BROADENING THE REMIT

Three case studies show why board members and management teams should engage with stakeholders consistently on a far broader range of non-financial and non-traditional issues

	Employee relations	Climate change	Public health
The issue	In March 2021, Deliveroo, a food delivery company that pioneered "gig economy" working in the UK – whereby it paid delivery staff for each delivery, rather than a salary for hours worked – was set to make its initial public offering (IPO) on the London stock market. It set a price range that valued it at nearly £8 billion, creating giddy headlines about it being the highest valued company to debut on the London Stock Exchange since Glencore in 2011.	In May 2021 a Dutch judgement from the Hague District Court required oil supermajor Shell to reduce by 2030 its CO2 emissions by 45% compared to 2019 levels. Shell has also publicly set itself numerous targets to become a "net zero emissions energy business" by 2050. In February 2023 ClientEarth, a non-profit organisation, filed a lawsuit in the UK alleging that the actions of Shell's board are unlawful. It claims that "Shell's Board is legally required to manage risks to the company that could harm its future success," and that the plan Shell's board currently has for reducing CO2 emissions is "simply unreasonable."	The health of the general population in countries where they operate has rarely been a standing agenda item at any company's board meeting but, like a raft of other non-traditional issues, is climbing up the list of priorities for organisations in multiple industries. In the UK, against a background of increased calls to reverse a growing obesity epidemic, ShareAction, a non-profit organisation, has convened and led a coalition of investors with over £6 trillion in managed assets to push food producers and retailers to do much more to promote the sales of healthy food and far less in promoting the sales of unhealthy food.
The outcome	Before the IPO, numerous asset managers voiced concerns about the company valuation. Legal & General Asset Management, Aviva Investors, Aberdeen Standard Investments and M&G Investments – representing over £2.3 trillion in managed assets at the time – all took the rare step of announcing publicly that they would not invest in the IPO. Although the shares were issued at the lowest price they could be within the guidance, it was not enough to stop the share price falling 26% on the first day of trading, taking £2 billion off the company's value. Some of the investors' concerns centred on more traditional governance topics, such as Deliveroo using a dual share structure, but others were less traditional. Investors worried about the regulatory risk of Deliveroo not classing delivery riders as 'workers', and more general concerns about the support it provided for its workforce. David Cumming, Chief Investment Officer for Equities at Aviva Investors, said at the time: "A lot of employers could make a massive difference to workers' lives if they guaranteed working hours or a living wage, and how companies behave is becoming more important."	The lawsuit is the first time that a company's board has been challenged on its preparations for the net zero energy transition ClientEarth believes Shell's board is "in breach of its legal duties under the UK Companies Act to manage the climate risk facing the company." While Shell is an obvious target for high-profile climate activity like this, what's notable about this lawsuit is that it is backed by a number of prominent asset managers in the UK, including Nest Corporation, the largest defined contribution pension scheme in the country with over £26 billion in managed assets. Mark Fawcett, Chief Investment Officer of Nest, said, "Investors want to see action in line with the risk climate change presents and will challenge those who aren't doing enough to transition their business. We hope the whole energy industry sits up and take notice. 2023 is a crucial year if we are to keep net-zero by 2050 on track and this case can be a springboard for Shell introducing key changes." Nest is one of numerous pension funds supporting the lawsuit, including those in Sweden, France and Denmark. Further, one Danish pension fund, AkademikerPension with over £13 billion in managed assets and that divested from Shell in 2019, said that if the company were to "get on the right course in relation to the goals of the Paris Agreement," they would invest again.	The long-term health issues caused by obesity are now well established in both medical literature and the public consciousness but, given food high in fat, salt and sugar is often cheaper and easier to sell via in-store promotions and the like, sales of unhealthy food remains high. This is bad for society and the public purse; in 2019/20 more then one million hospital admissions were linked to obesity, a 17% rise on 2018/19. The investor coalition put pressure on both supermarkets and food manufacturers operating in the UK – including Sainsbury's, Tesco, Nestle and Arla – through investor-signed letters, AGM questions, meetings between investors and target companies, and shareholder resolutions to be voted on at AGMs. Out of the 11 UK retailers targeted by the investor coalition, six retailers now report separately on sales of healthy food, and five have long-term targets to increase 'healthy' sales. And out of 12 global manufacturers targeted, nine now report on healthy food sales and four have set long-term targets.
The implications	Deliveroo's share price is still way below the 390p at which it listed, and it has been involved in numerous legal proceedings over the classification of its workers. Although few companies will be involved in an IPO like this one, it shows how important it is for companies to be open and transparent about how they treat employees as they consider any future strategic options, especially where they will need fresh capital or a public 'licence to operate'.	Few, if any, company boards will face the scrutiny that Shell's does but the willingness from investors to target boards and even certain directors individually when companies are accused of not meeting net zero commitments should be a warning to all board directors. It shows how important it is for boards in a wide range of companies to understand their role in the transition to net zero and the concrete plans they have in place for achieving that.	Not all sectors fall under a public health spotlight in the way that the food industry does but many companies' operations have significant health implications for society. Investor and public sentiment increasingly expects companies to show they understand these health implications, the effects their operations have on public health and a detailed plan to mitigate and combat them. Indeed, ShareAction is now widening its work on obesity and food to look at a far broader range of corporate activity that causes public health issues. Again, this then requires board members to engage with a far wider range of stakeholders than they might once have been expected to do so.