

FOOD FOR THOUGHT

# As Activism Grows, Food and Beverage Companies Must Respond

The ongoing COVID-19 pandemic has already presented significant financial, operational, and workforce challenges for the food and beverage industry. And companies now face another challenge: social activism and civil unrest.

Recent events — including the deaths of George Floyd in Minneapolis, Rayshard Brooks in Atlanta, and others around the country — have driven accelerating momentum for the Black Lives Matter movement and widespread protests across the US and in other countries. Demonstrations in cities and smaller communities have generally been peaceful, but at times have been accompanied by violence and property destruction.

At the same time, social media and the internet have become essential vehicles through which activists are seeking change and for businesses to take a stand on a range of social issues, including racial injustice and gender diversity. Activists have also demanded that food and beverage brands retire some enduring brand names and images that are perceived as racially insensitive.

Black Lives Matter and other social movements are not new. But the intensification of their efforts this year — supported by the public and joined at times by employees, shareholders, and others — coincides with the COVID-19 pandemic, which has put a spotlight on many brands, including food and beverage companies.

Given the many choices that consumers have, such activism can significantly harm these companies' people, property, reputations, and bottom lines even if not directly aimed at them. And it's vital that they think ahead about how their people, operations, and finances may be affected and take steps to prevent, mitigate, and respond.

## Managing Reputational Risk

Modern consumers are increasingly willing to “vote with their wallets” — choosing to purchase (or not purchase) goods based on their espoused values. Similarly, investors and workers are increasingly making critical choices based on their perceptions of companies.

Even if your company has not yet been affected by recent activism, you should consider forming a crisis management team that includes senior leaders from departments across the organization, including risk management, marketing and communications, legal, and human resources.

Once activated, this team should:

- **Catalog potential impacts on people, organizations, and finances.** These impacts can vary, ranging from an isolated incident — such as a protest or looting — at a single location to a campaign waged on social media — for example, #boycottABCInc — that can cause substantial financial and reputational harm.

- **Develop and test how you would gather information to proactively address or respond to a specific scenario.** The team should also identify which member(s) will engage activists, consumers, and others in person, via traditional media, and on social media.
- **Pay attention to communications, including the right tone for your messaging.** Activists view the problems they are protesting against as long-term and systemic; if your response is seen as insensitive, inadequate, or hasty, the reputational and financial harm could be severe.

## Protecting People and Property

Food and beverage companies' employees and physical properties could come under threat by activists and others, whether they are targeting specific organizations and locations or amid wider rioting and looting in cities and smaller communities.

Among other items, response plans should consider the following questions:

- Should specific locations consider closing or changing hours of operations? Under what circumstances should such decisions be made?
- If a company location is involved in unrest, should employees and customers shelter in place or evacuate?
- If a company location is involved in unrest, which employees, leaders, and others should be notified?
- Are any security concerns or critical decisions affected by operational changes the company has made because of COVID-19, such as expanding outdoor footprints?

In the event that one or more of your locations becomes involved in unrest, it's important to ensure that you have access to real-time information about which employees are working and where, and that you monitor communications from government authorities and local law enforcement agencies.

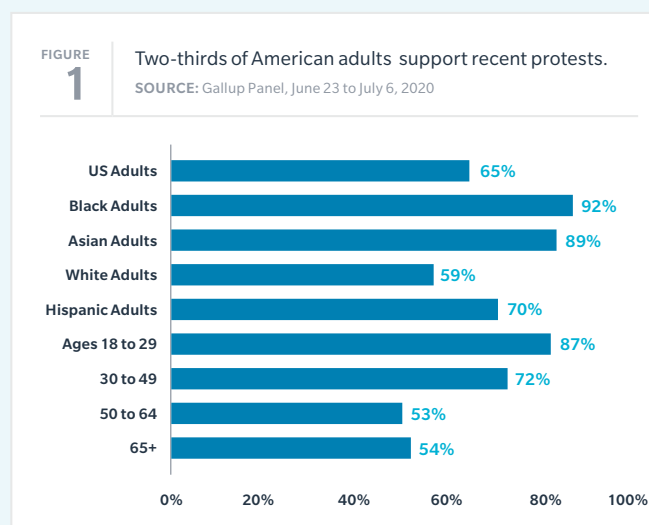
Before such unrest develops, you should also gather employees' personal email addresses, mobile numbers, and other contact information, so you can reach them through multiple channels, if needed.

Company leaders and local managers should be ready to protect customers, fellow employees, and properties amid unrest. But being unnecessarily confrontational could cause additional damage to your brands.

## Consumers, Employees, and Shareholders Support Activism and Corporate Responsibility

Although observers have cited many reasons why recent protests about racial injustice have had more success than past efforts by activists, it is clear that something has prompted more widespread support from the public, consumers, and employees. And it's emboldened activists to make greater demands today.

[A Gallup poll of American adults conducted in late July](#) found widespread support of nationwide protests that have occurred since the death of George Floyd (figure 1).



Driven in part by this shift in public opinion, activists for social justice have grown more ambitious. In addition to focusing on police forces and government entities, activists are now demanding that leading brands and other businesses embrace diversity and inclusion and take additional action toward ending systemic racism. Activists are also increasingly demanding action on related issues, including climate change and sustainability, among others.

These goals [largely align with those of shareholder activists](#), who have demanded in litigation that public companies address racial and gender diversity and climate change. Even before broader social activism emerged in 2020, these groups were making significant headway: In August 2019, [Business Roundtable published a statement](#) in which 181 CEOs — including many large food and beverage companies' leaders — committed to putting “the benefit of all stakeholders” first, before driving shareholder profits. Recent activism has also had an effect, prompting Business Roundtable to announce in June that it would form [a special committee “to advance racial equity and justice solutions.”](#)

Manager and employee training should include communication and safety, including avoiding engagement with activists, media, and others, and how to deescalate conflicts before they potentially turn violent. This is especially important as food and beverage companies face staff turnover, prolonged absences, and other workforce challenges brought about by the pandemic.

## Understanding Your Insurance Coverage

Ahead of potential unrest or targeted campaigns by activists, it's important to review a number of insurance policies that might potentially apply.

**Workers' compensation** insurance will generally respond to claims of 's work-related injuries. Other forms of casualty coverage will generally respond to claims from third parties, including customers and visitors to insured locations. A **general liability (GL)** policy may provide coverage for first aid to injured third parties, bodily injuries, and damage to the property of a third party; it may also fund the defense of lawsuits alleging negligence.

**Umbrella and excess** coverage may also respond, depending on the size of the loss.

Physical damage, such as broken windows and doors, will generally be covered under **property** insurance policies.

**Business interruption** coverage may also respond if an insured location is forced to close.

**Property terrorism** insurance might also apply, providing coverage for physical damage and business interruption resulting from acts that are motivated by politics, religion, or ideology.

**Political violence (PV)** insurance, meanwhile, provides coverage related to war, civil war, rebellion, insurrection, coup d'état, and other civil disturbances. PV policies also typically provide coverage for strikes, riots, and civil commotion; this coverage may also be included in all-risk property policies and may be added to terrorism policies through what is commonly called a SRCC extension.

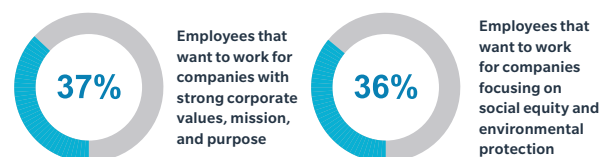


Activists' goals also mirror those of workers around the world. When making decisions about where to work, people often consider several factors, including compensation and advancement opportunities. But more than a third of employees globally now say they want their employers to demonstrate strong corporate values and commitments to ensuring social equity, according to [Mercer's 2020 Global Talent Trends Study \(figure 2\)](#).

FIGURE 2

Many employees are motivated by corporate responsibility.

SOURCE: Mercer 2020 Global Talent Trends Study

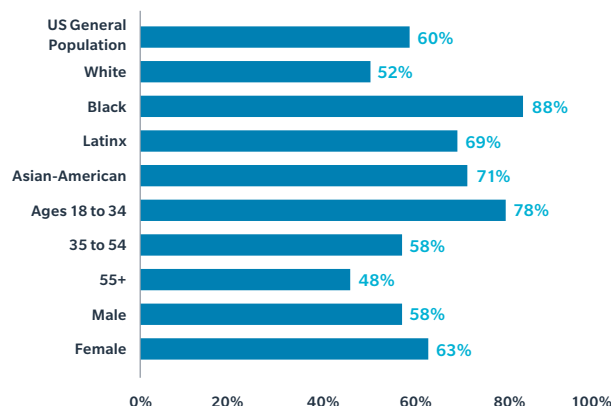


For food and beverage companies, perhaps most important is that consumers now also expect action. [Two-thirds of Americans surveyed by Edelman](#) in early June believe it's important for brands to ensure racial diversity within their organizations — and three-fifths expect them to take a stand on racial injustice (figure 3).

FIGURE 3

American consumers want brands to publicly speak out on systemic racism.

SOURCE: Edelman online survey, June 5 to June 7, 2020





**Directors and officers liability (D&O)** insurance, depending on policy wording, may provide coverage for activity arising out of shareholder activism, including litigation. D&O coverage can also protect against shareholder suits alleging mismanagement by senior leaders and others.

Some forms of coverage, including D&O and umbrella and excess policies — and, in rare cases, GL policies — may include crisis response endorsements. These can reimburse insureds for the cost of crisis management and public relations support.

Access to specialized crisis management, security, and investigations services may also be available in emerging security and integrity incident response policies. These policies are designed to cover dozens of insurable events — and unlike traditional forms of insurance, they can respond not only following an insured loss but also upon the suspicion, allegation, or threat of such a loss.

Activism and unrest that directly and indirectly affects food and beverage companies can present both opportunities and risks for organizations depending on how they respond. Proper planning, preparation, and strategic action can help limit adverse effects on people, operations, reputations, and bottom lines and build better relationships with consumers, employees, shareholders, and other stakeholders.



## Building Cultures That Resonate with Activists

Consumers, employees, and shareholders alike are demanding that brands behave responsibly and sustainably and embrace their values. Decisions on systemic change of this kind must be driven from the board and senior leadership.

Dedicated working groups created by senior leaders to focus on social causes should consider what future demands activists may make and clearly articulate organizational positions and commitments on diversity, sustainability, and other key issues. In doing so, these groups should:

- **Engage employees.** Ensure representation by women and people of color, and investigate how leadership can be more empathetic to employees' valued causes.
- **Seek to provide managers with new resources.** With effective training and other tools, managers can lead in-depth discussions with their direct reports about how diversity and inclusion can be better integrated into daily life within organizations. This could include ensuring representation across teams and offering mentorship opportunities for employees, among other actions.
- **Look to better understand and counter potential systemic challenges.** One challenge that may be overlooked is development at lower levels of some organizations. An internal labor market flow analysis can help employers examine who is joining and leaving at various levels, who is advancing, and who is staying. This information can be analyzed by gender and race, which can illustrate potential deficiencies in hiring, retention, and advancement across the enterprise, which can then be addressed through focused action plans aimed at current employees and new recruits.





*This briefing was prepared by Marsh's Food & Beverage Practice, with contributions from Marsh Advisory, Marsh's Property, Casualty, and FINPRO Practices, and Mercer's Global Advisory and Insight Group.*

For more information, visit [marsh.com](https://marsh.com), contact your Marsh representative, or contact:

GREG BENEFIELD  
Food & Beverage Practice Leader  
+1 615 340 2449  
[greg.benefield@marsh.com](mailto:greg.benefield@marsh.com)

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