



## Industrials

The industrials sector is continually evolving and crossing borders. Global economic uncertainty, political instability, and its impact on trade, climate change, digitalization, automation and disruptive business models are just a few of the many challenges businesses in the industrials sector are currently facing.

Prudent businesses in this rapidly changing sector turn to lawyers who have cross-disciplinary knowledge and on-the-ground presence in local markets, who are able to advise clients on their day-to-day and strategic concerns wherever they choose to do business. With offices in over 40 countries throughout the world, we offer a dedicated team that understands the sector, the challenges it faces and the pragmatic, cost-effective solutions that work for our clients. We are proud to support the diverse needs of our global client base, which includes many of the most successful industrial companies worldwide across our core areas:

- Aerospace and defense
- Automotive
- Chemicals
- Manufacturing

We help our clients on important issues affecting the industry, such as:

- Acquisition, asset and export finance
- Brand protection, patents, licensing and IP
- Commercial and procurement contracts and outsourcing
- Cybersecurity
- Data protection
- Digitalization and IoT
- HR, employment, employee benefits and pensions
- Litigation and arbitration
- M&A and international corporate restructurings (ICR)
- Product compliance and safety
- Real estate and real estate finance
- Regulatory advice, including on environmental, health and safety (EHS) matters
- Restructuring
- Risk, governance and compliance, including anti-bribery and corruption
- Supply chain management, including distribution/agency agreements and contracts
- Tax, including import and export, transfer pricing and sanctions

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### RELATED SERVICES

- 企業法務
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- 知的財産、テクノロジー
- 国際取引、規制及び政府関連業務
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- Pensions and Reward
- Product Liability, Mass Torts and Product Stewardship
- プロジェクト、エネルギー、インフラ
- 不動産

### Publications

#### **Country-specific guidance on the transfer pricing implications of the COVID-19 pandemic**

4 March 2021

Businesses may wish to consider the guidance from several countries on the appropriate transfer pricing treatment for governmental subsidies related to the COVID-19 pandemic.

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#### **Corruption Perceptions Index 2020 - a regional perspective**

11 February 2021

Last week Transparency International launched the 2020 edition of its Corruption Perceptions Index (CPI), which ranks 180 countries and territories by their perceived levels of public sector corruption, according to experts and business people, using a scale of zero to 100 (100 being very clean and zero being highly corrupt).

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#### **No firing for lighting up? Cannabis in the workplace**

28 January 2021

Appropriately addressing cannabis usage in the workplace while navigating anti-discrimination protections for workers.

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#### **The Qualified Maquiladora Approach Agreement has been renewed: Implications for multinationals' transfer pricing**

26 January 2021

US-based multinationals using the maquiladora structure to manufacture goods in Mexico are taking note.

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#### **China's Blocking Rules: New trade-compliance dilemmas for third-country companies**

25 January 2021

The Blocking Rules respond to the increased use of "secondary" economic sanctions and export controls by the US.

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#### **Understanding the OECD's guidance on the transfer pricing implications of the COVID-19 pandemic**

5 January 2021

A practical look at the new OECD guidance.

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#### **Boardroom Brexit: What the deal means for trade in goods**

31 December 2020

### **BOARDROOM BREXIT**

What will the Trade and Cooperation Agreement mean for tariffs and quotas, rules of origin, technical barriers to trade, customs

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and product standards

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### **Climate activism: Status check and opportunities for public companies**

14 December 2020

The systemic risk of climate change is being discussed and managed in board rooms around the world.

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### **Cyberfrauds and Cyberattacks: Remote Working Posing Increased Risks and How to Stay Protected**

14 December 2020

Cybercriminals are becoming more sophisticated in the ways they facilitate cyberfrauds, with the increasing use of personalised messages on instant messaging platforms such as WeChat or WhatsApp and socially engineered phishing emails to deceive recipients to transfer funds, disclose sensitive information or click on malicious links.

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### **US DOT issues groundbreaking proposals for regulation of automated driving systems, seeks input**

11 December 2020

The rulemaking initiates an important new chapter in autonomous vehicle development and commercialization in the US.

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### **REACH 2.0 – New EU Chemicals Strategy for Sustainability**

10 December 2020

Chemicals are omnipresent in our everyday life and play a fundamental role as building blocks in technologies, materials and products. However, chemicals with hazardous components can also cause damage to human and animal health and the environment.

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### **Contracting for the climate: The Climate Contract Playbook is a trove of climate clauses**

11 November 2020

Contracts have become an essential vehicle for companies seek to mitigate their environmental risks and limit their carbon footprints.

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### **Coronavirus: Directors' duties and making decisions in a crisis**

2 November 2020

Directors need to carefully consider how to address the risks of the ongoing Covid-19 pandemic within their business, given its impact on the global economy. As many companies are continuing to face significant, and increasing, cash flow pressure, directors should carefully consider their actions in the context of the legal framework.

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### **Replacing NAFTA: What the USMCA means for the future of North American trade and investment – a Q&A**

26 October 2020

Contributors from the US, Mexico and Canada discuss several key considerations.

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## **China Enforces Tax Collection on Employees Working for Chinese-invested Enterprises Overseas**

16 October 2020

With the recent IIT reform in 2019, and the introduction of a number of implementation rules (particularly the tax policy on overseas income), it appears the China tax authorities are taking a harder stance on how overseas income derived by China tax residents will be taxed in China, starting with Chinese expatriates working for Chinese state-owned enterprises.

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## **Hong Kong Employment Law Update**

16 October 2020

In this article, our Hong Kong Employment team provides an update on the Government's efforts to enforce clawback and penalties in respect of the first tranche of the Employment Support Scheme and statutory maternity leave increasing to 14 weeks from 11 December 2020.

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## **COVID-19 – Galvanising your business against supply chain and customer insolvency risk**

7 October 2020

The risk of unforeseen counterparty customer or supplier financial distress and failure amidst the on-going challenges for businesses from COVID-19 means that pre-emptive legal and operational protections against the risk of heavy financial loss or business disruption from customer/supplier failure are more valuable than ever.

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## **Mass layoffs and collective redundancies guide**

6 October 2020

As COVID-19 continues to impact the global economy in unprecedented ways, companies that have had to scale back or shut down operations are bracing for what the next few months will bring, and what this means for their workforces. In this guide, we examine key considerations for employers looking to make permanent reductions in force across APAC.

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## **Recent Breakthroughs for Foreign Arbitration Institutions in China**

5 October 2020

On 7 September 2020, the State Council has further published the "Work Plan for Deepening Comprehensive Pilot and New Round of Opening-Up of Services Sectors in Beijing and Building Comprehensive Demonstrative Area of Opening-Up of State Service Sectors" further allowing foreign arbitration institutions to provide arbitration services in Beijing.

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## **China lifts further travel restrictions for certain foreigners**

28 September 2020

Effective from 28 September 2020, China will allow foreign nationals holding three categories of valid Chinese residence permits (work, personal matters, and reunion) to enter China with no need for applying for new visas. This is a further lifting of travel restrictions for foreigners who have the need to return to China.

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## **Human rights compliance programmes in the Industrials sector**

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10 September 2020

The risk of adverse environmental, social or human rights impacts is one that Industrials businesses will be familiar with.

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### **Human rights compliance programmes: Why now?**

10 September 2020

Businesses are increasingly required to identify and manage their involvement in adverse environmental and social impacts throughout their organisations and supply chains. Previously, drivers for developing human rights compliance programmes have included reputation risk and compliance with best practice and “soft law” standards.

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### **Can Australia forget about investment from China?**

8 September 2020

This article is based on a series of interviews with clients and colleagues based in mainland China, and explores the attitudes of Chinese businesses to overseas investment generally, and into Australia in particular. There was high degree of consistency in responses from clients on their investment plans, and perceived barriers to investment in Australia. The overall picture painted was one of businesses and investors still interested in overseas investment in certain sectors and in certain markets, but who are currently adopting a “wait and see” approach given travel restrictions and a significant level of uncertainty in global markets.

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### **Details of the second tranche of Hong Kong’s Employment Support Scheme released**

24 August 2020

On 18 August 2020 the Hong Kong government announced details surrounding the second tranche of the Employment Support Scheme. While the majority of the rules surrounding the second tranche remain largely the same as the first tranche, there are new penalties for employers who have fallen foul of a number of nebulous terms.

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### **Construction Market and Construction Business Licenses in Japan**

13 August 2020

The Japanese construction market these days has been quite active due to, among other items, the upcoming 2020 Tokyo Summer Olympics (which are actually now to be held in 2021), integrated resorts (“IRs”) including casinos to be developed in Japan and 2025 World Exposition which will be held in Osaka. They attract not just Japanese construction companies but also overseas construction companies looking to develop projects in Japan.

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### **Release of exposure draft legislation for major reforms to Australia’s Foreign Investment Framework**

10 August 2020

Many governments around the world have been strengthening their laws relating to foreign investment. Australia is no exception to this development and has just released proposed sweeping reforms to its foreign investment regime. In this article, we provide a high level overview of the key proposed amendments and our thoughts on how some of those proposals are likely to affect foreign investment into Australia.

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### **Hong Kong Government increases statutory entitlement for maternity leave**

16 July 2020

On 10 October 2018, the Chief Executive stated in her policy address that the government proposed to increase the statutory maternity leave entitlement from ten to 14 weeks.

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### **DC Circuit issues opinion on sovereign immunity defenses to the enforcement of arbitration award against foreign states**

1 July 2020

Foreign states might not only be able to rely on the doctrine of sovereign immunity to protect themselves from final judgments, but also to avoid the burdens of litigation itself.

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### **Are you ready for the USMCA? Customs-related takeaways on key changes from NAFTA**

30 June 2020

Claiming USMCA duty advantages – practical considerations.

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### **Changes to Hong Kong anti-discrimination legislation**

30 June 2020

Anti-discrimination laws in Hong Kong have undergone a series of changes over the past few years.

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### **Australia tightens rules on foreign investment**

17 June 2020

In this article we summarise the tax-related developments from early June 2020, as Australia takes a more stringent approach towards compliance procedures involving foreign investments.

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### **Preparing for global class actions arising from COVID-19**

28 May 2020

The risk to companies of global and cross-border class action and collective redress proceedings is rising.

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### **US takes action to abate tariffs and duties in wake of COVID-19**

8 May 2020

US importers may consider navigating the various tariff exemptions and deferrals in several ways.

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### **BIS announces three new rules that place significant restrictions on exports to China**

7 May 2020

These rules will subject many products and technologies to new US export control licensing requirements.

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## **Coronavirus: Changes to rules governing meetings and the execution of company documents (Australia)**

7 May 2020

Certain requirements in the *Corporations Act 2001* (Cth) (**Corporations Act**) relating to shareholders meetings, and document signatures, are not compatible with public health requirements for social distancing during the coronavirus pandemic. In order to facilitate these important corporate functions during this period, on May 6, 2020 the Australian Federal Government introduced the Corporations (Coronavirus Economic Response) Determination (No. 1) 2020.

This determination modifies the legislative requirements regarding meetings and execution of company documents. These changes come into force on 6 May 2020, and will expire after six months, on 5 November 2020.

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## **Coronavirus: Directors' duties and making decisions in a crisis (Australia)**

4 May 2020

Directors need to carefully consider the risks of the COVID-19 outbreak within their business, given its impact on the global economy. As many now face significant, and increasing, cash flow pressure, directors should carefully consider their actions in the context of the legal framework.

In this new guide we have set out the practical steps directors should be taking to protect their company and its business going forwards.

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## **US securities regulators focus on China and emerging markets: Further risk and disclosure considerations are necessary**

4 May 2020

Key takeaways for China-based US-listed companies.

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## **Post-COVID-19: What to expect in the "next normal"**

30 April 2020

Issues that are front of mind, based on an informal survey of some of the largest companies and most influential global business leaders.

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## **EPA and CalEPA guidance on field activities during COVID-19 focuses on agency communication, deadlines and flexibility**

24 April 2020

EPA wishes individual regions to communicate directly with their regulated communities to ensure reasonable expectations for ongoing field work; meanwhile, CalEPA may fill gaps in EPA's enforcement.

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## **Puerto Rico's Emergency Paid Sick Leave Act is in force**

16 April 2020

The Act will also apply in case of future epidemics in which the Puerto Rican government declares a state of emergency.

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## **Australia's JobKeeper stimulus package: what you need to know**

14 April 2020

Australia's 'JobKeeper' stimulus package is now law – it is designed to assist Australian businesses that have experienced a substantial decline in turnover due to the COVID-19 pandemic, in particular, by subsidising wages of their employees.

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## **Australian Federal Government short-term amendments Fair Work Act 2009**

9 April 2020

On 8 April 2020 the Federal Government passed short-term amendments to the Fair Work Act 2009 (Cth) to give effect to the JobKeeper wage subsidy scheme announced on 30 March 2020 and provide employers who have qualified for this scheme with greater flexibility in dealing with issues arising in relation to the Coronavirus COVID-19 pandemic.

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## **Contract analysis in a crisis: flowcharts**

7 April 2020

Flowcharts providing considerations for analyzing commercial contracts in the context of the COVID-19 pandemic through a logical process flow that can serve as a practical checklist.

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## **Cost-cutting considerations in the time of COVID-19 (Part 3 – employment issues outside the US)**

7 April 2020

A deeper dive into various cost-saving measures and their viability for employers outside the US.

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## **COVID-19 and the "essential business" designation: Practical guidance for businesses that fall in the gray area between "essential" and "non-essential"**

6 April 2020

Certain frequently asked questions as well as practical guidance.

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## **Beyond social distancing: What employers need to know to keep their workplaces safe and manage privacy obligations in the face of COVID-19**

2 April 2020

Guidance from OSHA, EEO and CDC to help employers seeking to protect the health, safety and privacy of their on-site employees.

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## **Coronavirus: Cybersecurity considerations for your newly remote workforce (United States)**

31 March 2020

Cyber risk management involves balancing the productivity of a workforce with ensuring confidentiality, integrity and availability of the company's own systems and data, as well as that of their supply chain.

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## **Coronavirus: DHS Response to COVID-19 - What US Employers Need to Know**

29 March 2020

Key questions and answers related to the new DHS guidance.

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## **Coronavirus: Cyber hygiene practices**

25 March 2020

While the world is responding to the coronavirus disease 2019 (COVID-19), and individuals are increasingly focused on personal hygiene and social distancing, augmenting cyber hygiene efforts at home and at work are increasing in importance too.

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## **Coronavirus: Employee furloughs, reductions-in-force and similar temporary cost-saving measures (Part 2 – Employment issues outside the US)**

25 March 2020

A general overview of key employment issues to consider outside of the US in light of COVID-19.

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## **Coronavirus: Employee furloughs, reductions-in-force and similar temporary cost-saving measures in the US - Part 1**

25 March 2020

Key employment-related issues for US-based employers in relation to cost-saving measures due to COVID-19.

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## **Coronavirus: Several state and local governments issue “shelter in place” orders (United States)**

23 March 2020

Between March 17 and 22, state and local governments have promulgated at least a dozen “Stay-at-Home” / “Shelter-at-Home”-type Orders. This alert provides details on a number of state and local government orders.

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## **90-day deferral for US federal income tax payments**

20 March 2020

Those who decide to defer their federal tax payments will be able to do so on a penalty-free and interest-free basis, with penalties and interest beginning to accrue for payments submitted after July 15, 2020.

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## **Coronavirus: Federal government stimulus response – Massive stimulus package may move through US Congress at “warp speed”**

19 March 2020

The economic stimulus package taking shape may be the biggest one ever.

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### **Coronavirus: executive summary - key highlights from Washington (March 19, 2020) (United States)**

19 March 2020

Key highlights for March 19, 2020.

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### **Coronavirus: emergency response legislation passed by the Senate; additional stimulus and tax relief expected soon (United States)**

18 March 2020

The US Senate is expected to pass, on March 18, comprehensive legislation to help families and businesses impacted by the coronavirus disease 2019 (COVID-19) pandemic.

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### **US employee benefits and the coronavirus**

17 March 2020

Some of the many benefit plan issues that employers are facing.

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### **Coronavirus: Congress expected to pass expanded paid leave (United States)**

16 March 2020

The paid leave requirements in the current version of the Families First Coronavirus Response Act.

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### **Coronavirus: federal and state tax relief (United States)**

16 March 2020

Congress and state legislatures and administrative agencies are working hard to provide necessary tax relief for those affected by the coronavirus disease (COVID-19) pandemic.

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### **Coronavirus (COVID-19): ten practical steps for global employers, right now (Global)**

13 March 2020

These steps are not based on laws of any one jurisdiction but rather are designed to provide a global employer with themes to consider, understanding that what may be suitable for each employer may vary greatly depending on the employer's unique circumstances.

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### **Defending your supply chain against coronavirus COVID-19 (United States)**

9 March 2020

An action plan that companies can implement to make strategic decisions related to potential supply chain disruptions.

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## **Court of International Trade blocks expanded Section 232 tariffs on certain US imports, prompting others to take legal action**

4 March 2020

The first injunction in an appeal filed by a US importer challenges the expansion of the tariffs on constitutional and procedural grounds.

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## **Coronavirus COVID-19 and corporate governance (Australia)**

18 February 2020

The coronavirus COVID-19 outbreak and ensuing government restrictions raise corporate governance concerns and create areas of risk across the ESG spectrum that should be considered by companies and their directors and officers.

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## **When is an outbreak an act of God? Mitigating commercial and operational risks during the COVID-19 crisis (Global)**

13 February 2020

A close look at a standard but often overlooked "act of God" or force majeure clause in contracts may provide some insight into options for mitigating commercial and operational risks during the ongoing health crisis.

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## **An update on the impact of the coronavirus on business in Singapore**

12 February 2020

Due to the evolving 2019- nCoV acute respiratory disease (the COVID-19) situation, the Ministry of Health (the MOH) and the Ministry of Manpower (the MOM) have, since January 2020, issued advisories which employers will need to be aware of. In particular, the MOH and MOM have, since our last update on February 12 2020, updated and issued new advisories due to the increased risk of importation of COVID-19 into Singapore.

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## **COP25's key outcome: adoption of the San Jose Principles on carbon market mechanisms – takeaways for business**

12 February 2020

Ambitious countries are not waiting for full consensus on carbon markets.

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## **Coronavirus COVID-19: The legal impact on force majeure events (Australia)**

12 February 2020

Key considerations for parties that may wish to declare a force majeure event or dispute the declaration of a force majeure event by a counterparty in relation to coronavirus COVID-19.

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## **Hong Kong Government introduces mandatory quarantine measures**

11 February 2020

On 9 February 2020, the number of deaths due to the rapidly spreading coronavirus in Mainland China officially surpassed the figure seen during the 2002/2003 SARS epidemic.

Numerous governments have been implementing restrictions barring entry to those with recent travel history through Mainland China, including Singapore, Japan, Australia and the United States. Following pressure from public health workers, the Hong Kong Government has now followed suit and has begun a mandatory two-week quarantine for anyone arriving from Mainland China.

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### **How to resume business amid the coronavirus outbreak (China)**

11 February 2020

As reported in our previous article, China has extended its Chinese New Year holiday and work suspension period as a result of the novel coronavirus outbreak which has now infected more than 40,000 people around the world.

This is a summary of the Back to Work Day and compensation for working before Back to Work Day in key cities and provinces across China.

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### **Long-awaited changes to export controls for firearms and ammunition have arrived**

6 February 2020

This new regulatory scheme will create a transition burden on industry, but it will result in more flexible regulatory obligations overall.

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### **APAC employment issues arising out of the Coronavirus (AsiaPac)**

31 January 2020

On 29 January 2020, the number of confirmed cases of the rapidly spreading coronavirus in Mainland China officially surpassed the figure seen during the 2002/2003 SARS epidemic.

Multinationals with local operations around the APAC region have been significantly affected. As staff return to the office following the Chinese New Year holiday period, businesses are now considering what they can do to minimise any risk to health and safety and support staff through this challenging period where anxiety and uncertainty is rife, whilst at the same time complying with their employment obligations and maintaining business continuity. Putting in place detailed business and contingency plans and ensuring careful communications with staff to address key topics and concerns is key, as is keeping such plans and communications under frequent review given the fluidity of the current situation.

This alert considers some of the key issues that HR and business leaders should be considering across the APAC region.

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### **The President announces expansion of Section 232 tariffs expected to affect millions of dollars in US imports**

30 January 2020

The Proclamation authorizes the Department of Commerce to establish a process for requesting exclusions for affected parties located inside the US.

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## **Harsher penalties on discriminatory employment practices in Singapore**

29 January 2020

The Fair Consideration Framework was updated in January 2020 to impose harsher penalties on employers found to be engaging in discriminatory practices such as by favouring the hiring of foreigners over Singaporeans.

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## **China extends holidays for workers amid coronavirus outbreak (China)**

28 January 2020

Learn about how the widely publicised corona virus outbreak affects business in Greater China.

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## **The almost free US-Japan Trade Agreement is now in effect**

9 January 2020

This trade agreement reduces or eliminates US customs duties on numerous goods.

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## **Beginning October 11, 2019: opportunity to obtain temporary reduction or suspension of US import duties**

7 October 2019

Miscellaneous Tariff Bill petitions can be submitted to the ITC until 5:15 pm EST on December 10, 2019.

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## **US Trade Representative imposes additional tariffs on EU goods following WTO decision in Airbus subsidies dispute**

7 October 2019

This decision marks the resolution of a 15-year WTO dispute over US claims of illegal subsidies to support Airbus production.

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## **Australian Taxation Office publishes important guidance on cross-border tax measures**

29 August 2019

In this article we analyse guidance published by the Australian Taxation Office on important Australian international tax measures that affect foreign investments in Australian structures and other cross-border transactions.

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## **The states look at autonomous vehicles**

24 July 2019

Many US states are experimenting with a wide range of approaches to autonomous vehicles, some cautious and others more ambitious.

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## **March 2019 - Key issues in brand cross-licensing in China**

20 MAR 2019

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In recent years, Chinese brands have been increasingly gaining global recognition, especially in the technology, ecommerce, and consumer goods sectors. In this context, an increased number of foreign businesses are considering branded partnerships with a Chinese counterparty as a way of operating in China (e.g., co-branded joint venture). In recent years, Chinese brands have been increasingly gaining global recognition, especially in the technology, ecommerce, and consumer goods sectors. In this context, an increased number of foreign businesses are considering branded partnerships with a Chinese counterparty as a way of operating in China (e.g., co-branded joint venture).

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### **PFAS: in California, regulators put cleanup levels on hold, but announce major data hunt**

7 MAR 2019

This data hunt will affect thousands of facilities, drinking water systems and private drinking water well owners.

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### **Slavery in the supply chain: new corporate reporting obligations for companies**

9 DEC 2015

#### **HEALTH, SAFETY AND ENVIRONMENTAL MATTERS SERIES**

The UK's Modern Slavery Act 2015 is in force, imposing on companies new reporting requirements and new enforcement powers, including the creation of an Independent Anti-Slavery Commissioner.

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## **EVENTS**

### **Previous**

### **EDPB recommendations for safeguarding data transfers after Schrems II**

19 November 2020

Webinar

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## **NEWS**

### **DLA Piper advises Heidelberger Druckmaschinen on the sale of MIS software provider CERM**

6 August 2020

DLA Piper has advised Heidelberger Druckmaschinen AG (Heidelberg) on the sale of CERM, a global provider of Management Information System (MIS) software for the printing industry, in a Management Buyout (MBO).

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## **DLA Piper advises Heidelberger Druckmaschinen AG on the restructuring of the company pension scheme**

2 July 2020

DLA Piper has advised Heidelberger Druckmaschinen AG on the restructuring of the company pension scheme, covering all employees in Germany. This was agreed by the Management Board and employee representatives of the company together with the IG Metall trade union.

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## **DLA Piper announces partnership promotions for 2020**

30 April 2020

DLA Piper is proud to announce that 67 lawyers have been promoted to its partnership. The promotions are effective as of April 1, 2020 in the United States and May 1, 2020 for EMEA and Asia Pacific. The promotions have been made across many of the firm's practice areas in 35 different offices throughout 13 countries.

Across the firm's practices globally, Corporate saw the largest intake of new partners with 19 promotions, followed by Litigation and Regulatory with 15. Intellectual Property and Technology and Finance and Projects had ten and eight promotions respectively, while there were six in Real Estate. Tax and Employment both had four, and there was one in Restructuring.

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## **DLA Piper lawyers named Acritas Stars**

10 March 2020

Acritas has named over 200 DLA Piper lawyers as 2020 Acritas Stars. Now in its fourth year, Acritas Stars highlights the stand-out lawyers in private practice as nominated by clients around the world. More than 3,000 senior in-house counsel feed into the nomination process to give a comprehensive view of highly recommended lawyers across the globe.

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## **DLA Piper announces launch of Artificial Intelligence practice**

14 MAY 2019

DLA Piper announced today the launch of its Artificial Intelligence practice, which will focus on assisting companies as they navigate the legal landscape of emerging and disruptive technologies, while helping them understand the legal and compliance risks arising from the creation and deployment of AI systems.

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## **Sustainability and ESG**

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Businesses in the industrials sector face diverse and complex sustainability and ESG challenges, depending on where they are in their sustainability journey. While the sector has been quick to adapt to technological changes, it is now being tested by more sweeping changes in the transition to sustainability – affecting the business model, strategy and operations.

The focus of the manufacturing, automotive and chemicals industries has been on environmental issues, such as energy and waste management, reducing greenhouse gas emissions and improving efficiency of design and resource use throughout the product life cycle. Companies in aerospace and defense have been predominantly grappling with social and governance issues, such as demonstrating their commitment to human rights, anti-corruption, business integrity and transparency.

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The following key sustainability themes cut across the industrials sector:

- **Towards a circular economy:** Businesses in industrials have been reassessing materials sourcing, energy use and waste management in line with circular economy principles. Some companies have gained revenues, market leverage and consumer support from making improvements to product design and life-cycle management which increase sustainable sourcing and material reuse while striving for a zero-waste supply chain. The automotive industry, for example, has responded to consumer demand for open business models and closed-loop value chains, with some car companies upcycling used materials to reduce total emissions.
- **Towards a low-carbon economy:** The industrials sector also has a leading role to play in driving the transition to a net-zero future. The overall environmental impact and carbon footprint of the sector remains significant, considering the high consumption of energy and resources and hazardous waste management involved in business operations. Some reductions in greenhouse gas emissions have been achieved through operational efficiencies, including energy efficiency, waste reduction and the increasing use of renewable energy sources. While some companies have remodeled their business strategy and brand on environmental sustainability principles, it can be more challenging for others depending on their products, operations and hurdles that may limit immediate transition. Companies not focused on identifying transition opportunities risk regulatory action, consumer backlash, investor withdrawals and/or litigation – as potential for loss of value as well.
- **Improving product quality and safety:** For companies in the chemicals business, a customer-centric approach has been essential for focusing on public trust following concerns with product quality and safety, marketing practices and concerns of potential anti-competitive behavior. The manufacturing and automotive industries have also had to address rising consumer expectations on demonstrating product quality and safety, in addition to meeting regulatory compliance standards.
- **Improving employees' health and safety:** There are growing demands from employees for industrials companies to assure occupational health and safety, given the nature of the work and risk of critical safety incidents if safety processes and procedures are not thorough and followed. The most successful companies have proactively put in place internal procedures to ensure workplace health and safety beyond what is required by law, thereby minimizing potential for injury claims and reputational risks.
- **Developing internal procedures to prevent crises:** Companies in the defense industry are particularly exposed to human rights abuse allegations and other ethical issues. However, such controversies have decreased in recent years as several companies have established internal systems to prevent complicity in human rights violations, especially in relation to arms proliferation in conflict areas. The most successful of these include human rights due diligence processes which go beyond the minimum required by government licensing regimes.
- **Improving transparency and reporting:** Across the industrials sector, there is a shift towards mandatory sustainability and climate-related reporting and disclosure obligations, such as on carbon emissions and energy use. More broadly, transparency is an important issue for the aerospace and defense sector, considering the sensitive nature of the business and vulnerability to corruption risks. In this subsector, a small but growing proportion of companies have taken a proactive approach to increasing transparency and integrity measures and preventing corruption.

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To discuss the implications of these issues for your business, please contact our ESG leaders.