

**SUSTAINABILITY REPORTING IN THE FOOD AND  
GROCERY RETAIL INDUSTRY: DEVELOPMENT  
WITHIN THE YEARS 2015-2022 IN THE CONTEXT OF  
STAKEHOLDER ENGAGEMENT AND THE FUTURE**

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**ABSTRACT**

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| <p><b>Abstract</b></p> <p>The food and grocery retail industry's role in our society is considerable. They are a strong employer and also a part of our everyday life. In Finland, a few operators rule the market. Retailers operate between the various stakeholders, such as customers, suppliers and producers. In addition, academics have noted the importance of stakeholder engagement in the efficient sustainability operations and reporting. This thesis focuses on the Finnish food and grocery retail industry and studies the role of stakeholder engagement in such industry's sustainability reporting and also its change within the reporting of the years 2015 and 2022. In addition, weak signals, driving forces and trends potentially affecting future sustainability reporting of the food retail sector are aimed to be found. The approach to the research is qualitative and also the futures studies approach is utilised. Qualitative content analysis was conducted for the sustainability reports of the three Finnish retailers. The analysing framework is based on stakeholder engagement related factors of the newest GRI standards. The factors potentially affecting future sustainability reporting were collected through thematic interviews. Interviews were conducted for seven specialists and the futures studies based on tool, FSSF was utilised in the analysis of the interviews. Research findings tell that stakeholder engagement is widely noted already in the reporting of 2015 and even wider in 2022. The same factors are the most common ones and the same are missing in both 2015 and 2022 reports. Reporting style has changed within the years to a more clear and simple style. Also some differences between the reporting of operators were observed. The research found several trends and drivers as well as three weak signals, which may affect future sustainability reporting in the food and grocery retail sector. Found trends were related to, for example, increased legislation, environment and social aspects. Most of the driving forces were associated with relevant stakeholders but also, for example, technological innovations was included. Previous studies with similar scope and viewpoint does not exist and the research gap was evident. The research findings may provide useful novel information for the academics to form future images, as well as for the grocery retailers, for example, to improve their reporting.</p> |                                 |
| <p><b>Key words</b></p> <p>Sustainability reporting, Stakeholder engagement, Futures research, Trends, Driving forces, Weak signals</p>  |                                 |
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## TIIVISTELMÄ

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| <p><b>Tiivistelmä</b></p> <p>Päivittäistavarakaupan rooli on huomattava yhteiskunnassamme. Se toimii merkittävänä työllistäjänä ja on osana jokapäiväistä elämäämme. Muutama toimija hallitsee markkinaa Suomessa. Alan toimijat operoivat sidosryhmien, kuten asiakkaiden, tavarantoimittajien ja tuottajien välissä. Tutkijat ovat myös havainneet sidosryhmien osallisen tärkeyden tehokkaassa vastuullisuusraportoinnissa ja -toimissa. Pro Gradu -tutkielma keskittyy päivittäistavarakauppaan Suomessa ja tutkii, minkälainen rooli sidosryhmien osallistamisella on alan vastuullisuusraportoinnissa ja miten tämä on muuttunut vuodesta 2015 vuoteen 2022. Lisäksi alan vastuullisuusraportointiin tulevaisuudessa potentiaalisesti vaikuttavia heikkoja signaaleja, muutosvoimia ja trendejä pyritään löytämään. Tutkimuksen lähestymistapa on laadullinen ja myös tulevaisuudentutkimusta on hyödynnetty. Laadullinen sisältöanalyysi, joka perustui uusimman GRI-standardin sidosryhmien osallistamiseen liittyviin kohtiin, toteutettiin kolmen suomalaisen alan toimijan vastuullisuusraporteista. Lisäksi tekijöitä, jotka mahdollisesti vaikuttavat alan tulevaisuuden raportointiin kerättiin seitsemän asiantuntijan teemahaastattelusta ja analysoitiin tulevaisuudentutkimukseen perustuvan FSSF-viitekehyksen avulla. Tutkimustulokset kertovat, että sidosryhmien osallistaminen on huomioitu laajasti jo vuoden 2015 raportoinnissa ja vielä laajemmin 2022 raportoinnissa. Samat tekijät ovat yleisimpiä ja samat puuttuvat sekä vuoden 2015 että vuoden 2022 raporteista. Raportointityyli on muuttunut vuosien kuluessa selkeämmäksi ja yksinkertaisemmaksi. Toimijoiden raportoinnissa havaittiin myös eroja. Tutkimuksessa löydettiin useita trendejä ja muutosvoimia sekä kolme heikkoa signaalia, jotka voivat vaikuttaa päivittäistavarakaupan tulevaisuuden vastuullisuusraportointiin. Trendit liittyivät muun muassa lisääntyneeseen lainsäädäntöön, ympäristöön ja sosiaaliin näkökohtiin. Suurin osa muutosvoimista liittyi olennaisiin sidosryhmiin, mutta myös esimerkiksi teknologiset innovaatiot nousivat esiin. Aiempia tutkimuksia samasta näkökulmasta ei ole tehty, joten tutkimusvaje oli ilmeinen. Tutkimustulokset voivat tarjota tutkijoille uudenlaista tietoa tulevaisuuskuvien muodostamiseen sekä päivittäistavarakaupan toimijoille esimerkiksi heidän vastuullisuusraportointinsa kehittämiseen.</p> |                                   |
| <p><b>Asiasanat</b></p> <p>Vastuullisuusraportointi, Sidosryhmien osallistaminen, Tulevaisuudentutkimus, Trendit, Muutosvoimat, Heikot signaalit</p>   |                                   |
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# 1 INTRODUCTION

The introduction of the report describes an overview of the researched topic and its background, providing a glance to the food retail industry in Finland together with the characteristics of sustainability reporting. In addition, the chosen topic is justified and the existing research gap is described. The aims of the research as well as the research questions supporting the aims are presented. Finally, the introduction shares the structure of the research report.

## 1.1 Background of the research

Sustainability reporting can be defined as “An organisation’s practice of reporting publicly on its economic, environmental, and/or social impacts, and hence its contributions –positive or negative– towards the goal of sustainable development” (GRI, 2016, p. 3). During the past decades, sustainability reporting has become a necessary and expected tool for companies to inform their transparency, values, aims and progress towards improved sustainability (Herremans, 2020; KPMG, 2022). Especially among the large companies, sustainability reporting has increased constantly and almost all of the world's 250 largest companies report on sustainability or ESG matters (KPMG, 2022). Finland is well positioned among the most sustainability topic reporting countries and typically such are included in companies’ annual reports. Besides, it provides necessary information for the organisation about its current situation and progress toward a more sustainable model, the report gives vital details for other internal and external stakeholders as well (Herremans, 2020).

The terminology of the non-financial reports has evolved during the years. In the early 1990s, and the early stages of organisations reporting related to non-financial issues, environment was common in the titles of the reports (Ditlev-Simonsen, 2010). In addition, terms “Corporate Responsibility” and “Corporate Social Responsibility” have been widely used in the context of non-financial reporting, but nowadays such reports are widely denominated as “Sustainability Reports” (Sheehy & Farneti, 2021). The roots of sustainability reporting can be traced back to the 1960s and 1970s (Gokten et al., 2020; Brockett & Rezaee, 2012). During this period, social-environmental awareness started to rise and organisations’ role in the society started to be considered alongside the economic side. For example, environmental disasters led to reflection on corporate responsibility. In the late 1980s, the United Nations report, *Our Common Future*, had a vital role in the formation of the concept of sustainable development. In addition, organisations’ role in the context of supporting sustainable development started to become evident (Herremans, 2020).

Gokten et al. (2020) divides the development of sustainability reporting in the pre-standardisation period (1962-1998), the standardisation period (1999-2016) and the post-standardisation period (after 2016). In the 1990s, sustainability related reports, separate from financial reports, started to become a part of the organisations' regular reporting, and the number of the companies reporting non-financial matters increased rapidly (Ditlev-Simonsen, 2010). Even though the demand for sustainability reporting increased, such reporting was new, and commonly accepted protocols for that did not exist (Herremans, 2020). It was challenging for companies to pull all the information together in a needed, transparent and understandable way. In 1997, Global Reporting Initiative was started to develop to fill such a gap of consistent reporting frameworks. After three years, the first GRI reporting guidelines were published (Brockett & Rezaee, 2012). Since then, GRI guidelines have been updated and also several other sustainability reporting frameworks have been published (Gokten et al., 2020; Herremans, 2020). The demand for sustainability reporting has constantly increased, hence the number of corporations publishing sustainability reports has increased as well. In 2016, first GRI standards for sustainability reporting were published and it was again an important milestone in the development of sustainability reporting. The evaluation of voluntary reporting standards, such as GRI, influenced significantly on the development of the sustainability reports as well (Searcy & Buslovich, 2014).

Food and grocery retail sector has a fascinating position in our society. Its role as an employer is noteworthy and it supports security of supply and vitality in rural areas (PTY, 2022). Overall, the industry is part of our everyday life. According to Jones et al. (2014), most of the food retail sector's market shares are divided only for the few companies in the UK. Hence, these operators have significant power over producers, suppliers and consumers. As a matter of fact, the situation is corresponding in Finland. Over 80% of the market is ruled by two operators, S Group (46,1%) and Kesko (36,6%) while Lidl (9,6%) and Tokmanni (3,3%) also have consolidated their role in the market (PTY, 2022). Consequently, these large retail operators' social responsibility is noteworthy. Both, Kesko and S Group have been recently rewarded for their sustainability reporting (Aalto University, 2021). Notable is that the largest operators in Finland are different types of companies. Sustainability or non-financial reporting has been mandatory since 2017 for Kesko and Tokmanni due to their role as major listed companies (Ministry of Economic Affairs and Employment of Finland, n.d.). Whereas reporting is currently voluntary for S Group and Lidl Finland.

Retail industry's role between producers, suppliers and consumers is crucial and this has also intrigued researchers to study the sustainable development topics in the context of the retail industry (Lehner, 2015; Saber & Weber, 2019a; Saber & Weber, 2019b). Through their role, especially the largest actors have a power to influence food supply-chain, support its sustainability transition and educate consumers about more sustainable choices (Jones et al., 2011). The same particular reason and the fact that the industry is part of everyone's daily life,

guided me to focus on the food and grocery retail sector and especially on the stakeholder engagement's role in the industry's sustainability reporting.

Sustainability reporting in the food retail sector has been studied from various viewpoints and scopes. A review of the academic literature reveals several key themes, including the drivers of corporate social responsibility activities (Schramm-Klein et al., 2015), the content of sustainability reports (Vallet-Bellmunt et al., 2022; Bhatia, 2017; Saber & Weber, 2019a; Saber & Weber, 2019b) and the impact of sustainability reporting on business performance (Buallay, 2022). Stakeholder engagement is an essential part of sustainability reporting and their connection is studied previously as well. For example, Manetti (2011) researched the quality of stakeholder engagement in sustainability reporting and Stocker et al. (2020) identified the stakeholder engagement in the energy sector based on their sustainability reporting. However, there is a lack of studies about stakeholder engagement and sustainability reporting in the context of food retailing. Kujala and Sachs (2019) suggested that related to stakeholder engagement, case studies and empirical evidence should be added to further research. In addition, only a small amount of studies on the development of sustainability reporting has been conducted (Searcy & Buslovich, 2014). Therefore, combining such viewpoints is a fruitful and justified premise for this research and it will fill the research gap of such.

Besides the lack of existing research about the development of sustainability reporting, connecting the futures studies to the sustainability reporting is a rather novel approach in the research field as well. Mäkelä (2018) has also noticed the same research gap with her research about forest industry's future sustainability reporting. Mäkelä et al. (2022) state futures research to be suitable for all research topics, but it is important to consider the topic's relevancy and significance. The topics such as sustainable development and climate change are well recognised challenges in the field of futures research (Malaska, 2017), but still research around sustainability reporting is lacking in the field. Futures studies provides tools to understand the potential alternative futures widely and recognise these various forms of future (Bell, 1996). To be able to form the potential futures, understanding the present conditions and current environment, and the issues and phenomena affecting the future are necessary (Bell, 1996; Dufva, 2022). Hence, the key focus of this research is to point out the factors potentially influencing the future of sustainability reporting.

These factors noted, futures studies is a relevant approach also to this research topic and it may provide beneficial information for the industry, decision makers and the research field. The approach of futures research brings a brand-new perspective for the research topic and it makes the study more comprehensive. With this research topic, selected scope and especially with the futures research approach, the existing and important research gap will aim to be filled.

## **1.2 Aim of the research**

The objective of this study is to understand the role of stakeholder engagement in sustainability reporting in the context of the Finnish food retail industry, as well as study the possible change within the years 2015 and 2022. In addition, this study aims to recognise the weak signals, driving forces and trends which may influence sustainability reporting in the food retail sector in the future, not only from the context of stakeholder engagement but also at other levels.

The following research questions have been formed based on the aims of the research:

1. What is the role of stakeholder engagement in sustainability reporting in the Finnish food and grocery retail sector and how has it developed within the years 2015-2022?
2. Which weak signals, driving forces and trends will affect sustainability reporting of the food and grocery retail sector in the future?

The results of the study will provide novel and topical information for the academics and professionals in the field of sustainability reporting and development. The results may be essential information for the operators in the food retail industry in Finland and possibly in the other markets as well. The results may provide them information about the current status of their sustainability reporting, and also suggest the relevant options to widen the reporting in the context of stakeholder engagement. In addition, the operators will receive valuable information about the relevant factors in the industry, which potentially have a role in the future sustainability reporting. Moreover, the results may be utilised in the formation of possible futures of sustainability reporting.

## **1.3 Structure of the research report**

The structure of the research report consists of six chapters. After the introduction and the motivation behind the research, the theoretical framework around the research topic and research questions is discussed. The theoretical framework focuses on the main characteristics of the stakeholder engagement and the futures research, together with the most relevant themes relative to the research. In addition, the previous studies around stakeholder engagement and futures research together with the sustainability reporting are under the evaluation.

The third chapter covers the methodological approach to the research. In addition, the chosen data collection and analysis methods of this qualitative

study are justified. Next, the results of the sustainability report content analysis and thematic interviews are presented. The fifth chapter discusses the findings of the research with the previous studies and also ponders the findings with the research questions posed. Finally, the last chapter concludes the main objectives and findings of the research, explains the existing limitations and suggests the potential subjects for further research.

## 2 THEORETICAL FRAMEWORK

Stakeholder theory is one of the main theories related to sustainability reporting. In the context of this research, the theory of stakeholder engagement is discussed and explained in the coming chapter. It is a necessary element of sustainability reporting and it also forms the basis for the analysis of the sustainability reports in this study. Hence, stakeholder engagement's role in sustainability reporting is discussed in the chapter. The second part of the theoretical framework is about futures research, which is also one of the approaches to the research. The main characteristics of futures research are presented. In addition, the theory of environmental scanning as well as weak signals, driving forces and trends are discussed on account of their relevance to the research topic and questions. Also futures research is pondered in the context of sustainability reporting.

### 2.1 Stakeholder engagement

Stakeholders are actors, groups or individuals, whose interests can affect and/or can be affected by the actions of an organisation (Freeman, 1984). Stakeholders' needs and expectations are required to be noticed in the organisation's sustainability policy, performance as well as their reporting (Herremans, 2020). It is worth noting that the needs of different stakeholder groups vary and may be conflicting. It is important that each organisation recognises and identifies the roles of the stakeholders and understands the similarities and differences among their needs. To better understand the supporting actions between corporations and various stakeholders, the concept of stakeholder engagement is discussed in this chapter.

#### 2.1.1 Characteristics of stakeholder engagement

Stakeholder engagement can be seen as the organisation's operation which includes stakeholders in the organisation's action model (Greenwood, 2007). Kujala et al. (2022) have widened this rather organisation-centric definition: "Stakeholder engagement refers to the aims, activities and impacts of stakeholder relations in a moral, strategic, and/or pragmatic manner" (p. 1160). In the evaluating business environment, stakeholder engagement has a necessary role in keeping the organisation's business model and operations relevant (Deloitte, 2014).

Several important themes can be associated with the stakeholder engagement: examining stakeholder relations, communicating with stakeholders and learning with and from stakeholders (Freeman et al., 2017). Figure 1 presents the relationship of the themes and the continuum they form towards integrative stakeholder engagement. This supports the view of stakeholder engagement as an overtime evolving process. Examination of stakeholder relations covers the view of value creation between the organisation and the stakeholders as well as

understanding the utilities and drivers of stakeholder engagement (Kujala & Sachs, 2019). In their study, Kujala and Sachs (2019) pondered that besides the economic value alone, value creation and utility must receive more complex consideration. Moreover, Freeman et al. (2017) highlighted understanding stakeholder relations' role as a link between stakeholders, business and society. Even though stakeholder engagement related actions aim to support equal partnership between stakeholders and organisation, in reality this is difficult to reach (Greenwood, 2007). Typically the unbalanced roles between the actors influence the co-operation, and the role of a more powerful party is evident.



Figure 1. The stakeholder engagement framework (Freeman et al., 2017).

Communication in the context of stakeholder engagement is more widely discussed in the following chapter, as its role in sustainability reporting and, therefore also in this research, is notable. Another important theme that Freeman et al. (2017) included in the stakeholder engagement framework is learning with and from stakeholders. According also to the research of Kujala and Sachs (2019), stakeholder engagement is commonly seen as a constant learning process. For instance, criticism and feedback are important tools for learning and supporting organisation value creation.

Stakeholder engagement activities can be linked to various sections of organisation, for example, customer service, human resource management and public relations (Greenwood, 2007). Typically, better relationships with stakeholders have a positive impact on the company's value and/or profitability (Andriof et al., 2002). The engagement actions, for example, in the product design team, and fruitful innovations through that, may lead to such results. Also, intensifying relationship and increasing trust may reduce the need for strikes or bad press. It is worth noting that different internal and external stakeholders examine industry and operations from varying viewpoints, and they may be able

to provide unique, significant information, for example, about new trends (Andriof et al., 2002). The activities of stakeholder engagement may also be unintentionally or intentionally harmful, for example, due delaying payments or pressuring communication (Kujala et al., 2022). When stakeholder engagement is implemented at an optimal level, it is seen responsible (Greenwood, 2007). By reaching such a level, it supports the interests of relevant and legitimate stakeholders and support the organisation's responsibility. However, according to Greenwood (2007), several other levels of stakeholder engagement can be recognised based on the level of engagement and number of stakeholder groups whose interests are supported. Moreover, engagement of stakeholders at such levels do not necessarily support corporate responsibility and it may be even immoral.

In the literature concerning stakeholder engagement, moral related aims are typically associated with stakeholder engagement either individually or combined with some other aims (Kujala, et al., 2022). Legitimacy, fairness as well as responsibility and sustainability are common moral aims. In addition to the moral aims, also strategic, financial and operational improvement or risk management supportive aims are common and often combined with moral aims. In addition, based on the findings of Kujala et al. (2022), for example, stronger stakeholder relationships, avoiding conflicts of interests and problem-solving possibilities are well noted aims of stakeholder engagement. The variety of the aims reflects also the several possibilities and advantages related to stakeholder engagement.

Every corporation has a different set of relevant stakeholders who have multiple demands to answer (Andriof et al., 2002). Identification of such stakeholders is an essential part of successful stakeholder engagement practice. Mitchell et al. (2019) argue that possible value creation reached through stakeholder engagement is limited due to incomplete stakeholder identification. Single consensus for stakeholder identification does not exist and several guidance have been proposed among the scholars (Mitchell et al., 2019). For example, Clarkson (1995) suggested to consider stakeholders which are crucial for organisation's existence and divide them to primary and secondary stakeholders based on that consideration. An additional widely accepted viewpoint to stakeholder identification is presented by Mitchell, Agle and Wood (1997). They proposed to focus on the stakeholders' relational attributes, such as legitimacy, level of power and urgency in stakeholder relationships. On the other hand, it can be also discussed who has the power to decide the legitimacy of some group or individual (Greenwood & Mir, 2019).

Commonly, stakeholder engagement has been automatically associated with increasing corporate responsibility actions. Then again, Greenwood (2007) has also criticised such a view. Instead, she suggests that stakeholder engagement is rather morally neutral corporation activity, as engagement activities do not guarantee the treatment of stakeholders to be responsible. The level of stakeholder engagement and stakeholder agency influences the outcome.

### 2.1.2 Stakeholder engagement and communication

In stakeholder engagement research, stakeholder communication and interaction have achieved great significance (Kujala & Sachs, 2019). The viewpoint to stakeholder engagement and communication has evolved and communicating not only *to* stakeholders, but also *with* stakeholders is important. In other words, stakeholder communication covers the idea of moving towards dialogue with the stakeholders, instead of debates (Kujala & Sachs, 2019). Golob and Podnar (2014) studied the role of stakeholder dialogue in the integration of corporate social responsibility. Based on their research, six relevant themes around the stakeholder dialogue can be found; understanding the dialogue's concept as such, motivation for dialogue, dialogue's quality, dialogue's process and outcomes, the expectations of stakeholders related to dialogue and finally dialogue's role in the organisation's corporate social responsibility actions. Also, based on their research findings, O'Riordan and Fairbass (2008) present a framework including domains about effective stakeholder dialogue practices associated with corporate social responsibility. First, understanding the contextual domain is needed before proceeding with CSR strategy and dialogue with stakeholders. This may cover issues such as competitor activity, political, economic, social and environmental climate and industry structure. Also, a necessary step is to identify and prioritise stakeholders and understand their expectations, power and features. In addition, they highlight the importance of understanding the implications of certain events, which may affect dialogue with stakeholders and CSR strategy. Finally, management response influences strongly the implementation of CSR strategy and stakeholder engagement and dialogue.

Morsing and Schultz (2006) share three approaches to stakeholder engagement and communication; information strategy, response strategy and involve strategy. Informing approach is communication only from organisation side to stakeholders, such as websites, newsletters or company's reports (Morsing et al., 2006; Stocker et al., 2020). Stakeholders' role in this kind of communication is mainly to support or oppose the organisation instead of active participation. Responding approach is closer to two-way communication, but it is stronger from the organisation's side and weaker from the stakeholder's side. This kind of communication can be, for example, answering questions about a project. Involving approach means strong communication from both, organisation and stakeholder side. Stakeholder's role in the organisation's actions is participating and suggesting. For example, negotiations and proactive dialogue are involving communication. Stakeholder involvement is necessary so that the organisation and management understand the evolving expectations of internal and also external stakeholders (Morsing et al., 2006). After all, the informing and responding approaches to stakeholder engagement and communication are also needed in certain situations. Moreover, the suitable communication approach may also be varying between the different stakeholder groups.

### 2.1.3 The role of stakeholder engagement in sustainability reporting

Stakeholder demands have been a key element in the development of sustainability's concept (Herremans et al., 2016). As sustainability reporting reflects an organisation's sustainability performance it is an essential stakeholder engagement tool for several stakeholders (Kujala & Sachs, 2019; Herremans et al., 2016). Moreover, communication and engagement with the relevant identified stakeholders have been recognised as a crucial part of sustainability reporting (Manetti, 2011). Dialogue with the stakeholders about their needs and desires enable organisations also to improve the content of their sustainability reports and to understand which decisions and actions of the organisation need clarification (Herremans, 2020).

The relevance of stakeholder relationship and engagement in the successful sustainability reporting is also evident as the theme is included in the various sustainability reporting standards and frameworks (Torelli et al., 2020). For instance, in the most utilised sustainability reporting tool GRI, the role of stakeholder engagement has increased since it was published in 2000, (Grushina, 2017; GRI, 2021). The change has supported the importance of sustainability reports as a communication tool for the stakeholders. In the newest version of GRI Standards, a separate section has been dedicated to an organisation's stakeholder engagement practices and several aspects related to stakeholder engagement, and their identification and communication with them are included in the requirements and recommendations (GRI, 2021). In addition, AccountAbility's multi-stakeholder focused AA1000 Stakeholder Engagement Standard is an important framework for organisations to adopt a high-quality engagement and report it (AccountAbility, 2015).

Material sustainability issues are a significant part of a clear sustainability report. Material issues are the ones that the operation of the organisation has the most significant influence, when considering economy, environment and people (GRI, 2021). Stakeholder engagement and communication are needed for understanding the organisation's relevant materiality issues, considering actions on such issues and planning the clear model for reporting such issues and actions (Torelli et al., 2020). Currently, most sustainability reporting is voluntary and not strictly supervised, hence clear materiality analysis and materiality matrix in reports increase the transparency and quality of the reports.

Stakeholder engagement and sustainability reporting have been a focal topic in several academic research, especially during the recent years (Kujala et al., 2022). The research of Manetti (2011) is well noted in the field. He studied the quality of stakeholder engagement in sustainability reporting from various industries and geographical areas. Based on his findings, stakeholder management is a rather common approach instead of stakeholder engagement in the non-financial reports. In addition, typically the aim of stakeholder engagement was (more or less) to accentuate the positive company image. However, the study of Manetti was published already in 2011 and, for example, the increased role of stakeholder engagement in the widely utilised GRI reporting standard reflects

the current overall popularity of stakeholder engagement among the field of sustainability reporting.

The study of Ardiana (2023) focused on Fortune Global 500 companies and their sustainability reporting from 2015 to 2017. Also, several world's largest grocery retailers have been included in the analysis. The researcher aimed to find out whether the companies embed stakeholder engagement in their reporting, by content analysis studying sustainability disclosures linked together with stakeholder engagement disclosures. The findings of the research tell that overall embedding stakeholder engagement to sustainability reporting is loose. For example, in the reports from 2015, around 75% of the analysed companies informed their stakeholders engaged with, but less than 17% told the basis for identification. In addition, a bit less than half of the companies included stakeholder concerns in their reporting and around third of the companies reported their response to such concerns.

Kaur and Lohria (2018) studied stakeholder engagement in sustainability accounting and reporting in the context of Australian local councils. Their findings support the importance of stakeholder engagement in the reporting process. Moreover, they argue that stakeholder engagement is necessary for strategic planning and recognising relevant sustainability indicators. The findings of Romero et al. (2019) report that sustainability reports and integrated reports of companies in Spain typically describe the engagement with all relevant stakeholders, not only shareholders. Stocker et al. (2020) identified the stakeholder engagement in the energy sector based on their sustainability reporting. In their evaluation, they utilised the previously discussed styles of stakeholder communication and engagement presented by Morsing and Schultz (2006), namely information strategy, response strategy and involve strategy. It was evident that such strategic levels of stakeholder engagement vary among the organisations (Stocker et al., 2020). They found out that involvement strategy was clearly the rarest level of engagement in the sustainability reports among the studied organisations, even though the importance of two-sided communication and dialogue is highlighted in the literature of stakeholder engagement (Morsing et al., 2006; Kujala & Sachs, 2019). With this in mind, Stocker et al. (2020) created a matrix of engagement strategies to support the improvement of sustainability reports and quality of stakeholder engagement. The matrix considers the engagement quality and strategic level as well as the number of stakeholders engaged with.

In their research, Herremans et al. (2016) presented five characteristics of sustainability reporting, which are related to the stakeholder engagement strategy of the company: "directness of communication, clarity of stakeholder identity, deliberateness of collecting feedback, broadness of stakeholder inclusiveness, and utilisation of stakeholder engagement for learning" (p. 417). They also analyse that the importance of these characteristics varies depending on whether the approaching company has implemented an information strategy, a response strategy or a participation strategy.

Even though the stakeholder engagement and sustainability reporting have been rather well noted among the scholars and studied from various viewpoints, there is a lack of studies focusing on the role of stakeholder engagement and sustainability reporting in food retailing. In addition, the development of the reporting from the stakeholder engagement viewpoint needs more attention in the research field. Therefore, this thesis focuses on such less-studied aspects. As discussed before, reporting is an important communication tool between an organisation and its stakeholders. Also, stakeholders and engagement with them should be evident in the sustainability reporting of the company in several ways. This involves, for example, stakeholder identification, communication in a relevant way as well as learning and listening, and the aim of this thesis is to study such aspects in the context of the food and grocery retail industry in Finland. Previous studies tell, for example, that embedding stakeholder engagement to sustainability reporting has not been strong (Ardiana, 2023) and that involving communication style with the stakeholders is rare in some industries (Stocker et al., 2020). In this research, the aim is also to focus on such topics in the food retail sector's reporting. The next chapter presents the theory of futures research, which is the key approach to the second research question.

## 2.2 Futures studies

The field of futures studies and its diverse possibilities are necessary for understanding and finding solutions for the growing amount of complex global challenges of societies (Aalto et al., 2022). It is an interesting but also a wide and complex field of study. In this chapter, the main characteristics of the field are discussed briefly and then the most topical aspects related to the research topic, environmental scanning as well as weak signals, driving forces and trends, are covered more deeply. Finally, the previous studies related to the futures studies and sustainability reporting are discussed.

### 2.2.1 Characteristics of futures studies

Terms *futures studies* and *futures research* are both commonly used and similar, even though sometimes futures studies is connected to qualitative approach while the term futures research often has rather quantitative focus (Malaska, 2017). Typically these are seen as involving and academically disciplined research. Common premise for the futures research is that instead of only one future, various futures can be predicted (Bell, 1996; Kuusi & Virmajoki, 2022). Alternative scenarios are possible and these can be either sought or avoided (Niniluoto, 2017). The futurists aim to form possible alternative futures, as well as assess the probability of such. Also, according to Bell (1996), some futures are assumed to be more preferable than others. Futures studies is needed to under-

stand the potential options of the future and to be able to prepare for those scenarios as well (Aalto et al., 2022). However, it is worth noting that futures research related terms are often used partially overlapped and definitions may slightly vary between the sources, and also develop over time (Aalto et al., 2022).

Foresight and future image are one of the key concepts within the scientific field of futures studies (Malaska, 2017; Mäkelä et al., 2022). Foresight differs from the wider concept of futures studies as it is a rather pragmatic approach and the observations are typically for a nearer future (Aalto et al., 2022). In addition, foresight is commonly utilised, for example, for understanding the coming situation of a certain corporation or region (Aalto et al., 2022) as well as providing tools for decision-making (Malaska, 2017). Operational environments are constantly changing and the process of foresight gives organisations and other actors support to prepare changes and also influence the future (Aalto, 2022). To understand widely enough the organisation's operational environment, the process of environmental scanning is necessary so that the foresight is covering all the relevant aspects. Different kinds of trend analysing methods are typical in the process of foresight (Aalto, 2022). Those provide useful and clear enough information for perceiving especially the near future. Also methods related to alternative futures or range of futures are utilised with foresight. In simple terms, future image can be seen as a set of images about the future described by a person or a community (Mäkelä et al., 2022). The images are based on the experiences from the past and often also current personal values, hopes, fears, beliefs and expectations (Heinonen et al., 2017). These images of futures are typically divided into impossible, possible and probable.

Opinions about the formation of modern futures research vary (Malaska, 2017). However, the early forms of forecasting and futures studies are recognised in the United States after World War II (Masini, 2006). The importance of understanding the consequences of current actions and to be able to be prepared for coming was recognised, and scientific analysis of trends and other change indicators was arising. Soon, the same evaluation started to happen also around Europe and sociological and philosophical dimensions of futures research were discussed. French researcher Gaston Berger focused on prospective studies in the 1950s (Masini, 2006). The viewpoint of his prospective approach was that the future essentially differs from the past (Heikkilä et al., 2022). The consequences of the actions will affect the future differently than expected, creating several possible futures. Hence, instead of immediate necessities, long-term consequences must affect decision making (Masini, 2006). The major boost for the futures studies came from Bertrand de Jouvene (Masini, 2006). His thoughts about the dimension of time, past, present and future, widened the understanding in the research arena. Considering the past, present and future, the future is the only that people can affect. Past and present are informative, but cannot be controlled (Masini, 2006).

Futures studies and understanding the potential futures are relevant tools for learning the major issues in the world and finding solutions for those (Malaska, 2017). During the 1970s, social-environmental awareness started to rise

and several environmental crises reflected on futures studies (Heikkilä et al., 2022). Club of Rome, an organisation whose purpose was to ponder significant global issues, ordered a research about the sufficiency of natural resources and earth's carrying capacity in the early 1970s. Such research publication, *The Limits to Growth*, became a significant part of futures thinking of the time and it influenced the social discussion. In addition, it had a vital role in the formation of the thinking of sustainable development (Heikkilä et al., 2022).

Instead of aiming to predict the potential futures of sustainability reporting, this research wants to understand and recognise the things and phenomena which may influence the possible or probable futures of the reporting and its business environment. Due to that, the next section focuses on the theory of environmental and horizon scanning.

### **2.2.2 Environmental and horizon scanning**

Understanding the changing environment is often an important part of predicting futures. Such an environment means the actor's socio-cultural, political, ecological and economic wholeness, in which the actions happen (Rubin, 2004). Environmental and horizon scanning are futures research methods and important, early stage phases of the foresight making process (Dufva, 2022). For this research, understanding environmental and horizon scanning is relevant as those are important elements to the second research question and understanding the relevant factors influencing the futures. Research topic, research questions and aims of the research are the base for environmental scanning and those define the direction of the process and gathered information (Lätti et al., 2022). The key element of the process to understand is that from every point of view, the scanning must cover wider inspection than just the industry of the organisation (Dufva, 2022). The terms environmental and horizon scanning are commonly used in the rather same context (Dufva, 2022). However, the term horizon scanning focuses more on the future whereas environmental scanning's viewpoint may be closer to the present. In addition, horizon scanning is a rather new term as it was presented in the early 21<sup>st</sup> century while environmental scanning has been used several years before (Hideg et al., 2021).

Often environmental and horizon scanning can proceed, for example, to scenario building (Dufva, 2022). Scanning's role is significant in the foresight process as too narrow evaluation of the changing environment may lead also too narrow future scenarios. Environmental and horizon scanning aim to collect together and create clear consensus about the issues, rising phenomenon and correlations which are related to the studied topic (Dufva, 2022). It considers, for example, what is changing and how, which uncertainties are related to the possible changes and can several development trends be recognised. Overall, it aims to create a comprehensive but compact picture about the possible changes around the topic. Typically environmental or horizon scanning covers finding, recognising and analysing the relevant trends and megatrends, weak signals and

driving forces (Rubin, 2004). In their study, Hideg et al. (2021) recognised characteristics of horizon scanning. Also they suggested that seeking future trends, weak signals and other kinds of future perceptions is the relevant part of the process. They suggest that the information is gathered with various techniques from experts, different stakeholders as well as policy and decision makers. In addition, horizon scanning organises the entire process in several phases. Finally, the results of horizon scanning are not only important for the foresight process or scenario building, but also enhance the ability of decision makers and the general public to anticipate and prepare for future possibilities. Typically, four types of methods for gathering information are recognised (Dufva, 2022). With indirect viewing, large amounts of various sources are evaluated without the determination of any specific need of information. This is especially supportive for finding weak signals and other unexpected information. Conditioned viewing on the other hand includes the theme which is determined beforehand and the information is then gathered based on that viewpoint. Informal search aims to find the relevant information without the defined process whereas with formal search the exact systematic information collecting process is defined beforehand (Dufva, 2022).

Interviews are possible data collection method for environmental scanning (Lätti et al., 2022) and interviews are also utilised in this research. In addition, several secondary sources, such as academic publications, news, trend reports and social media may be utilised. However, critical evaluation of sources is essential. One of the most utilised environmental scanning tool is PESTE-analysis (Dufva, 2022). Based on that, the possible issues of political, economic, social, technological and environmental are evaluated around the environment of the studied topic. Nowadays, a letter "C" is added to the analysis, adding the possible cultural perspective to the analysis (Heinonen et al., 2017). Moreover, also "L", legal aspect and "V", values, may sometimes be added to the analysis (Dufva, 2022). Behind PESTE-analysis popularity may be the simpleness of it (Dufva, 2022). However, at the same time the simpleness is also its weakness. There is a possibility for too separate sections and the result may end up being too abstract.

Future Signals Sense-Making Framework (FSSF), which is also utilised in the analysis process of this research, is based on the principles of environmental scanning (Kuosa, 2010). FSSF was developed by Kuosa (2010) and it is a method for outlining the futures research type of material. Three levels of futures knowledges exist in the focus of the framework: weak signals, drivers/driving forces and trends. The framework consists of six different categories covering the disrupting and promoting types of information of these three future knowledge levels. The framework is discussed deeper in the report's section 3.4.

It must be noted that environmental and horizon scanning are not completely unproblematic. For example, high level of subjectivity has been evident in the evaluation and total objectivity in environmental or horizon scanning is unfeasible (Hideg et al., 2021; Dufva, 2022). Also, it is not automatically clear to make the difference between weak signals and other information and recognise

the truly accurate ones. In addition, Dufva (2022) discusses the challenge of identifying the appropriate information related to the exact environment.

### **2.2.3 Weak signals, driving forces and trends**

Weak signals, driving forces or drivers as well as trends and megatrends are commonly the issues affecting futures which are aimed to be found through environmental or horizon scanning. In the other words, the recognition of such issues from the relevant business environment is necessary for being able to create potential and realistic future images and finally build scenarios (Rubin, 2004; Lätti et al., 2022). Because of this, these factors are focused on also in this research. Various weak signals, driving forces and trends influencing future sustainability reporting are sought through specialist interviews.

The term weak signal was presented already in the 1970s (Hiltunen, 2017). Hiltunen (2017) has studied the foundation of the concept and its definitions. According to her, the consistent definition for the weak signal has not been found, but several similar characteristics are pointed out among the academics and the definitions have evolved rather aligned during the years. Weak signals are things or phenomena, which are the first signs of the rising issues and coming change (Lätti et al., 2022; Rubin, 2004). In addition, they can be information from a truly early stage of process, for example, an early research finding. Moreover, Rubin (2004) suggests that weak signals can also be found from the novel environment of the already familiar issue. Weak signals may not seem significant in the beginning, but their role in the process of change can be crucial (Heinonen et al., 2017). In addition, they can even become trends in the future (Hiltunen, 2017). However, it is also discussed whether a weak signal truly becomes a trend or is it more like a sign of an emerging trend. Typical characteristic is that weak signals exist only for a short period of time (Rubin, 2004). Then it either fades away as a meaningless observation or becomes a stronger, emerging trend.

Often weak signals are unexpected and surprising, even confusing things (Rubin, 2004). Their linking to the possible future situations may be impossible to justify historically or statistically (Heinonen et al., 2017). These characteristics also make it challenging to distinguish them. To be able to recognise weak signals, an interpreter must typically strictly consider their own expectations about the present and be willing to widen their viewpoint (Lätti et al., 2022). Also, great imagination is a useful quality for an interpreter (Rubin, 2004). The appearance of a weak signal can question the previous predictions and future direction (Rubin, 2004). Because of the challenges related to identification, research and interpretation of weak signals, Heinonen et al. (2017) suggest that weak signals are one of the most challenging fields of futures research. Weak signals are sometimes easily confused with another unexpected phenomenon, wild cards. However, when weak signals are rather first signs of change and difficult to distinguish, wild cards are unusual events, the consequences of which are typically massive and can change the direction of future significantly (Lätti et al., 2022).

It is worth noting that a phenomenon may be truly familiar, for example, among the industry, but for the interpreter outside such industry the same information may be a weak signal because of the other point of view (Rubin, 2004). However, it is controversial that can it truly be recognised as a weak signal if the issue is still familiar from the other viewpoints. Kuosa (2017) points out that typically things which come from outside one's own expertise are easier to recognise as weak signals, while the emerging issues in the own organisation and environment are more difficult to distinguish or are automatically linked to already existing phenomena. From the organisation's viewpoint, Hiltunen (2017) highlights the importance of constant collection of weak signals and from a wide scale. She points out that the more comprehensive results can be achieved if the whole organisation is encouraged to the process as, for example, the management may observe the environment from a too narrow viewpoint.

Trend is a phenomenon in the present, which is rather effortless to recognise and the development of which is easy to predict (Rubin, 2004; Lätti et al., 2022). Rubin (2004) also describes trends as a pattern of a change. Trends are dependent on time. Their development from the past to the future is linear and historical data supports its evaluation (Heinonen et al., 2017). Compared to weak signals, trends are notably more effortless to observe and their way of development can be easily foreseen, while weak signals and their challenging and unpredicted characteristics can be more challenging but also rewarding to explore (Kuosa, 2017). Typically, trends are developments from a shorter time period whereas megatrends are wider, globally recognised and moving towards commonly accepted and noted directions (Lätti et al., 2022). Megatrends always consist of several smaller trends. However, the difference between trend and megatrend is not always distinct (Rubin, 2004).

Driver and driving force are terms used in futures research about a phenomenon, which is affecting decision-making and choices, consciously or subconsciously (Heinonen et al., 2017). In addition, those can be found behind trends or megatrends. The idea behind the concept is that mostly the course of events is directed by exact objectives and intentions (Rubin, 2004). Figure 2 illustrates how sometimes several opposite driving forces may influence the trajectory of a trend and this way also to the decision-making process in the society. Driving force itself does not have a clear direction (Heinonen et al., 2017) unlike weak signals and trends, for example. Typically driving forces reflect the present and the topics, beliefs and presumptions existing in the exact time (Rubin, 2004). Also, Heinonen et al. (2017) describes that driving forces can be, for example, beliefs, basic assumptions, singular facts or individual actors. Kuosa (2017) divides drives to pushing drivers and pulling drivers. Pushing drivers are things which are potentially pushing towards change whereas pulling drivers are the recognised demands of change.

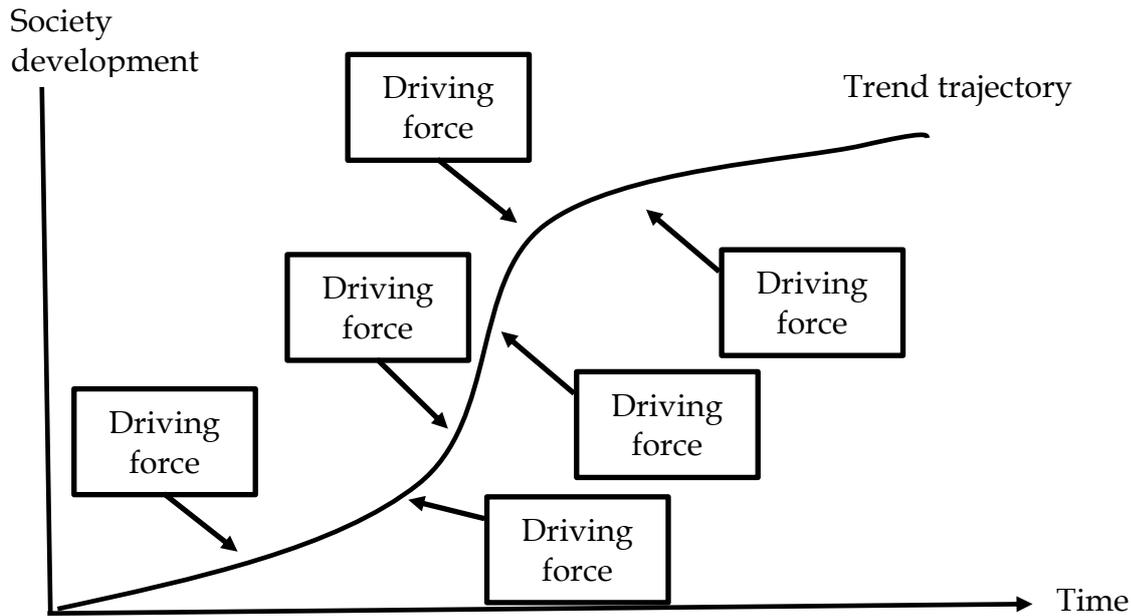


Figure 2. Trends and driving forces in societal decision-making process (Rubin, 2004).

After all, Rubin (2004) and Dufva (2022) emphasise the challenge of defining the recognised issues among such various future knowledge categories, weak signals, drivers and trends, and seeing the difference between them. On the other hand, it is important to overall recognise the things and phenomena potentially influencing the future, instead of their specific definitions, which sometimes is controversial and not univocal.

#### 2.2.4 Futures research and sustainability reporting

Even though sustainable development is an important focus of futures research (Malaska, 2017), studies of sustainability reporting are still rarely considering the futures reporting in the existing literature and academic research. Also Mäkelä (2018) recognised such a gap in the field. In her study, Mäkelä (2018) focused on the environmental reporting in the forest industry, its development and future. Futures research methods and theory have been utilised finding alternative future scenarios of environmental reporting in the forest industry. She conducted interviews and used Delphi method, and based on the collected data, she was able to build four future images of the Finnish forest industry and also sustainability reporting related to such:

- End of forest industry, the drivers are digitalisation and forest protection, reporting ceased
- Strong sustainability, the drivers are increased sustainability regulation, reporting required by law and crucial tool for corporations
- Current development continues, reporting develops among current trends and due to that, environmental information is decreasing

- Renewal of the industry, the driver is circular economy, reporting develops to higher quality

Based on her findings, Mäkelä (2018) also suggested that besides the environmental aspects, the forest industry should also cover more comprehensively their operations' environmental impacts in their reports. Moreover, the processes of the production chain should receive more attention in the reports.

In the study of de Villiers et al. (2022), they analysed the past, present and future of global sustainability reporting standards. They argue that the dominant position of GRI would not be faltered in the future by other global standards, such as ISSB, even though ISSB may strengthen its position in the future especially through the information provided for investors. However, they also see that in Europe, the proposed EU Corporate Sustainability Reporting Directive will extend sustainability reporting and demand more detailed reporting.

Trends around sustainability reporting and drivers influencing reporting have received some attention, especially during the past years. Zrnić et al. (2020) conducted a literature review through which they aimed to recognise recent trends of sustainability reporting and suggest potential future research issues. Following trends were recognised based on their research: assurance, boards and board members, communication, reporting frameworks, impact, indicators, materiality and finally sustainable development practices. Regarding such trends, Zrnić et al. (2020) suggest that, for example, stakeholder and manager perspective in the materiality determination is a possible topic of future research. Furthermore, the necessary approach to future research is the sustainability reporting assurance providers as assurance is a rather novel process of reporting.

Russo-Spena et al. (2018) focused on the automotive industry and its CSR practices and reporting as well as trends of such. Related to reporting, they suggested that stand-alone reporting is becoming more important in the studied industry and companies are becoming more experienced with that. Moreover, it is aimed that the transparency related to social and environmental impacts will increase. Environmental aspects are receiving the most attention in the CSR reports of the automotive industry. In addition, based on their study results, they propose that harmonisation and standardisation of reporting practises is increasing its popularity, also through normative pressure. Russo-Spena et al. (2018) found the legitimacy, company reputation and competitive situation to be the most efficient drivers of CSR practices and reporting in the automotive industry.

In their research, Zamil et al. (2023) analysed literature of 135 research and based on that, provided the found key drivers of corporate voluntary CSR reporting. They found out that firm characteristic related issues, such as firm profitability, size and industry, were most noted in the studied literature. For example, larger companies tend to have more resources for voluntary reporting as well as to receive more pressure and expectations from the society. It was also recognised that mandatory regulation of reporting also improves voluntary reporting. In addition, using the GRI reporting standard has a positive influence. It was also ev-

ident that country-specific sociocultural and legal aspects have an impact on voluntary reporting. Zamil et al. (2023) noted that a limited number of studies are focusing on Africa, Middle East and Latin America areas, and hence they argue that future research should focus on such regions. In addition, listed companies are well noted in the existing literature and more attention should be given to small and medium-sized enterprises in the future. They also note that primary data, such as interviews and surveys, should be utilised more in the future research to be able to provide more recent and accurate data, as secondary data sets are typically older.

As we can see, the existing literature of sustainability reporting touches on the futures approach but still a lot stays under evaluation from that viewpoint. The trends and drivers discussed in these mentioned studies were reflecting rather the current situation or past instead of the future approach, which was only considered on the side, or through the possible topics for further research. In the thesis, the future approach creates a basis for searching and analysing possible trends, drivers and weak signals affecting sustainability reporting in the future.

### 3 DATA AND METHODOLOGY

The chapter covers the justification of the chosen methodological approach and research methods of the study. It presents the basic characteristics of qualitative research as well as the methods of content analysis and thematic interview. In addition, the conducted data collection and analysis process are described, and also reflected and justified with the academic sources. The chapter additionally describes how the futures research approach has been used in this study and how it influences the chosen methodologies.

#### 3.1 Methodological approach and research data

Qualitative and quantitative research are described as varying research cultures (Mahoney & Goertz, 2006; Lichtman, 2014). Commonly, numerical data is the base of quantitative research whereas the interpretation of words and visuals is an important part of qualitative research (Lichtman, 2014). However, Mahoney and Goertz (2006) highlighted the possibilities of misunderstandings because of the strong assumptions related to the titles qualitative and quantitative. Even though quantitative analysis relies on numbers, still interpretation is often an important part of statistical analysis. In addition, numerical and statistical data is sometimes used with qualitative methods as well. Defined research questions should guide to choose the relevant approach to the research (Eriksson & Kovalainen, 2008) and so it is also in this study. The approach to the research is qualitative. In qualitative research, the research questions are usually considering why and what, whereas in quantitative research those consider, for example, how many and who (Eriksson & Kovalainen, 2008). In addition, the role of the researcher is more reflective during the qualitative research process. Mahoney and Goertz (2006) also discuss that the scope of the research is commonly narrower in qualitative research and Lichtman (2014) states that the amount of collected data is smaller compared to quantitative studies. Therefore, in this study the scope is also strictly limited to the food and grocery retail industry in Finland and the amount of analysed data is not too wide, but still comprehensive and realistic for creditable and clear results.

Futures studies approach was included in research process as it supports the aims of the research as well as provides the suitable framework to the process. Environmental or horizon scanning is a relevant early stage part of futures studies and foresight (Dufva, 2022). In the thesis, futures studies approach is focusing on such a stage and the aim is to collect information that can be used, for example, for building alternative future images. Both, qualitative and quantitative approach to the research, data collection and analysis are typical in futures studies (Mäkelä et al., 2022).

The qualitative research methods of content analysis and semi-structured thematic interview are utilised in the research. Such methods were chosen as they support the aims of the research and finding answers to the research questions. In addition, these research methods together have been successfully exercised in the studies of sustainability reporting before (Guthrie & Abeysekera, 2006). Besides, combining other research methodologies with content analysis may also increase the reliability of the research as well as present a wider understanding of the studied reporting (Guthrie & Abeysekera, 2006). Thematic interview is seen as a relevant method for the second research question and a supportive element for the first research question.

Both, primary and secondary data will be used in the research. According to Eriksson and Kovalainen (2008), secondary data can often provide important material for qualitative business research. Buallay (2022) used only quantitative research method and secondary data in their study of the retail sector's sustainability reporting and its impacts on corporate performance. They suggested that besides widening the research to qualitative approach and using both primary and secondary data could be beneficial for the future research related to sustainability reporting in the retail sector.

Table 1. Details of the sustainability reports included in the research

| Report and reporting language | The name of the report                | Integrated or standalone report | Number of pages | Used standards/frameworks (also partially) | External assurance |
|-------------------------------|---------------------------------------|---------------------------------|-----------------|--|--------------------|
| S-Group 2022<br>ENG&FIN       | Annual and sustainability review      | Integrated                      | 137             | GRI 2016-2021                              | Partial            |
| S-Group 2015<br>ENG&FIN       | Annual and sustainability review      | Integrated                      | 112             | GRI G4                                     | No                 |
| Kesko 2022<br>ENG&FIN         | Annual report / Sustainability report | Integrated                      | 313             | GRI 2016-2021<br>IIRC<br>AA1000            | Yes                |
| Kesko 2015<br>ENG&FIN         | Annual report/GRI report              | Integrated                      | 487             | GRI G4<br>IIRC<br>AA1000                   | Yes                |
| Tokmanni 2022<br>ENG          | Sustainability report                 | Standalone                      | 92              | GRI Standards                              | Partial            |
| Tokmanni 2015<br>FIN          | CSR Report                            | Standalone                      | 79              | GRI G4                                     | No                 |

The published sustainability reports of the large food retailers in Finland; namely S-Group, Kesko and Tokmanni (PTY, 2022), constitute the secondary data

utilised in this research. As previously discussed, these companies cover a massive market share of the grocery and food retail sector in Finland. Therefore, their performance with the sustainability reporting provides the comprehensive picture of the whole industry's performance in the researched market.

The analysed reports are the latest available reports published in 2023 and covering the operations of the year 2022. Because the development of the reports was also in the focus of the study, the sustainability reports of the operation year 2015 were chosen to be analysed as well. This was the earliest reporting year, in which the studied corporations (Kesko, S-Group and Tokmanni) had published sustainability reports. The latest published report of the third largest operator Lidl Finland was a short sustainability review from 2021. In addition, their first sustainability report was published 2019 and covered the accounting year of 2018 (Lidl, 2019). Because Lidl Finland has not published any sustainability report or review in respect of the accounting years 2022 or 2015, it was excluded from the analysis. However, it is worth noting that in Finland, the industry's third largest operator does not have as extensive and regular sustainability reporting as the competitors have. All the analysed reports are presented in Table 1.

Primary data was wanted to be included in the research material as well, and thematic interview was a reasonable choice for this. To understand the potential futures of sustainability reporting in the food retail industry, several professionals were interviewed. Interview is an extremely popular method in qualitative research (Eriksson & Kovalainen, 2008). Typical reason to choose such a method is to efficiently collect non-published information (Eriksson & Kovalainen, 2008). Thematic interview is a typical method especially in the early stages of futures research and it is often combined with some other futures research methods in the later stages of the research process (Talvela & Stenman, 2012; Mäkelä, et al., 2022). Also, Lätti et al. (2022) describe interview as a popular and suitable method for environmental scanning. In addition, because of the subjectivity related to weak signals, gathering the personal views and experiences was necessary. For such reasons, thematic interview was chosen to be a suitable method to gather information from the professionals in the research.

Seven specialists were interviewed. Such specialists were either working on sustainable development in the food retail industry, sustainability reporting consulting or in other relevant position related to the sustainability reporting. Participants with various roles and backgrounds supported receiving versatile and many-sided primary data. The interviewed specialists and the process of interviews is presented more closely in section 3.3.

However, it is worth noting that the decisions the researcher has made during the research process, such as formation of the thematic framework, also influence the thematic analysis as the researcher's theoretical and epistemological commitments are inevitably present (Braun & Clarke, 2006).

### 3.2 Qualitative content analysis of sustainability reports

Qualitative content analysis was chosen as the method to analyse the secondary data of the study, the sustainability reports. The method of content analysis has been commonly used for the analysis of sustainability reports (Landrum & Ohsowski, 2018; Boiral & Henri, 2017; Guthrie & Abeysekera, 2006; Saber & Weber, 2019b; Torelli, 2020) and therefore it was natural to consider that as primary method for this study as well. Even though, there is no clear division of qualitative and quantitative content analysis characteristics, qualitative approach aims more typically to share a full itemised description of the analysed material (Schreier, 2014). In addition, it aims to identify, examine and compare themes and patterns (Hair et al., 2015). The qualitative content analysis is flexible and systematic and it also reduces the amount of data, unlike other qualitative data analysis methods. Univocal, clear guidelines for qualitative content analysis do not exist but, for example, Schreier (2014) shares the following steps for the research with qualitative content analysis, which have been utilised also in this research.

- Forming research questions
- Choosing research data
- Building a coding frame
- Segmentation and testing the coding frame
- Modification of the coding frame
- Main analysis and presenting the findings

Building a coding frame or determining coding units is typically an important part of the process of the analysis (Hair et al., 2015; Schreier, 2014). The process aims to support the researcher to focus only on the relevant information in the data (Hair et al., 2015). Therefore, part of the collected data may be excluded from the analysis based on the formed coding frame. Also, it is typical that the same section of data can be put under the several various codes (Schreier, 2014).

Sustainability reports are wide and they consist of enormous amounts of information. To be able to provide an efficient and comprehensive analysis, a clear limitation was needed. Due to the retailers important and powerful role between the various stakeholders (Jones et al., 2011), evaluating the development of stakeholder engagement's role in the sustainability reporting was chosen to be the main focus of the reports' content analysis. With this method it is aimed to provide an answer to the research question *"What is the role of stakeholder engagement in sustainability reporting in the Finnish food and grocery retail sector and how has it developed within the years 2015-2022?"*.

Table 2. The framework for content analysis based on requirements and recommendations/suggestions related to stakeholder engagement (SE) included in GRI 2: General Disclosures 2021 (GRI, 2021).

| SE requirements based on GRI 2021:    |   |
|---------------------------------------|---|
| 2-29-a-i                              | Req 1 - Which stakeholders are engaged and Req 2 how they are identified  |
| 2-29-a-ii                             | Req 3 - The purpose of SE   |
| 2-29-a-iii                            | Req 4 - Methods for ensuring the meaningful engagement (two-way communication)  |
| 2-30                                  | Req 5 - % of employees covered by collective bargaining agreements, how the working conditions are determined for employees not covered   |
| 3-1-b                                 | Req 6 - The stakeholders, whose views have informed the process of determining its material topics, are specified   |
| 3-3-f                                 | Req 7 - For material topics reported: How engagement with stakeholders has informed the actions taken and how it has informed whether the actions have been effective   |
| SE recommendations based on GRI 2021: |   |
| 2-29-a-ii                             | Rec 1 - Type and Rec 2 - frequency of SE  |
| 2-29-a-ii                             | Rec 3 - When engagement is direct and when through e.g., stakeholder representative   |
| 2-29-a-ii                             | Rec 4 - At which level SE takes place in the organisation   |
| 2-29-a-ii                             | Rec 5 - The resources allocated to SE   |
| 2-29-a-iii                            | Rec 6 - How are barriers to SE taken into account, also at-risk/vulnerable groups   |
| 2-29-a-iii                            | Rec 7 - Providing stakeholders understandable and accessible information through appropriate communication channels   |
| 2-29-a-iii                            | Rec 8 - Recording of stakeholder feedback and its integration to decision-making  |
| 2-29-a-iii                            | Rec 9 - Respecting the human rights of stakeholders engaged and supporting business partners to engage with stakeholders, including the expectations it places on business partners to respect the human rights of stakeholders during engagement |
| 3-1-b                                 | Rec 10 - Possible conflicting interests among different stakeholders and how these are resolved and whether and how the stakeholders are prioritised  |

Given that GRI is the dominant sustainability reporting framework globally (KPMG, 2022), and stakeholder engagement is an important part of GRI as well, it was natural to choose to utilise it in the content analysis. In addition, GRI standards are also previously utilised in content analysis of sustainability reports

(Stocker et al., 2020; Vallet-Bellmunt et al., 2022). The latest, 2021 updated, requirements and guidance of the GRI were chosen as a base for the content analysis. The newest requirements and guidance related to stakeholder engagement have been included in GRI 2: General Disclosures 2021 and they form a separate section based on an organisation's stakeholder engagement performance (GRI, 2021). The newest version of the standard is effective for reports which are published on or after 1st of January 2023. The framework created for content analysis is based on the stakeholder engagement related guidance and requirements and the framework is presented in Table 2.

The coding frame of the content analysis was built around the themes of such a GRI based framework. Coding frame included two main categories, requirements and recommendations, and together 17 sub-categories which were formed based on the different section of the framework. Such were, for example, purpose of stakeholder engagement, type of stakeholder engagement action and resources allocated to stakeholder engagement. In the analysis process, the researcher coded all the parts in the reports which covered the themes of the framework. In addition, the content and used expression style of such sections were noted in the analysis process.

All the reports chosen as research material were scrutinised and coded twice, so that all the necessary information was noted. This increased the reliability of the process as well as the results. The coding process was manual and time-consuming as the reports mainly included a wide amount of information. Extreme carefulness was required during the process.

All the reports were downloaded as PDF form and the text coded directly to the PDF document. Due to this, it was fluent to note the exact sections in the report related to the certain code. Each section of report, which included information of the chosen categories, was marked with the relevant code or codes. The sections of the reports, which covered the organisation's other business areas than the food and grocery sector, were excluded from the analysis process. In addition, if a certain exact factor was described in several sections in the report, it was principally notified only once in the coding process. Some reports included URL links to the company's website, where more information was available. However, the information behind such links was also excluded from the analysis as, for example, some URL links in the older reports did not function properly anymore.

The same content analysis framework was utilised in the analysing of all the chosen reports, which enables the comparison of the reports' content. The analysis provides information about the current situation of sustainability reporting in the food retail sector, as well as the development of the reports during these compared reporting periods. The chosen method provides information on which stakeholder engagement related factors are the most noted in sustainability reporting as well as give support for the discussion about which themes could be presented more in the reports.

### 3.3 Qualitative thematic interview

Qualitative thematic interview was selected for the research method as it is a suitable method for studying futures and collecting personal views. In business research, mostly conducted qualitative interviews are between the interviewer and interviewee, but also group interviews are common (Eriksson & Kovalainen, 2008). The conducted interviews were individual semi-structured thematic interviews. Structured interview gives the possibility of comparing the answers effortlessly, but at the same time the answers could be too shallow and not informative enough (Eriksson & Kovalainen, 2008). In addition, as different kinds of specialists have been chosen to be interviewed, a completely similar interview structure may not be ideal for getting the most fruitful results. Semi-structured interview was chosen as it brings certain flexibility to the discussion but the structure is still similar and answers rather comparable. This type of method allows the respondents to bring all, from their viewpoint, relevant information under the discussion, which is desirable when possibilities of the future are considered (Talvela & Stenman, 2012). The tone of the semi-structured interview is typically rather conversational (Eriksson & Kovalainen, 2008) which also supports the aims of the interviews of this study. Rather informal atmosphere can support participants to be more creative with their answers, and as such a characteristic has been recognised to be beneficial with futures studies (Aalto et al., 2022), that kind of result is desirable. Individual interviews were chosen instead of group interviews because anonymity was important for several participants, and a private interview situation could provide more honest and creative answers.

The main aim of the research interviews was to get the professionals' views on the potential trends, driving forces and weak signals which may affect the sustainability reporting in the food retail industry in the future. Professionals were strictly chosen based on their experience with sustainability reporting and/or sustainable development of the food and grocery retail sector. All participants and their roles and the lengths of the interviews are presented in Table 3. Anonymity was important for several interviewees and hence the organisations they are working at have not been mentioned. The participant codes are utilised when presenting the results of the interviews. With environmental and horizon scanning, it is useful to evaluate the relevant aspects wider than from the viewpoint of the studied industry itself (Dufva, 2022; Hideg et al., 2021). With this in mind, also specialists other than the ones working in the food retail industry were wanted to be included in the research interviews.

Eriksson and Kovalainen (2008) highlight that interview questions should be formed as a support for defined research questions. For the theme interview of the research, three themes were chosen based on the research questions and existing academic information. The defined themes were sustainable development and sustainability reporting in the food retail sector, stakeholder engagement and sustainability reporting, and finally the future of sustainability reporting in the food and grocery retail sector. The main focus of the interviews was on

the last theme, the future of the reporting, and the other themes more or less led participants towards the main theme. The questions of the interview were chosen to be rather emotionalist or in the other words subjectivist type. Such questions focus on interviewer's experiences and personal views instead of factual information (Eriksson & Kovalainen, 2008). Participants' views, understandings and perceptions are in the key role in the information aimed to be received through interviews. Such an approach is typical with the thematic interviews in the field of futures studies (Talvela & Stenman., 2012). At the beginning of the interview, a few general questions related to the development and also the reporting of sustainability activities in the retail sector were asked. With this approach, it was aimed to get the participants to consider the topic already from a wide perspective. After these, the questions were more specific around the themes of the study. The discussed themes were same for all interviewees but the exact forms of the questions slightly varied depending on the role of the interviewee and the conduct of the interview. The interviewer asked from the participants, for example, their view of stakeholder engagement's role in sustainability reporting, do the participants believe that sustainability reporting will change in the studied industry and possibly how, as well as about large issues/small personal observations/stakeholder related issues that could affect the potential changes or also delay the change.

Table 3. Specialists attended to the research interview

| <b>Participant code</b> | <b>Role of the interviewee</b>  | <b>Length of the interview</b> |
|-------------------------|---|--------------------------------|
| Interviewee 1           | Sustainable development and reporting consultant  | 40 min                         |
| Interviewee 2           | Sustainability specialist in the food retail industry, working at one of the studied companies      | 45 min                         |
| Interviewee 3           | Works with environmental aspects at the association of the food retail sector                       | 40 min                         |
| Interviewee 4           | Sustainability specialist in the food retail industry, working at one of the studied companies      | 40 min                         |
| Interviewee 5           | Sustainable development and reporting consultant  | 35 min                         |
| Interviewee 6           | Strategy, foresight and evaluation specialist, have studied sustainability reporting and its future | 55 min                         |
| Interviewee 7           | Sustainability specialist in the food retail industry, working at one of the studied companies      | 40 min                         |

With the interview invitation, participants were informed about the themes of the interview but the exact forms of the questions were not sent even though some participants requested those. This approach was chosen because the interview was intended to remain conversational and informal, and answers to be also rather spontaneous. On the other hand, it was wanted that the interviewees knew the broad outlines of the topics to be discussed. When the interview themes and questions were tested beforehand, it was noted that it is not necessarily simple to express various levels of issues that may affect the future. So the interviewees were also given the opportunity to mildly reflect on these in advance. One of the interviews was conducted face-to-face but all the others were conducted remotely through Microsoft Teams or phone. All the participants were Finnish, hence also the main language of the interviews was Finnish. The length of the interviews was from 35 minutes to 55 minutes and all the interviews were recorded. Interviewer's role was aimed to be rather neutral and not to guide participants to any exact directions with their answers. On the other hand, the interviewer had to ensure that the discussion was constantly relevant for the research topic. It was also important to ensure that the atmosphere of the interview was informal enough and participants were comfortable to ponder and discuss even any small and absurd observations they might have.

### **3.4 Interview analysis: Future Signals Sense-Making Framework**

Future Signals Sense-Making Framework (FSSF) was utilised for analysing the results of thematic interviews of the research. It is not always clear to separate weak signals, driving forces, trends and other possible aspects from each other (Dufva, 2022), so FSSF provides support for that by being an analysing, sense-making and categorising tool (Kuosa, 2017). FSSF can be used for outlining and understanding future related information around the selected theme. Instead of considering only single one-way causalities, the framework considers both issues supporting change as well as those which may slow down the potential change (Kuosa, 2010). The framework is planned to be used in the early stage of the process as a first tool for futures oriented research data.

Future Signals Sense-Making Framework (Figure 3) categorises future knowledge into three different levels: weak signals (A), drivers/driving forces (B) and trends (C). Such levels can be understood as a scale from tacit and subjective to explicit and objective. Each level of knowledge is then subdivided into two types: disruptive information that highlights the non-linear consequences such as fading or emerging structures, trends, phenomena, processes, values, or cultures, and enabling information that improves the comprehension of linear progress in the future. These forms the six categories of the FSSF (Kuosa, 2010). Under the level A are observations which may be connected to the change of the

researched theme. Category A1 covers the true weak signals, non-linear and surprising information whereas under category A2 are rather less surprising and linear information, which however supports the understanding of the possible change but is not truly a weak signal. With the information related to level B, causalities of the researched theme must be considered. Category B3 includes pushing drivers, issues which potentially trigger the change, such as new technology, threat or opportunity. Pulling drivers are issues which are relevant to the studied theme and are demanded in the changing environment. Such factors are added under category B4. Level C consists of the most crucial and significant issues around the environment of the researched theme. Kuosa (2010) describes that under category C5 falls trend-like issues that potentially disrupts the emerging change. Lastly, category C6 contain linear factors, such as traditional trends or megatrends, that are challenging to influence or prevent.

### The levels of futures knowledge

|                        |  |   |
|------------------------|--|---|
| <b>A. Weak signals</b> | 1. Surprising, amusing, annoying observation   | 2. Observation which makes sense and tells about change   |
| <b>B. Drivers</b>      | 3. Pushing drivers - Potential seeds of change, issues which may start the emergence     | 4. Pulling drivers - demands of change (e.g. socially, politically, technically, economically)        |
| <b>C. Trends</b>       | 5. Blockers of change - factors which slow down or prevent the otherwise emerging change | 6. Inevitable major change processes - traditional trends and megatrends, the flowing river of change |
|                        | <i>Disrupters / non-linear</i>   | <i>Promoters / linear</i>   |

Figure 3. Future Signals Sense-Making Framework (Kuosa, 2010).

Thematic interview is a relevant and common data collection method for FSSF (Talvela & Stenman, 2012) and it is a suitable tool to analyse the research material collected through the interviews of this research. Before analysing the verbal material, transcription to the written form is necessary (Braun & Clarke, 2006). The interview recordings were transcribed with an electronic system and potential system errors were corrected manually. The important step was to collect all the relevant information from the transcribed material and also this process was executed in a manual manner. Each interview material was scrutinised carefully and all raised factors which participants pondered to be relevant element possible affecting the future of reporting in the food and grocery retail industry were collected and listed. Each interview was analysed and the found is-

sues listed separately. It was noted that similar topics arose from the various interviews. Besides the factors affecting possible futures of the reporting, the viewpoints which arose during the interviews related to the sustainability reporting in the studied industry or sustainability reporting and stakeholder engagement, were gathered from the transcribed material, and reflected with the results of the content analysis of the sustainability reports.

After sieving through all the interviews, the process of categorising the future related factors was started. Each issue was pondered thoroughly, and its characteristics were considered and reflected under the six different categories of the FSSF and the characteristics provided in the framework. According to Kuosa (2010), categorising is a demanding process as the researcher is forced to consider the causalities and the issues from various viewpoints. First decision in the categorising process was to recognise whether the issue is truly related to the researched theme, or does it need to be left out from the framework (Kuosu, 2010). For example, sometimes the context of sustainability reporting or food retail industry was left aside in the pondering of the participants, and the researcher had to decide to leave such issues not related to the researched topic out of the framework.

The type of issue, its characteristics, nature, linearity and effectiveness was carefully pondered with each of the research topic related issues found from the interviews. In addition, similar issues were collected together and placed under the wider roof factor. For example, all different EU regulations, which arose from the interviews as potential affecting factors were considered under the roof factor *New EU regulations*. After the researcher had made the decision that the issue is relevant for the research topic, and its nature was considered, the researcher positioned the issue under the most suitable category of FSSF. During the interviews, it was told to the participants that so called weak signals, drivers and trends are aimed to be found. However, regardless of the views of the interviewees, the researcher always made the final decision on the categorisation of the factor in the analysis process, based on the given characteristics of FSSF and the nature of the factor. It is also worth noting that some factors may have both, disrupting and promoting characteristics, and hence those can be included in the various categories of the framework (Kuosu, 2010). The results of the analysis are presented in the following chapter.

## 4 RESULTS

In this chapter, the results of the research are presented. First, the chapter focuses on the results of the sustainability report content analysis from the years 2015 and 2022. The development within these years is also discussed. Next, the results of the thematic interviews and specialists' views about weak signals, drivers and trends affecting the future sustainability reporting in food retail sector are displayed. Finally, the chapter aggregates the results of the report content analysis and interviews.

### 4.1 The results of the sustainability report content analysis

The framework for sustainability report analysis was formed based on the newest GRI standard requirements and recommendations related to stakeholder engagement. The framework is presented in Table 2. The requirements included six categories whereas the recommendations or suggestions included ten categories. The analysis of reports from 2015 and 2022 gave the possibility to examine the possible development within the years. All analysed sustainability reports from 2015 and 2022 followed GRI reporting guidelines at least partially and the details of the reports are presented in Table 1. Next, the existence of stakeholder engagement in the sustainability reports from 2015 is presented and after that the potential change to the latest reports from 2022 is reported.

#### 4.1.1 Stakeholder engagement in the reporting of 2015

Three sustainability reports of the Finnish food and grocery retail companies from the year 2015 were analysed. Such companies are Kesko, S Group and Tokmanni. Other companies from the industry in Finland had not published such a report covering the operation of 2015. All three evaluated companies had a separate chapter for the stakeholder cooperation and engagement, with discussion of the engagement in the several other parts of the report as well. The same type of communication related to stakeholder engagement was overall noted in all three analysed reports and the same issues received the most attention, while also similar issues were missing from all the reports. Besides the similarity of the information, the report of Kesko presented stakeholder engagement in the most comprehensive and widest way. They also have included stakeholder engagement in the objectives of their responsibility programme: "We include our customers and our personnel in our corporate responsibility work". In addition, in the reports of Kesko and Tokmanni, almost all requirements from the framework were able to be recognised at least at some level, whereas the report of S Group did not contain all of them.

The analysed requirements in the framework consisted of seven different sections. First was the engaged stakeholders and how those are identified. In all three reports, engaged stakeholders are presented and these were quite similar for all the companies: customers, employees, owners and/or investors, suppliers, authorities, NGOs and other organisations as well as media. Tokmanni simply explains "The stakeholders of Tokmanni are all those with whom it interacts." whereas, neither Kesko nor S Group comments on the identification process or criteria for stakeholders which the companies are engaging with. In their report, Kesko shares their stakeholder interaction process scheme in which stakeholder identification is the first step, but any other information related to the identification is not given.

The next analysed issue from the requirements section of the framework was the purpose of stakeholder engagement. This was noted to be evidently one of the most discussed stakeholder engagement related aspect in the sustainability reports. All of the companies reported several varying purposes for stakeholder engagement. Stakeholder engagement has a major role in defining company's materiality issues (Torelli et al., 2020) and, for example, Kesko explained related to that:

Responsibility aspects that had been identified earlier, were discovered in Kesko's operations during the reporting year or were brought up by stakeholders were assessed critically in terms of impact in the value chain and interest by the central stakeholders. - -. The purpose of the materiality assessment of Kesko's responsibility is to identify the key responsibility aspects for Kesko and its stakeholders. The materiality assessment guides Kesko's corporate responsibility and stakeholder work and defines activities for meeting stakeholder expectations. (Kesko, 2015, p. 190)

In addition to building material assessment, the explicit purposes of stakeholder engagement were related to, for example, product development, improving the product selection, furthering responsible supply and overall development of sustainable development actions. In addition, Tokmanni elaborates in their report on the stakeholder engagement and its role in the development of the working environment: "A safe and healthy working environment is developed in cooperation with staff and occupational health and safety organisation".

One of the requirement based issues under analysis was methods for ensuring the meaningful engagement, in other words two-way communication. The exact methods used to ensure such engagement are not really presented in any of the reports, but especially S Group and Kesko discussed in several sections in the report the regular and open dialogue between various stakeholder groups. Kesko, for example, ponders how regular dialogue with stakeholders is requirement for understanding their expectations as well as S Group states, for example, the following:

S Group engages in systematic dialogue with its stakeholders. The goal of the dialogue is to disseminate information on S Group, increase mutual understanding and make use of the competence of the stakeholders in the development of our operations. (S Group, 2015, p. 39)

Also several actions of stakeholder engagement reported in all of the three reports, such as discussions, negotiations and meetings, are clearly types of two-way communication and support the observation that the companies have understood the importance of the meaningful and two-sided communication and aim to support actions of such. Kesko and Tokmanni present in their report how they have noticed the importance of social media as an efficient tool for dialogue. Kesko discusses as follows: "Social media provides new opportunities for interaction with consumers. Kesko and its chains as well as K-retailers engage in active dialogue with customers and other stakeholders on social media."

Collective bargaining agreement is included in the stakeholder engagement related requirements of GRI 2021, and through this, also in the framework utilised in the analysis. In their report, Tokmanni shares the amount of personnel covered by the collective bargaining agreements and also how the working conditions are mainly determined with the ones who are not covered by the agreement. Kesko also shares the amount of employees covered by the agreement. However, they did not have such agreements in the Baltic countries and Russia and it is not informed how the working conditions are determined for the company's employees in these countries. S Group discusses the collective bargaining agreements in general, but they do not share the amount of employees covered by such agreements or any information about the working conditions of such employees who are not covered by any collective agreement.

The final two requirement based analysed issues were related to material topics of the company. The report of S Group explained that the company had started drawing up a new responsibility programme and stakeholders' expectations had been studied, but the company's material topics had not been determined yet. Tokmanni and Kesko share in their reports the stakeholders which have been affecting the company's materiality topics. In addition, Kesko and Tokmanni give some examples how engagement with stakeholders has informed the actions taken but the effectiveness of the actions has not really been discussed in either of the reports.

Besides the requirements, the framework included recommendations based on the latest GRI standard. First evaluated recommendation based issue from the framework was related to the shared types of stakeholder engagement actions. The types of actions was evidently the most common issue in all of the reports. All three companies share multiple examples about the stakeholder engagement actions between different stakeholder groups but some differences in the reporting style between the companies were noticed. Both Tokmanni and Kesko have a clear table, in which they present separately the engaged stakeholders and types of actions with the exact stakeholder group. Then again, S Group

has not included such clear list of examples in their report, but instead they have informative and detailed examples presented about Advisory Group, for example:

The role of S Group's responsibility Advisory Group, consisting of external experts, is to produce information for S Group on new opportunities, best responsibility practices, and risks in the operating environment risks. In 2015, the Advisory Group convened twice and, among other things, discussed megatrends and the focus areas of S Group's new responsibility programme. (S Group, 2015, p. 38)

Overall, the report of Kesko stood out from the others due to its versatile style of presenting the multiple types of stakeholder engagement actions. Even though the types of stakeholder engagement are well presented in all of the reports, the frequency of the stakeholder engagement is much rarely discussed in each of them. And when the frequency is discussed, the performance is typically only mentioned to be frequent. Tokmanni mentions that the most important stakeholders are engaged on a daily basis and Kesko and S Group also give one or two more detailed examples, but the wider understanding of the stakeholder engagement frequency stays unclear after the analysing process.

Another analysed issue was how the barriers to stakeholder engagement, such as language or cultural differences, and also vulnerable groups are taken into account and reported. Tokmanni and S Group have not included such related information in their reports, but Kesko differed from the others. For example, they organised several consumer panels and surveys, through which they aimed to understand better the needs of various consumer types and minorities, as well as consumer with disabilities:

As part of the human rights assessment we listened to our stakeholders' views on matters such as how they feel about human rights in customer situations. In the autumn of 2015, we organised four consumer panels. On the basis of these, two more extensive customer surveys were carried out, involving about 600 customers. (Kesko, 2015, p. 34)

Examples about appropriate communication channels, which provide stakeholders understandable and accessible information were rather well presented in the analysed reports from 2015. It is discussed how the information had been transparently and openly presented, and communication had been developed to meet the needs of the stakeholders. The presented examples of the communication channels are, for example, reports, websites and hearings for stakeholders.

The research shows that corporate websites are the most frequently used source of information about listed companies, according to investors. In addition to the investors, stakeholders such as jobseekers and customers

are also likely to go to the corporate website or look for the company on other digital channels. (Kesko, 2015, p. 49)

Many stakeholders use the report as their source of information when assessing Kesko's results in various areas of responsibility. The most important target groups of the report include investors, shareholders, analysts and rating agencies, as well as society (the media, authorities, NGOs and other organisations, and trade unions). In the report, we also aim to take into account Kesko's other important stakeholders: retailers, employees, potential employees, suppliers and service providers, and customers. (Kesko, 2015, p. 282)

All three analysed reports presented also some examples about the corporation's way to record stakeholder feedback and integrate it into decision-making. However, in some cases, especially with S Group, the statements were vague references, and actual and clear methods were not automatically presented. Typically reporting about the collection of feedback and its integration was related to customers.

In addition, one of the analysed issues included in the framework was how the companies are respecting human rights and also supporting their business partners to engage with their stakeholders. The importance of following globally defined human rights has been discussed in all of the reports. It is evident that, especially related to production and supply chains, human rights received a lot of attention. The actors also reported that they expected their business partners to respect human rights as well and that, for example, monitoring and auditing in the risk countries supported them with such action.

Related to the recommendation side in the framework, there were a few aspects which are not discussed in any of the analysed three reports. The reports do not bring up if there are situations in which, or stakeholder groups who are engaged through a credible representative or is the engagement always direct. In addition, some of the reports include information on who in the organisation is responsible for stakeholder engagement, but none of the reports explains at which levels in the organisation the actions of engagement are proceeded. Furthermore, none of the reports indicates how much financial resources or human resources have been allocated to stakeholder engagement activities. The last issue which was not covered by any of the reports was prioritisation of engaged stakeholders as well as possible conflicting interests among stakeholders and explaining how these are resolved.

Overall the style of the reports 2015 was rather descriptive and visual, also among the content related to stakeholder engagement. Perhaps descriptive style may have been one of the reasons why Kesko's annual report was significantly longer compared to the latest report from the year 2022. For example, Kesko gave a lot of room for different stakeholders to communicate in their report through stakeholder addresses. In addition, especially in the report of S Group, several

rather evasive and marketing style of utterances were included. They stated, for example, “We engage in open dialogue with both internal and external stakeholders” and “We communicate our operations transparently and openly” but the exact meaning of the statements stays rather unclear.

#### 4.1.2 The development of stakeholder engagement in the reporting from 2015 to 2022

The current situation of sustainability reporting in the food and grocery retail sector was evaluated by analysing the latest published reports from the same industry’s large operators, Kesko, S Group and Tokmanni. The reporting is based on the operations of the year 2022. The framework, based on GRI 2021 and stakeholder engagement, which was utilised for analysing the reports of 2015 acted also as a base for the analysis of the reports of 2022. Many similarities were found in the analysed reporting of all three operators also in respect of the latest reports. When the visibility of stakeholder engagement in the latest reports is generally compared to the reports from 2015, also several changes are noted. Figure 4 and Figure 5 express the researcher’s observations of the analysed requirement and recommendation based categories in the reports of 2015 and 2022. Those present how often such a category occurs in the section of the report. In addition, the observations are presented between the analysed industry operators. Observations are discussed more deeply in this chapter.

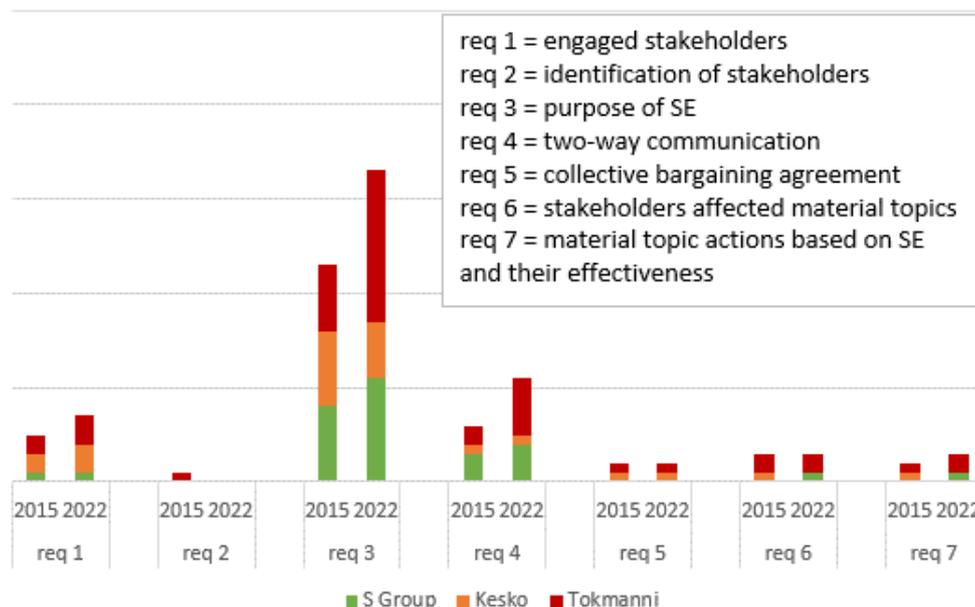


Figure 4. The results of analysed requirement based factors from the content analysis framework (Table 2).

The engaged stakeholder groups are widely presented in all analysed reports. Such groups the corporations tell to be engaged with are similar as they told in the reports from 2015: customers, employees, partners, suppliers, NGOs,

authorities, investors and owners, as well as media. Especially S Group also shares several examples about their engagement and cooperation with universities. In the reports of 2015, the stakeholder identification was partially presented by one of the operators. However, in the latest reporting the identification processes or requirements are not shared even at the same level that in the reporting from 2015.

As it was also noticed in respect of the reporting of 2015, the purpose of stakeholder engagement is also one of the most included aspects related to stakeholder engagement in the current reporting (Figure 4). Especially Tokmanni and S Group present various purposes for stakeholder engagement and engagement actions among different stakeholder groups. In the reports of S Group and Tokmanni, these issues are presented more often than in their reports from 2015. In the latest report of Kesko, the purposes of stakeholder engagement is discussed at quite similar level as in the report of 2015. Purposes of stakeholder engagement discussed in the reports are, *inter alia*, to provide information and to help to better understand the business environment as well as the expectations for the company, to develop new innovations and support relevant research, as well as to improve human rights at all levels of the supply chains and business operation. Related to how the purpose of stakeholder engagement and cooperation is also to support and improve human rights, S Group informs the following:

We seek to have an impact on the development of working conditions in key countries from where we purchase products and services and on the development of laws that govern these through our partnership networks, whenever this development is in conflict with international human rights agreements and ILO's standards. Open interaction with stakeholders and our partnership networks is key in making an impact. (S Group, 2022, p. 93)

Another analysed issue, which is more often discussed in the reports of 2022 than in the reports of 2015 was methods for ensuring the meaningful engagement. Once again, especially in the reports of Tokmanni and S Group, the importance of dialogue and interaction with stakeholders is discussed and several examples of two-way communication supportive type of actions are presented. However, as in the reports from 2015, again in the latest reports the exact methods for ensuring such communication are not explained.

Fifth analysed, requirement based issue from the framework was collective bargaining agreements. Related to that issue, the reporting was similar in the latest reports as it was in the reports of 2015. Tokmanni and Kesko again reported the issue, even though Kesko does not explain the procedures among the employees not covered by such agreements in the latest report either. S Group did not include any information on such issue in their reporting.

Two of the analysed issues were related to the material topics of companies. Tokmanni is the only one clearly reflecting the material analysis process and stakeholders' role in that. In the latest report of Kesko, material topics are overall discussed less than in the report from 2015. Instead of including the topics in the report itself, there is a link to the company's website which presents the defined topics. However, Tokmanni, Kesko and S Group share focal sustainability topics important for separate stakeholder groups. S Group also gives several examples of how the requirements of stakeholders have been responded to.

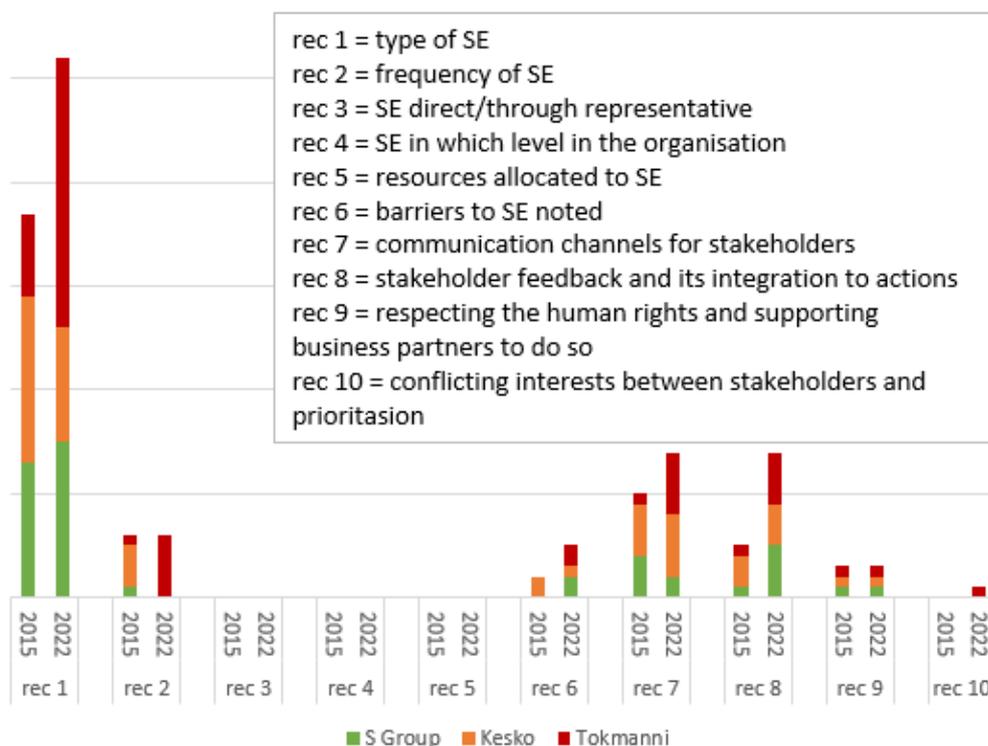


Figure 5. The results of analysed recommendation based factors from the content analysis framework (Table 2).

As it was noted in the reporting from the year 2015, the types of stakeholder engagement actions is also the most common analysed topic found in all of the analysed reports from 2022. This can be seen also in Figure 5. S Group and especially Tokmanni discuss different types of actions even more often in the report of 2022 than in the report of 2015. Tokmanni describes their stakeholder engagement actions truly versatily and comprehensively in several sections of their report.

A company must communicate about its sustainability work in an understandable, consistent and trustworthy way. At Tokmanni, we strive to communicate about sustainability work in good faith and without exaggeration. We appreciate our stakeholders' interest in sustainability as well as their willingness to share their ideas on how to improve Tokmanni. We use, for example, surveys, social media, and everyday conversations with our stakeholders to understand their perspectives. (Tokmanni, 2022, p. 31)

On the other hand, Kesko presented the types of stakeholder engagement actions more briefly than in the report of 2015. For example, the table presenting the various actions between stakeholder groups was more compact than in the report from 2015. In the latest year, also S Group had included such a clear table in their report. As well as in the reports of 2015, the frequency of the stakeholder engagement actions was hardly discussed in the latest reports either. Tokmanni was the only one giving a few examples, for example, that sustainability information is reported to their stakeholders annually as well as that the most important stakeholders are engaged on a daily basis through various channels.

In the reports of 2015, Kesko was the only one noting barriers for stakeholder engagement. However, also Tokmanni and S Group raise some barriers in their 2022 reporting. For example, Tokmanni shares that language barriers sometimes challenge discussions and interviews with factory workers. Also Kesko and Tokmanni recognised certain issues that the covid pandemic still caused in respect of engagement actions.

When proper communication channels were analysed, it was noted that Kesko, S Group and Tokmanni share again several examples of channels through which they are able to provide versatile information to various groups. Compared to the reports of 2015, different digital channels received more attention in 2022, but overall communication channels are presented at the rather same level. In addition, feedback channels and actions taken based on the stakeholder feedback are discussed in the latest reports of Kesko, Tokmanni and S Group and these are presented slightly wider than in their respective reports from 2015. Besides the feedback from customers, the latest reports also include information about other stakeholders, such as internal stakeholders, and feedback channels provided for them, as well as actions taken based on the feedback.

As well as in the reports from 2015, all of the analysed reports from 2022 speak about human rights and explain how those have an important role in corporations' responsibility work. All of the studied actors are committed to follow and support internationally recognised human rights principles and also report that they require their partners to do so.

Again in the reports from 2022, there were some analysed issues which were not evident in any of the reports and these were rather similar than in the reports from 2015. It was not discussed in which situations or with which stakeholders the engagement is conducted through a reliable representative or is it always direct. Also again some reports presented only the person responsible for stakeholder engagement in the organisation, but at which level in the organisation engagement is executed, is not told. Moreover, again any of the resources used for engagement with stakeholders have not been reported. In the reports of 2015, the conflicting interests of stakeholders were not reported. However, in their sustainability report from 2022, Tokmanni states that they have understood the varying expectations of different stakeholders and also the prioritisation between stakeholder groups is discussed in the report. But again, S Group or Kesko

have not report this related information, even though, considering all the varying stakeholders which the companies are informed to be engaged with, it could be considered that conflicting interests among them are possible and even probable.

Overall, when stakeholder engagement in sustainability reporting is compared between 2015 and 2022, changes in the style of reporting can be perceived. In the reports from 2015 the style is more descriptive, and stakeholder engagement all in all is discussed more evasive than in the reports from 2022. The most significant change can be seen between the reports of Kesko. The sustainability section is much shorter in the latest report compared to the report of 2015 (Table 1) and this is also reflected on the amount of times the analysed issues of stakeholder engagement have been discussed in the reports. Among the reports of 2022, Tokmanni's report has most widely covered the issues related to the stakeholder engagement. They discuss most of the issues included in the framework used in the analysing. Their report includes a lot of straight, simple and understandable discussion about stakeholder engagement and cooperation together with clear examples.

## **4.2 The results of the thematic interviews**

With the interviews of the various specialists, the main objective was to understand the possible issues influencing the future of sustainability reporting in the food retail industry. Through the interviews, seven specialists with varying backgrounds (Table 3) brought out several issues potentially affecting the future of the reporting in the researched industry. All founded issues were analysed and categorised with the factors of Future Signals Sense-Making Framework and the results are presented in the following section. In addition to the future of sustainability reporting, the research method aimed to collect the specialists' views on sustainable development and sustainability reporting in the food retail industry as well as the role of stakeholder engagement in such. These views were wanted to be reflected with the results of sustainability reporting analysis. The results of the interviews are presented in this section. First, the interviewees' views about the food retail sectors sustainability actions and reporting as well as stakeholders' role in such are discussed. Next, the section covers the factors affecting the future of sustainability reporting. All interviews were conducted in Finnish, hence the citations integrated in the result presentation are loosely translated by the author from the transcribed data.

### **4.2.1 Sustainability reporting and stakeholder engagement in the food retail industry**

The common understanding among the interviewees was that the major food and grocery retail industry operators in Finland have performed relatively well with

their sustainability reporting. Interviewee 1 described them as pioneers, especially Kesko, which was one of the earliest companies using GRI standards in their reporting. Correspondingly, interviewee 3 saw the industry operators as pioneers in sustainability reporting and in many respects due to legislation and the EU, but also based on voluntariness. The view of interviewee 2 was that the reporting has become more transparent, clear and understandable. Several participants also pondered the role of various stakeholder groups, mostly customers and investors, and their constantly grown interest in the development of the industry's reporting and sustainability work. Interviewee 7 stated that the financial sector and the demands of sustainable funding have increased their impact on the reporting practices. On the other hand, they pondered that non-governmental organisations may not have as influential a role nowadays as they had some time ago as sustainability work is already rather well integrated in the business model of organisations. In addition, the food and grocery retail operators' significant role in the society and pressure for high-quality reporting through that was mentioned by interviewee 1.

Commonly participants saw stakeholder engagement as a crucial element of sustainability reporting. According to interviewee 2, engagement, dialogue and collaboration with the relevant stakeholders are necessary in the researched industry as the organisation is dependent on its stakeholders and it is impossible for the company to receive its targets without the support of various stakeholders. In addition, taking stakeholders' views into account especially with the material analysis was discussed by interviewee 2 and 4. Interviewee 5 has observed that often stakeholder engagement is conducted at several levels in the organisation, but typically such dialogue and actions are so integrated in the business model that the organisation does not always realise all the engagement that has been proceeded.

#### **4.2.2 Factors potentially affecting future sustainability reporting**

Figure 6 presents the results of the interviews, the outlooks of the seven specialists about the issues potentially affecting future sustainability reporting of the food retail industry. The found issues have been categorised into futures knowledge categories based on the FSSF. The factors have been introduced in this section of the report.

Several inevitable large change processes emerged from the specialist interviews and were categorised under trends in C6. The possible future EU regulations, especially Corporate Sustainability Reporting Directive (CSRD), received most attention and was discussed by all of the seven participants. It was evident that all interviewees saw CSRD affecting massively to the future of sustainability reporting due to the fact that it will become mandatory for a large number of companies, also the large food retail operators in Finland. Interviewees 1, 4, 5 and 7 saw that along with CSRD, sustainability reporting becomes close to financial reporting and different forms of reporting for various stakeholder groups will be seen in the future. CSRD's significance was pondered, for example, as follows:

Well, with CSRD it (reporting) is going to revolutionise. That what has previously been a kind of soft values and green issues will become very close to financial reporting. High-quality and fact-based data is needed. -- It will revolutionise a lot, and there will be so much regulation with CSRD that, even though it is based a lot on GRI, there will be a lot of fixing for everyone. I would say that the next few years will bring a lot of change, but then it will become the norm. (Interviewee 5)

### The levels of futures knowledge

|                        |  |   |
|------------------------|--|---|
| <b>A. Weak signals</b> | <b>1. Surprising observations</b><br>- Adding systems thinking to the process  | <b>2. Observations which tell about change</b><br>- Just Transition -theme<br>- Changes in the business model   |
| <b>B. Drivers</b>      | <b>3. The pushing drivers</b><br>- Technological innovations and other initiatives<br>- Consumer behaviour and their demands<br>- Shareholders' demands & ratings<br>- The approach of media<br>- The change in the way of thinking about sustainability reporting | <b>4. The pulling drivers</b><br>- Need for data<br>- Need for sustainability reporting specialists<br>- Cooperation between public and private sector                                |
| <b>C. Trends</b>       | <b>5. Blockers of change</b><br>- Increasing legislation<br>- (Geo)political situation & crisis<br>- Attitudes towards sustainability  | <b>6. Inevitable large change processes</b><br>- New EU regulations<br>- Climate change<br>- Biodiversity loss<br>- Food waste<br>- Diversity, equity & inclusion<br>- Digitalisation |
|                        | <i>Disrupters / non-linear</i>   | <i>Promoters / linear</i>   |

Figure 6. The results of the issues potentially affecting the future of sustainability reporting in the food retail industry based on the analysis with the Future Signals Sense-Making Framework.

In addition to CSRD, several other possible EU regulations entering into force in the near future were mentioned most likely influencing the future reporting. Such were the Green Claims Directive, the Deforestation-Free Regulation, the Forced Labour Regulation and Corporate Sustainability Due Diligence Directive.

Other factors in the category C6, which also received a lot of attention in the interviews, were climate change and biodiversity loss. All participants also discussed these issues during the interview. For example, interviewee 1 pondered that climate issues and climate change have had an important role for a long time already, but its significance will stay, and maybe more will be reported on how the retail sector has prepared themselves or supported the others to be prepared for the effects of climate change. Biodiversity loss was commonly seen as a major issue, which is rising to the same level as climate change, affecting, for example, reported environmental actions and targets. Interviewee 3 reflected that also in the food retail sector, biodiversity loss will be an important and challenging theme, for example, due to the variety and wideness of the business operations. Also, food waste was an environmental issue found from the interviews affecting the future reporting. Interviewee 4 reflected its significance as a challenge for food retail sector and its stakeholders also in the future.

Fourth issue which was categorised under C6, as an inevitable large change process, was the trend of diversity, equity and inclusion topics. These came up in the interviews of interviewees 4, 5 and 6. Especially interviewees 4 and 6 pondered that the growing importance of these topics affects the increase of social responsibility approach also as the topics interest various stakeholders, such as media, as well. Interviewee 5 considered that also the diversity trend may influence how the various stakeholder groups also affecting sustainability actions and reporting will be seen in the future. For example, customers are an important group for the food retail industry and that includes various types of groups from which the needs of vulnerable groups can be acknowledged better in the future.

Digitalisation was the last factor which was categorised under C6. Moreover, the trend is closely related to the drivers of technological innovations and the need for data. Digitalisation came up from interviewee 1 who pondered it as follows:

We are going to see a digitalisation where the grocery retail sector can become rather active very quickly, for example, with their supply chains. And we will see smarter solutions in terms of sharing, moving, calculating and evaluating data. (Interviewee 1)

Based on the Future Signal Sense-Making Framework, the trend-like factors that possibly disrupt the emerging change are placed under category C5. Also such factors were found from the research interviews. Even though new EU regulations were seen as a major influencer for the future reporting, in a certain way, some participants saw the increased legislation also as a delaying element for development of the reporting and especially sustainability operations of organisations. For example, interviewee 2 pondered how the new demands of strict regulation are extremely expensive for the organisation and a lot of financial resources need to be used for, for example, external assurance services whereas less resources are available for other developing actions and practical measures then.

Interviewee 7 also considered possible challenges relating to the fact that CSRD represents the European reporting framework whereas, for example, wide supply chains extend typically outside Europe.

Geopolitical and political situation and crisis were mentioned as possible blocker elements in the interviews 1 and 2. Interviewee 2 reflected that especially sudden crises and issues often demand a change of focus from the organisation. Such unexpected change in the operations may negatively influence human and financial resources available for reporting.

Another delaying element which interviewee 2 pondered was key stakeholders' negative attitudes towards sustainability. Especially if an important internal stakeholder group, such as management, does not understand the value of sustainability reporting, it is more challenging to get true support and resources for that.

Category B4 covers pulling drivers, issues which the possible future changes demand. Three issues categorised under this section arose from the research interviews. Several interviewees discussed how an enormous amount of different kinds of data and information will be needed for sustainability reporting in the future already due to mandatory regulations. Interviewees 1, 3, 4 and 7 see that a growing amount of data is needed and it supports the possibilities for future reporting. It was considered in a following way, for example:

Data is the biggest challenge. Up to now, the company has pretty much been able to determine the timing of the report, collect the data manually or from different systems, and do the calculations based on that data. And that is not going to be possible anymore. --. The data has to move in some kind of data cloud in real time. Also the carbon footprint calculation capability has to be quite different than currently. (Interviewee 7)

Interviewees 6 and 7 also highlighted that future sustainability reporting demands a lot of new specialists who are focused on sustainability reporting. Interviewee 7 pondered that future sustainability reporting demands experts especially in the assurance sector but also inside the organisations. Also, interviewee 6 reflected that organisations need more sustainability expertise or they need to buy external services for that. In addition, interviewee 6 pointed out that the role of organisations, such as FIBS (Finnish Business & Society), may be even more important in the future to support corporations with the transition.

Final issue from the research interviews which was categorised under the pulling drivers was cooperation between public and private sector. This came up from interviewee 7, who reflected how the role of the private sector is notable, for example, with fulfilling the aims of Montreal biodiversity agreement, and collaboration between public and private sector is then needed for efficient actions. Such huge trends as biodiversity loss and climate change may potentially be in a key focus in the future reporting as well.

The following sector in the FSSF is B3, the pushing drivers. Most of the found issues from the research interviews were categorised under such a sector.

Technological innovations and other new initiatives arose from the interviews as factors which influence future sustainability reporting. Interviewee 4, for example, reflected that new innovations and techniques also support the availability of the necessary data and information. Also, interviewee 6 pondered that different projects and initiatives, for example, for measuring and modelling, facilitate the sustainability reporting and operations of the companies.

In addition, several stakeholder related issues were categorised under sector B3. The role of customers was especially notable and that was discussed by all of the interviewees. Consumers' awareness and interest towards sustainability issues and how the interest develops in the future affect sustainability reporting. The common view was that various social and environmental issues will be even more significant for the consumers in the future. For example, interviewee 3 pondered that the role of consumer will not decrease in the industry and consumers may consider even more the value chains of the products and to where the money they spend ends up. Interviewee 7 also highlighted that with the company's sustainability operations and reporting, the role of individual consumers has grown through social media. In addition, they pondered that consumers are noted in the reporting style as well, and if the official sustainability reporting style transforms rather close to financial reporting, possibly separate reporting will be provided for the consumers and some other stakeholder groups. In addition to interviewee 7, also interviewees 1 and 4 shared this view.

The interest of shareholders and the financial sector as well as requirements of different ESG ratings and indexes were mentioned as an influential element by interviewees 1, 2, 4 and 7. In Finland, the largest food retailers are representing various business models, and this aspect was especially related to the listed companies. For example, interviewee 2 discussed the importance of shareholders:

Shareholders are strict in their assessment of how their requirements for sustainability actions are fulfilled. We must be "true to our word" because otherwise large global investors and institutional investors will not be interested and will not invest in us if they perceive a risk of unsustainable performance. (Interviewee 2)

However, interviewee 7 reflected also that the role of the various ratings may become lighter with the future reporting:

Perhaps companies will start to pay less attention to how an external party defines sustainability. It will be considered more that we want to promote this exact issue as part of our business, even if it does not directly answer that question box of Bloomberg or Sustainalytics. (Interviewee 7)

Besides the customers and shareholders, media was also mentioned separately as influential to the reporting by interviewees 4 and 5. Through the media

attention, issues such as human rights or biodiversity loss may become even more important issues to discuss in the sustainability reports.

The final factor, which was categorised under B3, pushing driver, was the overall change in the way of thinking about sustainability reporting. Interviewee 6 reflected that when the mindset changes inside the company, and instead of being just a formality, sustainability reporting will be seen as a strategic operation that forms and develops it. Also, interviewee 7 considered that as the perception about sustainability information and data changes, possibly the role of sustainability reporting in the company's decision-making process increases: "So this would no longer be just sustainability data, instead it would be regular company data that is being monitored. Hopefully it would at some point influence decision making alongside the euro."

The last sections, A1 and A2 in the FSSF model cover weak signal type of issues, either surprising observations or slightly less surprising but which support the idea of changes within the topic. It was evident that pondering possible anomalies and surprising, also small observations was challenging for the interviewees. Hence, such aspects were perceived least from the interviews. The first interview result based factor categorised under sector A2 is the theme of Just Transition and this came up from interviewee 4. They had observed that such a theme has emerged lately and, for example, the issues related to the demands of EU regulation and ensuring that the consequences of that are reasonable also for developing countries have been under discussion. It may possibly also have an effect on the future of sustainability reporting. Another issue, which can possibly influence the future of sustainability reporting and is categorised under A2, is the possible changes in the business model of food and grocery retail sector. Such pondering came up from the interviews of interviewees 1, 2 and 6. For example, interviewee 2 contemplated that due to changes in the consumer behaviour, also changes in the business model may be relevant. Interviewee 1 pondered that the circular economy is possibly going to increase its role in the industry.

Totally surprising elements around the theme of sustainability reporting and its future barely arose from the interviews. The only factor categorised under sector A1 is the view of interviewee 6 that systemic way of thinking may increase its role in the sustainability discussion and sustainability reporting. Understanding the interdependencies and operators' systemic nature might have an even greater role in the future. They discussed as follows: "Not many actors are able to isolate themselves and their own sphere of influence to a narrow extent. There is perhaps still too little honest discussion of the wider implications."

For all of the interviewees, it was clear that sustainability reporting in the food and grocery retail industry in Finland will develop and change in the future. It was pondered, for example, that in the future there might be different reports and channels for meeting the needs of various stakeholders, especially consumers, while the official sustainability reporting will be even more creditable, fact-based and the level and quality of the information will increase.

### 4.3 Summary of the results

The stakeholder engagement in the sustainability reports of the largest food retailers in Finland were compared between the years of 2015 and 2022. Also from the interviews of the specialists, interesting pondering arose around the topic. Besides the development of the reporting, trends, drivers and weak signals influencing the future of sustainability reporting in the grocery and food retail sector in Finland were studied. Figure 7 collects together the main findings of sustainability report (SR) analysis in the context of stakeholder engagement (SE) together with the results of thematic interviews.

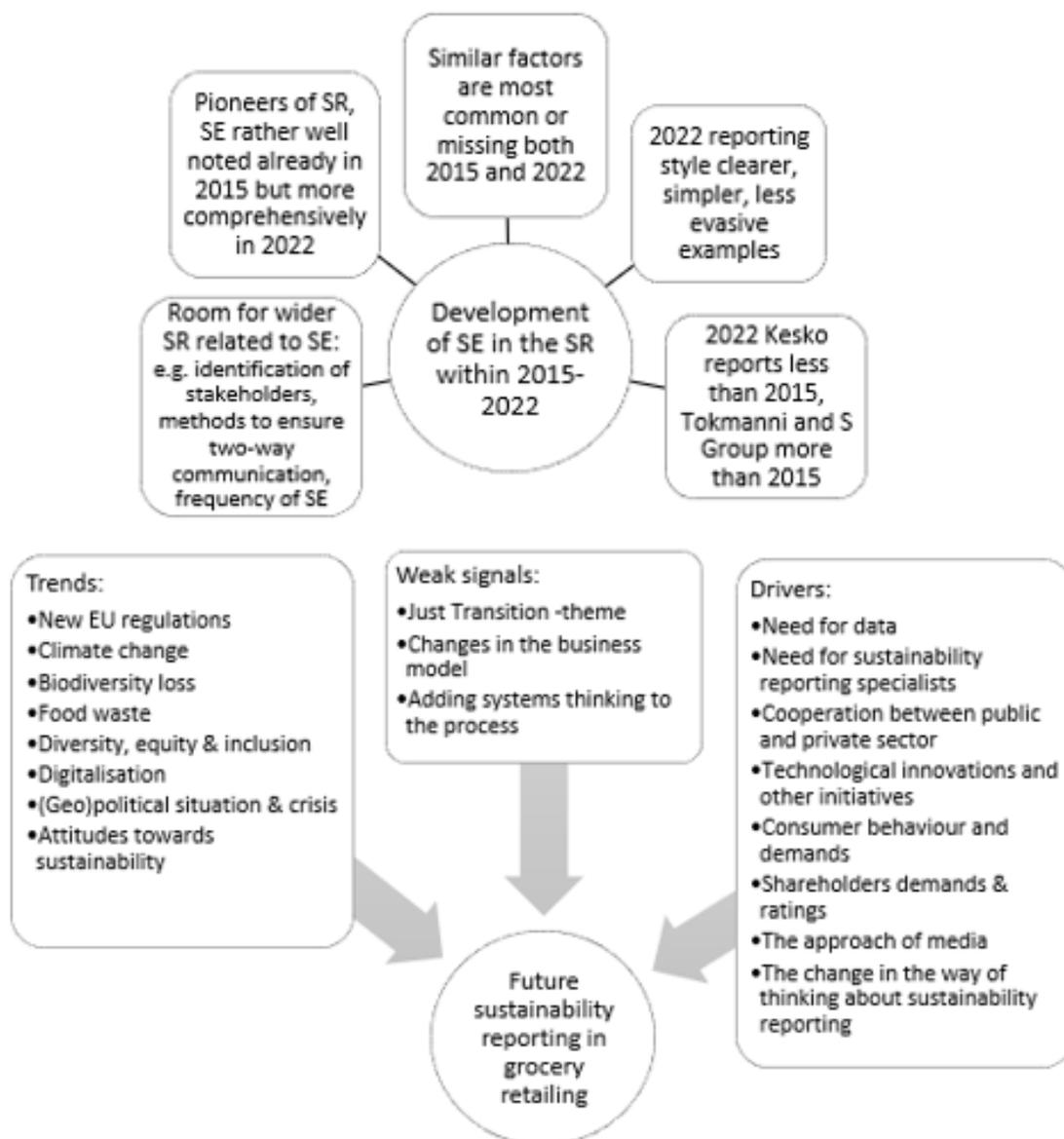


Figure 7. The main findings of the research

Based on the report analysis, stakeholder engagement was noted at many levels in the sustainability reporting of Finnish food retail operators already in 2015 but still slightly more comprehensively in the reporting of 2022. Some differences within the reporting years 2015 and 2022 were observed, but overall in the industry, no significance change had happened. The analysed factors in the framework which had received the most attention in the reports and also the ones which were not notified in the reports at all were similar.

Figure 4 and Figure 5 visualise the obstructions of the analysed stakeholder related aspects in the reports, their change within the years 2015 and 2022 and the differences between the operators. Most of the requirement based factors were noted rather well in the industry's major operators' reporting both in 2015 and 2022 but there was also room for wider reporting. The stakeholders who were engaged with were comprehensively presented and these were similar in 2015 and 2022. However, the reports of all operators were lacking the information about the identification of such stakeholders, also in their latest reports.

Discussion about the purpose of stakeholder engagement was observed in several sections of the reports from 2015 and overall even more in 2022. On the other hand, in the reports from 2015, examples were rather evasive and focused a lot on the development of the operation model, whereas in the newest reports, all the operators discussed it rather at a deeper level and, for example, highlighted the importance of stakeholder engagement improving their human rights actions. In like manner, it arose from the interviews that social issues, such as the trend of diversity, equity and inclusion, have increased their importance and will be an effective part of the reporting in the future as well.

Based on the communication with stakeholders presented in both the 2015 reports and the latest published reports, it appears that meaningful engagement and two-way communication were already a matter of course for the operators in 2015 and similarly in 2022. Exact methods for ensuring this type of engagement were however given in none of the reports from 2015 or 2022.

Collective bargaining agreements did not receive a lot of attention but on the other hand, industrial safety legislation is comprehensive in the market in which the players mainly operate. S Group did not report the topic in either of their analysed reports but Tokmanni and Kesko reported about it, at least regarding most of their operation markets.

Regarding the material topics, S Group did not report this yet in 2015 and Kesko on the other hand left these out of their latest report and published them on their website instead. Even though the actions based on material topics were informed in some of the reports, their effectiveness was evident neither in the reports of 2015 nor 2022. Interviewee 4 stated that material assessment is one the sections in the report in which the stakeholders are especially included in, but because of the process being exhausting, it is not conducted yearly. Perhaps due to that it does not receive that much attention in the reports every year.

Besides the requirements, there were also analysed issues that were based on the stakeholder engagement related recommendations or suggestions of GRI. Also these were covered in a broad range already in 2015 and only some changes

were noted in the latest reports. Figure 5 tells that different types of stakeholder engagement are unquestionably the most covered stakeholder engagement related topic both in the reports of 2015 and 2022. In the reports of 2022, Tokmanni and S Group reported types of actions even wider than in 2015, but in respect of Kesko, types of stakeholder engagement were not presented as often in their newest report than in the report from 2015. In addition, the frequency of the stakeholder engagement is not presented at the same level as types of the actions, and in the reporting from 2022, only one operator gave some examples about that.

The barriers affecting stakeholder engagement, including the acknowledgement of the vulnerable groups, were noted in the reporting of the operators wider in 2022 than in 2015, when Kesko was the only one discussing the topic. In addition, interviewee 5 thought that corporations should in general understand various and especially vulnerable stakeholder subgroups better in their operations. Related to the appropriate communication channels used for stakeholder engagement, every operator reported about these rather widely in the older and the newest reports. However, various digital channels received more attention in the reports of 2022 than in 2015. The interviewed specialists also thought that the digitalisation is one of the trends which will affect the future sustainability reporting and they discussed that its role is important, for example, in supply chains and sharing information efficiently. In the reporting from 2015, feedback channels and actions based on the feedback were mostly related to customers. Besides them, the role of collecting feedback from the other groups, for example, internal stakeholders, had increased in the newest reports.

Still in the reporting from 2022 there were issues related to stakeholder engagement, which were noted in none of the industry's reports and these were basically the same categories also with the reports of 2015. Such topics were resources utilised for stakeholder engagement, engagement conducted directly or through representative, as well as the levels in the organisation at which engagement takes place. Also interviewee 5 pondered that stakeholder engagement may be performed at the several stages of the company without often even being realised. Conflicting interests of stakeholders and their prioritisation were noted truly limitedly in one report from 2022 and not at all in the reports from 2015. On the other hand, the research results of interviews and factors potentially affecting future reporting did not directly predict that these currently non-existing aspects would be certainly noted in the future either.

Several, versatile factors which may affect future sustainability reporting in the food retail industry were found from the specialist interviews and are summarised in Figure 7. Most of the factors were mentioned by various interviewees. Trends were divided into inevitable, large change processes and blockers of change. Possible future regulation and legislation, especially Corporate Sustainability Reporting Directive, was without exception the most discussed topic in the interviews and due to the interviewees' views related to that, it was categorised under both trend segments of FSSF. The interviewees pondered that it would define new demands for reporting but at the same time also such strict

demands may slow down the development on some level. Other results categorised under the same sector were environmental issues, such as climate change, biodiversity loss and food waste, the topic of diversity, equity and inclusion as well as digitalisation. In addition to increasing legislation, possible blockers found were geopolitical/political situations and societal crises as well as negative attitudes towards sustainability, for example, from the side of meaningful internal stakeholders.

The pulling drivers, factors which are needed for the future change, were also collected from the specialist interviews. The aspects which arose from the several interviews were the need for a growing amount of data as well as new professionals in the field of sustainability reporting. In addition, one participant considered that close cooperation between the public and private sector might be necessary for future sustainability reporting.

Driving forces which are potential seeds of change, the pushing drivers, were mainly stakeholder related. These included consumers' behaviour and demands, investors views and ratings as well as media influence. Also, especially among internal stakeholders, understanding the value of sustainability reporting is seen as a pushing driver for future sustainability reporting. In addition, the role of various technological innovations and other initiatives, for example, related to data collection and evaluation was pondered among several interviewees. Only a few weak signal types of factors were found from the interviews. Possible changes in the business model were discussed by a couple of participants. Also the theme of Just Transition and considering the needs of vulnerable groups in the sustainability transition were presented. As an only completely surprising observation from the interviews was the pondering of interviewee 6 about including systems thinking and understanding the causalities in the sustainable development and through that also in reporting.

When the change in the reporting is compared between the industry operators, the change is more distinct. The reporting related to stakeholder engagement from 2015 was wider and more comprehensive with Kesko than S Group and Tokmanni. However, when compared with the reports of 2022, Kesko's sustainability report altogether is significantly shorter and this also affects the amount of sections which discuss stakeholder engagement related aspects. Tokmanni and S Group on the other hand have widened their reporting compared to 2015. It is worth noting that all operators have reduced their descriptive reporting style over the years, and the newest reports have become clearer and simpler and there are less meaningless and evasive impressions.

It appeared from the research interviews of the specialists that the major operators (Kesko and S Group) in the sector have been somewhat pioneers in sustainability reporting. Interviewee 1 considered that they have also competed with each other in their sustainability reporting performance in a way, which has also supported the development of reporting in the industry. In addition, from the several interviews, there arose views that sustainability reporting becomes closer to financial reporting and light, descriptive style of reporting fades away. Kesko's possible role as a pioneer with sustainability reporting might be seen

with this as well because such transformation seems to have started and Kesko's reporting from 2022 has slightly already absorbed the style in question.

Even though stakeholder engagement is evident and versatile in the industry's sustainability reporting, there are still several informational factors related to stakeholder engagement the operators could include in their reports, which would provide relevant and important information about the company's operation. However, it is worth noting that based on the interview results, there might be various ways to provide information for different stakeholder groups in the future, and less information might be included in the official reports.

## 5 DISCUSSION

This chapter discusses the findings of the research together with the previous studies and academic publications. The first section focuses on the first research question and analyses of the findings related to that. Correspondingly the second section of the chapter discusses the findings related to the second research question and the future of sustainability reporting.

### 5.1 Findings for the first research question

Previous studies (Kujala & Sachs, 2019; Herremans et al., 2016; Torelli et al., 2020, Manetti, 2011) as well as the development of sustainability reporting frameworks and standards (Grushina, 2017; GRI, 2021) prove that stakeholder engagement is a relevant part of reliable and successful sustainability reporting. These are also widely studied topics in the research field but combining those with the food retail industry in Finland, and analysing the change of the stakeholder engagement's role in the reporting was a rather novel approach to the topic (Searcy & Buslovich, 2014). Based on the existing research gap and the societal role of food and grocery retail industry, the first formed research question was:

1. What is the role of stakeholder engagement in sustainability reporting in the Finnish food and grocery retail sector and how has it developed within the years 2015-2022?

The results of this qualitative research indicate that stakeholder engagement exists in a versatile manner in the current sustainability reporting of the Finnish food and grocery retail sector. Based on the created analysis framework, most of the requirement and recommendation based factors were comprehensively included in the reports from 2015 and from 2022. However, there are still possibilities to increase and widen the reported information.

When reflecting with academic publications and previous studies, some relevant aspects of stakeholder engagement are missing in the reports. For example, several academics highlight the identification of relevant stakeholders and its significance for the most efficient practice of stakeholder engagement (Andriof et al., 2002; Mitchell et al., 2019; 1997; Clarkson, 1995). All the analysed companies tell clearly the relevant stakeholders they are engaging with, but the information related to the identification of those are nearly completely missing. Also Ardiana (2023) found similar results in their study related to the existence of stakeholder engagement in sustainability reports from 2015 of Fortune Global 500 companies. In their study, almost 75% of the analysed reports informed the stakeholders en-

gaged with, but less than 17% included the information about identification process or criteria. Studies focusing on more recent reporting did not exist, but the results of this thesis indicate that the situation may still be similar.

Meaningful, two-way communication was also one of the analysed aspects and also theory of stakeholder engagement and communication recognises its importance (Kujala & Sachs, 2019; Morsing et al., 2006). In their study, Stocker et al. (2020) focused on the sustainability reporting of the energy sector. They found out that the involvement type of communication and engagement, for example, two-way communication and dialogues was clearly the rarest type of engagement with the stakeholders. Contrary to findings of Stocker et al. (2020), the result of this thesis provides that Finnish food retail companies report a notable amount of meaningful engagement actions. However, they do not share methods to ensure such type of engagement. On the other hand, aspects like meaningful, two-way engagement may seem obvious for a widely reporting company and may have been left out from the reports because of that. The similar reason may be behind the lack of reporting about collective bargaining agreements. The Finnish mandatory laws governing employment relationships and working conditions might be more extensive than the applicable mandatory laws in some other markets and due to that the reporting relating to collective bargaining agreements may not seem so relevant for operators in Finland.

There were also some recommendation based analysed factors which were lacking in the reports. Especially interesting was that reports mainly lacked the information on possible conflicting interests of stakeholders and prioritising related to that. Herremans (2020) stated that needs and interests of stakeholder groups vary and may also be conflicting. All the operators had recognised several relevant stakeholder groups, so varying and possibly conflicting interests may also be probable in the industry.

Besides the overall role of stakeholder engagement in the sustainability reporting, also the possible development and changes from 2015 reporting to 2022 reporting were part of the research question. This type of research did not exist in the field, hence the current research information was wanted to be expanded to the industry of food retailing in Finland. Based on the results of the research, stakeholder engagement was overall embedded in the 2022 reports slightly more comprehensively than the reports from 2015, when several aspects were already noted in the reports. Similar issues, such as types of stakeholder engagement actions and purpose of stakeholder engagement, were the most evident stakeholder engagement related themes. It was interesting that issues which were missing from the 2015 reporting were similarly missing also from the 2022 reporting. The reporting style has changed to a clearer and simpler form and marketing types of expressions and evasive examples were much rarer than in the reports from the 2015 operating year.

There were also some differences between the operators. Tokmanni and S Group increased the reporting related to stakeholder engagement in several categories, whereas Kesko's reporting of the year 2022 was more limited than in

2015. As listed companies, Kesko and Tokmanni may have had different requirements under applicable laws and regulations and from their respective investors than S Group, which may explain some of the differences between the operators.

In addition, some research interviewees pondered that future sustainability reporting will be closer to financial reporting and different ways of reporting will be used for different stakeholders. Kesko, who can be seen as the pioneer of sustainability reporting in the Finnish food and grocery retail sector, may have already adopted such characteristics in their latest reporting.

During the research, it became clear that the largest food retailers in Finland have also been pioneers and distinguished within sustainability reporting. However, it needs to be taken into account that the third largest operator, Lidl, had not published a sustainability report about their operations neither in 2015 nor 2022. Saber & Weber (2019b) analysed the quality of sustainability reporting of German food retailers from a wider perspective. Similarly to the results of this research, they found out that companies mainly focus on similar kinds of issues in their reports but the reporting is conducted on varying levels. And as in Finland, correspondingly in Germany some large companies did not publish sustainability reports at all.

## 5.2 Findings for the second research question

The second research question of the study was also formed based on the lack of existing research around the topic. It connects the theory of futures studies and sustainability reporting to the Finnish food and grocery retail sector and aim to fill the existing research gap.

2. Which weak signals, driving forces and trends will affect sustainability reporting of the food and grocery retail sector in the future?

Primary data was collected through the specialist interviews. Zamil et al. (2023) conducted a literature analysis related to company voluntary disclosures. Based on their findings, they suggested that future research should focus on primary data, such as interviews, because it typically is more recent and accurate.

From the interviews of seven specialists, multiple trends and drivers, as well as some weak signals, which potentially affect the sustainability reporting of the food retail industry, were found. New EU legislation was the most discussed topic in the interviews and its significant role and impact on future reporting was clear for all of the specialists. The previous research of Russo-Spena et al. (2018) recognised legislation as one of the drivers of CSR reporting in the automotive industry. Also in the results of this research, the increased legislation and regulation received a lot of attention. However, in this research such a factor was seen as a trend instead of driver. Regulation is expanding in many respects and its role in the whole sustainability reporting in the studied industry will be

massively influential. Additionally, de Villiers et al. (2022) have recognised in their study that EU Corporate Sustainability Reporting Directive will demand more detailed and expanded reporting from the large companies in Europe.

Several other trends and drivers potentially affecting sustainability reporting of the food and grocery retail sector in the future arose from the interviews. The trends of climate change, biodiversity loss and food waste are related to the environment, but also social aspects, such as diversity, equity and inclusion were suggested by several interviewees. In addition, political and geopolitical situations and various global crisis, attitudes (especially the management's attitude) towards sustainability and digitalisation were found to be affecting trends.

Several founded pulling and pushing drivers were related to the stakeholders and often their needs. Such were consumers' behaviour and demands, shareholders' demands & ratings, the approach of media, need for sustainability reporting specialists, cooperation between public and private sector as well as the change in the way of thinking about sustainability reporting. In addition, as regards the trend of digitalisation, the drivers of technological innovations and need for data were found.

Several academics have discussed the challenge of recognising weak signals around the relevant environment (Lätti et al., 2022; Heinonen et al., 2017; Kuosa, 2017). Also in this research, it became clear that it was challenging for interviewees to raise such uncertain observations and issues which could have been categorised under weak signal categories. Hence, only three factors from the interviews were categorised under weak signals: Just Transition -theme, changes in the business model and adding systems thinking to the process. Besides the challenges regards to finding weak signals, Heinonen et al. (2017) discussed that the role of weak signals in the process of change may turn out to be crucial. Therefore, it was justified, and also important for the future, to aim to collect weak signals together with trends and drivers.

The literature review of Zrnić et al. (2020) focused on the recent trends of sustainability reporting. The reviewed articles were mainly published in 2017 and 2018 and some similarities can be found between their results and the results of this study. Based on their findings, sustainability practices was one of the found trends. This can be compared to, for example, the environmental and social related trends found in this research as those can be seen to affect the retailers' sustainability practices and also through that to their reporting. In addition, the weak signal related to the changes in the business model can be related to the company's sustainability practices as well. One of the trends that Zrnić et al. (2020) recognised was reporting frameworks. Even though the findings of this research, do not directly recognise reporting frameworks effect on future reporting, the EU Corporate Sustainability Reporting Directive (CSRD), which is strongly related to increased regulation, has a framework type of characteristics. Also the demands of it are closely aligned with GRI reporting framework in many respects (GRI, 2022). Also, external assurance is required pursuant to CSRD and assurance was one of the found trends of Zrnić et al. (2020).

However, most of the findings for the second research question are completely novel information and those complement the existing information. The previous studies were mainly focusing on the trends or drivers without the viewpoint of future. In addition, primary data was utilised much rarer than secondary data in the previous research.

## 6 CONCLUSIONS

This chapter concludes the findings of the research and considers the importance of such. In addition, the limitations of this research are pondered and topics for further research suggested.

### 6.1 Key takeaways

The objective of the research was to focus on the Finnish food and grocery retail industry and study the role of stakeholder engagement in such industry's sustainability reporting. Also, the possible change within the reporting of the years 2015 and 2022 was under the evaluation. The aim was to analyse such role and change versatilely, and hence qualitative approach was chosen to be suitable for the research. In addition to these objectives, the future of the sustainability reporting was aimed to be understood wider, and with the approach of futures research, weak signals, driving forces and trends potentially affecting future sustainability reporting of the food retail sector were studied.

Based on the results of the research, it can be suggested that the role of stakeholder engagement in the Finnish food and grocery retail industry's sustainability reporting was evident already in 2015 and even more comprehensive in 2022. However, there is also a room for more wider reporting. Several aspects were covered in the studied reports but, for example, stakeholder identification, conflicting interests of stakeholders and frequency of stakeholder engagement actions could have been reported on a better level. These aspects were lacking in both 2015 and 2022 reports. Similar factors related to the stakeholder engagement, such as types and purpose of stakeholder engagement were the most common ones in the reports of both 2015 and 2022.

It was noted that the style of the reporting had changed, when compared the reports from 2015 and 2022. The style of the newer reports was clearer and simpler. The narrative was not as descriptive and ambiguous as in the earlier reports. There were some differences between the operators, even though the style of the reporting had formed similarly among all of them. S Group and Tokmanni had embedded stakeholder engagement wider in their newest reporting, whereas Kesko's truly extensive reporting from the year 2015 had changed to more succinct.

The research found several trends and drivers as well as a few weak signals, which may affect future sustainability reporting in the food and grocery retail sector. Found trends were related to increased legislation and regulation (EU directives), environment (climate change, biodiversity loss, food waste) and social aspects (diversity, equity & inclusion). Also, digitalisation, crisis and geopolitical and political situations together with attitudes towards sustainability

were found. Several found drivers were related to stakeholders (consumers' behaviour and demands, shareholders' demands & ratings, media, need for sustainability reporting specialists, cooperation between public and private sector, the change in the way of stakeholders' thinking about sustainability reporting). Besides these, the other found drivers were technological innovations and initiatives, and need for data. Weak signals were the most challenging to distinguish and three relevant ones were found: Just Transition -theme, changes in the business model and adding systems thinking to the process.

Some similarities with the existing research information can be recognised, but mostly the existing research information is not comparable with the research in question. Hence, the findings of this research provided novel information to the research field. The existing research has not focused on the similar viewpoint to the sustainability reporting in the food and grocery retail industry. Also, it was recognised that the current research has not approached sustainability reporting from the context of futures studies.

Besides that the research provides novel information for the field of sustainable development and further academic use, the food and grocery retailers in Finland may also benefit from the research findings. Various stakeholders have a notable role in the operation of the retailers, and academics have also recognised the importance of stakeholder engagement in the relevant and efficient sustainability actions and reporting. The food retailers can use the research findings to better understand the current status of their sustainability reporting, and also to consider the proper ways to improve their reporting. In addition, the various stakeholders of the food retail industry may utilise such information and demand justified improvements in respect of the retailers' operation and reporting. Also, the findings regarding the issues affecting the future sustainability reporting can support retailers to focus on the relevant aspects when planning their future operations.

## 6.2 Limitations and future research

A few limitations exist in respect of the research. First, the approach to the research and data analysis was qualitative, and even though the aim was to minimise the subjectivity of the researcher in the research process, it is impossible to exclude it completely. For example, a researcher's background, experience and values have always an impact on the results. It was aimed to increase the reliability of the research, for example, by conducting the report analysis twice in respect of each report. However, regardless of such actions, some other researcher may have differently analysed some parts of the reports. Correspondingly, subjectivity may have affected the analysis of future related information as well.

Another existing limitation can be associated with the thematic interviews and interviewees. All participants were not specialists on both, sustainability reporting and food retail industry, so this might also have had an influence on their

pondering and its relevance for the studied topic, even though too narrow evaluation needs also to be avoided in environmental scanning (Hideg et al., 2021). In addition, the experience of some interviewees around these topics was not long, which made it difficult for them to ponder the evaluation of the sustainability reporting in the industry.

Third, the research was limited to food and grocery retailers in Finland, where only a few operators rule the market. Therefore, the results may not reflect the similar situation neither in other countries nor industries.

The viewpoint of futures studies gives several possibilities to continue the further research around the topic. This study focused on collecting the possible factors affecting the future sustainability reporting in the food retail industry. The data was collected through interviews of versatile specialists. However, further research can widen the results of this research and this type of environmental and horizon scanning by collecting trends, drivers and weak signals also through secondary data. Such data could be, for example, academic publications, social media and news. In addition, this research did not focus on formation of the future images, hence further research may benefit from the collected information and utilise it for the formation of the alternative future images of the sustainability reporting in the industry. However, wider environmental or horizon scanning from various materials would be needed for that. Similar type of study related to the future of sustainability reporting could be conducted also in other markets. Especially research concerning an area outside Europe might provide varying and interesting results, as the significance of EU regulations was notable in the results of this research.

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