

# Research on Management and Sustainable Development Strategy of Food Enterprises under ESG Concepts

Xuhan Huang

College of International Education, Zhengzhou University of Light Industry, Zhengzhou, 450002, China

Huangxuhanhxh@163.com

## ABSTRACT

In the field of economic and social development, people often mention and pay attention to the development of enterprises. However, in the past, people's attention was often focused on the sustainable development of enterprises based on the evaluation of enterprise financial indicators. As an important part of China's economy, enterprises shoulder the heavy responsibility of taking the road of sustainable development, and the implementation of sustainable development strategy is an inevitable choice faced by enterprises in China. ESG (Environmental, Social and Governance) concept is a key factor for the sustainable development of enterprises, and it is also an investment decision-making concept recognized by the international community.

## KEYWORDS

ESG; Food business management; Sustainable development; "Double carbon"

## 1. INTRODUCTION

Food enterprises are national livelihood enterprises, directly related to the immediate interests of 1.4 billion Chinese people. Whether or not food safety can be guaranteed has become the focus of public attention, and the importance of food enterprises to fulfill their social responsibility of sustainable development strategy and disclose ESG reports publicly and actively has begun to gradually highlight. In the modern era where food safety is always a hot issue, food companies, especially those that need to protect people's food safety, need to shoulder the social responsibility of food safety protection. Improving the preparation and disclosure of ESG reports of food enterprises can play a supervisory role on their fulfillment of environmental and social responsibilities, therefore, the study on the preparation and disclosure of ESG information of food enterprises is of great significance. In addition, ESG reports cover a wide range of topics, and the quality of ESG information disclosure of food companies is mixed [1]. Based on the collection of literature and theoretical research, this paper combines the characteristics of ESG disclosure in the food industry as well as the theories of stakeholders and sustainable development to assess the ESG disclosure profiles and development strategies of food enterprises, and analyze the problems and reasons for ESG disclosure in food enterprises.

### 1.1. Comparison of ESG in the Management of Food Companies in the General Environment at Home and Abroad

The main drivers and objectives of ESG disclosure differ in each country region. Non-governmental organizations (NGOs) are promoting ESG disclosure in Europe by establishing principles and

frameworks for ESG investing as well as promoting it through stock exchanges. As a global hotspot for ESG investment, Europe implements ESG disclosure laws that are highly binding on companies, so the level of ESG disclosure by European companies is generally good. China mainly relies on external mandatory requirements for ESG disclosure, and its own attention to ESG is insufficient and disclosure awareness is lacking. At the same time, there is still a big gap between the ESG system of domestic companies and the integrity of the ESG system of foreign companies, including:

(1) There are differences in the coverage and adoption rates of ESG ratings. Foreign countries have achieved full market coverage, while domestic companies have only covered some A-share companies.

(2) ESG scale difference. 2019 China's ESG survey, ESG-related products issued a total of 17, the asset management scale of 17.057 billion yuan, while China's public equity industry has 17.7 trillion yuan of asset management scale, accounting for the proportion of one cow. In developed countries in Europe and the United States, the proportion of the entire assets of sustainable investment stations has reached 50%.

(3) Differences in the degree of perfection of regulations. China's financial ESG-specific laws and regulations are still imperfect, while foreign systems are mature, with a wide variety of ESG investment products and strategies.

## **1.2. ESG in Domestic Food Companies**

In the research conducted by Harvard Business Review and Bain & Company, it is mentioned that many enterprises have regarded ESG as an important strategic issue for the future development of the company, which is no less important than the hotspots such as R&D innovation and digital transformation. Since April 2022, the China Securities Regulatory Commission (CSRC) has officially included ESG in investor relations management. More and more listed companies and startups have turned ESG into concrete actions and integrated it into the chain of product production, brand marketing and after-sales service. The proportion of ESG report disclosures by Chinese listed companies has also seen breakthrough growth in recent years. However, the food and beverage industry is an exception.

According to the data statistics of "ESG Action School" of EveryWorld.com: as of the first half of this year, there are 75 listed companies in the A-share food manufacturing industry, of which 28 have disclosed ESG-related reports, the disclosure rate is only 37.77%; in terms of ESG ratings, the rating of A (including A+, A, A-) than 24% of the companies; The number of companies receiving B (including B+, B, B-) is consistent with the number of companies receiving C (including C+, C, C-), both accounting for 28%.

## **2. INADEQUATE ESG DISCLOSURE BY FOOD COMPANIES**

### **2.1. National Level**

Due to the late introduction of the system in China, there is still a considerable gap between the development and application of the system and other countries, especially in comparison with developed countries [2]. The development of social responsibility information disclosure in China is relatively late, and the relevant legal system is not perfect. In the 1980s, scholars in China began to study the disclosure of social responsibility information until 2005, when the State Grid released the first social responsibility report in China. And the U.S. Steel Company has disclosed social responsibility related information in 1905, it can be said that the development of social responsibility disclosure in China is a century later than the United States. And until now, there is no formal laws and regulations on social responsibility information disclosure in China. Although the Company Law of the People's Republic of China and the Food Safety Protection Law, which were introduced in

recent years, have mentioned matters related to social responsibility information disclosure, the relevant definitions are vague and unclear, and they are not operational and feasible. (2) Lack of unified preparation standards. At present, there are only the Guidelines for the Preparation of China's Corporate Social Responsibility Reports, the Guidelines for the Social Responsibility of Listed Companies issued by the Shenzhen Stock Exchange, and the Guidelines for the Disclosure of Environmental Information of Listed Companies on the Shanghai Stock Exchange issued by the Shanghai Stock Exchange, but there are no specific and clear compilation standards, which leads to the use of different compilation frameworks by Chinese enterprises in the preparation of social responsibility reports, which are issued in a variety of structures and do not have the same structure as those of other companies. This has resulted in Chinese enterprises choosing different preparation frameworks when preparing and publishing a variety of social responsibility reports with different structures that are not comparable.

## **2.2. Corporate Level**

Insufficient awareness of corporate disclosure. In the traditional concept, the only purpose of the existence of commercial companies is profit, and the company believes that as long as it can make profits and maximize the interests of shareholders, then it has achieved its own value. The disclosure on food safety only covers food safety assurance, supplier access management, etc., and tends to reflect the positive side of the enterprise to the public, treating the social responsibility report as a tool to promote the image of the enterprise, while a series of food safety problems of the enterprise and the feedback from consumers on this issue have not been mentioned, which lacks the practical value for the report user's investment decision-making [3].

## **2.3. Low Public Awareness of Social Responsibility at the Social Level**

2018 WTO Economic Guide had conducted a questionnaire on social responsibility report, and the survey results showed that 65% of the people did not pay attention to the social responsibility report, and 20% of the people's awareness of the social responsibility report was only confined to the external donations and public welfare activities, which can be seen that at present, China's social public has a very limited understanding of social responsibility. It can be seen that the public's understanding of social responsibility disclosure is very limited, which leads to the public's failure to play a good role in monitoring the social responsibility report issued by enterprises [4].

# **3. SUSTAINABLE DEVELOPMENT STRATEGIES IN FOOD ENTERPRISES**

Under the background of the national "dual-carbon" goal and the advocacy of saving, agriculture and food enterprises have developed from meeting the requirements of food safety in the past to the pursuit of a new stage of green and sustainable development, and "zero-carbon vegetables", "zero-carbon milk" and "zero-carbon factories" have become the best evidence of "green food safety". Zero-carbon vegetables, zero-carbon milk, zero-carbon factories, etc. have become the best evidence of "green food safety". 2022 March, the "Carbon peak carbon neutral" work In March 2022, the plenary meeting of the Leading Group emphasized the importance of deepening the research on major issues of "dual-carbon" and forming actionable policy initiatives. In the food industry, energy saving and carbon reduction of metal packaging materials for food contact is a particularly important part of the carbon reduction program for the food and beverage industry chain.

Looking through magazines and newspapers published before the 1960s, it is difficult to find words related to "environmental protection" and "sustainable", as the mainstream perception of the society at that time was to conquer nature through subjective initiative. 1962, Rachel Carson (Rachel Carson) used the mutation of a single village to reveal to the society the evil consequences of pursuing

economic development at the expense of the ecological environment. 1987, the United Nations defined the meaning and importance of sustainable development clearly in the "Our Common Future" [5]. In 1962, Rachel Carson used the mutation of a single village to reveal to the society the evil consequences of sacrificing the ecological environment in pursuit of economic development. 1987, the United Nations defined the significance and importance of sustainable development in "Our Common Future", and the United Kingdom took the lead to put forward the concept of "Low Carbon" in the "White Paper on Energy" in order to alleviate environmental problems caused by industrialization in 2003. In 2003, the United Kingdom took the lead in putting forward the concept of "low carbon" in its Energy White Paper in order to alleviate the environmental problems caused by industrialization, and low carbon development can be summarized as "two reductions and one increase", that is, reducing the use of natural resources and reducing the destruction of the ecological environment, so as to enhance economic development. Subsequently, countries have actively studied and advocated the development of a low-carbon economy, and Rubinsde, a British environmentalist, attributes low-carbon development to low energy consumption, low emissions and high efficiency. Low carbon development is to find "development" in "low carbon", not to abandon development in order to reduce emissions, nor is it to sacrifice economic development to protect the environment. Feng Danyang et al. (2022) proposed that at the macro level, we should focus on biodiversity conservation and ecological poverty alleviation to create a good ecology, and at the micro level, we advocate the participation of all people, clarify the responsibilities, and refine the role of enterprises and social organizations to create a green ecology and green communities, so that the ecological environment of the dividends of the benefits of every citizen. The development of a low-carbon economy is not only conducive to the creation of an ecologically friendly society, but also promotes enterprises to optimize their development mode by adjusting their production structure, and to define their corporate strategy with a long-term development vision, so as to strengthen the foundation for the E (Environmental Responsibility) in the ESG [6].

#### **4. PROBLEMS FACED BY THE FOOD INDUSTRY IN TAKING THE "DUAL-CARBON" ROAD**

Food industry to take the "double carbon" road, metal packaging is one of the most important food contact with metal packaging containers, the number of large base, rapid growth. According to statistics, in 2020, China's annual output of aluminum cans about 47 billion cans, consuming about 720,000 tons of primary aluminum, cans beverage industry forecasts the average compound growth rate of 5% over the next five years, the number of beverages in 2025 with the number of cans for about 60 billion. According to an average of 14 grams per empty can, by 2025, China's beer and beverage industry in the number of waste cans produced about 820,000 tons. What is anxious is that, at present, although the recycling rate of waste aluminum cans reaches more than 90%, but the original level utilization rate is almost 0, all downgraded to use in non-food contact areas, such as aluminum alloy windows and doors, etc.; while the steel cans (such as infant milk powder cans) comprehensive recycling has not yet been achieved, the original level of recycling is 0. The original level of reuse is less than the downgraded reuse of carbon emissions. Taking aluminum cans as an example, after the comparison of the carbon emission of the whole life cycle of the product accounting, the carbon emission of casting recycled aluminum is 3.6 times of the carbon emission of aluminum cans using recycled aluminum at the primary level, while the carbon emission of primary aluminum used for can making is 8.7 times of the carbon emission of recycled aluminum used at the primary level.

## **5. HOW TO IMPLEMENT SUSTAINABLE DEVELOPMENT STRATEGIES IN FOOD BUSINESS MANAGEMENT UNDER ESG CONCEPTS**

### **5.1. Optimizing Agricultural Production Methods**

Agriculture is the foundation of the food industry, and optimizing agricultural production methods is the key to achieving sustainable development. Traditional agricultural production methods consume large amounts of land and water resources, which can easily lead to soil degradation and water pollution. Therefore, it is crucial to promote the green development of agriculture.

First, agricultural production should focus on scientific and technological innovation. Through the introduction of advanced agricultural technology and equipment, the yield and quality of crops can be improved and the use of pesticides and chemical fertilizers reduced. For example, the use of drones for precision spraying of crops can reduce the use of pesticides and improve the quality of crops. Secondly, agricultural production should focus on ecological protection. Protecting the ecological environment not only helps to improve the quality of crops, but also reduces the impact of agricultural production on the environment. For example, rational planning of the drainage system of farmland to reduce soil erosion and water pollution in farmland.

### **5.2. Promoting Innovation in Food Processing Technology**

Food processing is an integral part of the modern food industry. Traditional food processing methods usually consume large amounts of energy and water resources, and also produce large amounts of waste and sewage. Therefore, promoting the innovation of food processing technology is an important initiative to realize sustainable development.

On the one hand, food processing enterprises can introduce advanced production equipment and processes to improve production efficiency and product quality. For example, the use of efficient energy utilization equipment to reduce energy consumption; the use of advanced waste treatment technology to reduce the generation of waste and pollution of the environment. On the other hand, food processing enterprises can also develop green food processing technology. For example, utilizing biotechnology and nanotechnology to develop new types of food additives and preservatives to reduce the reliance on chemically synthesized substances. At the same time, promoting automation and intelligence in the food processing process can reduce the consumption of human resources and improve production efficiency.

### **5.3. Strengthening Food Safety Regulation**

Food safety is the cornerstone of the sustainable development of the modern food industry. Food safety is not only related to people's health, but also has a negative impact on the entire food industry. Therefore, strengthening food safety supervision is an important guarantee for the sustainable development of the food industry.

First of all, the Government should step up its efforts in monitoring food safety. Strengthening the supervision and inspection of food production enterprises. Crack down on food safety violations and improve the effectiveness of food safety supervision. At the same time, the monitoring and traceability of the food production process should be strengthened to improve the traceability of food safety. Secondly, food enterprises should strengthen their own food safety management. Establish a sound food safety management system, formulate strict food safety standards and processes, and strengthen the testing and screening of raw materials to ensure that the food produced meets the safety requirements.

To sum up, the sustainable development of the modern food industry requires the optimization of agricultural production methods, the promotion of innovation in food processing technology and the

strengthening of food safety supervision. Only through scientific and technological innovation and green development can we realize the sustainable development of the food industry and provide people with safer and healthier food [7].

## 6. CONCLUSION

Given the current state of the economy, it is necessary for food companies to prioritize sustainability initiatives in 2023 while taking a long-term view of where the industry is headed and how organizations can adapt to consumer demand and remain competitive. Investing in innovative technology solutions that help take meaningful steps towards achieving environmental and business goals will be key in 2023.

ESG's development philosophy is not only for the sustainable development of enterprises, but also to promote the transformation of the whole society to a green and sustainable direction [8]. Prioritizing environmental, social and corporate governance (ESG) is an integral part of a profitable growth strategy. Leveraging innovative technologies to address the industry's social and environmental impacts to reduce food and packaging waste and optimize agricultural practices

Promoting innovation in food processing technology and strengthening food safety regulation will continue to be important programs for food companies to implement sustainable development strategies in the coming years.

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