

Exploration of ESG Improvement Path and Analysis of Policy Countermeasures in Pet Industry

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Abstract: We analyse the importance of ESG (environmental, social and governance) practices in the pet industry, sort out the key problems in the industry, and explore its optimisation path and policy countermeasures. A combination of literature analysis and case studies is used to provide an in-depth discussion from the dimensions of policy guidance, corporate practice and industry norms. The industry has outstanding problems in environmental management, social responsibility fulfilment and governance structure, which need to be optimised through policy support, corporate responsibility awareness enhancement and governance system improvement. Promoting ESG practices in the pet industry not only promotes the sustainable development of the industry, but also enhances social influence and competitive advantages, and provides strong support for the transformation of the industry.

1. Introduction

With the rapid development of the pet economy, the pet industry, while driving economic growth, is simultaneously confronted with a series of environmental, social, and governance (ESG) challenges. The expansion of the pet industry not only exacerbates resource consumption and environmental pollution but also gives rise to significant social issues such as animal welfare concerns and the protection of the rights and interests of industry workers. At the same time, consumers are increasingly prioritizing animal welfare, environmental protection, and corporate social responsibility, which has led to the growing prominence of ESG principles within the industry. As an integrated framework for evaluating corporate performance in environmental, social, and governance dimensions, ESG serves not only as a vital tool for the pet industry to address external challenges but also as a critical means to enhance its competitiveness and public image. However, at present, the industry's efforts to implement ESG practices remain at a nascent stage, characterized by a lack of systematic planning and clear policy guidance. Moreover, the overall awareness and capacity of the industry in terms of ESG performance exhibit significant room for improvement. This study aims to conduct an in-depth analysis of the deficiencies in ESG practices within the pet industry, explore pathways for improvement, and propose relevant policy recommendations, thereby providing both theoretical insights and practical guidance to support the sustainable development of the industry.

2. Importance of promoting ESG practices in the pet industry

2.1 The strategic significance of ESG for the sustainable development of the pet industry

With the rapid and substantial rise of the pet economy, the industry is increasingly encountering complex and multifaceted environmental, social, and governance (ESG) challenges, even as it continues to drive economic growth. The ESG concept, as a fundamental and core guiding framework for the sustainable development of modern enterprises, not only provides the pet industry with a strategic direction for long-term growth but also establishes a solid foundation for enterprises to cultivate and enhance their competitive advantages over time. By embedding ESG principles into their overarching business strategies, companies within the pet industry can achieve a synergistic balance that promotes both ecological preservation and economic prosperity. Such integration allows for the optimization of resource utilization across the production and supply chain, significant reductions in carbon emissions, and the establishment of trust and credibility in the market through the adoption of transparent and accountable governance systems. Furthermore, the effective implementation of ESG practices can significantly elevate the industry's capacity for innovation, thereby unlocking new opportunities for enterprises in critical areas such as green technological transformation and the promotion of responsible consumer behavior. By embracing these initiatives, the pet industry can strengthen its position and take the lead in the highly competitive international market, securing long-term sustainability and growth^[1].

2.2 The need for environmental and social responsibility in the pet industry

The rapid expansion of the pet industry has brought about pressing environmental challenges, including resource consumption and waste management, necessitating immediate action through green production practices and low-carbon operations to mitigate its ecological impact. Enhancing transparency in the supply chain of raw materials used in pet food production, alongside the sustainable design of packaging materials, offers effective means to reduce environmental pressure. Given the close integration of pets into human life, consumer expectations regarding the industry's fulfillment of social responsibilities are rising, particularly in areas such as animal welfare, product safety, and the protection of frontline workers' rights. Embracing these social responsibilities not only fosters greater consumer trust but also contributes to the sustainable and healthy development of the industry as a whole. Furthermore, animal welfare issues are directly tied to the industry's public image; ensuring the health and rights of pets throughout breeding, trading, and other relevant processes establishes stricter regulatory standards, promotes orderly development, and enhances public recognition of the sector^[2].

2.3 External driving force of policy guidance and industry transformation

Government policies and public opinion provide an important external driving force for the pet industry to promote ESG practices. In recent years, legislation in the areas of environmental protection and animal welfare has been continuously improved, pointing out the direction for the industry's development. Some regions have introduced green production incentives to guide companies to adopt more environmentally friendly production processes and implement relevant regulatory requirements in the supply chain. In addition, the wave of global ESG development has brought international vision and practical experience to the industry, promoting domestic enterprises to actively participate in the construction of the global green economy. The role of public and investor scrutiny is also gradually increasing, and this external pressure has prompted companies to pay more attention to ESG-related elements in their governance structure,

transparency and long-term development plans, further accelerating the pace of sustainable transformation in the industry^[3].

3. Problems with ESG Practices in the Pet Industry

3.1 Problems of environmental management in the industry

Pet industry in the rapid development at the same time the impact on the environment is gradually highlighted, the opacity of the raw material supply chain is one of the outstanding problems of environmental management in the industry, in the manufacture of pet food, a large number of raw materials such as meat, grains and other raw materials used lack of sustainability certification, and part of the supply chain exists in the phenomenon of high energy consumption, high carbon emissions, which not only increases ecological pressure, but also buries the hidden dangers of environmental responsibility. In addition, the production of pet products uses a large number of non-biodegradable materials such as plastics and chemicals, which leads to increased difficulty in waste disposal and increased pollution of the environment. There is a lack of unified green production standards in the industry, and enterprises are not coordinated enough to implement low-carbon production and circular economy, which limits the level of environmental governance in the industry as a whole.

Meanwhile the industry's inadequacy in waste management is also a key issue in environmental management. The widespread use of pet food packaging and disposable pet products has made the industry one of the potential sources of solid waste, but the relevant enterprises have invested significantly less in recycling mechanisms and renewable designs. In the production chain, some SMEs lack investment in environmental protection equipment in order to reduce costs, leading to more prominent problems of excessive wastewater and waste gas emissions, further exacerbating the risk of environmental pollution. The industry lacks a systematic environmental data collection mechanism, and enterprises lack a clear understanding of their carbon footprints and pollutant emissions, and this lack of information transparency also weakens the industry's ability to promote environmentally sustainable development.

3.2 Shortcomings in social responsibility fulfilment

Inadequate fulfilment of social responsibility is an important shortcoming in ESG practice in the pet industry, especially in animal welfare and consumer rights protection. Inadequate animal welfare safeguards exist in pet breeding and trading, and some pet breeding organisations adopt unregulated breeding methods, over-breeding and insufficient health monitoring, which not only harm animal rights and interests, but also lower the image of the industry. In the pet trading market, illegal trading of sick and weak pets still exists, which causes direct damage to consumer rights and interests, and also violates the industry's due social responsibility^[4].

In addition, the inadequacy of consumer rights protection is mainly manifested in product quality and after-sales service. Some pet food or supplies manufacturers are not strict in quality control, and some of the products have lost consumer trust due to inaccurate labelling of ingredients and poor quality testing. In terms of services, the pet medical and grooming and other related industries are developing rapidly, but the qualifications of service personnel vary, and the industry is not adequately regulated, making it difficult to adequately protect consumers' rights and interests. Social expectations of the pet industry are rising, but some companies lack clear objectives and plans for fulfilling their social responsibilities and fail to respond effectively to public needs and concerns. In addition, the rights and interests of grassroots workers are also a cause for concern. The lack of protection for the salary, benefits and career development of grassroots workers by

some companies not only affects the stability of the industry, but also restricts the industry's overall level of fulfilment of social responsibility.

3.3 Weak governance structure and management standards

The weakness of the industry's governance structure and management norms restricts the in-depth promotion of ESG practices. Some enterprises lack clear strategic objectives and implementation plans in ESG governance, especially small and medium-sized enterprises (SMEs), which have human and financial constraints in the process of promoting ESG, and find it difficult to set up specialised management teams or formulate long-term sustainable development plans. This situation has led to the industry's uneven ability to promote ESG, and the exemplary role of leading companies in the industry is difficult to effectively radiate to SMEs, further exacerbating the gap in governance levels within the industry.

At the industry level, a unified ESG evaluation system has yet to be established, and this lack of standardisation makes it difficult for companies to accurately measure and report on their ESG performance. Many companies currently disclose ESG-related indicators to varying degrees, and the data lacks transparency and comparability, limiting the development potential of the industry as a whole. At the same time, the industry's regulatory mechanism is also inadequate, with some policies related to environmental protection and animal welfare lacking detailed implementation measures and supervision, which has led to deviations and even perfunctory implementation by companies in actual operation. Internal management standards are also insufficient, with some companies failing to incorporate ESG concepts into their daily operational decision-making, and ESG-related issues not receiving sufficient attention at the top level of decision-making. At the same time, there is a lack of ESG-related training and staff incentives, which affects internal communication and implementation efficiency. The overall management system and culture of the industry have yet to meet the requirements of promoting sustainable development, limiting the comprehensive practice of environmental and social responsibility.

4. Optimising Countermeasures for ESG Practices in the Pet Industry

4.1 Strengthen policy support and industry norms construction

Improving policy support and industry norms is the basis for promoting the implementation of ESG concepts in the pet industry. In response to the industry's green development needs, government departments should formulate targeted environmental protection policies and guide enterprises to adopt sustainable development models. Through the establishment of environmental protection funds or financial incentives, support enterprises to research and develop environmentally friendly materials, improve production processes, and reduce carbon emissions and resource consumption. At the same time, they should promote the construction of a green certification system for the pet industry, and clarify the assessment criteria for environmental protection, animal welfare, and social responsibility, so as to provide clear guidelines for enterprises in their operations.

In terms of animal welfare and consumer protection, existing regulations should be further refined, enforcement should be strengthened, and illegal trading and unregulated breeding should be cracked down on to protect the health and rights of animals. Through the establishment of a full-process traceability system for pet breeding and trading, the whole process from breeding to sales can be regulated to ensure the transparency of the industry's operation. To address the issue of waste management, the popularisation of circular economy in the industry can be promoted by introducing a mandatory recycling and disposal system, requiring enterprises to classify and recycle pet food

packaging and disposable items, and encouraging the use of renewable materials. Industry associations should play a coordinating role and promote the development of unified ESG industry norms, clarify quantitative indicators related to environment, social responsibility and governance, and provide specific operational guidelines for enterprises to carry out related work. The association can also summarise its experience and achievements by regularly publishing industry ESG reports to help enterprises keep abreast of policy developments and market demand.

4.2 Enhancing corporate awareness of environmental and social responsibility

Enhancing corporate awareness of environmental protection and social responsibility is key to achieving ESG objectives. Enterprises need to integrate the concept of green development into the entire production and operation process, and in the supply chain, reduce resource consumption and carbon emissions by selecting sustainable certified raw material suppliers and optimising the logistics and distribution system. Meanwhile, they should introduce low-carbon technologies and adopt environmentally friendly materials in production to enhance the eco-friendliness of their products. The pet food industry can prioritise environmentally friendly formulas to reduce the impact on the ecosystem; pet supply companies can promote reusable product designs to reduce waste generation^[5].

In terms of social responsibility fulfilment, enterprises should actively participate in animal welfare protection. They should promote standardised breeding models in pet breeding institutions, strengthen animal health monitoring, and safeguard the quality of life of pets. At the same time, enterprises should strengthen consumer protection and enhance consumer trust by strengthening product quality management, transparent information disclosure, and improving after-sales service systems. In service areas such as pet medical care and grooming, service standards can be standardised through the provision of practitioner qualification and skills training to ensure consumers receive a high-quality experience. To enhance public trust in CSR, companies can publish regular ESG reports and make public data related to environmental performance, social responsibility and governance structure. By organising public engagement activities and promoting good practice cases in the industry, they can also raise consumers' awareness of social responsibility and further promote the popularity of green consumption patterns.

4.3 Strengthening governance structure and capacity building

Optimisation of the governance structure is an important guarantee for enterprises to promote ESG practice. Enterprises need to start with high-level decision-making, incorporate ESG into the company's development strategy, and set up special ESG committees or management teams responsible for promoting related work. Top management should have ESG-related professional knowledge and strategic vision, and give priority to sustainable development factors when formulating company development plans, while organising regular training for all employees to popularise ESG concepts and increase internal and external participation in ESG practice. In order to enhance the capacity of SMEs in ESG practice, an external support mechanism can be introduced. The government and industry associations can jointly set up an ESG capacity building platform to provide training courses, consulting services and resource sharing to help SMEs break through financial and technological constraints. Within the industry, green development opportunities can be provided to small enterprises by establishing a joint procurement mechanism to reduce the procurement costs of environmentally friendly technologies and green materials.

Enterprises also need to build an effective information disclosure mechanism to ensure the transparency of environmental and social performance, regularly disclose data on carbon emissions, resource utilisation, employee rights and protection, and accept third-party audits to enhance the

openness and credibility of corporate governance. Meanwhile, with the help of digital tools to enhance ESG data management capabilities, optimise production and operation processes through big data analysis, and monitor the progress of reaching ESG goals in real time. The industry as a whole should promote the establishment of cooperation mechanisms to facilitate information sharing and resource integration. Large enterprises can play a demonstration role in the industry, drive the upstream and downstream supply chains to fulfil their environmental and social responsibilities, and promote the improvement of the industry's overall ESG practice capability through collaborative innovation and resource sharing.

5. Conclusions

The pet industry's shortcomings in ESG practices are mainly in the areas of ineffective environmental management, shortcomings in social responsibility fulfilment and imperfect governance structure. These problems not only restrict the sustainable development of the industry, but also affect consumers' trust and support for the industry. Therefore, systematic optimisation measures are needed to address the existing problems. By strengthening policy support and industry standard-setting, it can provide a clear guiding direction for corporate ESG practices, promote the establishment of unified norms in the pet industry in the areas of environmental protection, animal welfare and social responsibility, and facilitate the healthy development of the industry as a whole. Policy support can also help enterprises overcome barriers at the financial and technological levels, and encourage the research and development of green technologies and the application of circular economy models. At the same time, by raising corporate awareness of environmental and social responsibility, the industry can be promoted to fully optimise the field from green production to animal welfare. Enterprises should take the initiative to integrate green concepts into their operational processes and make improvements in raw material selection, product design and production processes to reduce resource consumption and environmental pollution. In terms of fulfilling their social responsibility, companies need to pay more attention to consumer protection and animal welfare issues, and enhance public trust through information disclosure and social participation. Strengthening the governance structure and capacity building can lay the foundation for an effective management mechanism within the industry. Enterprises need to build a comprehensive ESG management system, bring in professional teams, and regularly disclose relevant data to ensure transparency and standardisation. ESG practices are not only an inevitable requirement for the sustainable development of the industry, but also an important way to enhance competitiveness and social image.

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