and its impacts

Over the past four decades of oil palm plantation development, there have been continuing forces from the international community, especially in the west, to pressure producing countries (e.g., Indonesia and Malaysia) to adopt more sustainable means of producing palm oil (Mollman, 2015). Yet, with the growing attention to and awareness of sustainable production and consumption of palm oil, the industry still benefits from increasing global demand for this versatile vegetable oil. It is estimated that the projected global market demand of palm oil products would continue to grow from 51 million tonnes/year today to between 120 and 150 million tonnes/year in 2050(RSPO, 2015a, 2).

However, the increasing oil palm plantation development to produce palm oil products to meet the global market demand has significant adverse impacts to the environment and social aspects. One of the undesired effects relates to one functionalities of Borneo landscape in Indonesia and Malaysia from being a carbon sink to a carbon source (Folke *et al.*, 2011). The change to landscape functionalities have been shown by, among others, incidences such as the massive fires that ravaged several provinces in Indonesia's Sumatera and Kalimantan, particularly in peatland areas, that occurred from the period of June to September/October 2015(Chatterjee, 2015). These massive fires have created extremely hazardous smoke and haze problems that adversely affected the environment, social and economic aspects of not only the local areas but also of the neighbouring countries such as Malaysia, Singapore and Thailand (*ibid.*). The haze and fire problems have indeed occurred every year; however, this 2015 fire problem has been particularly pronounced and fires have become very difficult to put out. This is, in past, explained by the strong episodic El-Niño event in 2015 that brings extreme drought and had exacerbated the characteristics of the peatland that is prone to fire and it would make it difficult to put out once it's burning. Some evidences on fire hotspots show that some fires were found in concession areas and were caused by corporations as well as small-holders that use illegal slash-and-burn method to clear vegetation as part of the land clearing process to make ways for oil palm and pulp and paper plantations (*ibid.*). Furthermore, a study in Central Kalimantan, Indonesia (Orth,2007)also highlighted that oil palm plantation development has affected the food sovereignty of the nearby villagers in North Barito District by reducing their opportunities for fishing, hunting, and access to clean water.

1.2 Sustainable palm oil initiative

In response to sustainability challenges, the battle to combat unsustainable palm oil production continues to ring the alarm; this ranges from extreme gestures (such as boycotting products that contain any palm oil) to soft actions (such as reconciling the issues by buying only certified sustainable palm oil products). For instance, the French Minister of Ecology, Sustainable Development and Energy, Segolene Royal, had recently urged people concerned about global warming and deforestation to stop consuming NutellaTM because it contains palm oil(Kroger, 2015). Meanwhile, through a having dialogue approach on a multi-stakeholder platform (i.e., Roundtable

on Sustainable Palm Oil/**RSPO**¹) and by building consensus between all stakeholders that are involved in the palm oil industry, they have been working together to overcome the issues and are committed to stand for sustainable palm oil (RSPO, 2015a). Results of such dialogues and consensus approaches is the national Sustainable Palm Oil Initiatives that were founded in several countries in the European Union (EU) such as in Germany, France, Austria, Switzerland, United Kingdom, Belgium, the Netherlands, Norway, Denmark and Sweden. They are working towards a shared vision for 100% sustainable palm oil in Europe by 2020. The national initiatives in these consumption countries have all endorsed RSPO supply chain certification scheme as the criteria to buy sustainable palm oil products.

Following the EU national initiatives, in Sweden, the Swedish Food Federation (*Livsmedelsföretagen/LI*) has set up the Swedish Initiative on Sustainable Palm Oil in 2014 (RSPO, 2015a, 11). The initiative has an ambition to achieve 100% certified sustainable palm oil (CSPO) in the Swedish food sector by the end of 2015 via the RSPO supply chain certification system (*ibid.*, 11). Moreover, one of the members of the Swedish Food Federation Lantmännen, a consumer goods manufacturing company, has been implementing its sustainable palm oil strategy since 2007 and is committed to only buy 100% RSPO certified palm oil by 2015 (Lantmännen, 2015). From the example of these two organizations, it can be stated that the sustainable palm oil initiatives in Sweden use a tool, the ethical sourcing code of conduct that is produced by RSPO, to manage and promote their sustainable palm oil initiatives in Swedish market. Therefore, since the Swedish initiative has only started a few years ago, it is crucial to explore and understand how these key stakeholders develop, manage, and achieve their ambition to influence market in Sweden toward sustainable palm oil.

1.3 Problem formulation

The key stakeholders in the Swedish palm oil industry, as illustrated above, are mainly from companies in food and cosmetic industries, trade associations, and NGOs, in which, they might have the same ambition but also might have different experience in terms of the implementation of their sustainable palm oil initiatives in the Swedish market (RSPO, 2015, 11). Therefore, their responses through the implementation of the initiative in their internal organizations vary based on their respective fields and their roles in the Swedish palm oil industry. Furthermore, the key stakeholders might also have different viewpoints on other stakeholders (e.g., suppliers, employees, owners, academics, customer groups, media, etc.) that might have important roles in the implementation of their sustainable palm oil initiatives.

Based on the key stakeholders' different roles and how they view other stakeholders, it implies that in order to develop, implement, and manage their initiatives on sustainable palm oil throughout the Swedish market, it requires more than just adopting an ethical sourcing scheme. As Robert (2003, 164) stated: to be successful in implementing ethical sourcing, an organization should be supported by its capabilities and culture of the procurement function and it is supported both from across the

¹ Roundtable on Sustainable Palm oil (RSPO) is a not-for-profit organization that unites stakeholders from the seven sectors of the palm oil industry: oil palm producers, processors or traders, consumer goods manufacturers, retailers, banks/investors, and environmental and social non-governmental organisations (NGOs), to develop and implement global standards for sustainable palm oil. The RSPO has developed a set of environmental and social criteria which companies must comply with in order to produce Certified Sustainable Palm Oil (CSPO). See www.rspo.org.

organization and from other supply network members. Furthermore, in order to be able to effectively implement their CSR, companies also need to have a good understanding of who their stakeholders are and what their expectations are (Roberts, 2003, 161). In addition, to develop and implement their ethical sourcing strategies, companies that consume palm oil need to connect all of these factors into their internal strategies and activities through their value chains (Porter & Kramer, 2006).

1.4 Aim and research questions

The aim of this project is to explain the condition for an industrial initiative on sustainable palm oil. The project also account for how the palm oil key stakeholders translate their initiatives into their internal organizational processes. The logic behind this study is that the key stakeholders that have committed to implement sustainable palm oil initiatives have different roles in Swedish palm oil industry and therefore, they might look at different groups of stakeholders with different considerations; hence, the implementation of the initiatives as reflected in their internal organizational processes could be different based on their preferences, resulting in potentially different consequences and outcomes.

Therefore, research questions of particular interest for this project are:

1. Who are the key important stakeholders?
2. How do the palm oil key stakeholders translate their sustainable palm oil initiatives into their organizational processes?

1.5 Delimitations of the study

The thesis project is about exploring and understanding how an industrial initiative on ethical sourcing is implemented on the Swedish market. I study the initiative through how the key stakeholders view other stakeholders and how they develop and implement their initiatives into their internal organization. This study does not specifically explore the relationships between an organization and its stakeholders in Swedish palm oil industry nor the dynamic relationships between all actors in Swedish palm oil industry supply chain. Therefore, the concept of supply chain is not given priority.

There are various groups of stakeholders in the Swedish palm oil industry that either directly use palm oil for their businesses or are not using it at all but have concerns on sustainable palm oil issues. Thereby, with regard to the palm oil key stakeholders in the Swedish market to be selected as respondents for this study. I focused on the stakeholders that specifically are involved in sustainable palm oil initiatives in Sweden. However, to get the respondents that are representative from various groups of stakeholders could be a challenge, due to the fact that the sustainable palm oil initiative in Sweden had only started a few years ago. This could mean that organizations that are directly or indirectly involved in the initiative may not have set up or may not have had any sustainable palm oil initiative yet in their organizations. As a result, this study may not be able to

cover the entire group of stakeholders in Sweden. Furthermore, the thesis project is also limited by the available time allocated for the data collection process, which is about two months; and this could also be a challenge to reach all of the relevant respondents.

There are also theoretical delimitations of this study, in which, the stakeholder concepts that are used were developed based on company's point of view where collaborations between stakeholders within and across industry sector are less discussed and focused on.

1.6 Outline

The thesis consists of six chapters. Chapter 1 describes the background for the study, problem formulation, study objective, research questions, and delimitation of the study. In Chapter 2, the method used in the study are explained, where choice of research design, data types, data collection processes, and data analysis are accounted for, including topics on quality assurance and ethical considerations. Chapter 3 accounts for the theoretical frameworks that are used to address the research questions. Meanwhile, Chapter 4 presents the empirical findings of the study that were gathered through literature reviews, and primary and secondary data collection. Chapter 5 consists of analysis of the study and the consequential discussion, respectively. Lastly, Chapter 6 concludes the study results and some recommendations for further research are given.

2. Method

In this chapter, the choice of research design, literature review, empirical approach used for data collection and analysis, and ethical consideration are explained in the section 2.1 to 2.4.

2.1 Choice of research design

The study explains how the condition of an industrial initiative on sustainable palm oil in the Swedish palm oil industry is developed and implemented, in which non-numerical data such as organizations' stakeholders; their strategies and activities are analyzed to understand the implementation of the initiatives. Therefore, a qualitative approach using case study technique is employed as a strategic research design (Robson, 2011).

The choice of research design is supported by Robert Yin's (2009) definition of case study approach in Robson (2011, 136) that pointed out, "*case study is a strategy for doing research which involves an empirical investigation of a particular contemporary phenomenon within its real life context using multiple sources of evidence.*" Reflected from this definition, it implies that the project basically aims to explore and understand a phenomenon of the sustainable palm oil initiative in the Swedish palm oil industry through various sources of evidence ranging from the stakeholders themselves who have different roles, to the stakeholder's strategies and activities to carry out the initiative in their internal organizations.

2.2 A literature review

The literature review provides a framework for the research and it helps to identify the area of knowledge that is intended to expand for the study (Marshall & Rossman, 1999, 43). Moreover, the review of the literature shows that the researcher has determined some gaps in previous research and thus the proposed study will fill these gaps (*ibid.*).

In this study, the focus of the literature review is placed on the previous research on the ethical sourcing code of conducts in other sectors, global production and consumption of palm oil, and palm oil supply chain network.

2.3 Empirical approach

In this section, the operationalization of the project is explained through describing the unit of analysis that is used in the study, including data types, data collection methods, and analysis of the data.

2.3.1 Unit of analysis

The palm oil industry in the Swedish market serves as a single case unit of analysis with several levels of analysis as defined by Yin (1994) and Eisenhardt (1989, 4). The key palm oil stakeholders in the Swedish market are identified in terms of what Roberts (2003, 161) refers to as the “roles of stakeholders” with a combination of specific stakeholders in the palm oil industry that are identified by Responsible Research (Bruce & Carmody, 2010). These identified stakeholder groups include food and cosmetic manufacturers, retailers, NGOs, trade associations, academics, journalists, customer groups, and finance institution.

2.3.2 Approach and data collection

This study uses a combination of qualitative and quantitative data, which Robson (2011) argues is suitable for a case study. Data collected from the key stakeholders are qualitative and quantitative data, such as concerns/issues in palm oil industry, their important stakeholders, and their strategies and activities. Primary and secondary data and information for the study are collected. Primary data are gathered through two means: semi-structured interviews with respondents (i.e., face-to-face interviews), and through the question guides distributed to the respondents via email for those who could not be interviewed directly. In order to get a detailed and accurate record of the primary data, direct interviews with respondents are recorded, transcribed, and summarized.

The data collection process spanned from January to March 2016, in which I sent 40 invitation letters via email to all prospective respondents who are palm oil key stakeholders in the Swedish market to request for their participations in this project. These prospective respondents are distributed into 8 groups, i.e., food and cosmetic manufacturers, retailers, consumer groups, trade associations, NGOs, academics, media, and finance institution. In the invitation email, I also provided options for them to choose whether they prefer to be interviewed directly by me or to fill the questionnaire in their own time and to return the completed questionnaire back to me by email. By the end of the data collection period (14th March 2016), I received positive responses from 6 (six) respondents spanning from 4 stakeholder groups: food and cosmetic manufacturers, retailers, trade associations, and NGO. Three of them were directly interviewed and the other three completed the questionnaire individually and sent the results via email. Table 1 offers an overview of the key stakeholders that participated in this study.

Table 1. Swedish palm oil key stakeholders that participated in this study

Organization	Person and Function	Interview date/type	Verification
KTF – The Swedish Cosmetics, Detergents and Toiletries Association	Olof Holmer, <i>Managing Director (VD)</i>	2016-02-09 / Face to face interview	2016-04-26
<i>Livsmedelsföregaten</i> –The Swedish Food Federation	Johan Anell, <i>CSR and Sustainable Manager</i>	2016-02-16 / Face to face interview	2016-04-26
Kicks <i>Kosmetikkedjan</i> AB	Malin Bjurvald, <i>Sustainability Specialist</i>	2016-02-17 / Face to face interview	2016-04-26
<i>Världsnaturfonden</i> , WWF SE	Margareta Renström, <i>Senior Advisor, Market Transformation</i>	2016-03-01 / Sent via email	2016-04-26
Croda International Plc	Chris Sayner, <i>VP Global Accounts</i>	2016-02-28 / Sent via email	2016-04-26
Fazer	Mariana Granström, <i>Senior Specialist, CR</i>	2016-03-14 / Sent via email	2016-04-26

Meanwhile, secondary data are collected through various sources of information such as from organization sustainability reports, statistical databases, published research reports, articles, and other sources that are relevant to the study’s idea. Furthermore, a data triangulation approach is used to help cross-validate and corroborate findings and increase the reliability of the collected data (Yin, 1994).

2.3.3 Data analysis

According to Marshall & Rossman (1999, 150), “*data analysis is the process of bringing order, structure, and interpretation to the mass of collected data*“. In terms of qualitative data analysis, the objective is to make general statements about the relationship amongst categories of data (*ibid.*, 150). Furthermore, in order to conduct qualitative analysis, the researcher needs an approach that can help organize and structure the data. One approach that can be used is thematic coding approach (Robson, 2011, 467).

The thematic coding approach consists of several processes: first, all of the data that have been collected are coded and labelled (Robson, 2011, 467). Since the data that were collected for this study is a relatively small amount of data, the data coding is conducted through the use of different colors and by way of underlining passages on the interview transcripts to highlight specific context

being explored (Marshall & Rossman, 1999, 155). Second, the data that have been coded with the same label are grouped together as a theme, in which, the themes can be determined inductively from chosen theoretical frameworks that are used to address the research questions (Robson, 2011, 467). Third, the data that have been categorized based on the themes would serve as a basis for further data analysis and interpretation (*ibid.*, 467). In addition, several technical tools such as matrices, network maps, flow charts, and diagrams can be used to illuminate the summaries of the themes (*ibid.*, 467). These approaches are used to answer the two research questions that I posed above.

2.4 Critique and quality assurance

Transparency could be a source for building trustworthiness and credibility of qualitative research (Yin, 2011, 19). This can be proceeded through describing and documenting the qualitative research procedure in order for any person, a peer, a colleague, or a participant in the research project to be able to review and examine the research (*ibid.*, 19). Moreover, triangulation of qualitative data sources can contribute to verification and validation of qualitative analysis, for example, comparing observations with interviews and checking interviews against documents and other written evidence can corroborate what interview respondents report (Patton, 2002, 559). Therefore, based on these explanations, the primary and secondary data are combined to gain comprehensive data and then these data are summarized and shared with respondents that participated in this study in order for them to verify and confirm the summarized data (see Table 2).

In addition, by exploring and understanding the phenomenon of ethical sourcing initiative in the Swedish palm oil industry, this study provides opportunities for concrete learning about how organizations develop and implement such an initiative in their internal organization. However, the results of the study are not intended to produce concept or generalization that can prove any theory from exploring the case or testing any hypothesis. Rather, on the other hand, by gearing the study towards concrete, context-dependent knowledge, it seeks to become a supplementary knowledge about sustainable palm oil initiative in the palm oil industry and may be central to scientific development (Flyvbjerg, 2006).

Table 2. *Quality assurance measures for validity and reliability of the study results*

Measure	Example of techniques	Applied in this project
Validity (Yin, 2011; Patton, 2002)	Describing the qualitative research procedure	Presented in Chapter 2: Method
	Share the research documents to be reviewed and examined	Proposal and manuscript were reviewed by the examiners and evaluator; half-time seminar with peers; and opposition for the seminar draft
	Triangulation of qualitative data sources	Primary data that were collected through interviews are compared with documents/written evidence
	Validation of data collected	Summary of the interviews were sent to respondents
Reliability & Responsibility (Robson, 2001)	The use of case study protocol	Interview guide in Appendix 1; Respondent and organization names, including dates of the interviews are illustrated in Table 1; Interviews were recorded, transcribed, and summarized; Database of contacted respondents is maintained
	Ethical consideration	A consent-to-participate form in Appendix 2

Table 2 summarizes the explanation on quality assurance measures to ensure validity and reliability of the results of this study. In the validation process, there are several techniques that have been used, such as describing the qualitative research procedure in Chapter 2 (Method), sharing the research documents to be reviewed and examined by the evaluator and peers, triangulating the qualitative data sources by comparing the primary data that were collected with written evidence, and validating the collected primary data by sending this back to the respondents for confirmation. Furthermore, reliability and responsibility aspect of the thesis were also conducted through the use of case study protocol, such as interview guide, followed by recording, transcribing and summarizing interviews, and a database of contacted respondents is also maintained.

2.5 Ethical consideration

In connection with transparency and responsibility of the study results, all participants were informed about the general description of the study and, thus, these descriptions can give an assurance for the participants to be involved in (Robson, 2011, 496). As part of the data collection procedure, a consent form has been developed (see in Appendix 2) to provide potential respondents with sufficient information about the study so that they can make an informed, voluntary, and rational decision to participate. The consent form explains about the study, the scope of questions to be asked, the ethical concerns, my contact details, and other pertinent issues.

3. Theoretical framework

Theoretical review presented in this chapter starts in the concept stakeholders and stakeholder influence strategies. It continues with a CSR and value chain presentation that constitutes the conceptual framework for the project.

3.1 Stakeholder theory

Stakeholder theory is a theory of organizational management and ethics (Phillips *et al.*, 2003, 480). As a central feature of managing organizations, the stakeholder theory addresses morals and values explicitly, in which, attention of theory is not only focus on maximizing shareholder wealth, but also the attention to the interest and well-being of some of non-shareholders (*ibid.*, 481). The theory explains the process of value creation in an organization for its various constituencies which ethics and values are inherently concerned (Wheeler *et al.*, 2003).

3.1.1 Stakeholder approach in strategic management

There are many definitions of stakeholders (Friedman & Miles, 2006) and the most widely used definition is the stakeholder concept that was written by Freeman (1984) which defined a stakeholder as: “*any group or individual who can affect or is affected by the achievement of the firm’s objectives*” (Freeman, 2010, 25). This concept proposes the extending of the managers’ focus beyond the traditional interest group of shareholders in order to understand the needs, expectations, and values of its constituencies (Ayuso *et al.*, 2014, 417). The relationship between a firm and its stakeholder group is depicted as a hub-and-spoke fashion (Figure 1), in which the stakeholder group are divided based on several categories such as suppliers, customers, employees, media, competitors, consumer advocates, owners, local community organization, governments, environmentalists, and special interest groups (Freeman, 1984, 55).

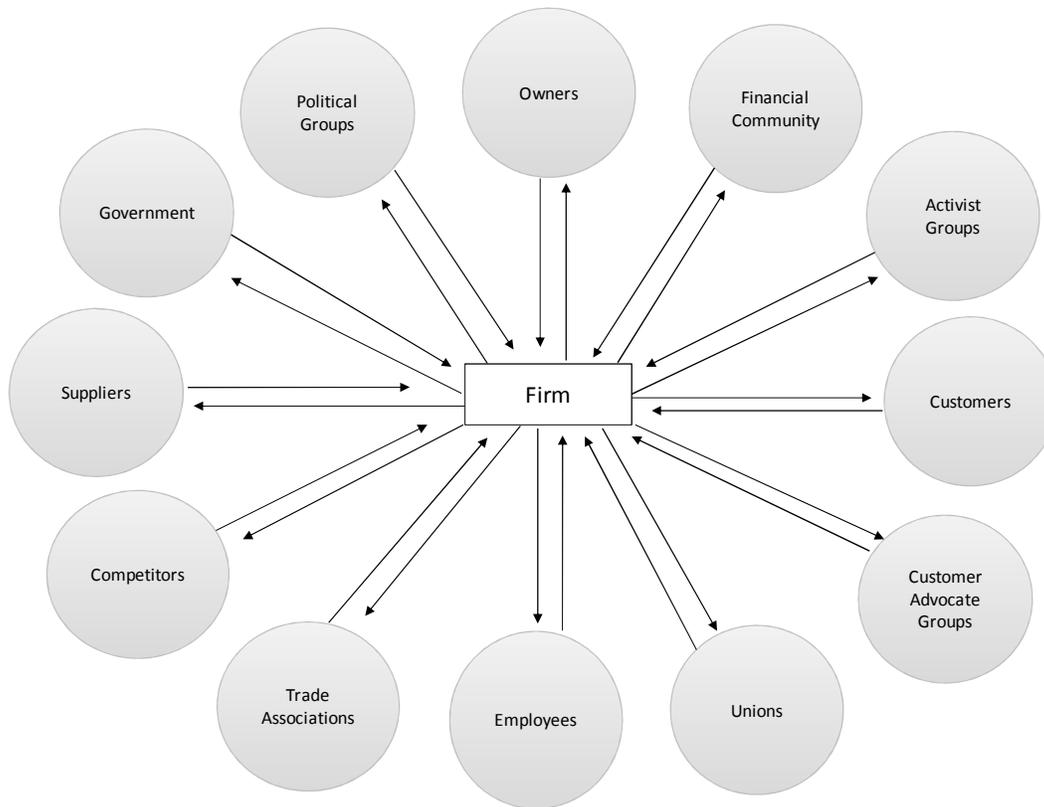


Figure 1. Stakeholder map of a very large organization (Freeman, 1984, 55)

Freeman (1984) argues that the stakeholder approach can be used as an umbrella for the development of an approach to strategic management. This argument is supported by his explanation on the conceptual framework of the stakeholder approach which is developed based on research in strategic planning, systems theory, corporate social responsibility, and organizational theory (Freeman, 1984, 32). Freeman (1984) proposes three levels of processes which can be used for an organization to set its direction and manage the relationship with its stakeholders. Firstly, the rational level, a level that constructs stakeholder map through identification of groups and individuals that can affect and are affected by the achievement of an organization's purpose (Freeman, 1984, 54). This map (Figure 1) can be effectively used, for example, in a matrix of relationships between an organization's initiative and their stakeholders (e.g., *ibid.*, 114). Secondly, the process level, which is a level to understand the organizational processes used to either implicitly or explicitly manage the organization's relationship with its stakeholders, and whether these processes "fit" with the rational "stakeholder map" of the organization (*ibid.*, 53). The stakeholder strategy matrix (*ibid.*, 116), for example, is useful to operationalize this level. Thirdly, the transactional level, which is a level that explains about how the organization allocates its resources to interact with its stakeholders (*ibid.*, 69).

3.1.2 Engaging fringe stakeholders

Hart & Sharma (2004) argue that most companies that employ stakeholder management approach have focused almost exclusively on the primary stakeholders (i.e., “core” stakeholders): investors, employees, customers, suppliers, and the government, and others whose claims are considered powerful, urgent, and legitimate by managers (Figure 2).

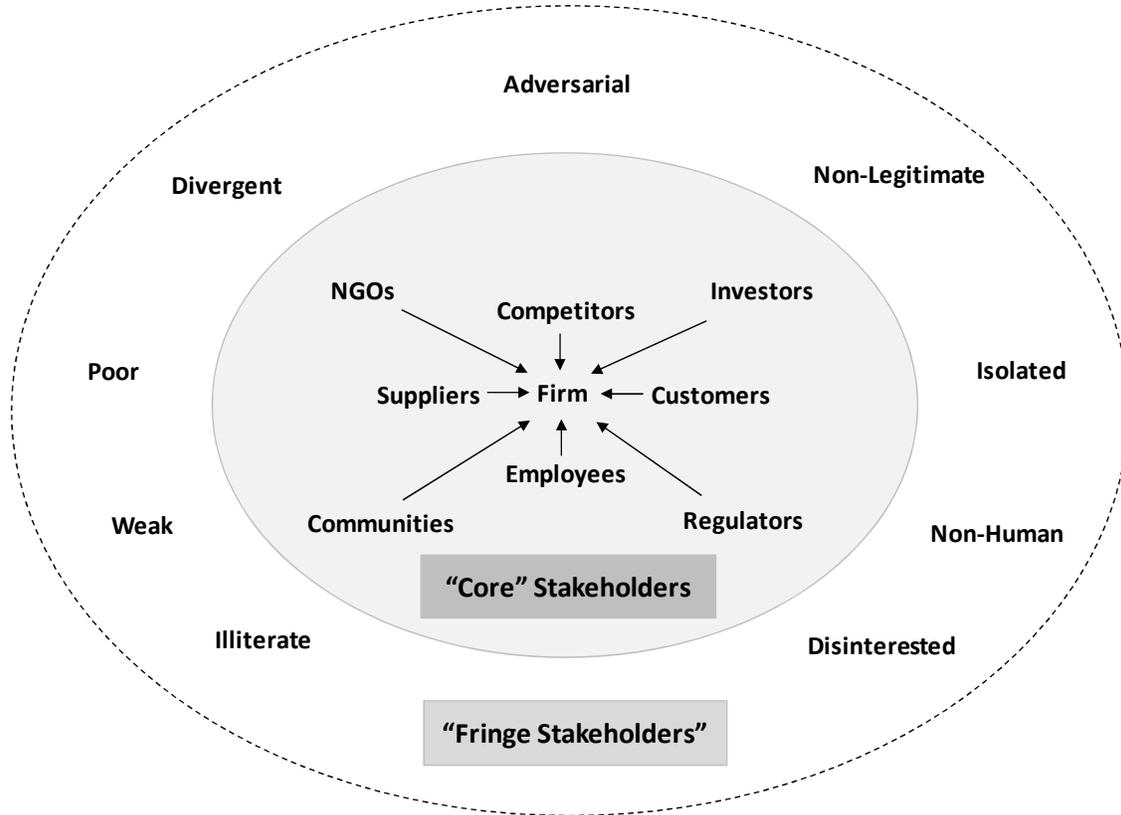


Figure 2. Stakeholders: Core and Fringe (Hart & Sharma, 2004, 10)

The company’s reasons to only focus on these core stakeholders are to gain competitive advantages in the form of customers’ loyalty, supplier relationships, lower employee turnover, and improved reputation (*ibid.*, 9). Furthermore, Hart & Sharma (2004, 8) oppose that “*in the era of internet-connected coalitions of NGOs and individuals-smart mobs-are now making it impossible for governments, corporations, or any large institution to operate in secrecy*”. Hence, to manage a company relationship with its stakeholders requires a new approach of stakeholder integration, in which, “fringe” or peripheral stakeholders who are remote, weak, poor, disinterested, isolated, non-legitimate, or non-human should be connected to the company’s current activities (Hart & Sharma, 2004, 10). By integrating the concerns of fringe stakeholders, it could open a way for a company to anticipate potential future sources of problems and to identifying innovative opportunities and business models for the future (*ibid.*, 10).

3.1.3 Stakeholders role in CSR

One of the key success factor in implementation of CSR is that companies need to have a good understanding of who their stakeholders are and the expectations that the stakeholders have (Roberts, 2003, 161). According to Roberts (2003, 162) there are four big groups of stakeholders that have different roles and interests in CSR (Figure 3).

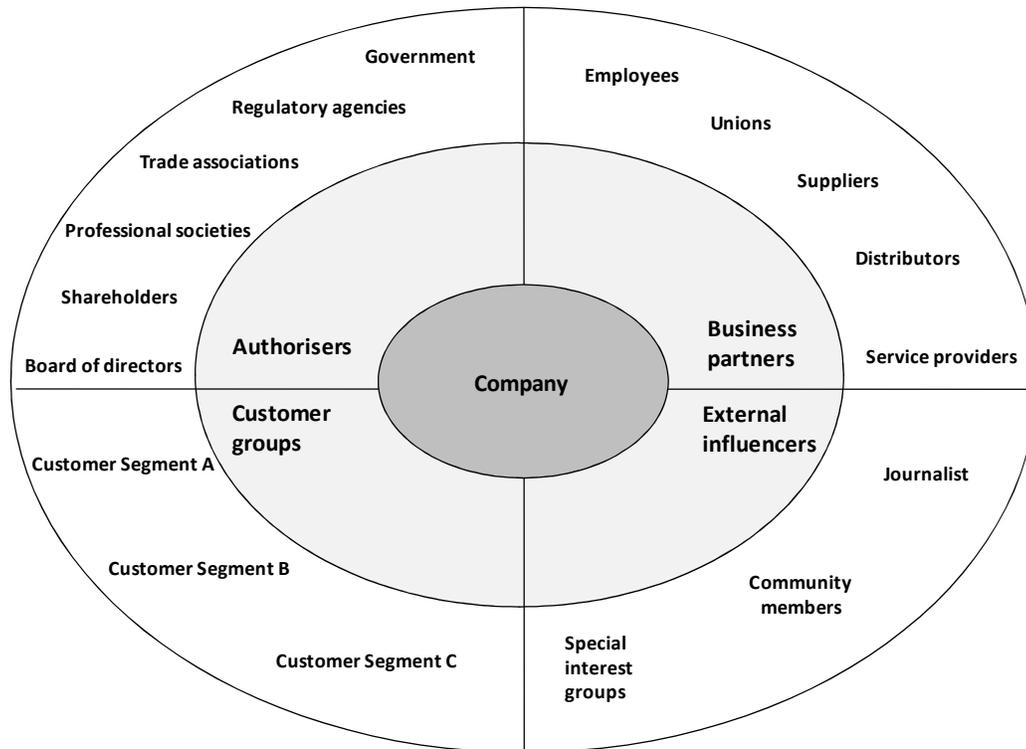


Figure 3. Corporate stakeholders (Roberts, 2003, 162)

First is the *authorisers*, whose role is to provide the authority for an organization to function and monitor its own performance, for example; regulatory agencies, trade associations, and government (*ibid.*, 161). Second is the *business partners*, whose role is to provide facilitations of the operations of a company and these include for the employees and suppliers (*ibid.*, 162). The third group is the *external influencers*, these are stakeholders that have concerns on the impacts of an organization’s development activities to the environment and these include NGOs, community groups, the media, and international organization such as the UN Global Compact (*ibid.*, 162). Lastly, the fourth group, is the *customers*, these stakeholders consist of different groups of customers as they are likely to have different perceptions about company’s reputation. For instance, companies in supply networks that directly connect with the consumer markets are more likely to feel the demand for CSR (and be affected by it) than those companies that serve business markets (*ibid.*, 162).

3.1.4 Stakeholder influence strategies

Frooman (1999) uses a different point of view to analyse relationships between organizations and their stakeholders. He proposes a concept that accounts for how stakeholders try to manage a firm (Frooman, 1999, 192) and generates several types of stakeholder influence strategies (Table 3).

Table 3. *Typology of influence strategies* (Frooman, 1999, 200)

		Is the stakeholder dependent on the firm?	
		No	Yes
Is the firm dependent on the stakeholder?	No	Indirect/withholding (low interdependence)	Indirect/usage (firm power)
	Yes	Direct/withholding (stakeholder power)	Direct/usage (high interdependence)

From Table 3, it can be seen that in managing a firm, stakeholders use direct and indirect strategies, in which, the stakeholders would manage the flow of resources to the firm. The strategies used are categorized based on two types; ‘withholding strategies’ that determine whether a firm obtain a resource, and ‘usage strategies’ that seek to attach conditions to the continued supply of that resource (Frooman, 1999, 197). There is a certain condition to implement these strategies which would depend on the degree of dependency between a firm and its stakeholders.

To explain the strategies, Frooman (1999, 194) illustrates a case between EII (Earth Island Institute), an environmental organization, with StarKist, a firm that sells canned tuna fish products. In January of 1988, EII has intended to end StarKist’s practice of canning unsustainably-caught tuna. StarKist purchased these tuna from foreign tuna fishing fleet that used purse seine, a type of fishing gear that is known to have trapped and killed over 100,000 dolphins yearly (*ibid.*, 194).

Therefore, EII called upon consumers to boycott StarKist by producing an 11-minute video that described the purse-seining method of catching tuna that has affected and killed dolphins. The video was then aired to EII’s entire networks and distributed to schools around the USA. By March 1990, around 60% of the public was aware of the issue and put a call for a boycott of StarKist tuna products. As a respond to this situation, in the following months, StarKist announced that the company would only purchase tuna that are caught by fishing methods other than purse-seining (*ibid.*, 195). This illustration, as Frooman (1999, 196) put it, is called ‘withholding strategies’, in which, customers withholding their dollars and therefore, that as a consequence, it had influenced StarKist’s decision to confront the foreign tuna fishing industry over their unsustainable fishing practices.

In his paper, Frooman (1999, 197) described ‘usage strategies’ as a strategy type in which stakeholders would still continue to supply resources, but with strings attached. For example, in the StarKist’s case, the company employed a usage strategy against its supplier (the foreign tuna fishing industry) where StarKist would still continue purchasing tuna from its supplier but with the conditions that the supplier should use other types of fishing gear that does not create unsustainable consequences to the environment and that observers should be on board of all tuna boats to assure that the requirements are complied with.

3.2 CSR and Value Chain frameworks

Stakeholder theory is closely related to the concept of corporate sustainability, sustainable development, and **CSR** (Corporate Social Responsibility), as it provides a suitable theoretical framework for analyzing the relationship between business and society (see for example, Ayuso *et al.*, 2014; Wheeler *et al.*, 2003). Therefore, the concept on CSR strategy is used here in order to address the research questions.

In regards to CSR practices that have been implemented by companies, Porter & Kramer (2006, 5) argue that in the internal level, “*CSR implementations are often isolated from operating units-and even separated from corporate philanthropy*“. As a result, the social impact from these CSR implementations becomes diffused among numerous unrelated efforts, in which each effort would respond to a different stakeholder group or corporate pressure point (*ibid.*, 5). Furthermore, Porter & Kramer (2006,5) point out that “*to advance CSR, we must root it in a broad understanding of the interrelationship between a corporation and society, while at the same time anchoring it in the strategies and activities of specific companies*“. Porter’s value chain concept offers an approach that can be used to connect relationship between business and society through strategies and activities of specific companies (Porter & Kramer, 2006). Managers at each business units can use the value chain as a tool to systematically identify the social impacts of the unit’s activities in each location (Porter & Kramer, 2006, 7). The value chain depicts all of the activities (Figure 4)that a company engages in while doing business (i.e., primary and support activities). Primary activities consist of inbound logistics, operations, outbound logistics, marketing & sales, and after-sales service. In addition, support activities consist of procurement, technology development, human resource management, and firm infrastructure (Porter & Kramer, 2006, 8).

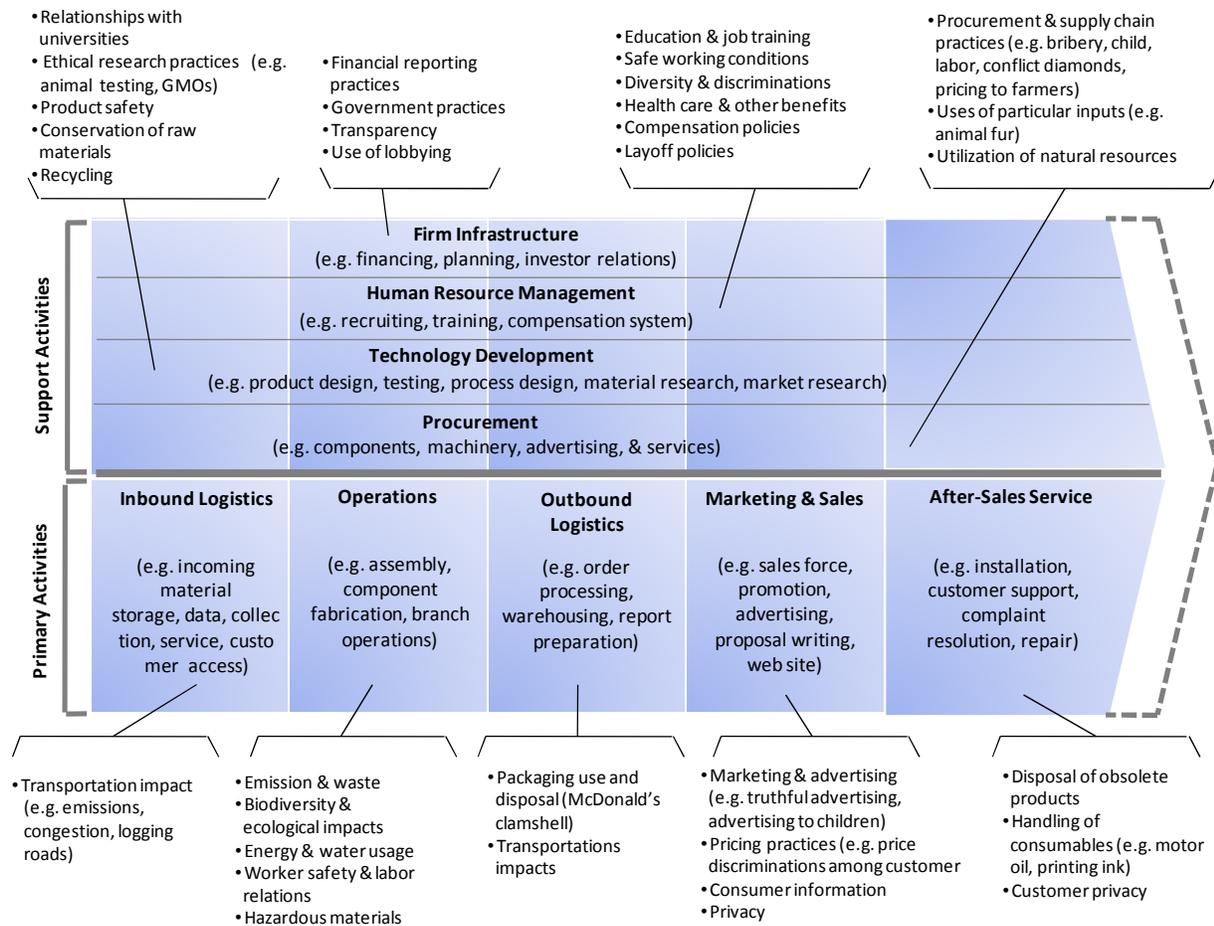


Figure 4. Looking inside out: Mapping the social impact of the value chain (Porter & Kramer, 2006, 8)

All of these activities (in Figure 4) can be used as a framework to identify the positive and negative social impacts of a company (*ibid.*, 8). For example, the operation activities may exert negative impacts to biodiversity and ecology; meanwhile, in the procurement activities, bribery and child labor could be the negative social impacts that may occur (*ibid.*, 8). Therefore, the role of a company strategy is to guide the way a firm performs its individual activities and organizes its entire value chain (Porter, 1998, 41).

There are, however, barriers for these activities to take place according to Porter & Kramer (2006) and these include the location where the firm operates, the prevalent social standards that evolve, and the progress of science in the society (*ibid.*). Therefore, choosing the right social issues to address is very important for a company, as no business can solve all of society's problems and other social agendas are best left to those companies in other industries, NGOs, or government institutions that have better position to address them (*ibid.*, 6). Porter & Kramer (2006, 6) propose a framework for a company to prioritize social issues: First, generic social issues, which is the issues that may be important for the society but these are not significantly affected by the company's value chain activities nor influence the company's long-term competitiveness. Second, it's the value chain's social impacts that are significantly affected by the ordinary activities of the company.

Lastly, the social dimensions of the competitive context are considered as exogenous factors that significantly affect the drivers of company's competitiveness in the places where the company operates. For example, carbon emission may be a generic social issue for a firm like Bank of America, but it is a value change social impacts for a transportation-based company like UPS, or both a value chain impact and a competitive context issue for a car manufacturer like Toyota (Porter & Kramer, 2006).

4. Results

In this section, background empiric from previous research on ethical sourcing initiatives in other sectors is described. Empirics that are gathered from primary and secondary data such as global production and consumption of palm oil, including palm oil consumption in Europe and Sweden and RSPO's certification scheme are explained. Additionally, the six cases studies, palm oil key stakeholders that have implemented sustainable palm oil initiative in Swedish market are illustrated.

4.1 Background empiric

This section explains about ethical sourcing code of conduct that has been implemented in three sectors; branded clothing and footwear, forest products, and branded confectionary. Description of these three sectors is based on a study that has been conducted by Roberts (2003), in which, the author aimed to understand why implementation of ethical sourcing code of conduct has been considerably more successful in some sectors than others (Roberts, 2003, 160).

4.1.1 Implementation of ethical sourcing code of conduct in three sectors

This section compares and describes the implementation of ethical sourcing initiatives in three sectors: branded clothes and footwear, forest products, and branded confectionary, as a source to understand why the adoption of ethical sourcing initiatives has been straightforward and widespread in some sectors than others.

Branded clothes and footwear

This sector is known to be the sector that has the widest adoption of ethical sourcing codes of conduct that focused on working conditions and labour rights. Some examples to this are two of the branded products in this sector, Levi Strauss and Nike, that had initiated the first code of conduct in 1991 and in 1992, respectively (Roberts, 2003, 164). Nowadays, there are many actors in the sector, such as the big name clothing, footwear and the high street clothing retailers, particularly in the U.S. and U.K., that have committed themselves to meeting ethical sourcing codes (*ibid.*, 164). Roberts (2003, 165) noted the two main drivers for these actors to consider introducing ethical sourcing initiatives are the amount of negative publicity and the importance of brand and reputation to the companies concerned.

Furthermore, there are three factors that have made the implementation of ethical sourcing initiatives in branded clothes and footwear sector relatively straightforward (Roberts, 2003, 165); the first factor is the *network stage of interest*, public interest has mainly focused on the issue in garment manufacturers processes rather than in further downstream stage although there are several processes such as dying, tanning and fibre production that have social and environmental impacts. Therefore, to implement the initiative, the brand owners choose to prioritize on the immediate links in the network. The second factor is *power relations*, in which power is concentrated at the upstream end of the network which facilitates ethical sourcing initiate compliance with brand owner more likely. Finally, the third factor which is the *diffuseness of supply base*, the number of manufacturers' factories that supply to brand owner is relatively small in this sector, which makes implementation and monitoring of the initiatives easier.

Forest products

In forest products sector, the Forest Stewardship Council (FSC) certification scheme is widely used as a global standard tool to implement ethical sourcing (Roberts, 2003, 165). However, in the case of wooden goods, the implementation of ethical sourcing was not straightforward due to several factors (*ibid.*, 165). One reason, for example, is the fact that public interest tend to focus on the primary producer rather than the intermediate manufacturer. Moreover, although retailers have considerable power compared to its suppliers, many forest owners are powerful international companies in their own right. Therefore, the availability of certified forest products is often highly depend on the actors in the downstream part of the supply network, such as the forest owners, the sawmills, and the manufacturers (*ibid.*, 166).

Branded confectionary

The implementation of ethical sourcing in this sector faces the same challenges with the case of the forest products, that is public interest in the supply networks is mainly focused on the raw material producers (Roberts, 2003, 168). Furthermore, the large number of smallholder farmers that supply materials to confectionary brand owners has created challenges for them to cascade the ethical standards down through the highly diffuse supply network (*ibid.*, 168). In addition, both retailers and confectionary brand owners are concerned about their reputations in the implementation of ethical sourcing; meanwhile, their suppliers such as international commodity traders and cocoa farmers have also little interest in addressing ethical issues (*ibid.*, 168). Consequently, it has been difficult to implement ethical sourcing in the branded confectionary.

4.2 Empirics

In this section, global production and consumption of palm oil, palm oil supply chain network, palm oil consumption in Europe and Sweden, including RSPO's certification scheme are explained. Additionally, the palm oil key stakeholders that have implemented sustainable palm oil initiative in Swedish market are illustrated.

4.2.1 Global production and consumption of palm oil

Oil palm's origin is believed to have come from Africa and it spread to South East Asia via human agency through trade, explorations and European colonization (Corley & Tinker, 2003). The Dutch brought it to the then Dutch East Indies (now Indonesia) in 1848 and the British brought it to the then British East Indies (now Malaysia) in 1875 (Cramb & Curry, 2012). Large-scale commercial oil palm planting started in Malaysia in the 1960s, in which, oil palm acreage has grown from 320,000 ha in the 1970s to 5.3 million ha in 2014 (Ibrahim *et al.*, 2015, 4). Meanwhile, in Indonesia the key area of expansion has been in Sumatera and Kalimantan where total area of oil palm plantation has grown from 105,808 ha in 1967 to 10.46 million ha in 2013 (Directorate General of Estate, 2012, 3; BPS, 2015, 17). Therefore, the increase of oil palm acreage over the past four decades in these two countries have been prolific, more than 16-fold increase in Malaysia and more than 100-fold increase in Indonesia. These conditions have made these two countries combined as the largest producer and leading exporter of palm oil in the world (Figure 5).

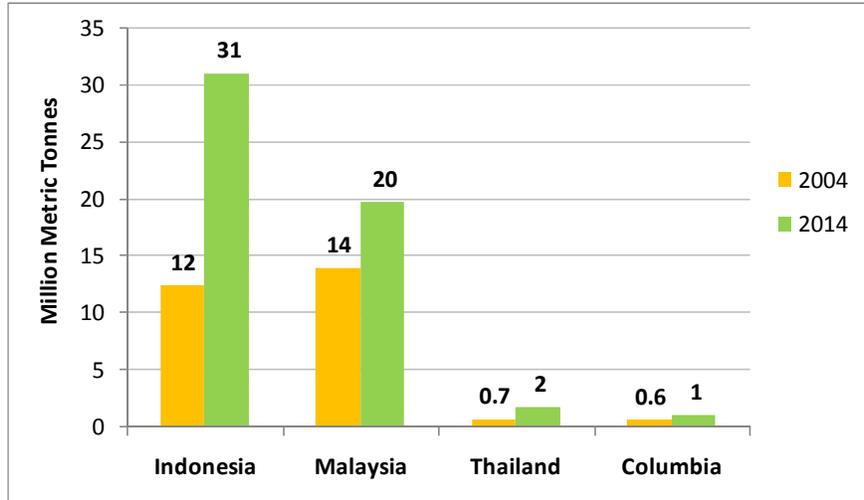


Figure 5. World major producers of palm oil (Balu, 2015, 5)

To date, Indonesia and Malaysia contributed around 85% of global palm oil production which produced around 31 million metric tonnes (MT) and 19.6 MT of palm oil in 2014, respectively (Balu, 2015, 5). Whereas, figure 6 below shows that trend of palm oil consumption was increasing from 1997 to 2012.

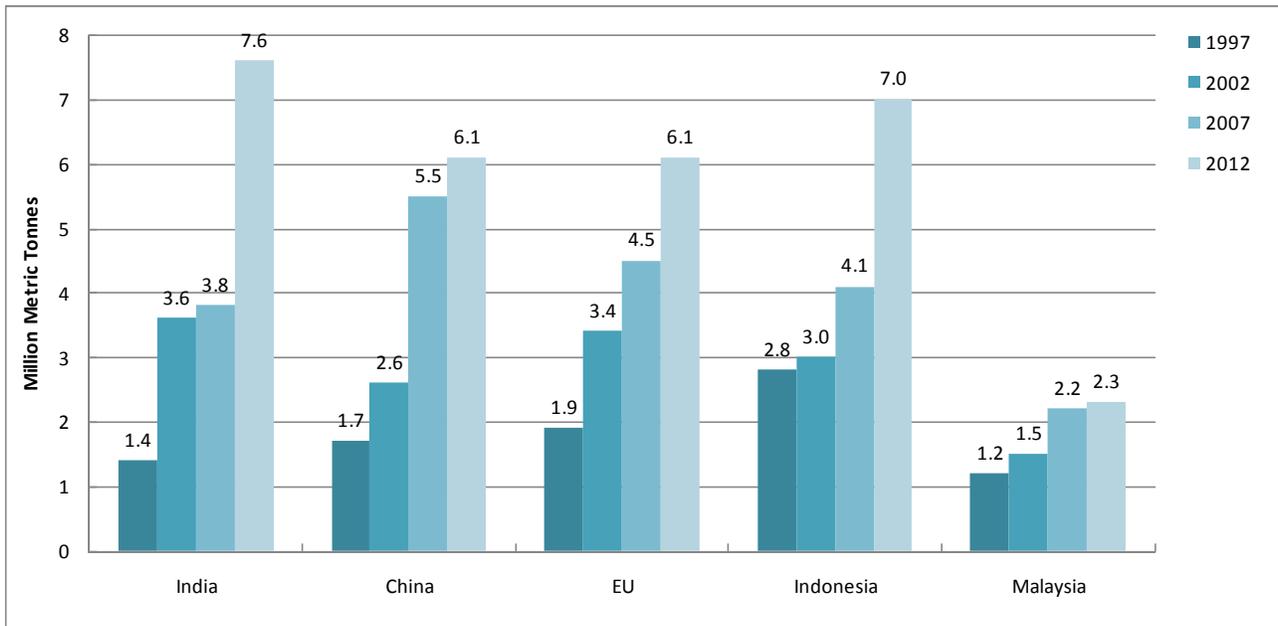


Figure 6. World major consumers of palm oil (www.palmoilandfood.eu)

India, China, and EU are the largest importers of oil palm and these accounted for 50% of global imports (Figure 6). In the EU, the majority of imported palm oil is mainly consumed for food, personal care and oleo-chemical products and to a lesser extent, for biodiesel and electricity heat generation. Table 4 shows the use of palm oil in EU by its member-state and sector.

Table 4. Palm oil use by member-state and sector, thousand tonnes (Europe Economics, 2014, 6)

Member-state	Biodiesel production	Electricity and heat generation	Food, Personal Care & Oleo-chemical products	Total
EU-27	1,869	590	3,925	6,384
<i>Including:</i>				
Netherlands	480	250	600	1,330
Italy	220	190	582	992
Germany	300	150	518	968
UK	38		574	612
Spain	200		355	555
France	110		295	405
Belgium	40		338	378
Finland	200		20	220
Poland	60		159	219
Denmark	9		127	136
Sweden	21		97	118
Portugal	50		26	76
Czech Republic	23		25	48
Austria	40		7	47
Hungary	18		3	21
Lithuania	5		7	12

Data in Table 4 shows that the Netherlands is the biggest user of palm oil in the EU and followed by Italy and Germany (Europe Economics, 2014, 6). In Sweden, the total consumption of palm oil was about 118,000 tonnes in 2014, where 82 percent is used for food, personal care and oleo-chemical products and 18 percent is used for biodiesel production (*ibid.*, 6).

4.2.2 Palm oil supply chain network

The global production and consumption of palm oil are inter-twined with the dynamics of the palm oil supply chain network in which the palm products are produced. The network of palm oil supply chain has been described earlier by Choong and McKay (2014, 260) to have had four tiers for a case in Malaysia. However, in this study project, based on literature review of documents (including RSPO reports), a modification of the network (Figure 7) has been made to include an extra tier (i.e., ‘Collection Port’) and an extra actor (i.e., ‘Fresh Fruit Bunch/**FFB** traders’) in the upstream part of

the network to illustrate a more relevant situation. Upstream and downstream parts of the palm oil supply chain network are linked together through these tiers (Choong & McKay, 2014).

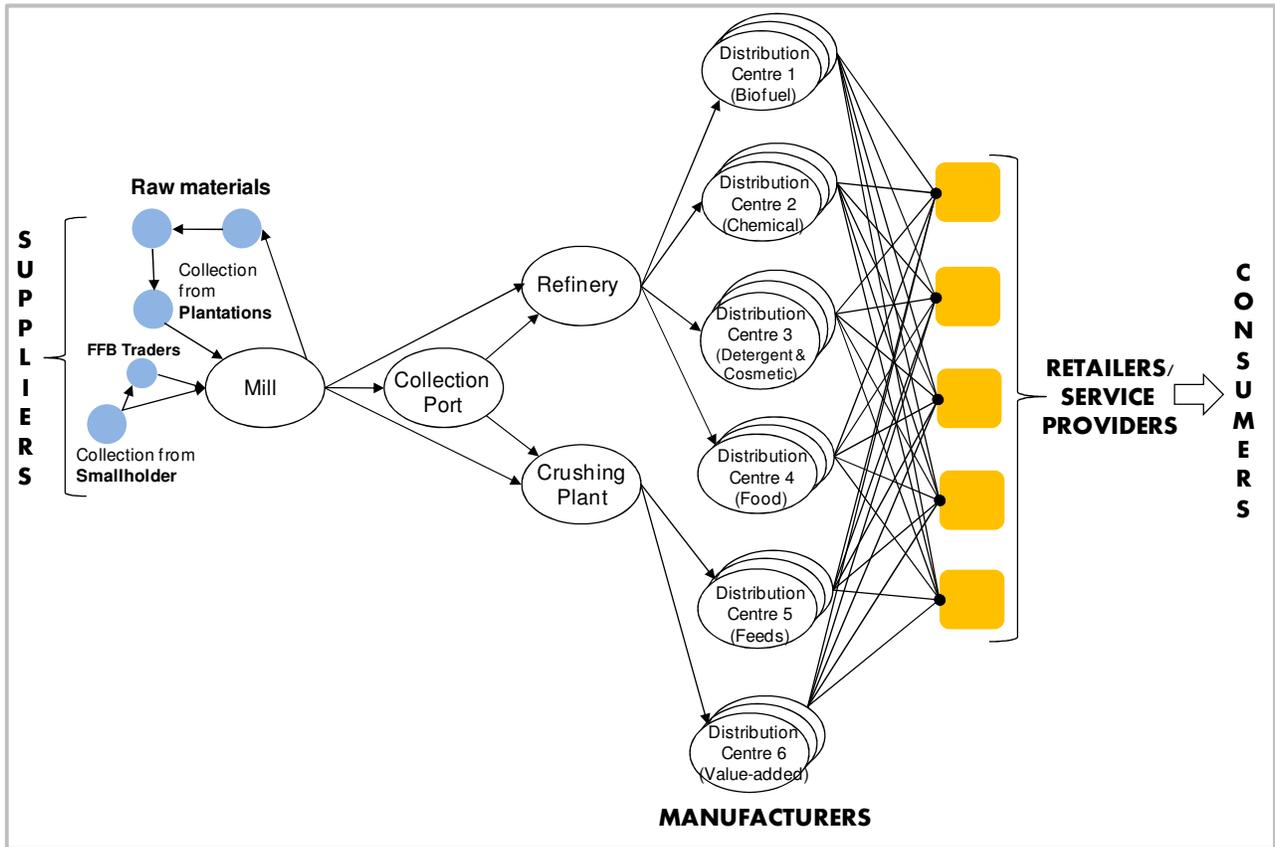


Figure 7. Palm oil supply chain network (Modified from Choong & McKay, 2014, 260)

Plantations, mills, and collection port sectors are part of the upstream network. Plantations are divided based on private plantations and smallholder plantations. According to statistical data, in 2013, approximately 51.42 percent (5.66 million ha) of oil palm plantations in Indonesia were owned by private plantations, while the smallholders owned around 41.55 percent (4.55 million ha) of oil palm plantations (BPS, 2015). Moreover, private plantations are the largest producers of palm oil in Indonesia, producing 15.63 million metric tonnes (MT) of palm oil in 2013 and it is followed by smallholder plantations that produced 10.01 million MT of palm oil (*ibid.*). Whereas, downstream network consists of palm oil refineries, palm kernel crushers, and various different manufacturers of palm-based products such as bio-fuel, detergent and cosmetics, chemicals, food, feeds, and other value-added products (Choong & McKay, 2014).

in order to understand the dynamic relationship of palm oil supply chain network in the upstream part that relates to sustainability and its inter-twining effects to the downstream part, an example of trade relationship between the smallholders and the mills in Indonesia is illustrated (Figure 8). Whereas, the trade relationship between the private plantations and the manufacturers is also described in order to gain comprehensive understanding of these actors. Figure 8 illustrates the

connection of the trade relationship between the smallholders, local Fresh Fruit Bunches (FFB) traders, and the mills in North Sumatera, Indonesia (Anggraini & Grundmann, 2013).

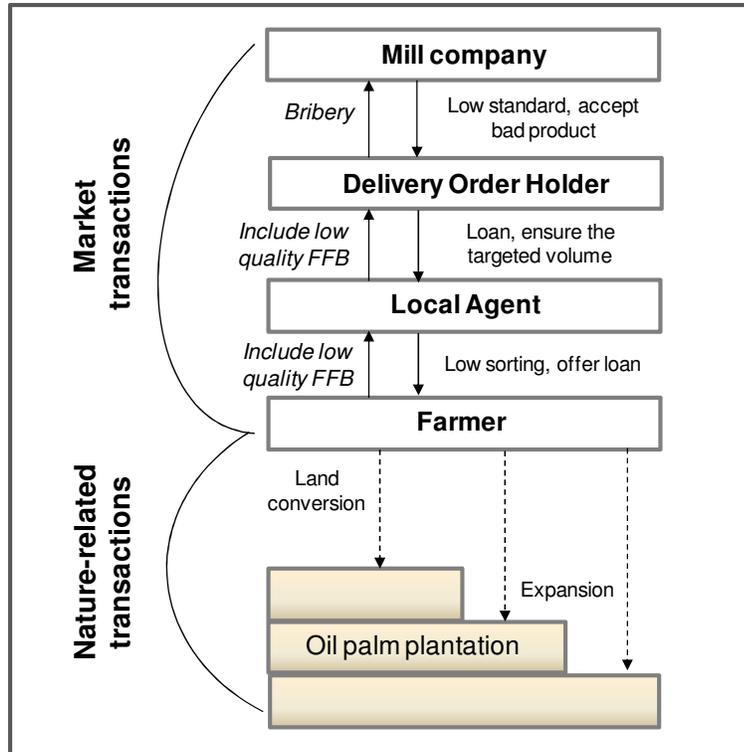


Figure 8. Interplay between institutional arrangements in supply chain of FFB and land use (Anggraini & Grundmann, 2013, 403)

It can be seen from Figure 8 that the various interplays of exchange processes in the network between the oil palm farmers, the FFB traders and the palm oil mill companies contribute to the expansion of oil palm plantations in North Sumatera, Indonesia (Anggraini & Grundmann, 2013). Anggraini & Grundmann (2013, 402) found that the number of FFB local traders and palm oil mills were rapidly increasing over the past years due to the expansion of oil palm cultivation and the rising number of oil palm farmers. These conditions have created unfair and unhealthy competition between the traders to buy FFB from the farmers and also between the palm oil mills to buy FFB from the traders. As a result, several negative consequences were occurred in which FFB of low qualities were accepted by the palm oil mills in order to reach the capacity of the mill in producing crude palm oil. One reason for this is because palm oil mills do not have plantations. Furthermore, Anggraini & Grundmann (2013, 404) also found that the major driver for the farmers to invest into oil palm cultivation were the desire or need for cash. The farmers did not give priority to increasing the productivity of their plantations, but prefer for the conversion of additional forest and arable land if extra capital is available (*ibid.*, 404).

As for the relationship between private plantations and manufacturers, a recent example is worth noting. Recently one of the Malaysian biggest private plantations, IOI, had received suspension from RSPO for non-compliance with certain RSPO P&C, in which, IOI had failed to protect forests

and peat areas from its oil palm plantations (Burrows, 2016). As a result of this suspension, major manufacturers brand such as Unilever, Mars, Kellogg, and Nestlé have discontinued to source their palm oil products from IOI (*ibid.*).

4.2.3 RSPO certification scheme

Roundtable on Sustainable Palm Oil (RSPO) was established in 2004 and it is a not-for-profit organization which consists of various stakeholders from the seven sectors of the palm oil industry: oil palm producers, processors or traders, consumer goods manufacturers, retailers, banks/investors, and environmental and social non-governmental organisations (NGOs) that works together to promote the growth and use of sustainable oil palm products through cooperation within the supply chain and open dialogue between its stakeholders (RSPO, 2013c).

Furthermore, to operationalize its activities, RSPO has six working groups that conduct long-term projects within particular areas such as smallholders working group, biodiversity and high conservation values working group, emission reduction working group, human rights working group, legal Fresh Fruits Bunch (**FFB**) and traceability working group, and new plantings procedure working group (RSPO, 2014d, 17). In addition, there are task forces: RSPO-RED Taskforce, Compensation Task Force, Indonesia High Conservation Value (**HCV**) Task Force, Supply Chain Document Review Task Force, and National Interpretation Task Force that have functions to create and deliver specific outputs against a set of RSPO' timelines (*ibid.*, 17).

RSPO principles and criteria (P&C)

RSPO has developed eight core principles of environmental and social criteria that should be followed by growers and millers to be RSPO-certified (RSPO, 2013c, 7). The principles are as followed: (1) commitment to transparency, (2) compliance with applicable laws and regulations, (3) commitment to long-term economic and financial viability, (4) use of appropriate best practices by growers and millers, (5) environmental responsibility and conservation of natural resources and biodiversity, (6) responsible consideration of employees and of individuals and communities affected by growers and mills, (7) responsible development of new plantings, and (8) commitment to continuous improvement in key areas of activities.

RSPO reviews and updates the P&C every five years (*ibid.*). All of these principles are provisioned by generic criteria, indicators, and guidelines, and including key international laws and conventions that are used as sources to assist RSPO's members in addressing the core principles (*ibid.*). Grower members should be committed to implement and audit against the P&C across their entire operations, including subsidiaries and joint ventures with major shareholdings (RSPO, 2014d, 17). In addition, growers are subjected to an annual surveillance audit and re-certification audit every five years by a third party independent assessor that is independently accredited and the growers must address non-compliance of major indicators within three months or risk sanctions by the RSPO (*ibid.*, 17).

RSPO supply chain certification

RSPO with its supply chain certification standard demanded to ensure the integrity of the trade in sustainable palm oil at every stage of the supply chain (RSPO, 2014d, 21). These are conducted through the regulation of the handling, storage, transport, refining processes, packaging, and even labelling of sustainable palm oil products (*ibid.*, 21). In the practice of the supply chain certification scheme, RSPO offers two trading systems: one for the physical trade of sustainable palm oil and one that enables virtual trading of sustainable palm oil certificates, also known as the GreenPalm programme (*ibid.*, 21).

The physical trade system, also known as Certified Sustainable Palm Oil (CSPO), is traded based on three supply chain models (RSPO, 2014d, 22). First, *identity preserved* model provides the end-user a uniquely identifiable RSPO certified palm oil to a single RSPO certified mill and its certified supply base; all supply chain participants must ensure that the RSPO certified oil palm product is kept physically isolated from non-RSPO certified products throughout the supply chain. Second, *segregated* model provides CSPO from multiple estates that permits the mixing of RSPO certified palm oil from a variety of sources, therefore, the physical oil delivered to the end-user will not be fully traceable to a specific mill and its supply base, but is guaranteed to be physically traceable to a certified source. Third, *mass balance* model provides CSPO that is mixed with non-certified palm oil. The oil may be mixed at different sources but the percentage of certified palm oil is known.

In the virtual trade system, CSPO may be virtually traded according to the *Book & Claim* supply chain model using the RSPO-endorsed GreenPalm programme (RSPO, 2014d, 23). In practice, certified growers are awarded one GreenPalm certificate for each tonne of CSPO produced and the certificate can be sold on the GreenPalm web-based trading platform, and manufacturers or retailers that purchase these certificates can then claim that they support the sustainable production of palm oil (*ibid.*, 23). Figure 9 illustrates the cost and complexity of these RSPO supply chain models.

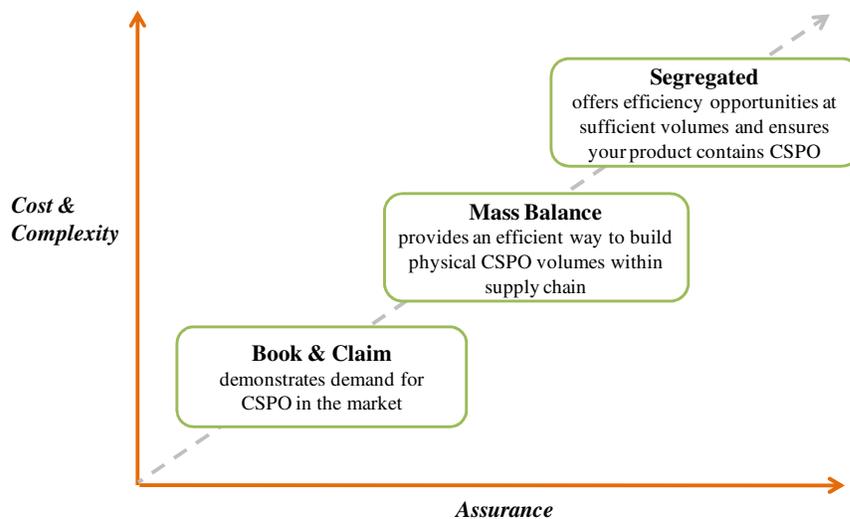


Figure 9. Cost and complexity of RSPO certification scheme (Thomas et al., 2015, 41).

Identity preserved model requires CSPO from an individual source to be kept separate from both CSPO of other sources and conventional palm oil, and thereby, *identity preserved* model is logistically difficult and very costly, thus, it is currently serves only as a niche product (Thomas *et al.*, 2015, 36). *Segregated* model requires the maintenance of separate supply lines to ensure CSPO is kept separated from conventional oil throughout the supply chain (*ibid.*, 36). Meanwhile, *mass balance* model offers logistical efficiencies that help to keep costs low while building physical volumes within the growers supply base, due to the fact that the model allows for mixing of both CSPO and conventional palm oil (*ibid.*, 36). In addition, *book & claim* model offer the simplest way for end users to demonstrate demand for CSPO until physical volume are available (*ibid.*, 36).

RSPO impact, challenges and its new initiatives

In 2014, the total CSPO performance sales was about 5,348,666 metric tonnes, comprising of *book & claim* sale of 2,916,408 metric tonnes and a combined *segregated* and *mass balance* sale of about 2,432,258 metric tonnes (RSPO, 2015e, 12). Furthermore, in 2015, approximately around 20 percent of all palm oil (more than 12 million metric tonnes) is certified as sustainable by the RSPO (Thomas *et al.*, 2015, 33).

In terms of challenges on the uptake of CSPO in the European market, according to RSPO (2015a, 13) there are several barriers to progress. For instance, currently the transformation of the European market is led by the food and retail sectors, however, other sectors generally lagging behind such as government procurement and the catering industry (*ibid.*, 13).

Moreover, it is hard to involve larger number of smaller business manufacturers in Europe particularly in the food sector; this is because they often lack the awareness of the issues, lack of understanding about the solutions, and has less resources and time to map their supply chains and, therefore, reaching out to all of them need to be intensive (*ibid.*, 14). Meanwhile, there are also some cases that highlight about price and product availability of CSPO which remains a key obstacle that needs to be overcome (*ibid.*, 14). In addition, lack of consumer engagement is also part of the barrier; in fact, the EU's new food-labelling rules has come into play in December 2014 which raised consumer awareness on palm oil in food products. It is described by RSPO that many brands are unwilling or unable to communicate to consumers, as they are afraid to expose themselves and would fuel further outrage amongst their consumers (*ibid.*, 14). Lastly, metrics such as measurement, monitoring and benchmarking play important role to successfully transition to CSPO across Europe; without a clear and reliable measure of progress, it is hard to assess the results and know if the commitment has been fulfilled (*ibid.*, 14).

As part of continuous improvement processes, there were several new initiatives that have been launched by RSPO in 2015 (RSPO, 2015e, 18). The first initiative is the 'RSPO Next', a voluntary addendum to RSPO's existing P&C, in which, it offers a set of additional indicators beyond RSPO certification on the various themes: No Deforestation, No Fire, No Planting on Peat, Reduction of GHGs, and Respect for Human Rights and Transparency (*ibid.*, 18).

Second, is the certification at landscape level, also called 'the jurisdictional approach' which is aimed at stakeholder-driven certification at the state level. The jurisdictional approach has two preparatory phases: phase one is a comprehensive landscape mapping where local stakeholders work together to categorize high conservation value (HCV) and high carbon stock (HCS), and

phase two is a localised free, prior and informed consent (FPIC) interpretation to identify customary or indigenous land use and access rights (*ibid.*, 20).

The third initiative focuses on aligning the labour conditions in the RSPO P&C with the International Labour Organization (ILO) Core Labour Standards. These are required for all certified growers to guarantee decent and safe working conditions and fair pay, to safeguard their rights to collective bargaining, and to ban bonded labour and child labour (*ibid.*, 22).

The fourth initiative involves Fresh Fruit Bunches (**FFB**) legality and traceability and is aimed to strengthen the standard of the RSPO P&C on the ground. The FFB initiative works to ensure traceability from FFB production to mill through providing recommendations and support on the legality and traceability aspects of FFB sourcing. It also monitors the trials on the application of controlled FFB sourcing mechanism (*ibid.*, 24).

As for the fifth initiative, RSPO aims to enhance its transparency and to enforce its accountability by the development of the Sustainable Palm Oil Transparency Tool in partnership with the Zoological Society of London (**ZSL**). The tool includes RSPO members and non-members, financial institutions, palm oil buyers and civil society organizations, in which, they can compare the largest palm oil growers on their transparency, commitments, and performance (*ibid.*, 25).

The last, or sixth, newly launched initiative, RSPO has decided to take an active role in monitoring fires, identifying fire risks, and enabling fire prevention to address haze problems in Southeast Asia. To achieve this, RSPO is in partnership with the World Resources Institute (**WRI**) and has created a map (accessible at www.globalforestwatch.org) to demonstrate transparency in the palm oil supply chain. The map shows land concessions granted by governments, deforestation (and reforestation), active fires, and plantations that have been certified as sustainable (*ibid.*, 26).

4.2.4 Case Study

In this section, palm oil key stakeholders that have implemented sustainable palm oil initiative in Swedish market are illustrated. The stakeholders come from various groups such as trade associations, cosmetic retailer, food and cosmetic manufacturers, and NGO.

KTF - the Swedish Cosmetics and Detergents Association

KTF is a trade association of companies that import, manufacture, and/or market cosmetic products (including products for professional use) and detergents, and has approximately 120 member companies (*pers. comm.*, Holmer, 2016). KTF facilitates its members in several areas, such as to provide channel and pursue issues of common interest between its members and several stakeholders groups, providing support in legislation matters, and facilitating its members in dealing with health-related and environmental issues (*pers. comm.*, Holmer, 2016).

In relation with sustainable palm oil issues in the Swedish market, KTF was approached in 2014 by several Swedish retailers that have concerns about palm oil issues and the fact that these issues have not been fully taken care of in Sweden (*pers. comm.*, Holmer, 2016). To follow up on the issues, KTF discussed and opened dialogues with suppliers, retailers, and also NGO to gain comprehensive understanding on the sustainable palm oil production issues, such as deforestation, greenhouse gas

emissions, biodiversity, and indigenous people land’s rights. Through this dialogue, KTF and its members expressed beliefs that in order to be efficient and effectively address the sustainable palm oil issues in cosmetics and detergents sectors, they should be working together rather than working individually. KTF also believe that through joined forces, it will lead to a greater uptake of sustainable palm oil and palm kernel oil in the cosmetics and detergents sector; this demand side influence could be a big incentive for raw material suppliers of oil palm products to address sustainability issues. Therefore, in 2014, through collaboration between KTF, retail and grocery companies, as well as manufacturing brands, an initiative called Swedish Initiative on Sustainable Palm Oil in Cosmetics and Detergents was launched (KTF, 2016a).

The purpose of the initiative is to work toward the transformation from using conventional to sustainable palm oil and palm kernel oil in cosmetics and detergents; by implementing this initiative throughout the supply chain, it is expected that this will have greater opportunity to exert influence on producers of derivatives/ingredients (KTF, 2016a). Furthermore, in the long-term, the initiative aims to ensure that palm oil and palm kernel oil used in cosmetics and detergents are sustainably grown, certified, and traceable (*ibid.*). To implement the initiative, from 2015 or from the year that the member joins the initiative, member participants would undertake a compensation mechanism for the use of palm oil and palm kernel oil in their own branded products by using RSPO’s non-physically *Book & Claim* supply chain model. In addition, by 2020, member participants will improve the uptake of sustainable palm oil and palm kernel oil through RSPO’s physically *Mass Balance* supply chain model for their own branded products. The member participants also commit to secure that 90% of palm oil and palm kernel oil in their total product range is sustainable (*ibid.*). As part of transparency, all of these commitments are written and signed by the member participants of the initiative in a form of declaration of intent, and the names of all participating organizations are published in KTF’s website (*pers. comm.*, Holmer, 2016).

In order to implement the initiative, KTF has considered several stakeholders that are important for the KTF to operationalize the initiative (Table 5).

Table 5. KTF’s important stakeholders (*pers. comm.*, Holmer, 2016)

	Very important 1	Important 2	Somewhat important 3	Not important 4	Not at all important 5
Retailers	●				
NGOs	●				
Journalists and media			●		
Academics			●		
Certifiers			●		
Suppliers			●		

It can be seen from Table 5, that retailers (i.e., Kicks, ICA, Coop, Axstore) and NGOs are considered to be ‘very important’ stakeholders for KTF in implementing their initiative. Meanwhile, other stakeholders, such as suppliers, certifiers, academics, journalist and media are considered as ‘somewhat important’.

As alignment processes to the initiative, KTF in its internal organization has two approaches: efficiency and simplification. Efficiency is defined as a condition whereby all of the participants involved in the initiative should take action together to fulfill the agreed time-bound objectives of the initiative (*pers. comm.*, Holmer, 2016). KTF with its simplification approach facilitates their small company members with a simple guideline and a consultant that provides know-how training on how to actively implement the initiative and understand the sustainable palm oil issues. For example, a consultant would facilitate the small company members on how to account for the amount of certified and non-certified palm oil and palm kernel oil based on the RSPO’s certification scheme that they sourced from their suppliers; this is because in oleo-chemicals or derivatives products, usually there is no clear information about the amount of palm oil contained (*ibid.*). Moreover, since the number of employees in KTF is relatively small (i.e., 3.5, full-time equivalent), the sustainable palm oil initiative is directly managed and overseen by KTF’s Managing Director with supports from the RSPO’s system, the KTF members that involve in the initiative, the consultants, and the important stakeholders. By doing so, KTF believes that the initiative can be effectively and efficiently implemented (*ibid.*).

Livsmedelsföretagen (LI) - the Swedish Food Federation

The Swedish Food Federation (*Livsmedelsföretagen/ LI*) is the trade and employers' organization for food companies in Sweden. Its roles is to inform, educate, and provide advices and services to its member companies in many different fields such as employer issues, economic and finance, research and innovation, food and legal aspect of food, food and health, skill development, and CSR and sustainability issues (LI, 2016a). *Livsmedelsföretagen* has approximately 800 member companies, representing all kinds of companies in the food industry, from small, local companies to large companies with international stakes (*ibid.*).

In terms of sustainable palm oil initiative, it started three years ago when the Swedish Food Federation and several stakeholders such as companies in food industry and NGOs had a first meeting in February 2013 (*pers. comm.*, Anell, 2016). The meeting was held because there were big issues on palm oil and many member companies have a lot of questions regarding palm oil and sustainable palm oil issues, such as deforestation, greenhouse gas emissions, biodiversity, transparency, poverty eradication, and safe and fair working condition (*ibid.*). Several NGOs in Sweden also put pressure on the Swedish market, where they push for both certification of palm oil and replacement of palm oil with alternative vegetable oils in food products; consequently, these pressures have led the food industry to take a closer look at the provenance of its ingredients (RSPO, 2015a). Based on these conditions, in 2014, the Swedish Food Federation with several companies in Swedish food industry sector and also with the help from WWF Sweden, have formed a taskforce to launch an initiative called the Swedish Initiative on Sustainable Palm Oil (*pers. comm.*, Anell, 2016). The main goal of the initiative is to achieve 100% certified sustainable palm oil (CSPO) in the Swedish food sector by the end of 2015, via any supply chain delivery methods, including RSPO’s non-physically *Book & Claim* supply chain model (RSPO, 2015a). LI builds the initiative on the principle of RSPO and they believe that RSPO is the most transparent organization

and has been around for the longest time when it comes to certified sustainable palm oil (*pers. comm.*, Anell, 2016). To implement the initiative, the Swedish Food Federation has considered several stakeholders that are important to operationalize their initiative (Table 6).

Table 6. The Swedish Food Federation’s important stakeholders (*pers. comm.*, Anell, 2016)

	Very important 1	Important 2	Somewhat important 3	Not important 4	Not at all important 5
Suppliers	●				
Retailers	●				
NGOs and Civil Society	●				
Industry Association	●				
Certifiers	●				
Customer group	●				
Community members	●				
Academics		●			
Government bodies		●			
Journalist and Media		●			
Board of Directors		●			
Multilateral Develop Agencies (WorldBank)			●		
Employees			●		

Table 6 shows that suppliers, retailers, NGOs and civil society, industry association, certifiers, customer group, and community members are ‘very important’ stakeholders for the Swedish Food Federation in the implementation of their Sustainable Palm Oil Initiative.

The implementation of the initiative in the Swedish Food Federation has been through several processes. To achieve the ambition of the initiative, education, communication and collaboration are the chosen approaches for LI to spread the initiative internally and externally (*pers. comm.*, Anell, 2016). LI has set up a taskforce that consists of members, in which, the taskforce contributes to implement and keep up the process of the initiative to achieve the ambition that they have decided. The taskforce also help and facilitate the small company members to actively contribute and follow the initiative objectives (*ibid.*). For instance, LI has conducted a monitoring survey study on the uptake of palm oil products in Swedish food industry and the monitoring report has been shared and presented in a seminar held on 25th November 2015 in Stockholm. The monitoring report is made public (www.livsmedelsforetagen.se/stora-framsteg-mot-hallbar-palmolja/).

Furthermore, LI communicates their initiative through media and direct meetings with their members and other stakeholders, such as NGOs (e.g., WWF, GreenPeace, and Swedish Society for Nature Conservation) in order to get some input and describe what they are doing and where they are heading and also find an opportunity to collaborate and help each other(*pers. comm.*, Anell, 2016). In addition, LI are also planning to collaborate with companies from other sectors that have sustainable palm oil initiative in their organizations, for example, LI has conducted a meeting with

Kicks and AxFoundation to figure out a way where they can work together in a more collaborative fashion. Additionally, LI also plans to collaborate with KTH Royal Institute of Technology (*ibid.*).

The Sustainable Palm Oil Initiative at LI is basically managed by the CSR and Sustainable Manager and with the help from communication department. The Board of Directors provide their support by setting up the ambition of the initiative and also to make public announcement about the initiative (*pers. comm.*, Anell, 2016).

Kickskosmetikkedjan AB

Kicks is a cosmetic retailer and mainly sells cosmetic products and cosmetic accessories (*pers. comm.*, Bjurvald, 2016). Kicks has 1,800 employees in total and has 250 stores in Sweden, Norway and Finland (*ibid.*).

In relation to palm oil, according to Croda (i.e., home and personal care ingredients and manufacturer), about 70% of cosmetics products that are sold in stores have palm oil and palm kernel oil contents, even it's in small proportion (*pers. comm.*, Bjurvald, 2016). Kicks uses palm oil in two different streams of their products: the first stream is the branded cosmetic products, such as L'Oréal, Dior, Chanel, Unilever, etc. are the top cosmetic products that Kicks source and sell in its stores (*pers. comm.*, Bjurvald, 2016). Meanwhile, the second stream is Kicks' private label cosmetic products. For this private labelling cosmetic products, Kicks does not directly produce the products, however, Kicks uses suppliers side with collaboration on product development processes (e.g., ingredient formula and packaging) with the producing companies (*pers. comm.*, Bjurvald, 2016).

Kicks started to engage with sustainable palm oil initiative in 2013, when the company hired a sustainability manager to manage the initiative (*pers. comm.*, Bjurvald, 2016). At the time, Kicks contacted several people from KTF, WWF, AxFoundation and Unilever to share and gain comprehensive understanding of the palm oil issues in cosmetics and detergent sector (*ibid.*). In June 2014, together with other organizations, such as the Swedish Food Federation, RSPO, NGOs, and companies, Kicks participated in a palm oil seminar in Stockholm, where palm oil sustainability issues such as deforestation, biodiversity, indigenous people land's right, and smallholders are described, RSPO's supply chain certification scheme, and other challenges are also discussed and shared in this seminar (*ibid.*). Furthermore, on the 1st October 2014, Kicks formed an initiative that is called Swedish Initiative on Sustainable Palm Oil in Cosmetics and Detergents together with KTF and manufacturing brands (*ibid.*).

To align the sustainable palm oil initiative within Kicks' internal organization, there are several approaches that have been put in place and carried out. First, Kicks has created a Letter of Declaration of Intent that explains about the time-bound objectives of the initiative and it was shared to Kicks suppliers, both the branded cosmetic products suppliers and Kicks' private label cosmetic products suppliers (*pers. comm.*, Bjurvald, 2016). The letter explains that from 2015 onward, Kicks will compensate the use of palm oil and palm kernel oil in its own brands by using RSPO's *Book & Claim* supply chain model and Kicks commits to secure that at least 90% of palm oil, palm kernel oil and their derivatives in its total range of cosmetics and detergents is sustainable (*ibid.*). The letter also states that by 2020, Kicks would undertake to meet RSPO's *Mass Balance*

supply chain model for its products and commit to implement the call for sustainable palm oil upwards within Kicks' supply chain networks (*ibid.*). Furthermore, to spread the initiative, Kicks has scheduled a regular meeting for every 6months in the autumn with its suppliers, and also facilitates its private label suppliers through trainings for the suppliers to understand about RSPO's supply chain models and how to calculate the amount of palm oil and palm kernel oil in cosmetic or detergent products (*ibid.*).

Furthermore, Kicks has shared the initiative in its internal marketing and sales department; as well as spreading the message to its stores in order to increase their awareness of sales staff on palm oil issues, thus, they can give an answer when customers are coming and ask about palm oil issues (*pers. comm.*, Bjurvald, 2016). Since it is not yet clear how the end-consumers would perceive about palm oil issues in cosmetic products, there has not been any specific approach yet that have been put in place (*ibid.*). However, representatives of Kicks believe that it is good to act proactively as soon as possible before the end-customers and external stakeholders give pressures and forces on this issue (*ibid.*). In addition, Kicks also has engaged with several organizations that have the same concerns and have sustainable palm oil initiative in place in their organizations such as the Swedish Food Federation, AxFoundation, WWF, and KTH Royal Institute of Technology in order to find a way to collaborate and help each other (*ibid.*).

To implement the sustainable palm oil initiative, Kicks has considered several stakeholders to be important to operationalize their initiative (Table 7).

Table 7. Kicks's important stakeholders (*pers. comm.*, Bjurvald, 2016)

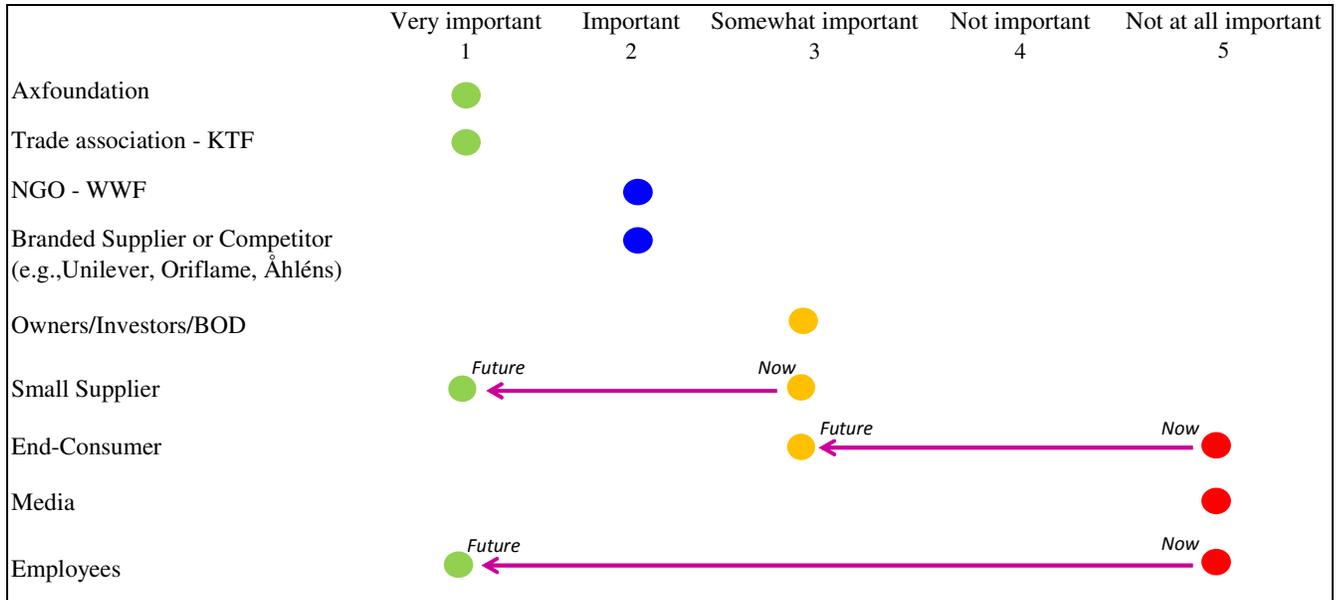


Table 7 shows that AxFoundation and Trade Association-KTF are 'very important' stakeholders for Kicks. Meanwhile, employees are considered as 'not at all important' for now but they will be 'very important' for the initiative in the future; and for the small suppliers which is considered 'somewhat

important' for now but they would be 'very important' for the initiative in the coming future (*pers. comm.*, Bjurvald, 2016).

Världsnaturfonden (WWF SE)

Världsnaturfonden (WWF Sweden) is the national branch of a global environmental NGO, World Wide Fund for Nature (WWF). It has adopted the global Market Transformation Initiative (MTI) in February 2009. Palm oil is one of the several commodities targeted in the MTI strategies; however, the WWF Network started working on palm oil a few years earlier within the context of the global forest program (*pers. comm.*, Renström, 2016). WWF's theory of change aims at working with key progressive companies (producers and buyers) to make commitments towards responsible palm oil and to adopt credible certification as an implementation tool. Credible certification is defined as comprehensive standards that cover environmental, social, and economic elements, and it is a system that is based on multi-stakeholder governance, transparency, and third party verification (*ibid.*).

There are several approaches that are used by Världsnaturfonden to implement its global Market Transformation Initiative in the Swedish context (*pers. comm.*, Renström, 2016). First, Världsnaturfonden promotes RSPO certification scheme in Sweden as an ethical sourcing tool to make changes towards more responsible production in the producer countries. Second, Världsnaturfonden lobbies Swedish companies to develop and implement commitments to only use certified palm oil. WWF ask towards the companies is to aim at fully *segregated* supply chains model, while buying certificates can be important steps in the short run. Third, Världsnaturfonden participates in company or sector conferences to inform about the negative consequences of the conventional oil palm production and explains why a change is needed and why WWF does not believe that boycotting palm oil is viable alternative. Fourth, Världsnaturfonden informs all of these concerns through its website and Världsnaturfonden also respond to consumers' letters and social media about WWF' point of view on the best way to improve oil palm plantations. Fifth, Swedish key companies are targeted in the WWF Network Palm Oil Scorecard to assess their performance. Lastly, Världsnaturfonden's staffs is part of the WWF Global Palm Oil Working Group and participates in developing comments to RSPO's principle and criteria revisions, conducting communication, helping in fundraising to WWF projects related to oil palm plantations and developing the palm oil score-card, etc.

Världsnaturfonden has declared that several stakeholders are important to drive responsible palm oil production in the Swedish context (Table 8).

Table 8. *Världsnaturfonden's important stakeholders (pers. comm., Renström, 2016)*

	Very important 1	Important 2	Somewhat important 3	Not important 4	Not at all important 5
Retailers	●				
Importers	●				
Major food service providers	●				
Producers using palm oil in food and in chemical products		●			
Investors		●			
Food producers/retailers association		●			
Chemical technical producers/retailers association		●			
Swedish NGOs		●			
Consumer organisations			●		

Table 8 shows that retailers, importers and major food service providers are considered as ‘very important’ Swedish stakeholders to help drive responsible palm oil production.

Fazer

Fazer is an international family-owned company established in 1891. Fazer business areas consist of bakery, confectionery, and biscuit producer, as well as food and café services. Fazer operates in eight countries and exports to more than 40 countries. Fazer’s mission is to create taste sensations and it has around 15,000 employees. Fazer’s operations comply with ethical principles that are based on the Fazer Group’s values and the UN Global Compact (*pers. comm., Granström, 2016*).

Palm oil is used in the production of laminated coffee breads, biscuits, and in some confectionery fillings. Palm oil is used as a component of fat blends. In Fazer Food Services, palm oil is mostly used in margarines (*pers. comm., Granström, 2016*). Figure 10 shows percentage of Fazer’s palm oil use by country, in which, the biggest consumption of palm oil is Fazer’s Bakery in Russia.

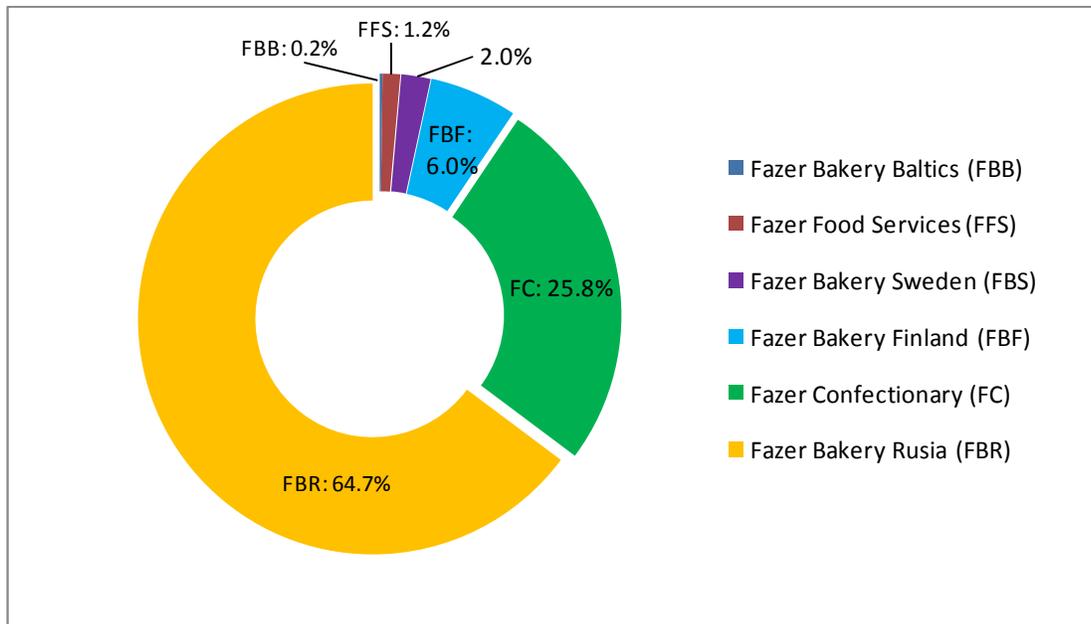


Figure 10. Fazer's palm oil use by country (Fazer, 2015, 31).

Fazer's corporate responsibility programme is structured around five areas of strategic focus (Fazer, 2015, 11). The programme that relates with responsible palm oil is called Fair Value Chain, in which, Fazer supports responsible and transparent sourcing of palm oil by following the requirements of RSPO certification scheme (*ibid.*, 31). Fazer confectionary has been a member of the RSPO since 2004 and is committed to improving sustainability (*pers. comm.*, Granström, 2016). Since 2012, all of the palm oil that have been used in Fazer's business areas was covered by RSPO's *Book & Claim* supply chain model (Figure 11) and since then, Fazer has been continually increasing their share of RSPO's physically *Segregated* and *Mass Balance* supply chain models (Fazer, 2015, 31).

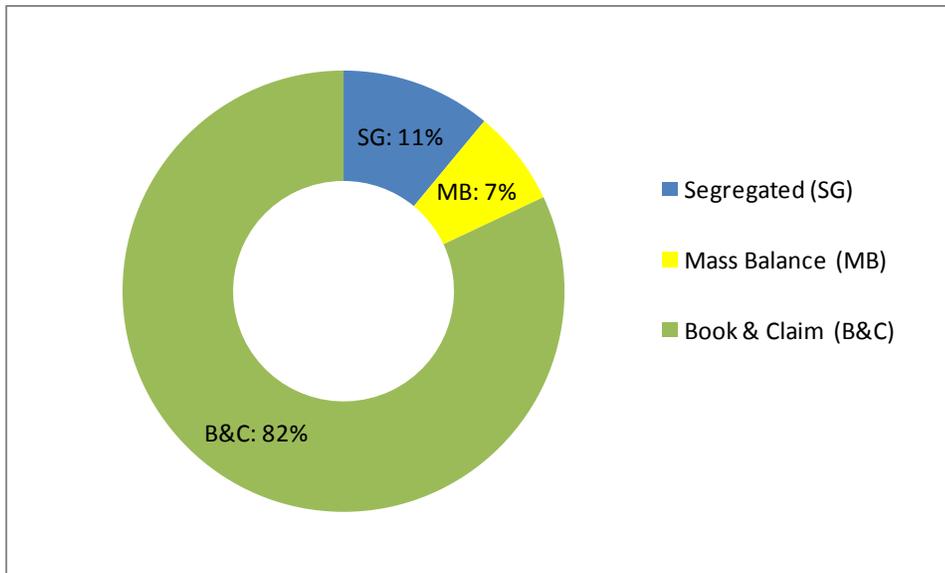


Figure 11. Fazer's responsible palm oil status (Fazer, 2015, 31)

Furthermore, through continuous improvement commitment, Fazer has shown that it has reached its target to purchase 100% RSPO's segregated certified palm oil for biscuit products in 2015, and by 2020, Fazer is planning to reach 100% RSPO's segregated and mass balance certified palm oil in all countries of operation (Fazer, 2015, 31).

There are various concerns and challenges that are faced by Fazer in using sustainable palm oil. From environmental point of view, deforestation and biodiversity are the main concerns to be addressed and focused on by Fazer; meanwhile, law enforcement, corruption, and transparency are considered as social and governance issues that are needed to be focused on (*pers. comm.*, Granström, 2016). Moreover, in terms of ethical sourcing issues of palm oil, it varies and it depends on the market; for instance, in Russia there has been a lack of ethical sourcing throughout palm oil supply chain activities (*ibid.*). In addition, availability of RSPO certified palm oil from all supply chain options has also been a challenge and the RSPO credibility is also constantly challenged by various stakeholders which lead to some parties abandoning the use of palm oil (*ibid.*). One concern that has been raised is how to verify the sustainability without traceability (*ibid.*).

To implement their responsible palm oil initiative, Fazer has considered several stakeholders that are important to operationalize the responsible palm oil initiative (Table 9). Suppliers, retailers, NGOs, customers, consumers are categorized as 'very important' stakeholders in the implementation of Fazer's responsible palm oil initiative.

Table 9. Fazer's important stakeholders (pers. comm., Granström, 2016)

	Very important 1	Important 2	Somewhat important 3	Not important 4	Not at all important 5
Suppliers	●				
Retailers	●				
NGOs and civil society	●				
Customers	●				
Consumers	●				
Palm oil working group Sweden			●		
Academics			●		
Government Bodies			●		
Shareholders			●		
Employees		●			

Based on those concerns, challenges, and important stakeholders, Fazer needs to rely on good cooperation with its suppliers (Fazer, 2015, 31). Selection of palm oil suppliers based on their capability to supply sustainable palm oil is one of the important criteria (Fazer, 2015, 31). For instance, Fazer's sourcing organization has been involved in the formulation of palm oil commitment to ensure that it can be fulfilled by having constant dialogues with Fazer suppliers about fulfilment and availability of sustainable palm oil for the fractions that Fazer needs (pers. comm., Granström, 2016).

Furthermore, in terms of marketing and sales, Fazer depends very much on the market, for instance, in Sweden there are Fazer's customers with their own ambitions on palm oil. Fazer needs to consider and match these customers' ambitions with Fazer's point of view and target on responsible palm oil. If the customer has an ambition to abolish the use of palm oil, Fazer then needs to make a decision whether Fazer needs to remove the palm oil from its products or have the products delisted (pers. comm., Granström, 2016). However, Fazer does not believe that replacing palm oil is always the most sustainable thing to do and an evaluation of the impact of the palm oil alternative is needed (ibid.). In addition, to spread the responsible palm oil activities, Fazer actively communicates about this via different channels, both internally and externally. Fazer has participated as a member of Palm Oil Working Group that is organized by the Swedish Food Federation (LI) to transform palm oil market in Swedish food industry toward sustainable palm oil (ibid.).

Croda International Plc

Croda is a specialty chemical company listed on the London Stock Exchange and founded in 1925. A large part of Croda business is in the manufacture of ingredients for Home Care and Personal Care (**H&PC**). Croda supplies ingredients (raw materials) to large consumer goods companies such as L’Oreal, Unilever, Procter & Gamble, etc. (*pers. comm.*, Sayner, 2016). Croda has more than 3,600 employees that work across its 18 manufacturing sites and in offices in over 30 countries (*ibid.*).

Croda consumes palm derivatives in 11 of its 18 global manufacturing locations to manufacture H&PC ingredients (*pers. comm.*, Sayner, 2016). Around 70% of the world’s cosmetic products contain palm-derived raw materials together with most household detergent products (*ibid.*). It is estimated that the H&PC industry consumes around 5% (ca. 2% PC and ca. 3% HC) of the world production of palm oil and palm kernel oil, mainly as derivatives (*ibid.*). Moreover, Croda supplies sustainable palm oil ingredients to many customers around the world (Croda, 2014a, 10).

Product stewardship is one of Croda’s sustainability programmes that relates to sustainable palm oil (Croda, 2015b, 9). Croda’s product stewardship programme aims to ensure that the ingredients that are produced contribute positively to the environment and society throughout their lifecycle (*ibid.*, 9). This spans to every stage of Croda’s operations from the sourcing of raw materials, manufacturing processes, delivery processes, use and disposal of the products that contain Croda ingredients (*ibid.*, 9). In raw material sourcing, Croda is committed to reducing its contribution to deforestation, climate change, and biodiversity by working with various organizations such as RSPO, suppliers, and customers to ensure the traceability of critical raw materials back to suitably accredited sources (*ibid.*, 10). For instance, by using global procurement software system, Systems Applications and Products (**SAP**), Croda has mapped the origin of all of its raw materials in order to know from what it is made of and from where it is sourced (*ibid.*, 10).

Furthermore, in supply chain engagement activities, Croda is working with **SEDEX**, the Supplier Ethical Data Exchange, to access social and ethical sustainability data of Croda’s key suppliers (e.g., modern slavery and environmental issues). These suppliers are being asked to provide social and ethical data that will be assessed by SEDEX to identify the areas of concern and non-compliance (Croda, 2015b, 12). After the area of concern and non-compliance are identified, a physical audit will be carried out and thus, Croda can work in partnership with its key suppliers to improve supply chain globally (*ibid.*, 12).

In terms of sustainable palm oil performance, Croda has shown a rapid progression from 2012 in the uptake of RSPO certified physical supply chain. In 2015, 11 manufacturing sites of Croda have gained RSPO supply chain certification which handles over 99% of Croda palm-derived raw materials to provide its customers with certified products. Moreover, the number of product availability that support Certified Sustainable Palm Oil (**CSPO**) have increased more than 30% and Croda’s customers have increased two-fold from 2012 to purchasing products supporting CSPO derivatives which covers all geographical regions in the markets that Croda supplies (Croda, 2015b, 10). To implement the product stewardship programme, Croda has considered several stakeholders that are important to operationalize its programme (Table 10).

Table 10. Croda’s important stakeholders (pers. comm., Sayner, 2016)

	Very important 1	Important 2	Somewhat important 3	Not important 4	Not at all important 5
Customers	●				
Consumers	●				
NGOs	●				
Suppliers	●				
Investors	●				

Table 10 shows that customers, consumers, NGOs, suppliers and investors are considered as ‘very important’ stakeholders for Croda to implement their product stewardship programme.

5. Analytical discussion

In this section, analysis and discussion of the empirical findings are explained using the theoretical frameworks and background empiric that have been described in previous chapter.

5.1 Analysis

The analysis is structured in accordance with the research questions, starting with the importance of stakeholder groups, influence strategies for key stakeholders, and implementation of ethical sourcing initiatives in these organizations.

5.1.1 Important key stakeholders

In the notion of stakeholder concept, when an organization is creating value, it should understand the needs, expectations, and values of its constituencies (Ayuso, Rodriguez, Garcia-Castro, *et al.*, 2014, 417); (Roberts, 2003, 161).

The six palm oil key stakeholders interviewed in this study have all declared their very important stakeholders to implement their sustainable palm oil initiatives (Figure 12). It shows that they have attributed importance to different stakeholders with regards to efforts to implement sustainable palm oil initiatives; however, all in all, it can be seen that retailers, suppliers, consumers, trade associations, and NGOs are considered as their key important stakeholders for them to implement the sustainable palm oil initiatives. These key important stakeholders: retailers, suppliers, consumers, trade associations, and NGOs could be categorized as “core stakeholders” (Hart & Sharma, 2004), in which, it implies that the six organizations express their efforts to these core stakeholders in order to spread and achieve the ambitions of their sustainable palm oil initiatives.

Meanwhile, all of these six organizations have endorsed the use of RSPO certification scheme as a tool to implement their sustainable palm initiatives. They have expressed their believes that the RSPO’s principles and criteria have covered environment, social and governance issues such as deforestation, biodiversity, greenhouse gas emissions, customary/indigenous people’s land rights, and transparency in its certification scheme (see page 33). Therefore, it indicates that by using the RSPO certification scheme as a ‘vehicle’, the six organizations have indirectly considered the notion of “fringe” stakeholders as important stakeholders to implement their sustainable palm oil initiatives. Figure 12 illustrates the important key stakeholders for the six organizations.

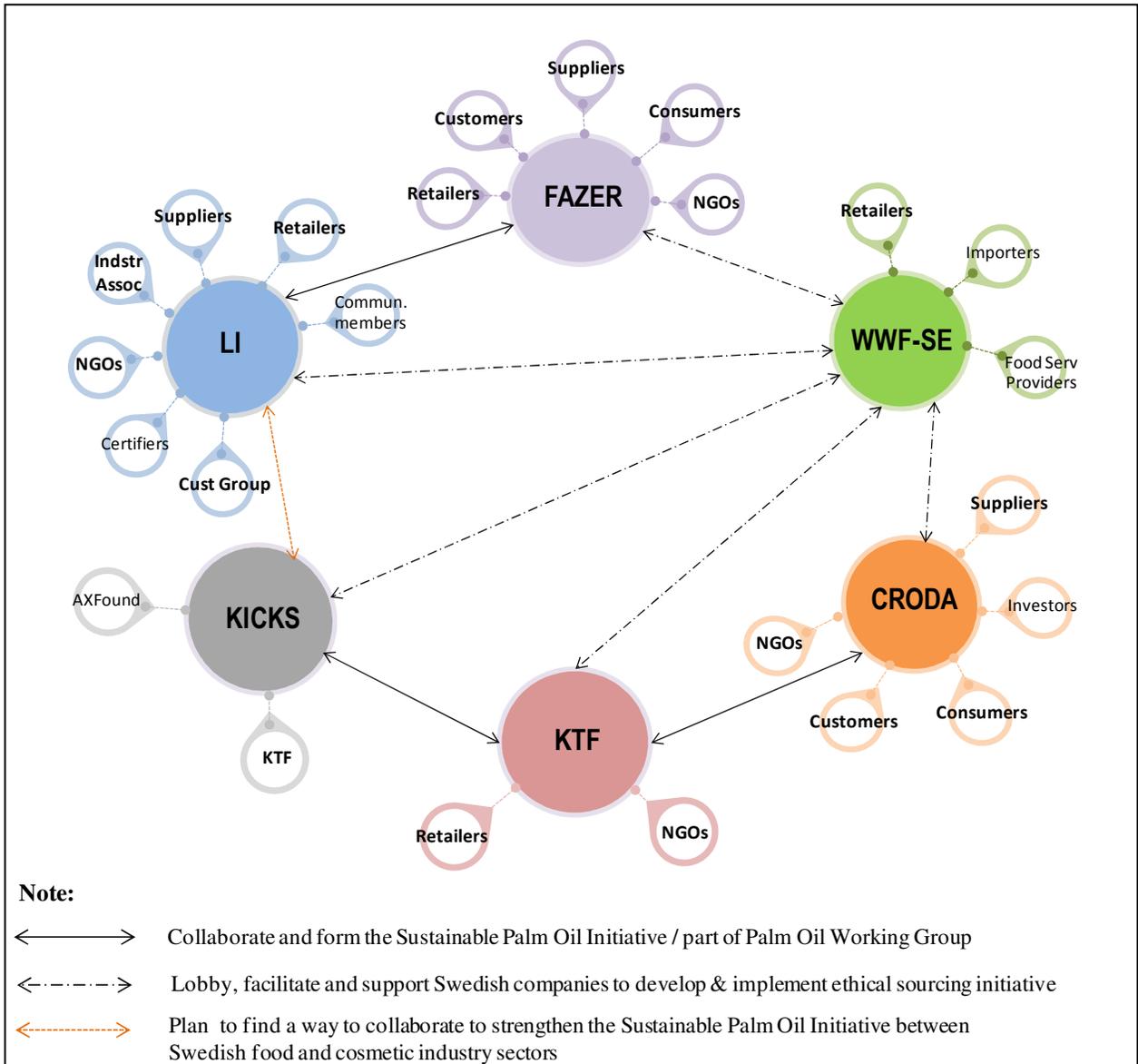


Figure 12. The important key stakeholder

From Figure 12, it can be seen how the six organizations collaborate and influence each other to spread the sustainable palm oil initiative in Swedish market. LI and Fazer have collaborated and formed a palm oil working group in Swedish food industry in order to transform the market to source Certified Sustainable Palm Oil (CSPO). Meanwhile, KTF, KICKS and Croda have created a simple platform together to endorse the Sustainable Palm Oil Initiative for their members, suppliers, and customers. In addition, WWF-SE with its capabilities has facilitated, supported and convinced all of these palm oil key stakeholders in Swedish market towards a vision of sustainable palm oil.

5.1.2 Stakeholders' influence strategies

LI, KTF, and WWF-SE are palm oil key stakeholders in Swedish market that can influence companies in food and cosmetics industries to use Certified Sustainable Palm Oil (CSPO). Based on their roles, they can facilitate, engage, and influence their member companies to achieve their ambitions. Figure 13 illustrates how these organizations promote RSPO certification scheme to the companies as a tool to implement ethical sourcing initiative.

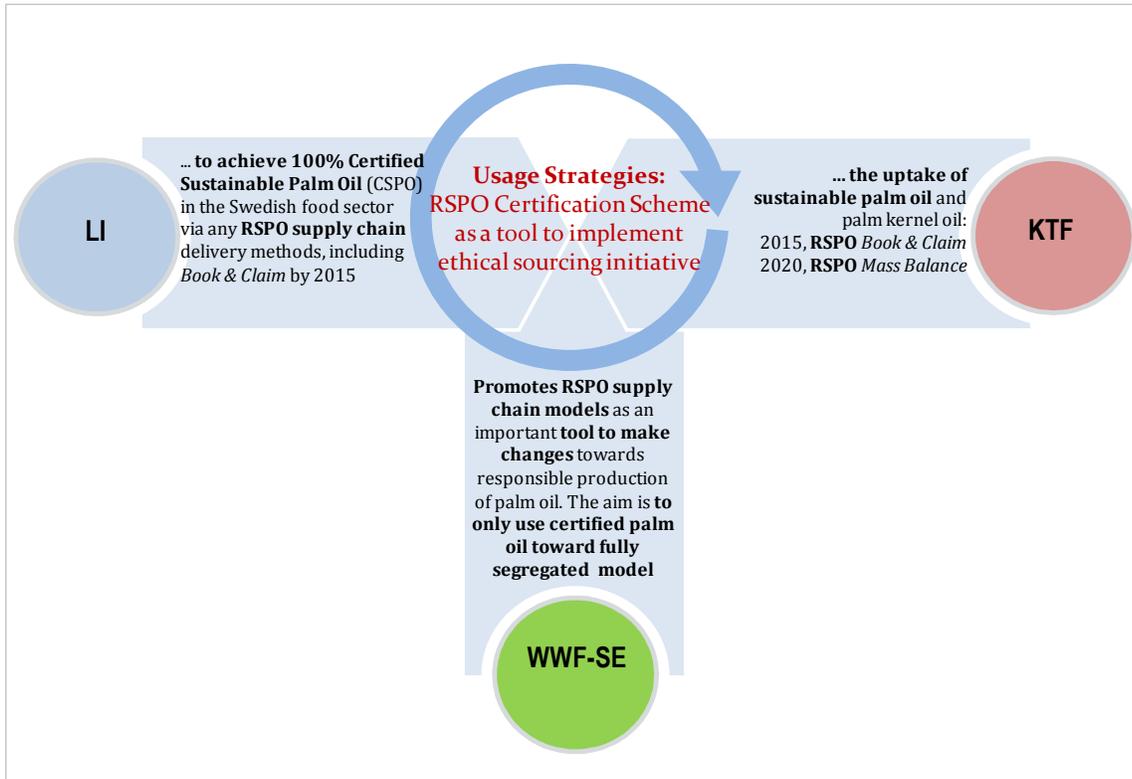


Figure 13. The key stakeholders influence strategies

KTF with its Efficiency and Simplification approaches has created a simple platform for collaboration within their members in Swedish Cosmetics and Detergent industry, in which, the main goal is to use Certified Sustainable Palm Oil based on RSPO *Book & Claim* and *Mass Balance* supply chain models. Meanwhile, LI through education, communication, and collaboration want to spread its Sustainable Palm Oil Initiative within Swedish food industry and to other sectors and organizations who have similar concerns on sustainable palm oil issues. Moreover, by creating a palm oil working group/task force, LI initiates to facilitate especially for the small company members to learn, share and benchmark from the big companies who have implemented ethical sourcing initiative. Whereas, WWF-SE with its global Market Transformation Initiative endorses RSPO certification scheme in Sweden as a tool for ethical sourcing to make changes towards more responsible palm oil production in the producing countries.

Based on these three palm oil key stakeholders approaches, it can be stated that all of their approaches could be categorized as “usage strategies”(Frooman, 1999), in which, they endorsed and

employed RSPO certification scheme as a tool for the Swedish companies in food and cosmetic industries to implement their ethical sourcing initiatives (Figure 13). These three organizations do not believe that “withholding strategies”, such as the boycotting palm oil approach, is a viable alternative to address sustainable palm oil issues.

5.1.3 Implementation of ethical sourcing initiatives in companies

Findings in the study suggest that sustainable palm oil issues are both the value chain social impacts and the social dimensions of competitive context (Porter & Kramer, 2006) for Croda, Fazer and Kicks. The ordinary activities of these companies such as sourcing, manufacturing, selling, and using of palm oil products have social impacts in the communities of both in the producing and consuming countries. Moreover, as the sustainable palm oil issues are gaining increasing concerns globally, thus, these issues act as important factors for these companies to drive their long-term competitiveness in the market.

The value chain activities to implement ethical sourcing initiative of Kicks, Fazer and Croda are depicted in Figure 14. Croda and Fazer have started ethical sourcing initiative that uses RSPO certification scheme since 2004. In the course of their activities, Croda has done substantial progress of improvement in terms of primary and supporting activities throughout their value chain; for instance, they have been using a software system to trace the procured palm oil all the way to the key suppliers. By collaborating with SEDEX, Croda aims to ensure that their key suppliers comply with the standard of social and ethical sustainability. Moreover, to keep the momentum of ethical sourcing initiative, Croda also actively involved in various platforms of dialogues with like-minded stakeholders. Fazer, on the other hand, focuses on the continuous improvement of their palm oil sourcing based on the RSPO supply chain models, in which they improved from using *Book & Claim* model to *Mass-Balanced* and *Segregated* model. Fazer managed to keep the momentum of the improvement by continuously maintain dialogues with their key suppliers. Furthermore, Fazer is also willing to adjust their ethical sourcing initiative with the continued demand of the sustainable palm oil market.

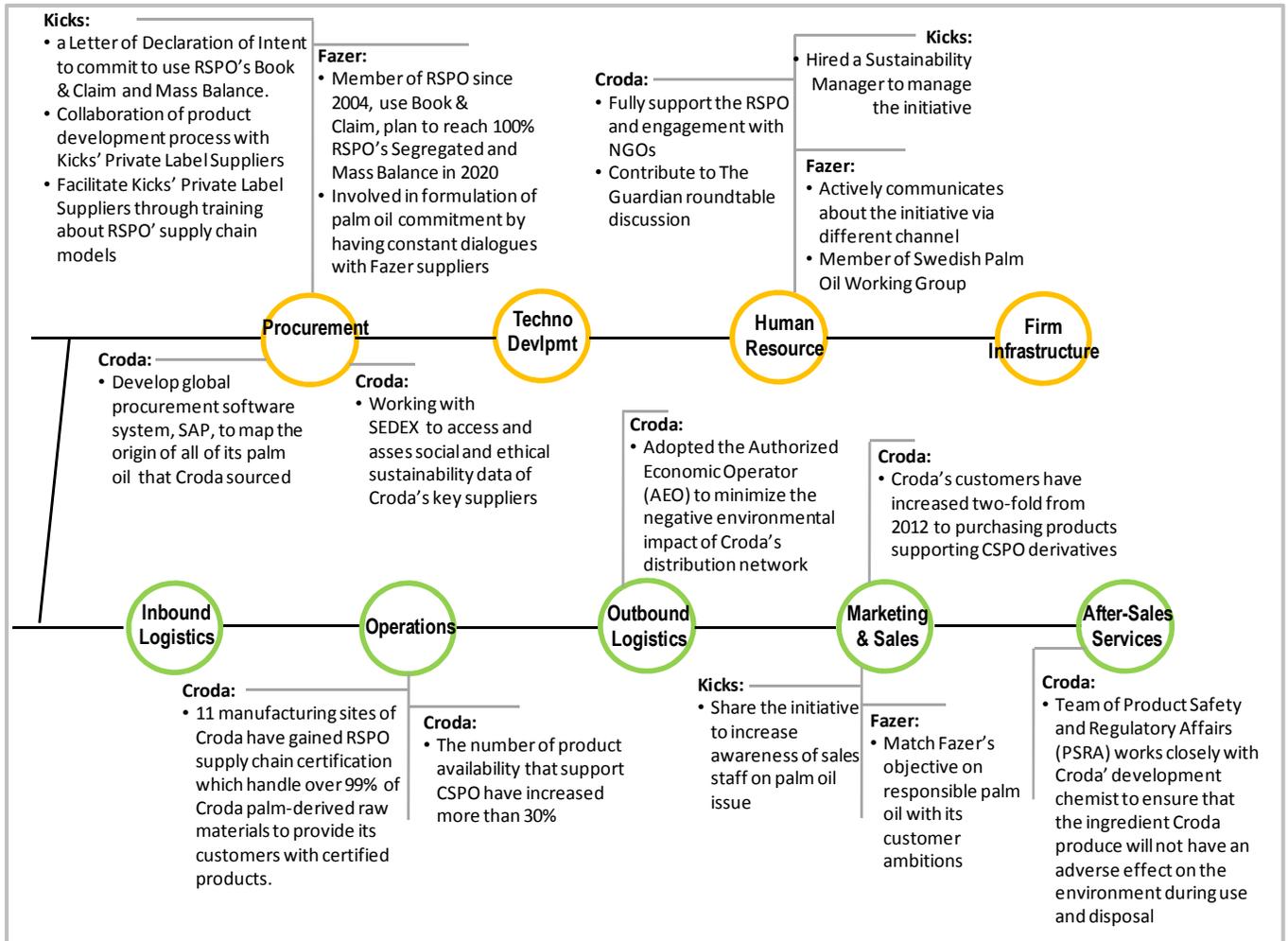


Figure 14. The key palm oil stakeholders value chain activities

As for Kicks, since they just started their ethical sourcing initiative on palm oil in 2014, to speed up their progress, they collaborate with other stakeholders, such as KTF and their branded cosmetic products and Kicks' private label's manufacturers to create a joined-platform on sustainable palm oil and palm kernel oil in cosmetics and detergent industry in Sweden. By having this joined-platform, they strive for efficiency and simplicity to push for the uptake of sustainable palm oil in their sector. Additionally, Kicks also developed their internal communication on sustainable palm oil by increasing the awareness about it for their front-line staff in their stores, to anticipate questions and inquiries from their end-consumers.

5.2 Discussion

Reflecting and drawing insights from the six organizations as study cases, this section illustrates about how these palm oil key stakeholders with their respective roles are implementing the sustainable palm oil initiative in the Swedish food and cosmetic industries. Additionally, this section also raises some illustrations about the condition of palm oil in the upstream part as well as

the challenges in the downstream part, particularly in the European market, in which, these conditions could influence the implementation of sustainable palm oil initiative in Swedish market.

5.2.1 The palm oil key stakeholders roles

The framing of the respective roles of these six organizations is inspired by Roberts' (2003) framework on stakeholder roles. Figure 15 depicts the six organizations' roles in the implementation of sustainable palm oil initiative in Swedish food and cosmetic industries.

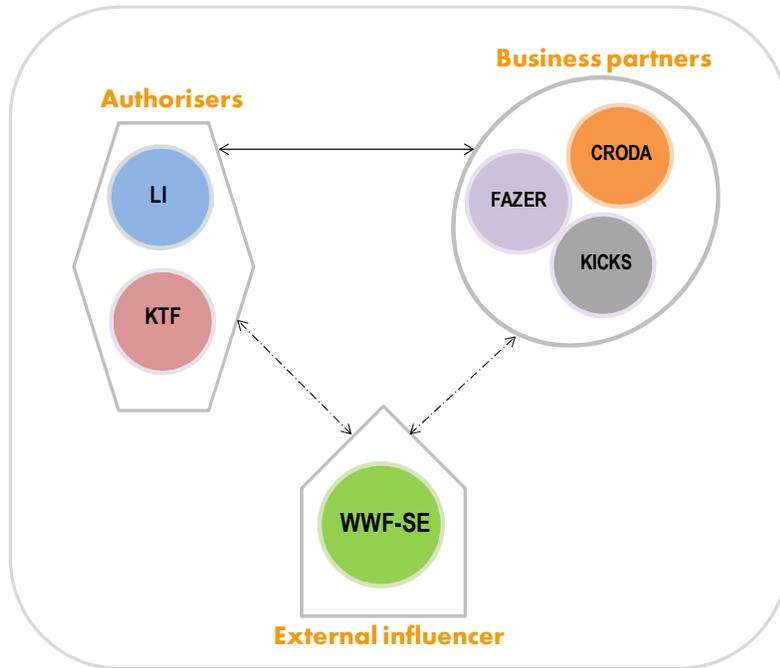


Figure 15. The framing of the palm oil key stakeholders with their roles in this study as inspired by Roberts' (2003) framework on stakeholder roles

LI and KTF as *authoriser* have created both palm oil working group in Swedish food industry and a simple platform in Swedish cosmetics and detergent industry, respectively, for their member companies to support their commitments to implement ethical sourcing initiative. These platforms contribute as a hub for their member companies to share, learn, engage, and communicate to implement sustainable palm oil initiatives in both sectors. Therefore, they can simultaneously spread, improve, keep the momentum, and monitor performance of their respective initiatives. Whereas, WWF-SE as an *external influencer* who has concerns in sustainable palm oil issues contributes to lobby, support, facilitate, and explain the situation of the palm oil in producing countries to the like-minded stakeholders in Swedish market. Therefore, by doing so, WWF-SE can contribute to drive responsible palm oil production by encouraging the companies to aim toward fully RSPO *segregated* supply chains model.

Kicks, Fazer, and Croda, on the other hand, whose roles are as *business partners*, provide facilitation to the operationalization of the sustainable palm oil initiative. Croda, through its

procurement activities, ensures that cosmetic ingredients that Croda sells to cosmetic manufacturers are procured from responsible sourcing and certified based on RSPO certification scheme. Moreover, Kicks, as a cosmetic products retailer, can sell the cosmetic products that contain Certified Sustainable Palm Oil directly to its end-consumers.

5.2.2 The effects of upstream and downstream conditions to the Swedish initiative

The intertwined relationship between the upstream and downstream parts of palm oil supply chain network influences the implementation of Swedish Initiative on Sustainable Palm Oil in driving the responsible palm oil production. Main issues such as deforestation, biodiversity, and customary/indigenous land rights are parts of the adverse impacts in the upstream processes to produce palm oil. Furthermore, the high density of actors (e.g., private plantations, smallholders, FFB traders, and mills) involved in the upstream part (see Figure 7) contributes to the complexity of social fabric network amongst these actors. Hence, it can be implied that with all of these challenges, it needs time to see progress for such sustainable palm oil initiatives to take place effectively. For instance, RSPO has initiated Certified Sustainable Palm Oil (CSPO) since 2004 and yet in 2015, there were only 20% of the world's palm oil that is grown on plantations that are certified with RSPO standards; therefore, the global availability of certified palm oil products is still a high challenge in years to come (RSPO, 2015a).

On the other hand, in the downstream part of the palm oil supply chain network (see Figure 7) it also shows high density of actors that are involved (e.g., refiners, manufacturer, retailers, service providers, and consumers) which contribute to the complexity of the uptake of CSPO. As an example, the global uptake of CSPO through physical and non-physical trading for 2014 had reached 4.9 MT, however, it is not known exactly how much of this is imported into Europe (RSPO, 2015a, 13). This condition is also shared by a representative of Fazer that noted that there are some markets, such as in Russia, where ethical sourcing throughout palm oil supply chain activities is lacking; additionally, Kicks' representative also pointed out that it is not clear how the end-consumers in Sweden perceive the palm oil issues in cosmetic products. Furthermore, an LI representative stated in RSPO (2015a, 11) that the key driver for change in the Swedish market for ethical sourcing on sustainable palm oil came from NGO pressures.

Nevertheless, it is shown that although progress for the implementation of ethical sourcing for large companies are moving forward with their commitments, but the smaller companies are lagging behind. A recently completed survey monitoring on the uptake of CSPO in the Swedish food industry that has been conducted by LI, it shows that the main constraint for LI's member companies to source CSPO is the availability of palm oil products that have been certified based on RSPO certification scheme (LI, 2015b). Therefore, to address these challenges, RSPO suggested that transformation towards sustainable palm oil in Europe should be taken across the supply chains including all refiners, distributors, manufacturers and retailers operating in Europe and an effective communication and engagement with consumers is also needed to increase awareness and market demand for CSPO (RSPO, 2015a, 13).

6. Conclusions and further research

This concluding chapter returns to the aim with an ambition to explain conditions for the industrial initiative for sustainable palm oil. It also offers some suggestions for continued research.

6.1 Conclusions

The condition of industry initiatives on sustainable palm oil in Swedish market is described by looking at who are the key important stakeholders for the implementation of the initiative, and how the palm oil key stakeholders in Swedish market operationalize the initiative based on their own roles. Additionally, highlight from the intertwined relationship between the upstream and downstream parts of the palm oil supply chain networks and the challenges are explained to highlight the gravity of the situation and also as an input for the Swedish initiative to move forward.

The interviewees in this study have all declared that retailers, suppliers, consumers, trade associations, and NGOs are the key important stakeholders for them to implement their Sustainable Palm Oil Initiatives in the Swedish market. It is also confirmed that all of these six organizations have employed RSPO certification scheme as a tool to implement their ethical sourcing initiatives. They have also expressed their believes that deforestation, biodiversity, customary/indigenous land right, and transparencies are all covered in the RSPO Principles and Criteria (P&C). Furthermore, LI and KTF as authorisers promote the usage strategies toward RSPO supply chain models for their members to implement ethical sourcing initiatives, in which they have created a palm oil working group and a simple platform within Swedish food and cosmetic industries as a platform to share and control the initiative. Meanwhile, WWF-SE as an external influencer has been using usage strategies and has played important role to lobby, facilitate, and support the Swedish companies to use certified segregated supply chain model to drive responsible palm oil production. In addition, Kicks, Fazer, and Croda as business partners have conducted various activities on ethical sourcing in their internal value chains and have collaborated with other institutions and suppliers to improve transparency and capabilities of the procurement processes. They also matched and adjusted their ethical sourcing policies to the needs and expectations of their customers and end-consumers.

As the Sustainable Palm Oil Initiative in Swedish market has only emerged in 2014, the outcome of the Initiative seems to be strongly linked-up with the intertwined relationship between upstream and downstream parts of palm oil supply chain network. Consequently, collaboration is the key for the initiative to move forward toward transformation of sustainable palm oil in the Swedish market. Shared-resources type of collaboration could be initiated within and across the sectors amongst the stakeholders in the food and cosmetics industries and also with other organizations who have concerns on sustainability in palm oil industry. For example, they can initiate joint activities to engage with end-consumers to increase their awareness on palm oil issues in Swedish market and explains about the Sustainable Palm Oil Initiative in Sweden. Furthermore, improving capabilities of the small member companies in food, cosmetics and detergent industries to follow the ambition of the Initiative can also be an avenue for joint collaborations.

6.2 Further research

This study is focused on how the palm oil key stakeholders in Swedish food and cosmetic industries have formed and implemented the Sustainable Palm Oil Initiative in their respective organizations. By understanding on who the key important stakeholders are and highlighting their respective roles in the implementation of the initiatives, this study contributes as a source for understanding on how the key stakeholders in the Swedish food and cosmetic industries develop and implement their Sustainable Palm Oil Initiative. Results imply that these key stakeholders, in developing and implementing their initiatives, collaborate with each other within and outside of the industry based on their roles to promote RSPO certification scheme as an ethical sourcing tool. Due to the dynamic intertwined relationships between upstream and downstream parts of the palm oil supply chain network, respondents interviewed expressed that collaboration between key important stakeholders are crucial to spread the Initiative and transform the market.

Furthermore, this study also can be used as supplementary knowledge and information for further research on sustainable initiatives in the same or other sectors and other market. For instance, a comparative study can be conducted between the sustainable palm oil initiative in Sweden and sustainable palm oil initiative in other European countries such as the Netherland, Germany, and Norway, etc. Moreover, a study with the same topic but with an emphasis to explore about the response of small medium companies both in Swedish food and cosmetic & detergent industries on the sustainable palm oil initiative is also worth to conduct. The research approach and the methods could also be modified by using survey or other relevant quantitative approaches. A study to understand perspectives of Swedish consumers on palm oil products could also be conducted in order to give input to the Swedish Initiative on Sustainable Palm Oil that have been implemented. Last but not least, a research on the communicational aspect of these key stakeholders' effort on Sustainable Palm Oil Initiative that involves consumers is also essential to increase awareness.

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Abdul Muis Sulaiman

Stockholm, 03 June 2016

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Personal communication

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Personal interview (2016-03-14)

Appendices

Appendix 1. Interview guide

1. Organization/Company name:
2. Respondent's name:
3. Current position: _____; Length of time in current position: _____
4. Total number of employees:
5. Could you please explain about your organization (e.g., what business are you in, etc.)?
6. How does your company use palm oil? Could you please describe in general?
7. When did your organization start engage in the sustainable palm oil initiative? How did it start?
8. What are the concerns/issues that your organization has taken into consideration when implementing sustainable palm oil initiative?
9. What organizations/stakeholders that are part of your organization's sustainable palm oil initiative? How important (on a scale from 1 to 5, where 1 is very important and 5 is not at all important) are these organizations/stakeholders do you see for implementing the sustainable palm oil initiative in your organization?
Please list the organizations/stakeholders in the Table 1 below. Mark with 'X' in relevant cell.
10. Can you tell me a little bit about how you work with the implementation of the sustainable palm oil initiative in your organization? Are there specific directions that are put in place in your internal organization?
11. How are the works in the sustainable palm oil initiative carried out in your organization? For example, in relation to marketing & sales activities, product development, procurement activities, human resource management, and other relevant activities? Could you please describe?

Appendix 2. A consent-to-participate form

Master Thesis Project on Palm Oil in Swedish Market: A consent-to-participate form

Dear Participant,

This letter is an invitation to consider participating in a study I am conducting as part of my Master's degree in Sustainable Development at the Department of Earth Science at Uppsala University under the supervision of Dr Cecilia Mark-Herbert (Associate Professor). I would like to provide you with more information about this thesis project and what your involvement would entail if you decide to take part.

The objective of this study is to explain how the palm oil key stakeholders in Swedish market accommodate and respond to their stakeholders' demands on sustainable palm oil and how the key stakeholders translate their responses into their internal organizational processes.

Participation in this study is voluntary. The type of data that will be collected for this study is qualitative data such as concerns/issues in palm oil industry and important stakeholders that your organization has taken into consideration when implementing sustainable palm oil initiative.

Primary data will be collected through direct interviews with respondents. With your permission, the interview will be audio-recorded to facilitate collection of information and later transcribed for analyses. The interview will be conducted in English and it will take time around 1 hour in length. Alternatively, if direct interview is not feasible, primary data will be collected through semi-structure questionnaires to be distributed via email. If needed, the respondents could be contacted again after the data collection period is finished, in order to clarify things or to collect more relevant information.

Names of organizations and respondents that have participated and were interviewed will be written in the final thesis report and will be annotated that the views expressed are not personal views, but rather express the whole organizational approach to the sustainable palm oil initiatives. Upon completion, the final thesis project report will be published online at: <http://uu.diva-portal.org/>.

Please sign your consent with full knowledge of the nature and purpose of the procedures. A copy or scanned version of this consent form will be given to you for your perusal. Thank you.

Signature of Participant & Name of Organization

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