

LEGAL AND PRIVACY

Luxury brands must prepare to measure, disclose sustainability actions

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French conglomerate LVMH has been openly committed to sustainability for a number of years. Image credit: LVMH

By NORA HOWE

As the world looks to rebuild in the wake of the COVID-19 pandemic, new legislation and political priorities will push sustainability to the center of economic development.

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During **Positive Luxury's** Power Series webinar on Feb. 25, legal and sustainability experts from global law firm **Baker McKenzie** discussed policy change in regards to environmental development. Speakers examined what this legislation will look like and what the implications are for companies across various sectors.

"Everyone is focused on climate change," said Alyssa Auberger, chief sustainability officer at Baker McKenzie, Paris. "But in terms of what will actually happen [with climate change] will depend on businesses."

Legislative push

Many plans and proposals for sustainability are in motion, especially in the United States and European Union what the panelists referred to as "soft laws" but these aspirations will soon become legitimate policies.

Businesses must be prepared to follow new rules and expectations, such as disclosing carbon emissions information and making efforts to eliminate forced labor among supply chains.

"[Businesses] will want to be ready now because they do not want to be caught off guard when all of this becomes hard law," Ms. Auberger suggested.

The U.S. has already seen some progression towards the adoption of hard laws, with the new administration ordering that the country rejoin the Paris Agreement, after former president Donald Trump backed out of the climate accord in 2017 ([see story](#)).



Bentley employee pumps biofuel. Image courtesy of Bentley Motors

Through executive orders, President Joe Biden has reversed multiple Trump administration environmental policies, including carbon emissions strategies, energy efficiency standards and supply chain cleanliness.

"The [Biden] administration ordered a 100-day government review of vulnerabilities in the U.S. supply chain for critical items like computer chips, medical gear or specialized minerals," said Reagan Demas, partners of international commercials and trade practice at Baker McKenzie, Washington, DC. "A small part of this is a political play, but it's also just a reset."

There are multiple proposals being drafted and presented to Congress, such as the "Slave-Free Business Certification Act," that would target trafficking and forced labor, and require CEOs to certify a complete absence of slave labor across all tiers of their supply chains.

"This would be significant, if it passes," Mr. Demas said. "Think about how deep these supply chains run for companies right now, CEOs have no idea what's going on at some of those levels."

Additionally, two laws have been proposed to both the House and the Senate that would essentially require companies to disclose any information in regards to climate change: how they are specifically impacting the environment and concrete ways they plan to reduce their climate footprint.

"These measures go well beyond any soft law requirements," Mr. Demas said. "We're talking about if you don't do this, you're in trouble."

To prepare themselves for these inevitable legal requirements, businesses should first establish a system that allows them to measure their actions and collect data.

"It's all about data," Ms. Aubergr said. "Businesses need to be thinking about their entire operational chain and what kind of data they can actually prove."

"[They] need to start tracking and recording what [they] have," she said. "No matter what is it, metrics should be [their] focus."



Prada and UNESCO have collaborated on an initiative that raises awareness on ocean preservation and sustainability within schools around the world. Image credit: Prada Group

Finally, both panelists stressed the importance of transparency, and how businesses who "bury their heads in the sand" will only open themselves up to consumer and regulatory litigation risks. While collecting and substantiating

data will be hard work for many companies in the short term, the panelists suggest the long-term legal consequences of not doing so are far more detrimental to business.

Preparing for the inevitable

As policymakers around the world draft legislation and governments begin enacting new laws aimed at mitigating rapid climate change, many brands across all sectors have become more transparent about their efforts toward environmental sustainability.

French luxury conglomerate [LVMH Mot Hennessy Louis Vuitton](#) is hoping to inspire brands and policymakers with its Life 360 sustainability strategy, which addresses the environmental approach from manufacturing through in-store experiences. During the opening ceremony of LVMH's first Climate Week in December 2020, executives shared the framework of Life 360 as the group moves to intensify its environmental policy.

The new strategy sets three key deadlines 2023, 2026 and 2030 and revolves around four product-focused pillars: protect biodiversity, fight climate change, a circular economy and transparency ([see story](#)).

In November 2020, British automaker Bentley Motors revealed its Beyond100 strategy, outlining ways in which the marque will continue to invest in environmentally-friendly efforts ([see story](#)). Since then, Bentley has become the first luxury auto company to run its in-house logistics on 100 percent renewable fuel ([see story](#)).

"Whatever claims a business is making need to be substantiated," Ms. Auberger said. "A consumer is going to be more tolerant if a business is honest and transparent.

"Businesses need to benchmark themselves, they need to be able to collect and present the data and they need to substantiate any claims they make."