Consumed
Environment, Sustainability and Governance for consumer companies
Business integrity for consumer companies

Doing good business means doing things the right way

Consumer companies around the world are incorporating sustainability, business integrity, and brand purpose into their business operations. This can include procuring ethically sourced or organic products, ensuring fair pay and safe working conditions, using environmentally friendly materials, or implementing diversity and inclusion initiatives. Brands also are investing in local communities and cultures, encouraging consumer recycling or engagement in the circular economy, promoting responsible consumption, creating consumer safety programs, and taking a stand on social, environmental, and political issues.

Consumer sector stakeholders are increasingly focused on business integrity and sustainability credentials. Investors might view companies that are attentive to environmental, social, and governance issues as more attractive because they are achieving social or environmental goals, or as more competitive given consumer expectations. Consumers are becoming more focused on business integrity, which is increasingly important in the success or failure of a product or business. Millennials, who will continue to drive the purchasing power in the sector, are particularly focused on this area, making it even more important to businesses. In an increasingly competitive market, the winners are those who see this issue not as a downside risk but as an upside opportunity, helping to drive brand value and market penetration.

Hogan Lovells Total Business Integrity Healthcheck App

The world in which we operate has changed. To check if your business is up to date, visit our Total Business Integrity Healthcheck – a 5-minute “app” which could fundamentally shift the way your business looks at itself and its stakeholders.

The app provides a top-down analysis required to align legal arrangements, governance, and incentives with purpose, goals, deliverables, and other performance metrics.

This includes looking at:

• Governance, board directors, and representation
• Share incentives and employee bonuses
• T&Cs/Supply chain
• Debt arrangements and capital cost
• Compliance
• M&A/DD

For a more in depth look, our Deep Dive Workshop can audit how your legal infrastructure shapes up to delivering value and business integrity. We focus on ensuring your whole business and legal structures (and those of your investments and supply chain) underpin and complement your brand, business plan, and social purpose, driving governance and financial incentives aligned to that mission. Our cross-border, multisector know-how can help you find solutions to any issues uncovered.
As consumer companies initiate sustainability and business integrity programs, governments and agencies across the globe are creating laws and regulations related to these same issues. Domestically, most governments have laws governing hours and wages, worker safety, and child and coerced labor as well as import/container security. Many also have environmental laws and laws mandating recycling. Increasingly, developing countries are adopting and enforcing these laws.

International organizations, such as the International Labour Organization, with its Convention 182 (Worst Forms of Child Labour) and Convention 29 (Forced Labour); the Organization of Economic Cooperation and Development; and the United Nations, with its Sustainable Development Goals and Guiding Principles on Business and Human Rights provide guidelines for international business. Given growing global concern about climate change, there is a real possibility, particularly if the national governments of the countries with the largest economies fail to act, that there will be an increased push for binding treaties.

Increasingly, developed countries are adopting national laws governing companies’ activities or procurement practices beyond the legislating countries’ borders. Such laws include the UK and Australian Modern Slavery Acts and the California Transparency in Supply Chains Act of 2010, all of which require disclosure of measures taken by companies to prevent the use of child labor and coerced labor in their supply chains. France’s Corporate Duty of Vigilance Law requires companies to take measures to identify human rights and environmental risks in their supply chains and prevent violations. The United States Trade Facilitation and Trade Enforcement Act of 2015 goes further and bans the importation and allows the detention or seizure of products produced using forced, convict, or indentured labor. The U.S. Food Safety Modernization Act requires importers to conduct risk-based diligence of foreign suppliers. Many countries have country of origin and labeling requirements, some of which are intended to allow consumers to make socially responsible decisions about the products they purchase. These laws continue to be enacted, particularly in the U.S. and Europe, tightening the restrictions on company conduct. In Europe and in the U.S., local, state, and national governments are considering and enacting legislation on everything from single-use plastic to recycling to carbon emissions.

The UK has been closely monitoring compliance with the UK Modern Slavery Act. A group of French NGOs already has filed a case under the Corporate Duty of Care Law, and in late 2019 U.S. Customs and Border Protection blocked the importation of products suspected to have been manufactured with forced labor from several countries/regions. Whether it is in the form of actions under the Alien Tort Claims Act in the U.S., parent company liability cases in England, or court actions alleging complicity in international crimes, consumer companies can face liability arising out of unsafe manufacturing conditions and forced labor.

In the EU, legislators have explicitly taken the decision to change their approach away from voluntary pledges to mandatory requirements, and there is pending binding legislation on human rights and supply chain due diligence at EU as well as on national level. Germany is expected to introduce a national Supply Chain Act that would require companies based in Germany to conduct due diligence on their supply chains, and take appropriate remedial action where violation of human rights are identified (which may include the carrying out of investigations or possibly the termination of business relationships).

Voluntary initiatives add another layer to the patchwork of global guidelines and laws and regulations. Examples include the Responsible Sourcing Network’s Cotton Pledge Against Forced Labor and the Transparency Pledge, which is a uniform minimum standard that requires each signatory to disclose information about cotton and other materials the company sources and to publish a list of all factories that manufacture the company’s products. Consumer companies are under increasing pressure to sign these pledges. For consumer companies, the reputational risk of a disclosure or lax compliance could be catastrophic. Consumers, nongovernmental organizations, and regulators are watching.

Given the foregoing and growing consumer attention to these issues, it is important for companies to consider:

- Sustainable sourcing and supply chain security, diligence, and management
- Advertising claims and labeling with respect to sustainability and business integrity
- Employee health and safety throughout supply chains
- Social impacts
- Strategic communications regarding business integrity and brand purpose
Sustainable sourcing and supply chain diligence and management

Responsible sourcing is about global reputation and staying ahead of the curve. Retailers, fashion companies, food and beverage manufacturers, and other consumer companies face increased scrutiny of their sourcing and supply chains - from certification and country of origin requirements to anti-bribery and corruption issues. They also face environmental, health, and safety issues and modern slavery and forced labor compliance. A misstep can have far-reaching reputational, regulatory, and financial consequences. Structuring and documenting your supply chain arrangements can be complicated.

Sustainable sourcing

Sustainable sourcing has never been more important. Consumer demands and regulations are putting sustainable sourcing as a top priority for companies across the globe. Adopting strategies and internal controls to ensure ethical operations and incorporating international standards for sustainable development as part of resource development agreements are critical to thriving in the sector, but they are just the beginning. Consumer companies must consider the wide array of environmental, health, safety, food and drug, and labor laws that provide a framework for assessing responsible sourcing matters and the scope and applicability of these laws. It is critical that companies approach supply chain management in a practical, focused matter to identify and tackle difficult and sustainable sourcing challenges.

Carbon reduction commitments

Carbon reduction commitments are becoming central to the business strategies of many consumer companies as they recognize the meaningful contribution they can make to reduce the threat of climate change. Such actions help them stand out to customers, who increasingly seek to engage with companies that are good stewards of the environment. To succeed in the sector, consumer companies should identify and help to execute strategies that will enable them to realize carbon reduction goals through their energy procurement practices, energy efficiency measures, and carbon offsets.

This can include negotiating for carbon-free power resources; exploring “green” investment opportunities in established and emerging markets; advising on purchases of renewable energy credits (RECs) and industry standards for RECs; engaging in carbon trades and purchasing and selling carbon credits, zero emissions credits, and white tags; and responsibly procuring and reporting their energy practices.

Supply chain management

Human rights and safety violations, environmental damage, and quality control issues have highlighted how integral supply chains can be to operating responsibly. Ensuring compliance can be complicated, and the web of contractual relationships that form a consumer company’s supply chain can be opaque, making it difficult to satisfy regulatory, policy, and operational requirements.

Careful attention to supply and logistics agreements, including distribution, manufacturing, and sales agreements, is key. Companies can reduce risk by including language in Purchase Orders and Commercial Invoices requiring compliance with forced and slave labor laws, brand guidelines, and company codes of conduct and by establishing and effectively implementing internal compliance and control programs related to social compliance. It is critical companies get the right contracts and policies in place, auditing suppliers or distributors at every stage of the chain, and having appropriate documentation and protocols in place to support compliance if audited and manage problems if things go wrong.
Experience

Advised global companies on the establishment of force labor law compliance programs and risk mitigation strategies.

Negotiated arrangements with Fairtrade and Rainforest Alliance for ethically sourced cocoa.

Drafted commercial documents for one of the largest U.S. apparel retailers to ensure compliance with U.S. forced labor law and the California Transparency in Supply Chains Act.

Advised a high tech company on e-waste disposal and recycling requirements and best practices under environmental laws.

Advised a global manufacturer of confectionery, pet food, and other food products on a 10-year ESA to purchase green electricity from Eneco – a strategic move towards making its global operations fully carbon-neutral by 2040.

Advised a multi-national retail corporation with reducing its greenhouse gas emissions through energy efficiency, renewable energy purchases, new technology development, and carbon trading.

Represented a U.S. food ingredient importer whose shipments were prohibited for alleged use of forced labor by one of its supplier farms.

Helped companies conduct risk assessment and supply chain reviews under Supply Chain Security programs, such as C-TPAT, Canada Partners and Protection Program (PIP), and the EU Authorized Economic Operator (AEO) Program Review of pre-shipment notification.

Negotiated an agreement for the supply of sustainably sourced fish for its pet food business.

Advised multi-national companies in the implementation of water-use efficiency strategies, including recycling and reuse.

Assisted a global beverage company implement complex strategies for the handling of process wastewater through irrigation of farmlands in México.

Assisted in the formation of an industry alliance of food companies and other consumer products companies in the formation of a third-party certification program that establishes independent criteria based on organic food production, additional farming practices that support a strong eco-system, ethical treatment of farm workers, and other social justice/animal welfare criteria.

Advised a major food imported into the U.S. with developing a forced labor compliance plan and playbook, risk-mitigation strategies and conducted a mock audit of the company’s supply chain for a product at potential risk of forced labor enforcement.

Advised food and beverage companies in the implementation of restrictions and bans on various types of plastics like bags and straws.

Carried out an assessment of a new product using leather off-cuts with environmental benefits.

Advising a multinational engineering group and its European subsidiaries on the preparation and implementation of a comprehensive system to respect human rights based on the UN Guiding Principles on Business and Human Rights.

Advised a major food imported into the U.S. with developing a forced labor compliance plan and playbook, risk-mitigation strategies and conducted a mock audit of the company’s supply chain for a product at potential risk of forced labor enforcement.

Advising global corporations from a range of industries on compliance with the UK Modern Slavery Act 2015, the French Duty of Vigilance Law, the California Transparency in Supply Chains Act of 2010, and Australian Modern Slavery Act 2018.

Advised a high tech company on e-waste disposal and recycling requirements and best practices under environmental laws.
Advertising claims and labeling with respect to sustainability and business integrity

The ability to claim that products are green, eco-friendly, GMO-free, fair trade, and animal-friendly—the list goes on—is important to generating sales and the prices retailers can charge. Regulators around the world have recognized the need to address deceptive claims. Food and beverage products are particularly closely regulated, but general prohibitions against unfair and deceptive labeling practices open a wide range of products up to challenge.

The International Organization for Standardization has developed an international standard on self-declared environmental claims (ISO 14021:2016). The EU commission has published Guidelines for Making and Assessing Environmental Claims, consistent with ISO 14021:2016. The International Chamber of Commerce has issued a non-binding Advertising and Marketing Communications Code (ICC Guidelines) setting up certain requirements on environmental advertising.

When implementing green and environmentally friendly labeling, consumer companies need to be aware of compliance and reporting requirements and consider the systems that will have to be put in place to document each. Companies need to ensure that claims are correct and supportable as both regulators and consumers alike have legally challenged company disclosures.

It is important to closely track the requirements for positioning products as “organic,” “natural,” “non-GMO,” “sustainable,” “low carbon footprint,” and other claims that are growing in popularity and to distinguish between these claims and provide guidance on the requirements that apply to the various claims.

Environmental claims

Driven by the continuous demand for more eco-friendly packaging materials, especially for food and beverage products, there is a growing interest in banning certain single-use plastics and using recycled packaging as part of a company’s sustainable initiative. Businesses, however, are well advised to pay close attention to the regulatory issues on the horizon that are presented by the use of recycled materials in food and beverage packaging.

For example, the U.S. Food and Drug Administration exercises jurisdiction over food packaging materials. FDA considers each proposed use of recycled plastic on a case-by-case basis and issues informal advice as to whether or not the recycling process is expected to produce plastic or paper suitable for food-contact applications. While the FDA review process can be time and resource consuming, it is the state laws that pose the most challenges for the sustainable packaging industry.

In the EU, as part of the European Green Deal and the 2020 Circular Economy action plan, single use plastic products as well as plastic packaging are subject to increasing regulation and restrictions.

It is important that consumer companies anticipate and comply with regulations at the international, national, state, and local levels and develop and implement strategies that reduce the risk of violations and support business growth.

Green packaging

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Experience

Represented a coalition of food industry trade associations and individual companies before the U.S. Congress in shaping legislation governing allergen labeling.

Advised and represented an important multinational natural food additive company in obtaining the approval from regulators for the use and listing of food colorants as natural.

Represented the Grocery Manufacturers Association in a challenge to a Vermont law requiring manufacturers and retailers to label foods produced in whole or in part via genetic engineering and prohibiting the description of said foods as natural.

Served as an expert witness in litigation involving the marketing of products containing genetically modified ingredients not approved for use in food.

Advised multiple clients on label and advertising claims for their products and ways to mitigate risks with claims such as natural.
Employee health and safety throughout supply chains

Would you know if your business was involved in child labor, a privacy violation, or another human rights impact? What about a business partner or supplier? If your business doesn’t respect human rights, you could be open to devastating adverse publicity, as well as hard legal liability.

The legal landscape is changing. Soft requirements, such as the UN Sustainable Development Goals, are crystalizing into hard law. Courts all around the world are extending their jurisdiction to human rights impacts that occur extraterritorially and throughout a business’s value chain.

Anti-bribery and corruption

In the wake of the global clampdown on bribery and corruption, multinational businesses and their executives face a number of threats – an assertive government agency, a corrupt employee, or official. The effects can be seen in Europe, the U.S., Latin America, Africa, and Asia; in fact, wherever you do business. With these changes come new risks: rising fines and sanctions, widening liability, and stronger enforcement regimes.

It is important that companies adequately research their suppliers and distributors, ensure that commercial agreements require compliance with anti-bribery laws, establish and implement anti-bribery training and compliance programs, and adopt protocols to address and manage compliance issues.

Health and safety at work

Corporate responsibility for employees is considered important by various stakeholders, and occupational health and safety is regarded as one of these responsibilities. Consumer companies are looking to implement labor practices that include safe work spaces with the highest degree of physical, mental, and social wellbeing of workers and the prevention of harm to health caused by working conditions. Workplace safety issues often arise with suppliers or joint venture partners in remote locations where the brand company has limited visibility, experience, and control. Whether or not a global consumer company has control, a serious accident can lead to liability and significantly impact a brand. It is important to thoroughly research commercial partners, ensure that commercial contracts contain appropriate health and safety compliance, and audit provisions and to conduct inspections.

Diversity and inclusion

Gender diversity and inclusivity has long been a topic of contention in the workplace. Its reach, however, extends beyond issues merely related to an employee’s race and gender and is now mindful of a person’s individuality, taking into account their personal preferences and how they identify in society.

A number of organizations are making this a company priority, showcasing diversity and acceptance of employees regardless of preferences. These initiatives may include, among other things, diversity, inclusion, and elimination of bias based on, for example, race, ethnicity, national origin, gender, sexual orientation, gender identity, religion, age, or disability.

Several consumer brands have felt the wrath of consumers, whether with respect to their own workforces or in the marketing or sale of products that were perceived to be racist, homophobic, or otherwise inconsistent with diversity and inclusion principles. To prevent such issues, a consumer company should clearly identify goals; adopt appropriate codes of conduct, personnel policies, and procedures; and train its workforce on all aspects of diversity and inclusion.

Experience

Represented one of the world’s leading cosmetic companies in New York federal court in an age discrimination lawsuit brought by a discharged employee who was not selected for promotion.

Supported a global sportswear manufacturer across 25 different countries, including the U.S., in eight jurisdictions in Asia Pacific, 11 jurisdictions in Europe, and five in Latin America on employment related matters.

Advised a U.S. software company on multiple internal investigations across China regarding allegations of bribery and other conduct of former employees, raising FCPA issues.

Advised a global client on an international internal investigation with regard to criminal liability issues arising from the bribery allegations against FIFA.
Social impact

The expectation for good corporate citizenship extends beyond internal stakeholders. Consumers are taking an intense look at corporate responsibility, especially when the actions of companies impact their lives. From consumer safety to data protection and false advertising, consumers are aware of the ways corporations affect them and they expect timely, transparent actions when issues arise. How your company responds to consumers is critical.

### Consumer safety

Consumer complaints are often the first indication that a product may be unsafe. What are your obligations? And when are they triggered? Failure to take timely action can subject a company to substantial penalties and risk allowing unsafe products on store shelves.

It is important to understand consumer product safety standards. Consumer companies should consider participating in rulemaking processes for new safety standards, adopt quality control procedures to ensure early detection of product failures, and address tracking, reporting, and recalls in agreements with suppliers and distributors.

### Data protection

Consumers demand connectivity and smart features for a growing range of products—from appliances to toothbrushes and even apparel. Businesses are striving to monetize and otherwise tap into the value of the data delivered by smart and connected devices.

The data protection and cybersecurity legal landscape is changing rapidly. Regulators, enforcement authorities, and policymakers are scrutinizing how companies collect, use, and share consumers’ personal data. Laws and regulations are proliferating at the national, state, and local levels. All the while, cyber criminals, advanced persistent threat groups, and others are looking to exploit potential vulnerabilities in the connected ecosystem.

Businesses must consider whether data was collected lawfully, whether service providers and business partners processing personal information are trustworthy, whether data processing is consistent with legal and contractual requirements, and whether information and systems are reasonably secure. To succeed and mitigate risk, businesses must have forward-thinking programs in place to assess and mitigate risk and to nimbly respond to incidents should they occur.

### False advertising

It is important to ensure that advertising, whether on packaging, the internet, television, radio, or elsewhere, is truthful, not misleading, and, where appropriate, backed by scientific evidence. Regulators give particular scrutiny to claims that affect health—food, over-the-counter drugs, supplements, alcohol, tobacco, CBD products, and sometimes creams and cosmetics. Consumer companies must stay abreast of differing regulations and labeling requirements. High-tech products and the internet also receive significant attention. As social media and the internet have become more relevant in driving sales, companies need to ensure recommendations and postings by social media influencers are not misleading.
Obtained dismissal of all claims against a global product manufacturer in consumer fraud putative class action alleging claims under consumer protection statutes and related theories that the manufacturer’s refrigerator did not comply with the U.S. Energy Star program.

Advised a major multinational food and beverage company on labeling and advertising claims for its products and also with respect to liability related to the use of challenging claims.

Represented a major retailer in its response to a breach affecting 50+ million payment cards. Our services including overall coordination of the client’s response, fact investigation and argument development, and state Attorneys General and regulatory interactions.

Advised global consumer-facing companies on compliance with GDPR, the e-Privacy Directive, and Brexit.

Advised a U.S. retailer and global product manufacturer in putative nationwide class action alleging various fraud- and warranty-based claims relating to “refresh rate” of LED high-definition televisions.

Advised a leading online mass-retailer on its sourcing agreements with various suppliers of consumer products sold on the retailer’s website, including analyzing relevant back-to-back provisions required due to exposure of the retailer to consumer regulations.

Successfully negotiated the close of a CPSC investigation of our client, a large toy retailer, and a manufacturer after both parties argued over liability without either entity notifying CPSC of the problem. The manufacturer was deemed responsible for the problem.

Advised various manufacturers and retailers of electronics and consumer appliances on privacy and data breach matters, including pre-litigation advising and risk assessment, with the support of our Privacy and Cybersecurity practice group.

Advised a major retail industry association on CCPA compliance issues, including preparing sample transparency disclosures for members.

Advised a global apparel manufacturer and retailer regarding various newly enacted New York county-level laws prohibiting sale of children’s products and apparel containing certain chemicals.

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Strategic communications

Consumer companies are especially vigilant about protecting their brand reputation with customers and the broader public. Indeed, consumer companies’ enterprise value may be almost entirely comprised of the value of its brand reputation. So, what should companies do when legal counsel, acting to protect their legal interests, provides advice that is not harmonized with that of communications advisors who are working to protect the brand?

When issues arise, it is important for a company and its advisors to speak with one clear and coherent voice to the equally important legal, regulatory, and customer audiences and reflect the company’s brand values in all of its communications. This is especially true for a response to a potentially negative legal or reputational event. In these situations, a company should put the culture and values for which it stands on full display, whether in its public relations and marketing or for crisis communications. Brand purpose can be harnessed to help consumer companies weather or prevent a storm.

The consumer sector faces unique reputational challenges because the situations requiring communications can be so complex. Incidents surrounding sustainable sourcing and supply chain management, advertising and labeling, business and human rights, and social impacts create reputational exposure when considering the vast media and social media impacts even a small situation can spark.

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Our values

Our five values are a fundamental part of who we are: they reflect the principles by which we conduct ourselves, shaping what we do and how we do it. They are also real and reflect the ethos of our legacy firms.

Clients come first

Our aim is to satisfy our clients through a deep understanding of their needs, their businesses, and their industries, and by providing excellent, responsive, and innovative service.

Excellence in all we do

We combine technical excellence in our work with a business-oriented approach, the highest level of integrity, and a focus on solutions.

One team worldwide

We act as an integrated team across our entire firm worldwide, working together in an atmosphere of mutual respect, collegiality, and friendliness.

Commitment to our firm’s success

We put intense effort into our work and actively look for ways to deliver the best results for our clients and so for our firm.

Good citizenship

We embrace our responsibility to give back to our communities through pro bono and community service work and we are committed to a diverse workforce that is inclusive and welcoming.

These values guide us as we continue to build Hogan Lovells into a major force in the global legal marketplace. They are embedded into the operations of our business as well as our underlying culture.
Your Consumer team

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