THE ROLE OF RELIGION IN PRIVATE GOVERNANCE ACCEPTANCE IN THE MALAYSIAN PALM OIL INDUSTRY

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Abstract

Compliance with private governance initiatives is often low, as regulated firms may resist regulation unless there are clear social, political and economic incentives to comply. Relying on such incentives is often fragile in context where monitoring and enforcement mechanisms are weak. Therefore, this study investigates different potential driver of private governance compliance by examining the approach to religion of the targets of the regulation. It explores whether the targets' religious approach influences their willingness to comply with private rules. To undertake this investigation, this study examines the Malaysian palm oil managers' approach to religion and how their acceptance of private governance as developed under the Roundtable on Sustainable Palm Oil (RSPO). This study explores the palm oil managers' perception of Islamic environmental ethics and if they can relate religious obligations to ethical issues and compliance with the RSPO. Using a qualitative exploratory design, this study interviewed palm oil managers to understand their view on Islamic principles concerning environmental protection and if they can see the congruence between Islamic ethics and RSPO principles. In addition, this study also examines the managers' ethical reasoning on the problems associated with the industry. Non-industry actors were also interviewed to gain wider view on the issues. The study also gathered data from annual reports and archival data sources to strengthen the interview findings. The main finding is that although the private governance rules of the RSPO are substantively in line with the religious principles of the palm oil managers, managers appeared to hold a compartmentalised conception of their religious obligations. The targets could only see the relationship between Islamic ethics and RSPO principles when it was pointed out to them. They were not able to see the similarity for themselves which suggests that they are compartmentalising religious convictions from business activities and from secular body such as RSPO. This reduced the perceived ethical salience of compliance with RSPO rules and may help explain why there has not been greater support for the RSPO from Muslim managers in the industry.

To my beloved husband:

Mohd Zamri bin Talib @ Mohd Tahir

To my dearest children:

Ammar Afif

Alif Ziyad

Arsh Farhat

Asim Faris

To my dear parents:

Sufian bin Kulob Ismail

Hasnah @ Hasmah binti Hassan

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Chapter 1. Introduction and Research Background

1.1. Introduction

Private governance is when private actors are directly involved in supplying standards and regulating the behaviour of a group of actors who are the targets of the said standards (Abbott & Snidal, 2001; Büthe, 2010; Pattberg, 2007). The effectiveness of private governance is often associated with acceptance of the rules by the actors regulated by the rules. In his review of private governance compliance, Büthe (2010) suggests three conditions that could elicit a high level of compliance: permissive economic conditions; economic incentives, and socio-political incentives. However, high compliance cost, stringent rules, and lack of enforcement and monitoring mechanisms, may drive participation away (Dietz & Auffenberg, 2014; Mayer & Gereffi, 2010; Ronit & Schneider, 1999; D. Vogel, 2008).

This study contributes to research on private governance compliance by incorporating the influence of religion on willingness to comply with the private standards. Thus, this study examines how Muslim managers in the Malaysian palm oil industry approach Islamic teaching concerning environmental protection, and social rights. Secondly, it considers how these frameworks affect their views on private governance that governs the industry (i.e. Roundtable on Sustainable Palm Oil (RSPO) and the ethical issues associated with the palm oil industry).

The palm oil industry is threatening the environment and violating human and animal rights. Hence, criticism about these issues offered a research opportunity to study the actors in the industry, their ethical thinking, and the role of religion in influencing their acceptance of private rules that govern the industry. This study contributes to the development of private governance theory about compliance in the palm oil industry setting.

I use the terms 'private governance' and 'private regulation' interchangeably throughout this thesis, although I acknowledge that 'governance' covers a broader set of constraints than the formal rules implied by regulation. This chapter begins with motivations and the background of the study, followed by the research question, research aim, theoretical background, research design, and finally the structure of this thesis.

1.2. Motivations of the Study

Palm oil is the most lucrative crop in Malaysia. Malaysia is the second largest producer and exporter of palm oil (Workman, 2017). Palm oil which is the largest component of the country's agriculture activities, makes up 8.7% of Malaysia's Gross Domestic Product (GDP) (Department of Statistic Malaysia, 2017). The Malays who are almost by definition required to be Muslim have much influence and are actively involved in the palm oil industry. Most smallholders who are from the country's ethnic Malay population often operate under a government scheme; this includes the Federal Land Development Authority (FELDA) and the Federal Land Consolidation and Rehabilitation Authority (FELCRA). These two government initiatives are examples of the government's support in helping rural people to increase their standard of living. However, the rapid expansion of palm oil plantations has threatened biodiversity, environment, and injured social rights.

Palm oil industry actors often deny charges about their engagement with unsustainable practices. The fact that most people in the industry are Muslims directed my attention to conducting this study because their religion Islam spells out the importance of protecting the environment and other beings. Hence, it is intriguing to examine what their reasoning would be on the problems in the industry, and how they understand their religious principles in relation to social and environmental protection. Furthermore, most industry players are not

keen to support the private regulation initiative in the form of the RSPO. Given the similarity between private regulation rules and Islamic teaching, it is puzzling that industry actors cannot identify the congruence between the two principles. Therefore, I intend to investigate if they see the private initiative as either in congruence to or divorced from their religion, which makes them more or less ready to accept the private rules.

1.3. Background of the Study

Private governance initiatives have emerged with the intention to reduce, if not resolve, social and environmental problems that occur in a transnational and global supply chain. This is the case wherein state and international governance either have limited or inefficient authority and/or fail to govern the transboundary and global supply chain actors (Bartley, 2014; Nikoloyuk, Burns, & Man, 2010; Ronit & Schneider, 1999; D. Vogel, 2010a). Private actors include non-governmental organisations (NGOs), technical experts, firms, industry associations, and groups of activists often involved in setting the rules of private governance (Büthe, 2010). State involvement is often absent in the rule-making of private regulations either because the state cannot implement their rules across borders or because inter-governmental cooperation ruling fails to occur.

The effectiveness of private governance depends on the monitoring of compliance and enforcement of code of conduct(Mayer & Gereffi, 2010; Winters et al., 2015). A robust monitoring system to check for compliance is essential in order to reward regulated actors who comply and to punish those who do not comply (Büthe, 2010). Likewise, a rigorous enforcement mechanism could gain consumers' confidence and satisfy stakeholders of the private regulations credibility (Winters et al., 2015). However, some regulated entities

willingly comply with the private rules even in the absence of adequate monitoring and stringent enforcement.

Büthe (2010) argues that permissive economic conditions, economic incentives and socio-political incentives could elicit a high level of compliance. On the other hand, Mayer and Gereffi (2010) observe that regulated firms with reputable brand names are more willing to comply with an intense and price-based competition market. Some targeted firms comply in response to an activist attack, for example a product boycott, to avoid a bad reputation (D. Vogel, 2008). Furthermore, legitimacy from the regulated firms' perspective could also be a reason for compliance (Bernstein, 2004; Cashore, 2002; Nikoloyuk et al., 2010).

Nevertheless, the incentives to comply with private regulations are often discouraged by high compliance costs and stringent rules, which are often a burden to developing countries and especially to small regulated firms (Büthe, 2010; Mayer & Gereffi, 2010; D. Vogel, 2008). Therefore, this study argues that material incentives for compliance with private standards do not always succeed, and there is a need to look at another factor that could influence compliance, such as religion. To illustrate this, this study draws primarily on the case of palm oil certification under the Roundtable on Sustainable Palm Oil (RSPO) in Malaysia.

RSPO is the private regulator that governs the global palm oil industry's economic actors amidst the socio-environmental hazards caused by the industry. The palm oil industry's rapid expansion in Southeast Asia, encompassing countries such as Malaysia and Indonesia (Koh, Miettinen, Liew, & Ghazoul, 2011; Rival & Levang, 2014) is due to its low production cost (Corley, 2009; Tan, Lee, Mohamed, & Bhatia, 2009; Zimmer, 2010) and increasing global demand (RSPO, 2016a). The expansion of palm oil plantations has caused severe environmental damage (Awang Ali et al., 2011; Dislich et al., 2015), deforestation (Tsuyuki,

Goh, Teo, Kamlun, & Phua, 2011), biodiversity loss (Corley, 2009; Koh & Wilcove, 2008) and human rights issues (Cramb & Curry, 2012; Majid Cooke, 2012). Unsustainable practices have attracted global concerns, hence the emergence of RSPO to promote sustainable practices, especially among the palm oil producers.

The RSPO voluntary certification programme forms eight principles and 39 criteria for producing, processing, distributing, and selling sustainable palm oil (RSPO, 2017). Although RSPO managed to enhance palm oil sustainability practices (Nesadurai, 2017), its rules are not being fully observed by its palm oil producer members despite potential economic and socio-political incentives (Nesadurai, 2013a; Ruysschaert & Salles, 2014; Schouten & Glasbergen, 2011). The reasons for non-compliance are high compliance cost, lack of monitoring, lack of enforcement, resistance from state actors who have interest in the industry, and availability of alternative options to market unsustainable palm oil. Therefore, since economic and social incentives fail to drive participation from industry actors, it is intriguing to explore the intrinsic motivation to comply by investigating religious constructs as determinants leading to intrinsic motivation.

As religion remains significant in many societies, it is perceived to influence ethical judgement and behaviour. According to Hunt and Vitell's (1993) theory of religion and ethical decision making, a more religious person is expected to have a clearer definition of morally accepted ethical principles. Likewise, Weaver and Agle (2002) suggest that ethical behaviour is influenced by religious role expectation for example, belief, knowledge, ritual and devotion. Therefore, religion is an important construct that influences human behaviour as religious values and religiosity have important meaning to life-style (Wilkes, Burnett, & Howell, 1986).

However, studies on religion and ethical conduct using religiosity construct produce mixed results. Some studies discover that highly or moderately religiosity demonstrates a high level of ethical judgement (e.g. Longenecker, McKinney, & Moore, 2004; Singhapakdi, Marta, Rallapalli, & Rao, 2000). Others find a negative correlation between religiosity and ethical judgement (e.g. Kidwell, Stevens, & Bethke, 1987; McDonald & Pak, 1996). As such, this study attempts to look at how people understand their religious doctrine in order to find out if religion shapes ethical awareness and perception of private regulation.

To illustrate this new potential argument of private regulation effectiveness, my study firstly analyses how Muslim managers in the Malaysian palm oil industry perceive their Islamic religious principles. Secondly, the study seeks to illuminate if through their understanding of Islam they are led to identify the ethical demand of complying with RSPO standards. This project investigates whether the targets of the rules could recognize that the ethical reasoning behind the creation of the rules is rooted in their religious values. If the targets could see the congruence, they could demand the rules to be adopted across the entire supply chain.

Since Islam is the federal religion of Malaysia and many people behind the palm oil industry in Malaysia are Muslims, this study focuses on the religious approach of Muslim managers in the palm oil industry. Muslims' approach towards Islam in Malaysia can be classified into two broad categories – more flexible and less flexible. The former adopt religious teaching in a more flexible way by incorporating religious values in all activities including business activities. The latter view religion as rigid and only applicable in personal rituals and compartmentalize religious obligation from daily activities.

1.4. Research Question

Some of the practices of the palm oil industry that are associated with environmental abuse and human rights breaches are not in line with Islamic principles. Thus, it is puzzling as to why Muslim managers in the industry fail to apply their religious belief in managing their organisations let alone to accepting the fact that the industry is causing social and environmental harm. Furthermore, there seems to be no research thus far on understanding the subjects' motivation to comply with private rules, from the perspective of religious belief and its orientation. Therefore, the central question of my study is does approach to religion influence targets' willingness to comply with private governance?

1.5. Research Aim and Objectives

This research aims to investigate the role of religion in influencing acceptance of RSPO principles and criteria by Muslim managers in the Malaysian palm oil industry. In order to realize the research aims, the following objectives have been formulated:

1. To explore Muslim managers' awareness of the problem associated with the industry, which led to the establishment of the RSPO in 2004.
2. To explore Muslim managers' interpretation of the Islamic religious teaching with regards to environmental protection and social rights.
3. To explore if Muslim managers perceive that the Islamic principles on environmental protection and social rights are still relevant and applicable in today's world.
4. To explore Muslim managers' perceptions of the RSPO principles and criteria.
5. To explore if Muslim managers can see the congruence between Islamic principles and RSPO principles.

1.6. Significance of the Study

This study is significant in responding to various research on private governance acceptance, which does not appear to examine the possibility of intrinsic motivation to comply with regulations. Studies on private governance compliance merely focus on material incentives or extrinsic motivation rather than intrinsic motivation to comply. Furthermore, there is a lack of empirical research on the ethical thinking of regulated actors who reject private regulations and initiatives. Therefore, this study provides new insight into private governance theory with regard to compliance, where the ethical thinking of actors is examined and potential intrinsic motivation for compliance is explored.

Another significant element of this study is the integration of religion into private governance compliance theory. Religion is an important force in some societies. Therefore, religion can be used as a method of establishing awareness and consequently trigger intrinsic motivation to comply. Collaboration between religious bodies and private governance could potentially lead to better outcomes. This is because religious principles are in congruence with most private governance goals, for example in eradicating social and environmental harms. Furthermore, there are studies undertaken on the significance of merging conservation efforts and religion (Mcleod & Palmer, 2015). Merging conservation efforts and religion has the potential to significantly influence human behaviour to support environmental protection initiatives (Mcleod & Palmer, 2015).

1.7. Thesis Structure

The thesis is organized into nine chapters. Chapter 2 presents a literature review of private governance theory, the RSPO and the religious construct. Chapter 3 explains the research context of the study including problems associated with the Malaysian palm oil industry social and environmental protection from an Islamic perspective, RSPO principles and criteria, and

religion and ethics. Chapter 4 outlines the qualitative approach used and the method of data analysis conducted in the study. Chapter 5 presents the findings based on the interviews conducted with the palm oil managers. Chapter 6 outlines the findings based on the unobtrusive method used to gather data from archival data sources and annual reports. Chapter 7 explains the findings derived from interviews conducted with the non-industry actors. Chapter 8 discusses the findings and their implications for existing theory. Chapter 9 summarizes this study and its contribution to theory, implications to private governance regime, palm oil industry players and policymakers, and future research directions.

Chapter 2. Review of Relevant Literature

2.1. Introduction

The purpose of this study is to investigate how an understanding of religion could affect managers of the Malaysian palm oil industry view of the industry problems, and governance issues associated with the industry. In the public sphere, the Malaysian palm oil industry is associated with environmental and social issues. Existing state environmental laws fail to mitigate the environmental deterioration caused by the industry. The attempt to govern the trade by public actors has not been successful due to resistance by not just palm oil firms but also state actors, as the industry is influenced by the state. Many approaches to explaining the persistent governance problems in the palm oil industry assume that material incentives are the most important. With this line of thinking, only those firms that stand to make economic gains will comply with private governance rules. Palm oil firms that will not directly gain any economic incentive will opt not to undertake sustainable practices as imposed by private regulation as long as there is demand for palm oil - regardless of how it is produced. Studies on motivation to comply with private governance often lead to the link between compliance and reputation or material incentives. However, such approaches ignore intrinsic motivations for compliance. What could trigger purely voluntary compliance with private governance? While there are potentially many reasons for voluntary compliance based on intrinsic motivation, this study examines religion as a potential factor influencing compliance with private governance standards.

The objective of this chapter is to review extant explanations for governance outcomes in palm oil and similar industries and to develop this study's conceptual framework. Within the domain of private governance, this research focuses on the issues of compliance with private regulation and how the regulated entity views regulations from the perspective of their religion.

The chapter begins with a review of the literature on private governance, followed by a discussion of private governance in the case of the Roundtable on Sustainable Palm Oil (RSPO). Next, I discuss why religion is chosen as part of the conceptual framework of this project. Finally, I conclude the chapter by showing how the present study contributes to current academic debates in the area of private governance.

2.2. Private Governance

The world economic crises in the 1990 suggested that there was a need for improved economic and political management as existing official economic activity regulation by state actors often failed in its objectives. These reasons for failure include rapid change, complexity, lack of institutional capacity, lack of political will, and international collective action problems (K W Abbott & Snidal, 2001; Büthe, 2010; Warren, 2010). As state governance has limited authority in governing transboundary societies, and where international governance is weak or absent, various private governance initiatives have emerged with the intention to reduce if not resolve transboundary problems, such as social and environmental problems. Pattberg (2007 defines private governance as:

> 'a form of social-political steering, in which private actors are directly involved in regulating – in the form of standards or more general normative guidance – the behaviour of a distinct group of transnational actors, including business and, in a wider understanding, also public actors such as the states' (p. 52).

Private governance operates besides or around the state, rather than through it" (D. Vogel, 2010b).

Private governance rules are collectively set by a range of non-governmental bodies including non-governmental organizations (NGOs), technical experts, firms, industry associations, and groups of activists (Büthe, 2010). NGOs often play an active role in this partnership, such as auditor, watchdog, or full partner (Nikoloyuk et al., 2010). Büthe (2010) suggests that the major stakeholders for private regulation are divided into three groups: the rule-demander – (those who call for private regulation); the rule-maker – (those who supply the rules); and 'targets' of the rule – (those required to adopt the rules). The first group consists of actors who call for the rules and are often willing to pay some cost for the supply of the rules. The second group is made up of the private actors who write, maintain, and circulate the rules. The third group consists of the industry actors who are supposed to follow the rules (Büthe, 2010).

Private regulation is understood as 'soft law' or a private law where the rule-breakers do not face legal sanction but may experience social and market punishment (Abbott & Snidal, 2000). Vogel (2008) notes that the soft law approach has many advantages, '…including timely action when governments are stalemated or otherwise unable to effectively respond to the challenges of economic globalization' (p.264). On the other hand, unlike hard laws, soft laws often lack of legitimacy and enforcement systems (D. Vogel, 2008).

A distinguishing feature of private regulation is that state involvement is normally absent in the rule-making of private regulations, either because states cannot enforce their rules across borders or because inter-governmental cooperation to agree on a common set of rules fails to occur. In addition, besides transboundary problems that cannot be regulated by the state government, private governance emerges when state-based actors fail to enact laws (or fail to enforce existing laws) to mitigate social and environmental harm, which may occur especially in those industries that state actors have an interest in supporting (McCarthy, 2012). Often the

state is not prepared to support private regulations because the stringent rules of such regulations might slow down production and export, eliminate participation of medium and smallholders from the global market, erode smallholders' income and development, and reveal unethical practices by economic actors (Pacheco, Gnych, Dermawan, Komarudin, & Okarda, 2017). Despite the shortcomings of state legal mechanisms, private regulation cannot be considered as a substitute for the more effective state regulation. Instead, 'private regulation must be integrated with and reinforced by more effective state-based and enforced regulatory policies at both the national and international levels' (Vogel, 2010a, p.68).

Private governance often emerges in response to customer preferences concerning social and environmental sustainability, and product safety ensures appropriate labour conditions along a supply chain (Cashore, 2002). Consumers who are conscious about sustainability and unethical practices of businesses (such as: harmful environmental impacts from mining, forestry, tourism and agriculture; exploitation of the rights of indigenous peoples and local communities; and poverty) create the demand for regulation to curb such problems (Henson & Humphrey, 2010; Mayer & Gereffi, 2010). These consumer actions may be triggered by activist groups who create public pressure to improve business practices of global firms, particularly in developing countries (Vogel, 2010). In some cases, Western governments, especially those in Europe also played an important role in promoting private regulation (Aaronson & Reeves, 2002).

Producers of big brand names often commit to private regulation as they want to protect their brands and avoid negative social labelling of their products (Mayer & Gereffi, 2010). Examples of private governance initiatives include the Forest Stewardship Council (FSC) for sustainable forest management (P. Pattberg, 2005b), the Marine Stewardship Council (MSC), which focuses on promoting sustainable fisheries (Gulbrandsen, 2009); and Social

Accountability International (SAI), which promotes fair labour conditions in factories (Courville, 2003). Other initiatives include the Better Sugar Cane Initiative, Better Cotton Initiative, Roundtable on Responsible Soy (RTRS) and the Roundtable on Sustainable Palm Oil (RSPO). The latter seeks to promote sustainable palm oil production.

A growing body of literature on private governance has investigated various aspects of its emergence and effectiveness. Fuchs and Kalfagianni (2010) have included legitimacy, institutionalization (P. Pattberg, 2005a), standard and policy (Abbott & Snidal, 2001) , emergence and authority (Cashore, 2002), effectiveness (Barkemeyer, Preuss, & Lee, 2015), compliance (Büthe, 2010), and prospects and limits (Mayer & Gereffi, 2010). This thesis adds to this area, focusing on the issue of compliance with private regulation: why do the targets of rules established by private actors comply, or fail to comply, with these rules? As shown below, a considerable amount of literature has been published on the adoption of private regulation, but little is known about the ethical thinking of the regulated entity or the 'targets' of the regulation. In addition, this study also investigates if the targets' religious understandings have influenced their ethical thinking as well as their perception of private rules. Therefore, my project contributes to this body of literature by providing insights into compliance with private governance. It does this through a study of the targets of a specific private governance initiative - the Roundtable on Sustainable Palm Oil (RSPO). Before going further into the issues of compliance, the next section reviews the causes of private governance and the effectiveness of private governance rules. Private governance sets rules in order to control private actors, sometimes across borders, and seeks to resolve social and environmental problems. But what drive the emergence of such private governance rules in the first place, and what determines their effectiveness?

2.2.1 Effectiveness of Private Governance

The effectiveness of private regulation depends on a number of factors. However, this section will only discuss two factors that contribute to the effectiveness of private governance: monitoring and enforcement. Firstly, monitoring of rule compliance is a critical issue. Mayer and Gereffi (2010) suggest that effective monitoring is needed to ensure lasting compliance by the targets of private regulation. Stakeholder monitoring for compliance purposes is necessary to hold the targets of said rules responsible for their actions. Such actions ultimately reward targets who comply and punish targets who do not comply (Büthe, 2010). However, establishing a good monitoring mechanism is a challenge. Ronit and Schneider (1999) find that some private governance initiatives delegate monitoring and sanctioning to lower territorial levels, which makes it easier to monitor small firms compared to large firms. This is due to the latter having lower visibility as they may deviate from collective agreed standards.

Secondly, the effectiveness of private regulation depends on the enforcement of the code of conduct. Enforcement is the process of responding to non-compliance by targets of the rules in some way that imposes a cost on the non-complying party, such as excluding them from the regulatory body's membership (Henson & Humphrey, 2010). A rigorous enforcement mechanism related to conduct could gain consumer confidence, specifically as it relates to programme credibility and producer reputation for product sustainability (Winters et al., 2015). Nonetheless, strong enforcement could also lead to a reduction in participation rates because it may affect the participants' capabilities, interests or priorities (Winters et al., 2015). In a similar vein, Dietz and Auffenberg (2014) argue that while stronger standards and enforcement could promote higher levels of sustainability, they could also lead to higher implementation and certification costs which could result in less target participation. Furthermore, strong enforcement of private governance in the global economy is difficult to attain as maturation of sustainability standards in developed, developing and less developing countries is different

(Mayer & Gereffi, 2010). Mayer and Gereffi (2010) also suggest that state resistance to private governance initiatives could lead to weak enforcement because private regulation must be supported by public authority and cannot stand alone.

Based on the discussion above, it can be argued that monitoring and enforcement are important drivers of the effectiveness in private governance acceptance. However, some targets of the rules are willing to adopt private standards even in the absence of adequate monitoring and stringent enforcement. Why do they comply with the private rules?

2.2.2 Compliance

A fundamental measure of the success of private regulation is compliance with regulations and standard. Some scholars have attempted to identify determinants of compliance and non-compliance. For example, Büthe (2010) examines various studies on private governance compliance and summarizes that there are three factors that can elicit a high level of compliance. Firstly, one factor is 'constrained competition among those targeted by private rules' (p.16) manifesting in permissive economic conditions. Büthe (2010) suggests that for those targeted by private rules, constrained competition in an oligopolistic structure of market may make it easier for the targets to absorb the cost of compliance because there is no intense price competition. According to Büthe (2010), 'permissive economic conditions' refers to the 'existence of brand names with reputational value' (p.16). This is when big brands show stronger obligation to compliance as they are more risk-averse than the less reputable brands. On the other hand, Mayer and Gereffi (2010) observe that targets with reputable brand names that operate in a market characterized by intense, price-based competition, are more willing to comply in order to distinguish themselves from their competitors as more consumers are demanding goods to be produced responsibly as conscious consumerism intensifies. Therefore, according to Mayer and Gereffi (2010), when firms are more vulnerable to change

in consumer preferences, pressure for more advanced private governance will be great. However, is providing market incentives sufficient in encouraging moral action in profit-seeking firms? Lipschutz and Fogel (2002) and Haufle (2001) doubt that relying on economic competitiveness and growth as largely promoted by private governance rather than state governance is a stable foundation for a moral action of the firms whose primary goal is profit. This is because non-compliance still exists as the targets are not driven solely by intrinsic reasons to comply.

Secondly, Büthe (2010) argues that economic incentives could increase compliance as others along the supply chain (e.g. farmers and farm workers) could also benefit. For example, they may be awarded higher wages due to the elevated higher price consumers are willing to pay for sustainable products. On the contrary, the high monitoring cost of compliance (Auld, Cashore, Balboa, Bozzi, & Renckens, 2010; Starobin & Weinthal, 2010) could result in lower adaptation, which thus reduces economic incentives. Therefore, measuring economic incentives could be seen as being complicated and ambivalent.

Thirdly, Büthe (2010) highlights socio-political incentives as a determinant for adoption of private rules. He classifies four types of socio-political incentives for voluntary compliance with private governance. The first category is when the targets believe that non-compliance will result in being charged with not conforming to best practice. Secondly, Büthe (2010) asserts that NGOs may pressure targets to comply through a public campaign and ignite a consumer boycott to demand compliance. The third factor is when regulated firms comply because of political motivation, which they can get from the private regulatory regime. Targets are normally assured of a more prominent voice during the standard-setting process. Therefore, when targets are given a voice during the creation of private governance initiatives, it is

expected that they will adhere substantially to the rules (van de Kerkhof, 2006). Finally, targets may willingly comply if they believe that private regulation is legitimate (Büthe, 2010). This raises the question of why targets might view private regulation as legitimate. Is their perception influenced by their values, or by their government or other institutions that they believe to be credible?

Vogel (2008) identifies three factors that contribute to the acceptance of private regulation. Firstly, similar to Büthe (2010), Vogel states that activists target corporations via their reputation, market position, and how close activists are in working directly with a corporation. According to Vogel, the targeted firms respond to activist attacks and agree to change some of their policies and practices in order to avoid their reputations and brands being tarnished. Product boycott and food labelling initiatives have also been introduced in order to help consumers make informed choices. Product boycotts have created pressure on palm oil producers to get their products certified, especially for the European market. This societal pressure is a powerful driver of private regulations to the extent that global social activism creates effective power for rules to be executed and enforced. Even in the absence of activist lobbying, consumer preferences could not persuade targets to comply simply through exercising their purchasing power. This, however, depends on consumer demand for a responsible or certified product. Consumers around the globe mostly continue to consume on the basis of price, quality, and convenience (D. Vogel, 2008). Research on ethical consumer behaviour shows that consumers do not often translate their positive response towards sustainable products into the right behaviour (Boulstridge & Carrigan, 2000; Carrington, Neville, & Whitwell, 2010). Most consumers do not purchase sustainable products despite having awareness on pro-environmental consumption. To the extent consumer demand for

'responsible' products is low, certified products will not enjoy a price premium which is usually necessary given the high cost of certification.

However, targets may be successful in avoiding public 'naming and shaming' campaigns that stop them from incurring losses. At the same time, escaping from such campaigns does not improve their financial performance in the short term. As highlighted by Vogel (2010b), firms can neither transfer the cost of compliance to their customers nor increase their sales by complying with private regulations. This is because the Western firms that establish the codes are not increasing imports from those developing countries whom the codes are imposed on. However, targeted firms are still making an effort to integrate private rules into their business strategies and policies in order to avoid public opprobrium. For example, Timberland, Whole Foods, and Starbucks have experienced business difficulties such as weak business strategies and competition, despite integrating sustainable practices in their brands (D. Vogel, 2010b). Therefore, Vogel argues that the effectiveness of private rules can be achieved when public and private governance reinforce one another. Since there are still many developing countries opposing private governance initiatives, Vogel (2010) suggests that developed Western countries promote compliance to developing countries through international treaties, as the former countries, especially in Europe, regard private regulation as important for economic leverage. Hence, governance standards backed up by inter-governmental treaties are no longer purely private.

As suggested by Vogel, the second factor that leads to compliance is a change in corporate strategies. Firms often believe that quantifying their social performance might translate into better bottom line results (Norman & Macdonald, 2004). This is an issue that has been investigated by management scholars writing on corporate social responsibility (CSR) and the

'business case for sustainability' (Beurden & Gossling, 2008; Flammer, 2015; D. J. Vogel, 2005). Firms see the benefits of CSR (Porter & Kramer, 2011) and expect to gain economic advantage from CSR initiatives (D. J. Vogel, 2005). CSR activities may enhance firms' reputation, brand and trust (Barney, 1991; Porter & Kramer, 2011; Russo & Fouts, 1997) which would attract new customers hence increase firms' profitability and increase competitiveness (Flammer, 2015). The positive relationship between CSR and financial performance depends on the ability and willingness of consumers and investors to reward and sanction firms that err (Barnett & Salomon, 2006; Gauthier, 2005). As a result, many firms believe that adopting CSR could reduce business risk (Husted, 2005) and critical to future success (Kiron, Kruschwitz, Haanaes, & von Streng Velken, 2012; Lacy, Cooper, Hayward, & Neuberger, 2010). A business case example is Marks & Spencer ambitious CSR programme in 2007 which resulted in an increase in profit after 5 years of implementing the programme (Brokaw, 2012). However, the business case rests on consumers actually responding to buying behaviour. In some cases, for example the palm oil, this consumer response is weak. The benefits of CSR to firms' bottom line is similar to the literature on private governance which argues that complying with private rules will create financial benefit.

Adopting social responsibility also results in 'remarkable long-term fiscal advantage' (Lin, Yang, & Liou, 2009, p.56). In this context, firms believe that incorporating private rules into their corporate codes and strategies will create long-term financial benefit for their businesses (Vogel, 2006). Those firms that adopt private rules admit that by improving their responsibility towards environment and social practices, their business will gain many benefits. This is similar to Büthe's (2010) assertion that non-compliance leads to being critiqued as not conforming to best practice. According to Vogel, the third factor is due to changes in business norms and values, wherein global corporate behaviour has changed in ways that affect the

broader community. Targets are often realised that they are distinguished from their competitors when they improve their social and environmental practices (Büthe, 2010; D. Vogel, 2008).

All businesses, in general, will try to minimize cost in order to be competitive in terms of pricing or to increase their profits. Having to adopt private rules typically leads to incurring more cost as the expense of compliance can be somewhat high (Büthe, 2010; Mayer & Gereffi, 2010; D. Vogel, 2008). Compliance cost is often significant as it involves considerable processes and people, including technologies and other administrative costs, to create standards and policy as well as to monitor code compliance. High certification cost is normally a burden for firms in developing countries, especially smaller firms, because they are not guaranteed profit well in excess. In addition, premium price of the certified product is often low. Furthermore, private governance requirements have made it hard for firms in developing countries to market their products to developed countries in cases where developed countries have imposed strict sustainability standards on developing countries (Vogel, 2010). This point will be discussed further in the following section, which draws primarily on the case of palm oil certification under the Roundtable on Sustainable Palm Oil.

The research discussed so far focuses on what are ultimately material incentives for compliance with private governance standards. Are there other compelling reasons to comply besides monetary incentives? It is often the case that those demanding private governance are NGOs, consumers, and lead firms who has most power to control their supply chains, with targets being producer firms usually in developing countries. However, if the targets are the demanders of the rules, they have more incentive to comply, although some may not comply if they know they can get away with it. It thus becomes interesting to examine the factors that

could influence targets to become the demander of the rules, who could then demand others in the supply chain to adopt the rules. How might such non-market incentives for compliance come about?

Besides economic incentives, some targets look at the legitimacy of private regulation. Political legitimacy is one of the key factors that might induce compliance with private governance. Political legitimacy is an important indicator for a rule to be accepted. Political legitimacy is defined by Bernstein (2004) as 'the acceptance of shared rule by a community as appropriate and justified' (p.142). The regulated entity may refuse to comply with private regulation if they think that it is not legitimate. Unlike public governance or international organizations (which obtain legitimacy from states), private governance must attain legitimacy from external audiences, including from those it seeks to regulate (Cashore, 2002).

Achieving legitimacy is crucial in order to induce compliance with the private codes in question. Arguably, it is not difficult for private governance to achieve political legitimacy if the targets of the rules realise that the private standard and codes conform to their social norms and belief systems. For example, in analysing the emergence of Non-State Market-Driven (NSMD) governance systems, Cashore (2002) suggests that many land-owners decide to support an NSMD forest-certification programme, which is in line with their socially constructed value system. This is termed as moral legitimacy. Suchman (1995) defines this term as 'positive normative evaluation of the organisation and its activities. It rests not on judgments about whether a given activity promotes the goals of the evaluator, but rather on judgments about whether the activity is 'the right thing to do' (p.579). In a similar vein, a study of an organisation's ethical decision making suggests that moral intensity (the degree of seeing an issues as an ethical one) effects moral decision making and behaviour (Jones, 1991).

Targets are usually reluctant to comply if they think that private governance is not legitimate. What if the economic incentives outweigh the cost of compliance and they can gain leverage from private rules - will they still comply despite not viewing the rules as legitimate? In order to illustrate this issue, I draw primarily on the case of palm oil certification under the Roundtable on Sustainable Palm Oil (RSPO) in Malaysia. RSPO is formed in order to govern palm oil producers from unsustainable practices. However, many palm oil producers resist the private governance initiative which they believe reduces their production and profits.

2.3. Roundtable on Sustainable Palm Oil (RSPO)

The palm oil industry has been expanding rapidly due to its profitability, but it has also been heavily criticised for environmental and social rights abuses as a result of forest conversion typically prevalent for large plantations. Palm oil plantations have expanded dramatically especially in Southeast Asia (Koh et al., 2011; Rival & Levang, 2014) due to its low production cost (Corley, 2009; Lam, Tan, Lee, & Mohamed, 2009; Zimmer, 2010) and increasing global demand (Sheil et al., 2009). Indonesia and Malaysia are the world's main producers of palm oil. Palm oil is known to be a multi-purpose vegetable oil that is transformed into end products ranging from food to biodiesel (Basiron, 2007; Lam et al., 2009; Rival & Levang, 2014). However, due to land use conflict (Wicke, Sikkema, Dornburg, & Faaij, 2011), and conflict between the conservation of natural spaces and development, the industry is struggling to establish sustainability and enhances rural livelihood (Cramb & Curry, 2012).

Rapid conversion of forest to agricultural land as a result of weak public policies was the main driver of the formation of the RSPO under the Swiss Civil Code in 2004 by stakeholders led by the World Wildlife Fund (WWF) (Nikoloyuk et al., 2010). The RSPO was formed to

promote sustainable production of palm oil and prevent the industry's unsustainable practices. The RSPO is a voluntary, multi-stakeholder organization whose goal is to improve the palm oil industry's sustainability and transparency. The RSPO does this through standard-setting and certification of sustainable palm oil production (Nikoloyuk et al., 2010). As a not-for-profit organisation, it incorporates stakeholders from both industry and non-governmental organizations (NGOs). These stakeholders include palm oil producers, processors, traders, retailers, financial players, consumer goods manufacturers, investors, individuals, and environmentalist and social NGOs.

The RSPO aims at assuring that palm oil will contribute to a better world, by providing certified palm oil to the market and promote the growth and use of sustainable palm oil (RSPO, 2009). The certification programme establishes eight principles and 39 criteria for producing, processing, distributing and selling sustainable palm oil (RSPO, 2017). According to Nesadurai (2013), 'RSPO certification provides fairly comprehensive and progressive socio-environmental regulation that has enhanced sustainable production practices in this industry especially by the larger transnational plantation companies mindful of their global reputation' (p.505). In 2012, the RSPO developed a special working group for smallholders in order to 'ensure that smallholders improve their livelihoods by benefitting from RSPO standards and best practices' (RSPO, 2012). The intended outcome was to contribute to sustainable practices for all sizes of plantations - smallholders can be certified under the RSPO trademark. As of 2016, 2.83 million hectares within the industry have been certified across 14 producer countries and 2,496 independent shareholders have been certified (RSPO, 2016a).

In Malaysia where the state plays a substantial role in supporting and promoting the industry to the world, the state does not show enthusiasm towards the RSPO (Nesadurai, 2017). The

state's position can be seen from its initiative to introduce rival sustainability standards to replace the RSPO principles and criteria (Deike, 2015; Nesadurai, 2017; Schouten & Bitzer, 2015). It is also important to note that most producers have other options to getting their plantation certified as there is extensive product demand from other developing countries, such as India and China. To the extent that palm oil producers can easily find markets for their unsustainable palm oil, they are not strongly inclined to adapt to the RSPO principles (Hamilton-Hart, 2014; Schouten & Glasbergen, 2011). Accordingly, demand for sustainable palm oil, which mostly comes from European countries, has resulted in private governance of the product being only partly effective (Von Geibler, 2013).

Aside from low demand for certified palm oil, high certification costs and low premium prices of certified palm oil reduce palm oil producers' uptake of plantation certification (Laurance et al., 2010; Nikoloyuk et al., 2010; Winters et al., 2015). In cases where the premium price of certified palm oil is much lower than growers' economic loss incurred in meeting the guidance document, some palm oil growers may choose not to comply with the RSPO rules (Ruysschaert & Salles, 2014). Thus, to ensure that the compliance cost is more cost-effective, some scholars such as Auld, Bernstein and Cashore (2008) suggest that technologicaly innovations could be applied in maintaining and institutionalizing the rules.

In addition, there are numerous critiques from some NGOs that threaten the reputation of the RSPO and its credibility in enforcing standards (McCarthy, 2012; Nesadurai, 2013b). Furthermore, the RSPO does not make it mandatory for its members to fully commit themselves to sustainable palm oil, a strategic decision that has been contentious (Nesadurai, 2013b; Schouten & Glasbergen, 2011). Previous studies show that the RSPO has a rather weak enforcement system, despite its reasonably comprehensive socio-environmental regulations for

the palm oil industry (Nesadurai, 2013b). Recently, however, the RSPO has suspended and terminated its members who fail to submit the Annual Communications of Progress (ACOP), which is a report submitted by RSPO members on their commitment to 100% RSPO-certified sustainable palm oil (RSPO, 2016b).

Some NGOs perform a watchdog role to ensure that RSPO members comply with the certification standards (Yaap, Struebig, Paoli, Koh, & Pin Koh, 2010). Despite voluntary monitoring by some NGOs, the RSPO lacks a comprehensive system for monitoring non-compliant members. This is especially the case with plantations in peat forests or other endangered ecosystems (Yaap et al., 2010). As stated in the RSPO Certification System, a third-party certification body (appointed by RSPO) will certify sustainable palm oil production by its producer and grower members. The certification body assesses whether or not producers who are members of the RSPO comply with the principles and criteria and report any major non-compliance (Winters et al., 2015). Major non-compliance issue and not resolving minor matters in a timely manner may lead to suspension and permit revocation (RSPO, 2017). The third-party assessment is done once in 5 years, and if certified, the assessment will be conducted annually for continued compliance (RSPO, 2017). Winters et al. (2015) highlight the problem with independent assessors as being that most certified producers do not know how to interpret the feedback provided by assessors and translate them into their management strategies. Winters et al. (2015) also add:

> 'While strict, quantifiable assessment methods (i.e., using templates and checklists) provide accurate and precise information about participant efforts, they also create opportunities for producers to limit their fulfilment of standards to pro forma treatments of the P&C, and producers often are unable to adequately address unforeseen circumstances not covered simply by adhering to a checklist. Such

> incidents may occur when dealing with local communities, particularly when the circumstances demand a more in-depth and considered engagement that accounts for historical factors and cultural nuances' (p.594).

Another problem associated with monitoring is cost. Cost of compliance escalates, therefore limiting poor and marginalized producers in developing countries in their participation of civil governance (Starobin & Weinthal, 2010). According to Vogel (2008) practical monitoring can also be a constrained if a private regulator does not have adequate funding. A lack of a comprehensive monitoring system may be due to limited capacity and budget, as the RSPO repeatedly rejects the use of remote sensing (monitoring from space), which is the most efficient method for monitoring its members' activities (Laurance et al., 2010). NGOs claim that the RSPO enforcement mechanism is not transparent and that it is reluctant to take action against non-compliant members (Greenpeace, 2013). To overcome this limitation, several NGOs became public monitors of the RSPO, in an attempt to ensure that sustainable plantation practices and reliable audit processes are met (Nesadurai, 2013b). Establishing a good and reliable monitoring mechanism is crucial for fulfilment of the objectives of the rules.

The above discussion is based on the assumption that the targets of private regulation do not have any intrinsic motivation for compliance, hence the reliance on monitoring and sanctioning systems. However, that may not always be a realistic assumption and more complexity is always at play. If the targets are aware of their responsibilities and believe that the RSPO regulations are reflected from the basic ethical principles outlined in their Islamic religious doctrine, might they willingly adopt the rules and monitor their activities?

As discussed above, the legitimacy of a private governance initiative from the perspective of its targets is important: targets will be reluctant to comply if they perceive that regulation is not legitimate. Nikoloyuk et al. (2010) suggest that the legitimacy of the RSPO is divided into two: external and internal legitimacy. They articulate that external illegitimacy occurs when those outside the RSPO do not view the RSPO as a legitimate body. This external illegitimacy could be seen when external NGOs launched campaigns against the RSPO method of handling issues. This was especially with regards to deforestation. The external NGOs perceived the RSPO as an inefficient body hence targeted not only the RSPO but its members in their campaign. However, the external criticism has led to a positive outcome as mentioned by Nikoloyuk et al. (2010) where such criticism has significantly resolved many issues, particularly regarding forest and high conservation value (HCV) forest conservation.

On the other hand, attacks from external NGOs have damaged the RSPO's legitimacy in the eyes of its members, especially the targets or the palm oil producers. Palm oil producers believed that the RSPO could not protect them from negative campaigns, given that the RSPO itself was being scrutinized. Nikoloyuk et al. (2010) assert that NGO attacks have also resulted in producers not able to secure higher prices for their sustainable products. Hence, many producers who are not members are reluctant to do so. As a result, Nikoloyuk et al. (2010) suggest that 'RSPO must also begin communicating more about its product to increase legitimacy and demand for it' (p.69). The evidence highlights that, from the targets' perspective, private governance legitimacy is crucial in ensuring targets' support and compliance.

Legitimacy is crucial but it is complex and multidimensional, and different actors may not share common standards for assessing legitimacy. Ultimately, underlying ethical standards

underpin perceptions of legitimacy. Although ethical values may derive from multiple sources, in societies where religion is socially enshrined and much of the population professes to adhere to a religious belief system, religion may influence the perceived legitimacy of private governance rules. If a person understood that ethical rules are congruent with their religious doctrines, then the regulation in question may be considered legitimate, provided that the implementation is also in accordance with the person's ethical and religious values. Acknowledging and accepting the similarity between private codes and religious doctrine might create intrinsic motivation for compliance, especially if religion plays an important role in a society. To understand the interplay, the following section will discuss studies on the influence of religion on ethical thinking and conduct.

2.4. Religiosity and Ethics

My study examines if religion plays a role in shaping regulatory targets' approval of private regulations and their willingness to adopt private rules. Religion remains significant in many societies. For example, Islam which is the official religion in Malaysia influences all facets of the country's ethnic Malay population, who are almost by definition required to be Muslim. Much empirical research in the area of religion and ethical decision making is underpinned by the Hunt-Vitell theory of ethics. Hunt and Vitell (1986, 1993) present a general theoretical framework for ethical decision making that includes personal characteristics such as individuals' religion and religiosity.

In the ethical and decision making theory, a more religious person is expected to have clearer definition of deontological norms, which are normative theories regarding what duty or choice is morally accepted, forbidden, or required, which could lead to a stronger role in ethical judgement. According to Weaver and Agle's (2002) theory of ethical behaviour, the process

of ethical awareness, judgement, intention, and behaviour is influenced by religious role expectation. Religious role expectation is what religion provides for its adherents, and relates to belief and knowledge, affect, ritual, devotion, and experience. This religious role expectation, however, is influenced by identity salience. Identity salience is a person's self-identity as a result of their belief and practice of religion. However, other ethical theories, such as those by Ferrell and Gresham (1985), Trevino (1986) and most recently, Jackson, Wood, and Zboja (2013) do not incorporate religion into their theoretical framework under the individual factor.

As reported by Wilkes, Burnett, & Howell (1986), religion is an important construct that influences human behaviour. The authors argue that religious values and religiosity have important meanings to life styles, which in turn influences consumer behaviour. Religion, described as intrinsic religiousness, has significant motivation effects on ethical thinking in comparison to extrinsic religiousness (Vitell, Paolillo, & Singh, 2005). One study finds that high levels of religiousness could reduce tendencies to cheat (Bloodgood, Turnley, & Mudrack, 2008). However, another school of thought argues that religion is losing its influence in our lives as a result of increasing materialism(Gorski, 2000; Rawwas, Swaidan, & Al-Khatib, 2006). In some societies, religion is compartmentalized from daily routines, but not from personal and family matters (Rawwas et al., 2006). Therefore, religion might have a different impact on one's behaviour depending on the approach taken towards it.

As the present study is related to Muslim managers, it is important to look at studies on religion and ethical behaviour in relation to Muslims and Islam. The literature on moral attitudes among Muslim populations shares similar to research findings in the area of religion and ethical decision making. Achour, Grine, Mohd Nor, and MohdYusoff (2015) find 'positive yet

significant correlation between personal well-being and religiosity' (p.984) of Muslim academics and administrative staff from four public universities in Malaysia. Al-Ansari (2002) reports that moral reasoning of Muslim college students in Kuwait were influenced by their religion and their decision making was influenced by religious principles. Intrinsic religious orientation is also found to influence managers' tendency to consider doubtful business practices as unethical of *Shia* Muslim salespeople in Iran (Karami, Olfati, & Dubinsky, 2014). In addition, societal religiousness is also reported to influence work ethic in Turkey (Uçanok, 2010). As such, various studies on Islam and ethical decision making also support the Hunt-Vitell theory of ethics. Since my study investigates religious understandings of business actors, it is important to investigate studies in relation to religion and ethical decision making in business settings.

However, it is still unknown if a religion guides business decisions and associated behaviour of that religion's follower. While it is common to expect that religion will guide individuals in making an ethical decision, it is also common where a practitioner of a particular religion show little or no awareness of those religious beliefs (Weaver & Agle, 2002). Religious social norms are reported to affect financial reporting decisions at the corporate level, in a study that found a higher level of religious adherence to be associated with more responsible financial reporting decisions (Dyreng, Mayew, & Williams, 2012). Likewise, results on religiosity and ethical standards of business professionals have also been inconsistent, hence it is difficult to draw any wide-ranging conclusions (Weaver & Agle, 2002). For instance, Longenecker, McKinney, and Moore (2004) discover that business professionals for whom religion is highly or moderately important demonstrate a higher level of ethical judgement than those who held little or no importance of religion. A similar result was attained by Singhapakdi et al. (2000) who examined the influence of religiosity on ethical decision making of marketing professionals.

These findings are supported by scholarly evidence that suggests that anxiety over supernatural punishment plays a significant role in increasing generosity (Shariff & Norenzayan, 2007), fostering cooperativeness (Rand et al., 2014; Xygalatas, 2013) and honesty (Mazar, Amir, & Ariely, 2008).

In contrast, other studies find a negative relationship between religiosity and the ethical standards of business managers. For example, McDonald and Pak (1996) find that religious orientation does not influence managers' responses to ethical scenarios. In the same manner, Clark and Dawson (1996) find a negative correlation between religiosity and judgement of business ethics in a scenario-based study. Kidwell et al. (1987) also find no relationship between church attendance and perceptions of what is ethical in a survey performed on 50 male and 50 female business managers. Similarly, Hegarty and Sims (1978, 1979 as cited in Weaver & Agle, 2002) find that religiousness is not significant in influencing ethical behaviour when measured using single items such as church attendance.

Failure to discover explicit connections between religiosity and ethical behaviour in organizations may merely reflect a failure to examine religious role expectations in sufficient detail. This signals the urgency to conduct fine-grained analyses when dealing with religion's impact on behaviour (Weaver & Agle, 2002). Furthermore, the potential linkage of religiosity and ethical attitudes in organizations needs to be assessed concerning specific ethical conduct and approaches to religion (Weaver & Agle, 2002). To date, the private governance literature has not examined the ways in which religious belief might affect compliance driven by ethical considerations. However, as noted above, there is similar but parallel literature on CSR that looks at corporate behaviour with regards to sustainability and ethical standards. This literature

has gone some way to investigate elect of religion on CSR behaviour. These works are relevant to this study which examines religious understandings of ethical conduct.

There has been a number of studies investigating how religion affects business actors' understanding of CSR and their consequent behaviour. Similar with studies on religion and ethical behaviour, empirical investigation of the influence of religion on CSR attitudes also produces mixed results. Angelidis and Ibrahim (2004) suggest that the groups which identified themselves as having a high level of religiosity show greater concern about the ethical elements of CSR and are more willing to sacrifice profit for social benefits. In another study on the role of Islamic religion in adopting CSR practices, Zaman, Roudaki and Nadeem (2017) find that firms which avoid Riba (usury) and Mafsadah (publicly harmful activities) are more likely to implement better CSR practices. In line with this, Muwazir et al. (2012) and Aribi (2009) disclose that Islamic religiosity influences CSR practices. Religion is also positively associated with firms' philanthropic giving (Du, Jian, Du, Feng, & Zeng, 2014) and increases CSR disclosure (Aribi, 2009; Mallin, Farag, & Ow-yong, 2014). In similar vein, Brammer, Williams and Zinkin (2007) report that religious individuals tend to hold wider conceptions of CSR than non-religious individuals. In addition, the location of a firm's main office also affects CSR activities. Kim et al. (2018) find that there are greater CSR activities when the main office of a firm is located in an area where levels of religious belief are higher.

Conversely, there are also studies which reveal the negative association between CSR initiatives and religion. For example, McGuire, Newton, Omer and Sharp (2012) report that firms located in highly religious areas report less in the way of CSR initiatives. Further, Agle and Van Buren III (1999) suggest that religious practice has a weak relationship with attitudes toward CSR. Another study, Aribi and Arun (2015) find that although religious managers have

a sound understanding of CSR practices, they often fail to implement those in their actual business activities.

Scholarship on religion and environmental management has similarly produced mixed and inconclusive evidence of the roles that religion plays in understanding the relationship between human and nature. In the early 1980s, the World Wildlife Fund (WWF) and International Union for Conservation of Nature (IUCN) started to bring religion into environmental protection (Schwencke, 2012). This new initiative resulted in the IUCN developing the first environmental action from an Islamic perspective in 1983 which was called Islamic Principles for the Conservation of the Natural Environment (IPCNE) (Schwencke, 2012). According to Sherkat and Ellison (2007), religious groups may play a significant role in bringing society together to protect the environment: 'Conservative religious groups may not provide a strong ideological foundation for mobilization to protect the environment, but they may play an important role in mobilization to protect specific natural settings' (p.82). However, there are several obstacles in implementing Islamic environmentalism in contexts where Muslims have low levels of awareness about environmental problems and protection.

This issue was examined by Foltz (2000) at the Harvard conference on Islam and ecology, where Muslim scholars seemed to refuse to acknowledge any associations between an expansion of the human population, social injustice, and economic disparity and environmental deterioration. According to Foltz (2000), some traditional Muslims misinterpret the concept of tawakkul or trust in God and the Qur'anic response that 'God will provide' which results in Muslim countries opposing women's reproductive rights. Foltz (2000) also suggests that to counter the misinterpretation:

> '…an Islamic environmentalist might posit the concept of 'aql, or rational intelligence, which according to Islam is a gift from God, given for a purpose. There appears to be nothing un-Islamic about suggesting that the gift of 'aql has applications in recognising a crisis and finding ways to avert impending disaster' (p.67).

He also adds:

> 'Given the importance of the petroleum industry and the widespread pursuit of materialistic, consumption-oriented lifestyles in numerous Muslim-majority countries, it would appear that Muslims must now share with Christians and others some of the blame for the present and rapidly deteriorating state of environmental crisis' (p.68).

Therefore, it might be that some Muslims have a different approach to their religion and the Islamic scriptures, specifically by not applying the stewardship concept accordingly that led to environmental problems. Another explanation for such behaviour is that people are effectively forced to put an end to their personal values at work and behave differently in a business setting because of personal identity and place in society (Van Buren III, 1995). This suggests that a compartmentalisation of religion can exist where there is a weak relationship between religion and behaviour in working environment.

Compartmentalisation often occurs in business and professional settings and it limits people ability to connect with their own values and moral principles (Gioia, 1992; Kelly, 1998; Rozuel, 2011). As such, this study investigates if the targets' view on private governance would change if they know that their religious doctrine is in line with private rules. Are they willing to admit this? What would be their reasoning for accepting or not accepting the facts?

The literature discussed so far mostly investigate religiosity as a construct that is assessed by scales that measure a person's degree of belief such as 'more' or 'less' religious which is something of a variable quantity. Such studies yield contradictory findings of religion's impact on ethical decision making. My research contribution does not attempt to arbitrate among these contradictory findings but takes an alternative approach to examine the role of religion in the governance of an industry. This study looks at how people understand their religious doctrine and whether their religion shapes their ethical awareness and perception of private regulation.

2.5. Areas of Uncertainty

While much of the literature on private governance compliance focuses on political and economic benefits as the motivation to comply, studies on purely voluntary compliance with regulatory rules without material incentives are scarce. Likewise, studies on sustainability norms and compliance with rules of global governance will eventually lead to the ultimate goals, which are to achieve social and economic advantages. Studies in private governance often find that regulated firms comply because they want to respond to a public relations crisis. In such analysis, compliance makes sense when corporate leaders espouse sustainability and environmental protection goals in order, to boost their companies' bottom line. However, what if there is nothing that they could gain which can be measured economically by complying with the standards and rules set up by private governance regime? In such a scenario, a materialist approach would conclude that there is no scope for private regulation to improve governance outcomes. However, this conclusion would be premature. Scholars need to get inside the firms and the minds of targets to better understand how they view private codes. What has shaped their views on private governance? What is their internal ethical stance? Under what condition would the targets of private rules voluntarily conform to the rules without any political and economic incentives?

Examining what drives the regulated entity to adopt private rules voluntarily is significant in the case of palm oil, as the compliance rate is low. This is especially the case with small and medium-sized firms, who cite compliance costs as prohibitive. Furthermore, if regulated firms willingly comply with the rules, the problems with credible monitoring and enforcement mechanisms could be reduced. In the absence of such intrinsic motivation for compliance, private governance regimes such as those of the RSPO can be fragile and, reliant on extrinsic incentives created by monitoring and sanctioning systems may remain weak (Yaap et al., 2010) widespread.

Investigating plausible avenues to inculcate voluntary compliance is worth undertaking because the level of compliance is still low despite an exhaustive number of tasks involved in ensuring compliance. These tasks include third-party auditing, third-party monitoring, information disclosures, documenting compliance, sanctioning the non-compliant and rewarding the compliant. Those endless tasks could be eliminated if the targets of regulations were more ethically motivated to address the need to balance between people, profit, and the planet.

Previous research in private governance has not investigated targets' ethical judgement. Hence, the purpose of this study is to fill the gap in research on private regulations where the targets' ethical thinking is not fully explored. The targets' views and principles on the issues encompassing the palm oil industry will be examined in order to understand what makes them reluctant to approve and comply with private rules. Therefore, this study investigates the ethical thinking of the targets of the rules. The subjects in question are the Malaysian managers in the palm oil industry.

Several factors are known to influence an individual's ethical thinking and behaviour, for example, work environment, professional environment, government/legal environment, personal environment, individual attributes and social environment (Bommer, Gratto, Gravander, & Tuttle, 1987). The social environment includes cultural, humanistic, societal values and religion. There are thus many aspects that a study of internal ethical motivation could investigate. This study focuses on the ways religion may shape managers' ethical awareness and thinking. Understanding the impact of religion on the targets' ethical thinking is important because religion is likely an important source of ethical judgement for people who are religious. The discussion earlier in this chapter has shown that ethical judgement matters as a source of intrinsic motivation for compliance. This study, therefore, investigates whether managers see the aims of a private regulation initiative as either congruent with, or divorced from, their religion. Secondly, I investigate whether this makes them more or less ready to accept the rules of the regulatory initiative. It could be argued that if targets of private regulation were fully intrinsically motivated, then there would be little need for private regulation in the first place. However, coordination problems may still arise without a cooperative structure, even if participants are intrinsically motivated.

Therefore, it is intriguing to discover if managers of regulated firms are willing to accept private rules if they know that the rules are congruent with their religious beliefs, which may function in similar ways to norms and shape behaviour. According to Dashwood (2007), 'norms can be constructed domestically and do not have to come from the global level to change firm behaviour' (p.129). Dashwood also suggests that individuals such as senior managers can create and disseminate progressive norms. This perspective differs from previous research, which suggests roles including instilling sustainability, are being carried out by NGOs.

Likewise, management literature shows that religion-related norms influence corporate decision making and financial outcomes (Chen, Podolski, Rhee, & Veeraraghavan, 2017; Hilary & Hui, 2009; Kumar, Page, & Spalt, 2011).

Given that such efforts are ultimately underpinned by ethical values and reasoning, it is worth investigating how the targets of private regulation view the requirements of their religion concerning the governance issues addressed by private regulatory initiatives. Against this background, this study explores the ethical thinking of the RSPO's regulated entities in the Malaysian palm oil industry. This project examines the connection between the targets' approach to religion and their ethical reasoning as it relates to palm oil production. This study focuses on one religion only - Islam. Islam is chosen in part because it is the official religion in Malaysia and its status is enshrined in law. It is also the religion that many managers in the palm oil industry are associated with. Furthermore, the relationship between humans and nature is emphasized in Islamic scriptures such as the Qur'an and the Hadith (the Prophet's sayings).

The Islamic scriptures have ordained *khalifa* or human stewardship of the earth where humans are viewed as the earth manager, not its owner (Al-Qur'an: Al-Baqarah:30; Al-Qur' an: Al-An'am:165). Islamic principles in relation to the environment, animals, and human rights will be further elaborated upon in the context section in chapter three. In line with stewardship roles in this world, Islamic teaching calls for all persons to ensure that other beings' rights are protected, and for nature to be preserved and shared equally among all beings. All beings, not just humans, have the right to use all elements of nature such as land, water, fire, forest, and light.

Specifically, my study will investigate whether religion affects targets' expressed willingness to comply with RSPO codes. In this project, targets are the managers in the palm oil companies who are not only responsible for day-to-day operations but also influence their company's overall direction. This study also explores if the targets are able to see the congruence between RSPO principles and Islamic principles. If the targets can see the similarity, they may willingly adopt RSPO rules regardless of economic and socio-political incentives and may thus in turn become the demander of rules. Furthermore, if a target becomes a demander of the rules, they may also insist that the rules be adopted by its competitors, buyers, and others in the supply chain. Such collective action may benefit society in the long run. Thus, this study explores the potential that targets may demand rules if they can recognize ethical reasoning. This is determined by their perception of their religion, and their view on what is behind the establishment of the rules. The targets' understanding and perception of their religion could shape their nature of ethical thinking and reasoning with respect to current problem in the industry.

2.6. Chapter Summary

Compliance with private regulatory initiatives is typically relatively low as targeted firms often resist regulation unless there are clear economic incentives to comply. Although social, political, and consumer trends may create such initiatives in some cases, relying on extrinsic motivation is fragile in contexts where monitoring and enforcement mechanisms are weak. Therefore, this study examines whether intrinsic motivation encourages compliance with private regulation. This project explores the ethical thinking of managers in the Malaysian palm oil industry. It focuses on whether these managers (who are the targets of private regulatory rules developed under the RSPO) are able to see the congruence between their Islamic religion and RSPO principles and criteria. As Islamic teaching is consistent with

environmental protection and social justice, it is important to identify how managers' view and reconcile these teachings in light of large-scale social problems and environmental impacts associated with the industry. This study does not attempt to measure religiosity as a variable scale, but instead aims to interpret the ways managers think about their religion and the connections they draw between their religion, the ethical issues in the palm oil industry and the primary regulatory initiative that governs the industry.

Chapter 3. Research Context: Malaysia Palm Oil Industry and Islamic Environmental Ethics

3.1. Introduction

This research explores the way Muslim managers view their religion and how this view impacts their understanding of the industry's problems and acceptance of RSPO regulations. In this section, I discuss the background of the industry and its environmental and social impacts that attract global concern. The creation of private regulation entities such as the RSPO help regulate practices and the impact of the industry.

Palm oil plantations have expanded dramatically especially in Southeast Asia (Koh et al., 2011; Rival & Levang, 2014) due to its low production cost (Corley, 2009; Lam et al., 2009; Zimmer, 2010) and increasing global demand. Palm oil is known to be a multi-purpose vegetable oil with end products ranging from food to biodiesel (Basiron, 2007; Lam et al., 2009; Rival & Levang, 2014). However, due to the conflict between the conservation of natural spaces and development, the industry is struggling to establish sustainability while at the same time enhancing rural livelihood (Cramb & Curry, 2012).

The conflicts in the palm oil industry to be discussed cover four environmental categories: biodiversity, land/soil, air, and water. The only issue that will be discussed under social impact is land use and customary rights of indigenous people. This study only focuses on matters arising from palm oil cultivated in primary and secondary forest rather than non-forest land use types. Primary forest is untouched, pristine forest while secondary forest is rainforest that has been disturb naturally or unnaturally (Butler, 2012).

3.2. Issues with the Malaysian Palm Oil Industry

3.2.1 Biodiversity

Many studies (e.g.: Corley, 2009; Dislich et al., 2015; Fitzherbert et al., 2008; Koh & Wilcove, 2008; Rival & Levang, 2014; Savilaakso et al., 2014) highlight the negative impact of palm oil plantations on biodiversity. The establishment of a palm oil plantation begins with forest clearing which is the principal driver of forest loss. In a review of the direct impacts of forest conversion for three first-generation biofuel crops (oil palm, soybean, and jatropha) on biodiversity, palm oil plantations have been found to reduce species richness. The composition of species assemblage changes significantly after the forest is converted into palm oil plantation. Previous studies have reported that deforestation caused by the palm oil industry has a negative effect on all organisms. This includes amphibians (Sheil et al., 2009), birds (Azhar et al., 2011; Edwards et al., 2010), plants (Foster et al., 2011), ants (Fayle et al., 2010) and mammals (Foster et al., 2011). While some animals such as elephants, rhinos, orangutans and tigers to name a few, have been killed, other species die because plantations do not provide them with a suitable habitat (Dislich et al., 2015).

It is reported that 55 - 59% of palm oil expansion in Malaysia has occurred at the expense of forests conversion, which has resulted in significant biodiversity losses. This is in comparison to a conversion of pre-existing cropland such as rubber to palm oil plantations (Koh & Wilcove, 2008). Although there are suggestions that the plantations developed from forests are more hospitable to wildlife (Basiron, 2007; Tan et al., 2009), a wildlife-friendly strategy such as retaining fragments of forest within the agricultural matrix is not an efficient method to increase biodiversity (Edwards et al., 2010). In Southeast Asia, preserving adjoining forests wherever possible would be the most efficient strategy for conserving biodiversity (Edwards et al., 2010) as well as eliminating land degradation and soil erosion (Awang Ali et al., 2011).

Furthermore, many peatlands have been converted into palm oil plantations in Southeast Asia, which threaten biodiversity richness. In Sarawak, Malaysia, deforestation of peatland has occurred mostly at the coastal division of Sibu, Mukah, Bintulu, and Miri (Tsuyuki et al., 2011). Although the peatland's wet soil is unsuitable for most crops, if the soil is deeply drained, it is quite suitable for palm oil (Tan et al., 2009).

A study conducted on deforestation in Sarawak between 1990 and 2009 using multi-temporal Landsat data found that deforestation in the area has been significant for intact and peat swamp forest (Tsuyuki et al., 2011). This deforestation is due to the rapid expansion of palm oil plantations (Tsuyuki et al., 2011). The same study also reports that Sarawak's peatland is depleting faster than the average rate in Borneo the current rate of depletion, Sarawak's peatland will vanish in another two decades. Therefore, it is crucial that a set of holistic standards related to transparency and best plantation practices (as suggested by the RSPO), are imposed on palm oil growers in order to protect biodiversity in high conservation valued land.

3.2.2 Land and Soil

Soil loss and erosion can also occur during plantation establishment when land is bare and maximally exposed to wind and water erosion (Dislich et al., 2015). In addition, the development of plantations on peat soils contributes substantially to greenhouse gas (GHG) emissions and thus to climate change which is a growing global threat to biodiversity (de Souza, Pacca, de Ávila, & Borges, 2010; Fitzherbert et al., 2008; Koh et al., 2011; Wicke, Sikkema, Dornburg, & Faaij, 2011). The draining of peatland will result in significant CO2 emissions and will override any carbon benefits that palm-based biofuel may offer (Sheil et al., 2009).

Under the fourth principle of the RSPO on the use of appropriate best practices by growers and millers, palm oil growers must minimise and control erosion and soil degradation. According to the RSPO audit checklist for compliance (2013), avoiding land degradation can be done by:

> '…mapping any fragile soil, establish a management strategy in planting on slopes, subsidence of peat soils must be monitored and minimised, and drainability assessment is required prior to replanting on peat to determine the long-term viability of the necessary drainage for oil palm growing'.

3.2.3 Air

When peatland is drained to cultivate palm oil, the soil becomes dry and, hence, can easily lead to forest fires, especially in the dry season. Air pollution from land clearing fires and increased emissions of volatile organic compounds (VOC) are two ways palm oil plantations affect local and regional air quality (Dislich et al., 2015). The land clearing fires can lead to smoke and haze pollution. Although not all forest fires are created by palm oil plantations (many plantations have adopted zero burning), there are still well-documented cases of large-scale burning by plantation companies (Schrier-Uijl et al., 2013). Fires add black carbon to the atmosphere and thus contribute to global warming (Fargione, Plevin, & Hill, 2010). Decreasing air quality causes immediate respiratory problems (Mott et al., 2005) as well as long-term health problems (Schrier-Uijl et al., 2013). Additionally, haze pollution has been an annual occurrence in Southeast Asia since 1982. The worst haze that originated from peat and forest fires mostly in Indonesia was reported during the period of 1997 - 1998 and 2006 - 2007 (Varkkey, 2013). In 2015, haze in Indonesia between September and November 2015 choked neighbouring countries such as Malaysia and Singapore and is believed to be among the worst. Apart from air pollution, the palm oil industry is also frequently associated with water pollution.

3.2.4 Water

In Malaysia, runoff and palm oil mill effluence (POME) that enter rivers is threatening aquatic ecosystems (Awang Ali et al., 2011). Improper POME treatment can imperil the environment as it can emit toxic gases and jeopardize water systems (Hosseini & Abdul Wahid, 2015). Streams and rivers near palm oil mills are often contaminated with POME due to leaks (Ahmad, Ismail, & Bhatia, 2003).

A high acid level in soil due to the drainage of peat soil for plantations may also affect water quality in the surrounding area (Wösten, Clymans, Page, Rieley, & Limin, 2008; Wösten, Ismail, & van Wijk, 1997). Furthermore, peatland drainage reduces the ability of peatlands to act as a freshwater buffer which may allow salt water to trespass (Aerts & Ludwig, 1997). Occasionally, fertilizers, pesticides and herbicides that are inevitably washed away to the open sea could negatively affect aquatic organisms (Gharibreza et al., 2013; Kemp, Sear, Collins, Naden, & Jones, 2011).

3.2.5 Land and Customary Rights

Land use change that occurs by converting natural rainforest and peatland is not only creating further environmental implications but also social consequences such as land tenure and human rights conflict (Colchester, Pang, Chuo, & Jalong, 2007; Koh & Wilcove, 2008; Wicke et al., 2011). In certain parts of Malaysia, especially in Sabah and Sarawak, forests play a significant role in a community's livelihood. In a recent study by Nelson, Muhammed, and Rashid (2015) on the varieties and effects of forest resources and wildlife richness to the Sarawak community, it is concluded that the community depends highly on the forests to survive. The people rely on forests for many reasons including as a site to build houses, for agriculture purposes and as a source of water supply. From detailed testimonies collected from 12 indigenous communities affected by palm oil, the following are revealed as major problems (Colchester et al., 2007):

i. ‘Conflicts and dispute over land.

ii. Lack of respect for customary rights.

iii. Consultation and communication have not been transparent.

iv. Abuse of the principle of Free, Prior and Informed Consent.

v. The affected local people cannot choose their representatives.

vi. Compensation is not paid or is very limited.

vii. Lack of transparency and participation in Environmental Impact Assessment.

viii. Insufficient tools for the aid of grievances’ (p.3).

In Sabah, the government’s policies on palm oil development have led to many concerns about land rights (Awang Ali et al., 2011). The adverse impacts of deforestation and river pollution are of concern to those who continue to rely on traditional land use activities or depend on the river for household uses. Communities have not been consulted when forest reserves and other protected areas are gazetted or when land is appropriated for logging and palm oil cultivation (Toh & Grace, 2007).

Regrettably, all of the above practices are not in accordance with Islam, which is the official religion of Malaysia. Although Islamic law is not implemented in Malaysia except in relation to family matters, complying with the law is highly relevant in light of the current state of the world’s environmental crises. Therefore, this study will also examine the principles of Islamic environmental ethics, which are being disregarded by the industry.

3.3. Palm Oil Companies' Efforts to Deal with Environmental and Social Issues

The Malaysian palm oil industry players, including government agencies and palm oil corporations also participate in conservation efforts. The Malaysian Palm Oil Council (MPOC) established its own conservation fund - Malaysian Palm Oil Wildlife Conservation Fund (MPOWCF) - to conduct research on the impact of the palm oil industry on wildlife, biodiversity, and environmental conservation ("Malaysian Palm Oil Wildlife Conservation Fund (MPOWCF)," 2006). The MPOWCF has carried out several projects with the government's Wildlife Department and other partners since 2007. For example, the MPOWCF funded a rescue team called the Sabah's Wildlife Department's Wildlife Rescue Unit (WRU) which conducts wildlife rescue and translocation to mitigate human - wildlife conflict in Sabah ("An Introduction to the Sabah Wildlife Department's Wildlife Rescue Unit (WRU)," 2010).

Sime Darby Plantation, a large conglomerate which is an RSPO member, has undertaken several biodiversity conservation projects as an effort to reforest, restore plant biodiversity and protect endangered species. Their projects include the Plant-A-Tree Programme, the Carey Island Wildlife Sanctuary, the Stability of Altered Forest Ecosystems (SAFE) Project, the Tabin Wildlife Reserve, the Bornean Sun Bear Conservation Centre (BSBCC), and the Borneo Rhino Sanctuary. These projects are undertaken with several other partners ("Biodiversity conservation," 2015).

Other conglomerates and RSPO members (i.e. Kulim (M) Berhad) have formed 'Kulim Wildlife Defender' (KWD) in their commitment and initiatives to adopt sustainability practices and biodiversity conservation (Kulim (M) Berhad, 2013). The KWD aims at protecting its plantation's border against illegal poaching. The KWD also focuses on survival of tigers in the wild such in areas such as the Endau-Rompin National Park, which is adjacent to the Kulim

plantations in Johor (Elias, 2016). The KWD also helps to create awareness of wildlife conservation by conducting campaigns at schools and higher learning institutions (Kulim (M) Berhad, 2013).

The question raised is whether the industry's conservation efforts are only greenwashing while harmful practices remain widespread. Some studies have shown that adopters of sustainability standards participate in greenwashing or shortcut solutions to complicated social and environmental problems (Friends of the Earth Europe, 2008; Li, 2011; Norman & Macdonald, 2004).

3.4. Malaysian Palm Oil Industry Regulatory Regime

The success of the Malaysian palm oil industry is due to high collaboration of state institutions, industry associations, and palm oil firms (McCarthy, Gillespie, & Zen, 2012). The Malaysian palm oil regulatory framework can be divided into two: government regulatory agencies and voluntary or private regulator. The government regulatory standard consists of the government agency and Acts such as the Malaysian Palm Oil Board (MPOB), Environmental Quality Act 1974 (EQA), Occupational, Safety and Health Act (OSHA), and the Labour Law and Factories and Manufacturing Act 1967 (FMA) (Abdullah, Wan Mahmood, Md Fauadi, & Ab Rahman, 2015). These enabling institutions are integrated in order to increase economic performance as well as to attain sustainability production of palm oil. State actors, for example, the MPOB, are often intertwined with business actors (Von Geibler, 2013). This is likely due to the high level of bilateral mutual effort between palm oil producing countries (Teoh, 2010). However, despite having various laws to regulate the industry, unsustainable practices persist. This is due to the close relationships between palm oil firms and state elites, which enable the palm oil firms to bypass regulatory requirements in the name of driving economic growth and

enhancing rural incomes (Nesadurai, 2017; Varkkey, 2013). Malaysian environmental policies and laws are not well implemented due to lack of enforcement, coordination, and customary attitudes (Mohammad, 2011). Malaysia must identify the common root causes to persistent unsustainability and encourage ethical politics as the physical foundation of environmental governance (Hezri, 2011).

Therefore, voluntary private governance was developed to fill the gap that the government leaves in relation to maintaining efficient regulation of environment and social standards. A voluntary standard involves standards established by environmental and social NGOs; industry and trade organisations; banks and investors; and consumers (Abdullah et al., 2015). According to Nesadurai (2017), voluntary private standards have:

> '…unsettled the regulatory status quo, put status quo state and corporate interests on the defensive, built a transnational coalition of principled and instrumental interests behind private, global standards and created significant openings for a new, or at least, parallel private regulatory order in Malaysia and Indonesia that addresses both sustainability and livelihood concerns' (p.21).

Therefore, it is presumed that private governance with dynamic environmental standards have more or less managed to change the palm oil industry's sustainable practices, which the state has failed to undertake.

Nevertheless, many actors in Malaysia appear to be less than fully committed (and in some cases opposed) to private governance in the form of the RSPO. Industry players most often deny their engagement with unsustainable and unethical practices charged of them. As discussed in Chapter 2, there are many accusations of less than full compliance with RSPO principles, and even member firms do not certify all of their production.

3.4.1 Environmental Protection in Islam

My research is concerned with how practitioners of Islam in the palm oil industry perceive and reconcile their religious teaching in light of the industry's disputed practices concerning social rights and environmental issues. I also investigate practitioner perceptions of the private regulatory who regulates the industry. I do this in order to understand the practitioners' degree of willingness to adopt private regulation. In this section, I review some of the literature on Islamic environmental ethics to identify the theories and practices of Islamic environmentalism.

Scholarly work in religion and ecology confirms that religion plays a crucial role in understanding the relationship between humans and nature. In the early 1980s, the World Wildlife Fund (WWF) and International Union for Conservation of Nature (IUCN) started to bring in religion into environmental protection discourse (Schwencke, 2012). This new 1983 initiative resulted in the IUCN developing the first environmental protection policy from an Islamic perspective i.e. Islamic Principles for the Conservation of the Natural Environment (IPCNE) (Schwencke, 2012).

As emphasised by Islam, the relationship between humans and nature can be found in Islamic scriptures such as the Qur'an and the Hadith (the Prophet's sayings). To understand this relationship, this section examines the scriptures that contain doctrines associated with environmental protection as well as animal and land rights. Islamic scriptures ordain human stewardship wherein humans are viewed not as the owner but as its manager. All elements of nature such as land, water, fire, forest, and light belong to all beings, not just humans. Therefore, all persons should ensure that other beings' rights are protected and nature is preserved and shared equally among all beings. The following verses from the Qur'an state

that humans should protect both the environment as well as other beings and not to harm and destroy them:

> …and do no mischief on the earth after it has been set in order: that will be best for you, if ye have Faith. (Qur'an 7:85)

> And He has set within it mountains standing firm, and blessed it, and ordained in it its diverse sustenance in four days, alike for all that seek. (Qur'an 41:10)

> And do good as Allah (God) has been good to you. And do not seek to cause corruption in the earth. Allah does not love the corruptors. (Qur'an 28:77)

Much destruction occurring today is reflected in the Qur'an:

> Corruption has appeared throughout the land and sea by [reason of] what the hands of people have earned so He may let them taste part of [the consequence of] what they have done that perhaps they will return [to righteousness]. (Qur'an 30:41)

3.4.2 Biodiversity

Islam encourages the conservation of the trees, forests, woodland, countryside, and all other living creatures and their habitats. Allah calls upon human being to cultivate the earth to seek subsistence, to meet their needs and to satisfy hunger. Trees and plants are created for human use, as mentioned in the Qur'an verse 6:99 (Islam, 2004; Kamali, 2012).

> … We produce thereby the growth of all things. We produce from it greenery from which We produce grains arranged in layers. And from the palm trees - of its emerging fruit are clusters hanging low. And [We produce] gardens of grapevines and olives and pomegranates, similar yet varied. Look at [each of] its fruit when it yields and [at] its ripening. Indeed in that are signs for a people who believe.. (Qur'an 6:99)

Along with proper care of the environment, Islam asserts that individuals not be corrupt and wasteful. Such orders from Allah can be found from the following verse (Islam, 2004):

> And He it is who causes gardens to grow, [both] trellised and untrellised, and palm trees and crops of different [kinds of] food and olives and pomegranates, similar and dissimilar. Eat of [each of] its fruit when it yields and give its due [zakah] on the day of its harvest. And be not excessive. Indeed, He does not like those who commit excess. (Qur'an 6:141)

The Qur'an also draws attention to the importance of the nature's balance which we must practice in life and society. Islam does not endorse man's actions that destroy and spoil ecological equilibrium and systems. Allah has appointed man as His vicegerent on earth where man is responsible for the earth, and preserve it. Material value should not be prioritised over other values, such as spiritual, and human values (Hizb ut-Tahrir Denmark, 2009). Along with material values, these values should be coordinated effectively. Therefore, agriculture activities such the palm oil cultivation are permitted under Islam as long as no value is ignored in favour of other values. Balance among economic performance, man and nature must be sought. The following verse demonstrates the importance of balance and justice:

> The sun and the moon [move] by precise calculation. And the stars and trees prostrate. And the heaven He raised and imposed the balance. That you not transgress within the balance. And establish weight in justice and do not make deficient the balance. (Qur'an 55:5-9)

The importance of agricultural activities can be found from the narrations of the Prophet Muhammad (peace be upon him):

> If the Hour (the day of Resurrection) is about to be established and one of you was holding a palm shoot, let him take advantage of even one second before the Hour is established to plant it.

The above hadith shows that Islam does not forbid humans from working, and gaining wealth and earnings. In fact, Islam allows human to work which is necessary for the progress of human life and for carrying out his duties to his family, society and most importantly his duties as a servant to Allah.

Human responsibility towards nature can be seen in the below hadith:

> Ahmad reported from Jabir bin Abdullah that the Prophet (peace be upon him) said: The area between two black tracts of Madinah is a Haram (a sanctuary). No tree must be cut (within this area) except for use as fodder for animals.

In forest conservation areas, trees cutting is prohibited. Therefore, all countries must ensure that there are sufficient conservation areas allocated in order to ensure animals and nature do not become extinct. However, those who destroy forests for the sake of pursuing development should consider a hadith (Abu-sway, 1998; Islam, 2004) such as the following (as narrated by Abdullah ibn Habashi):

> He who cuts a lote-tree (without justification), God will send him to hellfire.

This hadith means that only cutting trees in forest conservation areas is prohibited (Kilani, Serhal, & Llewellyn, 2007). Islamic law has rules concerning scarce water resources, land conservation and wildlife protection and conservation (Khalid & Munn, 2002). The Prophet Muhammad (peace be upon him) organized the planting of trees on migrating to Madinah. He designated a hima or a sanctuary on an area of land twelve miles wide in Madinah where every living creature and green spaces are protected. Hima is not meant for any individuals

for their personal good, such as the times of the pre-Islamic Period of Ignorance (I. Ibrahim, Hua, Aziz, & Hanifah, 2013).

However, if a common resource is scare or environmental degradation has taken place, social goods or interest must be assessed according to their importance and urgency as stipulated by Islamic Law (IUCN, 1994):

> There are necessities (daruriyat) which are absolutely indispensable to preserve religion, life, posterity, reason, and property; then needs (hajiyat) which if unfulfilled will lead to real hardship and distress; and finally supplementary benefits (tahsiniyat) which involve the refinement and perfection of ethics and the enhancement of life. Preference and priority are given to fundamental necessities if these conflict with less acute needs or supplementary benefits. In the same way, preference and priority are given to the lesser needs if these conflict with supplementary benefits (p.12).

Therefore, if a forest is cleared for the supplementary benefit for a certain group of people, it is prohibited. But, if forests need to be cleared in order for people to attain fundamental necessities, it is thus permissible. However, it is crucial to find the balance between development and conservation, and how to manage tradeoffs appropriately.

3.4.3 Water

The Qur'an and the hadiths contain notably specific statements about water. Allah mentioned in the Qur'an how He creates life from water, how He creates rains, rivers, and oceans. The word water is mentioned 60 times in the Qur'an (Gilli, 2004). Allah prohibits humans from destroying animals and plants, and polluting water, land and air because all these can contribute to the destruction of human being as well as the environment.

> "And spend in the way of Allah and do not throw [yourselves] with your [own] hands into destruction [by refraining]. And do good; indeed, Allah loves the doers of good". (Qur'an 2:195)

Therefore, the palm oil industry must make sure that any of their activities should not result in any kind of water pollution. If there is any pollution to water involved, they should take prompt action to remedy it and find ways that such pollution can be avoided completely.

When actions need to be takeb, but at the same time such actions will bring damage and destruction, a ruler or an individual must accomplish this mandate:

> What is required is to safeguard all benefits and bring them to perfection, and to eliminate all detriments and minimize them. And if they prove irreconcilable, it is to safeguard the greater good by the exclusion of the lesser, and to remove the greater harm by acceptance of the lesser." (Taqi ad-Din Ahmad ibn Taymiyah, in as-Siyasat ash-Shar 'iyah)

Apart from polluting water, extravagance of water use is forbidden for both public and private use. Prophet Muhammad (peace be upon him) called upon his followers to preserve pure water and to stop its abuses (Ozdemir, 2003; Rice, 2006). The Prophet Muhammad (peace be upon him) said to Saad when he was performing ablutions:

> Do not waste. Saad said: Is there extravagance in ablutions? The Prophet said: Even though you were on a running river (Dinata et al., 2013).

There is no doubt that conservation of water is important to preserve life. All Muslims are obliged to avoid any actions that can damage and pollute nature elements. Accordingly, the juristic principle is, 'What leads to the prohibited is itself prohibited'. Any waste or hazardous products should be treated appropriately to avoid injury where this is in line with the juristic

principle where damage shall not be eliminated by means of similar or greater damage (IUCN, 1994).

3.4.4 Air

Air is no less important than water. All creatures depend on air to breathe. Therefore ensuring that the air is pure and unpolluted is one of the fundamental objectives of Islamic law (IUCN, 1994). Any activities that pollute the air, or ruin or impair its functions will lead to problems such as a hole in the ozone. The Qur'an speaks of a protective layer or ozone in the following verses:

> And We made the sky a protected ceiling (canopy), but they, from its signs, are turning away. (Qur'an 21:32)

> It is Allah who made for you the earth a place of settlement and the sky a ceiling and formed you and perfected your forms and provided you with good things. That is Allah, your Lord; then blessed is Allah, Lord of the worlds. (Qur'an 40:64)

The ozone hole over Antarctica is one example of that the earth losing its protective layer, hence exposing us to cancer-causing rays. As such, whatever pollutes the air and is harmful towards overall health should be forbidden (Islam, 2004; Parvaiz, 2004).

> It is Allah who sends the winds which raise the clouds which We then drive to a dead land and by them bring the earth to life after it was dead. That is how the resurrection will be. (Qur'an 35:9).

It is possible that if Muslim managers in the palm oil industry understand the meaning of these texts from the Qur'an, they will ensure that their organizations are not contributing to air pollution and they would strictly avoid practices such as clearing forests with fire.

3.4.5 Land and Soil

Land and soil are significant for the continuation of our lives as well as those of other creatures; this is acknowledged in the Qur'an:

> And the earth He has established for living creatures. (Qur'an 55:10)

The World Conservation Union (IUCN) states in its Environmental Policy and Law concerning environmental protection in Islam that: 'It is crucial to maintain the productivity of the soil, and not expose it to erosion by wind and flood; in building, farming, grazing, forestry, and mining, we are required to follow practices which do not bring about its degradation but preserve and enhance its fertility' (p.5).

Islam encourages reviving soil by planting and cultivating it while at the same time preserving and enhancing its fertility. Under Islamic law, any act that leads to destruction and degradation of earth is prohibited. According to the book of Fiqh (Islamic jurisprudence), the revival of the dead land or *ihya' al-mawat* is necessary for the economy and as a source for a healthy environment (Deuraseh, 2010). Therefore, the palm oil industry should ensure that when opening a new plantation palm oil producers should only restore dead land instead of clearing forests. Science and technology could assist in restoring such land. As stated in the IUCN (1994), 'any person who brings life to unowned land by undertaking its cultivation or reclamation or otherwise putting it to beneficial use acquires it as his private property' (p.14). However, if exploitation exists that will be injurious to general welfare, it will not be considered as land reclamation or revival (ihya'al-mawat). This includes land that is set aside as reserves (such as *hima*).

Islam gives priority to the revival of dead land, which is important for human survival, and such land should be declared as state property and reserved for public use and designated as

hima (Deuraseh, 2010). *Hima* is the conservation and management of rangelands, forest and woodlands, watersheds and wildlife (I. Ibrahim et al., 2013).

3.4.6 Land and Customary Rights

In Islam, God is the real owner of the earth and all that it contains, and human beings are held as trustee of properties and resources. Although man has right to own property, there are important restrictions on its uses (IUCN, 1994). Rights should not be abused and this is derived from the Prophetic declaration: 'There shall be no damage and no infliction of damage' (IUCN, 1994, p.8). The IUCN also states that: 'A right shall be exercised only for the achievement of the ends for which that right was created, and a person invalidates his right, if by exercising it he intends to cause damage to another; or if its exercise does not result in any benefit to him but results in damage, even unintentional, to another; or if in spite of bringing benefit to him, its exercise results in excessive damage to another, or in general damage to the community' (IUCN, 1994, p.11)

According to the Prophet Muhammad (peace be upon him), 'liability for a thing is an obligation accompanying the benefit thereof' (IUCN, 1994, p.11). Islamic law states that ruling authorities must protect disadvantaged groups over influential groups. The juristic principles about this are: 'The averting of harm from the poor takes priority over the averting of harm from the wealthy,' and 'The welfare of the poor takes priority over the welfare of the wealthy' ('Izz ad-Din ibn 'Abd as-Salam, in Qawa'id al-Ahkam fi Masalih al-Anam).

The general guidelines relating to property are described in detail in the Islamic Jurisdiction which specifies the proper use of property, the limit within which it must operate where it should meet the requirement and the objective of *Shari'ah* (Islamic law). If anybody, including the government exceeds these limits or violate the rights of the owner, the owner must take

action and seek remedy in the courts (Mariam & Salasal, 1998). The property must be returned to the owner or compensation of losses should be made to the owner. According to Mariam and Salasal (1998):

> Islam also forbids ownership by deception, cheating or fraud, by usurping or stealing or taking without compensation and it also prohibits possession which leads to injury to the individual and the society (p.292). It also does not approve of distribution of property or wealth that deprives the livelihood of a section of society' (p.293).

The palm oil industry has created damage to communities who depend on forests and rivers to make a living. The community usually does not get their fair share of the wealth that the industry generates. Therefore, the palm oil industry is not acting in accordance with Islamic principles when they are violating the rights of indigenous people.

One of the solutions that is currently close to what has been suggested by the Qur'an is the Roundtable of Sustainable Palm Oil's (RSPO) principles and criteria. The RSPO's principles and criteria are similar to what the Qur'an and the hadith have outlined and, therefore, can be abided by all Muslims.

3.5. RSPO Principles and Criteria

The palm oil industry in Southeast Asia, including Malaysia, has been associated with environmental abuse as well as animal and human rights abuses. Therefore, understanding how industry managers understand organization's practices by investigating their approach to religion is crucial if negative impacts are to be reduced if not eliminated. Although Malaysia is a Muslim country, the regulations pertaining to industrial palm oil practices are not as comprehensive as what has been outlined in Islamic teaching. However, although a private

regulator such as the RSPO is presented as secular, I argue here that their principles are very comparable to those emerging from the Islamic faith. Hence, this section will look at those principles and how they are similar to Islamic principles.

The RSPO objective is:

> 'to bring together stakeholders from the palm oil industry including oil palm producers, palm oil processors or traders, consumer goods manufacturers, retailers, banks, investors, and environmental, conservation, and social non-government organizations to develop and implement global standards for sustainable palm oil' (RSPO 2009).

Its aim is to promote sustainable palm oil production. The RSPO principles are summarized in Table 3.1 below.

Table 3.1 : RSPO Principles (source: RSPO 2013)

Principle 1	Commitment to transparency
Principle 2	Compliance with applicable laws and regulations
Principle 3	Commitment to long-term economic and financial viability
Principle 4	Use of appropriate best practices by growers and millers
Principle 5	Environmental responsibility and conservation of natural resources and biodiversity
Principle 6	Responsible consideration of employees and of individuals and communities affected by growers and millers
Principle 7	Responsible development to new plantings

Principle 8	Commitment to continuous improvement in key areas of activity

Most of the RSPO principles are mirrored in Islamic teaching. The first principle, transparency, is one of the main principles and criteria of good governance in Islam (Dauda & Yusha'u, 2017). It appears in the Qur'an (Maishanu, 2015) in the following verse;

> O you who have believed, when you contract a debt for a specified term, write it down. And let a scribe write [it] between you in justice. Let no scribe refuse to write as Allah has taught him. So let him write and let the one who has the obligation dictate. (Qur'an 282:2).

As suggested by Dauda & Yusha'u (2017) when applying this verse to Islamic governance in the palm oil industry, the palm oil producer should always disclose information regarding its action plans, activities to contribute to the community, resources uses and its environmental protection strategy.

Islam also orders its believers to comply with any applicable laws and regulations, even if the laws were created by non-Muslims as long as it benefits all and is not against any Islamic teaching. As such, this Islamic teaching matches the second principle laid out by the RSPO and can be drawn from the following verses:

> Oh you who believe! Fulfill (your) obligations." (Surah al-Ma'idah: 1)

> And fulfill (every) covenant. Verily! The covenant will be questioned about. (Surah al-Isra': 34)

> And fulfill the Covenant to Allah when you have covenanted, and break not the oaths after you have confirmed them. (Surah al-Nahl: 91).

Planning and strategic management are important strategies in Islamic organization committed to excellence and justice. Prophet Muhammad (peace be upon him) said : 'There is no intelligence greater than planning', which means that planning is key and may lead to beneficial outcomes (Beekun, 2006). Therefore, dedication to strategic planning and management is in congruence with the third RSPO principle, which is commitment to long-term economic and financial viability.

The following verses support principle number four:

> (Believers are those) who run their affairs by consultation among themselves. (42:38)
>
> And consult them (O Prophet) in matters (of public concern). (3:159)
>
> And let there among you be a group of people who invite to all that is good, who enjoin what is right and forbid what is wrong. (3:104)
>
> And fulfil (every) engagement (ahd), for (every) engagement will be enquired into (on the day of reckoning). (Surah al-Isra: 34)

The relationship between the fifth principle and Islamic teaching has been discussed in the above section on environmental protection in Islam. The sixth principle of the RSPO is closely related to several hadith where Prophet Muhammad (peace be upon him) is reported to have said:

> Your employees are your brothers upon whom Allah has given you authority, so if a Muslim has another person under his control, he/she should feed them with the like of what one eats and clothe them with the like of what one wears and you should not

> overburden them with what they cannot bear and if you do so, help them in their jobs (Arslan, 2012).

Abu Sa‘eed Al-Khudri narrated that the Prophet (peace be upon him), said:

> Whoever employs someone to work for him, he must specify for him his wage in advance (Abdur-Razzaaq).

Furthermore, Prophet Muhammad (peace be upon him) emphasized that an employee is your brother in humanity and should be treated with respect.

Principle 7 which emphasizes on evaluation of social and environmental impact of new planting relates to *shura,* which is the Islamic term of consultation. Islam encourages Muslims to determine their affairs by consulting with others who will be affected by that decision. Saahl Ibn Saad As Saidi reports that the Prophet Muhammad said, ‘One who consults is never deprived and the one who depends upon his opinion is never happy’ (Yunus, 2012). There is one chapter in the Qur’an called ‘Ash’Shura’ (consultation) which emphasizes the importance of consultation. One of the verses in the chapter underscores the significance of consultation before making any decision:

> And those who answer the Call of their Lord, establish prayers, [conduct] their affairs by consultation, and expend of what We have bestowed upon them. (Qur’an: 38)

Principle 8 which emphasizes maintenance of sustainability practices once established, is consistent with the Islamic principle istiqomah which means steadfastness. Istiqomah - or steadfastness in this context means – ‘the continuity of doing something, following up with it and making sure that it is done in the right way and there is neither deviation nor swerving’ (Hadith 21). Attaining istiqomah is difficult as there are several factors that contribute to the weakening of istiqomah, including recklessness, reluctance, desires and so on.

By examining the similarities between RSPO's principles and Islamic teaching, it is also worth investigating how much Muslim managers in the palm oil industry are able to recognize the relationship between RSPO and faith-based principles. Likewise, it is important to analyze the manager perceptions of private rules, and whether they are willing to comply with the rules if there is no economic benefit attached.

My study examines if religion plays a role in shaping the targets' approval of private regulations and their willingness to adopt the private rules. However, unlike existing research on ethical decision making and religion, which examines the effect of religiosity on ethical behaviour, this study is interested in exploring respondents' understanding of their religion and how they view their religion without taking into account religiosity notion.

Religiosity is defined by McDaniel and Burnett (1990) as belief in God and following the principles set by God. A particular religion may have some influence on business conduct. Nevertheless, it is still unknown if a religion guides an adherent's business decisions and behaviour. While it is common to expect that religion will guide individuals in making an ethical decision, it is also common to find practitioners of particular religion who show little or no awareness of those religious beliefs (Weaver & Agle, 2002).

3.6. Islam in Malaysia

This study intends to explore the perceptions of Muslim managers working in the Malaysian palm oil industry with regard to governance issues in the industry and the RSPO. As such, it is important to introduce a brief historical overview of Islam and Muslims in Malaysia. Although Malaysia has a diverse multi-cultural and multi-religious society, Islam is the official

religion of Malaysia, primarily because Malays constitute about 68.8% of the population (Department of Statistics Malaysia, 2017) and whose privileged status is enshrined in the constitution. Malays virtually by definition are classied as Muslims (Gomez, 2007; Mutalib, 1990). Research conducted by Abdullah (1996) reveals that Malaysians are religious where happiness to them comes "from supressing self-interests for the good of others or discovering it from within oneself through prayers and meditations". As such, religious norms plays a significant role is shaping the thinking and behaviour of Malaysian.

Islam was brought to the Malay world by the *Sufis*, traders and merchants from Arabia, Persia and India (A. Aziz & Shamsul, 2004). Following this, Islam had tremendous impact on the pre-colonial Malay world in terms of spirituality, intellectual life and rules for social order, the latter of which is based on the *Syariah* (Islamic law) (A. Aziz & Shamsul, 2004). This influence can be seen in comprehensive Islamic law, which was applied by the Malacca sultanate in the 15th century. However, when Malaysia was colonized by the Dutch and British, colonialism not only conquer the physical space, but it also replaced the indigenous thought system with a foreign capitalist system (Shamsul, 1983). The *Syariah* law was replaced by a modern and secular system brought by colonial powers. When Malaysia obtained its independence from the British, *Syariah* law only confine personal law. Fortunately, the *pondok* and *madrasah,* which is the traditional Islamic institution providing core Islamic education, managed to preserve some Islamic elements of Malay identity. However, given that not all Malays send their children to these traditional institutions, those who do not attend are more likely to adopt modern and secular system in their life. Malaysia's historical background has resulted in a diversity of Islamic thought of Malaysian Muslims. Islamic school of thought in Malaysia are represented by two broad categories of Muslims, which I refer to here as the textual Muslim and the liberal Muslim.

Textual Muslims strictly follow the text (Qur'an and Hadith) and adopt a literal approach to the translation and interpretation of the text (Saeed, 2005). To the textualists, the meaning of the Qur'an is fixed and universal in its application. On the other hand, the liberal Muslim adopts a flexible and bold interpretation of Islamic doctrines (Hamayotsu, 2002). Liberal Islam focuses on rapid industrialisation and modernisation, while at the same time tries to become more self-consciously Islamic (Hamayotsu, 2002). For example, the word in the Qur'an (2:256) that says 'There is no compulsion in religion' is interpreted differently by the textual and liberal Muslim. The textual Muslim would interpret it as non-Muslim should not be forced into professing Islam and they should have the freedom to follow their faith without fear of harassment. However, a liberal Islam interpretation of the *ayah* (word/words in the Qur'an) would be that Muslims should not be forced into following all the Islamic doctrine. Liberal Islam also tend to compartmentalise religion from daily life. Therefore, a different understanding to religion may result in a different interpretation of the same issue. Against this background, I explore if Muslim managers in the Malaysian palm oil industry understand and view religion as affecting their opinion and thus influence their willingness to adopt the RSPO principles.

3.7. Chapter Summary

This chapter shows that many studies have documented the negative impact of the Malaysian palm oil industry on the environment, biodiversity and the indigenous people in Malaysia. Although industry players have shown their concern about these issues by undertaking several conservation efforts, this is not enough and will not change allegations of unsustainability due to plantation expansion especially in East Malaysia. The state's interest in the industry can be evidenced in their weak environmental policy enforcement in relation to palm oil

conglomerates. To address the state's governance failure, private governance emerged in order to establish sustainable practices in palm oil production. However, most industry players as well as the state resist the non-state governance as it affects their production and exports. Compliance is low despite the fact that the rules are similar to Islamic doctrine. Given Islam is the official religion of Malaysia, most Muslims in the country still uphold the doctrines of Islam in their daily activities. Therefore, it is important to explore the industry players' perceptions of Islamic environmental ethics and if they can relate religious ethics to ethical issues and compliance with private regulation.

Chapter 4. Research Methodology

4.1. Introduction

The research question of this study is how Muslim managers' understanding of religion may affect their perception of the palm oil industry's controversies. This study also examine their view of the private regulatory response to these controversies. To answer this research question, this chapter explains the methods used to collect and analyse data; this includes research design, the research paradigm, sampling, and data analysis methodology.

This section begins with a discussion about the research paradigm and the ontological and epistemological positions taken in this study. Subsequently, this section discusses the qualitative research methods, the reflexive approach, the research paradigm, research setting, research ethics, methods in collecting data, and data analysis strategies. Finally, the section addresses research limitations.

4.2. Research Design

4.2.1 Qualitative Approach

Qualitative researchers are often interested firstly in exploring and understanding participants' interpretations at a certain point in time on a specific topic and, secondly, how they make sense of their experience (Merriam, 2006). This study seeks to understand and explore managers' perception on a specific topic - their understanding of Islamic principles and issues in palm oil industry. As such, the most suitable method for this study to gather information is by using an interpretive, qualitative approach. A qualitative study is also applicable when there is inadequate theory or when existing theory fails to explain a phenomenon (Merriam, 2002). The private governance theory that underpins this study is unable to explain managers' intrinsic motivation to comply with private governance. This study addresses a lack in the theory that

explains why targets of private regulation comply or do not comply with standards. This is specifically in the context where extrinsic rewards and sanctions are weak. Studies in private governance compliance do not examine the influence of religion on the targets of rules and their intrinsic motivation to comply. Hence, this study attempts to investigate if the targets are willing to comply if they know that private regulation, which they resist, is indeed similar to their official religious doctrines. The aim is exploratory rather than to test a hypotheses.

In order to understand the participants' view of the private rules and how they make sense of the congruence between their religious teachings and the private rules, I undertook in-depth semi-structured interviews with industry players. Semi-structured interviews allow respondents to speak freely about the topic although, as discussed below, this format does not guarantee that they will (Rubin & Rubin, 2005). Polit and Hungler (1991) describe interviews as a way of collecting research data 'in which one person, an interviewer asks questions of another person, a respondent, (and) are conducted either face-to-face or by telephone'. In this study I did not conduct telephone interviews, but instead I conducted interviews both face-to-face and using Whatsapp messenger application.

In addition to semi-structured interviews, I also employed content analysis by examining and interpreting textual sources (Budd, Throp, & Donohew, 1967; Tesch, 1990) such as annual reports and newspapers to extract further understanding of how the people in the industry make sense of ethical issues. In addition, I also conducted six interviews with non-industry individuals who have a connection with the industry. I did this to obtain supplementary data to gain wider views on the issues, shedding light on how people outside the industry view the problems associated with it. I also interviewed people with religious credentials to gain wider understanding on Islam and environmental protection, as well as their view on the

environmental and social impact of the palm oil industry. This triangulation strategy of combining multiple sources of data is used to explore different sources to add diversity and compare the potentially different insights that different sources might show. Interviews were however the primary source of data.

Although some research aims to achieve an 'empathic neutrality' in conducting research, many researchers argue that this is difficult to attain (Patton, 1999). It is challenging to gain a completely 'neutral' or 'objective' knowledge because there may be some influence from the researchers on the research process. As such, in this study, I took a reflexive approach in order to be able to clearly express my beliefs and values.

4.2.2 Reflexive Approaches in Qualitative Research

A reflexive approach is widely accepted in qualitative research. Guba and Lincoln (1981) define reflexivity as a process of critically reflecting on the self as a researcher. Researchers examine themselves critically as to how contradictions and puzzles shape their research (Guba & Lincoln, 2005). The reflexive approach also allows readers to assess the extent to which a researcher's interests, positions, and assumptions influence the inquiry (Charmaz, 2006). For example, a researcher's personal history, personal value systems, social class, culture, and ethnicity could influence their positioning in relation to the topics and informants (Greenaway, 2010). In other words, the reflexive approach involves a lot of self-questioning, self-understanding, and awareness of the researcher's own perspective which could impact the research.

My impression on starting my study was that palm oil is viewed by almost every Malaysians as something to be proud of. I believed that the majority of Malaysians from all walks of life supported the industry as it is portrayed as an important industry to the economy. Being born

and raised in Malaysia, I have never had any doubt about the industry and took its benefits to be factual. However, as I increased my understanding of Islamic business ethics and Islamic environmental ethics, as well as the actual record of the palm oil industry, I become aware of the unpleasant facts about the industry. Therefore, I took a step back to fully assess the circumstances on the discrepancies between the industry's practices and Islamic principles, which I hope to clarify through this research.

There are potential drawbacks associated with conducting fieldwork in familiar environment. Researchers familiar with the context might overlook some important data (Field, 1991). Researchers may do this when they are unaware that they hold certain assumptions about the respondents' culture precisely because the researchers are also from the culture (Asselin, 2003). Consequently, researchers fail to ask their respondents to clarify and elaborate their responses, whereas a cultural outsider might be less likely to view responses as 'natural' and taken for granted. Further, it is important for researchers to keep in mind during the fieldwork that although they are part of the culture, they may not have the knowledge about their participants' experience (Asselin, 2003).

Another limitation is when the researchers have difficulty focusing on respondents' perceptions because of their own opinion on the subject (Kanuha, 2000). This might lead to premature problem identification by the researchers as they are unable to detach themselves from their own expectations, past experience, beliefs and emotions (Asselin, 2003). Therefore, it is crucial that researchers analyse data from the perspective of their respondents by separating their (the researchers') own experiences (Kanuha, 2000) and repeatedly engage in self-reflection (Tilley & Chambers, 1996). During the analysis process, I read the interview

transcripts a few times and make notes to describe what I feel. Occasionally I took a moment to step back and think, and be clear about the purpose of the study.

4.3. Research Paradigm

A paradigm is a belief system or theory that guides us to establish a set of practices. Paradigms can be determined from their ontological, epistemological and/or methodological assumptions (Guba & Lincoln, 1994). How we view knowledge, how we see ourselves in relation to this knowledge and how we go about finding knowledge are rooted in these assumptions (Guba, 1981; Wahyuni, 2012). Therefore, research paradigms affect the way social research is conducted including the choice of methodology to be employed.

There are four common research paradigms that justify theoretical assumptions and fundamental beliefs that underpin research. The four research paradigms are positivism, postpositivism, critical theory, and interpretivism (constructivism) (Guba, 1981). Ontologically, positivism believes that there is an objective reality, while postpositivism assumes that reality exists but that the researcher may not able to understand it due to a lack of absolutes (Guba, 1981; Wahyuni, 2012). While postpositivist epistemology believes that reality can only be approximated and findings are *probably* true, a positivist belief is one where that reality is objective and findings *are* true (Guba & Lincoln, 1994). Often, the referred methodological tool associated with positivism is quantitative analysis of large datasets, which are used to test hypotheses. Postpositivism analysis often employs either a quantitative or qualitative approach.

Critical theory views reality as consisting of historically-situated structures and knowledge is a mediated, and is thus, value dependent (Guba & Lincoln, 1994). Both quantitative and

qualitative methodological approaches are consistent with critical theory as they aim to reconstruct previously held constructions. On the other hand, interpretivists believe that multiple realities exist as reality is constructed by social actors whose experiences and perspectives are subjective. Therefore, interpretivists reject the idea that research should aim to uncover an objective reality; they prefer to interact and share dialogue with their participants (Wahyuni, 2012).

From the above discussion, the research question in this study aligns with the interpretivist paradigm as the objective is to explore managers' understandings and perceptions of a phenomena or reality. Furthermore, the interpretivist paradigm that recognises that individuals' assumptions, backgrounds and experiences contribute to the on-going construction of reality are in line with this study's stance. I believe in a subjective approach to reality and I interact with people in order to find their perceptions of the truth – what they hold to be true and meaningful.

4.4. Research Setting

The research setting is the Malaysian palm oil industry. As this industry is important for the Malaysian economy, research in this setting could be of interest to various stakeholders, business and non-business alike. Findings from this setting can contribute to knowledge about how an approach towards religion could have an impact on one's compliance with private governance.

The palm oil industry has raised global concern due to its contribution to environmental degradation and social issues. In the light of ineffective state governance to change palm oil industry practices to sustainable ones, non-state actors have jointly formed private regulation

with the hope of changing unsustainable industry practices. Unfortunately, industry actors have not fully embraced private regulation initiatives as compliance threatens to adversely affect their production costs and profits. Therefore, this study examines if there is an intrinsic motivation to comply by investigating whether the influence of religion is a driver for an intrinsic motivation.

Apart from culture, religion plays an important role in shaping thought processes and behaviour of Malaysian people - especially the Malay people who frequently incorporate religious rituals and practices into their daily lives. Much research on private governance overlooks the important role that religion could play in influencing the decision to comply with private rules. As such, my research examines the impact of understanding religion and motivation in the act of complying with private regulation.

4.5. Research Ethics

This research was conducted within the ethical principles and standards provided by the University of Auckland Human Participants Ethics Committee (UAHPEC). The study issued a set of Participant Information Sheets (PIS) and Consent Forms (CF) for recruiting interviewees (see Appendices) in order to provide comprehensive information for the interviewees to make an informed decision. The study largely recruited managers from third parties including friends, colleagues and relatives.

4.6. Data Collection Method

4.6.1 Semi-Structured Interviews

Semi-structured interviews facilitate interviewees sharing their views, and explaining their reasoning and experiences regarding the issues being observed in this study. The main interview questions were developed based on the research problem and research question. In

examining the influence of understanding of religion in regard to acceptance of private rules. I drew information from the participants themselves where the question is designed to bring relevant information to light.

As this is an in-depth interview, the questions were answered in detail, not briefly (Wahyuni, 2012). It is important to keep the interview questions flexible in order to generate new information and ensure that the interviews stay on track (Rubin & Rubin, 2005). Therefore, I kept the questioning flexible and adaptive to aid new informative and I accommodated any changes in direction. As suggested by (Wahyuni, 2012). I asked for examples or more explanation when I needed to gain deeper understanding of the issues. Probes were also used to keep the discussion flowing and to elicit more details (Wahyuni, 2012). The interviews were audio recorded when the interviewees agreed; when this was not the case, note taking was carried out during the interview. Soon after the interviews I made notes on additional information that arose from the interview, including the subject's manner and non-verbal cues. This observation memo is important in order to describe the situation during each interviews (Wahyuni, 2012).

I chose two techniques of semi-structured interviews: face-to-face interviews and using an asynchronous communication method such as WhatsApp messenger. Although the advantages of asynchronous communication are that it is both cost and time saving, the drawback of this technique is the absence of social and non-verbal cues (Opdenakker, 2006). Face-to-face interviews are more effective in building relationship, trust and acceptance with respondents (Branthwaite & Patterson, 2011). During the face-to-face interviews, I managed to uncover non-verbal expressions, feelings and voice tones. Furthermore, as asynchronous communication is remote, it is sometimes difficult to understand the respondents' thoughts and

ideas (Branthwaite & Patterson, 2011). As such, I sometimes found it hard to probe my respondents and get clarification of their answers when I interviewed them using WhatsApp messenger. However, the advantage of such method, it allowed for interaction that might not otherwise have occurred. Both researcher and respondents could communicate at their own pace of time and interviews can be done for a number of days. This flexibility gave me ample time to create different ways of asking questions, and to follow up to ask question that I initially forgot to asked. I could not attain this kind of advantage in face-to-face interviews. However, it is possible that the respondents self-censored and gave what they took to be appropriate responses rather than their real thoughts despite my attempt to be culturally sensitive and non-judgemental.

4.6.1.1 Selection Criteria

Qualitative research usually requires a flexible and pragmatic approach to sampling. A qualitative approach uses naturalistic sampling techniques, including convenience and purposeful and theoretical sampling. In practice, one approach will be chosen or the three approaches will overlap each other (Marshall, 1996). Qualitative research focuses on the richness of information gain during interviews (Kuzel, 1992). Therefore, unlike quantitative research, qualitative research pays attention to the varieties of opinions and perspectives of an issue rather than number of respondents or opinions (Gaskell, 2000). Researchers need to consider the appropriateness of their interview sample, as it influences the success of a project (Tuckett, 2004). The number of research participants in qualitative research depends on the availability of resources and the nature of the topic (Gaskell, 2000). For example, Guest, Bunce and Johnson (2006) suggest that six to twelve interviews are sufficient to achieve the research objective if 'the aim is to understand common perceptions and experiences among a group of relatively homogenous individuals'.

To gain understanding about how managers link their religious principles with palm oil industry controversies and motivation to comply with private rules, purposeful and theoretical sampling were used.

Managers were selected based on their knowledge about the RSPO, job function, and the length of time they were at their corporation. It was important for the managers selected to be interviewed to have sound knowledge or experience with the RSPO because otherwise they were not able to sufficiently give an opinion about the RSPO. Not all managers in especially large corporations have adequate knowledge about the RSPO; this is because most managers in large corporations only focus on the tasks assigned to them. Most of them are not willing to be interviewed if their tasks do not involve the RSPO. They preferred to avoid talking about something that they are not well versed in, maybe to avoid conveying the wrong information during the interview.

Job function and the length of time they have spent in the industry are also important so that they can give precise information and views. If their job functions are not relevant to the topic, they might end up giving little information and irrelevant views. The number of years they have spent in the industry is also important so that they can provide critical views and explicit information. In most cases, when the managers were not willing to be interviewed, they introduced their colleague who they believed to be more suitable.

Apart from interviewing managers, I also conducted interviews with non-industry players such as environmentalists and those with religious credentials in order to obtain insights about industry dilemmas and religious views on the industry.

4.6.1.2 Sample

The final sample of industry interviewees consisted of thirteen managers interviewed from various palm oil corporations across Malaysia. The number of participants in this study can be considered as relatively sufficient to attain richness of data based on the suggestion made by Guest, Bunce and Johnson (2006). Out of thirteen interviews, five interviews were audio recorded; five interviews were recorded via note-taking and three managers were interviewed via WhatsApp messenger. All interviews except for those via WhatsApp messenger were face-to-face and took place between July and December 2016. One of the face-to-face interviews was conducted on a palm oil plantation, which gave me the opportunity to make some observations. The average recorded interview time was 62 minutes with total recorded hours of five hours and 18 minutes. The unrecorded interview time was between 20 minutes to 60 minutes. Managers with different job functions but who were still relevant to the study were interviewed. They included sustainability managers, plantation managers, research managers, and chief executive officers. All of them have been in the industry for more than 10 years. However, choosing managers who have been very long in an industry may affect the result of this study. This is because, these managers may have been socialized by the industry to prioritise bottom line numbers at the expense of doing the right thing (Rozuel, 2011) All managers are from different locations; none who were interviewed were from the same workplace. The languages used during the interviews were Malay and English. A majority of Malaysians can speak at least two languages.

I interviewed six non-industry players including from environmental NGOs (two), a religious Islamic teacher (one), from Islamic NGOs (two), and a certification body (one) in order to obtain their perceptions of the palm oil industry, the RSPO, and Islamic environmental ethics.

Table 4.1: Summary of Interviewed Respondents

INDUSTRY PLAYER	RESPONDENTS	LOCATION	SECTOR
1	Manager	Terengganu	Plantation
2	Chief Executive Officer	Perak	Plantation
3	Plantation Manager	Perak	Plantation
4	Plantation Manager	Pahang	Plantation
5	Senior Manager	Perak	Plantation
6	Mill Manager	Sabah	Mill
7	Research Manager	Kuala Lumpur	Palm Oil Development Agency
8	Research Manager	Kuala Lumpur	Palm Oil Development Agency
9	Plantation Manager	Perak	Plantation
10	Plantation Manager	Negeri Sembilan	Plantation
11	Sustainability Director	Kuala Lumpur	Palm Oil Development Agency
12	Plantation Manager	Perak	Plantation
13	Plantation Manager	Johor	Plantation

4.6.1.3 Administration of Interview Survey

Gaining access to corporations in Malaysia to interview their managers can be very challenging, hence, multiple strategies should be adopted (Mustaffa, 2010). I started the recruitment process by identifying the palm oil corporations throughout Malaysia. This was done by searching through the internet and by suggestion from acquaintances. Then, I identified a few third parties whom I have personal connection with, to assist me in gaining access to potential informants. Personal connections, contacts and networking are common strategies used in some research including in Asia (Easterby-Smith & Malina, 1999). The third parties then approached the potential managers and briefed them about my intention to conduct an interview. Upon obtaining the managers permission, I contacted the managers either via email or text. I found that text messaging is more effective and efficient in comparison to email because with texting, I can lock the interview date almost instantly.

Apart from applying a third party method of accessing potential informants, I also adopted another strategy whereby I approached the palm oil corporations personally to ask them about gaining interview access. I then sent the two documents via email, Participation Information Sheet (PIS) and Consent Form (CF), to those managers whose contacts were given to me by the 'gatekeepers' of the corporations. I also made several follow-ups via email and telephone calls. However, most managers were either too busy to meet or they had to go through company policy regarding research which eventually led to no feedback at all. This strategy is tedious, expensive, time consuming and an eventful experience. Nevertheless, I managed to interview only one manager who was not busy at the time when I approached his office. This technique may have resulted in potential selection bias, which I will discuss further in the limitations section.

Another recruitment strategy that I employed was snowball sampling in order to gain more respondents. Snowball sampling is suitable when participants are easily identified but difficult to access such as an organization's chief executives (Saunders, 2012). Snowballing can allow these people to be reached as the initial participant will identify other participants from the same population. I asked the managers that I interviewed to introduce me to other potential informants; the potential informants would directly contact me if they were interested in participating. I view this strategy as very effective as long as the initial informants are supportive and suggest the right informants.

For the non-industry interviews, I used personal contacts, websites and other social media to get in touch with potential informants. Besides semi-structured interviews, I also employed an unobtrusive method to gather data for this study, as described in the next section.

4.6.2 Unobtrusive Method of Data Collection: Annual Reports and Newspapers

In addition to interviews, I undertook an additional research strategy to examine the ethical reasoning and perception towards the RSPO that the industry players display. The unobtrusive method is used to gather primary data apart from the interview method, to further support and justify the research findings.

An unobtrusive method of data gathering does not involve direct interaction with the respondents; this is in order to avoid the problems caused by the researcher's presence (Webb, Campbell, Schwartz, Sechrest, & Grove, 1981). The unobtrusive method is not to replace the interview but rather as a supplement to cross-validate the interview which does not involve interviewees (Webb et al., 1981). Three unobtrusive method approaches include indirect measures, content analysis and secondary analysis of data (Trochim, 2002). This method of

observation can also be derived from information and statistics from annual reports, financial statements, websites, media articles and diaries (Bryman, 2001).

My study used annual reports and archival data sources from the internet as sources of information to obtain the desired data findings. The electronic version of annual reports were downloaded directly from the company's website, from the Bursa Malaysia (Malaysia stock exchange) website, as well as other relevant websites. I went through 63 annual reports starting from 2000 until 2016. These were from corporations that are majority-owned by people or organizations identified as Muslims or serving Muslim groups, or where the majority of the top-level management are Muslims, including the government linked companies. I examined the extent to which the environmental practices were disclosed in the annual reports and whether they had sustainability practices in place prior to the RSPO's creation. I created a table in a spreadsheet file where all extracted information on sustainability was displayed and monitored. From the table I could see the pattern of environmental disclosure, which then was translated into the findings.

In finding the corporations' approach towards religion, I examined if there were any religious activities or religious elements undertaken by the corporations that were mentioned in the annual reports, or if the reports used specifically religious terms. This was to determine the extent to which religion is embedded in the corporation. How they approach their religion may impact the way they view environmental problems as Islam is concerned about environmental and social rights.

Table 4.2: Summary of Annual Reports Sampling

	COMPANY	TOTAL ANNUAL REPORTS	YEARS
1	Sime Darby Berhad (Sime Darby Plantation)	10	2007-2016
2	TH Plantations Berhad	11	2006-2016
3	Kulim (M) Berhad	14	2000-2016 (except 2002,2004,2005)
4	Tanah Makmur Berhad	3	2014-2016
5	Boustead Plantations Berhad	3	2014-2016
6	Felda Global Ventures Holdings Berhad	5	2012-2016
7	TDM Berhad	17	2000 - 2016
	TOTAL	63	

Archival data sources were retrieved from Factiva and from the newspaper websites. This is in line with Bryman's (2001) suggestion where researchers should often find samples from one or more media source. Most data gathered from archival Malaysian newspapers in both English and Malay were retrieved from Factiva. Only one newspapers i.e. the New Straits Times is available in Factiva. The New Straits Times is an English language newspaper published in Malaysia. Other data were derived from online newspapers including the *Malay Mail, The Star, Sinar Harian* and *Utusan Malaysia*. *Sinar Harian* and *Utusan Melayu* are Malay-language newspapers. Unfortunately other prominent Malay-language newspapers such as *Berita Harian* and *Harian Metro* were not accessible.

Data from open sources using Factiva were retrieved using keywords such as 'palm oil and forest or deforestation' and 'palm oil' and produced 109 and 4834 results respectively. The time range for sources was from January 1, 1980 until October 42, 2017. Relevant quotes from significant actors in the palm oil industry who could answer the research question were then selected and analysed.

Data from the open sources consisted of snippets from the industry players, including governmental agencies that support and govern the palm oil industry. As such, data from the open sources are considered as primary data instead of secondary data as they represent information gathered directly from the industry players. The snippets from the industry players were gathered, coded and categorised under themes that describe the views or ethical reasoning of those who are involved in the industry. This includes government officials speaking on environmental and social issues associated with the palm oil industry in Malaysia. Once data was coded and categorised, I employed thematic analysis to draw out the data's meaning in relation to the research question.

4.7. Method of Data Analysis

4.7.1 Thematic Analysis

Qualitative researchers have adopted numerous approaches and strategies to evaluate and analyse qualitative data (Miles & Huberman, 1994). I employed thematic analysis in order to analyse the data that I personally transcribed and translated. Thematic analysis emphasizes pinpointing, examining, and recording patterns (or 'themes') within data (Braun & Clarke, 2006). The themes then become the categories for analysis. Instead of using software-aided coding, I utilized a manual coding technique because manual coding enhances familiarity with

the data and is therefore significant in extracting deep and subtle meaning in the data (Blair, 2015).

The process of thematic analysis starts with data familiarization where reading and re-reading helped me to become intimately familiar with the information from the interview transcription. Then initial codes were generated to identify information that was relevant to answering the research questions. Following the coding process, a series of themes were developed from the codes and were grouped into selected categories. After this, themes were matched against the interview question to determine if they answer the research question. The thematic analysis for the ethical issues was driven by ethical reasoning theory. Once the themes were defined and named, the final process involved writing up the findings and discussion in relation to existing literature. (See Appendix IV for a sample of how the thematic analysis was undertaken).

4.7.2 Unobtrusive Method - Content Analysis

Qualitative content analysis is one of the methods used to analyze text data which focuses on language as communication to extract the contextual meaning of the text (Budd et al., 1967; Tesch, 1990). Text data may be obtained from printed or electronic media; it may include articles, books or manuals, and any forms of narrative responses, interviews, and observations including those that are verbal (Kondracki, Wellman, & Amundson, 2002). Driving from this method, I conducted content analysis on annual reports and archival open sources with the goal 'to provide knowledge and understanding of the phenomenon under study' (Downe-Wamboldt, 1992, p.314).

Data derived from a content analysis method can be interpreted by systematic coding followed by identifying themes and patterns (Hsieh & Shannon, 2005). Drawing from this method of

analysis, I extracted text from the archival data sources which is relevant for the study. I created the codes, classifying them before identifying the themes.

Data from the annual reports was analyzed using a summative approach. A summative approach starts with recognizing and computing word or content in text in order to understand the contextual use of the words or content for the purpose of exploring usage (Hsieh & Shannon, 2005). In the context of this study, I looked for specific words that have meaning to the study, including sustainability, environment, animal protection, human rights, biodiversity, Islam, religion, RSPO, peatland, and deforestation, from the annual reports. I then analyzed the presence of the words and counted the frequency of the words that have meaning to the study, using a reference manager software - Mendeley, and recorded them in a table for further analysis. The sources and speakers of the words were also recorded and identified. This approach is described by Potter & Levine-Donnerstein (1999) as producing content analysis. However, if the analysis stops at counting the frequency of specific words, the analysis would be quantitative (Kondracki et al., 2002). Therefore, I went on to employing latent content analysis to discover the underlying meaning of the frequency of the specific words (Babbie, 2001). I tried to uncover the meaning of the frequency of the specific words and when it occurred. This is done to explain the corporations' environmental discloser pattern and what messages they chose to convey to their shareholders in relation to sustainability practices.

4.8. Limitations

Research on ethical behaviour in organizations is conceptually challenging (Trevino & Weaver, 1994). Empirical ethics research can also be methodologically and logistically challenging (Weaver & Agle, 2002). Consequently, it may be difficult to assess to willing and reliable research subjects (Litz, 1998). In this study, a significant level of non-response and

selection bias exists. The majority of potential participants approached were not willing to participate. The reasons given include: too busy, need to get consent from management, and some of them did not respond at all. These kind of responses were anticipated because the industry is somewhat controversial due to the attention given by global communities. Therefore, those who volunteered to participate in this study may be concerned and interested about ethical issues, and are less defensive about the allegations linked to the palm oil industry.

I employed two approaches to counter this bias. First, apart from using a third party to recruit a participant, I approached participants personally during a conference that I attended. This approach gave me an opportunity to randomly select participants, some of whom accepted my invitation to participate in an interview. As a result, I obtained new insight from these participants who were introduced by third parties. The second approach that I used was I asked about the ethical and unethical practices that they observed. Hence, this technique helped in overcoming the social desirability bias.

Another limitation to this study is in regard to social desirability bias. Social desirability bias occurs when research participants tend to provide socially acceptable responses instead of their honest thoughts and feelings of personal and socially sensitive issues (Fisher, 1993; Grimm, 2010). As sustainability issues are sensitive topics to the palm oil industry players due to palm oil's role as an important commodity in Malaysia, I anticipated the occurrence of such bias during the interviews. Furthermore, the industry players often convey defensive statements in the media, which shows how special the industry is to the nation. To mitigate the effect of social desirability bias, the researcher can use an indirect questioning technique (Fisher, 1993). Indirect questioning asks participants to answer questions from the perspective of others (Fisher, 1993). In this study, I could see that the participants were hesitant to be interviewed

when they thought that their opinion would represent their organisation. They were afraid that they might need to disclose information about their organisation, hence tarnishing the organisation's reputation. When I reassured them that I just wanted their personal opinion and they are not representing their organisation, they agreed to participate. To avoid potential bias during the interview, I tried to be non-judgemental, although some of what I heard might have been motivated by conscious or unconscious concerns about appearing to say the right thing.

Besides the possibility of managers not providing their honest thoughts, their extensive experience and the lengthy period of time they have worked in the industry might also affect their responses. The managers may have been socialized into the industry as they acquired their corporate status, leading them (perhaps unconsciously) to perform the way they feel they are expected to within the organisation. In sociology, socialization is a process where a person behaves according to what is acceptable in a social context. Employees socialized within their organization in order to acquire social knowledge and skills required for their roles (Maanen & Schein, 1979). Therefore, managers who have been for a long time with an organisational context in which they are not able to integrate their values in the workplace may unconsciously adjust their values to fit the context. This is consistent with the interpretation of Van Buren III (1995) who argued that employees tend to harmonise their religious faith with company's values. It is possible that if I had used a different criteria for selecting interviewees – for example interviewing new managers, findings might be different.

4.9. Chapter Summary

This chapter has detailed the research method used in this study. It provides the overall research process for the purpose of ensuring the study's originality and quality of the study. A qualitative approach is the most appropriate method for this study, hence semi-structured

interviews were conducted to fill empirical gaps. Thirteen semi-structured interviews were conducted with the palm oil industry players and six interviews were recorded with the non-industry players. In addition to the semi-structured interviews, this study also used an unobtrusive approach consisting of content analysis of annual reports and archival data sources to strengthen the interview findings. Limitations of the study and measures taken to reduce the limitations were also discussed in this chapter. Findings are reported in the following chapters.

Chapter 5. Findings from Interviews with Industry Players

5.1. Introduction

This chapter presents the empirical findings of the interviews with the individual managers in the Malaysian palm oil sector. Findings from the interviews are guided by the research question: How does understanding and perception of religion impact Muslim managers' in the Malaysian palm oil industry perceptions of current industry controversies and willingness to comply with RSPO principles? Thirteen managers from the palm oil industry in Malaysia were interviewed in both English and Malay to examine their perceptions of sustainability issues, the RSPO, and Islamic teachings concerning environmental and social outcomes.

The findings from the industry manager interviews are divided into three subsections. The first subsection discusses the findings on managers in the palm oil industry. The section considers their approach to their religion and their views of the religious aspect of environmental protection and social rights. The second part shows the managers' ethical reasoning, and how they frame and reason ethical issues in the industry. The third part demonstrates findings on the managers' perceptions of the RSPO and their recognition or non-recognition of the relevance of the RSPO to their religious obligations.

5.2. Managers' Interpretation of Islamic Principles on the Environment

This study investigates the perceptions of Muslim managers in the palm oil sector in Malaysia regarding their religious principles concerning the environment and human and animal rights. It is important to know whether they are aware of Islamic principles on the environment and if their understanding influences their intrinsic motivation to comply with private regulation.

Manager 1 was aware that Islam discussed human rights, animal rights, and environmental protection and he disagreed that the environment can be destroyed in order to eliminate poverty. He quoted 'the end doesn't justify the means' to reflect his disagreement with certain people who use poverty as a reason to justify why they neglect the environment. He regretted that Islamic teaching on environmental protection was not given enough attention. Hence, many Muslims tend to forget about the importance of nurturing the environment.

> Yes, Islam does explain about the importance of the environment, animals, and human rights. I agree that Islam advises its followers to protect the environment and we cannot destroy the environment in the name of eradicating poverty. Islam does not permit this because in Islam 'the end doesn't justify the means'. However, Islamic teaching on the environment is not being emphasized hence we tend to forget. (Manager 1)

Therefore, Manager 1's awareness about Islamic teaching of sustainability does not translate into action, which may be because Islamic teaching regarding sustainability is not being emphasized in Islamic lectures and classes. Thus, although he knew of the principles when asked, this knowledge had low salience in applied settings. When topics on duties to protect the environment are not often discussed, for example in mosques, Muslims tend to forget and are unable to connect environmental issues with their day-to-day activities. This is my interpretation of Manager 1's initial apparent surprise when I asked about a potential link between Islam and environmental protection.

Other managers also shared their understanding of Islamic environmental ethics and they acknowledged the importance of nature to Islam.

> The Islamic doctrine mentioned that we must protect the environment as well as other beings. To me, seeking for success in this world is not wrong. But we must know how to manage it without sacrificing the environment. For those who follow their religious teaching well, such problems will not occur. (Manager 10)

> I agree that Islam asked its followers to look after the environment and not to oppress other people. (Manager 12)

> Islam does emphasize its followers to take care of the environment, protect biodiversity, wild life…. all that is part of Islamic teaching…. that is what Islam has taught us…. do not corrupt the earth. God says that the earth will be corrupted by the humans' hands. (Manager 9)

It seems that these managers have basic knowledge about Islamic teaching with regards to environmental protection, human rights, and animal rights, but implied they are not always translating it into action. This situation may indicate that knowledge and awareness are not sufficient in themselves to raise the salience of ethical obligations in real life contexts.

Another view, however, was expressed by some managers who may have a different interpretation of Islamic environmental principles, hence they have strong reasoning for their actions. This can be seen from Manager 9's reasoning on why clearing forest is allowed:

> Islam forbids chopping trees to make way for buildings which will draw people away from Islam and will not give any benefits. Unlike palm oil, where it gives benefit to the public. (Manager 9)

Manager 9 asserted that clearing the forest is allowed if it is done for agriculture and not for other means, such as constructing buildings for entertainment, because agriculture will bring benefits to other people. This indicates that although it is important to care for nature and other

beings, agriculture is also encouraged by Islam and they chose to prioritize the latter. It might be difficult to find the balance between nature and development without adequate information and guidance, hence, they chose to put agricultural activities higher than conserving nature.

Another issue suggested by interviewees was that some in the industry might not know how to implement Islamic law when managing their business operations. With regard to the implementation of Islamic law into corporations, Manager 2 observed that if higher levels of management understand and implement Islamic principles in the organisation, they will demonstrate concern with the wellbeing of their employees and the environment:

> To me Islamic principles are not just in the system. It is whether or not we want to implement the principles. It depends on whether the board of directors have the Islamic spirit in them, enough to make them concerned about the environment and other people. If they have the Islamic spirit in them, they will find ways to satisfy the Islamic requirement. They will ask themselves, 'what else can be done to make people happy?'. But they like to talk about profit rather than ethics. (Manager 2)

Manager 2 knew the importance of embedding Islamic principles into a corporation and disagreed with high level management who likes to talk about profits rather than ethics. This is similar to earlier finding where although the manager may have the knowledge they are unable to act accordingly, which may be due to lack of some driving forces or pressures from Islamic scholars and authorities.

Manager 2 also highlighted the importance of protecting nature because as a Muslim, he gave priority to his relationship with God as God's divine rule is to protect nature. Money, to him, should not be the centre of everything in this world:

> We do not just wanting to make money. We must also take care of the environment. As a steward on this earth, we must establish a good relationship with God as well as with the nature and other beings. (Manager 2)

Some managers said they were willing to prioritize sustainability as they believed that they will eventually reap the benefit of implementing Islamic principles:

> We should not worry too much about profit because if we are doing the right thing like what our religion has taught us, we will eventually get the benefit. (Manager 6)

The thinking of Manager 6 is in line with Islamic teaching because in Islam profit maximisation is not the ultimate goal in business as business is perceived in Islam as a communal obligation. This also suggests that Manager 6 has intangible benefits in his mind.

Another manager thought that Islamic rules are not static but dynamic, hence Islamic rules are adaptable and are constantly progressing to accommodate changes and needs:

> The human rules cannot be above the Islamic rules. They will keep on chasing the Islamic rules. Islamic rules are not rigid but dynamic. The Islamic economy is dynamic and it can be gained through proper channels. (Manager 13)

However, there are a few managers such as Manager 11, who understands things differently with regards to Islamic doctrine and the environment.

> You have to develop your own richness. Why should there be a limit in utilising resources. There are limitless opportunities. The future generations will have other opportunity with advance technology and innovation. (Manager 11)

Following my interpretation of Islamic principles discussed in Chapter 3, Manager 11 is expressing a view that would not be fully in line with Islamic environmental ethics. However, he was making use of religiously-framed reasoning to justify the palm oil industry's actions of excessively expanding their plantations.

Another two managers refused to answer the question about Islamic teachings on the environment and only one manager claimed not to know anything about the teaching of Islam regarding the environment. It is possible that the two managers who refused to answer the question felt uncomfortable with the question if they suspected they might have done something that is prohibited in Islam. They may of course have had other reasons, but their refusal suggests that they viewed religion as something that should be compartmentalised, and not discussed freely.

In general, most managers were aware of the Islamic teachings concerning environmental protection when the subject was pointed out to them. However, are they able to see the congruence between their religious teaching and RSPO principles and criteria?

5.3. Coherence of RSPO Principles and Islamic Teaching

Chapter 3 found that RSPO principles and criteria are in line with Islamic principles. One question for my interviewees was, if they could see these similarities. Their opinion on the consistency between the RSPO and Islamic teaching may provide new insights into the managers' willingness to comply with the RSPO rules. Some managers accepted that the RSPO rules are similar to Islamic principles but some thought that it may have little similarity and some said that the RSPO is not Islamic at all.

5.3.1 Similar and Relates to Islamic Teaching

It is mentioned in the Qur'an and hadith that humans must take good care of nature and other beings. Every Muslim is likely to know this explicitly or at least be familiar with the notion. When asked whether the RSPO rules are similar to Islamic doctrine on environmental and animal protection Manager 1 answered: 'Yes, Islam does mention about human, animals, and the environment. What RSPO does is actually relate to Islam…. there is no issues with that. Well, I never thought of relating Islamic principles with RSPO principles'. He then continued by saying: 'I absolutely agree that Islam exhort environmental protection and restoration'. Although Manager 1 was aware of the similarity between RSPO principles and Islamic principles, he noted that he had not thought of connecting the two before, suggesting a compartmentalisation of religion from organisations like the RSPO, which represents a secular organisation.

One of the important facets of Islamic teaching is being generous. Therefore, profit maximization is not the ultimate goal in running a business. When profit maximization is not the exclusive goal, a compassionate attitude towards nature and other beings will emerge. However, the most important thing that a Muslim must do is to ensure that their relationship with Allah is good because having an appropriate connection with Allah will eliminate greediness and generate a positive attitude. These quotes from some managers show how they observe the connection between the RSPO and Islam.

> I agree with the fact where Islam promotes being peaceful with nature and other beings. We don't want to just make money. We have to take care of nature. We as a vicegerent must take care of our relationship with Allah and our relationship with nature, humans and other beings. We have to do all that…. we have to do conservation. Don't plant all areas. We have to make a conservation pond, etc. I think it is good that RSPO has come in to see the impact of Islam and life, life as

> Allah has organized it. I think RSPO rules match Islamic teaching. RSPO tells us to take care of our staff, the staff house should be like this.... the drain should be like this …. really give attention to staff welfare. (Manager 2)
>
> I think RSPO is good and in line with Islam. Since the implementation of RSPO, the workers' welfare is taken care of. A pregnant worker is not allowed to spray pesticides. Only those who prioritize profit will tend to find ways to reject RSPO. For example, some would say that RSPO is trying to weaken the palm oil price. (Manager 6)
>
> RSPO is in agreement with Islamic facets. Islam orders its believers to protect the environment and not to suppress humans. (Manager 12)
>
> I think RSPO is good if we view it from an Islamic context. (Manager 5)

Apparently, the managers are able to associate Islamic teaching and the importance of nature conservation. This is intriguing as what they said or believe is not parallel to the controversy in the industry they are working in. Maybe this is because they are employed, therefore they have limited authority, or there could be another reason as to why they are reluctant to comply with the RSPO standards.

In a similar vein, Manager 10 suggests that one should not sacrifice the environment in order to attain material success in this world. Many people nowadays are too materialistic and willing to breech the law in order to gain wealth:

> To me in Islam it is not wrong to attain wealth, but we must know how to manage it so we do not forgo nature. For example, in Malaysia we have a development policy where only up to 30% of the whole Malaysia can be developed. However, those involved in developing the policy are not paying attention to the environment. They

only think about money and are inclined to break the law and engage in bribery. This is what is creeping in the mind of modern society nowadays. For those who subscribe to Islamic teaching know that this is not supposed to happen. (Manager 10)

Other managers commented how the RSPO is universal, just like what Islam is preaching:

Yes, RSPO rules are similar with Islamic teaching. RSPO concerns about all religions and is universal. They asked us to take good care or the mosque, the temple, human rights, freedom of choosing your religion, permission is given to organize any religious-related activities. Therefore, no RSPO rules are against Islam. (Manager 4)

To me Islam is universal, as long it is not against what the Qur'an is saying. Doesn't matter what race are you, as long as you are a human, you have your rights and we have to look into that. (Manager 5)

As a consequence of interpreting RSPO rules as being similar to Islamic doctrine, some managers stated that by following the RSPO rules, their produce will be more hygienic and high in quality, which would be in harmony with Islamic beliefs.

A Muslim must ensure that whatever they eat and drink is clean and pure and of course halal. To me, palm oil is halal as it is from a noble activity, which is agriculture. Therefore, RSPO criteria sort of makes it more pure and adds more value…. so I think this is even better. The criteria actually meet the Islamic teaching. So I think from the Islamic perspective, RSPO is good although they are not Muslim. (Manager 5)

Some companies offer higher prices for certified palm oil because of the quality. So if we adhere to RSPO rules we will obtain more profit. Therefore, we should not just

> think about profit, if we are following the right way of doing things, we will eventually get the benefit. (Manager 6)

Some interviewees acknowledged the congruence but at the same time denied that the palm oil industry is causing environmental destruction. This is because they believed that cultivating palm oil brings more benefit than destruction. Forests cleared to make way for plantations is much better than forests that are cleared to make way for buildings, which are then used for activities that are forbidden in Islam and do not bring benefit for all:

> Islam suggests that we take care of our environment, protect our biodiversity, wild animals, nature etc.…those are stipulated in Islamic teaching….do not corrupt the earth. God says that men corrupt the earth. But in this context, the plantation industry, as far as I am concerned, we are not corrupting the earth. For example, we did not clear the forest until there is no forest left at all. We do have reserve forest elsewhere in the country. We just plant trees that would bring benefit to human kind. To me that is what Islam taught us. So, if we plant palm oil trees from the forest, all of us will reap the benefit. What Islam prohibits is, when we clear forests so that we can make concrete buildings for entertainment purposes… that is not right because it will not benefit everybody….it is for enjoyment only. (Manager 9)

When the managers were asked about Islamic environmental ethics, they demonstrated their knowledge and approval on such ethics although they looked a bit surprised when the question was asked. Therefore, this finding is interesting because it shows that people tend to choose to say what they know although their actions do not go along with their knowledge. Their surprise at the question suggests they may keep their religious understandings separate from their work. On the other hand, some managers could not see the congruence between the RSPO and Islamic teaching.

5.3.2 RSPO is not in Line with Islam

Although most managers said that RSPO rules are similar to Islamic teaching, some did not think that the RSPO is Islamic because it is biased against the palm oil producers. For example Manager 7 expressed his frustration with the RSPO by saying that the: 'RSPO is not Islamic because they are bias against producers'. Likewise, Manager 11 showed the same concern but pointed out that the RSPO only has a few similarities: 'There are little similarities as the principles may be good. In fact, in every system there is Islamic teaching. However, the members are bias, so this is not good and not Islamic'. Manager13 pointed out that Islamic rules are dynamic, not rigid: 'Islamic rules are not rigid but dynamic…the Islamic economy is dynamic'.

Some managers believed that RSPO's criteria and principles are similar to Islamic teaching but that the RSPO's management and implementation are not Islamic. This might indicate that the managers are compartmentalising their religious obligations from a secular body like the RSPO. In addition, some of them also believed that the RSPO rules are rigid, which contradicts Islamic rules, which are more flexible. When the manager said that Islamic rules are more dynamic, he might be referring to Islamic *fiqh* (jurisprudence), not the Islamic Law (*Shariah* Law). The Shariah law is derived from the two sources i.e. Al-Qur'an and Sunnah and, is broad in general and cannot be changed. Whereas, Islamic *fiqh* (*fiqh* is an Arabic word which means true understanding) is a set of principles that focus on specific issues, which are not specifically addressed by the Shariah, thus it can be changed based on new information. *Fiqh* comes indirectly from the Qur'an and Sunnah but does not override the two sources. Therefore, as they could see that there is some flexibility with some issues, depending on needs and urgency, some people might take advantage of the flexibility and provide various reasoning to justify

ethical issues. Furthermore, they also tend to provide reasoning as to why they think that some problems are actually not a problem if they can provide a justification.

5.4. Ethical Reasoning

Based on the interviews conducted, this study found that, the managers demonstrated four major themes under the reasoning of ethical issues. The four themes are; (1) denial of empirical findings of critics, (2) elevation of alternative ethical principles, (3) motives rather than outcomes, and (4) casting aspersions on the motive of critics.

5.4.1 Denial of Empirical Findings of Critics

Many managers denied the empirical findings of critics by illustrating selective and alternative facts to the empirical findings. For example, in the case of indigenous people, the managers claimed that the palm oil industry has in fact provided many benefits in terms of job opportunities hence elevating their (indigenous people) socio-economic condition. Likewise, the managers asserted that the palm oil industry has helped in eliminating poverty in rural area with the establishment of agencies such as FELDA.

Manager 5 claimed that in a less developed region in Malaysia, such as in Sabah and Sarawak, the palm oil sector has managed to boost the income of local people and improve their living conditions. This is also acknowledged by a manager who is based in Sabah*:* 'Palm oil has helped a lot in achieving economic growth of the people of Sabah and Sarawak' (Manager 6). Likewise, Manager 9 observed the same point: 'If you look at your relatives who are from FELDA, without palm oil, their life are a struggle' (Manager 9).

> In general, we have to protect our environment, animals, workers, indigenous people etc. Actually we have done more than that because the plantations are not just good for the state economy but also for the local community. For example, when we

> establish a 13,000 acre plantation, there will be a factory and the local people or the indigenous people can run their own plantations and send their produce to our factory… this will improve their family economic condition. Therefore, with the additional income, the native people can increase their purchasing power… buy quality goods for example a television, a refrigerator etc. They can also have their own electricity, so that will benefit their social economy. …. Or land can be developed using other methods such as FELCRA or FELDA. If we think of the purpose why the government established the FELDA, … it helps to improve those people living in the village and reviving their unused land for palm oil. (Manager 5)

Both managers appeared to believe that the palm oil sector has contributed a lot to the community so it is unfair to look on the disadvantages. They felt that elevating socio-economic conditions is more important than protecting the environment. They viewed that they have been unfairly treated when they just want to take care of people in rural areas and improve their life. The managers might frame poverty issues and the rural community's economic conditions to justify their actions.

According to Manager 5, before establishing a plantation, they will meet up with the local community and brief them about the advantages and opportunities that await the indigenous people if there is a large plantation in their area. Besides being hired by the plantation company, the local people can also establish a business to support plantation workers' needs, as explained by Manager 5 to support his views on how palm oil sectors create opportunities:

> In that particular area, we will inform the villagers that we will open a new plantation and so on and so forth. Therefore, they [the villagers] along with their siblings can benefit from it, for instance, by opening a cafe to serve the plantation workers. (Manager 5)

The managers expressed strong beliefs that the palm oil sector enhanced the living conditions of rural people, hence palm oil production was helping to eliminate poverty in rural areas. They also believed that their company's policy as well as the state rules are sufficient to address any problems associated with the industry. They choose to merely state the well-intentioned policies while in reality the policies fail to address the problems. Many policies may look good on paper but are likely to fail in practice.

To the managers, the palm oil sector has improved the living conditions of most people in the rural areas as well as indigenous communities, therefore, there is no issue pertaining to land rights or deforestation as the community will gain benefits and human needs are more important to be fulfilled.

The results suggest that when a good course has been accomplished, it may be difficult to look at things from a different angle and to look at the negative side effects of good actions. The industry players maximise economic development over sustainability and they believe that they have sufficient current standards and policies in place, which they believe is evidence of good conduct.

Besides issues relating to the indigenous peoples and poverty, the palm oil sector has been accused of engaging in child labour. When asked about this accusation, a manager denied that child labour exists: 'In Asia this is not considered as child labour. It is common for Asian people where the children help their parents whenever they are free, for example during school breaks' (Manager 11).

To Manager 11, the term child labour is not applicable in a Malaysia setting because the children are usually merely helping their parents in their free time. This finding indicates that such an activity is considered ethical because it was accepted by the community and part of their culture. It is not unethical because no one in the community complains about it. The managers might also view other ethical principles as being higher than ethical conduct towards the environment.

5.4.2 Elevation of Alternative Ethical Principles

Some studies suggests that palm oil has some benefits to health. As a result, industry actors might tend to uphold this fact in order to negate or override the ethical problems that might exist. As the palm oil managers indeed uphold the benefit of palm oil, they seem not to give way for any negative perception or implication of palm oil. Manager 5 informed me that many studies have been conducted on the benefit of palm oil to health. These studies have been carried out by a government agency; the Malaysian Palm Oil Board (MPOB) which is responsible for the research, development, and promotion of Malaysian palm oil:

> Thus far, MPOB have shown that there are components in the palm oil which are good for health. Further research could validate the claim though. The palm oil is good for health. MPOB have done many research to prove that. (Manager 5)

Palm oil also was observed as the solution to the world's food security and could play an important role to feed the world's growing population with nutritious, affordable, and sustainable food:

> Palm oil will not be [in] oversupply because it is the food security of the world. So how can palm oil play to feed the world? With the current hectares, we can feed the world. (Manager 11)

Manager 9 thinks that by planting palm oil, many people can benefit from the produce. He also believes that this is much better than leaving the lands abandoned with trees and bushes where no one can get the benefit. Therefore, the Manager 9 believes that they are not corrupting the earth, in fact they are protecting the earth:

> Palm oil brings benefit to mankind. It is better to cultivate palm oil than leaving the land abandoned without any useful activities, which can benefit the community. With all the plantations, such as palm oil and rubber, they at the same time could become a rain catchment area. Therefore, we are not damaging the earth, but we are protecting the earth. (Manager 9)

Another benefit that the managers thought superseded the negative impact of palm oil is through the belief that the greatest good is what is produced for the greatest people i.e. utilitarian ethics (Bentham, 1988). It can be articulated that the majority of people are enjoying the benefit of palm oil at this juncture while some minority people are suffering from the negative impact of palm oil such, as the indigenous peoples:

> Everybody else wants development. If the indigenous people do not want development, other people wants advancement. It is hard to mix developed and undeveloped area in one location. Operation cost will be much higher. (Manager 2)

The managers uphold the extensive benefits of palm oil from many points of view, including health, food security and economic development. Thus, it is hard for them to accept the fact that there some negative impact of palm oil.

Besides upholding the benefit of palm oil, the managers also tended to emphasise the economic gain that palm oil has contributed. The palm oil industry is growing rapidly in Malaysia and

has thus become one of the main contributors to Malaysia's GDP. Therefore, the benefits to Malaysia's socio-economy is substantial, especially in rural areas where most people engage in agricultural activities. The establishment of palm oil plantations in rural areas has improved the socio-economic condition of the local community in those areas.

Furthermore, most interviewed managers believe that agriculture is a respectful and dutiful profession, thus it was not a surprise when they regarded clearing forests for agricultural activities as permissible. To them, clearing forests to build concrete buildings was worse than clearing forests for agriculture:

> If we clear forests to make way for development, such as building shops to establish a commercial area to build an entertainment centre, now that is not permissible. But we plant palm oil for the oil, which in return many people can get the benefit. We cut trees but we plant trees, which is not wrong. Water catchment area will be intact and land will not erode. (Manager 9)

This thought, along with a connection to the old way of doing things, will make it hard for them to accept change: 'Those who have been very long in the industry find it hard to comply with RSPO because they are used to the old methods' (Manager 6). Furthermore, the old methods do not identify the effects of clearing forests; one of the managers admitted that their limited knowledge in the early stage hindered them from knowing the consequences of deforestation: 'Last time we did not know the impact of clearing forest' (Manager 1).

Agricultural activity, according to one of the managers, not only protected the environment but also protected animals and did not cause animal extinction. As reported by one of the managers, in some locations, such as in Borneo or East Malaysia, the wild animal population is not as high as in Peninsular Malaysia.

> Through my experience working in plantations in Sarawak, there are not many animals over there although in thick forest, for example in Sarawak there is no tiger like in Peninsular Malaysia. There is no elephant, except for the pygmy elephant in Sabah. When we were opening a plantation in Sarawak, we found one or two sun bears in the area that we are working. In Borneo, there is no elephants and tigers. Only small elephants in Sabah. There is deer as well but not many. In fact, it is not easy to find a monkey in some areas. Riparian zones are not affected. Crocodiles and other river life are not disturbed. (Manager 5)

The manager believed that clearing forests in Sarawak or Borneo is not as bad as many people thought because not many animals will be affected. This is interesting reasoning because it shows that it is not unethical if the impact is not severe, hence, it is not literally wrong according to the manager.

Another manager also shared his experience where he stated that animals are benefiting from palm oil plantations. He claimed that his plantation is giving life to the surrounding animals:

> Animals have long inhabited our plantations. The palm oil and rubber plantations give the animals' new habitat. For example look at the cows that are grazing and resting by the canal. (Manager 9)

He also assumed that animals will usually run away and not be killed. Only irresponsible planters will kill the animals: 'We did not chase away or kill the animals - maybe those who are irresponsible will kill the animals when we explore a new area. Normally the animals will run away when we explore a new site' (Manager 9). Manager 9 also stressed that forests are not under threat of extinction if engage in agriculture activities: 'I think, forests will not disappear if we do agriculture' (Manager 9).

The managers assumed that agriculture is a method of protecting the environment and provides livelihood to surrounding animals. This response indicates that an action is not unethical as long as it did not mean to hurt anyone and if it could benefit the surrounding communities. In addition, with well-intentioned government policy in place, the palm oil industry players tend to believe that everything is in control and issues are not as serious as might sound.

5.4.3 Motives Rather than Outcomes

Many interviewees expressed the view that existing policies are sufficient to protect the environment and the rights of indigenous people and animals. Convinced by the fact that current standards and policies by either companies or states, are able to prevent further environmental damage and protect human and animal rights, the managers believe that they have done their best to make ethical decision making while carrying out their managerial responsibilities. For example, in the case of indigenous people in East Malaysia, Manager 5 claimed that permission to develop land for palm oil plantation must be through the state agency. The state agency is the major shareholder of the state government and the indigenous people. Therefore, indirectly, the indigenous people will enjoy benefits as a result of the new plantation. This is mentioned by a manager:

> In the context of Sarawak, based on our experience, since the year 2004 until 2005, I was there for 10 years, land development either on peat soil or not, must obtain state agency consent. If I am not mistaken, it is called PELITA (Land Custody and Development Authority). PELITA is holding the stake of state government and the native people. Therefore, when the land has been developed and bring produce, the respective native people will enjoy the benefit. (Manager 5)

In relation to the human rights issue, one of the managers said that the state government of Sarawak has the right to develop any land that does not have a title. However, the state government cannot develop any land in which land surveying was conducted during the British era:

> Those lands which were surveyed during the British time, will get a title endorsed by the Sarawak land and survey department, so it means that the land belongs to them [indigenous people]. But for those lands without any title, the ownership will fall under the state government, hence the government has the right to develop the land. (Manager 5)

Based on this policy, as mentioned by Manager 5, it is considered legal to develop land without a title although indigenous people may be occupying it. As such, developing native land is not thought to be unethical. In addition, Manager 5 stated that some land in Sarawak is subject to 'Native Customary Rights' (NCR) which are the legal rights of native peoples in Malaysia. The manager assumed that the NCR policy is an effort by the state government to protect the indigenous peoples in Malaysia.

> With regards to the indigenous people rights.… particularly in Sabah and Sarawak. I think, it is being addressed by the state government, therefore, to me, when I was in Sarawak, we call it Native Customary Rights …and these people [indigenous people] are protected by the state government. (Manager 5)

Therefore, the manager views developing native lands as not being unethical because it is legal from the perspective of the state law. This is interesting because Manager 5 believe that every action is considered ethical as long as it is legal under the state law.

There is also no problem with indigenous people and opening of new land, as clarified by Manager 11: 'Indigenous people is not being uprooted… not in Malaysia because there is no more expansion. There is no more suitable land for palm oil'. It is puzzling that Manager 11 did not acknowledge the sustainability issues associated with the palm oil industry despite well-known global concerns. The defensive attitude of Manager 11 may lead to his not admitting the problems associated with the palm oil industry. Furthermore, by admitting the problems, it might expose the weakness of policy enforcement.

Regarding environmental policy, Manager 5 stressed that the Malaysian government is aware of the adverse effect of deforestation and has done the necessary to protect the environment. On the other hand, Manager 5 also suggested that the government should undergo a proactive effort in monitoring the carbon foot print so as to reduce the global warming effect:

> About the environment, the government did tell us that chopping trees can lead to carbon exposure and global warming…The government should limit and monitor development in certain areas so that we can calculate if we open a plantation in one area, we know how much is the carbon exposure. Once, we used to talk about carbon foot-print, right? For a particular product, we will calculate how much carbon is released. So, that can be computed. Then, we could buy carbon credit. It means that the industry can get the benefit from the carbon credit. Therefore, we should do that together. (Manager 5)

Manager 5 believed that existing government policy can overcome environmental problems and will benefit the palm oil sector. But, merely having a policy will not solve the problem if it is not followed by effective enforcement. From the above quote, Manager 5 is aware of some weaknesses in monitoring and enforcing environmental laws by the government. This is

interesting as it shows that some managers know that something is not right but they just continue doing what they are doing.

Therefore, it makes sense if the manager thought that sustainability issues around the palm oil sector are irrelevant. This thought is similar to Manager 9 who believes that there is no problem with the ecosystem as they strictly follow their company's policy where they do not engage in open burning:

> In Malaysia, the problems are not serious, we are well known…. we have been in this industry for a long time.… we have our own standard operating procedures (SOP). The open burning cases normally took place in Indonesia. We don't have much problems except for the fluctuation of palm oil prices. For example regarding the eco-system, there is no problem as we follow our own standard operating procedure….but there could be a problem with the smallholders as they sometimes engage in open burning. (Manager 9).

It is interesting when Manager 9 believes that the problems are not serious and many of the problems occur in Indonesia instead of Malaysia. This explains why no adequate efforts such as more stringent laws, are being undertaken to curb unsustainable practices.

The perception that existing company policy is preventing environmental problems is also stressed by Manager 4: 'We have our own policy. For example, we have a procedure for replanting, which we adhere to. For example, we can't kill animals and fishing is not allowed. We can't bother the eco-system'. Despite all the policies, unfavourable prevailing environmental conditions still exist.

In addition, an unsustainable practice is not treated as a problem when it has become a normal and acceptable practice for a long time. For example, Manager 9 emphasized that since his company has already planted on peat soil, they will carry on with it as their policy has never forbidden them to plant on peat soil.

> Our company has planted on peat soil … especially in Sabah and Sarawak. RSPO underlined a principle where planting on peat land is not allowed, but we have planted on peat land for ages . . . . so we just carry on with what we have been accustom to. (Manager 9)

However, it is not clear if they will plant on peat soil for new plantations or not. Perhaps they are just maintaining existing peat land plantation but will not procure new peat forest for new plantations. When asked about peat soil issues, Manager 9 indicated that there is no problem associated with planting on peat soil besides operation issues: 'With regard to issues with peat soil… there are issues with road recovery and operation issues but there are no apparent problems with environment and social issues' (Manager 9).

Manager 9 also asserted that replanting activities do not result in loss of biodiversity because the replanting does not involve forest, only old rubber plantations and paddy fields, which will be converted into palm oil plantations:

> Our replanting does not affect biodiversity because our replanting does not occur by clearing forest. Our replanting is done on old unproductive rubber plantations and paddy fields. That is what we do for replanting…hence, there is no effect on biodiversity. (Manager 9)

Manager 9 repeatedly pointed out that they have their own rules and policies and even if they want to convert any forest to a palm oil plantation, they have rules in place: 'But we have our

own rules …when we want to convert any forest to palm oil plantations, we have all the policies in place' (Manager 9).

In addition, Manager 9 believes that the government will not allow planting on reserve forests: 'When our lease lands have been fully utilised, what left is those hilly areas…we cannot plant at hilly areas, nor can we plant on reserve forest because the government will not allow us to do that' (Manager 9).

Another manager also highlighted government efforts to control environmental issues; the manager viewed them as effective as well as legitimate: 'We have our own mechanism to control…that is why we have MSPO (Malaysia Sustainable Palm Oil) which is accredited by the Malaysian standard. Similarly, Indonesia has their own policy i.e. ISPO (Indonesia Sustainable Palm Oil)' (Manager 11).

Hence, it can be concluded that some managers do not see the importance of other rules, such as those from the RSPO, as they perceive that their government has outlined policies that protects the environment. Moreover, most of them believe that if there is a problem, it is not serious and is under control. Therefore, when they are criticized they tend to cast aspersions on the motives of critics. The managers apparently did not feel the need to scrutinise law or policy in terms of whether they were in fact consistent with their own religious or ethical principles. This may suggest that they wish to keep religion and ethics out of everyday life.

5.4.4 Casting Aspersions on the Motive of Critics

Another reason as to why the managers in some cases disapproved of the RSPO is because they detected some market competition elements in the formation of the RSPO, especially when it involves other vegetable oil producing countries. They felt insecure for their future as they

perceived a threat from other vegetable oil producers: 'In the 1980s, soya bean wants to kill palm oil' (Manager 11).

In fact, this statement or issue is very common amongst the palm oil producers. They claimed that their competitors say unpleasant things about their country, as one of them argued: 'The issue is that the soya bean oil (producers) have been talking bad things about palm oil especially about the cholesterol level in the palm oil. Our competitors say that our oil is bad' (Manager 3). When asked if the interference from the European countries is as a result of unsustainable practices of palm oil producers, Manager 3 said that it was not because of their unsustainable practices that the RSPO was formed, but rather because of market share competition of other vegetable oil producers: 'No, not because we are breaching the environmental law… it is because other oil [producers] want to capture the market. It is competition. The soya bean [producers] will claim that they are good and we will claim that we are good' (Manager 3).

Campaigns against palm oil have led palm oil producers to feel insecure about their future. Most managers in the sector observed that the campaigns as well as the RSPO are trying to control the industry, not let the industry grow, and are trying to reduce their market segment:

> Personally I think they want to control our oil market. (Manager 10)

> The issue is that they want to control our plantation industry such as palm oil. RSPO is produced by the Western [countries] and they want to increase their business for example [in] sunflower oil. In the West, they disgrace palm oil. They don't want us to be the leader and that is why they create the standards. If we don't follow, they will blame and criticise us. That is the main reason why RSPO was formed. Indonesia does not support the RSPO as they have their own standard. (Manager 4)

One of the managers asserted that the RSPO is biased against palm oil producers and questioned RSPO sincerity as only the producers are obliged to adhere to RSPO rules. Other members who are not growers can choose not to support sustainable palm oil:

> RSPO is biased against palm oil. Its principles aim to put a stop at palm oil expansion. How sincere are the principles? There are lots of double standards. They only look at growers, not other members such as the bankers and the retailers. For example, if you are a member you should not use uncertified palm oil. You must support sustainable palm oil. Not only growers should adhere to the rules. Not all members support palm oil… The 'no palm oil' label done by Western countries is discrimination. (Manager 11)

For the palm oil producers, the RSPO is not serious in defending palm oil from other members of the RSPO who continue to criticise Malaysian palm oil and carry out anti-palm oil campaigns.

One of the interesting findings about why the managers deny allegations made against the palm oil sector is the way some of them raised the issue of the impact of British rule and other Western influences. Some managers claimed that these two factors impact perception and direction of their corporate goals. During colonization, the British promoted plantation-based economies to support the market needs for the industrialization of the West. In a way, these managers condemn the growth of Westernized way of thinking deriving from British colonial activities, for turning them into a materialistic society:

> We learn all this (plantation-based economy) from the British. The British established rubber plantations in Melaka, Negeri Sembilan, Perak, and Selangor. So

> all these plantations belong to the British in the first place. If we look at the history, those plantations belong to them. If they can operate the plantations, why can't we? In fact, the palm oil was brought into Malaysia by the British. The first rubber company was owned by the Dunlop estate from the United Kingdom. Last time, they can develop palm oil, but now when we want to develop palm oil, they do not let us do so. The yield for palm oil is good, therefore, we want to switch from rubber estates to palm oil plantation. (Manager 5)

Many rubber estates belong to the British. But since the yield for palm oil is better than for rubber, palm oil producers are changing rubber estates into palm oil production. Therefore, they do not view their actions as unethical because they are merely replicating the behaviour of the West, who have previously participated in such actions on their (palm oil producer) lands. To their understanding, the British or Western people used to encourage or initiate plantation-based economies. However, today they are not allowed to engage in plantation activities by the 'same actors' (Western people). They felt that they are not being treated fairly: 'Now when we want to open our own plantations, they won't let us' (Manager 5).

Apart from plantation issues, the managers also perceived that Western countries are the first who had initiated deforestation. The managers were not happy as Western actors are now telling them that they are engaging in deforestation. Manager 5 stated, 'In my opinion, the deforestation was initially create by them. (Manager 5). Manager 7 said, 'Moreover, they (Europe) had copped more trees. But, when we want to chopped our trees, they won't let us do so'. Manager 11 argued, 'They attack our palm oil by bringing up the environment issues, but they are actually the ones who are chopping down trees'.

The palm oil managers believed that if others have done certain actions and have gained economic benefit from these actions, it was not unethical to follow in these footsteps. However, at the same time the managers did, to a certain extent, endorse the value of protecting the environment.

5.5. Endorsing the Value of Protecting the Environment

The managers were asked what they thought about sustainability issues in the palm oil industry that were of global concern. Although they constructed reasons as to why they thought that the problems are not true or not as bad as what people think, they also showed approval that environmental protection, along with human and animal rights, should be met.

A manager was supportive of the creation of the RSPO because he felt that it had made plantations in Asia become more responsible. He noticed that when Asian people took over plantations from the British, they (Asian people) focused more on financial gain rather than workers' welfare:

> RSPO is good because there are lots of codes to comply with so that plantations in Asia will become more responsible. Plantations in Asia are less responsible. During the British era, workers' welfare was good. But after the plantations were taken over by the Asian people, many benefits were cut… the plantations became more profit-oriented. (Manager 10)

Manager 10 shared some examples of welfare that was provided by the British.

> For example, last time, when the working hours are over, everyone will go home and rest. But now, we have to work until late [at] night. Other facilities, such as a community hall and activities such as sports, do not exist anymore. Employees are too busy working for more money. Perhaps, now, people are more interested in

> electronic entertainment, unlike in those years. Club houses in the estate had stopped operating because the members are not active. (Manager 10)

Some managers believe that it is important to protect biodiversity and human rights:

> We have to preserve biodiversity and there should not be any more new land development and exploration. (Manager 4)

> When trees are cut, the carbon will be exposed and released because the components inside the peat soil consist of accumulation of partially decayed plants etc. Therefore, this contributes to higher content of carbon in the atmosphere. (Manager 5)

> In the environmental context, I personally love animals and I believe that the animals have rights to live together with us. (Manager 5)

> There should be conservation - don't plant the whole area. We have to create a pond conservation for the flowing water. Otherwise the area will be flooded and birds have got no pit stop. The plantation area is so huge that if they do any conservation, there will be problems. To me, we must maintain a jungle at a certain parameter in huge plantations. So that the birds can fly, fish can live, don't just plant palm oil in the area. (Manager 2)

In addition to his support of RSPO rules, Manager 10 also shared his concern about the attitude of some producers when they want to establish new plantations. He thought that some people did not think about the environmental and social impact, especially in relation to orang asli (aboriginal people) rights and animal rights. The orang asli were hit hard by the development of new plantations in their lands:

> In my opinion, there are some growers, when they want to develop an area, they did not think of the impact to the environment and to the local community. For example in Gua Musang where many orang asli's lands have been converted into agriculture lands, [developments] have affected the orang asli's income and many animals have died. But, most of them do not think about the environment when they want to develop a new area. (Manager 10)

Manager 10 was also anxious about the ethical behaviour of some growers who would break laws and engage in bribery just so that they can get more money:

> They only think about money…they are willing to go against the law, even willing to give bribes. That is the truth about today's modern society. (Manager 10)

Manager 10 expressed his concern about problem in the industry which may signify that he actually had intrinsic motivation to comply with the RSPO. However, he did not convey his view on the unethical practices of some of the people in the industry as it relates to religious obligation, which may suggest that he is separating his religion from his working environment.

5.6. Perceptions of the RSPO

RSPO rules are designed to resolve problems associated with the palm oil industry around the world. Although many perspectives have been applied to measure the effectiveness of the RSPO, studies which examine such effectiveness from the perspective of the people in the industry themselves are scarce. This section discusses the findings of the managers' perception of the RSPO. In general, all managers provided both positive and negative perceptions of the RSPO.

Most managers thought that the RSPO is good for two main reasons. Firstly, palm oil is able to be exported to the European market. Secondly, it creates a more responsible plantation culture in Malaysia and Asia more generally. This may suggest that although the managers have an extrinsic motivation to comply, they might have intrinsic motivations as they want industry problems to be solved. However, most of the managers criticised the RSPO for various reasons: it is too strict, complicated, intolerant, does not provide a high premium price, it is costly, rigid, tries to control the industry (accused of teaming up with competitors), and is not attuned to the local atmosphere.

European markets make up to 13% of Malaysia palm oil exports. Europe is an important market for palm oil and losing the European market is not something that the industry can compromise. For example, this can be seen in the case of biodiesel where an EU - Commission reported that biodiesel creates more emissions than fossil fuels. A similar report could cause great impact to the palm oil industry; such a perspective has been stated by Ivy Ng, the regional Head of Plantations Research at CIMB Investment Bank: 'If EU doesn't take up palm for biodiesel, demand for palm oil globally will fall and prices will be affected on the downside . . . which will impact everyone equally' (Munthe, Nangoy, & Chow, 2017).

Giving the crucial European market, palm oil producers are thus willing to comply with RSPO principles and criteria, which indicates that their willingness to comply is being driven by extrinsic motivation. Manager 5 argued, 'RSPO is about complying with European or Western criteria, so that they will buy our palm oil after we met all the requirement'. Manager 9 suggested, '[The reason why] we comply with RSPO standard is because we want to sell our palm oil to the European. Thus, we have to comply, unless we do not want to market our oil to Europe…then we do not have to comply'. Manager 3 asserted, 'RSPO is important for large

corporations for market purposes (to be able to export to Europe and other western countries)'. Manager 12 stated, 'Yes, we have to comply with RSPO principles so that we can penetrate into their (European and Western) market'.

On the other hand, Manager 5 believed that only the large palm oil firms should comply with RSPO standards because usually only those large palm oil firms export to Europe, whereas it is sufficient for smaller firms to merely comply with the MSPO. This suggests that there is no intrinsic motivation to comply:

> As we know, 1/10 of our palm oil is bought by the European countries, so let the big firms comply with RSPO. With premium oil…you supply to them. Whereas, the rest will follow MSPO, which has good criteria and a good system but at the same time MSPO accommodates development of the local community and all. (Manager 5)

Apart from being able to enter European markets, some of the managers viewed the RSPO as an effective regulator that managed to transform plantation culture in Asia. To them, the RSPO had instilled a new culture where profit is not the ultimate objective of an organisation. This suggests that there is intrinsic motivation to comply with the RSPO. This attitude is indicative in Manager 2: 'If you have make profit, you should provide to your staff. Give part of your profit to your staff and nature. I am ok with that'. Likewise, Manager 4 realised that his attention has now shifted to the environment instead of all attention given to profit. This is unlike prior to the implementation of the RSPO:

> If we look on the positive side, we can accept it [the RSPO]. Perhaps with RSPO our industry [palm oil] can be improved. With RSPO, we can control our environment [less damaging]. Last time we used to do open burning, anywhere we like. When RSPO came, we control it [the open burning]. We can't throw rubbish everywhere

> we like... so that is the advantage [of the RSPO]. Before this [the RSPO] we only care about our profit and income, but now, RSPO requires us to balance up our profit with their requirement, so now we do not just look at profit alone. So, that's the good thing [of having the RSPO]. (Manager 4)

This implies that Manager 4 welcomes the RSPO for fixing problems. Their comments imply that environmental concern is at a higher level after the introduction of the RSPO and this induces intrinsic motivation to comply with the RSPO.

The new culture also drove plantations to be more responsible, as mentioned by Manager 10: '…but the good thing is that there are so many rules that the producers have to comply which makes the plantations in Asia become more responsible'.

As some managers realized that the RSPO might be able to change plantation culture in Malaysia, others believed that having a third party as a spectator and controller is more effective rather than having local government enforce the rules. Manager 4 explained: 'It is good if the government itself could control the industry without interference from outside governance. But sometimes we need people from outside to judge (evaluate) us because sometimes we do not know the benchmark'.

This suggests that if the managers have intrinsic value and are able to acknowledge weaknesses in existing policy, they may be more willing to comply with the RSPO standards.

While the RSPO could change plantation culture to be sustainable, the managers are also accustomed to the old ways of doing things. When people are in their comfort zones, they feel secure and they often resist any changes to routines. As a result, the managers say that they need more time to embrace and cope with changes. Manager 10 stated, '…. more time is

needed to change the plantation culture in Asia. Manager 13 expressed that, 'It can be done, but need more time. Manager 4 argued that, 'Sometimes we need time to change'. Manager 9 asserted, 'It is not hard [the RSPO rules]... but it takes time'.

Managers also thought that the RSPO should harmonize their codes with the local atmosphere. This might imply that some people seem to have set their minds with a basic distrust or rejection of any kind of change and will try to preserve the old ways of doing things. According to some managers, the RSPO standards should not be imposed on Asian plantations because the RSPO standard is equivalent to a European standard. European standards are higher than Asian standards, therefore to Asians, meeting the standards are hard:

> In general, RSPO is good but [it] needs to tune up with our local conditions. … RSPO is good but does not suit us. That is why we have MSPO … accredited with Malaysian's standard. Same goes to Indonesia, where they have ISPO. (Manager 2)

> RSPO rules are realistic but should be more flexible to match the local environment. For example, the Western eat bread and they can live with eating bread .. But we feel satisfied when we eat rice.. Malaysian must eat rice… if we do not eat rice (especially the Malays) we will die. Therefore, the rules must fit local situations. (Manager 9)

Most managers thought that the RSPO rules are too strict and too complicated. Some rules are getting increasingly tougher. The cost of compliance is also expensive. All these constraints are huge obstacles for medium and smallholders. Large firms usually have no problems absorbing the cost:

> I think the rules are too stringent to follow, especially for medium and small holders. Maybe the big players who have been in the industry for a long time are able to comply with RSPO rules. (Manager 5)
>
> Sometimes the concept is good. But at times, certain things are too complicated. For example, there is so much documentation that we need to prepare. Sometimes the documentation that we need to prepare for RSPO are not even required on our operation side…on the ground. So it becomes an additional workload. Therefore, RSPO should reduce unnecessary requirement. It is too detailed and complicated. (Manager 9)
>
> RSPO's requirement is hard, too strict. You have to ensure that your plantation is clean - the size of the drains also matter… it makes you tired out. The cost increases but you don't get the premium price. (Manager 2)
>
> Some of the principles are too strict and extreme. But when we manage to comply, RSPO will add another criteria, which makes it even tougher. (Manager 4)
>
> RSPO needs to be reconsidered because not all plantations [can] afford to comply. New and small plantations find it hard to comply. (Manager 5)

This indicates that people might resist adopting new rules not because the rules are too strict or complicated, but because they are hesitant to try new routines that will probably lead to additional work. They might have made up their minds that the rules will not work.

One of the managers shared her experience of the RSPO auditors who audited her plantations. She thought that auditors from the West are stricter compared to those auditors who came from Asian countries. That is why she prefers auditors from Asia compared to Western auditors

during the auditing processes. The manager explained that auditors from Asia are more considerate as they understand the culture and are easy to work with. This is unlike Western auditors who are more stringent and do not understand the culture; there are also language barriers between the auditors and firm representatives. Therefore, auditors with different backgrounds and beliefs will impose different judgements. These differences make the producers feel apprehensive about bias during the assessment process. As a result, they feel that it was the auditors who create the problems, not the rule itself:

> Those auditors who come to audit the plantations come from a different background and culture. If the auditors come from Indonesia, they are happy with what we have done. Maybe because they feel that we have done better in comparison to them [Indonesia]. But if the auditors are from the West, it is hard to convince them that what we have done is correct and we have met the standard. We can comply, but please try to understand our culture as well. Most companies are facing this problem. It is not because of the rules but the assessors. (Manager 4)

Some auditors do not respect the plantation manager and plantation workers, as mentioned by Manager 4: 'Yes, they [the auditors] have the rights [to carry out their duties], but at least come and see us [get permission before meeting the workers] and show us some respect. They [the auditors] do not respect our culture'. This finding is interesting because culture could also be one of the reason why people resist change. We might say that culture is an excuse for not making the change, but to some people, cultural norms play an important role in everyone's life (in that culture).

Despite the above negative views on the RSPO, some managers in the Malaysian palm oil industry admitted that the formation of the RSPO is crucial and happened at the right time. Manager 2 acknowledged this by saying: 'I think it is good that RSPO come in'. When they

were asked if there is anything else that RSPO needs to do to overcome the problems, Manager 12 said that the: 'RSPO had pretty much done everything to overcome the problems'.

5.7. Chapter Summary

Interviews with thirteen managers were presented in three elements in this chapter. The aim of the research is to gain an understanding of how palm oil managers' approach to religion might induce compliance with private governance. The first element is religion where managers' approach to religion is examined to see if they could see the religious aspect of unsustainable practices and the private regulation rules. The second element is on the managers' ethical reasoning of ethical issues in the industry. The third element is on the managers' perceptions of the RSPO and whether they recognize the relevance of the RSPO to religious obligations.

The first element is based on the finding that most managers are aware of religious obligations towards environmental protection and social rights. These managers (who are familiar with Islamic environmental ethics) could recognize the congruence of the RSPO and Islamic teaching and they perceived that the RSPO is relevant to religious obligations. However, this knowledge appeared to be compartmentalised and somewhat separate from applied situations.

The ethical reasoning element was derived from the following themes: denial of empirical findings by critics; elevation of alternative ethical principles; motives rather than outcomes as what is ethically relevant; and casting aspersions on the motives of critics. These themes help to understand the ethical thinking of managers, which is one of the aims of this study.

The final element on manager perceptions of the RSPO is based on the findings of the managers' general perceptions of the RSPO with regards to RSPO codes, code implementation and the effectiveness of the RSPO in addressing the ethical issues associated with the industry.

Chapter 6. Findings from Unobtrusive Research: Annual Reports and Archival Open Sources

6.1. Introduction

This section shows findings that were gathered from archival open sources; such findings include quotes from newspapers and annual reports. The open data sources were examined to extend the range of views beyond those from the primary data collected. Archival news include Malaysian newspapers in both English and Malay were retrieved via Factiva and the respective newspapers' websites. Data from 63 annual reports of Muslim-owned companies were gathered from 2000 until 2016 to identify the environmental disclosure pattern before and after the formation of the RSPO. How the companies accommodate religion in their organisations was also scrutinized to gauge their religious approach.

The first section discusses the findings on the ethical reasoning of palm oil industry actors as quoted in mainstream media. Those quoted either held industry positions or government roles supportive of the industry. Their ethical reasoning is presented according to themes: denial of empirical findings of critics; elevation of alternative ethical principles; motives rather than outcomes as what is ethically relevant; and casting aspersions on the motives of critics. The second section discusses the findings from annual reports and examines environmental disclosure, animal protection and human rights, and the religious understanding as portrayed by the selected companies.

6.2. Archival Open Sources

6.2.1 Ethical Reasoning

The palm oil industry is a key pillar of the Malaysian economy. To ensure the industry's continued success, various agencies take responsibility to educate the public with knowledge

and understanding to reject negative campaigns. This can be seen from the mainstream media where some agencies will give reasons when sustainability issues arise.

To access the reasoning that normally appears in the local news, I used Factiva with keywords such as 'palm oil' and 'forest' or 'deforestation' from 1980 to 2017. The results from those keywords showed 109 results.

6.2.1.1 Denial of Empirical Findings of Critics

It is commonly reported in the media that agriculture does not affect wildlife habitat and flora and fauna as long as strategic and careful plans are implemented. Respective agencies claim that they had undertaken several actions to protect the environment and habitat of various wild animals, especially the orang utan. In regard to this, the Natural Resources and Environment Minister, Azmi Khalid, said that the industry does not disturb orang utans when they are developing lands: 'Palm oil is a source of income for the country, and we need to take some land for development. Where there are orang utans, we do not touch them. We let them roam free' ("Accusations 'meant to hurt oil palm sector'," 2007). He also added that forests that have been chosen to plant palm oil plants are not the habitat of orang utans: 'the forest areas selected for oil palm cultivation were not the normal habitat of the orang utans' ("Accusations 'meant to hurt oil palm sector'," 2007). This statement was supported by Dr Alfred Jabu Numpang, then the Deputy of Chief Minister of Sarawak in 2015, where he said in the New Straits Times:

> For example, there are 2,500 orang utan living in the wild in the state. They are not disturbed or affected by plantations or any agricultural activities, and the figure remained the same in the past five or 10 years ago, (Goh, 2015).

In line with the effort to create environmental and wildlife sustainability, Sarawak has gazetted about one million hectares of forest for national parks, wildlife sanctuaries and other conservation, as well as implemented strict rules and regulation (Goh, 2015). Therefore, the former Deputy Chief Minister of Sarawak, Dr Alfred Jabu Numpang asserted that Sarawak would not undergo any development if it was not aligned with its tough environmental rules.

> Sarawak has strict rules and regulations when it comes to issues related to the forest, wildlife and flora. If the policy affects any of these, it will not be approved or implemented. (Goh, 2015).

However, contradicting with the above statements of denial, in a Sabah Wildlife Conservation Colloquium (SWCC), Masdi Manjun, the Sabah Tourism, Culture and Environment Minister, admitted that they might have made a mistake in the past and thus they are willing to be guided on the next course of action.

> We have been blessed with mountains, islands and the sea. We would like to keep them intact. Moreover, we need your assistance, guidance and feedback. If we deserve to be scolded, by all means, scold us. However, while doing that, tell us what needs to be done. ("Work with govt, palm oil industry players urged," 2012).

In an article published in the *New Straits Times* in August 2012, Yusof Basiron that palm oil saves the land from deforestation (Basiron, 2012a). He asserted that the claim that carbon emission were released as a result of deforestation was baseless, as reported by a research firm.

> A team led by Nancy Harris of the respected research firm Winrock International confirms that claims of alarming levels of carbon emissions from deforestation in tropical regions have been unfounded. (Basiron, 2012a).

In the 2014 Palm Oil Industry Leadership Forum, as reported in the *New Straits Times*, Yusof Basiron argued that there has been a double standard in defining deforestation. According to Basiron:

> The carbon stock of a thriving oil palm plantation, for example, is any time higher than even an existing tropical forests. So why is it that when forests are cleared to plant the oil palm, it is defined as deforestation? Whereas in Canada, forests that are cleared to harvest timber but later planted with the same forest species are not taken to task as deforestation. A clear double standard. ("NGOs continue to bash palm oil," 2014)

He also stressed that Malaysia is a huge carbon sink as about 80% of Malaysia is covered by trees.

> Malaysia has between 56 and 62 per cent permanent forest area and 18 per cent plantation tree crops so that almost 80 per cent of the country is under tree cover. This extensive tree cover is a huge carbon sink which is not common in the US. ("NGOs continue to bash palm oil," 2014).

The industry players perceived that an action is not unethical if we can name others who are doing the same action. They also tend to make an unrealistic comparison in order to show that their actions are not unethical.

6.2.1.2 Elevation of Alternative Ethical Principles

Palm oil industry is believed to have increased the income of rural citizens and contributed towards economic growth (Basiron, 2007). The industry is viewed as a typical method of

generating revenue for Malaysia, like for any other developing and developed countries. As highlighted by Yusof Basiron: 'Malaysia, being a developing country needs to develop its land assets, just as the US did, to generate revenue to become a developed country' (Basiron, 2012b). Basiron also argued:

> Oil palm cultivation is a source of income and pride for 300,000 smallholders in Malaysia, bringing investments and development to far-flung communities. ("A blessing for Malaysia and others," 2016)

According to Dr Ahmad Ibrahim, a Fellow at the Academy of Science Malaysia, it is unrealistic when poverty is being equalised with deforestation, as people need to survive hence, there should be a trade-off. He also indicated that the World Bank regarded palm oil as a poverty-reducing crop:

> Even the United Nations has pointed out that worldwide, poverty is a primary driver of deforestation as people clear land for housing, subsistence farming and fuel. It is understandable because these people need to survive. (A. Ibrahim, 2008)

> Even in the days when the developed economies of the world were not as wealthy, they had to resort to the same measures. (A. Ibrahim, 2008)

> No wonder forest covers in many such economies are almost non-existent now. The message here is: let us get real. (A. Ibrahim, 2008)

The Prime Minister of Malaysia, Najib Tun Razak, also stated how palm oil is important to rural people when he met Chancellor Merkel. This resulted in Merkel assuring Najib Tun Razak that Germany will not impose any tax to palm oil and not implement palm oil labelling.

> We told Chancellor Merkel that we need palm oil because 500,000 smallholders rely on palm oil. It is our second largest export. Fortunately, she countered by saying that Germany has no intention of putting any tax on palm oil nor to label palm oil as well. ("Down to the last detail," 2016)

Studies on the effect of palm oil on health produce mixed results. For example, recent research by the European Food Safety Authority (EFSA) shows that palm oil produces glycidyl fatty acid esters (GE) and 3-monochloropropanediol (3-MCPD) chemicals when heated above 200°C. These chemical elements are genotoxic and carcinogenic, as suggested by the EFSA. However, this finding was countered by the palm oil industry. The Plantation Industries and Commodities Minister, Mah Siew Keong, highlighted that the Western media only focuses on palm oil in Nutella, while those chemicals are present in all vegetable oils in processed foods, not just in palm oil ("Nutella is not carcinogenic," 2017).

6.2.1.3 Motives Rather than Outcomes of What is EthicallyRrelevant

Environmental hazards are not only created by deforestation - open burning can also cause severe environmental pollution. Forest fires, which occur almost annually, have been associated with the palm oil industry. Although it occurred in Indonesia, Malaysian conglomerates were alleged to have practised open burning in their plantations in Indonesia. However, this is denied by many in the industry, such as the Association of Plantation Investors of Malaysia in Indonesia (APIMI), who stressed that open burning was carried out by local small holders (*The Malay Mail*, 2013).

The APIMI executive secretary Nor Hazlan Abdul Mutalib explains that 20% of the land must be allocated to local smallholders and they will typically clear the land by using slash and burn method before planting the palm oil plants.

> Plantation owners have to set aside 20 percent of the land to nurture smallholders in oil palm planting. It is a common practice for the smallholders to clear the land by fire. (The Malay Mail, 2013)

Another reason to deny the Malaysian conglomerates' involvement in a forest fire is the fact the big Malaysian conglomerates in Indonesia are RSPO member. Hence, they will face the consequences if they engage in open burning practices. Nor Hazlan Abdul Mutalib asserts:

Most of the Malaysian plantation companies are also members of the Roundtable on Sustainable Palm Oil (RSPO), an organisation which issues certification on the export of palm oil to Europe, and one of the conditions for obtaining RSPO certification is no open burning practices. (The Malay Mail, 2013)

6.2.1.4 Casting Aspersions on the Motives of Critics

Most of the reasoning found in local news is quite similar to those of the research participants. One of reasoning is regarding NGO campaigns against the industry. Unsurprisingly, the campaigns were considered as having a hidden agenda, Azizi Meor Ngah, the Malaysia Palm Oil Association chief executive, argues, 'If there is a problem, why aren't the campaigners be more specific about exactly what it is and where it is happening. Their agenda is very misleading' (John, 2005).

Yusof Basiron believes that the NGOs agendas is part of their competitors' marketing strategies: 'Most at the forum agreed that there is no way NGOs will ever stop bashing palm oil. The reasons are obvious. The reality is NGOs have a business agenda. The harassment of palm oil is part of their marketing strategy to create pain for the palm oil industry'. ("NGOs continue to bash palm oil," 2014)

NGOs are also portrayed as not being genuine and sincere in their efforts to protect the environment, Azmi Khalid the Natural Resources and Environment Minister said: 'The emails had almost the exact wording. Some of the senders were NGOs registered under the Companies Act and not the Societies Act. They only have a few members. Their accounts show that their organisations receive a lot of money.' ("Accusations 'meant to hurt oil palm sector,'" 2007). This has tarnished the image of some NGOs and led to more defensive acts from people in the industry.

The palm oil sector endorses the value of protecting the environment, but despite various efforts taken to engage with sustainable practices and to respond to the demands of NGOs, the palm oil sector feels that their effort is not being recognised:

> Malaysian Palm Oil Association chief executive Azizi Meor Ngah said Malaysia had done much to ensure that palm oil was produced without destruction to the environment and these efforts have sadly gone unrecognised (John, 2005).

The industry claimed that they have relevant fact and figures as evidence of their commitment towards environmental protection and wildlife conservation to counter accusations by environmental NGOs. Deputy Chief Minister Dr Alfred Jabu Numpang argues that:

> The foreign non-governmental organisation (NGOs) can say what they want with their hidden agenda. But facts and figures have shown that our wildlife and forest are well-protected and conserved. (Goh, 2015)

Moreover, the palm oil industry and relevant agencies involved in the sector claim that they have strict rules regarding forests and wildlife and always ensure that indigenous people can benefit from plantations.

6.3. Annual Reports Analysis and Findings

I went through annual reports from 2000 until 2016, searching for a corporation that belongs to Muslims or where the majority of top level management are Muslims, including government-linked companies. I examined the extent to which environmental practices were disclosed in annual reports and whether they had sustainability practices prior to the creation of the RSPO. I looked at what approach they took with regards to religion in their business operations and whether religion was embedded in their corporations. The way they approach their religion may impact the way they view environmental problems because as discussed, Islam is concerned about the environment and social rights.

Table 6.1: Annual Report Analysis: Specific Words Distribution.

Descriptions	SD	TH	KULIM	TANAH	BOUSTEAD	FGV	TDM	TOTAL
Annual Report	10	11	14	3	3	5		46
Sustainable/sustainability	1130	178	1105	14	19	462	291	3199
Human rights / Indigenous people	1	4	4	0	0	0	18	27
Animal rights	13	0	0	0	0	0	0	13
Biodiversity	45	2	41	0	0	0	5	93
Peatland	16	8	4	0	0	0	0	28
Deforestation	1	2	3	0	0	0	0	6
Water Quality / river / waterways	1	0	0	0	0	0	0	1
Air Quality / Haze / Greenhouse Gases/ open burning	8	0	0	0	0	0	0	8
RSPO	172	8	305	0	3	96	75	659
Islam		0	3	0	0	0	0	3
Zakat	0	0	0	0	0	0	0	0
Religion	0	0	0	0	0	0	0	0
Total	1397	213	1479	17	25	563	389	4083

SD – Sime Darby, TH – TH Plantations, TANAH – Tanah Makmur, FGV – Felda Global Ventures

6.3.1 Environmental Disclosure in Annual Reports

In general, most companies did not say anything about their environmental efforts prior to RSPO formation except for Kulim Berhad. In general, the companies were more focused on profit and land expansion. But after the RSPO's formation, those companies started discussing their environmental concerns and what they have done to protect the environment, together with their plans for more sustainable plantations.

This can be seen with the Sime Darby Plantation, an agri-business arm of the Sime Darby group, which was established in 2007. Sime Darby Plantation was formed from the merger of three companies: Sime Darby, Golden Hope Plantation, and Kumpulan Guthrie. Its disclosures

about environmental concerns increased gradually starting. This started from 2007 when the CEO stated his aim of making Sime Darby the best company at adopting sustainability practices. This led to a comprehensive disclosure on RSPO development and implementation starting from 2010 and much better discloser on 2012 onwards.

TH Plantation started to have wider coverage on sustainability in their annual report in 2010. They then continued doing so until 2016, but not as comprehensively as Sime Darby. In 2006, they adopted a zero-burning technique for their plantations' new planting and replanting process, and strove to reduce the use of chemical fertilisers to avoid accidental pollution of waterways. However, in 2006 it looks as though they did not realise the disadvantages of planting on peatland as they were proud to have successfully developed large-scale plantations on peat soil despite the challenges. In fact, they planned to cultivate more plantations on peatland in Malaysia. They did so, as stated in their annual report in 2007: their peatland plantations expanded in both Malaysia and Indonesia. In 2008, they became an RSPO member, and in 2010 they had wider coverage on sustainability in their annual report. However, since 2015 they are no longer an RSPO member.

FELDA Global Ventures (FGV) started producing a sustainability report in 2013, a year after being listed on the Main Board of Bursa Securities. Prior to the listing, FGV was incorporated in 2007 as a private limited company under the name FELDA. As stated in their 2014 annual report, they were among the first in the region to be RSPO certified and to receive the International Sustainability and Carbon Certification (ISCC). However, in May 2016, they decided to withdraw from RSPO certification in order to address specific issues and implement improvements. On October 2016, FGV underwent a partial certification exercise under its membership, not under FELDA (FGV initially operated under the commercial arm of FELDA)

and received confirmation of RSPO membership on 27 December 2016. FGV then continued to certify its 72 mills complexes in January 2017.

Similar to Sime Darby, TDM started mentioning about sustainability in 2007 and gradually increased over the years - but not as comprehensively as Sime Darby's disclosure on sustainability. In 2013, they achieved 100% RSPO certification for all their plantations in Terengganu.

Apart from these firms, only Kulim has discussed environmental protection, dating back to 2000, before the formation of the RSPO in 2004. For example in 2000, they stated in their annual report: 'For several years, the Group has pursued environment-friendly practices.' (Kulim, 2000, p.24). In the same year, they signed an agreement with AsiaGreen Environment Sdn Bhd for the commercial production of compost from empty fruit bunches. In 2001 they continued their effort to save the environment by using compost in the plantations, and adopt zero-burning techniques not only in replanting but also for new plantings in all three countries that they operate in.

They demonstrated in their 2003 annual report a very advanced move by pledging to obey all applicable laws and regulations and respect local and national cultures. Likewise, in the 2003 annual report they expressed further commitment to saving the environment: 'Above all other objectives, we are dedicated to operating a safe and environmentally responsible operation.' (Kulim, 2003, p.26). This annual report also contains the first formal articulation of the Group's Environmental Policy. After the first RSPO meeting in August 2003, Kulim immediately formalised their articulation of an environmental policy. However, at this stage,

their environmental policy is not comprehensive as they did not include wildlife conservation and animal rights.

Kulim have consistently stated their environmental concerns with more extensive scope, detailing implementation. In 2007, they had a section on sustainability, which was more structured and detailed. In Malaysia, they had achieved RSPO certification for all of their estates in January 2009, and in January 2010, they passed their first annual surveillance audit. In 2009, they stated in their annual report that they were a member of the Malaysian Nature Society, were currently engaged with the Wildlife Conservation Society, and see NGOs such as Greenpeace as partners.

Therefore, it is not certain if the palm oil firms in study made an effort to conserve environmental resources before the formation of the RSPO except for Kulim, which stated their stand on environmental protection a long time before others in the industry.

Chart 6.1: *Environmental Disclosure*

Corporation	Environmental Disclosure																
	00	'01	'02	'03	'04	'05	'06	'07	'08	'09	'10	'11	'12	'13	'14	'15	'16
Sime Darby Plantation								L	L	M	M	M	H	H	H	H	H
TH Plantation							L	L	L	L	L	L	L	L	L	L	L
Kulim (M) Berhad	L	L		L			M	H	H	H	H	H	H	H	H	H	H
Tanah Makmur															L	L	L
Boustead															L	L	L
Felda Global Ventures													M	M	H	H	H
TDM	N	N	N	N	N	N	N	L	L	L	L	L	M	M	M	M	M
		No report		H = High			M = Medium			L = Low		N = None			Y = Yes		

Chart 6.2: *Sustainability Disclosure*

Corporation	Sustainability																
	00	'01	'02	'03	'04	'05	'06	'07	'08	'09	'10	'11	'12	'13	'14	'15	'16
Sime Darby Plantation								L	L	M	M	M	H	H	H	H	H
TH Plantation							L	L	L	L	L	L	L	L	L	L	L
Kulim (M) Berhad	L	L		L			M	H	H	H	H	H	H	H	H	H	H
Tanah Makmur															L	L	L
Boustead															L	L	L
Felda Global Ventures													M	M	H	H	H
TDM	N	N	N	N	N	N	N	L	L	L	L	L	M	M	M	M	M
		No report		H = High			M = Medium			L = Low		N = None			Y = Yes		

Chart 6.3: *Animal protection disclosure*

Corporation	Animal Protection																
	00	'01	'02	'03	'04	'05	'06	'07	'08	'09	'10	'11	'12	'13	'14	'15	'16
Sime Darby Plantation								N	M	M	M	M	M	M	M	M	M
TH Plantation							N	N	N	N	N	N	N	N	N	N	N
Kulim (M) Berhad	N	N		N			N	M	M	M	M	M	M	M	M	M	M
Tanah Makmur															N	N	N
Boustead															N	N	N
Felda Global Ventures													N	N	N	N	N
TDM	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N
		No report		H = High			M = Medium			L = Low		N = None			Y = Yes		

Chart 6.4: *Human rights disclosure*

Corporation	Human Rights																
	00	'01	'02	'03	'04	'05	'06	'07	'08	'09	'10	'11	'12	'13	'14	'15	'16
Sime Darby Plantation								N	N	N	N	N	Y	Y	Y	Y	Y
TH Plantation							N	N	N	N	Y	N	N	N	Y	Y	Y
Kulim (M) Berhad	Y	Y		Y			Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Tanah Makmur															N	N	N
Boustead															N	N	N
Felda Global Ventures													N	N	N	N	N
TDM	N	N	N	N	N	N	N	N	Y	Y	Y	Y	Y	Y	Y	Y	Y
		No report		H = High			M = Medium			L = Low		N = None			Y = Yes		

Chart 6.5: *RSPO*

Corporation	RSPO																
	00	'01	'02	'03	'04	'05	'06	'07	'08	'09	'10	'11	'12	'13	'14	'15	'16
Sime Darby Plantation								Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
TH Plantation							N	Y	Y	Y	Y	Y	Y	Y	Y	N	N
Kulim (M) Berhad	N	N		Y			Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Tanah Makmur															L	L	L
Boustead															L	L	L
Felda Global Ventures													Y	Y	Y	Y	Y
TDM	N	N	N	N	N	N	N	N	Y	Y	Y	Y	Y	Y	Y	Y	Y
		No report		H = High			M = Medium			L = Low		N = None			Y = Yes		

6.3.1.1 Animal Protection

Regarding animal protection and conservation, only a few companies such as Sime Darby seem to put in serious effort by showing what they have done in detail. Others merely mention their support for animal conservation. In 2009 Sime Darby had pictures of exotic and near extinct animals in their annual reports in order to show their concern. They even considered those animals a part of the Sime Darby family. The TH Plantation never mentioned animal or

wildlife conservation in their annual reports. In 2014, FGV undertook various efforts to save animals, such as a network of forest corridors to enable large mammals such as the Bornean elephant and orangutan to migrate safely between crucial forest habitats. They also contributed efforts to save the Rafflesia and sun bear. They completed the High Conservation Value (HCV) assessment in Sabah, Sarawak, and Indonesia, to enhance biodiversity management plans to protect an endangered animal or plant species effectively in the same year.

As for Kulim, although they are ahead of the others in their commitment to environmental protection, they did not discuss wildlife conservation until 2007. In 2008, they formed Kulim Wildlife Defenders (KWD) to increase awareness and provide educational support for wildlife conservation for the younger generation. In 2009, they became a member of the Malaysian Nature Society, currently engaged with the Wildlife Conservation Society.

6.3.1.2 Human Rights

Compared to other sustainability issues, human rights issues like those related to indigenous people rights are only highlighted in later years in most companies' annual reports. In essence, they mentioned how they would ensure indigenous rights are respected and not affected. Sime Darby first discussed ensuring the rights of indigenous people and local communities being respected and not affected through a more efficient consultative and compensation process in 2012. In 2014, they highlighted human rights principles in dealing with employees and others affected by their business.

In 2010, the TH Plantation acknowledged how they are empathetic to indigenous peoples, as they want to create income for them. This, as they say, has been accepted by the indigenous people in Sarawak.

6.3.2 Approach to Religion

In 2007, Kulim (the one company that reported on its environmental policies before the formation of the RSPO) stated in its annual report that RSPO principles are in line with Islamic teaching. In 2007 they had a section on sustainability, which was more structured and detailed. The chairman, Muhammad Ali, said that sustainability is not something new to Kulim because they have been practising Jihad Policy to serve the higher social cause:

> For us, the adaptation of RSPO Principles and Criteria is also connected to Islamic teachings which focus on value creation, sustainable use of biodiversity and engagement of stakeholders. (Kulim, 2007, p.84)

They also stressed that RSPO principles are in line with Islamic teaching hence they felt excited and inspired by the RSPO. They appeared motivated to comply with RSPO rules, and they admitted the contrary facts about the palm oil industry in relation to the environment. They did so without a fuss as they did not blame the NGOs, other vegetable oil producers, and Europe. Surprisingly, in 2008 they worked closely with a prominent environmental NGO, Greenpeace, in a conference even though they disagreed with Greenpeace's definition of 'deforestation'. In their 2009 annual report, they stated that they view NGOs such as Greenpeace as partners.

They are frequently involved in Islamic-related events and seminars to demonstrate their approach to Islam, which is incorporating Islam not just in personal life but also in their work. Many of their directors came from Islamic endowed institutions. Various Islamic-based activities have been consistently promoted throughout the organisation to instil a better religious understanding amongst employees and their families.

The TH Plantation regularly engage in many religious activities but have never mentioned Islam and environment let alone acknowledged RSPO rules being in line with Islamic teachings. Although the TH Plantation has a religious identity as they are the plantation arm of Lembaga Tabung Haji (*Pilgrims Fund Board*), they do not state about the connection between Islam and sustainability. However, they stated that their business ethics and values are based on the Islamic principles of faith. They also acknowledge the practice of trust and transparency in all their business transactions:

> Part of the Group's attraction is our reputation for operating with a high level of integrity guided by the tenets of Islam (TH Plantations, 2014).
>
> As a company strongly influenced by Islamic values and principles, ethical business forms part of our DNA and guides our actions as well as operations (TH Plantations, 2014)

Companies which do not state anything about engaging in religious activities probably indicates that they are separating religion from business operations.

Many industry players profess the belief that they have done enough to protect the environment. They also appear to believe that their competitors support the anti-palm oil campaigns. Most of them have never discussed how conserving the environment is related to their religious obligation. Prior to the RSPO formation, most companies did not demonstrate their commitment towards environmental protection. Only after the RSPO was formed many companies gradually started engaging in environmental protection. Those who could see the connection between RSPO principles and Islamic teaching support the RSPO and look at things

from a different point of view. This is indicative, for example, in the case of Kulim Berhad working together with environmental NGOs. Other industry players would probably never work with environmental NGOs who they believe may have a hidden agenda. People in the industry probably have little awareness of Islamic environmental ethics, and therefore never relate environment protection with Islam. However, they probably know about Islam and the environment, but they chose to take a different perspective, where the environment could be traded off in order to make way for economic activities that are regarded as the primary solution to eradicate poverty. It looks as though it was not easy for companies to accept the fact that excessive cultivation of palm oil could cause many adverse effects not just for the environment but also for other beings.

6.4. Chapter Summary

The unobtrusive research findings were presented in two sections in this chapter. The first section is findings from the archival open sources and the second section are findings from the annual reports. Findings from the archival data sources are concerned with the ethical reasoning derived from snippets from the business and political industry actors. The ethical reasoning were extracted from the following themes: denial of empirical findings of critics; elevation of alternative ethical principles; motives rather than outcomes is what is ethically relevant; and casting aspersions on the motives of critics.

Findings from the annual reports were derived from environmental practices disclosed in the annual reports about animal protection and human rights, and company approach to religion. The annual reports were examined in order to provide additional sources of data to provide a broader range of perspectives than those from the interviews. The findings presented above largely in line with the themes derived from the manager interviews.

Chapter 7. Findings from Non-Industry Players

7.1. Introduction

This chapter presents findings from my interviews with people who have connections to the palm oil industry, but who are not managers within the palm oil firms. The intention of these interviews was to see how they view sustainability issues in the Malaysian palm oil industry and if they speak about religious duties in protecting the environment. I also gathered information from some people with religious credentials in order to obtain a wider selection of voices on sustainability issues in the palm oil industry and Islamic teaching as it relates to environmental protection.

I interviewed six non-industry players including individuals from environmental NGOs (two), a religious Islamic teacher (one), Islamic NGOs representatives (two), and someone from certification body (one) in order to obtain their perceptions of the palm oil industry and the RSPO.

7.2. Religious Perceptions and Approach

I interviewed an Islamic NGO member to seek her views on the palm oil industry and the controversies surrounding it. In addition, I examined her perception of Islamic environmental ethics and how it can be applied to the palm oil industry.

When she was asked about what Islam says about protecting the environment and clearing forests, she said that it is permitted to clear forests but it must be done responsibly to avoid destruction and must ensure that there is a balance between development and nature:

> From the Islamic perspective, the natural resources are for Malaysian benefit. But Malaysian must act responsibly…. don't damage it. We can clear the forest but there should be a sustainable system in place. We have to replant the forest. Don't do any damage to the forest. We must make sure other beings are not harmed. (Non-Industry A)

Non-Industry A shared a few verses of the al-Qur'an, which speaks about the importance of protecting the environment while carrying on with daily life. She mentioned the below verses which in summary stated that we should live in harmony with other beings and use our intelligence to make any judgement between good and bad.

> And of His signs is your sleep by night and day and your seeking of His bounty. Indeed in that are signs for a people who listen. (Al-Qur'an 30:23)

> And of His signs is [that] He shows you the lightening [causing] fear and aspiration, and He sends down rain from the sky by which He brings to life the earth after its lifelessness. Indeed in that are signs for a people who use reason. (Al-Qur'an 30:24)

According to her, those creations are supposed to make us closer to God and if we do something that causes corruption, we will have to face the consequences. As acknowledged by her, this is stated in a verse below:

> Corruption has appeared throughout the land and sea by [reason of] what the hands of people have earned so He may let them taste part of [the consequence of] what they have done that perhaps they will return [to righteousness]. (Qur'an 30:41)

She also asserted, using the following verse, that we should take care of our needs while doing good to others and respect all God's creations:

> But seek, through that which Allah has given you, the home of the Hereafter; and [yet], do not forget your share of the world. And do good as Allah has done good to you. And desire not corruption in the land. Indeed, Allah does not like corrupters. (Al-Qur'an 28:77)

In regard to balance between nature and development, she stressed that Islam encourages development as long as corruption does not take place. One of the ways to do it, according to her, is by implementing technology to prevent damages: 'Islam encourages development but do not mischief. Forest burning is a cheap solution. With technology intervention…. it permits us to do prevention' (Non-industry A).

She then continued that a religious teacher often focus on *'ibadah khusus'* when teaching religion to the Muslim community. '*Ibadah khusus'* refers to Islamic jurisprudence regarding the rules of worship and the religious duties of a Muslim. This finding shows that although Islam has a set of principles in preserving nature, the principles often are not being circulated in Islamic lectures in Malaysia. Hence, the lack of awareness may be the reason why some Muslims are not interested in environmental protection activities. As stated by Non-Industry C whom I met after his lecture in a mosque: 'Damaging the environment is haram (not permissible) in Islam'. This finding is interesting because it implies from an Islamic perspective that damaging the environment is a sin.

I also interviewed Non-Industry B, who is the founder of an Islamic NGO focusing on environmental issues. His organisation focuses on how to promote environmental awareness to Muslims, especially in urban areas. His views on Islamic environmental ethics match the

discussion on Islam and environmental protection in Chapter Three. The following is what he said with regards to Islamic perspective on environmental protection: 'From Islamic perspective, it is not permissible to cut trees that benefit other beings. We must defend green conservation area. For example Hima, which is the oldest green conservation area.' (Non-industry B).

When he was asked why the Religious Department did not conduct any lectures with regards to environmental protection in Islam, he said that the Religious Department is too strict about allowing anybody without a solid Islamic background to talk about Islam and the environment. Therefore, his team finds it hard to give public lecture about Islamic environmental ethics because every public lecture that relates to Islam must obtain a permit or consent from the Religious Department. On the other hand, Non-Industry E, who is a Muslim of a prominent environmental NGO, stated that there is lack of Islamic scholars who are interested in focusing and being involved with environmental issues. Hence, Non-Industry E finds it hard to establish a collaboration with any Islamic scholars to raise awareness of environmental protection amongst Muslim people in Malaysia:

> As far as I am concern, my organisation has not engaged in any collaboration with Islamic scholars to increase public awareness regarding conservation. Except for certain individuals that we have invited who have Islamic backgrounds, to give lectures in our programmes. However, it is a bit hard to get religious teachers or Islamic scholars who are interested in environmental issues and willing to participate directly with sustainability programmes. (Non-industry E)

This is an interesting finding because it is indicative of the reason why lectures on Islam and environment are very limited and why not many Muslims see the connection between Islam and environmental issues. The underlying reason why Islamic scholars in Malaysia are not

keen to explore issues relating to environmental destruction remains unclear. They might be reluctant to focus on environmental issues, particularly when other issues such as conflicts in Palestine and Syria dominate current affairs.

However, according to Non-Industry B, the Institute of Islamic Understanding Malaysia has invited several speakers to talk about Islam and environment. He believes this is a good effort in introducing Islamic environmental ethics to the Muslim community. The Institute of Islamic Understanding Malaysia (IKIM) was established to provide a genuine understanding of Islam to maintain the purity of Islamic teachings without rhetoric or divergence from the designated path of Islamic principles (IKIM, 2017). This is a good initiative and will hopefully raise awareness of Islamic teaching on environment and will escalate as IKIM has a radio station with increasing numbers of listeners.

Despite this, Non-Industry B felt that it was not easy to unite Muslims in a new direction. To him, it takes time but has to start somewhere. Muslims today, according to him, have lost their identity as a result of media influence. He also encouraged all Muslims to practice the Prophet Muhammad's (peace be upon him) way of life which is minimalist. This finding shows that it is still a long way until Muslims in Malaysia have adequate understanding of preserving nature, and a lot of hard work needs to be carried out to shift the focus of Muslims from appreciating development to appreciating the environment.

Non-Industry C, who is a religious teacher, suggested that that there should be a *Shariah* advisor in large corporations in order for the corporations to avoid any engagement with unlawful business practices from a *Shariah* law perspective: *'Islam looks at the cause and effect. Big corporations should have a Shariah advisory'*. Non-Industry C also claimed that it

is permissible to adhere to rules created by non-Muslims as long as they were not against the *Shariah*. The rules, according to Non-Industry C, must not be transgressive: 'There is no problem with adhering to the RSPO principles. It is permissible to comply with foreign rules as long as it is not against Islamic teaching'. This implies that Islam does not hinder its believers to adhere to any laws as long as it is not beyond the perimeter outlined by Islamic law.

7.3. Perception of Palm Oil Industry and RSPO

To Non-Industry A, palm oil is a special industry. Non-Industry A observed that the industry should not be blamed for what has happened to the environment.

> Palm oil is a special industry. We did not have the technology to handle pollution in those days. MPOB has developed its own technology …. we don't want to kill the industry. We introduce ways to comply in stages. We have 'homemade' technology because no other countries have the same kind of industry i.e. palm oil. (Non-industry A)

Perhaps because she is a retired government servant, her views on the palm oil industry are almost identical to those industry managers I interviewed. For example, she also mentioned that the palm oil industry is under scrutiny because industry has many enemies, such as those from other vegetable oil industries. She also said that palm oil industry activities have been unfairly reported where it is not true that the industry are not managing pollution. She also argued that Malaysia is clearing forests just like any other countries.

> There are strong campaigns against the palm oil industry. We are managing the pollution…we can do it… therefore, there is no issues. The industry only engage in replanting. However, we do clear forest but it is done in a control manner, just like

> the corn plantations… they clean the forest too. We have the system. (Non-industry A)

This finding shows that people who work closely with the industry will have the perception that the industry receives unfair treatment from the international community. When asked about the RSPO, she said that there is a need to check if the RSPO complies with local rules. Her answer implies that she does not wholly agree with the RSPO; this was especially noticeable when she voiced her opinion about how we should not overprotect the environment. She also stressed the importance of eradicating poverty but one must not view things only from one angle. However, she also showed her concern about replicating the West in terms of development - to her, developed countries have made mistakes and Malaysia should not do the same.

> RSPO does not stand alone… we need to check if they comply with local rules. We need to eliminate poverty, but we cannot look at one angle only… we cannot over protect. Developed countries have a mistake … we should learn from their mistake. (Non-industry A)

Similarly, Non-Industry F who works with a government agency did not recognise the RSPO as he said that it does not gain international accreditation. However, the MSPO gains accreditation from the Department of Standards Malaysia, which is the national accreditation body and a member of the International Organization for Standardization (ISO). He also stated that the MSPO would refer to international law if there is no mention in Malaysia's law:

> RSPO does not have international accreditation. If there are some issues which are not mentioned in Malaysian's law, we will refer to international law. (Non-Industry F)

On the other hand, Non-Industry B agrees that the palm oil industry is damaging the environment and has resulted in deforestation. The same view is shared by Non-Industry E, who reported that the palm oil industry is one of the factors contributing to environmental problems in Malaysia. Non-Industry E observed that many forests have been destroyed since palm oil was introduced to Malaysia. He declared that areas with security of land tenure, reserve lands, and wildlife conservation have been degazetted (gazetted status being removed) and are being converted into large-scale palm oil plantations:

> We cannot say that the palm oil industry is the only contributor to the environmental hazard in Malaysia…. what we could say is that the palm oil industry is one of the factors that contribute to the damaging of the environment. The reason why I said that palm oil is one of the contributors is that since palm oil has been introduced in Malaysia, forested areas and nature areas have been destroyed and a large-scale of native lands have been converted into palm oil plantations. Even more worrying, those areas with 'security of tenure' or areas, which have been gazetted as conservation area, such as Permanent Forest Reserve, wild-life reserve, and other conservation areas, have been degazzeted either partly or wholly, and they have been converted into large-scale palm oil plantations. (Non-industry E)

Similarly, Non-Industry E was concerned about the fact that those gazetted forested areas, which should be permanently protected, have been degazetted to make way for plantation activities. In fact, as stated by Non-Industry E, these gazetted forests are rich in biodiversity, valuable endemic species, highly sensitive conservation areas, and wildlife corridors:

> In Malaysia, the issues emerged when gazetted forested areas were degazetted for developing palm oil plantations. In fact, these high 'security of tenure' lands consist

> of the habitat for highly protected endemic species, sensitive forested area, wildlife corridors and other endangered forest such as freshwater swamp forests and peat swamp forests. (Non-Industry E)

However, an interview with a representative (Non-Industry F) from an independent non-profit government agency which develops and operates a certification scheme in Malaysia, generates contrary views.

> Usually the wild animals will be caught and anaesthesized before transporting them to another habitat. This will be done only in large plantations. Previously, it (animal extinction) is uncontrollable - now we have many methods to save and protect the environment and the animals. (Non-Industry F)

Non-Industry F's conflicting view is expected because he is from a government agency, where it is known that the government plays an important role in promoting and maintaining the industry.

Another environmentalist, Non-Industry D, expressed his concern about the deteriorating conditions of Malaysian rain-forests. He claimed that forests were becoming scare with remaining forests in Malaysia at only about 39.1% - not 60% as portrayed by most people in the palm oil industry. According to Non-Industry D, the 50% to 60% green cover includes palm oil plantations. This is misleading information and needs further investigation:

> Total real forest cover in Malaysia is actually only 39.1%. The 50% to 60% green cover includes the palm oil plantations. (Non-Industry D)

Non-Industry D then explained that there are four types of nature reserves in Malaysia: production forest, virgin forest, conservation forest, and forest plantation. Forest plantations

and production forests can be cleared but only a small amount of forest cannot be cleared. Virgin forest can be cleared but conservation forests cannot be cleared at all.

Although Non-Industry F admitted that former methods of clearing forests are not acceptable, the new certification scheme (MSPO) which is accredited by Malaysian's standard is believed to create a more sustainable palm oil: 'Our certification scheme is accredited by Malaysian standard, thus, internationally accredited as well' (Non-Industry F).

Besides damaging forested areas, Non-Industry E stated that weak enforcement by relevant agencies has resulted in ongoing damage:

> There are other side effects to palm oil plantations, for instance the exploitation and destruction of river reserves and riparian zones.… for purposes such as planting palm oil which involves either large-scale or small-scale plantations. These activities existed as a result of the weak enforcement of relevant agencies that did not take actions against those who are responsible in trespassing the areas. (Non-industry E)

With regards to the role of palm oil industry in eradicating poverty, Non-Industry E argued that the palm oil industry is not actually helping to eradicate poverty because opening a new area for plantations are only given to selected big corporations and government institutions. These big corporations, as reported by Non-Industry E, will then hire foreign workers instead of local people. Therefore, the industry does not contribute much in eliminating poverty as claimed by them:

> How do you say that the industry can eradicate poverty when the development of new lands, which involves high conservation areas are only given to certain large

> corporations, agencies, and government institutions? At the same time, most of the workers are foreign workers not local people. (Non-industry E)

Although FELDA is an example of how the palm oil industry has successful increased the living standard of rural communities, Non-Industry E perceived that FELDA is also a driver of deforestation as it has been allocated with permanent reserve land. FELDA is a Malaysian government agency that was established for 'the development of land and relocation with the objective of poverty eradication through the cultivation of oil palm and rubber' (Federal Land Development Authority, 2017). Thus, according to Non-Industry E, the state government should replace those lands with other lands, to be gazetted as permanent reserve lands. Otherwise, according to Non-Industry E, the state government is breaching existing laws by not assigning new areas to be gazetted under permanent forest reserves:

> We are not contesting the relevant authority to abolish certain or all permanent forest reserve for the sake for public advantage, but what we disagree that when state authority does not replace it with new permanent forest reserve under current provision of law. (Non-industry E)

Non-Industry E observed that the breaching of existing laws by the state government has resulted in the industry being highlighted by the audit general in their report.

> This was not undertaken by the state government. Therefore, state authority is viewed as not complying with the existing law which resulted in being criticize by the audit general. (Non-Industry E)

In addition to the issue of deforestation, Non-Industry E claimed that the first wild-life reserve in Malaysia has been abolished for planting palm oil, this time using a different Act:

> In fact, there is a conservation area where it was the first wildlife conservation area in Malaysia, abolished for the purpose of planting palm oil using the different Act while the reserve is actually under different Act. (Non-industry E)

According to Non-Industry E, a study of one of the states in the northern part of Malaysia, shows that the state government had abolished a reserve forest when they could actually use other lands they owned for their projects. Non-Industry E also observed that the state government deliberately wipes out reserve forest:

> For example, in a case study in one of the states in the northern part of Malaysia, the state government had abolished part of or all of a particular permanent reserve forest, not because there are no other lands that they can use…. because according to a statistic in the annual report of the Forestry Department, there is about 20,000 hectares of land, which the state can develop because it belongs to the state. (Non-Industry E)

Nevertheless, when asked if large plantations affect the ecosystem, she admitted that those large plantations more or less will affect the ecosystem, but there is no choice. She then insisted that the palm oil industry has now moved to better practices in terms of protecting the environment in comparison to early years.

> Large plantations do have effect in the ecosystem, but we have no choice. We used to have bad practices, now we have improved a lot. (Non-industry F)

The findings above show that people who have connections with the industry, but who are not linked to any government agencies, believe that the industry is one of the drivers of environmental degradation in Malaysia. On the other hand, people with religious credentials

view damaging the environment as being prohibited in Islam. However, due to the limited number of Islamic scholars who are experts in environmental issues, the knowledge of Islamic environmental ethics cannot be conveyed adequately to the public.

7.4. Chapter Summary

The non-industry findings were presented in two sections in this chapter: religious perceptions and approach to environmental issues and perceptions of the palm oil industry as well as the RSPO. The non-industry practitioners perceived that Islamic environmental ethics are not well implemented because of lack of exposure of the topic, and lack of expertise, which therefore meant a lack of understanding of the subject. Therefore, the non-industry interviewees viewed that collaboration with those who have religious credentials and environmental NGOs is difficult to attain. With respect to perceptions of the palm oil industry and the RSPO, the non-industry actors believed that lack of enforcement of environmental laws has led to most problems in the industry. Furthermore, an interview with a non-industry person revealed that the palm oil industry is not addressing poverty issues as most plantations belong to big corporations.

Chapter 8. Discussion of Findings

8.1. Introduction

This chapter discusses the theoretical implications of the study's empirical findings in connection with existing literature. The study was guided by the question: Does approach to religion influence targets' willingness to comply with private governance? By extending the literature on compliance with private governance, this study contributes to new understanding about the role of religion in complying with private governance.

In this chapter, I use the empirical findings to discuss the role of religion in influencing willingness to comply with private governance. Furthermore, I link findings to the work of other scholars. The main contributions to this thesis are: (1) to identify and understand the targets' perception of their religious principles in relation to environmental and human rights issues, as well as the regulatory attempt to address the issues; (2) to identify the ethical reasoning displayed by the targets of private governance in resisting the rules; and (3) to elaborate on targeted actor's perceptions of the private rules.

This chapter begins with a discussion of the targets' perceptions of Islamic environmental ethics and the congruence of such ethics with RSPO standards. Following this is a discussion of how the targets frame and reason the ethical issues in the industry. There is also a discussion of the targets' perceptions of the RSPO, and finally a discussion of the religious approach of the targets.

8.2. Religion as an Intrinsic Motivation for Compliance with Private Governance?

Previous research has shown that targets of private governance comply with private governance standards when they can gain social and material incentives (Büthe, 2010; Mayer & Gereffi, 2010; D. Vogel, 2008). However, extrinsic motivation to comply will not result in consistency in complying with private regulation. For example, the palm oil actors in Indonesia immediately after realizing that RSPO is no longer an attractive medium to generate additional profit as the RSPO rules become stricter, launched their own sustainability standard: Indonesia Sustainability Palm Oil (ISPO) (Deike, 2015). This is in line with Haufle (2001) and Lipschutz and Fogel (2002), who doubt that economic incentives can lead to private regulation compliance. Therefore, as private regulation has not been fully effective in the absence of extrinsic incentives, it is worth examining if intrinsic factors may motivate compliance.

Intrinsic motivation may be significant for ensuring that sustainability standards are consistently implemented because targets may willingly comply (although without economic benefits). Furthermore, if targets intrinsically comply with private rules, they may as well demand the rules to be adopted across the entire supply chain. Intrinsic motivation could also be the crucial element in attaining the real impact of private regulations wherein intrinsic motivation may be the starting point for targets to be more sustainable (Companies, Certification, & Chains, n.d.). Therefore, this study intends to examine if religious principles influence intrinsic motivation to comply. This is because previous studies have shown that religion may shape ethical thinking of individuals (Vitell et al., 2005; Weaver & Agle, 2002).

However, my findings demonstrate that intrinsic motivation that is based on religious principles has been less evident than what I expected. The findings show that most targets compartmentalised religious conviction from business activities and a secular organisation

such as the RSPO. Discussion of the findings will be presented in the following sections starting with the managers' or the targets' perceptions of the Islamic rules concerning environment protection.

8.3. Managers' Perception of Islamic Environmental Ethics

A majority of the managers acknowledged the Islamic teachings concerning environmental protection. However, Islamic principles were often implicitly viewed as separate from applied action in the business world, and some referred to a lack of enforcement from the higher management level. They seemed to have fundamental knowledge about Islamic environmental ethics, and a manager mentioned that 'the end doesn't justify the means' (Manager 1) to demonstrate that poverty should not be a reason to damage the environment. Therefore, acquiring knowledge and understanding of the principles alone is not sufficient - it needs to be translated into action. This finding is similar to research by McKay, Mangunjaya, Dinata, Harrop, and Khalid, (2014) who suggest a pragmatic approach should be used to link Islam and conservation, rather than to raise awareness by conservation principles alone which are sufficiently understood. This is similar to Manager 1's view where the lack of real-life application of Islamic principles on the environment might occur due to limited Islamic lectures on the link between Islamic principles and protection of nature. This inadequate Islamic environmental teaching is the offered as the reason why managers tend to forget or take for granted what Islam taught about protecting nature (Manager 1). Therefore, it requires more than just teaching Islamic environmental principles in Islamic lectures. A pragmatic solution must be created to instill environmental ethics amongst Muslim people: 'revitalizing ecological ethics in the educational establishment of Islam provides an impetus to not only uncover Islam's environmental tradition but to affect Muslim awareness and action on the ecological question' (Mohamed, 2012, p.1).

However, the managers also asserted that Islam encourages agricultural activities, hence agriculture is often regarded as a noble profession by Muslims. As such, the managers perceived that forests could be cleared for agricultural purposes or for any activities that are not prohibited by Islam. As this is conflicts with their earlier statements on environmental protection, the managers might not know where to draw the line between development and conservation. This finding might also suggest that the managers compartmentalised their religion from business activities. They might see religion as a personal ritual, and thus fail to relate religion to business activities. As suggested by one of the non-industry interviewees, religious teachers often focus on teaching how to perform ritualistic acts, such as prayers and fasting. Therefore, some Muslims may have limited understanding about worship in Islam, which means everything that one does or says for the pleasure of Allah (Institute of Islamic Information and Education, n.d.).

Although most managers are aware of Islamic teaching concerning the environment, one manager seemed to have a different view about Islamic teaching regarding development and utilizing resources. According to him, there is no limit in utilizing resources, and future generations will have other opportunities. This view is not in line with Islamic teaching, which prevents excessive exploitation of natural resources without proper knowledge and responsibility (Dinata et al., 2013). Humans should not overuse natural resources as all generations are entitled to benefit from them, not own them (IUCN, 1994). An interviewee who is a religious teacher (Non-Industry C) explained that those who are damaging the environment and cause harm to other beings are sinning as Islam considers such actions as *haram* (forbidden).

Given that Islam preaches the importance of conserving nature and protecting the rights of other beings, the managers who are aware of these principles should have a greater intrinsic motivation for private regulation. However, the managers did not see the congruence between RSPO principles and Islamic principles themselves. They only acknowledge the similarities when they were pointed out.

This is supported by findings from my unobtrusive research where the majority of the industry players did not mention anything about protecting the environment as a religious obligation, either in annual reports or in open sources. Only one out of seven palm oil firms stated in its annual reports that Islam is concerned about environmental conservation. Therefore, this suggests that the managers compartmentalised religious obligations and an organization such as the RSPO, which is seen as a secular body.

8.4. Manager's Perception of the Congruence Between Islamic Environmental Ethics and the RSPO

A majority of the managers interviewed were able to see the congruence between RSPO principles criteria and Islamic rulings on environmental protection when the idea was pointed out to them. Although they admitted that there was nothing wrong with the RSPO principles, they did not see the similarities themselves. The failure to make these connections indicates that religion sometimes might not influence ethical judgment when religion appears to be separated unto itself. Therefore, this finding does not support the theory of ethical decision making that indicates that ethical judgment is influenced by religious role expectation which includes knowledge of the religion (Weaver & Agle, 2002). Likewise, this study produces a conflicting result from previous studies conducted on Muslim populations that show religion influences ethical thinking (Achour, Grine, Mohd Nor, & MohdYusoff, 2015; Al-Ansari, 2002; Karami, Olfati, & Dubinsky, 2014; Uçanok, 2010). Therefore, although religion might

influence ethical judgment, it sometimes does not when religion is compartmentalised from a secular entity.

However, an analysis of palm oil firms' annual reports showed that one company, Kulim Berhad, demonstrated a different perception of the RSPO compared to the other selected firms. Kulim stated in its 2007 onwards annual reports that the RSPO is in line with Islamic principles concerning environmental and social protection. The firm also claimed in their 2000 annual report that they have been practicing sustainable plantation practices, which was long before the RSPO was formed. To them, the RSPO is nothing new as they have been practicing a 'Jihad Policy' to serve a higher social cause. *Jihad* is an Arabic word which means striving or struggling. In the context of the Qur'an and Hadith, *jihad* has many meanings, for example striving internally and externally to become a good Muslim (Kabbani & Hendricks, n.d.). Kabbani and Hendricks also state that *jihad* is not a declaration of war against other religions, as is widely misunderstood. This finding is interesting as it shows that integrating and incorporating religious teaching into business distinguishes a firm's actions towards sustainability. Although other firms mention Islam in their annual reports, it merely spoke about their Islamic and spirituality activities, which serve to note that religion is to them only related to ritual obligations. As such, Kulim could be demonstrating an intrinsic motivation to comply with the RSPO, as they are not compartmentalizing religious obligation from the RSPO, although the RSPO is a secular organization.

Other company such as TH Plantations have also engaged in many religious activities, but they never mentioned Islam and the environment, let alone discussed about RSPO rules being in line with Islamic teaching. Besides these two companies, no other organisations have acknowledge anything about engaging in religious activities, which possibly signifies that they

are separating religion from business operations. This supports Weaver and Agle's (2002) study, which found that business people often separate religious principles from corporate involvement despite the assumption that religion influences the ethical behaviour of business people.

Some managers stated that although the RSPO principles are in line with Islamic teachings, the RSPO is not Islamic because the industry is not being treated fairly by the RSPO. To resolve this, the RSPO might want to consider engaging in collaborative efforts with Islamic foundations or agencies to create and promote Islamic environmental programmes amongst palm oil producers. As stated by Sherkat and Ellison (2007), a religious group may bring society together to conserve the environment. This is in line with the International Union for Conservation Nature's (IUCN) initiative to bring religion into environmental conservation (Schwencke, 2012).

An example of such collaboration can be observed from the case of Muslim fishermen who often used dynamite fishing in Misali Island in Zanzibar. After years of government and NGO efforts to ban dynamite fishing in Misali Island failed, the Islamic Foundation for Ecology and Environmental Sciences (IFEES), a UK-base charity, was asked to intervene by Care International and the World Wildlife Fund (WWF). They were requested to investigate whether 'religious ethics could promote better management of marine resources' (IFEES, 2006, p.4). An Islam-oriented environmental programme was produced for fishing communities, government officials and religious leaders, following the collaboration, to introduce sustainable fishing. A workshop on Qur'an, Creation, and Conservation was very successful as it allowed the fishing communities to better understand the 'inspiring message', so much so that a fisherman stated that: 'it is easy to ignore the government, but no one can break God's law'

(IFEES, 2006, p.5). This initiative might be substantial and enthusiastic, but the Misali project has proved that it is not impossible. Effective collaboration between religious groups and conservation groups could be a significant driver to support conservation.

A deeper understanding of inspiring messages from the Qur'an and Hadith, along with pragmatic education on conservation, has changed the minds and perspectives of the Misali fishermen. However, the palm oil actors have many reasons to justify the ethical issues associated with the industry. The next section will discuss the ethical reasoning that the managers illustrated on the issues associated with the industry.

8.5. Ethical Reasoning for Non-Compliance

In Malaysia, the palm oil industry is the backbone of society and 'palm oil is the goose with the golden eggs' (Deike, 2015, p.24). This can be seen as defensive stance, prevalent with most of the interviewed managers. They provided numerous reasons in response to sustainability issues to defend the palm oil business. Their reasoning is divided into four types of reasoning: (1) denial of empirical findings of critics; (2) elevation of alternative ethical principles; (3) motives rather than outcome; and (4) casting aspersions on the motive of critics.

8.5.1 Denial of Empirical Findings of Critics

In defending the palm oil business, the managers perceived that there was no problem in their practices. They chose to present their alternative facts to counter allegations of social and environmental harm. The managers perceived that the indigenous people have benefited from the development of palm oil plantations in their native land. Thus, to them, it is not true that the indigenous people are being uprooted. However, the effect of palm oil on customary land and native people has shown that the development of palm oil plantations on native land benefits plantation firms at the expense of native land owners (Cooke, 2008; Cramb & Curry,

2012; Tawie, 2012). Research has also shown indigenous people have been cheated on jobs where they were paid very low wages, and if they did not accept the job they will be labelled as lazy. Consequently, the jobs were taken by cheap foreign workers (Cooke, 2006; Tawie, 2012). The native land owners were also being exploited under a joint venture scheme where the profit sharing was not fairly distributed (Tawie, 2012). Thus, previous studies have shown that indigenous people have been exploited by industry actors.

With regard to another social issue of child labour, according to a manager, child labour is 'cultural'. It is common in Asia that children help parents working in plantations during their free time. In agricultural industries, especially in remote locations particularly in developing countries where schooling is not accessible, families often work together and children are usually expected to work for the family either through child care or domestic work. When they are older, they start participating in the workforce (Boons & Mendoza, 2010; Teoh, 2010). However, Western consumers do not accept the practice of child labour, unlike in the nineteenth century when child labour was common in Europe (Boons & Mendoza, 2010). This suggests that the same activity is valued differently in different time periods and in different locations (Boons & Mendoza, 2010). The RSPO specified in Criterion 6.7 of the Principles and Criteria (P&C):

> Children are not employed or exploited. There shall be documentary evidence that minimum age requirements are met. Growers and millers should define the minimum working age, together with working hours. Only workers above the minimum school leaving age in the country or who are at least 15 years old may be employed. The minimum age of workers will not be less than stated under national regulations. Any hazardous work should not be done by those under 18, as per International Labour Organisation (ILO) Convention 138" (RSPO, 2013).

The main reasons that trigger children to enter the working environment in Sabah are because of financial needs of their family and because they prefer to be independent (R. A. Aziz & Iskandar, 2013). These children are normally from poor families and are school dropouts (Nik Mahmod et al., 2013). Therefore, child labour practices are quite common in areas where there are social and economic problems.

It is commonly reported in the Malaysian media that agricultural activities do not have a negative impact on biodiversity and animals are relocated to a new habitat to make way for plantation development. Furthermore, findings from archival sources demonstrate that state government agencies have often claimed that environmental issues, including deforestation, carbon emissions and open burning are under control and not serious issues. However, academic research has shown that these problems are happening and must be curbed (Fitzherbert et al., 2008; Koh & Wilcove, 2008; Schrier-Uijl et al., 2013).

Therefore, although there are findings of critics from various research that shows the large scale of social problems and environmental externalities, the managers tend to counter this by highlighting selective recognition of the facts to avoid accepting the real problems. This suggests that the managers compartmentalised religious obligation from the ethical issues in the industry. Islam is not only concerned about the relationship between an individual and God; Islam is also concerned about human relationships with other beings and the environment.

8.5.2 Elevation of Alternative Ethical Principles

The study also found that the managers focus on other ethical principles in order to negate or override the ethical problems that also exist. They spoke about how the palm oil sector had a huge impact for the country's economy, thus eradicating poverty. They also discussed the

health benefits of palm oil as well as the environmental benefits from the cultivation of palm oil.

The managers kept stressing the socio-economic benefits that people in rural areas have from palm oil production, when at the same time the companies are using unsustainable practices. The managers assumed that agricultural activity will help to protect the environment and provide livelihood for the surrounding biodiversity. With this principle in mind, they feel that they are not creating any harm to biodiversity. As the industry is more interested in development and increase in GDP, they resist private rules that might hinder their economic goals. McCarthy (2012) states that private governance entities are still struggling with accommodating the different interests of the targets and the private regulatory. The managers' preferences for materialistic and economic development goals support McCarthy's (2012) argument that writing post-materialist values into certification schemes is not compatible with the logic of local political entities.

The managers also asserted that palm oil is reported to provide several benefits to health. For example, several years ago it had a bad reputation due to its high saturated fat content which has long been linked to heart disease. However, recent studies have reconsidered the negative role of saturated fat as a risk factor for cardiovascular diseases (Fattore & Fanelli, 2013; Marangoni et al., 2017; McNamara, 2010). Furthermore, the Nutrition Foundation of Italy Symposium suggests that consuming palm oil 'has neither positive nor negative effects on cancer risk' (Marangoni et al., 2017, p.653). This new finding on palm oil health benefits might encourage the industry to focus more on expansion rather than mitigating problems.

In addition to the saturated fat issue, in May 2016, the European Food Safety Authority (EFSA) specifically identified 3-MCPD (3-monochloropropane1,2 diol) as contaminants of processed

vegetable oils, which can be found at the highest levels in palm oil, but most vegetable oil contains substantial quantities. Following the announcement, the palm oil industry launched initiatives to reduce this contaminant level and mitigate risks. As a result, a study suggested that:

> 'The recommended mitigation measures are to rinse crude palm oil with water prior to refining, use bleaching clay with the lowest chloride content and pH above 6.8, combine acid degumming with water degumming, reduce the deodorization temperature from 260 °C to 230 °C and use chemical refining' (N. Ibrahim, Arni Abdul Razak, Ramli, & Kuntom, 2016).

Although palm oil might have some benefits to health, it should not be an excuse for rejecting the negative impacts that the industry has caused to social and environmental context.

8.5.3 Motives Rather than Outcomes

Inadequate and ineffective policies are known to be one of the major threats to sustainable development. Teoh (2010) asserts that in Malaysia 'At the government level, inadequate policies, planning and legal and regulatory frameworks, particularly with regard to land development, could put high conservation values (HCV) areas at risk' (p.36).

Therefore, it may appear that industry players are leveraging weak enforcement of existing policies. Although many policies are in place to induce sustainability, Malaysia has a lack of political will to protect the environment and national heritage (Kiew, 1988). Despite overwhelming evidence that palm oil causes environmental and social problems, industry players support national governance, which may occur due to the important roles that government agencies play in protecting the industry. However, state and non-state governance

could synergistically reinforce each other to increase the effectiveness of private governance in the sustainability value chain (Von Geibler, 2013).

In examining environmental law and pocily practices in Malaysia, Mohammad (2011) states that Malaysia has sound environmental law and policy compared to other developing countries, but argues the government should strengthen enforcement. Mohammad also insists: 'the government should give more emphasis on the transparency and accountability of the administration along with the environmental organizations particularly in the police administration and decision-making process' (p.1259).

It is difficult for palm oil industry players to accept the RSPO because environmental law has been long established in Malaysia, although not as stringently as private laws. This could be the reason why the managers support existing policies. An empirical study suggest that adopting private rules is painless when local policies have been designed to be compatible with private rules (Ebeling & Yasué, 2009). It might be that viewing public law as having ultimate legitimacy is an attempt to distract and is a relief from unpleasant realities.

8.5.4 Casting Aspersions on the Motive of Critics

The managers were casting aspersions on the motive of the critics on their unsustainable practices. They accused the RSPO formation as being influenced by palm oil competitors. The industry players also accused the NGOs' campaigns of being misleading and having hidden agendas. As the RSPO is not seriously defending the palm oil industry from NGO critics, the industry viewed it as acting on behalf of its competitors. For instance, the packaging of Lurpak, a Danish brand whose parent company is a member of the RSPO, has a 'no palm oil' label on its products ("No denigration of palm oil," 2017). Casime, a French supermarket, has been using 'no palm oil' labels, although they are members of the RSPO ("No denigration of palm

oil," 2017). The palm oil producers were not satisfied with the RSPO because the RSPO did not take any action against its members who dishonour and undermine sustainable palm oil production.

The reason why the managers felt that there was a threat from their competitors is that they were afraid that there are going to lose their market share. Hence, they do not trust the RSPO as a governing body. Trust is significant in reducing the feelings of risk and lack of safety in the public governance process (Glasbergen, 2011). Therefore, the RSPO is not legitimate from the managers' perspective as they do not trust the regulation processes. Furthermore, the market for the certified product has been very disappointing for producers (Schouten & Glasbergen, 2012), which has resulted in a decrease in support for the RSPO by palm oil actors.

The managers also blamed the colonial era for promoting a plantation-based economy. They believe that plantation-based economy is not unethical as large-scale plantations have been previously created by others in earlier years. However, the palm oil plantations were relatively small during the colonial period as compared to rubber plantations. During the colonial period, between 1824 and 1957, approximately 20% of forest cover was eliminated (Aiken & Leigh, 1992 p.57). After Malaysia gained its independence, the palm oil industry was aggressively promoted which led to the industry being the largest contributor to water pollution in the late 1970s and early 1980s (Yaacob, 2007). Interestingly, not only Malaysian managers highlighted colonial issues and the RSPO, but their counterpart in Indonesia also aligned the RSPO with colonialists by describing the RSPO as a neo-colonial tool of the West (Deike, 2015).

8.6. Endorsing the Value of Protecting the Environment

The findings also showed that some managers do have concerns about the issues and are aware of the industry's environmental impact. As evidence of their support in protecting biodiversity, several industry players such as the Malaysia Palm Oil Council (MPOC), Sime Darby Berhad, and Kulim Berhad, to name a few, along with the Malaysian government have initiated conservation projects. The MPOC, launched in 2006, established the Malaysian Palm Oil Wildlife Conservation Fund (MPOWCF), which funds several projects. These include Sabah's Wildlife Rescue Unit (WRU), and wildlife rescue and translocation operations to alleviate human - wildlife conflicts in Sabah (Ng, n.d.). However, according to a recent study on the high conservation value of logged peat swamp forests in North Selangor Peat Swamp Forest, there is an urgent need to halt further deforestation by avoiding further forest conversion into oil palm plantations (Adila et al., 2017). Therefore, conservation effort might be inadequate, and enforcement of stringent environmental laws must be in place.

As shown in the palm oil firms' annual report, only a few companies seemed to make serious efforts by showing what they have done in detail in terms of protecting and conserving wildlife. Others merely mentioned their support of animal conservation without any details of what efforts have been undertaken. Compared to other issues, human rights issues like indigenous peoples rights were only highlighted in later years in most companies' annual reports. They discussed how they would ensure indigenous rights were respected and not affected. Therefore, the increase in environmental and social disclosure in palm oil companies' annual reports may result from more effective private governance rather than other intergovernmental treaties (D. Vogel, 2010b).

It is known that palm oil actors are resent of NGOs due to naming and shaming campaigns towards the palm oil industry. Therefore, it is uncommon for palm oil companies to work closely with NGOs. However, Kulim stated in its annual reports that they were also working with several environmental NGOs in order to enhance their sustainability practices. The collaboration between NGOs and corporations have existed to resolve social and environmental issues in the global value chain in various industries including fisheries (Gulbrandsen, 2009), timber (Bartley, 2010), coffee (Reinecke, Manning, & von Hagen, 2012) and soy (Elgert, 2012). However, such collaboration often solves certain problems but also creates other issues in the value chain (Bitzer & Glasbergen, 2015). Nevertheless, Kulim's efforts should be praised because not many actors in the palm oil industry are willing to work closely with NGOs. This is true as some managers who were interviewed in this study condemned NGOs for the negative campaigns directed at the palm oil industry.

8.7. Perception of the RSPO

My finding shows that the RSPO was accepted by managers when they could gain market-based incentives, which contributed evidence to existing theory wherein targets are willing to adopt sustainability standards if they can access new markets for supply-chain actors (Fulponi, 2006; Prakash & Potoski, 2012). Without sustainable certification, it is not possible to enter into European or Western market as those countries demand strict sustainability standards from developing countries who want to market their products (D. Vogel, 2010a). Therefore, palm oil producers have no other option but to comply with RSPO standards in order to produce certified palm oil for Europe and other Western countries.

The managers also indicated that compliance with RSPO is costly and time-consuming. Therefore, they believed that only large producers should comply with the RSPO, whereas the

medium and small holders should merely comply with local standards such as the MSPO. Private governance's stronger standards and enforcement often result in higher certification costs which could drive away participation and affect targets' capabilities, interests and priorities (Büthe, 2010; Dietz & Auffenberg, 2014; Mayer & Gereffi, 2010; Starobin & Weinthal, 2010; Winters et al., 2015). Therefore, it was viewed by some interviewees that it is not necessary for medium and small holders to comply with the RSPO. Apart from private regulation being costly to developing countries, the low premium price and low uptake of certified palm oil hinder compliance with private rules (Laurance et al., 2010; Nikoloyuk et al., 2010; Ruysschaert & Salles, 2014; Winters et al., 2015). Therefore, this shortcoming of private governance decreases economic motivation to comply.

Apart from viewing RSPO compliance as costly and time consuming, the managers also viewed the RSPO as being too strict and complicated. Winters et al. (2015) state that targets often find it hard to interpret the third-party assessment report and reflect it in management strategies. However, establishing strict rules is significant for ensuring the institutionalization of rules and procedures of private governance (Auld, Renckens, & Cashore, 2015). Targets often do not support private governance that imposes stringent rules as this might slow down productions and export, and could potentially expose unethical practices (Pacheco et al., 2017). Targets also feel that private governance rules are a burden because company efforts are not commensurate with high premium price (Winters et al., 2015). This is because targets often have to bear most of the cost, hence they feel that the process is unfair and unbalanced (Schouten & Glasbergen, 2012). If targets could not get a satisfactory premium price, they may be able to eliminate risk and could absorb the cost that they have to sacrifice to change their present standards to a new standard in a reasonable timeframe. Therefore, stringent private standards may limit participation, especially if complying with private governance is

driven by economic incentives. Nevertheless, if the targets view private governance rules as part of their religious obligation, targets may be more ready to comply with the strict standards.

This study found that some managers viewed the RSPO as a tool that could change the Malaysia's plantation culture and could solve the problems in the industry. The RSPO was perceived by some managers as a mechanism to resolve the problems associated with the industry. Although this view was not expressed in relation to religious principles, it might indicate that the managers have the intention of incorporating sustainability into their business practices and the RSPO could be the turning point. This is highlighted in a study where it suggests that a certification programme is a starting point for a sustainable business, while intrinsic motivation is crucial in reaching sustainability through certification (Companies et al., n.d.). Charlemagne et al. (2015) also suggest that companies that are driven by intrinsic motivation are companies who make a certification scheme works. Although some managers claimed that the RSPO could change the palm oil plantation culture, there were also other managers who suggested that the RSPO should be more attuned to the local environment and culture. This perception suggests that the managers have relatively low levels of intrinsic motivation to comply with RSPO.

Apart from interviewing palm oil managers, this study also investigated the palm oil companies' annual reports to see both the level of engagement with sustainable practices and company perceptions of the RSPO. Most companies were more focused on profits and land expansion. However, following the formation of the RSPO, those companies started to mention their environmental concerns and what they had done and are currently doing to protect the environment. Furthermore, they also discussed their plans for a more sustainable plantation. This illustrates that they showed their concerns about environmental degradation

only after the establishment of the RSPO. As such, private governance managed to some extent to improve corporate behaviour (D. Vogel, 2010b).

In general, the managers perceived the RSPO as a burden and thus compliance should be commensurate with high premium prices for palm oil. This suggests that the managers have low intrinsic motivation to comply as they are not able to see the benefit of complying from the perspective of their religious teaching. Although some of them believe that the RSPO could change plantation culture and fix problems in the industry, this is not viewed through a religious lens. Therefore, this suggests that religion is compartmentalised from business settings.

8.8. Approach to Religion

Most of the managers admitted that Islam has a set of rules concerning environmental protection and that they do have some fundamental knowledge about Islamic environmental ethics. However, they did not relate Islamic teaching with environmental and social harm without prompting. Furthermore, given their awareness of Islamic environmental ethics, they should have greater intrinsic respect for the RSPO. But they did not see the congruence between RSPO principles and Islamic principles themselves. They only saw it when it was pointed out. This suggests that they undertake a less flexible approach in applying religion in life scenarios, which means that they compartmentalise religion from business operations/work, and away from a secular entity such as the RSPO. When a secular organization like the RSPO forces a set of rules upon them, they reject the rules although the rules are similar to their religious principles. The managers also viewed religious principles as being divorced from work-related issues. This finding agrees with (Van Buren III, 1995) where he suggests that employees usually adopt the values of the organisation they work with and will try to harmonize their religious faith with those values. It would mean that if a company

disagrees with an issue, the employees tend to support the company and disagree with the issue although the issue is something that their religion encouraged. This is in line with studies that suggested religion may not positively influence CSR or sustainability behaviour (Agle & Van III, 1999; Aribi & Arun, 2015; McGuire et al., 2012).

Therefore, this compartmentalisation of religious obligation deters targets from complying with private rules, even though the rules conform to their religious principles. This is similar to a study that demonstrates that 'people sometimes separate corporate involvement from religious convictions' (Weaver & Agle, 2002, p.93). On the other hand, while the respondents possessed low intrinsic reasons to comply, Kulim Berhad possessed a higher intrinsic reason to comply because they were able to relate RSPO principles with Islamic teaching. This was apparent in their annual reports. Furthermore, they had been displaying their concern with environmental issues long before the RSPO was formed, which reflects an intrinsic awareness of environmental protection. Hence, if targets adopt a more flexible approach to religion by applying religious principles in business operations, they are more equipped to comply with private governance and could demand for the rules to be applied across the entire supply chain.

In addition, findings from the unobtrusive research revealed that some companies undertake some religious activities to indicate their obligations towards religion. However, their commitment in religious activities organised in their organisations is not reflected in their actions towards social and environmental protections even though such actions are part of their religious obligations. This could indicate that they are only applying Islamic principles which they think best match their interest. There is a possibility that the managers' interests shape their interpretations about Islamic scriptures on environmental and social matters because there is research in psychology which shows that interests often shape beliefs. Another explanation

could be that they might be trying to achieve social expectations of certain groups of stakeholders who want to see that the companies are embedding religion in the organisations. However, some companies did not highlight any religious events in their annual reports but when they were asked about Islamic environmental teaching, they are able to demonstrate their understanding. This could indicate that under different condition, individuals tend to control their behaviour or what they say in order to conform to a set of norms that are accepted by a community or society. Therefore, the unobtrusive research somehow revealed that some statements in the annual reports did not fit so well in the actual setting.

8.9. Chapter Summary

Private governance theory has been extended by findings about the role of religion in influencing the targets' willingness to comply with private governance. This adds to the theory of compliance with private governance. By incorporating research on private governance compliance and religion and ethical behaviour, I have argued that one's approach to religion shapes how targets of private governance respond to regulatory attempts to address ethical problems. Targets who are rigid and view religion as something compartmentalised are more defensive against criticism and hence display rejection of private regulations. However, if targets adopt a more flexible approach to religion, they are willing to comply with private regulations.

Chapter 9. Conclusion

9.1. Introduction

This thesis contributes to private governance compliance theory by incorporating the role of religion in influencing intrinsic motivation to comply with private governance standards. This study examined the Malaysian palm oil industry, specifically palm oil managers' approach to religion and how it affects their willingness to comply with private governance rules. It also examined manager response to the RSPO. The main finding suggests that religion plays a less critical role in influencing managers' willingness to comply with the RSPO. This is due to the managers' rigid approach to religion where they compartmentalise religious convictions from business operations and secular bodies like the RSPO. Although the managers are aware and acknowledge the Islamic principles of environmental protection and human rights, they seemed to divorce their religious obligation from business activities. Hence, religion may not induce intrinsic motivation to comply with private governance if the religion's adherents take a less flexible approach to religious convictions by separating religion from work or business activities. The empirical evidence from this study contributes to knowledge about the role of religion in private governance acceptance. This chapter starts with a summary of findings, and is followed by the study's contributions and implications. Limitations of the study and suggestions for future research conclude this thesis.

9.2. Summary of Findings

The findings revealed that religion has less influence in persuading intrinsic motivation to comply with private governance as targets often separated religion from business activities. Although targets of private governance initiatives were aware and acknowledged their religious principles regarding environmental protection, they did not see the connections themselves. This is why they were somewhat surprised when the question was pointed out. This response

may suggest that they keep religious understandings separated from work. Furthermore, the missing link between awareness and actions of the managers suggests that people tend to choose to say what they know although their actions do not go along with their knowledge.

Most managers who demonstrated an understanding of Islamic environmental ethics accepted that the RSPO standards are consistent with Islamic principles. Only a few managers believed that the RSPO has little similarity with Islam. However, the managers were not able to see the relationship by themselves. Furthermore, some managers said that they have never thought about the resemblances before. This suggests that their approach to religion is rigid as they compartmentalise religious convictions from a secular body like the RSPO. Likewise, those managers who cannot see that RSPO principles are consistent with Islamic principles may separate religion from work-related activities.

Nevertheless, when targets view religious principles in a more flexible manner, where they incorporate religion into every aspect of their lives, they tend to have an intrinsic motivation to comply with private regulations. I discovered this relationship when I was scrutinising annual reports of a palm oil firm, Kulim Berhad. Kulim stated in its annual reports that the RSPO principles are in line with Islamic teachings and they always emphasised that protecting the environment is part of the religious obligations of Muslims. Therefore, this may suggest that targets are more willing to comply with private governance initiatives if they do not compartmentalise their religion from business activities. This more flexible approach to religion could encourage purely voluntary compliance, especially when extrinsic motivation fails to increase compliance. These findings are consistent with Charlemagne et al., (2015) who suggest that intrinsic incentives for compliance with private standards are crucial as a starting point for engagement with sustainable practices. Furthermore, the need to examine

intrinsic incentives may be critical as Lipschutz and Fogel (2002) and Haufle (2001) doubt that extrinsic incentives, promoted by private governance initiatives are not a stable driver for compliance.

This study also examined targets' ethical reasoning of the problems in the palm oil industry. Four themes explained targets' ethical reasoning: denial of empirical findings of critics; elevation of alternative ethical principles; motives rather than outcomes is what is ethically relevant; and casting aspersions on the motives of critics. Targets' ethical reasoning suggests that targets compartmentalised religious obligation from the ethical issues in the industry. This is because, besides maintaining a good relationship with God, Islam is also concerned about human relationships with other beings and the environment. Findings from interviewees with religious credentials who assert that damaging the environment is prohibited in Islam support this notion.

However, Islamic scholars who focus on environmental matters in Malaysia are scarce. As a result, Muslims in Malaysia do not possess a holistic understanding of the subject and fail to apply the principles in day-to-day affairs.

9.3. Contribution to Private Governance Compliance Theory

This study contributes to the research on private governance compliance by taking a new perspective on the motivation to comply with private governance initiatives. Previous research has only discussed extrinsic motivation to comply. The research has focussed on social and economic incentives, without examining potential intrinsic motivation to comply with private regulations. In Chapter 8 I discussed how an approach towards religion shaped the targets of private governance in the study. Likewise, I also investigated how targets view the RSPO and

whether they accept RSPO standards. I argue that how targets view their religion shapes their ethical thinking and compliance with private governance initiatives.

This thesis contributes to understanding the role of religion in shaping private governance compliance in six ways. Firstly, I contribute to knowledge in understanding how the targets approach their religion by examining their views on the religious principles of the environmental protection, and how they apply these views in business settings. Secondly, I contribute to understanding how targets' knowledge and awareness of these faith-based environmental principles shape their views of the private regulatory regime. Thirdly, I contribute empirical evidence of the targets' ethical thinking and ethical reasoning of issues encompassing the palm oil industry. Fourthly, I contribute empirical evidence about how targets view and understand private regulatory initiatives. Fifthly, I contribute knowledge to understanding the condition to which the targets would voluntary conform to the private rules without any political and economic incentives. Finally, I contribute to the knowledge of understanding if the targets are more or less ready to accept the rules of the regulatory regime when they can see the congruence between Islamic principles and private regulation rules.

9.4. Contribution to the Link Between Approach to Religion and Ethical Thinking

This thesis contributes to the conceptual linkage between the approach to religion and ethical judgement. I examined how an understanding of religion affect ethical judgement. Studies on the connection between religion and ethics often measure the religious variable in terms of religiosity. Rather than investigating religiosity as a construct assessed by scales that measure a person's degree of belief such as 'more' or 'less' religious, I look at how people understand their religious doctrine. I looked at this by examining if people viewed their religion as more or less flexible. One's approach to religion as: less or more flexible, rather than religiosity,

may influence ethical thinking. Therefore, this approach can be applied to studies on religion and ethical decision making.

9.5. Practical Implications for Private Regulatory, Industry Players and Policymakers

Implications for Private Governance Initiatives

Private governance should attempt to increase compliance by engaging in strategic collaboration with religious groups. This is because, in some countries, religion is significant in their daily activities. For Muslims, the Qur'an and Hadith are the ultimate source of guidance. As discussed in Chapter 3, the principles of environmental responsibility are stated in the Qur'an and Hadith. Therefore, collaboration with religious groups or religious leaders may be practical to promote and raise awareness of faith-based environmental ethics. As a result, intrinsic motivation for compliance with private governance can be developed when targets have greater awareness. Although some may separate religion from daily affairs, with proper and constructive initiatives, this could be mitigated. Thus, private regulatory regimes should also focus on developing intrinsic incentives in order to increase purely voluntary compliance.

Implications for Industry Players

The palm oil industry players should observe private standards and rules as equivalent to religious principles. By rethinking similarities, palm oil industry actors may realise the importance of engaging in sustainable practices as part of their religious obligations.

Implications for Policymakers

Islamic bodies should also focus on promoting environmental responsibility to increase Muslim involvement in environmental issues and to promote respect and understanding for

nature as inspired by the Holy Qur'an. Religious leaders and scholars should convey environmental messages to Muslims to promote Muslim participation in environmental issues such as; air and water pollution, deforestation and biodiversity loss.

9.6. Suggestions for Future Research

Quantitative studies could be carried out to check the generalisability of the findings of this thesis. Large-scale surveys could be developed to gain a larger sample, which can be replicated by other industries or countries. Other research could explore the importance of intrinsic motivation over extrinsic motivation as it relates to private governance acceptance. The role of religion in private governance compliance could also be examined in other industries, contexts and settings, for example in forestry, fisheries and other agricultural activities. Future research could also examine how culture and tradition impact targets' willingness to adopt private regulations. As stated in Chapter 5, some managers emphasized that the RSPO should accommodate the local environment/culture. This led to the creation of local sustainability standards, such as the MSPO and ISPO. Therefore, it is worth examining what sort of local environments the managers are referring to. Could private governance initiatives accommodate this demand?

9.7. Chapter Summary

In this doctoral thesis, I contributed to private governance compliance theory by investigating how religion could influence compliance with private standards. The contribution is derived from the knowledge of understanding how the targets' view: Islamic environmental ethics; the link between religious obligation and the RSPO; ethical thinking and ethical reasoning of problems in the industry; and the RSPO principles. This thesis also contributes to studies of religion and ethics with the approach to religion construct. This thesis also outlined several implications of: private governance initiatives, industry players, and policymakers. A

quantitative approach could be carried out to check the generalisability of the findings. Future research could also examine another construct that could induce intrinsic motivation to comply, including culture and tradition.

APPENDIX 1 - INTERVIEW QUESTIONS

This is the core outline of the interview questions.

1 *Are you aware of any ethical issues in the palm oil industry? If yes, what are they?*

2 *What is your interpretation of the Islamic principles regarding environmental protection and social rights?*

3 *What do you think about RSPO? Why do you think if it works or not?*

4 *How important is RSPO in addressing the problem with the industry?*

5 *Do you think RSPO principles are in any way Islamic, or consistent with Islamic teaching?*

APPENDIX II – PARTICIPANT INFORMATION SHEET

BUSINESS SCHOOL

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The University of Auckland
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Auckland 1142
New Zealand

Participant Information Sheet

Project Title: The Role of Religion in Private Governance Acceptance in the Malaysian Palm Oil Industry
Name of Researcher: Atirah Sufian
Name of Supervisor: Professor Natasha Hamilton-Hart

Researcher Introduction
I am Atirah Sufian and I am a student in the Department of Management and International Business at The University of Auckland Business School where I am completing a Ph.D in Management. My supervisor is Professor Natasha Hamilton-Hart.

This Project
The reason that I am doing this research is to explore how understanding towards religion could affect targets or regulated entities' motivation to comply with private regulations that regulate their industry. This project will continue for eighteen months.

I expect that the results from this project will show how Muslim managers apply the Islamic principles in accepting private rules. There is no risk associated with this research.

Invitation to Participate
You are invited to participate in this research because you have some exposure and experience with Malaysian palm oil industry. To find potential participants, like you, I have make contacts with some people who have contacts with people working in the industry. Your participation is voluntary and you may decline this invitation to participate without providing any reason. You may specify the day, time and place for the interview at your convenience.

Project Procedures
The expected time commitment from you for this interview will be approximately 60 minutes. The interview will be recorded with your consent. If you consent to being recorded, you may ask to have the recorder turned off at any time. Transcripts of the interviews will be emailed to you where you may review them and make changes if you wish. No interview transcripts will be shared with any other parties.

Data Storage, Retention, Destruction and Future Use
The interview will be recorded using a digital recorder. A paid transcriber who has signed a confidentiality agreement may be employed to transcribe recordings. Completed and transcribed interviews will be stored on a portable hard drive as Word files respectively and locked in a secure cabinet. Analysis of interviews will be secured similarly. Data and analysis will be kept for a maximum of six years (for potential peer reviewed publications) and then subsequently deleted.

Right to Withdraw from Participation
You have the right to withdraw from the interview at any time without giving a reason and you can withdraw your interview data up to 31December 2016.

Confidentiality
Please note that you will, under no circumstances, be identified as an individual source of information. The information you share will remain confidential. Only the principal researcher will have access to the information you share. All notes taking and transcripts will stored in locked cabinet. All information provided, if reported or published, will be handled in such a way that it does not identify participants. Information gathered from the interview will be reported and/or published using pseudonyms or codes where appropriate.

Contact Details and Approval
Should you have any query regarding this study, please do not hesitate to contact me by emailing your query to my email address below. Alternatively, you may also contact my main supervisor, Professor Natasha Hamilton-Hart.

Student Researcher name and contact details	Supervisor name and contact details	Head of Department name and contact details
Atirah Sufian Owen G Glenn Building Level 6 , Room 601 12 Grafton Road Auckland 1142 New Zealand Email: a.sufian@auckland.ac.nz Ph: +64 9 373 7999	Professor Natasha Hamilton-Hart Owen G Glenn Building 12 Grafton Road Private Bag 92019 Auckland 1142 New Zealand Email: n.hamilton-hart@auckland.ac.nz Ph: +64 9 923 4211	Professor Rod McNaughton Owen G Glenn Building 12 Grafton Road Private Bag 92019 Auckland 1142 New Zealand Email: r.mcnaughton@auckland.ac.nz Ph: +64 9 923 7524

For any queries regarding ethical concerns you may contact the Chair, The University of Auckland Human Participants Ethics Committee, The University of Auckland, Research Office, Private Bag 92019, Auckland 1142. Telephone +64 9 373 7599 ext. 83711.
Email: ro-ethics@auckland.ac.nz

Approved by the University of Auckland Human Participants Ethics Committee on 27 April 2016 for three years. Reference Number 016431.

APPENDIX III – CONSENT FORM

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New Zealand

CONSENT FORM

THIS FORM WILL BE HELD FOR A PERIOD OF 6 YEARS

Project Title: The Role of Religion in Private Governance Acceptance in the Malaysian Palm Oil Industry
Name(s) of researcher(s): Atirah Sufian
Contact email address for researcher(s): a.sufian@auckland.ac.nz

I confirm I have read the Participant Information Sheet. I understood the objectives of the research and the reason I have been selected. I have had the opportunity to ask questions and have them answered to my satisfaction. I understand that I have the following options.

- I agree to take part in this research.
- My participation is voluntary.
- I agree / do not agree to be audio-taped.
- If I choose to be recorded, I may stop the recording at any time during the interview.
- I am free to withdraw participation at any time without giving a reason, and to withdraw any data traceable to me up to 31 December 2016.
- Any data related to this project will be stored in a locked filing cabinet and kept for 6 years for potential peer reviewed publications, after which the data will be destroyed.
- I understand that all information provided, if reported/published, will be handled in such a way that does not identify me as its source.
- I understand that a paid transcriber who has signed a confidentiality agreement may transcribe the tapes.
- I wish / do not wish to receive the summary of findings, which can be emailed to me at this email address: ……
- I understand the time involvement required for this interview is around 60 minutes.

Name: ……..

Signature ……

Date……

Approved by the University of Auckland Human Participants Ethics Committee on 27 April 2016 for three years. Reference number 016431.

APPENDIX IV – CODING PROCESS

RESPONDENTS	INTERVIEW TRANSCRIPT	PRELIMENARY CODING	CODING	THEMES
Manager 1	Last time we did not know the impact of clearing forest.	Not aware of the consequences.	Agriculture business helps protects environment	Elevation of alternative ethical principles.
Manager 2	Everybody else wants development. If the indigenous people do not want development, other people wants advancement. It is hard to mix developed and undeveloped area in one location. Operation cost will be much higher.	Focus on general interest.	Upholding the benefits of palm oil.	Elevation of alternative ethical principles.
Manager 3	The issue is that the soya bean oil (producers) have been talking bad things about palm oil especially about the cholesterol level in the palm oil. Our competitors say that our oil is bad.	Blame the competitors.	Market share and competition (insecure of future).	Casting aspersions on the motive of critics.
	No, not because we are breaching the environmental law… it is because other oil [producers] want to capture the market. It is competition. The soya bean [producers] will claim that they are good and we will claim that we are good	Blame the competitors.	Market share and competition (insecure of future).	Casting aspersions on the motive of critics.
Manager 4	The issue is that they want to control our plantation industry such as palm oil. RSPO is produced by the Western [countries] and they want to increase their business for example [in] sunflower oil. In the West, they disgrace palm oil. They don't want us to be the leader and that is why they create the standards. If we don't follow, they will blame and criticise us. That is the main reason why RSPO was formed. Indonesia does not support the RSPO as they have their own standard.	Competitors' strategy to control the palm oil industry.	Market share and competition (insecure of future).	Casting aspersions on the motive of critics.
	We have our own policy. For example, we have a procedure for replanting, which we adhere to. For example, we can't kill animals and fishing is not allowed. We can't bother the eco-system'	Adhering to policy is adequate.	Existing policies are sufficient to protect the environment and the rights of native people and animals	Motives rather than outcomes.

RESPONDENTS	INTERVIEW TRANSCRIPT	PRELIMENARY CODING	CODING	THEMES
Manager 5	About the environment, the government did tell us that chopping trees can lead to carbon exposure and global warming…The government should limit and monitor development in certain areas so that we can calculate if we open a plantation in one area, we know how much is the carbon exposure. Once, we used to talk about carbon foot-print, right? For a particular product, we will calculate how much carbon is released. So, that can be computed. Then, we could buy carbon credit. It means that the industry can get the benefit from the carbon credit. Therefore, we should do that together.	With some improvement to existing regulation, the industry could enjoy more benefits.	Existing policies are sufficient to protect the environment and the rights of native people and animals	Motives rather than outcomes.
	Through my experience working in plantations in Sarawak, there are not many animals over there although in thick forest, for example in Sarawak there is no tiger like in Peninsular Malaysia. There is no elephant, except for the pygmy elephant in Sabah. When we were opening a plantation in Sarawak, we found one or two sun bears in the area that we are working. In Borneo, there is no elephants and tigers. Only small elephants in Sabah. There is deer as well but not many. In fact, it is not easy to find a monkey in some areas. Riparian zones are not affected. Crocodiles and other river life are not disturbed.	Not many wild animals - not affected.	Agriculture business helps protects environment	Elevation of alternative ethical principles.
	Those lands which were surveyed during the British time, will get a title endorsed by the Sarawak land and survey department, so it means that the land belongs to them [indigenous people]. But for those lands without any title, the ownership will fall under the state government, hence the government has the right to develop the land.	The state government has the right to develop land without title.	Existing policies are sufficient to protect the environment and the rights of native people and animals	Motives rather than outcomes.
	We learn all this (plantation-based economy) from the British. The British established rubber plantations in Melaka, Negeri Sembilan, Perak, and Selangor. So all these plantations belong to the British in the first place. If we look at the history, those plantations belong to them. If they can operate the plantations, why can't we? In fact, the palm oil was brought into Malaysia by the British. The first rubber company was owned by the Dunlop estate from the United Kingdom. Last time, they can develop palm oil, but now when we want to develop palm oil, they do not let us do so. The yield for palm oil is good, therefore, we want to switch from rubber estates to palm oil plantation.	Blame the colonist in the colonial era.	The impact of British colonial and Western influences	Casting aspersions on the motive of critics.
	Now when we want to open our own plantations, they won't let us	Blame the colonist in the colonial era.	The impact of British colonial and Western influences	Casting aspersions on the motive of critics.
	In my opinion, the deforestation was initially create by them.	Blame the colonist in the colonial era.	The impact of British colonial and Western influences	Casting aspersions on the motive of critics.
	In the context of Sarawak, based on our experience, since the year 2004 until 2005, I was there for 10 years, land development either on peat soil or not, must obtain state agency consent. If I am not mistaken, it is called PELITA (Land Custody and Development Authority). PELITA is holding the stake of state government and the native people. Therefore, when the land has been developed and bring produce, the respective native people will enjoy the benefit.	Indigeous people is protected by law.	Existing policies are sufficient to protect the environment and the rights of native people and animals	Motives rather than outcomes.
	With regards to the indigenous people rights…. particularly in Sabah and Sarawak. I think, it is being addressed by the state government, therefore, to me, when I was in Sarawak, we call it Native Customary Rights …and these people [indigenous people] are protected by the state government.	Indigeous people is protected by law.	Existing policies are sufficient to protect the environment and the rights of native people and animals	Motives rather than outcomes.
	Thus far, MPOB have shown that there are components in the palm oil which are good for health. Further research could validate the claim though. The palm oil is good for health. MPOB have done many research to prove that.	Health benefit.	Upholding the benefits of palm oil.	Elevation of alternative ethical principles.
	In general, we have to protect our environment, animals, workers, indigenous people etc. Actually we have done more than that because the plantations are not just good for the state economy but also for the local community. For example, when we establish a 13,000 acre plantation, there will be a factory and the local people or the indigenous people can run their own plantations and send their produce to our factory… this will improve their family economic condition. Therefore, with the additional income, the native people can increase their purchasing power… buy quality goods for example a television, a refrigerator etc. They can also have their own electricity, so that will benefit their social economy. …. Or land can be developed using other methods such as FELCRA or FELDA. If we think of the purpose why the government established the FELDA, … it helps to improve those people living in the village and reviving their unused land for palm oil.	Economic benefit to the poor and indigenous people.	Economic factors.	Denial of empirical findings of critics.
	In that particular area, we will inform the villagers that we will open a new plantation and so on and so forth. Therefore, they [the villagers] along with their siblings can benefit from it, for instance, by opening a cafe to serve the plantation workers.	Economic benefit to the poor and indigenous people.	Economic factors.	Denial of empirical findings of critics.

RESPONDENTS	INTERVIEW TRANSCRIPT	PRELIMENARY CODING	CODING	THEMES
Manager 6	Those who have been very long in the industry find it hard to comply with RSPO because they are used to the old methods.	Hard to get rid of old practices.	Agriculture business helps protects environment	Elevation of alternative ethical principles.
	Palm oil has helped a lot in achieving economic growth of the people of Sabah and Sarawak	Economic benefit to the poor and indigenous people.	Economic factors.	Denial of empirical findings of critics.
Manager 7	Moreover, they (Europe) had copped more trees. But, when we want to chopped our trees, they won't let us do so	Believes that the European initiate deforestation.	The impact of British colonial and Western influences	Casting aspersions on the motive of critics.
Manager 8	If you look at your relatives who are from FELDA, without palm oil, their life are a struggle	Economic benefit to the poor and indigenous people.	Economic factors.	Denial of empirical findings of critics.
Manager 9	In Malaysia, the problems are not serious, we are well known…. we have been in this industry for a long time…. we have our own standard operating procedures (SOP). The open burning cases normally took place in Indonesia. We don't have much problems except for the fluctuation of palm oil prices. For example regarding the eco-system, there is no problem as we follow our own standard operating procedure….but there could be a problem with the smallholders as they sometimes engage in open burning.	Problem in control. Not too bad compared to other country.	Existing policies are sufficient to protect the environment and the rights of native people and animals	Motives rather than outcomes.
	Our company has planted on peat soil … especially in Sabah and Sarawak. RSPO underlined a principle where planting on peat land is not allowed, but we have planted on peat land for ages . . . . so we just carry on with what we have been accustom to.	Accustomed to established local policies.	Existing policies are sufficient to protect the environment and the rights of native people and animals	Motives rather than outcomes.
	With regard to issues with peat soil… there are issues with road recovery and operation issues but there are no apparent problems with environment and social issues	No serious environmental issues with plantation in peat soil.	Existing policies are sufficient to protect the environment and the rights of native people and animals	Motives rather than outcomes.
	Our replanting does not affect biodiversity because our replanting does not occur by clearing forest. Our replanting is done on old unproductive rubber plantations and paddy fields. That is what we do for replanting…hence, there is no effect on biodiversity	Replanting does not affect biodiversity.	Existing policies are sufficient to protect the environment and the rights of native people and animals	Motives rather than outcomes.
	But we have our own rules …when we want to convert any forest to palm oil plantations, we have all the policies in place	Adhering to company's policy is sufficient.	Existing policies are sufficient to protect the environment and the rights of native people and animals	Motives rather than outcomes.
	When our lease lands have been fully utilised, what left is those hilly areas…we cannot plant at hilly areas, nor can we plant on reserve forest because the government will not allow us to do that'	Goventment policies prohibit wrongful activities.	Existing policies are sufficient to protect the environment and the rights of native people and animals	Motives rather than outcomes.
	Palm oil brings benefit to mankind. It is better to cultivate palm oil than leaving the land abandoned without any useful activities, which can benefit the community. With all the plantations, such as palm oil and rubber, they at the same time could become a rain catchment area. Therefore, we are not damaging the earth, but we are protecting the earth.	The poi does not corrupt the earth but benefits mankind.	Agriculture business helps protects environment.	Elevation of alternative ethical principles.
	If we clear forests to make way for development, such as building shops to establish a commercial area to build an entertainment centre, now that is not permissible. But we plant palm oil for the oil, which in return many people can get the benefit. We cut trees but we plant trees, which is not wrong. Water catchment area will be intact and land will not erode.	Palm oil bring benefits to human kind unlike any other cause or development.	Agriculture business helps protects environment.	Elevation of alternative ethical principles.
	Animals have long inhabited our plantations. The palm oil and rubber plantations give the animals' new habitat. For example look at the cows that are grazing and resting by the canal	Palm oil plantations also protect the animals.	Agriculture business helps protects environment.	Elevation of alternative ethical principles.
	We did not chase away or kill the animals - maybe those who are irresponsible will kill the animals when we explore a new area. Normally the animals will run away when we explore a new site.	Animals are not affected.	Agriculture business helps protects environment.	Elevation of alternative ethical principles.
	I think, forests will not disappear if we do agriculture.	Agriculture activities will not lead to forest extinction.	Agriculture business helps protects environment.	Elevation of alternative ethical principles.
Manager 10	Personally I think they want to control our oil market	Others outside the industry want to control the industry.	Market share and competition (insecure of future).	Casting aspersions on the motive of critics.

RESPONDENTS	INTERVIEW TRANSCRIPT	PRELIMENARY CODING	CODING	THEMES
Manager 11	In the 1980s, soya bean wants to kill palm oil.	Blame the competitors.	Market share and competition (insecure of future).	Casting aspersions on the motive of critics.
	RSPO is biased against palm oil. Its principles aim to put a stop at palm oil expansion. How sincere are the principles? There are lots of double standards. They only look at growers, not other members such as the bankers and the retailers. For example, if you are a member you should not use uncertified palm oil. You must support sustainable palm oil. Not only growers should adhere to the rules. Not all members support palm oil… The 'no palm oil' label done by Western countries is discrimination.	The industry does not receive fair treatment from the Western countries.	Market share and competition (insecure of future).	Casting aspersions on the motive of critics.
	They attack our palm oil by bringing up the environment issues, but they are actually the ones who are chopping down trees'	Believes that the European initiate deforestation.	The impact of British colonial and Western influences	Casting aspersions on the motive of critics.
	Palm oil will not be in oversupply because it is the food security of the world. So how can palm oil play to feed the world? With the current hectares, we can feed the world.	PO will not be oversupply.	Upholding the benefits of palm oil.	Elevation of alternative ethical principles.
	Indigenous people is not being uprooted… not in Malaysia because there is no more expansion. There is no more suitable land for palm oil.	There is no problem with indigenous people as there is no more land expansion.	Existing policies are sufficient to protect the environment and the rights of native people and animals	Motives rather than outcomes.
	In Asia this is not considered as child labour. It is common for Asian people where the children help their parents whenever they are free, for example during school breaks	Child labour is not something unsual.	Child labour is cultural in Asia.	Denial of empirical findings of critics.
	We have our own mechanism to control…that is why we have MSPO (Malaysia Sustainable Palm Oil) which is accredited by the Malaysian standard. Similarly, Indonesia has their own policy i.e. ISPO (Indonesia Sustainable Palm Oil)	Effective mechanism in place to control the industry.	Existing policies are sufficient to protect the environment and the rights of native people and animals	Motives rather than outcomes.

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