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An Analysis of Sustainability Management and Reporting in The Indonesian Palm Oil Industry: Based on Stakeholder Perspective

Nurhayati, Soleha

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DOCTORAL DISSERTATION

An Analysis of Sustainability Management and Reporting in The Indonesian Palm Oil Industry: Based on Stakeholder Perspective

インドネシアのパームオイル産業におけるサステナブル経営と報告の分析：
ステークホルダーの視点から

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University: Kobe University

School: Graduate School of Business Administration

Supervisor: Professor Katsuhiko Kokubu

Student ID: 153B409B

Name: Nurhayati Soleha

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List of Abbreviations

BPS	*Badan Pusat Statistik*/ Statistics Indonesian Agency
CPO	Crude Palm Oil
CSPO	Certified Sustainable Palm Oil
CSR	Corporate Social Responsibility
DO	Delivery Order
ESG	Environmental, Social, and Governance
GHG	Greenhouse Gas
GRI	Global Reporting Initiative
HCS	High Carbon Stock
HCV	High Conservation Value
HGU	*Hak Guna Usaha*/ Cultivation Rights
IDX	Indonesia Stock Exchange
ISPO	Indonesian Sustainable Palm Oil
NDPE	No deforestation, No Peatland, No Exploitation
NGOs	Non-Governmental Organisations
OJK	*Otoritas Jasa Keuangan*/ The Financial Service Authority of Indonesia
PKO	Palm Kernel Oil
PROPER	Program for Pollution Control, Evaluation, and Rating
PPE	Personal Protective Equipment
RKL-RPL	*Rencana Pengelolaan Lingkungan-Rencana Pemantauan Lingkungan*/ Environmental management reports and environmental monitoring reports
RSPO	Roundtable on Sustainable Palm Oil
SIMPEL	*Sistem Pelaporan Elektronik Lingkungan Hidup*/Electronic Environmental Reporting Information System
SDGs	Sustainable Development Goals
SPOTT	Sustainable Palm Oil Transparency Toolkit
SR	Sustainability Reporting

Chapter 1
Introduction

The term "sustainability" can have a wide range of meanings in society, depending on the context in which it is applied. In the palm oil industry, sustainability is generally defined as a commitment to enhancing economic competitiveness, improving the lives of people, and protecting the environment. To be specific, the palm oil industry faces particular sustainability issues such as conservation of biodiversity, responsible development of new plantings, responsibility of considering the needs of communities, social impact, economic viability, and adherence to good agriculture practice (Morgans et al., 2018). Meanwhile, it is obvious that various stakeholders are involved in and have different requirements in these issues. Different stakeholders including the Indonesian government have taken measures to reduce deforestation and environmental damage, but sustainability issues have not yet been sufficiently addressed in the palm oil industry (Kadarusman and Herabadi, 2018).

Due to its involvement in deforestation, the palm oil industry has received negative publicity and sanctions. It is particular in the case when NGOs spread negative publicity about a palm oil company, consumers may decide to withdraw their purchasing contract with the company, which threatens the profits or survival of the company. For example, the European Parliament has voted to ban the use of palm oil in biofuel productions, and some consumers also boycott the use of palm oil in their manufacturing. Companies, therefore, need to figure out how to respond to different requirements from their stakeholders to address sustainability issues because the power of stakeholders (such as NGOs and consumers) may influence the market access and financial performance of the company.

To meet such demands and engage with different stakeholders, many companies try to follow different sustainability initiatives, incorporate environmental and social sustainability into their corporate strategies and communicate their sustainability performance to internal and external stakeholders via sustainability reports[1], which works as a means of transparently disclosing

[1] Sustainability report is a broad term for reporting incorporates social and environmental impacts of business activities and no consensus on what sustainability reporting means (Guthrie et al., 2008; Higgins et al., 2015a; Lozano et al., 2016), but several terminologies are being used to denote standalone sustainability report. Whilst, Baumgartner and Ebner (2010), sustainability reporting is a practice to disclose sustainability issues within company reports, either in a standalone sustainability report or integrated into the annual corporate report.

sustainability-related information to stakeholders. However, as pointed out by previous studies, despite the fact that many companies have been attempting to conduct sustainability management practices and follow the sustainability policy and certifications (e.g. NDPE[2], RSPO[3], ISPO[4], and ISO 14001), the palm oil industry has continuously been accused of having caused many social and environmental problems such as forest fires, deforestation, biodiversity degradations, and social conflicts (Pye, 2019; Morgans et al., 2018).

The purpose of this study is to analyze the influence of the key stakeholders and the stakeholder relationships on sustainability management and reporting practice in the palm oil industry. To this end, it is firstly critical to understand the key stakeholders who may have an impact on decision-making for companies seeking to implement sustainability management and reporting to achieve sustainability and transparency. Secondly, it is also very important to understand the influence of different stakeholder relationships on the sustainability practice. Different types of stakeholder relationships may have their own pattern in influencing the behavior of companies and need to be investigated in-depth to provide implications for both companies and their stakeholders to improve the sustainability practices. Therefore, this study aims to address the following research questions: 1) What is the key stakeholders' influence on sustainability management and reporting practice in the palm oil industry; 2) How would different stakeholder relationships affect these sustainability-related practices. Content analysis and semi-structured interviews are used to collect and analyze empirical data for this study.

In terms of theoretical interpretation, we use the stakeholder perspective (Freeman, 1984; Horisch et al., 2014; Onkila, 2011) to identify key stakeholders and stakeholder relationships and to analyze how they affect sustainability management and reporting practice. According to Parmar et al. (2010), based on stakeholder perspective, a business can be understood as a set of the relationship with stakeholder groups, such as consumers, suppliers, employees, investors/banks, communities, and managers. It is important to analyze how these stakeholders interact to jointly create and trade value, and how these stakeholder relationships work and change over time in their relationships. In particular, Onkila (2011) examined stakeholder relationships in environmental management and identified four different types of stakeholder relationships. By interpreting the differences as rhetorically constructed in environmental

[2] NDPE is as sustainability policy which state no deforestation, no peatland, and no exploitation on employees and local communities
[3] RSPO is Roundtable on Sustainable Palm Oil as multi-stakeholder initiatives
[4] ISPO is Indonesian Sustainable Palm Oil as mandatory for Indonesian palm oil companies

reports and interviews with managers, she found that the company's environmental management was shaped by the actors involved, the specific relationships, and different stakeholder interests. Based on the framework of stakeholder relationships proposed by Onkila (2011), this study extends previous work by investigating multiple stakeholder groups instead of focusing on only one specific stakeholder.

To investigate the sustainability practice based on stakeholder perspective, we collect different data by conducting content analysis on sustainability reports and implementing semi-structured interviews. Firstly, content analysis is employed to define the nature and scope of sustainability reports in the Indonesian palm oil industry. The documents analyzed include annual reports and sustainability reports issued by palm oil companies listed in Indonesia Stock Exchange (IDX). The content analysis focuses on the influence of GRI standards as the dominant guidance, the main topics of sustainability reports, and the influence of key stakeholders. Secondly, interview with managers and stakeholders is used to obtain a deeper understanding of sustainability management and sustainability reporting practices in the palm oil industry. In this study, we conducted semi-structured interviews with 28 respondents, i.e., six managers of sustainability/operation, two managers of RSPO, four members of NGOs, five managers of governments, three managers of buyers, one member of industry associations, and seven managers of smallholders. In addition, public information, such as the company's website regarding sustainability, and webinars related to this study, is also used as complementary evidence for this study.

The dissertation has been structured into six chapters. The following chapter starts with an explanation of the background of the Indonesian Palm Oil Industry and then focuses on a review of relevant literature on sustainability management and reporting as well as how stakeholder perspective has been used in previous studies. The third chapter discusses research methods in terms of how data and information are gathered. The fourth chapter explains the result of the content analysis of sustainability reports in the palm oil companies. The fifth chapter analyzes how key stakeholders and their relationships with companies influence the sustainability practice bases on an analysis of empirical evidence collected by interviews. The sixth chapter ends the thesis by providing an overall conclusion and discussing the contributions and limitations of this study.

Chapter 2
Environmental Issues in the Indonesian Palm Oil Industry and its Stakeholders

This chapter explains the environmental issues, economic, and political conditions in Indonesia, which are important factors that may influence companies in developing strategic sustainability management in the palm oil industry. With sustainability development becoming a global issue, multi-stakeholders including the Indonesian government have taken initiatives to reduce environmental impacts. This chapter also reviews the relevant literature related to sustainability management and reporting in the palm oil industry and discusses stakeholder perspectives in sustainability management and reporting (Freeman, 1984; Donaldson and Preston, 1995; Mitchell et al., 1997; Horisch et al., 2014; Henriques and Sharma, 2005; Onkila, 2011). The literature review regarding environmental issues, economic, and political conditions, relevant studies on sustainability management, sustainability reporting, and stakeholder perspective will help interpret and understand the empirical findings in chapters 4 and 5.

This chapter is presented with the following topics: 1) environmental issues in the palm oil industry, 2) sustainability management in the palm oil industry, 3) previous literature about sustainability management and reporting in the palm oil industry, 4) stakeholder perspective and 5) the stakeholders involved in the palm oil industry.

2.1. The Environmental Issues and Industry Context in Indonesia

In Indonesia, the area of palm oil plantations covered over 1.1 million hectares in 1990 and over 14 million hectares in 2019 (BPS, 2020). The increasing palm oil plantations are considered to be partly responsible for forest loss and biodiversity degradation (Tsujino et al., 2016; Pye, 2019; Dauvergne, 2018). Meanwhile, Indonesia's forests are among the most carbon-dense in the world. Most oil palm plantations are located in Sumatra, with 62.3% (10.1 million Ha)[5], and Kalimantan, with 34.2 % (5.7 million ha)[6], both with large tropical forests. Although clearing for new plantations by burning is illegal in Indonesia, palm oil companies/farmers have continued to use fire regularly to clear forests and peatlands over the

[5,6] *Indonesian Statistics Agency/BPS, 2020*

last four decades (Dauvergne, 2018; Pye, 2019). Massive fires in 1997 to 1998, 2015, and 2019 have had a devastating impact on the health, education, and livelihoods of millions of Indonesians. During the El Niño from 1997 to 1998, more than 9 million hectares of land and forest were burned, resulting in economic loss of US$6 billion, excluding environmental costs such as biodiversity loss and social suffering (Asian Development Bank, 2001). The wildfires of 1997-1998 were the worst, with smoke and haze spreading to neighboring countries like Singapore, Malaysia, Brunei, Thailand, and Philippines. In 2015, more than 2.6 million hectares of forests, peat, and other land had been burned, which are 4.5 times the area of the island Bali. The costs related to biodiversity may exceed US$295 million. Thousands of hectares of habitat for orangutans and other endangered species have been destroyed. The economic costs are estimated at more than US$16 billion that is equal to about 1.8% of the Gross Domestic Product (GDP) (World Bank, 2015). In 2019, more than 942,000 hectares of forests and land were burned, with an economic cost of at least US$5.2 billion, equal to 0.5% of GDP (World Bank, 2019).

To mitigate climate change due to crop expansion, including oil palm plantations, the Indonesian government has launched initiatives to focus on the environmental values of tropical forests, such as issuing a ban on clearing forest areas. In 2011, the government issued a moratorium on clearing land in forested areas or peatlands, which was extended in 2015 and 2018. In addition, in 2015, the Indonesian government signed the Paris Agreement, making a commitment to mitigate climate change. Indonesia's forests are the key in Indonesia's efforts to mitigate climate change and to move towards more sustainable economic development. Hence, the government has made many efforts in the palm oil industry, which include: a) zoning to spare forests, b) expanding production on non-forested land, and c) increasing productivity on land currently used for crop production, for example, by narrowing the productivity gap between smallholders and large companies.

According to the government's regulation, the function of forest area in Indonesia is classified into four use types: conservation, protection, production, and conversion (Alisjahbana and Busch, 2017). The forest function classification is still being debated with other stakeholders, such as environmental NGOs. Deforestation will still occur because companies are allowed to open oil palm land on conversion land. However, based on the regulations, this act is not considered a violation of the regulations themselves so that new standards for a new land plantation are needed to avoid forest destruction. Various technical-managerial solutions for

deforestation are suggested, such as the high conservation value (HCV) and high carbon stock (HCS) approaches (Pye, 2019; Morgans et al., 2018). Before a company opens a new area, the company assesses the area through HCV and HCS approaches. If the areas or the forests have HCV, the company should not open or clear the area. The company should also convey the result of the assessment to the buyers/traders in their supply chain and also to the NGOs. Therefore, reporting becomes important for communication to stakeholders such as buyers, NGOs, and communities.

In the economic aspect, Indonesia is the largest economy in Southeast Asia. Economic growth has remained relatively stable for five years and reached 5.2% in 2018, supported by solid domestic demand. GDP per capita has steadily risen, from US$807 in 2000 to US$3,877 in 2018. A low headline inflation, at around 3%, also supports real income growth. In line with robust economic growth and strong domestic demand, Indonesia's labor market conditions continue to improve. The agriculture, forestry, and fishery sectors supply jobs to approximately 30% of the total labor force. This sector provided the majority of the labor force and the commodity from oil palm plantations contributed 3.5% to GDP (BPS, 2019; IMF, 2019). In 2018, out of the five most important commodity exports – coal, palm oil, gas, crude petroleum oil, and petroleum product oil – palm oil was the second-largest contributor to export revenue after coal. Even, in previous years, 2015-2017, palm oil was the most exported product (Table 1). The five biggest export destination countries for palm oil were India (20%), China (14.7%), Pakistan (8%), Bangladesh (5%), and the USA (4%) in 2018 (BPS, 2019). Furthermore, palm oil is an important crop for the GDP of the Indonesian economy. There are 6.9 million smallholder farmers who depend on producing palm oil for their livelihood.

Table 1. Indonesian Export Statistics

*In USD million

	2014	**2015**	**2016**	**2017**	**2018**
Coal	18,697	14,717	12,914	17,877	20,631
Palm oil (million USD)	18,615	16,427	15,966	20,340	17,898
Gas	17,180	10,340	7,036	8,746	10,377
Crude Petroleum Oil	9,215	6,479	5,196	5,354	5,151
Petroleum Product	3,623	1,754	872	1,643	1,642

Source: Indonesian Statistics Agency/BPS, 2019

In the last decade, the palm oil industry has been growing extensively in Indonesia. Among the 28-palm oil-producing countries in the world, Indonesia accounts for 58.3% of the palm oil supply (Table 2). The total area of oil palm plantations in Indonesia over the two last decades has increased. In 2000, the total area was around 4.1 million hectares and in 2019, the area

increased to around 14.5 million hectares (BPS, 2019). Depending on the owner, the plantations are divided into three types, namely private, state-owned, and smallholder farmers. In terms of area and production, large companies (private and state) take up 8.5 million hectares (59%) and 32.2 million tons of Crude Palm Oil (CPO), whereas smallholder farmers account for around 6 million hectares (41%) and produce 16.2 million tons of CPO. There are 1,756 large estate crop companies in total (BPS, 2019).

Table 2. Estimated Global Palm Oil Production in 2021

Country	Production (1,000 MT)	Percentage
Indonesia	44,500	58.3
Malaysia	19,700	25.8
Thailand	3,100	4.1
Colombia	1,650	2.2
Nigeria	1,280	1.7
Other countries	6,149	8.1
Total Production	76,379	100

Source: Index Mundi, 2021

Based on the previous discussion, palm oil products have become a highly demanded product in the international and domestic markets, occupying an important position in the GDP and being a pillar product of the country. However, there are debates among stakeholders (e.g., environmental NGOs, buyers, and government) regarding the function of forests. Due to this, the government has launched various initiatives to prevent global environmental problems. The companies need to strategize their business plans for a better investment. The pressing situation forces the economic players to be more competitive and innovative in running their businesses. The company's sustainability strategy should be embedded in all operations from upstream to downstream operations because the stakeholders (such as buyers, NGOs) demand the company to conduct sustainable business throughout their supply chains. Therefore, the sustainability of the palm oil industry is urgently needed. Companies need to develop strategic sustainability management and report their sustainability activities in their sustainability report to achieve sustainability.

2.2. Sustainability Management in the Palm Oil Industry

2.2.1. Definition of Sustainability Management in the Palm Oil Industry

The broader concept of sustainability includes not only environmental concerns but also economic and social concerns (Wheelen and Hunger, 2012). According to The UN Brundtland Commission report (1987), the concept of sustainable development refers to "development that meets the needs of the present without compromising the ability of future generations to meet

their own needs". Sustainable development is built on the three pillars of economic, social, and ecological/environmental sustainability. Based on the Dow Jones sustainability index, sustainability refers to: 1) environmental sustainability, which includes environmental reporting, eco-design and efficiency, environmental system management, and executive management of environmental issues, 2) social sustainability includes corporate citizenship, philanthropy, labor practices, human capital development, social reporting, talent attraction and retention, and stakeholder dialogue, 3) economic sustainability includes codes of conduct and compliance, anti-corruption policies, corporate governance, risk and crisis management, strategic planning, quality and knowledge management, and supply chain management (Wheelen and Hunger, 2012). In the context of the palm oil industry, sustainability generally involves economic, social, and environmental aspects, including conservation of biodiversity, responsibility for new planting, and commitment to best agriculture practices (Morgans et al., 2018).

The implementation of sustainability management by adapting sustainability standards such as ISO 26000 can improve sustainability performance in companies, especially for companies that are beginners in corporate sustainability (Hahn, 2012). He suggested that the standards were helpful in the internal and external assessment and in serving as starting point for implementing sustainability strategies. ISO 26000 would offer guidance on social responsibility for all organizations. He found that many companies lacked a strategic approach to obtain an understanding of corporate sustainability and social responsibility. Furthermore, Toppinen et al. (2015) found that ISO 26000 standard was not detailed enough to incorporate specific issues, such as those for forest industry companies. They suggested that context-specific issues were needed to integrate into strategic sustainability management, as the ISO 26000 standard is very broad rather than specific sustainability issues.

In addition to ISO 26000, the following sections will discuss relevant certifications/standards related to the palm oil industry such as RSPO, ISPO, ISO 14001, and environmental performance assessment (i.e. PROPER), which are dominant standards and initiatives for sustainable palm oil. RSPO and ISPO certifications are the most commonly used tools to meet policies and to demonstrate that their products are sustainable palm oil and they have minimalized the negative social and environmental impact associated with its production (Kadarusman and Herabadi, 2018; Hutabarat et al., 2019). RSPO certification is used to strengthen sustainability management practices and regulate the certificate system relates to

managerial indicators at the scale of a single mill/plantation in response to concerns about negative environmental and social repercussions in the palm oil business (Pye, 2019). RSPO and ISPO certification are specific standards, meanwhile, ISO 14001 certification covers concerns about environmental issues for all organizations. By encouraging companies to measure their performance and demonstrate compliance, it aims to help companies to minimize the harmful effects of their operation on the environment. RSPO and ISO 14001 are under voluntary mechanisms, whilst ISPO and PROPER are the mandatorily required by the government. RSPO is a multi-stakeholder initiative for the global sustainable palm oil industry, whilst ISPO is an initiative of the Indonesian government for all Indonesian palm oil companies to produce sustainable palm oil. PROPER is a program intended for Indonesian companies that use natural resources.

One of the key environmental problems is the development of new plantation areas, which potentially lead to deforestation. Therefore, this issue can cause controversy among stakeholders (NGOs, consumers, the state, and companies) regarding the conversion of new areas into plantation areas. To address this issue, environmental NGOs suggested using the High Conservation Value (HCS) and High Carbon Stock (HCS) approaches to measure and identify forest value. They also suggested the inclusion of HCV and HCS approaches in the RSPO and ISPO criteria. If the area is recognized as having HCV and HCS, the company cannot open or clear the area. Furthermore, the company should also report the result of the assessment to the stakeholders.

2.2.2. The Roundtable on Sustainable Palm Oil (RSPO)

In 2004, the RSPO was established as a non-profit organization that consists of multi-stakeholders of the palm oil industry such as oil palm producers, traders, consumers, retailers, investors/banks, and NGOs (non-government organizations). The RSPO provides certification for sustainable palm oil based on principles and criteria defined in Certified Sustainable palm oil (CSPO), which aims to reduce the negative impacts of palm oil cultivation on the environment and society and to promote sustainable palm oil products. In 2019, the RSPO has 4,576 members and certified production area of up to 3.05 million hectares, with global percentage of the RSPO-certified palm oil of 19%. Of these, Indonesia accounts for 1.97 million hectares and 14% of RSPO-certified palm oil (in 2019, Indonesia has 14 million hectares of palm oil plantation). The first certificate by RSPO in Indonesia was issued in 2009.

In 2018, the RSPO Principle and Criteria (P&C), were organized into three impact areas,

namely impact on goal Prosperity, People, and Planet. Meanwhile, seven principles were developed, namely 1) transparency and ethics, 2) legal compliance and rights, 3) planning procedures and improvement, 4) community rights and benefits, 5) smallholders' inclusiveness, 6) workers' rights and conditions, and 7) natural resources management and biodiversity.

The RSPO certification is carried out by a third party, an accredited independent certification body. Companies or smallholders will be assessed for certification every 5 years and will undergo an annual sustainability assessment, whereas the audit fees will be borne by the company or smallholder who needs RSPO certification. After 5 years, the primary assessment will be conducted again. The purpose of the assessment is to ensure the objectivity and consistency of RSPO assessments as well as the required technical rigor and stakeholder credibility.

RSPO certification provides a comprehensive and progressive socio-environmental regulation that reinforces sustainable production practices in the palm oil industry. In particular, large multinational plantation companies usually want to obtain RSPO certification given their global reputation, despite RSPO is weak in enforcement. Because RSPO certification is voluntary, RSPO has no legal authority to enforce its implementation (Nesadurai, 2013). Furthermore, consumers from emerging countries (e.g., China, India, Pakistan, Bangladesh) prefer competitive advantages in terms of the product price and product quality to sustainability concerns and therefore are less stringent in their requirements for sustainability standards (Kadarusman and Herabadi, 2018; Wijaya and Glasbergen, 2016). This is a challenge in developing sustainable palm oil products. Due to uncertainty of obtaining premiums from consumers and the fact that the adoption of sustainability standards is still voluntary, companies still hesitate in deciding whether it is necessary for palm oil products. Scholars suggest that the RSPO incentive system is important to change the behavior of palm oil companies and smallholders towards sustainable production (Kadarusman and Herabadi, 2018), and improvement of government initiatives on environmental sustainability by facilitating palm oil producers to reach a socially optimum sustainable over time (Kadarusman and Pramudya, 2019).

2.2.3. ISO 14001 Certification

ISO 14001 is the most widely used and recognized worldwide standard for the environmental management system (EMS) (Wheelen et al, 2018; and David and David, 2017), which focuses on environmental issues and provides a guideline for an organization to perform continuous

improvement in their environmental performance. By adopting ISO 14001 standard, companies attempt to demonstrate the organizational commitment to sustainable production processes by showing environmental compliance and providing continuous monitoring of their operation and their impact on the natural environment.

The ISO 14001 standard offers a universal technical standard for the environmental management system not only for the company itself but also for its suppliers and distributors. There are six major requirements of EMS under ISO 14001 (David and David, 2017, p. 109):

1. Show commitments to the prevention of pollution, continual improvement in overall environmental performance, and compliance with all applicable statutory and regulatory requirements.
2. Identify all aspects of the organization's activities, products, and services that could have a significant impact on the environment, including those that are not regulated.
3. Set performance objectives and targets for the management system that links back to three policies: (a) prevention of pollution, (b) continual improvement, and (c) compliance.
4. Meet environmental objectives that include training employees, establishing work instructions and practices, and establishing the actual metrics by which the objectives and targets will be measured.
5. Conduct an audit operation of the EMS.
6. Take corrective actions when deviations from the EMS occur.

As discussed above, ISO 14001 certification demonstrates the company's commitment to sustainable production processes and continuous improvement of their environmental performance, providing confidence to external parties (Sumiani, et al, 2007; Salim, et al, 2018). In Indonesia, however, the number of companies certified with ISO 14001 remains very small (Salim et al. 2018). The obstacles of the companies in adopting EMS are the costs of implementing the procedures, auditing, and training. In addition, Setiawan and Iswati (2019) found that the adoption of EMS defined in ISO 14001 had no significant influence on the disclosure of carbon emissions in the Indonesian palm oil industry. They suggested that might be that the adoption of ISO 14001 was not sufficient to improve the ability of palm oil companies to manage and mitigate the risk of climate change caused by the carbon emissions from the plantation companies.

2.2.4. Indonesian Sustainable Palm Oil (ISPO)

In 2011, the Indonesian government launched the first certification for Indonesian oil palm plantations, namely Indonesian Sustainable Palm Oil (ISPO) which aims to enhance the global competitiveness of Indonesian palm oil and bring it under stricter environmental legislation.

All large companies are required to obtain ISPOs, while smallholders obtain them voluntary[7]. The government considers that voluntary certification such as RSPO would not help to enforce sustainability practices in the palm oil companies. Hence, the government drives environmental sustainability in the palm oil industry through the establishment of public policy (such as ISPO) to change the behavior of the palm oil industry throughout the supply chain towards sustainable development of palm oil. However, practically the ISPO is still under low enforcement (Hidayat et al., 2018). Theoretically, ISPO introduces a stronger sanction (e.g., revocation of palm oil companies' business permits), which may potentially be more effective to prevent unsustainable practices. However, the ISPO committee, which is in charge of the organization and implementation of the ISPO standard, lacks the authority to enforce the standard (Hidayat et al., 2018).

2.2.5. Environmental Performance Assessment (PROPER program)

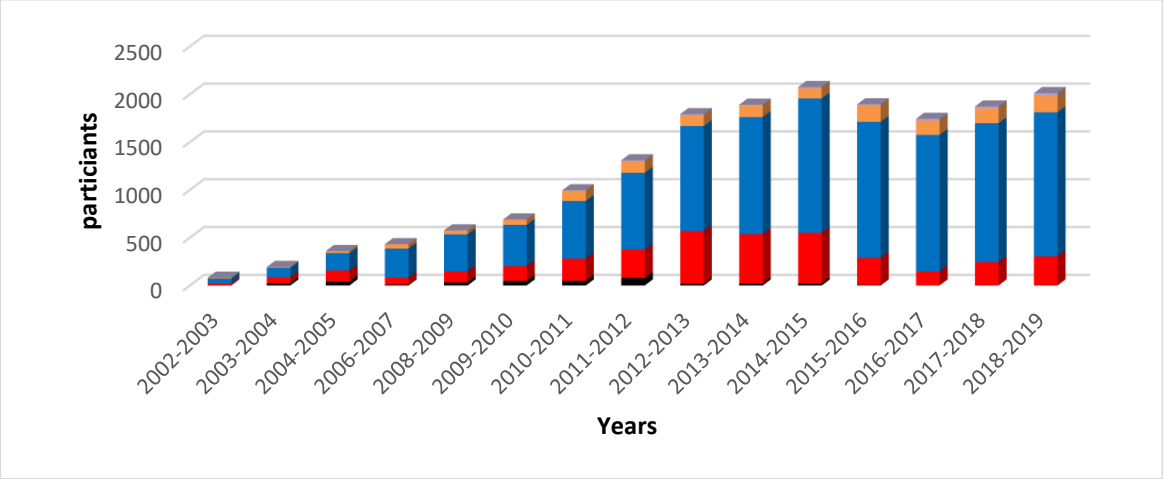
The government of Indonesia encourages corporate social and environmental responsibility through the Program for Pollution Control, Evaluation, and Rating (better known as PROPER) as a policy instrument issued by the Ministry of Environment and Forestry. Target participants of PROPER are companies that have an important environmental impact, produce export-oriented products, or the listed companies. Under PROPER, a company is evaluated under five-color rating systems. The color stands for the various levels of environmental performance: Gold (excellent), Green (good), Blue (adequate), Red (poor), and Black (very poor). PROPER program, which has been implemented for 22 years (1997 to 2019), has transformed from assessment under one criterion of water pollution control into criteria that require continuous improvement in the environmental management systems, resource efficiency, community empowerment development, and biodiversity. The government also encourages companies to internalize environmental and social cost factors into the business.

According to the data firm the Ministry of Environmental and Forest (Figure 1), 2,045 companies were rated by PROPER program for 2018 – 2019, with 26 companies rated Gold, 174 companies rated Green, 1,507 companies rated Blue, 303 companies rated Red, two companies rated Black, 13 companies subject to law enforcement, and 20 companies not operating (Figure 1). Out of the 2,045 companies, there are 961 companies from Agroindustry, 597 in Manufacturing Service Infrastructure, and 487 in Mining Energy Oil and Gas (Ministry of Environment and Forestry, 2019). Based on this background, agro-industrial companies in

[7] Regulation No. 11/2015 of Agricultural Ministry

Indonesia are the majority of companies in environmental performance assessments, and the palm oil industry is one of them. The number of companies participating in PROPER has continued to grow (Ratmono, et al., 2014). The number of companies increased to 2,045 in 2019 while in 2002, there were only 82 companies then. Furthermore, previous studies stated that many companies are eager to make a good impression of their environmental performance (Clarkson, et al., 2008; Moser and Martin, 2012).

Figure 1: Trend of 'PROPER' 2002 – 2019



Sources: The Ministry of Environment and Forestry, 2019

Companies that received the PROPER awards from the ministry of environment and forestry are those with good environmental performance in terms of reducing greenhouse gas emissions under government regulation. According to Setiawan and Iswati (2019), environmental performance, which was measured by the PROPER rating, had a positive effect on the disclosure of carbon emissions. In addition, they also demonstrated that the environmental assessment by the government encouraged companies to improve sustainability management practices and disclose information regarding their environmental performance.

In 2016, the PROPER assessment was developed electronically through the Electronic Environmental Reporting Information System (Indonesian acronym is SIMPEL) application and was implemented in 2019. Environmental reporting that is submitted into the SIMPEL application consists of Environmental Management Reports and Environmental Monitoring Reports (Indonesian abv. RKL-RPL), water pollution control reports, air pollution control reports, waste control reports. The RKL-RPL Reports are prepared based on the ministry of Environment Regulation No. 16 (2012). These RKL-RPL reports cover efforts to manage impacts and monitor environmental and social aspects that still require management and monitoring. The government's efforts through the SIMPEL application are to minimize the

negative environmental and social impacts of company activities. Therefore, every year, the company submits environmental and social performance reports to get an environmental performance assessment from the government. These reports are not released to the public.

2.3. Previous Literature on Sustainability Management and Reporting in The Palm Oil Industry

The purpose of this section is to identify research gaps in sustainability management and reporting in the palm oil industry from previous studies and current problems in practices. In addition, this section aims to obtain an understanding of how companies carry out sustainability strategies that meet stakeholder expectations and towards sustainable development of palm oil. Many studies on the palm oil industry were generally found in the area of technology, chemistry, and agricultural sciences. Meanwhile, few studies, particularly related to economic and sustainability topics, examined palm oil in social sciences or business (Corciolani et al., 2019; Hansen et al., 2015). Corciolani et al. (2019) identified a small number of studies related to social sciences or business (both around 6% from 9,245 articles) from 1979-2017 and Hansen et al. (2015) found 713 papers related to sustainability from 2004 to 2014, with 95 of which concerning socio-economic sustainability, such as community livelihood, land tenure, and certification studies. In addition, studies examined sustainability management and reporting in the palm oil industry (Morgans et al., 2018; Cattau et al., 2016; Hutabarat et al., 2019; Brandi, 2016; Orsatto et al., 2013; Kadarusman and Herabadi, 2018) were found to primarily focus on sustainability strategies, and sustainability reporting (e.g., Othman and Ameer, 2010; Choong and McKay, 2014; Lestari et al., 2019; Yusoff et al., 2019; Abdullah et al., 2020).

Previous studies on sustainability strategies recognize that sustainability strategies refer to sustainability standards/certifications. Cattau et al. (2016) and Morgans et al. (2018) examined the effectiveness of plantation certification and its impact on the environment based on the Kolmogorov-Smirnov test. Morgans et al. (2018) examined the effectiveness of RSPO certification by comparing certified and non-certified plantations in Kalimantan before (1999-2004) and after (2011-2015) the establishment of RSPO. They found that both certified and non-certified companies realized economic growth but there were no significant differences in environmental and social sustainability impact. Cattau et al. (2016) found the fire activity is significantly lower in the RSPO certified plantations than non-certified plantations only in wetter years during 2012-2015 in Kalimantan and Sumatera islands. The adoption of RSPO

certification has the potential to help reduce fires, though it is only effective in wetter years. During dry years, especially the El Nino phase, efforts to extinguish fires are more needed. Morgans et al. (2018) excluded two criteria in their study, i.e. commitment to transparency, and compliance with local regulations. It is found that the commitment to transparency is needed for the palm oil company because the stakeholders such as NGOs demand transparency in its business activities by publishing their sustainability performance on its sustainability reporting (Abdullah et al., 2020). Morgans et al. (2018) also suggested the need for coordination between multiple stakeholders to improve local sustainable development, monitoring and evaluation, in particular in regards to environmental and social sustainability. However, their study has not studied multi-stakeholders and their relationship with the company to achieve sustainability. To fill this research gap, our study investigates multi-stakeholders in the palm oil supply chain.

Hutabarat et al. (2019) and Brandi (2016) focused on sustainability management practices for palm oil smallholders certification. Brandi (2016) found that the certification scheme had the potential to create socio-economic benefits for smallholders but was limited to only small-scale environmental benefits such as reduced use of agricultural chemicals. Meanwhile, environmental problems such as deforestation and greenhouse emission still remained to be a challenge for smallholders. Hutabarat et al. (2019) found the different types of smallholders faced different barriers in adopting standards. Our study also investigated smallholders as one of the stakeholders in the palm oil industry, which aims to address the role of smallholders in global value chains to improve sustainability. However, different from previous studies, our study investigates the sustainability practices at the company level.

Kadarusman and Herabadi (2018), and Orsatto et al. (2013) studied the role of RSPO in sustainable development and the stakeholders' relationship in the RSPO network. They found that the powerful stakeholder (i.e., global buyers) would influence other stakeholders in decision concession. The role of stakeholders directly or indirectly influences the company to follow the sustainability strategies by RSPO. However, they only focused on the disputes of the RSPO while sustainability management practices were not yet explored.

Abdullah et al. (2020) explored the quality of environmental disclosure for 2013-2017 by palm oil companies in Indonesia and Malaysia. Whilst, Othman and Ameer (2010) examined the extent of environmental disclosures based on the annual report for 2007 from 60 listed palm oil companies in Malaysia. Both studies found a low level of environmental disclosure by the

palm oil companies. Environmental disclosure, as reported, was associated with better firm performance for Malaysian companies (Abdullah et al., 2020). Both studies suggested that the main barriers were the lack of stakeholders' knowledge and awareness of environmental issues in responding to stakeholder demands. A study by Lestari et al. (2019) investigated motivations for corporate social and environmental reporting (CSER) by interviewing one group stakeholder i.e., the managers, in six listed Indonesian plantation companies and SOEs. Their results showed that the CSER was influenced by proactive and reactive strategies. In the proactive strategy, the companies disclosed environmental information based on the motivation from internal management with education and knowledge of CSER. The role of knowledge and education of CSER could enhance a company's awareness of the environment and could also develop the company's intention to implement the environmental report. Meanwhile, the reactive strategy influenced the implementation of CSER when companies were under pressure from certain stakeholders such as the government, international customers, and investors. Their study focused on one group stakeholder, i.e., the manager of the company, and our study investigates multiple stakeholders and their relationships with the company that will influence sustainability reporting practices.

Yusoff et al. (2019) found that the important stakeholders' pressure related to sustainability reporting in the Malaysian palm oil industry were from NGOs, foreign buyers, competitors, shareholders, RSPO requirements, and internal management. Their studies focused only on sustainability reporting and the company's motivation for sustainability reporting, while sustainability management was not studied. To fill this gap, this study, therefore, examines the key stakeholder demands and impact on the company's sustainability management and reporting. Choong and McKay (2014) conducted simulation experiments in provided information in the palm oil industry throughout its supply chain. Their simulation techniques were built to understand how information could be linked throughout in supply chain in the different tiers (e.g., the mill and refinery information were linked together). However, their study did not discuss information for external stakeholders such as NGOs and the government.

In light of the above discussions on previous studies in the field, literature on sustainability practice in the palm oil industry only focuses on sustainability certifications (such as RSPO, ISPO, ISO 14001, PROPER assessment) but it is pointed out that obtaining certifications do not seem to help improve the situation. Therefore, investigation on current state and problems of sustainability practices in the palm oil industry is needed to improve the situation instead of

focusing only on certifications.

This study investigates how the key stakeholders and their relationships with the company would affect sustainability management and reporting practices in the Indonesian palm oil industry. To address these questions, qualitative methods are needed to gain insight from the multiple stakeholders and to analyze the stakeholder relationships with the company, which affects the company's sustainability management and reporting practices. This study is to address the calls for an in-depth investigation to better understand the practice that companies undertake to answer stakeholders' demands.

2.4. Stakeholder Perspective

The stakeholder perspective has been intensively used to explain phenomena in the area of corporate social responsibility (CSR), sustainability management, and sustainability reporting practices (Horisch et al., 2014). Most studies in developed countries used legitimacy theory to explain the determinants/motivations of CSR disclosure. However, most research in developing countries did not use any particular theory (Ali et al., 2017). Nonetheless, Omran and El-Galfy (2014) argued that stakeholder theory seems most suitable for multinational companies in developing countries to understand how companies can manage their stakeholders. Furthermore, research in Indonesia refers more to stakeholder theory in explaining sustainability reporting (Soleha, 2019). According to Freeman (1984), the concept of stakeholder can be used to formulate specific strategies (e.g., corporate social responsiveness) for dealing with various stakeholder groups. A company should be able to manage the interest of all its stakeholders, not only the interest of shareholders (Hahn and Kuhnen, 2013).

The stakeholder perspective has been developed into many different versions (Horisch et al., 2014). Stakeholders are the central focus of the stakeholder perspective. The stakeholder is defined as "any group or individual who can affect or are affected by the achievement of an organization's purposes" (Freeman, 1984). According to Donaldson and Preston (1995), the stakeholder theory can be divided into descriptive/empirical, instrumental, and normative. Descriptive stakeholder theory focuses on the description of how companies are managed and, identification of relevant stakeholders; Instrumental stakeholder theory focuses on the effect of stakeholder management on the achievement of corporate objectives; normative stakeholder theory focuses on the purpose of business and moral justifications of stakeholders. The normative approach claims that all stakeholders have the right to be treated fairly by the

company.

Mitchell et al. (1997) developed the identification of stakeholders under three dimensions: 1) the stakeholder's power to influence the firm, 2) the legitimacy of stakeholder's relationship with the firm, and 3) the urgency of the stakeholder's claim on the firm. As what they have explained, firstly, each stakeholder can influence the company with its power, which refers to the ability of the stakeholder to impose its will on the company. However, the power can be gained or lost, thus the influence of the power could be temporary. Secondly, legitimacy entails the conduct or appropriate behavior of stakeholders within certain social systems, norms, values beliefs, and definitions. Thirdly, urgency is the degree to which stakeholder claims for immediate attention. This identification of stakeholders implies that those who are more able to control the organizations' resources of stakeholders have significant power to impose the company. Therefore, they argue that it is important for companies to know about entities in their environment by addressing the priorities of the stakeholders. For example, companies should be able to define which stakeholders are more powerful, which have a more legitimate claim, and which need to be urgently served.

Henriques and Sharma (2005) found that the stakeholders who did not control the company's resources can exert pressure on the company indirectly via other stakeholders whose resources depend on the company. They emphasized that the indirect pathways of influence via stakeholders could affect the company. Horisch et al. (2014) examined links, similarities, and dissimilarities between stakeholder theory and sustainability management. They identified three stakeholder relationships for sustainability, namely strengthening the sustainability interest of stakeholders, creating mutual sustainability interests, and empowering stakeholders. In their study that focused on stakeholder relationships regarding sustainability reporting. Herremans et al. (2016) found that stakeholder engagement strategy and relationships with specific stakeholders varied in sustainability reporting in terms of directness of communications, clarity of stakeholder identity, deliberateness of collecting feedback, the broadness of stakeholder inclusiveness, and utilization of stakeholder engagement for learning.

According to Onkila (2011), stakeholder relationships can be used to convince an audience about the company by defining responsibility, the responsible actors, or the role of the environment. She has identified different types of stakeholder relationships in environmental management: power-based, collaborative, conflicting, or one-sided, and each type of relationship entails different actors, interests, and attributes. In power-based relationships, the

power includes that of the relationship between the stakeholder and the corporation, the power of corporations over stakeholders, or the power of stakeholders over corporations. With corporate power, a company can influence sustainability management actions and stakeholders turn to be a follower of the company. Meanwhile, stakeholder power refers to the case that a stakeholder who is able to influence the company to take sustainability management actions. In collaborative relationships, all stakeholders in society have strong interactions concerning the environment. Conflicting relationships aim to question the legitimacy of environmental interests. One-sided contribution relationships are used to describe a positive societal contribution as an attribute of the corporation. She suggests that it is necessary to analyze the actors involved, the relationships, and the attributes of stakeholder interests, which is needed in environmental management.

This study uses a stakeholder perspective from Onkila (2011) to analyze different stakeholder relationships that affect sustainability management and reporting in the Indonesian palm oil industry. She used rhetorical analysis to describe stakeholder relationships based on empirical data collected from environmental/sustainability reports, and interviews. The language was to describe and interpret stakeholder relationships was constructed rhetorically into the text. Our study uses the main topics of the sustainability reports to analyze the influence of stakeholders. So the influence of stakeholder and stakeholder relationships can be explained from the published sustainability statements and interviews. In addition, this study also engages with more stakeholder groups in the interview method. Onkila (2011) studied only one stakeholder group, namely the environmental manager of Finnish companies that have received CSR's award, listed in the Dow Jones Sustainability Index, and listed in eco-management and audit schemes (EMAS) in Finland. She recommended that multiple stakeholder groups be studied, which is what our research aims for.

Onkila (2011) suggested that companies should not only analyze stakeholder involved, stakeholder relationships, and the attributes of stakeholder interests but also need to be able to manage differences in stakeholder relationships, instead of dealing with each stakeholder relationship in similarly manner. In addition, the attributes and relationships of stakeholders vary, according to the context, problem, interest, and interpreter. Therefore, this study analyzes the influence of key stakeholders and stakeholder relationships influencing sustainability practices by analyzing what sustainability strategies are used to influence them. In our study, we use the main topics in the sustainability report as the sustainability strategy. In line with the

previous literature which focused on stakeholder strengths, stakeholder relationships, stakeholder attributes, this study also analyzes them. However, those previous studies as discussed in the existing literature do not use rhetorical or published sustainability statements to explain stakeholder influence and stakeholder relationships.

In the context of the palm oil industry, there are various stakeholders involved throughout the value chain and the relevant environmental issues have received increasing global attention. For this reason, key stakeholders and stakeholder relationships in sustainability practice need to be studied. Lack of understanding of the complex relationships between key stakeholders and companies in the palm oil industry such as the company, NGOs, government, buyers, bankers/investors, and smallholders results in repeated tensions between the expectations of sustainability and economic development (Yussof et al., 2019; Orsato, 2013).

2.5. The Key Stakeholders in The Palm Oil Industry

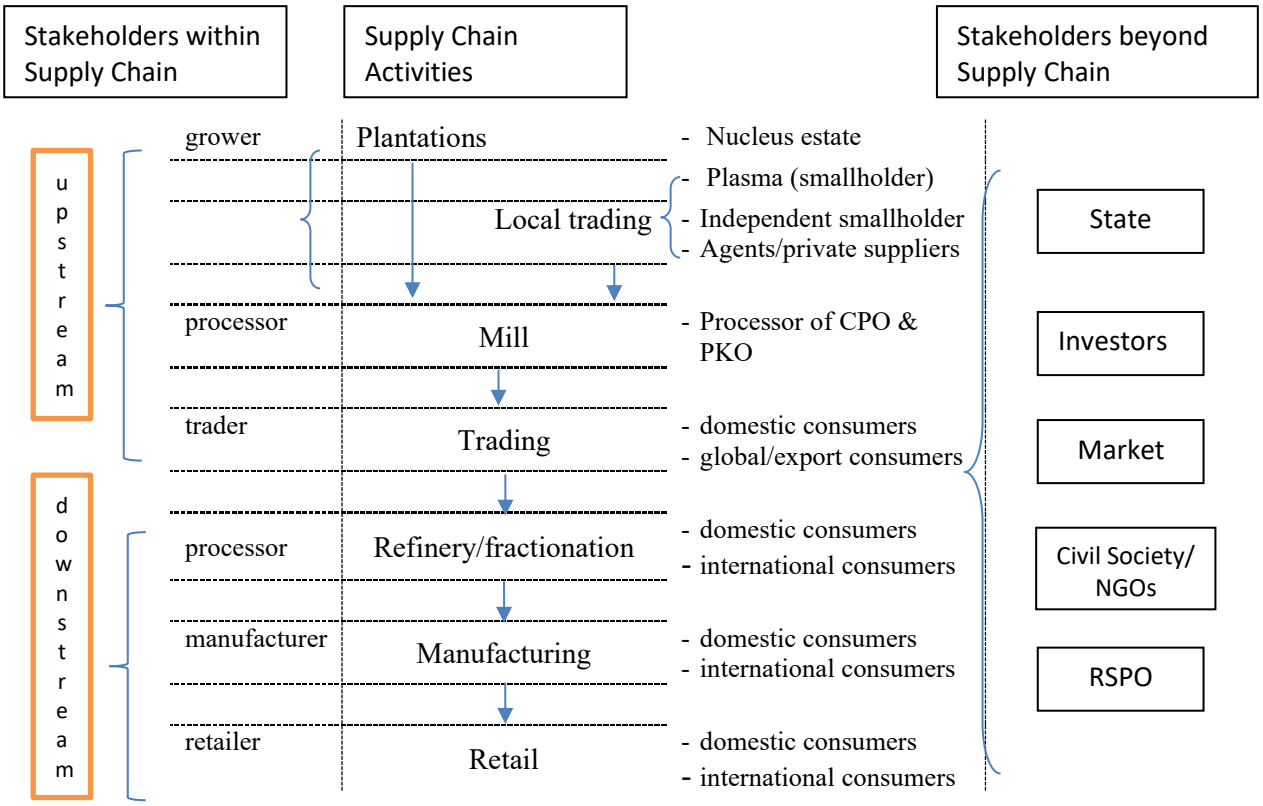
The importance of palm oil continues to grow, with its production already accounting for more than a third of the world's vegetable oil production. The complexity of the supply chain in this industry from the plantations or productions until the end of consumers around the world impedes the implementation of corporate no-deforestation commitments (Lyons-White and Knight, 2018). The supply chain complexity makes many different stakeholders involved in their tiers. The actions of stakeholders in the supply chain of the palm oil industry and stakeholders beyond the supply chain will also affect the implementation of sustainability practices. Against this backdrop, it is necessary to closely discuss the stakeholders within the organization, within and beyond the supply chain in the palm oil industry that influence sustainability management and reporting.

Palm oil plantations were first established in Indonesia in 1911. The cultivation of palm oil trees requires long-term planting and long-term investment. It can be planted repeatedly for 25 years or approximately 30 years. The crops from palm oil trees, namely fresh fruit bunches (FFB), are processed to produce various and derived products. The supply chain was understood as flowing from production (upstream) to consumption (downstream). Based on the supply chain activities in the palm oil industry (Figure 2), there are different kinds of companies in the palm oil industry. First, the companies are in the upstream line, such as the plantation companies, and the mill is a processor of CPO and PKO, while there are companies that have both plantations and mills. In the upstream, companies produce FFB from their plantations and also receive it from third-party, such as smallholders, private suppliers.

Smallholders provide companies with a large amount of palm oil, around 40% of total FFB in Indonesia (BPS, 2020). The companies trade CPO and PKO by shipping to domestic consumers, and/or export for global consumers. Second, the companies in the downstream line include refinery factories, manufacturing, and retail. Companies with refinery factories and/or manufacturers are consumer goods manufacturers; it could be domestic and global consumers. The last type of company is those that handle all operations from plantations to retail. The classification of stakeholders would depend on the types of company as previously explained. Stakeholders in the supply chain of the palm oil industry from upstream to downstream include plantation companies/growers, smallholders, mills, traders, consumer goods manufacturers, and retailers. Consumer goods manufacturers and retailers can be from domestic and global.

Stakeholders that are involved indirectly in the supply chain of the palm oil industry are government, investors, RSPO, and civil society (NGOs). Newton et al. (2013) interpret that many states, civil society, and market sector actors are engaged in developing and affecting sustainability commodities in the supply chain of the palm oil industry. These stakeholders influence directly or indirectly producers, consumers, and retailers' decisions. Stakeholders are interested in the impact on the palm oil industry. Government is interested in economic, environmental, and social impact. The government issues regulations related to the operation's palm oil companies so that its operations are economically, socially, and environmentally sustainable. Investors are interested in economic impact. Meanwhile, RSPO and NGOs are concerned about the environmental and social impacts. The main environmental issues in the palm oil industry occur from the upstream level such as deforestation, forest fires, loss of biodiversity, and social conflicts. For this reason, NGOs campaign for their concerns, for example, by pressuring producers, consumers, retailers to make the sustainable commodity. RSPO involves several stakeholders who make sustainable standards for the palm oil industry globally.

Figure 2. Supply Chain Activities in the Palm Oil Industry and Stakeholders



Source: developed by Lyons-White and Knight (2018), Newton et al., (2013), and the author based on companies' sustainability reports

The sustainability agenda in the palm oil industry has been developed by various stakeholders who gather in one organization, namely the RSPO. The RSPO manages sustainability standards in the palm oil industry and issues the certification. Shareholders who are members of the RSPO will influence the company to adopt the RSPO certification. The company will make decisions on what sustainability strategies to be used in line with shareholder's policies. Based on stakeholder powers, shareholders could influence the company to take sustainability practices. The company's sustainability policy will be published on its company's website or sustainability reports. NGOs monitor their companies' sustainability policy. If their implementation is not aligned with their policy, NGOs will complain through their website, companies' website, or the RSPO platform. If the company is a member of RSPO, RSPO will investigate companies to make a clarification or to make collaboration for improvement in sustainability issues.

NGOs also indirectly influence a company to take sustainability practices. If NGOs are not able to directly influence the company, then the NGOs influence the company through a third party, such as consumers/buyers. NGOs make negative publication companies and pressure

their buyers/consumers not to buy the company's product. If consumers buy their product, it means consumers support the company's activities in damaging the forest/environment. This has an impact on the consumers' reputation. Then, consumers collaborate with companies in improving sustainability, such as maintaining conservation, conducting HCV assessment. This relationship between consumer and company is collaborative. Consumers would also create some pressure on the company to practice sustainability. Consumers can cancel the purchasing contract with the company if the company produces palm oil products that damage the environment or do not make improvements in sustainability practices.

The sustainability standards often change over time. The changes in standards are relevant to the stakeholders' needs. The development of sustainability standards in RSPO is considered in favor of certain stakeholders due to the asymmetrical power of stakeholders and imbalance of the stakeholders' structure in RSPO (Kadarusman and Herabadi, 2018). Among the members of RSPO, 70% of them are non-producers (i.e., NGOs, global buyers, investors). The imbalance of stakeholder structure can affect the decision in concessions. The powerful buyer influence enables dominating concessions, as that buyer transact globally and manage the network. Many companies decide to engage in sustainability strategy by the RSPO because of getting pressure from other stakeholders such as buyers/traders or bankers/investors who want to follow the standards set in achieving sustainable palm oil goals or secure their business.

NGOs are also putting pressure on companies, claiming that plantations, including those of small farmers, need to be traced to ensure the sustainability of their products. Traceability to plantations means that the plantations are not opening up environmentally damaging areas or burning forests. However, small farmers cannot sell their products directly to the company. Only large farmers can sell their products directly to the company. For small farmers, their products will be accommodated by farmer groups or cooperatives, which will then sell to companies. Some cooperatives/groups do not register the farmers who sell their products. Due to the various forms of farmer groups or cooperatives, ensuring traceability is a challenge for the company.

2.6. Characteristics of Key Stakeholders

The key stakeholders involved in the supply chain of the palm oil industry will influence the strategies of the company in implementing sustainability management and reporting. The key stakeholders could affect and/or could be affected by an organization's activities, sustainability strategies, products, or the interests of stakeholders on companies. The complexity of the

supply chain in the palm oil industry, from upstream and downstream, and stakeholders involved with this industry could affect sustainability practices. Therefore, we need to identify the key stakeholders and stakeholder relationships that influence sustainability management and sustainability reporting.

Based on our analysis, the characteristic of the key stakeholders in the palm oil industry are as follows:

Shareholders. Shareholders will put pressure on companies, and under these pressures, companies will engage in sustainability practices and disclose sustainability in order to preserve companies' reputations and keep shareholder's investments. To avoid threats to their investments from negative impacts of other stakeholders, investors/shareholders will also look for companies that have implemented sustainability policies. In addition, the characteristics of shareholders under the palm oil industry are also demonstrated by the fact that shareholders who are members of the RSPO urge companies to embrace the RSPO certification.

Internal Management. Internal management is directly responsible for the company's activities. Internal management is committed to implementing the sustainability policy. In addition to its influence on organizational behavior, it could affect NGOs, governments, and buyers.

Traders/Buyers/Consumers. The power of buyers can put pressure on companies to implement sustainability management and reporting. Global buyers can withdraw their purchase contracts with companies to influence them when companies produce palm oil that destroys forests/environment. Meanwhile, buyers will also collaborate with companies to conduct HCV assessment on their plantations or new land to improve companies' sustainability. This is because NGOs will pressure buyers to make their suppliers' productions activities sustainable.

Governments. The government has developed many relevant policies and regulations to promote sustainable development of the palm oil industry. Specifically, the government has issued regulations related to sustainability (e.g. ISPO) and has conducted companies' environmental performance assessments through the PROPER program. In addition, the government has issued regulations related to sustainability reporting. Under the regulations, companies are to disclose their environmental and social performance in their stand-alone sustainability reports or annual reports.

Roundtable of Sustainable Palm Oil (RSPO). RSPO consists of members from seven sectors of the palm oil industry, namely oil palm producers, traders, consumer goods manufacturers,

banks/investors, retailers, and environmental or/and social NGOs. They will have developed a set of sustainable palm oil standards to reduce the negative social and environmental impacts of the palm oil industry. The asymmetrical power of stakeholders in the RSPO membership can influence other stakeholders, including influencing companies to apply sustainable standards to their plantations/mills.

Non-Government Organizations (NGOs). NGOs required palm oil companies to operate in an environmentally and socially sustainable manner. Specifically, palm oil companies must not grow in a way that destroys the environment; they need to maintain forests to protect the environment and be responsible to the local communities affected by the industry. Therefore, the NGOs criticize companies and governments if they believe that companies are violating what they consider to be norms. NGOs can influence companies directly or indirectly. For example, if an NGO would negatively publicize a company's environmentally damaging behavior and pressure buyers to not use unsustainable products. To reduce the negative impact, the company will then improve its operations by developing and implementing sustainability strategies.

Smallholder farmers. Smallholder farmer in the palm oil plantation is a farmer who has plantations of less than 25 hectares in accordance with the ministry of agriculture regulations. They have an important role in supporting sustainable palm oil because overall land ownership by smallholders covers 41% (BPS, 2019) of oil palm plantations in Indonesia, and all smallholder products, namely FFB, are sold to the palm oil companies. The traceability of FFB, including those provided by smallholders, is one of the requirements defined in sustainability standards. This is a challenge because smallholder farmers own more than 41% of the entire Indonesian plantation area and not all smallholder farmers are already registered with the government.

Chapter 3
Research Design

3.1. Research Methods

This study employs content analysis of sustainability reports and semi-structured interviews methods to answer research questions as follows: 1) what is the key stakeholders' influence on sustainability management and reporting practice in the palm oil industry, and 2) how would different stakeholder relationships affect these sustainability-related practices.

First, content analysis of sustainability reports is used to describe the nature and scope of sustainability practices in the palm oil industry. Onkila (2011) examined the different stakeholder relationships from environmental/sustainability reports, and interview methods. She interpreted different stakeholder relationships as rhetorically constructed in sustainability reports. In this study, the process of the content analysis of sustainability reports proceeds in three stages. First, we explain the influence of GRI in the palm oil industry. Some investors and members of the board of commissioners/directors (BoC/BoD) of the palm oil industry from abroad need the reports to communicate to global stakeholders. Sustainability report offers valuable information to various stakeholders that it explains how a company conducts sustainability business. A sustainability report based on GRI standards could explain the sustainability strategy used by palm oil companies. Second, we discuss the main topic of sustainability reports by examining the environmental and social disclosure. This study discusses the main topic of sustainability based on sustainability reports to gain an in-depth understanding of the nature and scope of sustainability practices in the palm oil industry. It discusses sustainability issues and responds by companies to solve them. Third, we summarize the stakeholders' influence.

Second, semi-structured interview is employed to advance understanding of sustainability practices and the relationship of stakeholders with the company to implement sustainability. The process of semi-structured interviews proceeds in two stages. First, this study investigates the influence of key stakeholders on sustainability management and reporting practices. Second, this study investigates the stakeholder relationships' influence on sustainability management and reporting practices. Material sustainability issues are identified by sustainability reports. We analyze the issues in the palm oil companies, the stakeholders'

responses on those issues, the solutions that are offered by stakeholders, the company's responses to stakeholders, and the company's strategies in sustainability.

3.2. Data collection

We used the database from the Indonesia Stock Exchange (IDX) website in obtaining information about the companies in the palm oil industry. As a result, we obtained 18 companies in the agricultural sector. The companies were chosen based on the criteria of palm oil as the primary commodity, and there are 16 companies. The sustainability reports and annual reports of these companies were collected in June 2020 from the companies' websites. As of June 2020, some companies have not published the sustainability report and/or annual report for 2019 yet. So, we examined the sustainability report and annual report for 2018, thus we obtained 14 companies[8].

For interview analysis, we selected 4 companies to investigate their sustainability management practices. We use the anonymous name for these companies, i.e., Alpha, Beta, Gamma, and Delta. Alpha is the largest palm oil company in the IDX listed companies. As the largest company, Alpha could influence other companies or other stakeholders in sustainability practices. Beta is a company that received the two highest green rankings in the environmental performance assessment (PROPER program) in 2019. Gamma is a newcomer company in sustainability reporting based on GRI standards. Delta is the first palm oil company that conducted sustainability reporting based on GRI in 2010; nevertheless, this company has stopped publishing standalone sustainability reports. These interviews from fourth companies (Alpha, Beta, Gamma, and Delta) would explain how the influence of stakeholders and different stakeholder relationships will affect sustainability management and reporting practices.

Alpha reached a revenue of 19.08 trillion rupiahs and its CPO production reached 1.94 million tons with 285,000 hectares of plantations, 46 subsidiaries, and 47,217 employees in 2018. The operational areas include the islands of Sumatera, Kalimantan, and Sulawesi and the head office is in Jakarta. As for a stand-alone sustainability reporting, the company has been issuing it since 2005, and it is also the first company in the palm oil industry to do so. Although Alpha is not a member of the Roundtable on Sustainable Palm Oil (RSPO), the company takes

[8]14 companies are Agro Astra Lestari (AAL), Austindo Nusantara Jaya (ANJ), Bakrie Sumatera Plantation (BSP), Eagle High Plantations (EHP), London Sumatera Plantation (LSP), Sawit Sumbermas Sarana (SSS), Salim Ivomas Pratama (SIP), Provident Agro (PA), Sampoerna Agro (SA), Sinar Mas Agro Resources and Technology (SMA), Tunas Baru Lampung (TBL), Dharma Satya Nusantara (DSN), Gozco Plantation (GP), Jaya Agra Wattie (JAW).

responsibility for environmental and social conditions by implementing sustainability practices that are consistent with its holding company's standards and culture.

Beta obtained revenue of US$151.7 million and its CPO production reached 248,694 tones with 52,813 hectares of plantations, 12 subsidiaries, and 7,998 employees, of whom 7,168 (89.6%) were permanent employees in 2018. The palm oil plantations areas include Sumatera, Kalimantan, and Papua islands and the head office is in Jakarta. Beta received the two highest green rankings in the environmental performance assessment (PROPER program) in 2019. It demonstrates Beta's commitment to environmental sustainability. Beta conducted an external assurance of sustainability report to increase the credibility of the sustainability report for the year 2019. Beta is the first company in the palm oil companies listed in IDX that conducted the external assurance of sustainability report. According to the Sustainable Palm Oil Transparency Toolkit (SPOTT), Beta received a 17th place ranking out of 99 global palm oil producers in the world in 2019. The SPOTT is intended to assess related to environmental, social, and governance (ESG) practices based on the company's public disclosures. Regarding sustainability strategies, Beta adopted several sustainability certifications, such as the International Sustainability and Carbon Certification (ISCC), ISO 14001, RSPO, ISPO.

Gamma reached 3.08 trillion rupiahs in revenues with CPO production of 383,330 tones, 148,000 hectares of palm oil plantations, 34 subsidiaries, and 8,478 employees (8,365 are permanent employees). The palm oil plantations are in the islands of Sumatera, Kalimantan, Sulawesi, and Papua. Gamma is one of the companies classified as a newcomer in Sustainability Reporting based on the GRI Standard for 2017. In 2019, the company and its subsidiaries obtained 6 ISPO certifications and the first RSPO certification.

Delta was established in 1911 and its main products are rubber and palm oil. In 1992, the palm oil plantation was conducted as part of the conversion of the rubber plantations. In 2018, Delta obtained revenue from the palm oil segment of 1.08 trillion rupiahs, production of CPO and PK of 129,120 tones, and 56,908 hectares of the palm oil plantations in Sumatera and Kalimantan islands. Delta has direct 14 subsidiaries, 20 indirect subsidiaries, and 8,724 employees, excluding day laborers. Delta was the first palm oil company to conduct sustainability reporting based on the Global Reporting Initiative (GRI) in 2010. However, this company has not published stand-alone sustainability report since 2016. Sustainability certifications, such as RSPO, ISPO, and ISO 14001 have been obtained by Delta and its subsidiaries.

The research was carried out during the COVID-19 pandemic, which occurred between August 2020 and February 2021. Because of the country's conditions in terms of reducing the spread of Covid-19, travel restrictions have been implemented, and some employees are working from home. The interviews were not conducted in person, through the use of WhatsApp (WA), zoom meetings, and emails. Interviews were conducted in the Indonesian language and recorded. Then, the recording was transcribed and translated into English. Average interview duration was 60 minutes (Table 3). Interviews were conducted under conditions of confidentiality and anonymity. Semi-structured interview data were collected from corporate managers and other stakeholders (the government, RSPO, NGOs, buyers, trade associations, and smallholders) to obtain an understanding widely sustainability practices in the palm oil industry. The respondents of the corporate executive were General Manager, Manager, and Assistant Manager of Sustainability, Operational, or CSR department. The respondents of managers were the same as companies in the palm oil companies listed on IDX. The respondents of farmer smallholders were the heads or managers of cooperatives/groups/firms of smallholders.

To access the interviewees, we contacted the palm oil companies, buyers, RSPO, NGOs, and trade associations by email with a piece of introductory information; the purpose of research, research methods, the context of sustainability in the palm oil industry, and information about the author. Smallholder data was obtained from the RSPO. With further correspondence and confirmations from the respondent, we obtained 28 interviewees representing various stakeholders, from four companies (six interviewees), one trade association, two buyers (three interviewees, one by email), RSPO (two interviewees), four NGOs (four interviewees), seven smallholders who obtained sustainability certifications (seven interviewees), five governments (five interviewees, one by email) (Table 3). A small number of interviewees in the company category stated that they were unable to allow research on sustainability themes at that time, and some respondents did not respond to our emails after being contacted. This study included sustainability information from the company's website as well as a webinar on sustainability strategies in the palm oil industry to provide additional information on the companies.

The questions for interviewees are about the implementation and effort on sustainability management and reporting practices with different questions according to the respondents. Corporate managers were requested to share their experiences regarding sustainability and reporting practices, drivers, how to manage the stakeholders, and its challenge. Interviewees from the government were invited to share their experiences regarding environmental issues,

the government's effort, and the implementation of sustainability regulations. Buyers were invited to share their experiences in sustainability practices in their supply chain. Trade association is identified as having experiences in efforts sustainability practices in their members. NGOs were requested to share their views on environmental issues and share their experiences directly or indirectly involved with companies on environmental issues and sustainability efforts. RSPO was requested to talk about their experiences in setting sustainability standards and how the RSPO strives for sustainability standards to be applied to companies and smallholders. Smallholders were requested to share their experiences in sustainability practices at the smallholders' level, and their relationship with companies.

Table 3. List of interviewees

No	Code	Interviewee's position	F/M	Organization	Date of interview	Length of interview	Interview method
1	C1	GM of Sustainability	M	Company	2020- 9-1 2020-11-10	70 minutes 30 minutes	Zoom meeting Zoom meeting
2	C2	Associate GM – Corporate Governance	F	Company	2020-8-13 2020-9-2	23 minutes 32 minutes	WhatsApp Call
3	C3	GM Operational	M	Company	2020-9-15	30 minutes, 10 minutes	Webinar, WhatsApp
4	C4	Sustainability compliance assistant manager	M	Company	2020-11-4	50 minutes	Zoom meeting
5	C5	Head of QHSE & Sustainability	M	Company	2020-8-31	45 minutes	WhatsApp Call
6	C6	CSR Officer	M	Company	2021-1-3	60 minutes	Zoom meeting
7	B1	GM of Sustainability	F	Company	2020-8-11	-	Email
8	B2	Strategic Sustainability Policy Engagement Head	M	Company/buyer	2021-2-26	60 minutes	Zoom meeting
9	B3	Assistant Manager of Community Engagement	M	Company	2020-11-19	70 minutes	Zoom meeting
10	A1	Secretary of Trade Association	M	Trade Association	2020-9-18	90 minutes	Zoom meeting
11	R1	Senior Manager of Engagement	M	RSPO	2020-11-11	60 minutes	Zoom meeting
12	R2	Manager of Sustainability Assurance	M	RSPO	2020-11-11	Parallel (N3-N4)	Zoom meeting
13	N1	Global head of Indonesia Forest campaign	M	NGO (International)	2020-9-15 2020-12-15	65 minutes 65 minutes	Zoom meeting Zoom meeting
14	N2	Manager of Sustainable Program	M	NGO (International)	2020-9-17 2020-12-6	40 minutes 60 minutes	Email, Zoom meeting Zoom meeting
15	N3	Senior Manager	F	NGO (International)	2020-12-15	60	Zoom meeting
16	N4	Senior Manager	F	NGO (Local)	2020-12-1	40	Zoom meeting

17	G1	Director of the International Department	M	Financial Services Authority - Government	2020-9-23	-	Email
18	G2	Legislative of district	M	Government (district)	2020-12-12	16 24	Zoom meeting WhatsApp Call
19	G3	Assistant Manager in Deputy of Ministry for food and agriculture	M	Government (National)	2020-12-23	90	Zoom meeting
20	G4	Head of the provincial plantations office	M	Government (Province)	2021-1-20	30	Zoom meeting
21	G5	Manager in oil palm fund distribution agency	M	Government (National)	2021-2-4	60	Zoom meeting
22	S1	Senior Manager	M	Smallholder in South Sumatera	2020-11-18	40 minutes	Zoom meeting
23	S2	Senior Manager	M	Smallholder in North Sumatera	2020-11-19	70 minutes	Zoom meeting
24	S3	Chairman	M	Smallholder in Jambi Province (Sumatera Island)	2020-11-19	90 minutes	Zoom meeting
25	S4	Chairman	M	Smallholder in North Sumatera	2020-11-18	90 minutes	Zoom meeting
26	S5	Chairman	M	Smallholder in Center of Kalimantan	2020-12-1	60 minutes	Zoom meeting
27	S6	Chairman	M	Smallholder in Center of Kalimantan	2020-12-2	60 minutes	Zoom meeting
28	S7	Chairman	M	Smallholder in Center of Kalimantan	2020-12-2	90 minutes	Zoom meeting

Table 4. Smallholders Cooperative/Agent/Firm

Code Interviewee	Plantations (Ha)	Amount of members (farmers)
S1	915	626
S2	659	271
S3	762	412
S4	318	183
S5	1443	200
S6	393	214
S7	867	355

We investigated smallholders who obtained sustainability certification such as RSPO and/or ISPO. The RSPO certified the smallholders in one group such as cooperatives or farmer groups. The certified smallholders would mention the name of farmers who joined RSPO principles and criteria but it was found that not all the members of the cooperative joined with RSPO P&C. In this sample, smallholder (S1) has 915 Ha which has 612 members of farmers, but not all their members joined with RSPO/ISPO (Table 4). This is the challenge for sustainability

practices on the smallholders' level to achieve the traceability of the sustainability supply chain.

Chapter 4
Content Analysis of Sustainability Reports in the Palm Oil Industry

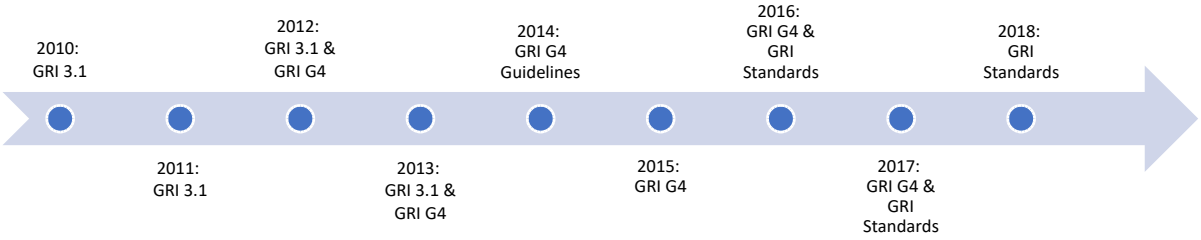
Content analysis of sustainability reports was conducted to identify the nature and scope of sustainability reporting and stakeholders in the Indonesian palm oil industry. We examined 14 palm oil companies listed in IDX, i.e., Agro Astra Lestari (AAL), Austindo Nusantara Jaya (ANJ), Bakrie Sumatera Plantation (BSP), Eagle High Plantations (EHP), London Sumatera Plantation (LSP), Sawit Sumbermas Sarana (SSS), Salim Ivomas Pratama (SIP), Provident Agro (PA), Sampoerna Agro (SA), Sinar Mas Agro Resources and Technology (SMA), Tunas Baru Lampung (TBL), Dharma Satya Nusantara (DSN), Gozco Plantation (GP) and Jaya Agra Wattie (JAW). The data was obtained from annual reports and sustainability reports for 2010 – 2018. This chapter discusses the influence of GRI standards on sustainability reports in the palm oil industry first and then explores the main topics of sustainability based on annual and sustainability reports in the palm oil industry. Based on the findings above, we would scrutinize the stakeholders' influence on those reports.

4.1. The Influence of GRI Standards on Sustainability Reporting

This section discusses the influence of the GRI standards on sustainability reports of palm oil companies. The publication of stand-alone sustainability reports in Indonesia is relatively new, which is the same in palm oil companies. Some palm oil companies listed in IDX have already issued a stand-alone sustainability report, all of which are based on GRI standards. Stand-alone sustainability reports are still voluntarily issued in Indonesia and have increased since 2005, although the growth is not rapid. Only one company published such reports in 2005, and the number of the company increased to six in 2018 (out of 14 companies) (Table 5).

A stand-alone sustainability report was firstly published in 2005 by AAL and only social impacts were discussed in its report. The first sustainability report based on GRI was published by BSP in 2010. Since 2011, AAL has also followed GRI. Up to 2018, seven out of 14 companies have published sustainability reports based on GRI standards. In 2012-2013, companies used GRI 3.1 and GRI G4. In 2016 – 2017, companies used GRI G4, and others used the GRI standards (Figure 3). All companies did not use an external assurance for the years 2010-2018. All companies used two languages (English and Bahasa) in their sustainability reports.

Figure 3. GRI employed in palm oil companies



Source: by the author based on the company's sustainability reports for 2010 -2018

Table 5. The company published stand-alone sustainability reports based on GRI

No	Company	Abv.	Lang.	Year of the 1st publishe d SR	GRI Employed					The number of pages	
					2014	2015	2016	2017	2018	2017	2018
1.	Agro Astra Lestari	AAL	E & I	2011	G4	G4	G4	G4	Stand	100	136
2.	Austindo Nusantara Jaya	ANJ	E & I	2017	-	-	G4	Stand	Stand	80	100
3.	Bakrie Sumatera Plantation	BSP	E & I	2010	G4	G4	-	-	-	-	-
4.	Eagle High Plantations	EHP	E & I	2017	-	-	-	Stand	Stand	82	110
5.	London Sumatra Indonesia	LSI	E & I	2017	-	-	-	Stand	Stand	114	94
6.	Sawit Sumbermas Sarana	SSS	E & I	2016	-	-	Stand	G4	Stand	131	150
7.	Salim Ivomas Pratama	SIP	E & I	2014	G4	G4	G4	Stand	Stand	135	118

Source: by the author based on the company's sustainability reports
**Stand= Standards 2016, Language: E=English, I=Indonesia*

In 2016, GRI revised the previous guidelines and published GRI standards. This Standard is effective for reports published after 1 July 2018. However, earlier adoption was encouraged. It is found that only SSS employed new GRI standards for its first published sustainability report for the year 2016. Other six companies published sustainability reports based on GRI standards from 2017 or 2018. Furthermore, sustainability reports have been increasingly practiced but are still limited to large companies, especially listed ones. These environmental and social disclosures are primarily regarded as a response to stakeholders' demand for transparency on sustainability issues.

GRI standards can provide indicators of the economic, environmental, and social impacts of its companies' activities to be disclosed in the stand-alone sustainability reports. GRI helps companies to report their sustainability practices clearly and transparently. In Indonesia, the National Center of Sustainability Reporting (NCSR) is a partner of GRI to provide a certified

training program to enhance knowledge of the prepares sustainability reporting (such as companies, consultants). The NCSR also has held the sustainability reporting award since 2005. Some palm oil companies have participated in sustainability report award (SRA), such as BSP and ANJ. BSP obtained the best first-time sustainability report award in 2010. Meanwhile, ANJ obtained gold rank for the sustainability report 2018. This award can improve companies' reputations.

GRI has influenced palm oil companies to adopt stand-alone sustainability reporting based on GRI standards. GRI is a non-governmental organization (NGO) that develops voluntary and globally applicable sustainability reporting guidelines. The GRI and its partner, i.e., NCSR promote the use of sustainability reports based on the GRI standards in Indonesian companies including palm oil companies by providing training and certification on sustainability reports for users in companies, academia, or other stakeholders who are interested in sustainability reports. In addition, NCSR annually organizes SRA events for companies that publish sustainability reports based on GRI standards. The event could improve companies' reputations and attract investors, especially international investors. Those activities affect Indonesian companies to adopt sustainability reports based on GRI standards.

4.2. The Main Topics of Sustainability Disclosures

In this section, we analyze the sustainability disclosures and the main topics in corporate reports including annual reports and sustainability reports. Firstly, to measure the extent of sustainability disclosure, this study uses the number of pages in the annual reports. We primarily focused on the narrative content and if more than half of the page is about sustainability information, it would be counted as one page. Pictures were also used to explain sustainability initiatives and only those that were relevant to sustainability issues were counted as environmental and social disclosure. Secondly, this study identifies the main topics of sustainability information in its corporate reports.

4.2.1. The General Trends

The Indonesian government has been formally regulating CSR practices and sustainability reporting by Law No. 40 of 2007, Government Regulation No. 47 of 2012 on Liability Company which states that a company having its business activities in the field of and/or related to natural resources shall be obliged to perform its social and environmental responsibility and must report its sustainability responsibility in an annual report. In 2017, the Financial Services

Authority (Indonesian: OJK) launched the regulation[9] concerning the implementation of sustainability reporting for financial services institutions, issuers, and listed companies, which includes the palm oil industries. Financial services institutions, issuers, and listed companies have to prepare sustainability reports. Specifically for listed companies, a sustainability report must be submitted to the government through OJK for the year 2020 for the first time this regulation is applied. However, the government announced that its implementation was delayed because of the pandemic COVID-19 statement in 2020. The stand-alone sustainability report is applied for the fiscal year 2020 which will be submitted to OJK in 2021. So, one year is delayed for preparing a compulsory sustainability report.

There are 18 companies listed on IDX in the agricultural sector, 16 of which provide palm oil as their main commodity, and 14 companies published annual reports for 2018 as of June 2020. We analyze the information on sustainability in the annual reports. Regarding the GRI Standards 2018, we divided disclosure into three disclosure categories. First, general disclosure relates to Corporate Governance (CG) including relationship with stakeholders, anti-corruption policy, code of conduct, and corporate value. Second, specific disclosure about Management Approach (MA) including the supply chain, market served, market presence, and procurement practices. The last category is Environmental and Social (S&E) information. In general, companies include social and environmental responsibility disclosures in one section of the annual report. In this study, we did not discuss economic disclosure.

This study found that all companies used two languages (English and Indonesian) in their annual reports and sustainability reports. Only ANJ provided separate reports in two languages both annual and sustainability reports. Companies prepared annual and sustainability reports in two languages because the composition of the Board of Directors (BoD), some of the Board of Commissioners (BoC), and shareholders in the palm oil companies are from abroad and the sustainability report can also be of interest to investors from abroad.

Regarding disclosure, most of the companies' disclosed items are CG information (median 29%). Regarding social and environmental information, companies disclosed around 10% in their annual report. In terms of the page regarding social and environmental information, BSP

[9] No. 51/POJK.03/2017 about Implementation of Sustainability Finance for Financial Services Institutions, Issuers, and Listed Companies.

and SA were found to have provided the most pages (Table 6). BSP disclosed 29 pages, whilst SA disclosed 28 pages of social and environmental responsibility. ANJ disclosed 17 pages, but ANJ prepared annual reports in two languages separately in two reports. One report is in the English version; another report is in the Indonesian version. To calculate in the same way with other companies, the pages should include content in two languages so that the total pages for sustainability disclosure could be 34 pages, thus ANJ could be regarded as disclosing the most sustainability information. Companies disclose social and environmental information, to demonstrate their commitment to sustainable practices and compliance with the regulation from the Financial Service Authorize (OJK) that listed companies should disclose information regarding social and environmental responsibilities in their annual reports.

Table 6. Social and environmental disclosures in the annual reports 2018

No.	Company Name	Abbrev.	Lang.*	The number of pages							
				CG	%	MA	%	S&E	%	Total pages	Total pages on AR
1	2	3	4	5	6	7	8	9	10	11	12
1.	Agro Astra Lestari	AAL	E & I	38	27	18	13	7	5	63	139
2.	Austindo Nusantara Jaya	ANJ	E & I	50	30	7	4	17	10	74	168
3.	Bakrie Sumatera Plantation	BSP	E & I	44	24	29	16	29	16	102	186
4.	Eagle High Plantations	EHP	E & I	42	55	3	4	6	8	51	76
5.	London Sumatra Indonesia	LSI	E & I	27	24	22	20	6	5	55	112
6.	Sawit Sumbermas Sarana	SSS	E & I	54	28	22	11	23	12	99	194
7.	Salim Ivomas Pratama	SIP	E & I	27	22	27	22	9	7	63	121
8.	Provident Agro	PA	E & I	53	36	8	5	9	5	70	149
9.	Sampoerna Agro	SA	E & I	72	34	20	9	28	13	120	213
10.	Sinar Mas Agro Resources and Tech.	SMA	E & I	26	26	13	13	22	22	61	100
11.	Tunas Baru Lampung	TBL	E & I	38	23	37	22	18	11	93	165
12.	Dharma Satya Nusantara	DSN	E & I	39	26	3	2	12	8	54	150
13.	Gozco Plantations	GP	E & I	20	36	14	25	2	4	37	56
14.	Jaya Agra Wattie	JAW	E & I	50	32	30	19	4	3	84	158
	Total pages			580		253		192		1026	1987
	%				29		13		10		

**Lang. = Language: E=English, I=Indonesia, CG = Corporate Governance, MA= Management Approach, S&E= Social & Environmental, Annual report for the year 2018*

Regarding the main topics of sustainability reports 2010-2018, this study found that the main topics of sustainability reports were 1) economic: economic performance; 2) environmental: sustainability policy, conservation management, forest/plantation fire prevention, waste management, greenhouse gas (GHG) emissions, pest, traceability supply chain, sustainability certification; 3) social: community development, occupational, health, and safety (OHS),

grievance management. This study focuses on environmental and social sustainability, excluded economic performance. In particular, social sustainability focuses more on social sustainability strategies that have an impact on its companies' supply chain and engage with third parties. As result, we found the main topics relevant for our study were: 1) sustainability policy, 2) conservation management, 3) forest/plantation fire prevention, 4) waste management, 5) traceability supply chain, 6) sustainability certification, 7) community development and 8) grievance management. Not all companies explained sustainability activities in detail especially sustainability information in the annual reports. The next section explains the topic in sustainability reports and stakeholders' influence based on their reports.

4.2.2. Sustainability Policy

According to our investigation, 12 companies (AAL, ANJ, EHP, SSS, BSP, SIP, LSI, PA, SA, SMA, DSN, and TBL) disclosed their sustainability policies as their commitment to sustainability to the public through annual reports, sustainability reports, or companies' website. Their sustainability policies are about no deforestation, no planting on peat-land, no exploitation of human rights or local communities, sustainability certifications, and transparency. Meanwhile, two companies (GP and JAW) did not clearly explain their sustainability policies in their companies' reports or websites. BSP stated its sustainability policies on its company's website. Furthermore, AAL, ANJ, EHP, and SSS mentioned that they were collaborating with international NGOs and customers, who would provide advice with regard to sustainability policy, implementation, and monitor companies' sustainability activities.

The holding company also influences companies' sustainability policy. For example, SMA, LSI, SIP followed the same sustainability policy as their holding companies. SMA disclosed sustainability policy on its website based on its holding company. Similarly, SIP used sustainability policy from its holding company, namely Indo Agri, which is a listed company in Singapore. Meanwhile, SIP is the holding company of LSI. Therefore, SIP and LSI have the same sustainability policies. RSPO is another stakeholder that would influence companies' sustainability policy. Some companies such as ANJ, SSS, EHP, BSP declared that their sustainability policies were aligned with the Principles of RSPO. In their sustainability policies, it is stated that the sustainability policies issued were an effort to meet the principles and criteria of RSPO and to achieve RSPO certification.

4.2.3. Conservation Management

AAL, ANJ, BSP, EHP, SSS, SIM, LSI, SMA, SA, DSN (10 companies) disclosed information about their conservation areas in their concession of plantations. Other companies did not disclose conservation areas in their concession in annual reports, whether they had them or not. Those companies disclosed conservation information, managed conservation areas by their sustainability department, and collaborated with NGOs, local government, and local communities. For example, ANJ, EHP, SSS, SMA, DSN collaborated with NGOs in conserving the survival of orangutans and wildlife. Ten companies collaborated with local communities to monitor and patrol conservation areas regularly every month.

Before opening new land for plantations, companies (AAL, ANJ, EHP, SSS, BSP, SIM, LSI, SMA, SA, DSN) would assess the condition of the land first to find out whether the land had high conservation value (HCV) or not. If it had HCV, those companies must conserve it and should not use it as plantation land. The assessment of HCV in existing land is the requirement from RSPO in implementing New Planting Procedure (NPP). HCV assessment is conducted by an independent assessor. If companies are RSPO members, HCV assessment is conducted by an independent assessor approved by RSPO. Although AAL is not a member of RSPO, AAL used an independent assessor to assess HCV. It shows that environmental NGOs influence companies in conservation management. The assessment of HCV is included in the criteria of RSPO certification. If companies are willing to achieve RSPO certification, companies should carry out this procedure (HCV assessment).

4.2.4. Forest/Plantation Fire Prevention

As one of the problems in the palm oil industry is forest/plantation fire especially in the dry season, all companies manage forest/plantation fire by providing firefighting facilities, well-prepared personnel, technology for identifying the hotspot, fire control equipment, the towers for monitoring, and training. AAL, ANJ, EHP, SSS, SIP, LSI, SA, SMA, TBL, PA disclosed forest/plantations fire prevention and engaged with local government, local communities, and farmers in the prevention of fires. They also carried out joint activities, such as patrolling during the dry season, and carried out fire control measures. Those companies collaborated with local communities and smallholders and established special teams to handle forest/plantation fires. This is also because the plantations of companies and farmers are close together and companies need to collaborate with communities in fire prevention.

In 2018, EHP disclosed fires on plantations under EHP due to low rainfall during the dry

season, flammable peatlands, and negligence by local communities to light fires, or burn open fields for planting. For these reasons, the internal management of EHP collaborated with surrounding smallholders and communities to be actively involved in fire prevention, conducted awareness, and installed fire hazard signs in order to reduce hotspots. AAL disclosed three fire spots. The cause of fires was farming activities inside the farmers' plantations. ANJ, SSS disclosed hotspot fire in their subsidiaries. SA, TBL, and SMA disclosed that no fire occurred in their plantations, but SMA disclosed the incident fire occurred in its pilot project village. SIP, LSI, PA did not disclose whether the fire occurred or not. GP and JAW did not disclose the fire prevention. Companies concern forest/plantation fire prevention because of the regulation from the government[10] to control forest/plantation fire.

4.2.5. Waste Management

The waste of palm oil plantations can be utilized and added value in various ways, such as solid and liquid waste being recycled into fuel in steam boilers and organic fertilizers. All 14 companies explained that their solid waste (such as fibers and shells) were used as fuel in their steam boilers. ANJ, SSS, SA, SMA utilized their liquid waste (palm oil mill effluent/POME) as biogas or renewable energy. The biogas plant will produce electricity. However, ANJ's subsidiary in the renewable power unit remains unprofitable. Among them, the electricity sold to the state electricity company (PLN) is still below the commercial price. This is a challenge for ANJ to maintain waste management in reducing emissions. The role of internal management has a significant influence on waste management to reduce emissions.

4.2.6. Traceability Supply Chain

Companies (AAL, ANJ, EHP, SIP, LSI, SMA) disclosed the responsible sourcing of palm oil and fruit supply sources from nucleus plantations and third-party suppliers including smallholders. The aim is to ensure that its supply sources are traceable and their practices are consistent with the company's sustainability policy. Traceability is the ability to retrace, identify, and track the finished product to find out the origin of raw materials and the production personnel. The traceability supply chain is divided into two categories, namely traceability to a mill and traceability to a plantation. Traceability to mill aims to ensure that CPO & PKO supplied to the refinery or for shipment/export purposes can be traced to the mill. Traceability to the plantation is to ensure that raw materials supplied from the plantations to the CPO mill

[10] Presidential Instruction no 11 of 2015 concerning control of land and forest fire, Ministry of environment and forestry regulation no.P.32 of 2016.

and up to the refineries or for shipment are traceable to the plantation. AAL and ANJ collaborate with NGOs in the traceability of their suppliers, especially from smallholders. AAL and NGOs developed the tools for the environmental assessment of suppliers. It was established through traceability to the smallholder level. There is pressure from NGOs and buyers to improve the traceability and transparency of their concession boundaries.

4.2.7. Sustainability Certifications

The Indonesian Sustainability Palm Oil (ISPO) certification is a mandatory requirement for all Indonesian palm oil companies and smallholders. PROPER program assesses the environmental performance of companies. Meanwhile, RSPO certification and ISO 14001 are voluntary mechanisms. The government influences the company to conduct ISPO certificate and PROPER program. Although, not all companies and their subsidiaries have ISPO certification yet, companies strive to gain ISPO certification for all their subsidiaries. Some companies (ANJ, EHP, BSP, SSS, SA, SMA, DSN, TBL) in our investigation have already obtained RSPO certification. SIP and LSI withdrew from RSPO members in 2019. ANJ, BSP, SSS, SLI, SIP, SA gained ISO 14001 certification, while ANJ, SSS, SA, SMA obtained ISCC certification. Based on their sustainability reports, buyers and internal management would influence companies to use RSPO, ISO 14001, and ISCC certifications. In particular, internal management who are also involved as board members in RSPO would influence companies and their subsidiaries to conduct RSPO certification. Companies increase direct sales to buyers who require an RSPO certification to obtain the premium price.

4.2.8. Community Development

Community development involves efforts in the participation of local communities, to gain an understanding of their needs, problems, and their potential availability. In their reports, AAL, ANJ, EHP, BSP, SMA, SSS, SIP, LSI, SA describe the partnership between these companies and palm oil farmer communities through being the company's FFB supplier, which allows smallholder farmers to participate in their operations. Companies developed a partnership with smallholder farmers because the farmer's FFB is needed for raw material in companies' operations and the presence of the company brings benefits and economic growth to the local community. In community development, companies provide training to farmers in professional farming techniques and assist farmers to obtain sustainability certifications. The relationship between smallholders and the company in community development is one-side contribution since the smallholder receives the benefit from the company but the company does not receive

returns from the smallholder. This activity is part of companies' CSR programs.

4.2.9. Grievance Management

Companies (AAL, ANJ, EHP, BSP, SIM, LSI, SMA) disclosed information regarding the grievance management system, whether for the company or its third-party suppliers in their sustainability reports. Stakeholders can complain through the grievance channel provided by companies. At the subsidiary level, grievances can be made directly to the responsible person appointed by the subsidiary. The local communities can complain at the company's subsidiary, which is located close to their residence. In 2016, SIP received complaints from NGOs about labor violations in its subsidiary. The mediation process was carried out by RSPO from 2016-2018. SIP was disappointed with the way RSPO responded to the NGO and SIP's settlement. SIP considered that the results of auditors were inconsistent and NGOs could not provide sufficient evidence for these allegations, thus creating a conflicting relationship among SIP, NGOs, and the RSPO. The RSPO's unsatisfactory response in resolving NGO complaints against SIP led SIP and all of its subsidiaries to withdraw from the RSPO. This grievance process was communicated in SIP's sustainability report and website. Meanwhile, AAL and SSS communicate with NGOs periodically and if there is some negative activity against the company, it is verified by an independent investigation. It shows that the internal management has control and resolves grievances from other stakeholders. In other words, internal management influences grievance management to respond to stakeholders.

4.3. Discussion

We find that the GRI influences companies (AAL, ANJ, EHP, BSP, SMI, LSI, SSS) as these companies conduct stand-alone sustainability reporting based on GRI standards. In 2018, only six companies (AAL, ANJ, EHP, SMI, LSI, SSS) listed in IDX in the agriculture sector adopted sustainability reporting based on GRI standards, because a stand-alone sustainability report in Indonesia is adopted voluntarily. To promote the adoption of GRI standards in sustainability reports in Indonesia, NCSR, which is the partner of GRI, provides training and has launched an award event for the sustainability report. In 2017, the Indonesian government (OJK) enacted regulations regarding sustainability reporting for public companies, which is supposed to take effect from 2020. However, enforcement of sustainability reporting has been delayed due to the government's response to COVID-19. It is said that mandatory sustainability reporting will be enforced from 2021. 14 companies in this study have already disclosed their environmental, social, and economic information in the annual reports. It shows that companies comply with

the regulation from OJK. Sustainability reporting based on GRI standards or the government requirements is intended to provide transparent information as good corporate governance, especially for listed companies.

Our study focuses on environmental and social strategies that would impact on its supply chain. We find the main topics of sustainability reports in the palm oil companies as follows: 1) sustainability policy, 2) conservation management, 3) forest/plantation fire prevention, 4) waste management, 5) traceability supply chain, 6) sustainability certification, 7) community development, 8) grievance management. These main topics were used by palm oil companies as sustainability strategies. This study finds that key stakeholders influence sustainability management with its sustainability strategies. The stakeholder power was found in the following cases: 1) shareholders and internal management, influence companies (AAL, SMA, SIP, LSI, BSP, ANJ, EHP) in their sustainability policy, sustainability reports, grievance, sustainability certifications, and waste management; 2) NGOs influence companies (AAL, EHP, ANJ) in sustainability policy, grievance management, and management of conservation value; 3) government influences all companies (14 companies) on environmental performance (PROPER) and sustainability certification (ISPO); 4) buyers/customers influence companies (EHP, BSP, SA) in conservation management and RSPO certification, and 5) RSPO board members who are also as BoC/BoD in palm oil companies influence companies (SMA, EHP) in adopting the RSPO certificate.

Regarding stakeholder relationships, the findings of this study are as follows: 1) collaborative relationship, companies (AAL, ANJ, EHP, BSP, SSS, SIP, LSI, SMA, SA, DSN) collaborate with stakeholders (NGO, government, local communities, smallholders) in conservation management and fire prevention, 2) conflicting relationship, companies (SIP, LSI, ANJ) conflict with stakeholders (NGO) in grievance management, 3) one-sided contribution, the smallholders receive benefit from their relationships with companies (AAL, ANJ, EHP, BSP, SSS, SIP, LSI, PO, SA, SMA).

In addition, shareholders and internal management influenced companies (AAL, SMA, SIP, LSI, BSP) in their sustainability policy and sustainability certifications. Shareholders and internal management play an important role to commit its sustainability. Internal management will make decisions on what sustainability strategies to use. However, the context of sustainability policies and sustainability certification in each company may be different. For example, shareholders and internal management who are also RSPO members tend to make

sustainability policies the same as or in line with RSPO's sustainability policies. With regard to certificates, companies will strive to obtain RSPO certification for all of their subsidiaries. However, in a company that is not a member of RSPO (AAL), shareholders and internal management would have roles in defining sustainability policy. RSPO is a voluntary certification so that companies will consider whether or not to use it. In addition, buyers do not require companies to adopt the RSPO certification. . Therefore, many companies did not use RSPO certification. Only 1.97 million hectares or 14% of palm oil companies conducted RSPO certification (RSPO, 2019).

NGOs influence companies (AAL, EHP, ANJ) in conservation management and grievance management. HCV and HCS assessments were encouraged by NGOs. Before opening new land for plantations, companies were required to assess the area/land. The HCV and HCS assessment aims for prevention from the degradation of the forest or area that has high conservation value. HCV and HCS assessments are required by RSPO criteria. AAL is not a member of RSPO, but AAL uses an independent assessor to assess HCV in its concession. Regarding grievance management, SIP, LSI, ANJ disclose complaints from external stakeholders and solutions to these problems. In other companies, disclosure is only made through channels provided by the companies. The grievance channel for stakeholders is one of the criteria in the RSPO, and the company strives to merely fulfill this requirement.

Companies establish cooperative relationships with NGOs, government, local communities in forest/plantation fire prevention, and conservation. In forest fire prevention, most companies collaborate with local communities and farmers. This is because the farmers' plantations are surrounded by companies' plantations and t fire of forest occurs almost every year. EHP, ANJ, AAL, SSS revealed that plantation/forest fires occurred in their concessions. More information about the fire problem is needed because it will help to tackle this problem further. More fire prevention techniques are also needed because every year there is a dry season, and every year there are land/forest fires.

Onkila (2011) suggests analyzing the attributes used to define stakeholder relationships would affect environmental sustainability management practices. Attributes of stakeholder relationships vary, according to the issue, or interest. This study explains the sustainability strategy used in their relationship. The sustainability strategy used is influenced by stakeholders and their relationships. For example, internal management influences sustainability practices through sustainability policies (as sustainability strategy). AAL establishes its sustainability

policy based on its parent company. In addition, EHP and SMA also establish sustainability policies based on their parent companies. However, some of the internal management of EHP and SMA are board members at the RSPO. These companies established sustainability policies that are in line with the RSPO principles. Moreover, in their sustainability policies, it is stated that obtaining RSPO certification for all its subsidiaries is vital. Thus, the stakeholders' influence and relationships influence the sustainability strategy. The sustainability strategy used is the same (like a sustainability policy) but the implementation or outcomes of sustainability practices are different.

Annual reports and sustainability reports explain little of the motivation or reasons why companies undertake sustainability management and reporting with their sustainability strategies. This study tries to explore the influence of stakeholders on sustainability practices based on annual reports and sustainability reports, but not all of these reports explain the influence of stakeholders on them. To address this gap, this study also uses a semi-structured interview method and will be discussed in the next chapter.

Table 7. Sustainability Strategy and Stakeholder Relationships

Stakeholder Relationship	Sustainability Strategy	Described the relationship
Shareholders	- Sustainability Policy - Sustainability Report	Shareholders have an important role in determining sustainability policy and in making decisions on sustainability reports.
Internal Management	- Sustainability Policy - Grievance management - Sustainability certifications - Sustainability Report - Waste management	Internal management commits to sustainability policy, provides grievance channel for stakeholders, determines waste
NGOs	- Grievance management - Conservation Management	NGOs influence companies in grievance management and conservation.
Government	- Environmental performance - Sustainability certification (ISPO)	Government influence companies in conducting ISPO and environmental performance assessment
Buyers	- Conservation Management - RSPO certificate	Buyers influence companies in conservation value management and RSPO certificate
RSPO	- RSPO certificate	RSPO influence companies in conducting RSPO certificate, especially its members
Collaborative Relationship	- Conservation Management - Fire prevention management - Sustainability policy - Traceability supply chain	Companies and stakeholders (NGOs, government, society, farmers) collaborate on conservation, fire prevention, sustainability policy
Conflicting Relationship	- Conservation Management - Grievance management	Companies and NGOs conflict in conservation areas and grievance.
One-Sided Contribution Relationships	- Community Development	Companies assist smallholders in good agriculture practices, training, assistance in the certification process

Sources: by the author based on annual reports and sustainability reports for the year 2018

Chapter 5

Interview Analysis of Sustainability Management and Reporting In the Palm Oil Industry

This chapter aims to answer research questions about the influence of key stakeholders and the influence of stakeholder relationships on sustainability management and reporting in the Indonesian palm oil industry based on semi-structured interviews. Before discussing the interview analysis, the first part of this chapter discusses the main topics of sustainability reports from four specific companies in detail. This section aims to gain further understanding of the sustainability strategies used by the four palm oil companies prior to the interview analysis. Then, in the second part, an interview analysis of the influence of key stakeholders on sustainability management and reporting practices will be discussed. In this context, the main stakeholders are shareholders, internal management, buyers/consumers, government, RSPO, NGOs, and smallholders. In the third section, we provide the results of the analysis of stakeholder relationships with companies in sustainability management and reporting. Finally, a discussion of the influence and relationship of key stakeholders with the company's impact on sustainability management and reporting in the Indonesian palm oil industry will also be elaborated.

5.1. Sustainability Strategies Disclosed in Sustainability Reports

In this section, we analyze sustainability strategies disclosed by the four specified companies in detail focusing on stakeholders' influence. The main topics of sustainability strategies have been discussed in Chapter 4. The companies are 'Alpha', 'Beta', 'Gamma', and 'Delta'.

5.1.1. Alpha's Sustainability Strategies

Alpha conducts sustainability management in accordance with its holding company's sustainability management guidelines, which are aligned with the company's core business, palm oil plantations. The holding company's management system is applied to all of its subsidiaries including Alpha and the holding company influences Alpha's sustainability management. This was indicated by the fact that all company's management systems should refer to the holding company's policy.

The sustainability policy has been in place since 2009 and is described in the sustainability report as a Zero Burning policy in the process of developing new plantations. The sustainability policy was revised in 2015 which includes several things such as no deforestation, peatland

conservation, and respecting for human rights. In 2016, Alpha collaborated with NGOs and developed a framework for sustainable practices in the palm oil sector. NGOs, whose members include Daemeter Consulting, Rainforest Alliance, and technical consultant Proforest, provide advice in developing action plans to make sustainability policies effective. This collaboration resulted in the sustainability policy implementation action plan which contains work targets for 2018-2020 as well as three-year guidelines. This shows that NGOs influence Alpha's sustainability policies.

In conservation management, Alpha reviews HCV areas by involving auditors' accreditation in HCV. The reviewing process carried out by NGOs resulted in a recommendation for improvement on HCV management and monitoring system. Moreover, Alpha collaborated with the government and research institutions related to peat management and engaged with the local communities to preserve the existing biological resources together.

Alpha conducted fire prevention management and collaborated with the communities, and farmers. In this collaboration, all parties provide early information about the potential for forest and land fires. In 2017, Alpha reported that 51 hotspots were at its subsidiary concession areas. The fires can be put out with the cooperation of the company's fire team and the fire-care community group. The involvement of local communities and farmer groups is also important in fire prevention. They are also invited to participate in joint activities, such as patrolling during the dry season and carrying out fire control measures.

In traceability to mills, traceability of refinery suppliers can be found out 100% traceability to mill. However, traceability to plantations is not easily available. In 2019, the company obtained 52% of FFB from third-party suppliers. This shows that the supply of FFB from farmers is significant for the company. Among these supplies, 72% are from independent farmers. This is a challenge for companies to trace FFB because the number of independent farmers can reach more than 50,000 so that it takes a long time to manage traceability regarding third parties. Meanwhile, 37% of them are from plasma farmers. These farmers are assisted by the company, so the company has data on plasma farmers, while independent farmers have no ties to the company. 90% traceability to plantations at Delivery Order (DO) holder level. Agents of FFB who hold DO can sell their FFB to the company. Smallholder farmers can join with these agents because smallholders cannot directly sell to the company. Therefore, the company makes a pilot project in traceability to the plantations at farmer level in its two mills.

The company collaborated with an international NGO to develop an assessment tool for monitoring the compliance of its suppliers. This assessment aims to identify gaps between suppliers and the company's sustainability policy. It shows that NGOs have influenced the company in the traceability process. Based on the company's monitoring, 4 suppliers were suspected of violations. The company processed all those suspected violations. Two suppliers take corrective actions, and the company terminates transactions with other suppliers because one supplier was not cooperative in handling the issues, and another supplier refused to commit to the company's sustainability policy.

Alpha does not use RSPO certification but implements ISPO which is mandatory for all palm oil companies in Indonesia. The company is responsible for maintaining environmental and social sustainability in accordance with the management of the holding company. 90% of the market share is domestic, but its customers/traders provide supplies for the international market. International buyers may not request RSPO certification. The company considers it is not necessary to use RSPO certification because there are no requirements from buyers.

5.1.2. Beta's Sustainability Strategies

The company revised its sustainability policy in 2019 and made it aligned with RSPO's principles for sustainable palm oil production and Sustainable Development Goals (SDGs). RSPO and internal management itself influence sustainability policy. The company's sustainability policy was aligned with the principles of RSPO.

Beta developed a conservation community program by collaborating with NGOs, communities, and local government. Local communities were engaged in patrolling and monitoring conservation as well as fire prevention. Beta collaborated with NGOs in monitoring orangutan and wildlife populations and developed a tourist destination for ecotourism purposes in collaboration with local communities. Beta is also a member of orangutan conservation, namely, PONGO alliance. In this case, the company collaborated with external stakeholders, such as communities, NGOs, conservation experts, and the government in managing conservation.

In waste management, the company built the biogas power plant where the liquid waste of mills becomes the basic material for making electricity. Internal management itself influences waste management. Building a biogas installation from POME is one of the methods used in waste

management. Only a few companies built this plant because it requires high investment in the manufacture of biogas electricity installations.

In 2018, 32.3% of FFB (375.181 metric tones) was from third-party suppliers, among which 90% were from independent farmers or cooperatives. As many as 3,203 smallholders were working with the company under the plasma scheme. The company developed an electronic traceability system, which is the pilot project conducted in some of its subsidiaries. GPS was used in the Responsible Development Project uses to map the existing and potential suppliers in the vicinity of the estate, infrastructure, and land status. From buyers and NGOs, there is pressure to improve traceability and increase transparency over its concession boundaries.

Regarding sustainability certification, Beta conducted RSPO, ISCC, ISO 14001, and OHSAS[11] 18001 which are voluntary certification schemes. Whilst ISPO and Occapissional, health, and safety (Indonesian: K3/OHS), and PROPER are the mandatory certification schemes. Buyers and RSPO influence the company in sustainability certifications.

The company has the CSR and Sustainability Committee that plays an important role in terms of the oversight function of the board of commissioners (BoC) and monitoring the development and implementation of the company's CSR and sustainability commitments. The meeting of BoC and BoD discussed the economic, social, and environmental issues including the community grievance. The sustainability division, through the Community Involvement and Development (CID) department, is responsible for holding public and stakeholder consultations as media to convey the communities' grievances related to sustainability issues. External stakeholders can complain directly to the company. Community grievances can be raised verbally to officers or by email or telephone and then the company logs the grievance log t and can follow up to verify the claims, rectify the issues, and monitor the delivery of the response to stakeholders. In 2019, the company received 17 complaints from communities through the grievance mechanism and all have been closed out. One of the complaints was from International NGOs that the company’s subsidiary had cleared the forest. RSPO investigated the company for clarification and requested geospatial verification. Based on this background, it could be seen that internal management and NGOs affect grievance management.

[11] Occupational Health and Safety Assessment System (OHSAS)

5.1.3. Gamma's Sustainability Management

Gamma's sustainability policy includes no deforestation, no peatland, and no exploitation (NDPE), and these commitments are monitored by the sustainability department. In 2017, the organizational structure was changed, the addition of a sustainability director in the board of directors, and the addition of a sustainability team at headquarters due to new shareholder ownership. In its sustainability policy, the company is committed to the RSPO certification process. The company incorporates the principles of the RSPO in its sustainability policy and one of the board of directors is also a board member of the RSPO. It indicates that the internal management and RSPO influence the company in conveying its sustainability policies.

In conservation management, Gamma conducted a biodiversity conservation project in the east and central Kalimantan, namely the AMOUR. Gamma engaged with the local community, government, and NGOs in the protection of orangutan and their environment. Gamma conducted HCV and HCS assessment on existing land and before new plantation development. Gamma also engaged with NGOs and consumer goods manufacturers (Golden Agri Resources/GAR) in HCV assessment. GAR introduced the HCS approach, which was pioneered by GAR, TFT, and Greenpeace. HCV assessment required by RSPO, especially for young companies, is to assess land for new plantations. Therefore, it is clear that RSPO and customer influence companies in conservation management.

Gamma engaged with the government and communities in forest and land fire prevention programs. This program aims to increase the awareness of the communities towards the impacts that might occur with forest fires. In July 2018, the fire broke out in the company's plantations, which were caused by dry weather and low rainfall. The negligence of residents around the company's plantations was one of the causes of the fire too. This collaboration between the company and communities shows a collaboration relationship in reducing forest/plantation fire.

In the traceability of supply chain, Gamma can trace 31% of information about their suppliers to plantations. This is due to a large number of suppliers from third parties where the number of these suppliers can reach 12,000 farmers who are FFB suppliers to the company's mills. So it takes longer to identify suppliers. The company does not accept direct FFB from smallholder farmers. But smallholders can sell their FFB to cooperatives, farmer groups, or agents of FFB. Then cooperatives will sell FFB to the company.

Meanwhile, the RSPO principles required the information of suppliers including farmers. Gamma promised to achieve traceability up to 100% in 2025. FFB purchased from third parties, namely from farmers, contributed 14.7% to the company's mills. In 2016, the company received a request from its consumer, namely GAR, to collaborate in GAR's efforts to improve sustainability practices within their supply chain. Therefore, the customer influences the company in the traceability of supply chain strategy by incorporating a traceability strategy that is in line with the customer's sustainability policy.

The company evaluated environmental performance by conducting an annual management review and internal meeting. The meetings are conducted periodically by the sustainability team. Environmental performance management is the responsibility of the operations (mill and plantations) and sustainability department who would submit performance reports regularly to the Director of Sustainability. In managing the environmental performance, the company conducted an external audit to obtain RSPO and ISPO certification. The audit is carried out by a certified body once a year (audit surveillance) for ISPO and RSPO certifications. The company also conducted an internal audit to meet the RSPO and ISPO principles and criteria. The government and internal management influence the company in ISPO and environmental performance assessment.

The company developed a plasma program, according to government regulation, to build community estate at a minimum of 20% of the total plantation estates. This program provides benefits to the community and smallholder farmers around the company's plantations. The plasma farmers are under company's supervision. The company assists the smallholder to get the right to obtain (HGU) certificate, so the farmers could plant in the company's concession. The company helps farmers to get a loan from the bank in managing the plantations. This relationship between company and smallholders includes a one-sided contribution relationship as smallholders received benefit from their relationship with the company.

5.1.4. Delta's Sustainability Management

Since 2006, the company allocates 1.5% of the profits to be invested as social and environmental expenditures, which is one of the company's sustainability policies. Even though in 2018 the company got financial loss, the company still allocated social and environmental expenditures in 2019. The total expenditure for environmental sustainability was 6.7 billion rupiah and social support was 6.6 billion with a total expenditure of 13.3 billion rupiahs.

In 2018, the company did not clear any new land or plant commodities in conservation areas. To measure HCV areas, the company conducted a study of the total plantation area. The local communities were also involved in the activities to preserve biodiversity. The company collaborated to research conservation and biodiversity with academics. This shows that internal management influences the sustainability strategy in conservation.

The implementation of environmental management activities, as well as occupational health and safety (OHS) in Delta, followed ISO 140001: 2015, ISO 9001: 2015, K3(OHS), PROPER, ISPO, and RSPO standards. Certifications are the company's effort to provide stakeholders assurance in the creation of sustainable value. The company conducted the ISPO certification process in 2014. Until the end of 2019, three of the company's subsidiaries obtained ISPO certificates and another three subsidiaries were in the process of progress. Regarding the RSPO certificate, the company obtained the first RSPO certificate in 2010, and the second was obtained in 2012. Compliance with RSPO requirements had been initiated long before joining the RSPO. The certifications are the company's effort to ensure that the company has undertaken sustainability under independent assessment. Before the company's RSPO and ISPO were assessed by an independent party, the company implemented the internal management system based on the holding company policies following the cycle of Plan, Do, Check, Action (PDCA). The company also determines Key Performance Indicators (KPI) that include targets, time limits, and measurable measurements. Internal management and government influence sustainability certifications.

The company contributed to the economic development of the local communities through several programs, namely the development of cooperatives and micro, small and medium enterprises (SMEs) as well as the company's core operation including the plasma farmers partnership program, training of non-plasma farmers, provision of seeds and technical training on plantation maintenance. Total FFB production was 485,973 tons consisting of 403,569 tons (83%) from the company’s plantations and 82,404 (17%) tons from plasma farmers. In this case, the relationship between the company and smallholders is a one-side contribution relationship. Smallholders received benefit from the company, such as training for good agriculture practices and seed provided for smallholders. This program includes CSR activities for the local communities. The company's CSR activities are conducted under the responsibility of the CSR unit and the Human Resources department in each business area. Meanwhile, the

environmental management is carried out under the department at the operational level, which is the Quality, Occupational, Health, and Safety (QHSE) department.

Table 8. Sustainability Strategy Used in the Palm Oil Companies

Sustainability Strategies	Stakeholders' influence and relationships			
	Alpha	**Beta**	**Gamma**	**Delta**
Sustainability Policy	Internal management, engage NGO ---------- SR, Web	RSPO, Internal management ---------- SR, Web	Internal management, RSPO ---------- SR, Web	Internal management ---------- Website
Conservation Management	Internal management, engage local community, engage NGOs in HCV assessment	engage NGO, consultant	engage NGOs, consumers, local community	N/A
Forest/plantation fire prevention	engage with local society, government	engage with local society, government	engage with local society, government	engage with local society, government engage research in biodiversity
Waste management	Internal management ---------- Solid, liquid	Internal management ---------- Solid, liquid, biogas power plant	Internal management, ---------- solid, liquid	Internal management ---------- solid, liquid
Traceability supply chain	engage NGO, ---------- third parties contributed 52% (72% from 52% is independent farmers), 90% traceability to the plantation at DO holders	third parties contributed 47.7%	engage customer ---------- third parties contributed 31%,	third parties contributed 17%, no disclosure of traceability
Community development	Engage farmers	Engage farmers	Engage farmers	Engage farmers
Grievance management	Internal management, engage NGOs ---------- SR, Website, subsidiary	Internal management ---------- SR, Website, subsidiary	Internal management ---------- SR, subsidiary	Internal management ---------- subsidiary
Sustainability certifications	Internal management, government ---------- ISPO	Internal management, government ---------- ISPO, RSPO, ISCC, ISO 14001	Internal management, RSPO, government ---------- ISPO, RSPO, ISO 14001	Internal management, government ---------- ISPO, RSPO, ISO 14001

Sources: by the author based on annual reports and sustainability reports 2018

Based on the previous description, the main topics of sustainability strategies used by four companies include sustainability policy, conservation management, forest/plantation fire prevention, waste management, traceability supply chain, sustainability certifications, community development, and grievance management. Table 8 shows the summary of the

stakeholders' influence and sustainability strategies used by four companies. All companies published their sustainability policy on their companies' websites. Internal management of Alpha, Beta, Gama, and Delta influence sustainability management in waste management, grievance management, and sustainability policy. Meanwhile, NGOs influence the conservation management of Alpha, Beta, and Gamma. All companies conduct community development by engaging with smallholder farmers such as providing training for good agriculture practices. All companies collaborate with government and local communities in preventing forest/plantation fire. Alpha engages with NGOs in sustainability policy, conservation management, traceability of supply chain, and grievance management. Meanwhile, Beta and Gamma engage with NGOs in conservation management. Beta, Gamma, and Delta conduct ISO 14001, ISPO, RSPO certifications, while Alpha conducts ISPO certification.

5.2. Key Stakeholders Influence Sustainability Management and Reporting Practice

The stakeholders, in this study, refer to those parties such as shareholders, internal management, buyers/consumers, government, RSPO, NGOs, and smallholders. The key stakeholders influence the company through sustainability issues and then the company incorporates these issues to become its sustainability strategies. The topics to be discussed mainly relate to issues such as sustainability policy, conservation management, fire forest prevention, waste management, traceability supply chain, sustainability certification, community development, and grievance management.

5.2.1. Shareholders

A company conducted sustainability management in order to maintain the company's reputation, and at the same time to maintain the outstanding status of its holding/parent company. This is reflected in the following result of interview:

> ..especially, because our shareholders and holding company, are outstanding companies... our company is part of the holding company ... and the value of the holding company is part of the value of our company too. [C1]

Another interviewee stated that the existence of new shareholders influenced the company in implementing its sustainability strategy:

> The existence of new shareholders and large companies from a foreign country has been so impactful as they send a new sustainability director which previously did not exist in the company. This has also encouraged them to pay attention to the sustainability issue in this company.[C2]

The changes in the majority of shareholder and organizational structure have been emphasized in terms of the existence of the new department, i.e., the sustainability department, and the appointment of new directors from new shareholders. This is the company's commitment to implement sustainability and increase the capacity and resources in the sustainability department. The new director also had positioned himself as a board member in the RSPO who helped to ensure the implementation of RSPO requirements by the company.

By issuing sustainability reporting, companies expect to gain and maintain the company's reputation through this action. This is also important as the shareholders would require companies to publish sustainability reports. Some manager interviewees stated that because the company was a listed company, the top management would manage to convey complete information to shareholders.

> We are part of a (parent company) which has a good culture and value ... So the value of the parent company is part of the value of our company too. And we provide sustainability report because we are a listed company, we need to maintain our reputation and want to convey complete information to shareholders. [C1]

The interviewee explained that the preparation for sustainability reports also involved their investors.

> In the parent company, these investors are having such a relationship with the team in our company, so that the way they convey their aspirations is not quite open. However, there are aspirations for internal management and there are aspirations for the public in nature. And a sustainability report is a summary which is the key point of achievement in carrying out sustainability practices on the ground. Other data can be accessed through the company's website. [C1]

Sustainability reporting could be an added value for investors in assessing company performance; not only in terms of financial reports, but also investors can see the company's social and environmental performance, as reflected in the result of the interview below. Some managers opined:

> When our company wants to conduct a feasibility study on the divestment of one of our subsidiaries, we invite consultants of social and environmental, and investor representatives, and then we discuss sustainability reports with them. So, it might be a checklist for investors as well, they are quite satisfied because we have sustainability reports besides financial reports in the annual report. [C6]

It is also worth noting that the shareholders are decisive in the preparation of information about social and environmental aspects. They also play an important role in the company’s sustainability report to maintain their reputation.

5.2.2. Internal Management

Encouraging companies to manage sustainably from internal management is another important issue worth mentioning. In this case, the company already had farming and mill management practices in place prior to the adoption of RSPO and ISPO certification. Some interviewees quote:

> We already had internal standards that we adopted from business process management, plan-do-check-act. We make management policies for plantations and mills. After that, we certify it according to the standard requirements requested by the regulator/government (ISPO) and buyers ... well we adopt it. So, actually, the standards we have made are certified, so it is not that we don't have standards, so initially, we have standards, then certified to increase the added value of our products, like in RSPO. [C5]

> It's a matter of need, only requests from certain buyers. We already have a good internal system, so why do we have to follow RSPO? If it is related to sustainability, we have a sustainability policy. [C1]

> There is a sustainability commitment from top management that is conveyed through company policies because resources are needed in the implementation of sustainability management to be applied. [C3]

Consistency of internal top management commitment is a challenge to conducting sustainability management. This is due in part to the significant funds required for, for example, equipment, infrastructure, and third-party audit costs, as well as the need to consider the benefits that come with implementing sustainability management. Some interviewees opined:

> We don’t only propose a budget but we also have to convince management that if we do environmental management and we do environmental certification so we will get added value. [C5]

> Due to the pandemic outbreak, the price of CPO fell, the revenue was disrupted, and so on, it also disturbed the internal and also different priorities for the company. Due to limited resources, whether it will be used for RSPO or used for others. [C2]

One of the interviewees explained the process of obtaining sustainability certifications by involving several departments. The role of top management is important. The top management would develop a steering committee for each department according to the RSPO criteria assessment. The sustainability department is its secretariat that will control all other departments. For the PROPER assessment, each structure is made based on PROPER criteria assessment, such as steering committee for the environmental management system, water efficiency, greenhouse gas emissions, and energy efficiency. Meanwhile, the RSPO and ISPO certifications are in the responsibility of the same steering committees. One manager quoted:

> What documents are needed, who should be the Person in Charge (PiC), which

> department?, who is in charge?, usually the manager level is chosen as the PiC, he will be a steering committee because it will make it easier for the certification process.[C5]

In the context of the sustainability report, internal management has an impact on the sustainability report. One manager quoted:

> We produced reports long before all those problems (environmental issues) ... we have had reports for a long time ... so we made reports without any influence from it (environmental issues) ... the company made sustainability reports to respect our shareholders and stakeholders. [C1]

The top management could also influence company to stop the stand-alone sustainability report. This is illustrated by the case of one company that stopped issuing a stand-alone sustainability report due to the influence of board members. One interviewee said, "There found some changes in the company's management, the social and environmental information presented in the annual report, and prioritizing other resources". [C8] This indicates that the board of directors/commissioners plays an important role in the sustainability report.

With regard to the environmental issue and grievance management, the company (Alpha) collaborates with an international NGO. In this collaboration, international NGOs are expected to provide reports to Alpha and the company will respond to them accordingly. Periodic communications are scheduled by both parties. However, sometimes it is found that Alpha treats other NGOs differently. For example, certain NGOs submitted complaints to companies, which provided data as evidence of the complaint. However, the company would argue that the data was invalid so it would not be necessary to follow up on these complaints further. Manager opined:

> “Regarding deforestation issues, we engage stakeholders, international NGOs, from year to year. Their roles can change depending on the needs, mighty earth, every month they always communicate and they report to us. For example, there is a list of suppliers that have problems. They have the data.. are they true...” [C1]

On the other hand, the company also received complaints from other NGOs that submitted complaints against the company. A manager stated that:

> If there are other NGOs that complain to the company, so go ahead, everyone feels free to express their own opinion, but is the data valid? how they get data? how they know our location... if the company conducted deforestation... Are the areas include our location? [C1]

The above data from the interviews obviously show that not all of the campaigns carried out by NGOs were responded to by the companies. This is because the company considered that the data obtained by NGOs are invalid. NGOs also admitted that it was difficult for them to

obtain data. To overcome these problems, NGOs went to the field and investigated the communities around the incident. One NGO quoted:

> We can see the map through google earth, but the difficulty is that we don't know the owner of the palm oil plantations because the HGU data or the map data is closed by the government. If there is deforestation, we don't know who are the owners of that areas. Then, we have to check the field, we investigate the residents until we get the data. We also submitted letters to the ministry of environment and forestry and the national land agency to request the data. [N1]

According to the NGOs, the map of the company's plantations includes general data that the public also needs to know. If there is deforestation, the community can participate in monitoring and ask the company to be responsible for the deforestation that has occurred. However, the company's management did not publish the map data to maintain company confidentiality, because there were some parties who have pressured the company with negative issues in a very irresponsible way. One NGO opined “Some civil societies are monitoring by threatening companies. They have insufficient data, cannot be verified, and when invited to a discussion they refuse with unclear reasons” [N2]. Another interviewee also gave the same opinion as the manager opined "When the NGOs came here and threatened us, but we have complete documents and good environmental management. So, we can answer their questions". [C4]

Based on the description above, internal management plays an important role in sustainability management and reporting. They are important in determining the adoption of sustainability certifications, sustainability policy, the way to respond to and resolve NGO complaints, and prepare sustainability reporting.

5.2.3. Buyers/Consumers

The company signed an agreement with an NGO, to assess areas of HCV and HCS in and around the company's concessions. The HCV and HCS assessments are used to determine the percentage of tree stands based on tree size through satellite imagery and field investigations. The results of the assessments are used to determine the feasibility of clearing new land. Such assessments are useful as a means of reducing forest destruction. Companies that fail to protect forests may receive complaints from buyers/consumers/traders, especially those that are members of the RSPO. Buyers/traders who are members of the RSPO also receive complaints from NGOs when they fail to alert their suppliers about unsustainable management. Therefore, corrective measures are needed. One NGO quoted:

> We (NGO) have an MoU with the company, they want to atone for sins. They cleared

> land but without an HCV assessment in 2016. We calculate the liabilities into dollars, we have experts who calculate it ... We were not paid because we wanted to test for liabilities using a new method, as a pilot project tool. We get funding from the German government. [N3]

Market pressure on sustainability practices has been more successful than regulations because if consumers pressure suppliers to make improvements in sustainability or to assess cleared land through HCV or HCS methods, suppliers will comply with consumer demands. If the supplier does not do what the consumer needs, by consequence, their product will be refused. Meanwhile, there is a time lag for the government to make decisions, regardless of whether this is related to deforestation or includes conversion areas, and as long as the company may still be 'negotiating' with the government, the company can still continue to operate as usual. A consumer opined:

> Sometimes there may be a company that does not comply with some regulations... but if the product is not purchased (by consumers)... then the pressure from the market is more successful than the regulations.. because law enforcement in Indonesia is weak.. [B2]

Consumers require company's sustainability policy about no deforestation, no peatland, and no exploitation (NDPE) for all of its suppliers, not just those who are members of the RSPO. The problem, however, is that the NDPE policy is open by definition. NDPE does not have an independent auditor to assess the implementation of the company's sustainability policy, as RSPO does. To evaluate its supplier' policy, consumers engage with suppliers. Consumers visit suppliers (palm oil companies/smallholders) to learn about the situation of suppliers accused of deforestation in reports by environmental NGOs. Consumers have a special division to verify/complain to suppliers. One interviewee quoted:

> Anyone can accuse a company or buyer of making mistakes.. that mechanism remains by the market... so sellers and buyers create a communication system to respond to the grievances... so reports are important.. Buyers make reports to the public, posted them to the internet.. Companies are also asked to respond at the public level too, includes how the verification, how to respond, the debate, the level of communication publicly.. so people can see it... but the report is true or wrong is biased, and full of political will ... But the happen is the buyers engage with suppliers.. Buyers visit suppliers/farmers accused of deforestation...[B2]

Consumers create a system to guarantee the traceability of suppliers. Consumers identify suppliers' coordinates on a map and publish them on their websites. After conducting a trace, consumers evaluate suppliers, such as RSPO/ISPO certification, to confirm whether the supplier has deforested or is deforesting. In addition, consumers assess publicly available and important information, i.e., NGO claims. Then, consumers take action against suppliers.

Depending on the situation, consumers will either coach suppliers or not purchase their products. One consumer said:

> We have around 400 supplier mills. We evaluate suppliers including information from NGOs. For example, Greenpeace issued a report that our suppliers were burning the forest, to be checked. So we evaluate, after that, we engage with suppliers, if they don't fulfill our requirements, then we stop buying from them, until they have a good policy, don't burn the forest.[B2]

Regarding sustainability certifications, companies (Beta, Delta) adopted RSPO because of requests from consumers who put pressure on companies to conduct sustainability management by following sustainability certification. Several managers argued:

> Companies are adopting RSPO because consumers need sustainability certification. It is also important to assure other stakeholders that our operations comply with RSPO requirements. Meanwhile, ISCC was not extended, because buyers did not ask for an ISCC certificate. However, ISCC sales usually provide a higher price. Every year a management notice, this is to a strengthening of the RSPO, some units have received the RSPO, and other units have not received the RSPO. [C4]

> The main driver comes from external parties. Due to requests from our buyers which require from a product quality perspective from the process to the output, they (buyers) ask for certification which is ISO, quality ISO and it will continue later in environmental ISO as well, ISO OHS, later there will be more requests from buyers. RSPO certification, because the request from buyers asked for it so we process it, ISPO regulation from the government is mandatory.[C5]

> Certified products are in great demand, especially in Europe and America. [B2]

Consumers also conduct sustainability reports to communicate to stakeholders. One interviewee opined:

> Our consideration is the target market, namely the global market. So we have to respond to the global demands. A sustainability report is one of the methods to answer them, so our products are accepted in the European and American markets.[B2]

The sustainability report is also one of the considerations for potential buyers to buy products from palm oil companies. Before signing a purchase contract, the buyer would conduct research and read the sustainability reports of the palm oil company, thereby convincing them that they are buying a sustainable product. One manager opined:

> When I tried to discuss our sustainability during a meeting with executives (potential purchasers) in Singapore, they already knew, therefore we didn't need any further explanation. Because they have already read (sustainability reports) and conducted research. As a result, they immediately deal contract with our company.[B2]

The above data show that buyers/consumers/traders influence companies to conduct sustainability policy, conservation management, traceability of supply chain, and sustainability

certifications. Consumers also carry out sustainability reports. These reports can be used as a reference for potential buyers to assess a company's sustainability. Companies can respond to global needs by communicating with their stakeholders through their sustainability reports. According to Onkila (2011), stakeholder power influences the company. Buyers/consumers are the stakeholders in this theme. Buyers/consumers put pressure on companies to implement sustainability management through sustainability policy, conservation management, traceability of supply chain, and sustainability certifications.

5.2.4. Government

The government requires the listed companies to disclose environmental and social information at least in an annual report. The government also requires the palm oil companies, including those that are not listed, to participate in environmental performance assessment annually under the Ministry of Environment and Forestry. Companies also produce environmental performance reports and report to the regional and provincial governments as part of the company's commitment toward environmental protection. Several interviewees opined:

> Sustainability report is mandatory for companies listed on the Indonesian Stock Exchange (IDX). Listed companies that do not prepare and report their sustainability reports to the public will be subject to administrative sanctions in the form of a written warning or warning. Regarding the authority for such sanctions, it will be conveyed by the Listed Company Supervisor.[G1]

> Our company submits environmental monitoring and management reporting to the environmental office of the district government and also the ministry of environment and forestry every 6 months. [C4]

The government, through the financial services authority (OJK), supports the palm oil companies to carry out sustainable management by publishing a Reference Book on Credit/financing for the Plantation Sector and the Palm Oil Industry. Through these efforts, the government hopes that the plantation sector and the palm oil industry can apply environmental, social, and governance (ESG) risk management standards through ISPO or RSPO certification efforts. The OJK develops innovative sustainable financing schemes for the implementation of credit/financing in the plantation sector and the palm oil industry. Furthermore, OJK issued a regulation regarding sustainability finance reports aimed at all companies listed on IDX, which is supposed to take effect from 2020. However, the pandemic condition led to the delay in the implementation of sustainable financial reports, which will take effect from 2021.

In terms of sustainable palm oil governance, the government under the leadership of the Minister of Agriculture issued ISPO Regulation No. 11 of 2015 for all oil palm entrepreneurs.

However, several interviewees stated that the ISPO criteria were still low sustainability criteria, meeting only the legality aspect and not the sustainability aspect. An interviewee opined:

> Even though it stands for Indonesian Sustainable Palm Oil, in our opinion it is not yet sustainable, there are too many gaps to talk about sustainability, there is no element of anti-deforestation, no conversion of forest to a new land, no traceability, the EPIC is not yet there, so the protection of the community is not strong yet, so this is just talking about the legality aspect, the fulfillment of the legality aspect, according to our perspective, the fulfillment norms are still in the form of document fulfillment not yet being assessed performance aspects.[N2]

Since the environmental issue of the palm oil industry has become a global issue, the Indonesian government has made improvements in the management of sustainability in the palm oil industry. This is indicated by the issuance of new regulations that improve the previous ISPO standards. Government opined:

> The Indonesian government made improvements to respond to environmental and social issues in the palm oil industry with the issuance of Presidential Instruction Regulation No.6 of 2019 concerning the National Action Plan for Sustainable Palm Oil. As well as improvements to the ISPO standard, with the issuance of President Regulation No 44 the year 2020. Because the issue of palm oil has been raised as a national strategic issue. The government makes efforts to mitigate environmental issues. [G2]

The palm oil industry is under pressure from multinational companies as vegetable oil competitors, European countries, and environmental NGOs that indirectly put pressure on palm oil companies but through palm oil-derived products. The government worked to alleviate negative publicity perceptions of palm oil, such as presenting to the World Trade Organization (WTO) against the European countries' policies, declaring that they do not use palm oil in their manufacturing, and banning palm oil products to European countries. One government opined:

> The policies issued by consumer countries, and in the European countries which are parliamentary systems that are influenced by voters that are influenced by NGOs, which do not directly lead to the palm oil industry, but through a derivative product. Because the Indonesian government has an interest in palm oil, Indonesia has filed a lawsuit at the WTO. [G2]

The release of the revised ISPO regulations applies to all palm oil companies, including smallholder farmers, which improves sustainable plantation management systems internally. In addition, the government is also putting pressure externally to urge vegetable oil competitors to obtain sustainability certificates. The government emphasizes that the ban on palm oil products in European countries was a trade war instigated by vegetable oil companies in their countries so that palm oil would not enter those countries. An interviewee opined:

> If it is related to the SDGs target, what is demanded sustainability is not only palm oil,

> but all vegetable oils must comply with sustainability (SDGs), the Indonesian government encourages this, in collaboration with FAO to make voluntary sustainability guidelines for all vegetable oil, other than palm oil. We encourage it.[G2]

The role of the government is very supportive in the implementation of sustainability practices both at the company level and at the farmer level. The government currently has a program to provide replanting funds for smallholders. The Regent has an important role as the initiator and owner of a regional project, but the Regent is less involved. Because there is no intervention from the Regent, there is no top-down direction. For example, it is difficult for farmers to get permits due to changes in regulations from the central government. However, the district government has not issued any local regulations, which might not have yet been made. Many cases were found that as there was no instruction from the Regent, there was no coordination between agencies, such as the agriculture office, the one-stop agency (integrated licensing agency), and the forestry agency. A source commented that "after the funds were disbursed, it turned out that the plantation was included in the forest area, so the funds were suspended".[G5] Another interviewee opined:

> The government also needs to prioritize sustainability management of palm oil down to the district and provincial levels. In several regions, local governments already have a strong commitment to the implementation of sustainability, namely the Sintang Lestari, Siak Hijau, Manokwari Declaration, etc. This commitment is certainly not easy if it is carried out by the district government itself. It needs severe support from parties and shares roles according to the portion and resources.[N1]

Based on the description above, the government has an important role in implementing sustainability management and reporting in the palm oil industry, especially sustainability management. It is obvious that there is a need for coordination between the central government and local governments, as well as between its agencies/offices. Regents at the regional level are very decisive in improving the sustainability of practices at the respective regional level. The regent is very conscious of the potential and conditions of their district. So, his policies could increase sustainability practices in their district, both at the company and farmer level. The relationship between the central and local governments and their agencies/offices also needs to be reinforced. Regents at the regional level are very decisive in improving the sustainability of practices at the respective regional level. The regent knows the potential and conditions of their region very well. Therefore, his policies can improve the sustainability of practices in their regions.

5.2.5. RSPO

The RSPO, which consists of several stakeholders, motivates companies related to the oil palm business to carry out sustainable palm oil management. RSPO lobbied their members such as consumers/buyers/traders, investors/banks, and NGOs so that the palm oil companies, as their business partners, can carry out sustainability management by following the RSPO principles. These efforts by the RSPO have greatly influenced the company's actions to adopt sustainability management based on the RSPO standards. The RSPO manager quoted:

> The motivation from the market/buyers, exports to certain markets, and the market require RSPO, the company will consider joining the RSPO, the second is investors or banking, there are already quite a few international banks which are one of the requirements in their lending policy, and these are driving factors for the company. And third is their commitment.[R1]

As indicated by the above results of interviews, the company also seeks economic benefits from implementing sustainability standards such as the RSPO. The RSPO has a platform on its website to bring together palm oil producers and buyers. The RSPO seeks buyers, particularly their members, to purchase licenses from certified palm oil companies or smallholders to support them in achieving sustainable palm oil. RSPO provides two schemes to provide added value from certified products for its members. Firstly, companies or smallholders could sell their physical palm oil products to buyers, especially companies/smallholders certified by RSPO. Secondly, companies/smallholders can sell the license of sustainable palm oil on the online trading platform on the RSPO's website, so it is not physical products that are sold, but the usage of the physical products is calculated by credit. This means that buyers are involved in investing in the sustainable market, which, at the same time, encourages the companies and smallholders to produce sustainable palm oil. One interviewee stated that there were economic benefits to produce certified palm oil that, “We derive additional value from buyers through the RSPO Palmtrace account”. [C4]

However, RSPO certification cannot guarantee the premium price. Not all buyers would like to pay more for certified palm oil. Several interviewees raised the issue of uncertainty on the premium price of certified palm oil. “It depends .... There is no guarantee, there will be a premium price …” [A1], “Depend on buyers …” [C4]. The RSPO cannot determine the price of palm oil because it is not within their competence. The WTO has stipulated that the price of palm oil is determined by the market price. Many companies claim economic benefits from adopting RSPO certification, as companies have invested in preparing for RSPO certification, registration, and audit oversight, which is performed annually. However, the demand for

certified palm oil is less than the supply of certified palm oil.

For this reason, RSPO needs to work to balance the upstream and downstream of the value chain (shared responsibility). In the first 10 years of developing and introducing certification, the RSPO focused more on improving sustainability management in upstream (plantations and producers in CPO and PKO). With more and more upstream companies seeking economic benefits, RSPO has encouraged downstream actors, such as producers, retailers, and banks, to take a more active role, leading to an increased demand for sustainable palm oil certifications. This is expected to bring about a balance between supply and demand in the market. In this way, responsibility is shared throughout the supply chain, from grower to downstream/market, so that growers feel that their business and investments are valued. All actors in the supply chain are asked to have the same role and responsibility in achieving sustainability. Efforts made by RSPO include engaging its members, of which there are 4,500 worldwide and 70% are downstream members. Priority participation will be given to downstream players in the palm oil industry. The sharing responsibility will be included in a separate standard to ensure that the role in the downstream industry is equal to that in the upstream industry.

5.2.6. NGOs

It is worth noting that one of the sustainability strategies is a commitment to the company's sustainability policy, as outlined in the company's public dashboard [12]. Most of the sustainability policies in palm oil companies would include things such as no deforestation, no peatlands, and no exploitation, or better known as the NDPE policy. In response to this sustainability policy, NGOs argue that it is important to monitor the implementation of corporate sustainability policy. The availability of such a monitoring system is becoming increasingly urgent, as it will allow the public to observe and ensure that those companies have implemented their sustainability policy. This argument is reflected in the following result of an interview with an NGO member:

> We conducted campaigns that are advocacy in nature. For example, we did an independent monitoring of the sustainability policies that those companies have published. In this case, we carried out a field investigation to ensure that they have already coped with, among others, the sustainability issue and anti-deforestation. Before publishing the report of our investigation, we would, first of all, show it to companies so that they could respond to it. This is important to ensure the transparency issues as companies also have their right to agree or to object to the report we made.[N2]

[12] Sustainability policy' dashboard as working paper aims to promote company's commitment in sustainability practices and to provide a platform for review its sustainability to public.

Before conducting a campaign, these NGOs would first collect data, investigate the field, analyze the data, and then report them to the media through their website. This report would also be made available to the company. However, NGOs usually act in the form of non-violent direct action, for example, by occupying oil refinery tanks or blocking oil refinery vessels. The purpose of this action was to attract the attention of the public as well as companies. The urgency of doing such an action is also strengthened, which was mentioned by another NGO team member who said that:

> The goal of our campaign is to zero deforestation by 2020 which we have been doing since 2010. This campaign has been done so far to encourage the palm oil, pulp, and woods industries to be the key drivers of deforestation as indicated by their strong commitment to avoid an expansion in forests and peatlands. This is also done to attract the companies' attention. We did these actions in the public, so they (companies) will read our report and do something as a response to the actions we did. [N1]

Furthermore, NGOs campaigned and lobbied, either directly or indirectly, through, for instance, the market or third parties such as investors/banks in order to influence the palm oil companies and government as illustrated in the following quotation of interviews with an NGO team member:

> In 2011, the government issued a moratorium license on forest areas that is extended every two years. Following this moratorium on forest areas, the government issued a moratorium on palm oil permits in 2018. These two policies have been encouraged by advice made by the NGOs. The advice also includes the enforcement of ISPO which was still poorly implemented by companies. This has resulted in companies being aware and fully committed to the NPDE implementation as indicated by their efforts to build the sustainability commitments and to develop the sustainability unit. [N1]

Companies commit to no peatland, no deforestation, and no exploitation (NDPE) policy. Their commitment is made on companies' websites and/or sustainability reports. Any stakeholders could view their sustainability policy. NGOs support companies' NDPE policy. In addition, NGOs recommend that companies identify HCV areas using the HCV global guidelines generally accepted and apply them to all their groups. If the area includes HCV, companies would restore the area. One NGO opined:

> There is a public consultation, the company discloses the results of the HCV assessment, where the HCV is located, the context of its HCV. Companies identified HCV, is not only to abort obligations from RSPO requirements or buyers, but also intend to restore forest areas which include HCV areas. [N2]

NGOs also demand that companies commit to sustainability not only as of the company itself but also for its suppliers. For this, the NGOs require 'traceability' of the palm oil in the company's supply chain. This is to ensure that the supply chain is a sustainable product that

does not damage the environment. NGO opined that "Supply chain traceability is a must for companies, traceability identifies its supply chain, from the plantations to the end-user, to ensure that the supply chain is clean and not damaged by deforestation".[N1]

The NGOs' pressures on palm oil companies to commit sustainability policy have been effective so far. This, for example, could be seen from the fact that the sustainability policy issue is clearly outlined in the companies' dashboard. So far, those pressures by the NGOs have been carried out both directly and indirectly by involving the third parties who have control over the companies. These would include parties such as the market side (e.g., buyers/consumers) and the capital side i.e., investors and banks. Companies disclose sustainability policy in their website and/or sustainability reports. The companies engage with stakeholders such as NGOs, consultants, and employees to prepare sustainability reports. The managers quoted:

> In order to better understand the sustainability issue, the first thing would be to engage with some key stakeholders such as NGOs, consultants, and employees. These stakeholders will provide monthly reports that suggest what companies should do. [C1]

> To define the material topic in a sustainability report is a task of the internal management, i.e., top management and the sustainability team within the companies. These two teams have previously received feedback from external buyers and NGOs. [C2]

The relationship between NGOs and the company regarding sustainability reports has been well established especially when both sides sit together to review the sustainability report. In this context, NGOs review the company's sustainability report (Golden Agri Resources/GAR), and at the same time, they also campaign against the commitments of this company in dealing with the sustainability issue. In 2011, Greenpeace campaigned against GAR. The company committed to no deforestation, no peatland, and no exploitation (NDPE). During this process, Greenpeace and the company sat together to discuss sustainability criteria and to commit to the forest policy. Then, the company created a dashboard (a special column) on its website containing sustainability-related matters and sustainability reports. For three years, Greenpeace has assisted the company to comply with the demands of the stakeholders. However, the Greenpeace team did not continue the assistance. Greenpeace refused to enter into an agreement or memorandum of understanding with the company to maintain its independence. NGOs request companies to be transparent through issuing sustainability reports. NGOs also recommend that companies carry out sustainability assessments conducted by a credible

independent party. Regarding the transparency, one NGO said:

> The existence of sustainability report would at least make companies aware of environmental sustainability. However, publishing a report is not enough. It is, of course, very important for the companies to implement sustainability actions in the field and to maintain public transparency. [N1]

Another interviewee quoted:

> In my knowledge, companies do not have a monitoring and evaluation system for their sustainability that is vital. To ensure the effectiveness of the sustainability practice in companies and to know companies' response to the other parties' complaints. So it is necessary to have an independent third-party assessment and independent monitoring, especially by the local communities… Data transparency is vital so that the public find it easy to monitor. [N2]

Interestingly, one manager argued "The sustainability of the company has been audited by a third party such as in the annual certification audit (ISPO) and also there are no audit standards yet for sustainability reports by an independent party". [C1]. This makes the company consider not using an independent auditor for sustainability reports. It is also important to note that companies sometimes collaborate with NGOs in preparing sustainability reporting regarding conservation management. They are asked to participate in the preparation of one of the sustainability report chapters to present the results of the HCV assessment. An interviewee quoted :

> We help to prepare the narratives that will be displayed. Even if we have tested the instrument tool (HCV), the company is obliged to convey it to the public. Sometimes the companies only display information that they think important while, at the same time, other information that is important for the public to know is not shared. So, the company shares the information to the public, in some examples, are not with the details. [N5]

Sustainability reports do not fully describe the sustainability activities that have been implemented by the company. One NGO opined:

> The report, in some cases, only captures the good side that a particular company unit has done that is, sometimes, unfortunately being generalized to the entire group of companies. Even though the company has the RSPO certificate and has annual surveillance audits, there are still possibilities for "violations" to occur. [N1].

Regarding grievance through the RSPO channel, NGOs or associations that submit complaints about violations committed by the company would go through a verification process. This is to check whether the violation was committed by an RSPO member or not. Then, these complaints would be confirmed with the company and verified in terms of the validity of the complaints submitted. If the complaint is questionable, it will be sent to the complaints panel to be discussed and further investigated. The final decision would be made by the

representatives of RSPO members, not by the team in RSPO secretariat. In 2020, the RSPO has reportedly had 156 complaint cases, 60% of which are from Indonesia. An interviewee opined “Grievance channels (RSPO) are open access and can be done by NGOs and civil society. This also creates a strong pressure on the oil palm companies to conduct sustainable palm oil”.[R1] Because the company will respond and make improvements according to the results of the RSPO investigation.

Based on the above discussion, NGOs influence companies’ sustainability reporting and sustainability management in sustainability policy, conservation management, grievance management, and traceability of supply chain.

5.2.7. Smallholders

The motivation of farmers to obtain sustainability certification such as RSPO comes from the influence of NGOs and business partner companies that have obtained RSPO certification. Based on the relationship between the smallholder and its partner companies, it appears to have been forced to join the RSPO. Some smallholder managers take advice from their partners and work closely with buyers and funding agencies (from the Netherlands or RSPO platform) that provides funding for smallholders in the RSPO management process. With their respective roles, partner companies and funding agencies assist in the certification process until smallholders get RSPO certification. Meanwhile, smallholders have not adopted ISPO because it requires large funds to obtain ISPO certification. In the RSPO certification process, smallholders are assisted by partner companies through CSR programs. Smallholder opined that “We adopted RSPO because partner company conveyed the RSPO to us and then the company assisted in the process of RSPO certification”.[S1]

Smallholders receive assistance from company partners in the form of farming management training (e.g. recommendations for fertilization, fruit quality, weed control, good harvesting methods, fruit quality inspection), institutional administrative management, RSPO certification activities (such as soil and leaf samples, HCV assessment), and formation and training of firefighters in the prevention of forest and land fires. In addition, RSPO-certified farmers get additional prices. There are volume credits that can be sold to buyers from the RSPO platform. Depending on the palm oil produced, an additional income of up to IDR 200 million per year can be earned, which can then be used for supervision and training costs for the following year. Smallholder quoted:

> We (smallholders) can sell the certified FFB license per year.. based on tonnage

> volume, this data can be sold to RSPO's platform, [website's RSPO], ie., PalmTrace, to overseas companies… But if our FFB is purchased by certified mills, we cannot sell the license to PalmTrace accounts….. [S4]

Other smallholders quoted that "ISPO has not participated yet. ISPO is not interesting. Who is financing ISPO? The surveillance costs are up to hundreds of millions of rupiah". [S1]. However, the motivation to take part in the ISPO certification is to get replanting funding from the government, which requires an ISPO certificate.[S4]

Principles of RSPO 2018, which sets out requirements related to palm oil suppliers/smallholders, i.e., traceability to suppliers including smallholders. Companies implemented in 2019 and began operations in 2020. Consumer goods companies cannot force suppliers or farmers to use RSPO, but RSPO asks companies to encourage suppliers/farmers to be involved in sustainability initiatives.

5.3. An Analysis of Stakeholder Relationships with the Company in Sustainability Management and Reporting

In this section, we discuss stakeholder relationships in the palm oil industry. Onkila (2010) defines stakeholder relations by dividing them into four relationships, namely power-based, collaborative, conflicting, and one-sided contributions. First, stakeholder relationship is a power-based relationship that is divided into two, company power and stakeholder power. Power is based on an actor has power over other actors. Second, collaborative relationships are based on equality, interactive relationships between companies and stakeholders. Third, the conflicting relationship results from different perspectives and interests between the company and its stakeholders. Fourth, a one-sided contribution relationship involves unilateral contributions under which stakeholders would receive benefits from the company's sustainability activities.

5.3.1. Power-Based Relationship

The first type of stakeholder relationship is the power-based relationship, which is divided into two relationships, i.e., corporate power and stakeholder power. Corporate power emphasizes the power of corporation over its stakeholders and corporate as an actor who influences other stakeholders.

The sustainability strategy used in explaining the corporate power relationship is sustainability policy. The dominant influence of internal management and the parent company has the power

to control its subsidiaries to comply with their parents' sustainability policies. Furthermore, companies seem to be lobbying to convince customers/traders to accept their products that their products also support sustainability. One manager stated, "the company already has a good sustainability policy better than the existing external sustainability standards, their buyers/consumers have also recognized it" [C1]. So, the company makes decisions not to use voluntary sustainability standards that are not a requirement of the buyers or the company may convince buyers to use its products.

The company, (Alpha), implements sustainability practices in accordance with the standards and culture of its parent company, which accounts for more than 70% of the company's shares and holds most of the control over the company's policies. Alpha and its parent company received awards as Asia's Outstanding Company in Indonesia in the agriculture sector and automobile sectors. The company maintains its reputation by engaging in sustainable practices based on the needs of its stakeholders, which also may affect buyers, traders, and governments. In this case, the buyers accept its company products. The company encourages the government in dealing with sustainability issues and providing advice on ISPO standards. The company also engages with international NGOs, where these NGOs provide monthly reports to the company, and their relationship is always responded quickly. If there are reports that its subsidiaries or suppliers are doing damage to the environment, the company will respond and confirm with its subsidiaries or suppliers. From this backdrop, it indicates the company has power over its stakeholders (NGOs, buyers).

5.3.2. Collaborative Relationship

The stakeholder relationship with the company is an interactive and collaborative relationship in nature that is developed based on equality. In this case, sustainability strategies used are conservation management and forest/plantation fire prevention. The company works together with the government, communities, and NGOs to maintain conservation in the company's plantation area and around companies. The company allocates funds for conservation programs and places personnel in maintaining conservation together with other stakeholders. The company engages with international NGOs in handling the HCV area. A manager opined:

> One of our projects is to conserve wetland, in the Ancalong estuary, it is in our operational location, an area that we will not make plantation (palm oil) because the area is included in high conservation value, we collaborate with NGOs, local government, and local community ... of course, we contribute in personnel, resources, as well as in funds…. [C2]

The company engages with NGOs and forestry expert consultants to create the action plans of sustainability and to meet the needs of stakeholders whose plantation areas are not included in HCV areas.

Another sustainability strategy is forest/plantation fire prevention. The company works together with the government, communities, farmers, and NGOs to conduct training for forest/plantation fire prevention. The company formed a community consisting of farmers in fire groups to prevent forest fires. In this case, companies and stakeholders are actors in carrying out the company's sustainability. An interviewee opined:

> We formed a community fire prevention group that involved the firefighters, police, and communities. From communities, one village is represented by one person and joint training is carried out. In one sub-district there are 19 villages.[C4]

5.3.3. Conflicting Relationship

The conflict relationships result from the existence of different perspectives and demands between NGOs, government, local communities, and companies. NGOs have an interest in companies' environmental and social sustainability and demand companies for the best sustainability interests. The conflicting relationship between stakeholders and companies identified in sustainability management strategies used is conservation management, sustainability certifications, and grievance management.

There are different perspectives in dealing with land clearing between companies and stakeholders (NGOs). In terms of accordance with laws and regulations, the company has met the requirements for new land clearing. However, this does not meet the sustainability principles according to NGOs. The RSPO principles have included standards for new land clearing with HCV and HCS assessments. Differences were identified in terms of opinions between companies and NGOs regarding the new land clearing. The companies believe that they have already confirmed with the laws, while NGOs argue that the companies are still lacking in sustainability initiatives. NGO opined:

> As long as you get a legal permit from the government, you can get a location permit, then you get an HGU permit, yes, you have the plantation areas, even if it has a thick cover, contains HCV, there is no reason not to open new plantations because legally you are right. ... so it needs to be understood ... that when talking about sustainability it is not only talking about legal aspects but also scientific aspects ...[N2]

Another opinion from the trade association is as follows:

> Indonesia has implemented a moratorium on new palm oil permits. ... It has been more than 10 years that Indonesia does not have a new oil palm plantation permit, NGOs may

> claim it still exists ... okay show me which one ... which permit number, how much, and bring it to the law that it's a violation right ... if there is a new permit it means that it has violated the Presidential Instruction, violated the rules, violated regulations, show which permit, take it to law ... no one wants to report it...[A1]

The above results of interviews clearly indicate differences in opinions regarding the land clearing between companies and stakeholders. These opinion differences may affect sustainability practices, especially those that are relevant to deforestation. Therefore, action from the government is needed to measure HCV and HCS before land clearing.

The conflicting relationship between companies and local communities was also identified. In this case, indigenous lands that have not yet been legitimized (land certificates) are used as concession areas for the company. It is therefore important that the government make extra efforts to settle the land and thus resolve this conflicting situation between local communities and companies. One interviewee said, “Indigenous peoples who have been living there for more than 100 years but do not have a land certificate. And now their land is included in the company's concession area” [G2]. In response to such situations, mediations involving companies and local communities as well as the government have been carried out. However, these conflicts have not been resolved yet until today.

The political will to delay map making can affect overlapping land ownership, leading to land conflicts between companies and other companies, or between companies and communities. Meanwhile, land legality is one of the requirements to obtain ISPO/RSPO certification. However, the issue of land ownership due to political will has not been resolved so far. Due to the lack of political will, it has not been possible to create a single map. If there was a single map then there could be better land management that would avoid overlapping land ownership. One NGO interviewee argued:

> In 2011 there was an initiative to make one map, it's just that this project has never been completed because the government has never been serious, indeed a geospatial information board has been formed to act as the data custodian, but sectoral egos still exist .. this project is a big project to make such a detailed map, but government support from the budget side is less clear, and often these agencies have moved the ministries ...[N1].

The palm oil industry has economic value and therefore, stakeholders including government personnel are concerned about it. The presence of government agents in the palm oil industry can influence policies in implementing sustainability management in the palm oil industry. One NGO quoted:

> The challenge is the government is part of the palm oil industry, such as ministers who owner the palm oil companies, some (people) become commissioners, so it is difficult, for the average extractive industry, they play two-faced, they also provide capital to the government, which in the end is difficult to law enforce, and data transparency. The palm oil group of companies gave quite a lot of supporters in the two presidential elections. In Indonesia, environmental issues are not a priority concern.[N1]

There is no unified voice in the government to solve the problems of the palm oil industry. In addition, there is no unanimous decision between government departments on the issues of the palm oil industry. Companies believe that the government has not provided assurance on the problems in the palm oil industry, resulting in weak sustainability management in the palm oil industry. One trade association interviewee opined:

> The improvement must have come from the government itself. The interconnection between ministries/institutions is sometimes not connected, ... there are some things that we are confused about...[A1]

Corruption in local governments occurs frequently, especially to gain investment. The government will provide maps, but sometimes they are not properly identified, so there are situations where boundaries overlap with other company-owned lands, or there can be conflicts with local communities [N1]. Another interviewee, i.e., manager opined: "there is still land overlapping ownership between the company and the company, the company and the community .." [C2]

Corruption has occurred in the handling of oil palm commercial licenses by some local governments. Smallholder interviewee opined that "every time you take care of permit legality, it means you have to prepare funds" [S2]. However, other smallholder cooperatives in Central Kalimantan do not have this experience. Smallholder interviewee opined that "we don't have to pay anything for permit documents. Even, the government officials come to our plantations and provide counseling and training" [S6]. So, there are differences in services between local governments in managing their administration and also local governments have a role in improving companies/smallholders' sustainability management in their districts.

Weak supervision of districts and provinces requires stronger law enforcement. Some interviewees expressed his opinion:

> In practice, deforestation still, exists. Why? Because government supervision is lacking, apart from lack of supervision and monitoring, Indonesian law enforcement is also very weak ...[N2]

> There is no supervision from the government ... the government only expects tax funds from oil palm, export taxes, but there is no effort from the inspection/monitoring

plantation service to the palm oil plantations.[N1]

However, smallholders have encountered several obstacles in managing palm oil plantation licenses. One of these barriers is geographical distance. Power asymmetric is exacerbated by inadequate roads, resulting in reduced access to information for smallholders. One smallholder opined that “geographical distances and inadequate roads, high transportation fees, and the reluctance of local governments to see the field, so we obtained less information”. [S4]. Other obstacles to obtaining permits also occur in several district governments. These barriers put the relationship between smallholders and the government in conflicts. However, ISPO and RSPO certificates require the legality of permit, such as an application to the district government for an environmental permit. Smallholder interviewees stated that “smallholders need easily in processing the legality of a license” [S2].

There is a lack of understanding by regional government officials of the procedures that smallholders must fulfill. There is a miscommunication between the smallholders and the district government that smallholders should meet same requirements as big companies, whereas the operational activities of companies and smallholders are very different. For district governments, smallholders still have to comply with requirements for companies, which is needed to apply for environmental permits. However, this requirement is a very heavy burden for smallholders. To address this issue, smallholder farmers frequently interacted with the regional and provincial governments to explain in detail the intentions of the ISPO program for smallholder farmers rather than for companies. Smallholders invited the regional government to the field to investigate, which was done three times and resulted in obtaining an environmental permit. The company also encountered a lack of capacity among government officials, a problem that was particularly notable when the company's plantations were located in two different district governments. One manager stated, “this regional government can quickly issue the permit, while the other district takes a long time to issue, even though the requirements submitted are the same” [C4].

5.3.4. One-Sided Contribution Relationship

Stakeholder relationship as a one-sided contribution relationship has a positive impact on social sustainability. In this case, stakeholders are beneficiaries of the company's sustainability. In this study, the stakeholders under this relationship are the local community, including those who join as farmers and local communities around the company's plantations.

The community development program is one of the company's CSR programs to assist the smallholder farmers to obtain sustainability certifications and to strengthen farmer group organizations. The company provides management assistance to farmer organizations to make them independent organizations [S7]. Engagement with the farmers is based on the role of smallholders in supporting sustainability in the palm oil industry because 41% of oil palm land comes from smallholders (BPS, 2019). Various forms of cooperation are available for smallholders, including cooperatives, farmer groups, and agents/firms. Farmers harvest FFB and whether they sell it to local companies depends on farmers' consent to their farmer groups. Smallholders initially implemented RSPO and ISPO because of NGOs and companies. RSPO is a voluntary mechanism for smallholders, while ISPO is a voluntary mechanism until 2025. One of the motivations for smallholder farmers to undertake RSPO is the possibility of getting buyers and added value from RSPO. The smallholder can get a premium price or 'credit platform' from RSPO in which the buyers such as Unilever will purchase the credit of smallholder product in a year. The motivation to obtain ISPO is that it is one of the requirements for accessing the replanting fund from the government.

The company carries out other community development programs in the fields of education, economy, and health. In education, the company rebuilds or renovates school buildings and provides educational scholarships and teacher salaries for school students. In terms of promoting the local economy, the company procures FFB for its factories, while the program includes training in plantation management, fertilizer management, and waste management, and offers capital loan programs for farmers or local communities. In terms of healthcare, local communities can receive health services for infants and children at health centers.

Considering the educational background of the farmers and their age over 40, it is rather difficult to provide training or learning modules. To overcome this problem, the cooperative came to the farmers and provided direct assistance, such as instructing them on how to harvest, apply fertilizer, and provide training on the use of personal protective equipment (PPE) when applying chemical fertilization. Smallholders opined that "the farmers pay less attention to the use of PPE. The reason they don't use PPE is not simple" [S2]. The use of PPE is one of the criteria for sustainable development, i.e., workers, including farmers, need to be assured that they can work safely. If farmers do not use PPE, this puts themselves at risk.

Members of smallholder firm can receive good plantation management training from partner companies on environmental protection, work safety, and HCV assessment. However, there

was no field assistance. A smallholder manager opined “assistance is not provided because this is not a cooperative” [S2]. The assistance of the members was carried out by the RSPO and company partners. For the farmers enrolled the RSPO certification, their sales volume data will be recorded, and they can get ‘credit’ from the buyers who purchase their volume. This buyer does not purchase FFB physically, but data volume will be recorded by RSPO. Meanwhile, farmers who are not certified to sell their FFBs are not recorded as such.

The company receives FFB from local farmers. It also carries out a community engagement program, which is also the company's CSR program. In Indonesia, CSR, in general, is more oriented towards infrastructure development such as building/repairing schools, roads, etc. The community engagement program conducted by the company is mainly aimed at empowering communities so that they are not dependent on allocated funds. These community engagement programs are created in the form of organizational management establishment, assistance in RSPO and ISPO certification for oil palm farmers, and training. An RSPO-certified company needs to ensure that its FFB sources are clear and sustainable, as RSPO certification requires traceability throughout its supply chain. This allows it to inform other parties that it is following RSPO standards. This interaction with farmers can help farmers increase their income and improve their safety as well as the environment, and it is also in line with RSPO principles and standards [B3].

5.4. Discussion

This study finds that key stakeholders and stakeholder relationships influence sustainability management and reporting in the Indonesian palm oil industry. The results of the content analysis and interview analysis indicate that key stakeholders, namely internal management, shareholders, consumers/buyers, NGOs, and government influence companies’ sustainability management and reporting. The direct influence of key stakeholders are as follows: 1) internal management and shareholders influence sustainability policy, waste management, grievance management, and sustainability reporting; 2) consumers affect sustainability policy, traceability supply chain, and sustainability certification (RSPO); 3) government influences sustainability certification (ISPO, environmental assessment, ISO OHS) and fire forest prevention, and 4) NGOs influence conservation management, grievance management, sustainability policy, and sustainability reporting. Meanwhile, RSPO and smallholders indirectly influence companies’ sustainability management. RSPO negotiates with consumers, investors, and NGOs in its memberships in order to support companies in conducting

sustainability practices throughout their supply chains, including the smallholders because smallholders provide around 40% of the palm oil plantations. With the influence of RSPO, the volume of the product (e.g., FFB, CPO) from smallholders and suppliers would be disclosed on companies' sustainability reports. This information was required according to the criteria of RSPO that the company's product is traceable to the mills and plantations.

This study explains the influence of stakeholders and stakeholder relationships on sustainability management and reporting. This study finds that sustainability management is influenced by stakeholders and their relationships with the company. Key stakeholders influence sustainability management in various sustainability strategies. In this case, holding companies influence companies' sustainability policy. Alpha, Beta, Gamma, and Delta established their sustainability policy based on that of their holding company. However, Beta, Gamma, and Delta are members of RSPO so that these companies established sustainability policies aligned with the RSPO principles. In their sustainability policies, it is stated that obtaining RSPO certification for all their subsidiaries is highly encouraged. Meanwhile, Alpha is not a member of RSPO so that its sustainability policy is based on its holding company's culture and values. Alpha collaborates with international NGOs in implementing and monitoring sustainability policy. The holding company and top management influence sustainability strategies.

Internal management has an effect on waste management. Beta conducts a biogas power plant in one of its subsidiaries. Other companies do not use biogas for waste management. The internal management decisions regarding waste management aim for minimization of GHG emissions. This could also be relevant to the government's encouragement to adopt biogas as fuel. Internal management influences grievance management as well. Through several interviews with managers, Alpha works closely with international NGOs to resolve NGOs' complaints. Other companies handle NGOs' complaints by internal management themselves. Based on the description above, it could be said that although the sustainability strategy used is the same (such as a sustainability policy, waste management, grievance management), the stakeholder engagements or outcomes of sustainability practices are different.

In addition, companies should identify stakeholders and stakeholder relationships, and what sustainability strategies are used to respond to stakeholder demands. To mitigate the conflict relationships with stakeholders and to achieve mutual sustainability interest, it needs education, regulations/standards, and creating values in their stakeholder relationships (Horisch, et al.,

2014). Companies took more effort in education for sustainability from top management, suppliers, and smallholders. The importance of education lies in helping raise awareness of stakeholders (top management, suppliers, and smallholders), strengthening the sustainability mindset of stakeholders, and empowering stakeholders to act on behalf of nature. Regulations/standards could improve companies and stakeholders (consumers/buyers and smallholders) in shaping sustainability practices. The value created for stakeholders does not only include monetary value for companies but also involves improvement in the quality of life for each stakeholder (Horirsch, et al., 2014). For example, smallholders received good agriculture practices, which improve sustainability practices and economic growth at the farmer level; consumers have improved the palm oil companies' sustainability practices, to get recognition from other stakeholders (state, society, and NGOs) that consumers support sustainable products.

However, palm oil companies and smallholders still faced challenges in implementing sustainability management and reporting, one of which is the weak role of the government in improving sustainable management. The weak role of government includes a lack of coordination between government offices under local government, as well as lack of coordination between departments or ministries, and weak law enforcement in Indonesia. According to the interviews with respondents from Sumatera, there is a lack of coordination between government agencies and handling of local government employees due to changes in regulations. In these regions, it is also found that there is a lack of direction from the Regent in coordinating agencies. This is in contrast to the local government in Kalimantan, where there are no permit fees and agencies in its district receive direction from the Regent to cooperate between agencies. Since the Regent is very aware of the potential and conditions of his area, Regents at the regional level are very decisive in improving the sustainability of practices at the respective regional level. Thus, an appropriate policy could improve sustainability practices in their district.

Chapter 6
Conclusion

This study explores the key stakeholders and stakeholder relationships that affect sustainability management and reporting in the palm oil industry based on stakeholder perspective. Content analysis and semi-structured interview are used to address the series of empirical research questions. We examine 14 palm oil companies listed on the IDX by conducting content analysis of sustainability reports and annual reports for 2010-2018. In addition, we also conduct semi-structured interview with 28 respondents from four companies as representatives of various stakeholders, i.e., corporate managers, buyers, governments, RSPO, NGOs, and smallholders.

From the content analysis, this study finds that, first, the Global Reporting Initiative (GRI) as an international NGO has been influencing palm oil companies to adopt stand-alone sustainability reporting by reinforcing and strengthening GRI's position as an international standard. For 2018, six out of 14 companies listed in the agriculture sector adopted stand-alone sustainability reporting based on GRI standards. As a global standard for sustainability reports, it helps companies to communicate to global stakeholders. Meanwhile, it implies that GRI has played an important role in shaping the stand-alone sustainability report in Indonesian palm oil companies. In providing sustainability reports based on GRI standards, companies attempt to explain their sustainability strategy to respond to stakeholder's needs.

Secondly, the main topics identified in sustainability reports in the palm oil companies are sustainability policy, conservation management, forest/plantation fire prevention, waste management, traceability of supply chain, sustainability certifications, community development, and grievance management. In our study, we find that sustainability management and reporting are influenced by stakeholders and their relationships with the company. Key stakeholders influence sustainability management in various sustainability strategies. We address sustainability strategies that have an impact on social and environmental performance as the main topics of sustainability reports or do not discuss economic performance and detail corporate social responsibility activities (e.g. education, health). Regarding the extent of environmental and social disclosure in the annual reports, we find that most of the companies disclosed around 10% of related information in their annual report. From the disclosures they have provided, we also find that companies strived to comply with the regulation from the Financial Service Authorize (OJK) and tried to convince the government of their commitment

to sustainability practices.

Furthermore, based on content analysis of corporate reports and the semi-structured interview, this study analyzes the influence of key stakeholders and different stakeholder relationships. This study identifies internal management, shareholders, consumers, government, and NGOs as the key stakeholders and finds that the key stakeholders would influence sustainability practices by addressing particular aspects in their own way: 1) Internal management and shareholders influence sustainability policy, waste management, grievance management, and sustainability reporting; 2) Consumers influence sustainability policy, traceability supply chain, and sustainability certification (RSPO); 3) Government influences sustainability certification (ISPO, environmental assessment, and ISO OHS), forest/plantation fire prevention, sustainability reporting; 4) NGOs influence conservation management, grievance management, sustainability policy, and sustainability reporting. Meanwhile, RSPO and smallholders indirectly influence companies' sustainability management. Henriques and Sharma (2005) argued that stakeholders who do not control the company's resources can indirectly exert pressure on the company through other stakeholders on whom the firm depends. In line with their discussion, the RSPO was found to be negotiating with consumers, investors, and NGOs in its memberships to support companies in conducting sustainability practices on all their supply chains, including their smallholders.

To investigate how different stakeholder relationships could affect sustainability practices, we have adopted the framework proposed by Onkila (2011). According to Onkila (2011), stakeholder relationships are divided into four kinds of relationships; 1) power-based relationships, which are divided into two; corporate and stakeholder power-based relationships, 2) collaborative relationships, 3) conflicting relationships, and 4) one-sided contribution relationships.

To explain in detail, 1) the power-based relationships can be interpreted from both corporate power and stakeholder power. We find that in the case that a company could convince consumers and NGOs of their sustainability practices, a company could influence its stakeholders in sustainability policy, sustainability certification, and grievance management. For example, Alpha could influence consumers by convincing them that they are producing sustainable products, although the company did not obtain global sustainability certifications. Meanwhile, in terms of stakeholder power, stakeholders could influence companies in sustainability practice in many ways. As for 2) collaborative relationships, companies are found

to collaborate with stakeholders (e.g. the government, local communities, and farmers) in preventing forest/plantation fire. Due to the fact that farmer' plantations locate around the companies' plantations, it is necessary to work in collaboration with communities and smallholders to prevent forest fires. Companies engage with consumers, NGOs, and expert forestry consultants to meet the needs of stakeholders (NGOs and consumers) so that their plantation areas are not included in HCV areas. Companies collaborate with RSPO as well. In order for their products to be recognized globally, companies are expected to join the RSPO membership and manage sustainability according to the RSPO principles and criteria.

Concerning 3) conflicting relationships, different perspectives and interests between companies and stakeholders exist in sustainability issues and their solutions. In particular, the different perspectives in HCV between companies and environmental NGOs lead to conflicting relationships. The divergent interests between companies and the government are caused by land ownerships. There is a political 'will' that can lead to overlapping land ownership. The government does not have yet a comprehensive geography document, which makes the government prone to corruption. Finally, as for 4) one-sided contribution relationships, stakeholders could receive positive beneficiaries from the company's sustainability in this relationship. In the palm oil industry, companies offer community development programs for smallholder farmers as part of the company's corporate social responsibility. Specifically, palm oil companies around smallholders would provide agriculture training for best practice at the smallholder level, HCV assessment, organizational management of farmer cooperatives/groups, and assistance in RSPO and ISPO certification process.

In terms of contributions, firstly, this study adds stakeholder perspective to investigate sustainability management and reporting practices in the palm oil industry. This study addresses the key stakeholders and the stakeholder relationships influencing sustainability management and reporting. The power of stakeholders and stakeholder relationships can influence sustainability management in different sustainability strategies used. A company should manage with different stakeholders respectively because stakeholder relationships would vary according to the sustainability context, interest, and sustainability issues. In this case, different sustainability strategies are used depending on stakeholders and stakeholder relationships. Secondly, the content analysis of sustainability reports helps understanding the current state of sustainability practices by clarifying the sustainability issues, sustainability strategies, the influence of stakeholders, and stakeholder relationships on sustainability

management and reporting practices in the palm oil industry.

Thirdly, different from previous studies that focused on only certain stakeholder, this study contributes to the stakeholder perspective by engaging different types of stakeholders and discussing the influence of different stakeholder relationships. Onkila (2011) examined environmental sustainability by interviewing environmental managers in Finland companies. She suggested that studies use multiple stakeholder groups. Thus, this study is conducted as a form of response to Onkila's advice.

This study also has some implications. Companies need to recognize stakeholder relationships and create tools to engage with them. These tools can create shared sustainability benefits. Generally, companies create sustainability departments to communicate with suppliers and respond to stakeholder requests. One of the stakeholder requirements is traceability. Specifically, international NGOs, consumers, and RSPO require traceability throughout their supply chain. This is to ensure that sustainable products that do not damage the environment are produced and used from the plantation (upstream supply chain) to the end-user (downstream supply chain). Traceability also applies to smallholder farmers. Smallholder farmers make a significant contribution to companies in terms of providing materials (FFB). In the samples of Alpha, Beta, and Gamma, companies received more than 30% of their contribution from smallholder farmers. However, it is a challenge for companies to identify all suppliers including smallholders. Therefore, it needs a tool and engagement with stakeholders to continuously improve and make their products traceable to the plantations. These measures are designed to mitigate conflicting relationships with stakeholders and achieve shared sustainability benefits. Companies respond to stakeholder requests that products are traceable. In this way, buyers and NGOs can monitor companies' supply chain, leading to sustainable products.

Regarding the implication for policymakers, this study has brought research-based evidence that there is a lack of government role in enhancing sustainability management. It is also found that there is a lack of coordination among government agencies in some regions, which makes companies and smallholders reluctant to implement sustainability management. Smallholder farmers and companies have to pay more to run their businesses, including implementing sustainability practices, because of the government's tendency to operate politically and corruptly. All these indicate the weakness of the government's role in dealing with sustainability management. Nevertheless, as the Regent is well aware of the potential and

conditions of his area, the role of Regents is very decisive in improving the sustainability practices at the respective regional level. Therefore, the improvement of the sustainability practices of companies and smallholder farmers in the region requires the introduction of policies by the relevant Regent.

The palm oil industry is a major player in the assessment of environmental performance (PROPER) under the government Ministry of Environment and Forestry. The palm oil companies report every year about their social and environmental performance through SIMPLE application to assess their performance, but these reports were not released to public. By publishing to the public, the government could help promote sustainable management of the palm oil industry. Furthermore, in terms of transparency, as stipulated in ISPO's transparency standards, companies should include location maps of their plantations in their ISPO reports or annual/sustainability reports. If location maps are available, there will be no duplication of ownership, which may help to avoid land grabbing by companies, so that accountability can be tracked and 'political will' can be reduced.

There are at least two limitations of our study. First, the sample size in this study was relatively small as we use palm oil companies listed on the Indonesia Stock Exchange (IDX). Therefore, it is expected that future research could use palm oil companies registered with the Ministry of Agriculture and the Ministry of Environment and Forestry to obtain a larger sample size and to analyze stakeholder-company relationships. Second, we have suffered from limited access to companies to conduct more in-depth research on sustainability in the palm oil industry due to strict travel restrictions in response to the COVID-19 pandemic issue.

Even though face-to-face interview was not possible, we attempt to collect high-quality data via zoom meetings or video conversations. In the covid-19 pandemics, these strategies have become commonplace for companies, NGOs, and smallholders. When the government imposed a lockdown policy in some parts of Indonesia, businesses adopted alternate techniques to continue working on a regular basis. Future studies can use these techniques to reach a broader range of respondents because Indonesia is made up of archipelagos, companies and stakeholders are dispersed across islands. It may take longer to reach the intended locations.

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Appendix 1. Research Questions for the company

1. What are the external and internal factors/aspects that make a company decides to implement sustainability reporting (SR) and sustainability management (SM) by adopting sustainability standard?
2. What is the most strategically important of the company's aspects regarding the SR and SM?
3. What sustainability standards are currently being applied by the company?
4. What are the expectations of the company towards SR and SM?
5. What are to achieve the company's role in SR & SM towards environmental sustainability?
6. How does operationalize the company's role in SR & SM towards environmental sustainability?
7. How does the company deal with stakeholders' expectations in SR & SM towards environmental sustainability?
8. What are the different steps and initiatives in SR & SM for achieving environmental sustainability?
9. How does the company solve the changes?
10. Who are the people /department that will carry out the SR and SM?
11. How does the company measure the success of environmental reports and environmental sustainability standards towards environmental sustainability?
12. What are the obstacles in implementing these sustainability standards and sustainability reporting?
13. What are the policy expectations from the government in increasing environmental sustainability and sustainability reporting?

Appendix 2. Research Questions for RSPO

1. What are the dominant environmental issues in the palm oil industry?
2. What do you mean by sustainability in the palm oil industry?
3. What does an RSPO certification help the palm oil industry towards a "sustainable" industry?
4. How would you deal with any conflict/disagreement within any members regarding the sustainability standard /indicators? Do you have an example of when you have had to deal with a disagreement?
5. How has the RSPO responded to complaints from companies in achieving certification?
6. What do you think if there is an RSPO certified member who does things that do not meet the RSPO criteria and indicators?
7. Have you ever provided opinions/suggestions directly to the company or through other media regarding the negative impact of the company?
8. What do you think that the company's sustainability reporting describes the condition of the company as a whole?
9. What are your expectations from the Company and the Government of Indonesia to improve sustainability in the palm oil industry?

Appendix 3. Research Questions for NGOs

1. What are the most dominant environmental problems in the palm oil company?
2. Have you ever given opinions/suggestions directly to the company or through other media regarding the negative impact of the company?
3. How did the company respond to your complaints?
4. Have you ever been invited by the palm oil company on the theme of sustainability? If so, What kind of activities?
5. Do you know Sustainability Reporting? Do you think the report describes the company?
6. What do sustainability certifications such as RSPO, ISPO, ISO 14001 help the palm oil industry towards a "sustainable" industry?
7. What do you expect from the company's Sustainability Reporting?
8. What do you expect from the company regarding environmental impacts?
9. What do you expect from the government to improve environmental sustainability in the palm oil industry?

Appendix 4. Research Questions for smallholder farmers

1. Where did the group/cooperative's initiative to participate in ISPO/RSPO certification?
2. When did you prepare to get RSPO certification?
3. What are the obstacles in the process of obtaining RSPO certification?
4. Has the cooperative received assistance from the company or other parties to obtain RSPO certification? If so, in what form is this assistance?
5. Do cooperatives or group members receive assistance/plantation management from an oil palm company? If so, please explain.
6. Do cooperatives or group members get the selling price according to the price set by the government? Are the cooperatives or members of the plasma company?
7. What benefits do groups/cooperatives expect from obtaining RSPO certification?
8. Regarding environmental issues (fire/forest destruction) that are often addressed to the palm oil farmers, how do you respond to them?
9. Have cooperative or group members ever filed a complaint or problem to the company? Is the company quick to respond to complaints from the cooperative or members of the cooperative?
10. What are your hopes for the government or palm oil companies in supporting sustainable palm oil?

Appendix 5. A. Research Questions for Governments

1. who is dominant to state that the palm oil industry is associated with environmental issues?
2. How is the Government's efforts in responding to these environmental issues?
3. What are the efforts/programs undertaken by the government (central and local) to support sustainable palm oil?
4. Does a sustainable certification such as RSPO, ISPO, ISCC, or ISO 14001 help the palm oil industry move towards a sustainable industry?
5. How do you think about Sustainability Reporting? Can this sustainability report help companies in company transparency?
6. What are the obstacles to the Government in implementing supervision/support in the palm oil industry towards sustainability?
7. What is the Government's expectations from the company related to achieving sustainability?

Appendix 5. B. Research Questions for Governments

1. What is the basis for Government/OJK to issue regulation of POJK No.51 / POJK.03 / 2017?
2. Has the regulation been socialized before being issued?
3. Whether the Government/OJK has issued any guidance on sustainability reports?
4. Does Government/OJK give sanctions to the financial institutions, issuers, and public companies that violate its provisions as stipulated in POJK No.51/2017? And what are the stages of the sanctions (if any)?
5. Is there any support other than the provisions of POJK No.51 / 2017 for the implementation of Sustainable Finance?
6. Is there any input and/or response from the financial institutions, Issuers, and Public Company regarding the Sustainability report?
7. According to the Government/OJK, what is the most dominant problem in implementing credit/financing/investment in the palm oil industry and plantations?
8. According to the Government/OJK, does the Sustainability Report submitted by the financial institutions describe the entire company's business process?
9. What are Government/OJK's expectations from the plantation sector and the palm oil industry related to environmental and social issues?
10. What are Government/OJK's expectations from the Sustainability Report that has been prepared by the company?

Appendix 6. RSPO Principle and Criteria 2018

Impact Area	Principle	Criteria
1. Prosperity	1. Transparency and ethics	Information and public availability
		Communication and consultation
		Commitment to ethical conduct
	2. Legal compliance and rights	Legal compliance
		Third-party contractors legal
		FFB legally sourced
	3. Planning procedures and improvement	Long term plan and economic viability
		Continuous improvement
		Standard operating procedures
		SEIA and plans
		System for managing employees
1. People	4. Community rights and benefits	Community rights respected
		Compliance and grievance
		Land use: FPIC (Free, Prior, and Informed consent)
		Land use: compensation
		Land use: conflict
		Contribution to local sustainable development
	5. Smallholders inclusivity	Fair and transparent dealing with SH
		Improve with livelihoods
	6. Workers rights and conditions	Pay and working conditions
		Freedom of association
		No child labor
		No discrimination
		No harassment
		No force trafficked labor
		Occupational health and safety plan
2. Planet	7. Natural resources management and biodiversity	Effective integrated pest management
		Pesticide use do not harm
		Waste management
		Soil health fertility
		Soil conservation
		Peatland
		Water quality and quantity
		Energy use
		Pollutions and GHGs
		Fire
		No deforestation (Incl. HCV)

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