

# Consumer Goods & Retail: Culture as a risk issue

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Corporate culture is closely linked to commercial success for consumer goods and retail (CG&R) companies. Poor culture within those companies or their complex supply chains can have serious legal, financial and reputational consequences, as demonstrated by recent high-profile cases involving the mistreatment of workers and toxic workplace environments. As this sector faces increasing regulation and scrutiny across the value chain, and with the increased potential for corporate criminal liability due to recent legislative changes, fostering a healthy culture should be a board-level priority for companies in order to mitigate risk.

## Key takeaways

- 1 Failings in a company's culture can give rise to reputational, financial and legal risks.
- 2 Embedding a healthy culture should be a board level priority, with culture discussed and reviewed regularly as part of risk oversight.
- 3 Steps to promote a healthy culture include establishing a clear purpose and values, demonstrating strong leadership, setting clear expectations, encouraging a "speak up" culture, monitoring culture, and holding individuals to account for their conduct.

## The risks of misconduct arising from poor culture

Across all sectors, poor culture has been linked to instances of serious misconduct, resulting in financial, legal and reputational consequences for organisations.

In the CG&R sector, misconduct linked to cultural failings has typically involved unacceptable working conditions, poor treatment of workers and exploitative practices, either within the company or along its supply chain. These companies have been criticised for having a culture of indifference towards working conditions, particularly in their supply chains, and in relation to the practices of sub-contractors. There have also been widely

reported incidences of "toxic" workplace culture, including tolerance of sexual harassment, bullying and racism.

These cultural failings have had significant financial consequences for CG&R companies including lost sales (sometimes caused by consumer boycotts), a fall in share price and, in some cases, divestment by investors.

Increasingly, such incidents create exposure to follow-on litigation, particularly for listed companies. In recent years, group claims have been brought against CG&R companies by institutional investors following misconduct-related incidents. These claims typically allege that the company made material misstatements or omissions about its risk exposure and/or regulatory compliance, artificially inflating its share price. When the misconduct is later revealed, the resulting fall in share price gives rise to investor losses, which are alleged to flow from those misstatements or omissions. Group litigation can continue for years and, even where claims are not successful, it can incur substantial legal costs and place significant demands on senior management and legal teams.

In addition, in certain cases, misconduct or other failings resulting from poor culture have exposed C&GR companies to breaches of legal and regulatory obligations. Given the breadth of legal and regulatory requirements facing the CG&R sector, companies should be aware of the significant risks arising from misconduct or non-compliance. These include consumer protection (including online interactions), employment and workforce practices, health and safety, supply chain compliance, sustainability, cyber security and data protection. In the UK, in particular, under the Crime and Policing Act, from 29 June 2026, criminal prosecution of a company can be based on the actions of a corporation's "senior managers". In some instances, this may include conduct occurring outside the UK – which is relevant for cross-border supply chains. Where a "senior manager" of a body corporate or partnership commits any criminal offence while acting within the actual or apparent scope of their authority, the organisation also commits the offence, providing a new statutory route to corporate liability for all offences. In some jurisdictions, companies will increasingly be liable for harassment of staff by third parties – an issue which can be a particular challenge for employers with customer-facing roles and supply chains to prevent and police.

A culture which encourages compliance and allows visibility of poor conduct is therefore more important than ever. Companies' governance frameworks should not be restricted to focusing on the behaviour of their most senior executives. Other groups, such as middle managers, can be key. In many cases, they will fall within the broad definition of "senior manager" for the purposes of the expanded UK law on corporate criminal liability. In any case, a culture that clearly maps escalation and delegation frameworks (rather than one in which individuals "bury" bad news or decline to speak up through fear of reprisal) is a key part of regulators' (and now, increasingly, criminal prosecutors') expectations.

## **Regulatory expectations**

Authorities increasingly expect companies to demonstrate a culture of compliance and may take this into account when considering enforcement action or assessing the seriousness of any breach.

For example, UK government guidance on white collar offences draws a direct link between culture and misconduct, emphasising that senior management should foster a culture in which criminal conduct, including bribery and fraud, is never acceptable. This is identified as a core element of the procedures that organisations should have in place to prevent offences from being committed. Failure to take these steps may expose a company to criminal liability. Under some liability regimes, taking such steps does not provide a defence *per se*, but good cultural governance may reduce the likelihood of poor conduct occurring.

For financial institutions active in the sector such as lenders, private capital investors or investors in listed securities, culture is also a key area of regulatory focus. The UK Financial Conduct Authority, for example, views culture as a core regulatory issue since unhealthy culture is often a root cause of consumer harm or market misconduct, and can pose a wider threat to market integrity. Its supervisory approach focuses on four “drivers of culture” – purpose, leadership, people management and governance – reflecting the view that these behaviours and mindsets shape firms’ decision making, risk management and, ultimately, regulatory compliance.

Given the range of legal obligations applicable to the CG&R sector, companies should be alert to regulators’ expectations around culture.

### **Steps to mitigate cultural risk**

To promote a healthy culture and manage associated risks, CG&R companies should consider the following steps:

- embed a clear purpose and values which resonate across the organisation;
- demonstrate strong leadership that models expected behaviours and reinforces those values;
- consider cultural risk at board level, either as a standing agenda item or within broader risk discussions;
- set clear expectations for employees and align targets and incentives with positive behaviours (including establishing appropriate behavioural norms and guidance for evolving areas, such as the impact of AI use);
- foster a “speak up” culture and framework for escalation in which individuals feel able to raise concerns;
- train staff on how to issue spot in day-to-day operations (with tailored for specific groups and the compliance challenges posed for them);
- monitor culture on an ongoing basis – including at board level – and address any identified weaknesses; and
- take decisive action where issues arise, including holding individuals to account for misconduct.

## **Additional resources**

For further information, please see:

- [Consumer goods & retail: Cybersecurity issues](#)
- [Consumer goods & retail: UK consumer protection law: Five lessons from the CMA's first fine](#)
- [Law Commission considers introduction of consumer class action regime](#)
- [Consumer goods & retail: Corporate criminal liability](#)
- [Consumer goods & retail: tougher regulation and more class action risks](#)
- [A global view on group action litigation: what lies ahead in 2026?](#)



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