



## 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

## Sustainability and ESG

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- 公司
- 金融
- 知识产权与技术
- 国际贸易、法规及政府事务
- 诉讼、仲裁和调查
- 退休金和奖励
- Product Liability, Mass Torts and Product Stewardship
- 项目、能源和基础设施
- 房地产
- Corporate Disputes

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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.

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.