TAILOR-TO-DYAD: CONFIGURING MICROFOUNDATIONAL SHAREHOLDER ENGAGEMENTS ON SUSTAINABILITY

ABSTRACT

Shareholder engagement has emerged as a central mechanism through which institutional investors seek to induce corporate sustainability improvements, yet existing research has largely conceptualized it as an organizational phenomenon, emphasizing coalition composition, ownership stakes, and firm-level receptivity. We argue that engagement is fundamentally an interpersonal process and examine how the characteristics of the individuals conducting dialogue (their relative seniority, issue expertise, and the stability and intensity of their communicative exchange) combine with institutional context to shape sustainability outcomes. Drawing on a unique dataset of bilateral engagements on environmental issues with 156 publicly listed companies across seven thematic campaigns (2018–2024), and using fuzzy-set Qualitative Comparative Analysis (fsQCA), we identify six distinct configurations associated with engagement success and three with failure. Our findings show that engagement effectiveness depends on how dyadic alignment, dialogue quality, and institutional context jointly configure. We contribute a microfoundational perspective to the engagement literature and introduce a "tailor-to-dyad" logic that extends prior configurational work.

INTRODUCTION

Addressing climate change requires firms to substantially transform their environmental practices (Aguilera *et al.*, 2021; Steffen *et al.*, 2015; Whiteman, Walker, and Perego, 2013). Yet many firms continue to respond with incremental, "business-as-usual" approaches that fall short of what is needed (Wright and Nyberg, 2017). To overcome this organizational inertia, institutional investors increasingly rely on shareholder engagement - direct dialogue with managers - to encourage firms to adopt more ambitious climate and sustainability practices (DesJardine, 2025). Large-scale initiatives such as Climate Action 100+ and the Principles for Responsible Investment (PRI) have institutionalized this approach by supporting hundreds of engagements worldwide.

A rich literature has examined the conditions under which such engagements succeed. Existing work highlights the role of organizational factors, for instance, which investors participate in a coalition, how much equity they hold, or how large and geographically proximate they are to the target firm (Dimson, Karakaş, and Li, 2015, 2023; Gond and Piani, 2013; Slager *et al.*, 2023). These studies conceptualize shareholder engagement primarily at the organizational or coalition level, emphasizing structural characteristics that increase the salience of investor demands to corporate managers. Although this research has advanced our understanding of "who" engages and with what resources, it treats engagement largely as a static organizational attribute rather than a communicative process.

However, shareholder engagement fundamentally consists of people talking to people. Engagement unfolds through repeated conversations, negotiation, persuasion, and sensemaking between individual investor representatives and individual corporate managers. These interpersonal interactions inevitably depend on the microfoundations of who conducts the engagement: their seniority, experience, expertise, hierarchical position, and how these characteristics relate to those of the individuals on the corporate side. The stability of the engagement relationship itself also impacts engagement outcome. In practice, investor representatives often encounter multiple and shifting contact points within the target firm, being passed between investor relations, sustainability teams, and senior executives as the engagement unfolds. Such internal handoffs mean that the interaction does not always develop with a single, stable counterpart but may instead involve a sequence of individuals positioned at different hierarchical and functional levels. In some cases, it can be hard for investor representatives to establish contact with company representatives. At other times, engagements progress through consistent and continuous contacts, allowing dialogue to unfold with the same corporate representative over time. These differences in contact stability and intensity shape the interpersonal context in which engagement takes place. Thus, the characteristics of the individuals involved, together with the stability or intensity of the engagement dyad, structure the communicative process through which shareholder engagement unfolds.

Despite its importance, the individual-level dimension of shareholder engagement remains largely overlooked. We know little about how individuals shape the trajectory and outcomes of the engagement dialogue. Prior work implicitly assumes that organizational attributes translate smoothly into effective communication, yet research on stakeholder interactions, influence, and micro-level strategy suggests that who speaks, and from what position, can be central to whether influence attempts succeed (Ferraro and Beunza, 2018; Slager, Gond, and Sjöström, 2024). Moreover, the effects of individual attributes are unlikely to operate in isolation. Engagement is enacted in dyads, where the characteristics of the engager gain meaning only in relation to those of the corporate counterpart. Seniority, expertise, or experience may facilitate influence in some pairings but hinder it in others, suggesting that engagement outcomes arise from configurations of interpersonal conditions rather than from single factors. When shareholder engagement is treated only as an organizational phenomenon, this causal complexity, rooted in the balance or imbalance of attributes within the engagement dyad, remains invisible. Highlighting this complexity not only motivates an individual-level lens but also calls for an analytical approach that can capture how multiple interpersonal conditions jointly shape engagement success.

In this paper, we address this gap by shifting attention to the individual-level drivers of shareholder engagement success. We conceptualize shareholder engagement as a relational and communicative process, and examine how individual characteristics on both sides of the engagement dyad jointly shape engagement outcomes. Building on the idea that engagement unfolds through interpersonal configurations rather than isolated traits, we focus on characteristics that are meaningful in relation to those of the counterpart. Specifically, we analyze factors such as the intensity and stability of contacts, and the extent to which the engager and corporate contact are balanced in terms of seniority and expertise. By treating these attributes as relational properties of the dyad, rather than as stand-alone indicators, we highlight how particular combinations of balance and imbalance may facilitate shared understanding, enable trust-building, or create friction and misalignment. In doing so, we explicitly recognize that progress in engagement can be enabled (or constrained) not by any single micro-level condition but by the way multiple interpersonal factors configure together in practice.

Based on access to a unique database of engagements with 156 publicly listed companies related to environmental issues, we use configurational analysis to determine the pathways for engagement success. Our data comprises the communication logs of 7 engagement campaigns of an anonymous Engager on various environmental concerns between 2018 and 2024. Using fuzzy-set Qualitative Comparative Analysis (fsQCA), we find four pathways for engagement success that combine dyad, dialogue, and context characteristics in different ways. Our insights confirm the need to target engagement to contextual characteristics, and show how this can be done through alignment in microfoundational characteristics such as seniority and expertise.

We contribute by introducing a microfoundational lens to the shareholder engagement literature (Chuah *et al.*, 2024; Dimson *et al.*, 2015, 2023; Ferraro and Beunza, 2018; Gifford, 2010; Slager *et al.*, 2023), showing that the interpersonal characteristics of engagement dyads (specifically the relative seniority and issue expertise of investor and corporate representatives) are consequential for sustainability outcomes. We also extend the configurational perspective on engagement by demonstrating that dyadic, communicative, and institutional conditions jointly constitute distinct pathways to success, pointing to a "tailor-to-dyad" logic that complements the "tailor-to-target" insight of prior work (Slager *et al.*, 2023). Together, these findings redirect attention from the organizational to the interpersonal level of analysis, opening new directions for research on the microfoundations of active ownership.

Shareholder Engagement and Corporate Sustainability Improvement

Institutional investors are increasingly viewed as central actors in the governance of corporate sustainability. As diversified universal owners, investors are broadly exposed to system-level sustainability risks (Chuah *et al.*, 2024). This exposure creates incentives to influence corporate sustainability practices not only to protect firm-specific financial performance but also to safeguard portfolio-wide value. Within this context, shareholder engagement, a direct dialogue between investors and corporate managers, has emerged as a central mechanism through which investors seek to induce corporate sustainability improvements (Marti *et al.*, 2024).

Shareholder engagement encompasses a spectrum of influence tactics ranging from private meetings and collaborative dialogues to shareholder resolutions and public campaigns (Chuah *et al.*, 2024; Dimson *et al.*, 2015; Goranova and Ryan, 2014). Although these tactics vary in visibility and confrontational intensity, engagement-based approaches are united by their reliance on communicative interaction as the primary channel of influence (Ferraro and Beunza, 2018). Rather than exerting pressure through exit, investors attempt to shape corporate conduct through persuasion, information exchange, and the negotiation of commitments. In doing so, engagement constitutes a relational governance mechanism that operates through ongoing interaction between investors and firms.

A growing body of empirical research suggests that engagement can shape corporate sustainability practices. Studies link investor engagement to increases in sustainability disclosure, the adoption of governance structures such as sustainability committees, and the integration of environmental targets into corporate strategy (Barko, Cremers, and Renneboog, 2021; Dimson *et al.*, 2015, 2023; Hoepner *et al.*, 2024). These responses often reflect negotiated outcomes in which firms commit to enhanced transparency, policy reforms, or operational adjustments in response to investor demands. Evidence further suggests that engagement effectiveness depends on a range of structural and organizational boundary conditions. On the investor side, influence is enhanced when activists possess larger ownership stakes, greater reputational capital, and prior engagement experience (Brav *et al.*, 2008; Carleton, Nelson, and Weisbach, 1998; David, Bloom, and Hillman, 2007; Dimson *et al.*, 2015, 2023; Edmans, 2014; Hadani, Doh, and Schneider, 2019; Johnson and Swem, 2021; Wiersema, Ahn, and Zhang, 2020). Institutional investor participation, in particular, has been associated with a higher likelihood of firms improving ESG disclosure and agreeing to activist demands (Flammer, Toffel, and Viswanathan, 2021). Firm characteristics likewise shape engagement receptivity. Companies with stronger prior ESG performance, greater financial capacity, and higher public visibility are more likely to respond positively to investor demands (Baloria, Klassen, and Wiedman, 2019; Barko *et al.*, 2021;

Judge, Gaur, and Muller-Kahle, 2010; Slager *et al.*, 2023; Wang and Mao, 2015). Beyond these structural predictors, recent work emphasizes the systemic nature of shareholder engagement (Chuah *et al.*, 2024; Marti *et al.*, 2024). Engagement unfolds within a broader network of interactions linking investors, firms, regulators, proxy advisors, and civil society actors. Corporate responses are shaped not only by direct investor pressure but also by stakeholder reactions, peer firm dynamics, and institutional spillovers that unfold over time. From this perspective, engagement outcomes emerge from interconnected system dynamics rather than from isolated governance interventions.

Taken together, this literature has generated important insights into the antecedents of engagement effectiveness. Yet, it has done so largely by examining conditions in isolation. Prior studies tend to evaluate the marginal effect of individual drivers such as ownership stakes, coalition size, or firm receptivity on engagement outcomes. This approach implicitly assumes that influence operates through additive mechanisms, where each factor independently increases the likelihood of success.

However, engagement effectiveness is unlikely to hinge on any single condition alone. Shareholder engagement is a complex social process unfolding across organizational, relational, and institutional domains simultaneously. Investors do not engage firms under uniform circumstances; rather, engagements differ in their communicative intensity, stability, hierarchical positioning, and knowledge alignment. Likewise, corporate responsiveness is shaped not only by firm characteristics but also by how engagement demands are conveyed and negotiated in practice.

Emerging research has begun to recognize this causal complexity by conceptualizing engagement success as a configurational phenomenon (Slager *et al.*, 2023). From this perspective, outcomes arise from specific combinations of conditions rather than from the independent effect of single factors. For instance, coalition size may enhance influence only when paired with ownership salience; dialogue intensity may matter primarily when firms are institutionally receptive; and relational continuity may substitute for formal authority in sustaining influence over time. Engagement success, in this view, reflects the possibility that multiple distinct pathways can lead to similar sustainability improvements.

Despite this configurational turn at the coalition and organizational levels, the interpersonal foundations of these configurations remain underexplored. Existing work treats configurations as properties of investor groups or engagement structures, while the communicative processes through which influence is enacted remain underexplored. Yet shareholder engagement ultimately unfolds through interpersonal interaction. Dialogue is conducted by specific investor representatives speaking with specific corporate managers. Influence attempts are conveyed, interpreted, negotiated, and sometimes resisted within these dyadic encounters. As a result, engagement outcomes may depend not only on organizational characteristics but also on how interpersonal conditions combine within the engagement dyad.

This observation points to an important gap in the literature. Although we know about the structural antecedents and coalition-level configurations associated with engagement success, we know far less about its microfoundations; that is, how the characteristics and relational positioning of the individuals conducting engagement configure to shape the trajectory and effectiveness of sustainability dialogue. Addressing this gap requires shifting attention from organizational attributes to the dyadic configurations through which engagement is enacted in practice.

Configuring Shareholder Engagement Dyads

A configurational perspective requires careful specification of the attributes that define the phenomenon under study. Rather than examining isolated predictors, configurational theorizing focuses on sets of conditions that may combine in multiple ways to produce a given outcome. Attribute selection, therefore, follows a combinatory logic: relevant dimensions are those that plausibly interact and jointly shape the process of interest. Guided by this logic, we develop a configurational framework to examine how shareholder engagement contributes to corporate sustainability improvement. We focus on three clusters of attributes that emerge as particularly salient in prior research and in our empirical setting. These clusters capture (1) dyad characteristics, (2) dialogue characteristics through which engagement dialogue unfolds, and (3) context characteristics in which interactions are embedded. We outline the individual attribute domains in the sections that follow.

Dyad characteristics

The first domain concerns the structural composition of the engagement dyad, that is, the relational positioning of the specific individuals who conduct shareholder dialogue. Prior research shows that the characteristics of involved actors shape firms' responsiveness to external demands, both by influencing perceived legitimacy and by structuring access to decision-making arenas (Slager *et al.*, 2024). Engagement, therefore, is not enacted by abstract organizations but by representatives situated within organizational hierarchies and endowed with varying authority and expertise.

A central dimension of dyadic structure is hierarchical positioning. Investors may span junior analysts or senior stewardship directors; companies may delegate dialogue to investor relations staff, sustainability officers, or executive-level decision makers. These relative positions influence conversational authority, the ability to set the agenda, and the likelihood that engagement requests are relayed upward into strategic processes. Importantly, the effects of seniority are relational rather than absolute. A large hierarchical gap may strengthen one side's authority yet also reduce openness, create mismatched expectations regarding mandate and discretion, or introduce power asymmetries that impede constructive exchange. More evenly matched dyads, by contrast, may foster mutual recognition, conversational symmetry, and smoother coordination.

Issue-specific expertise constitutes a second structural foundation of the dyad. Sustainability dialogue frequently revolves around technically complex topics that require substantive knowledge to interpret and evaluate. Expertise enhances credibility, supports more informed problem diagnosis, and enables both parties to engage in substantive rather than symbolic discussion (Ferraro and Beunza, 2018; Kellers, Kölbel, and Paetzold, 2022). Prior work also suggests that knowledgeable investors can serve as de facto external advisors, providing benchmarking information and concrete implementation guidance that may help firms build internal capacity. Yet expertise asymmetries can cut both ways: while they may compensate for internal knowledge gaps on the corporate side, they may also overwhelm counterparts, strain organizational capacity, or lead to misalignment when one side operates with technical concepts the other cannot readily absorb.

Taken together, these insights point to the importance of microfoundational balance within the engagement dyad. The alignment of hierarchical positioning and the configuration of expertise jointly determine the dyad's ability to conduct effective dialogues.

Dialogue characteristics

The second domain focuses on how engagement dialogue unfolds over time. While microfoundational characteristics shape who participates in engagement, process-oriented research highlights that influence is enacted through ongoing communicative interaction (Ferraro and Beunza, 2018). A central theme in the engagement literature is the role of sustained dialogue in building trust and issue salience. Continuity of contact allows engagement to evolve from symbolic signaling toward substantial dialogue (Kellers *et al.*, 2022). Sustained contact enables the progressive development of shared interpretive frames and relational trust. As engagement unfolds over multiple interactions, investors gain a more precise understanding of the firm's internal constraints and decision-making processes, while corporate representatives come to regard investor demands as credible. This relational deepening transforms engagement from a compliance exercise into a negotiated process in which both parties invest in identifying workable solutions. Conversely, instability in the dialogue, arising from staff turnover, internal reorganizations, or repeated handoffs between functional departments, can undermine this accumulation of relational capital. When the corporate contact changes, investors may be forced to re-establish credibility, re-explain the rationale for their demands, and re-navigate organizational access, effectively resetting the engagement trajectory. Such disruptions are particularly consequential when they redirect the dialogue toward individuals with less decision-making authority or weaker engagement with the issues at stake. The stability of the engagement relationship is therefore not merely an organizational convenience but a substantive condition shaping the depth and effectiveness of sustainability dialogue.

At the same time, engagement varies in the intensity of communicative exchange. Some engagements remain limited to periodic correspondence or formal reporting requests, whereas others involve frequent meetings, iterative follow-ups, and deep strategic discussions. Higher interaction intensity has been associated with stronger relational commitment and a greater likelihood of implementation progress, as it enables investors to monitor developments and clarify expectations. Dimson, Karakaş, and Li (2015) provide direct evidence on the role of intensity in engagement success. In their large-scale study of ESG engagements with U.S. public companies, they find that engagement sequences involving repeated interactions are significantly more likely to achieve their stated objectives, with success rates of 27.3% for repeated engagements compared to 11.7% for single-contact engagements. They also document that successful engagements, on average, involve sequences of 2-3 interactions before a milestone is recorded, and that the elapsed time from initial engagement to success averages nearly one-and-a-half years. This points to intensity as not merely a signal of commitment, but as a functional mechanism through which investors can reinforce demands and sustain salience over time.

Drawing on these process perspectives, we conceptualize the communicative domain along two dimensions: dialogue stability, reflecting continuity of relational contact, and communicative intensity, capturing the frequency and depth of interaction. Together, these attributes define the processual depth of engagement dialogue.

Context Characteristics

The third domain situates engagements within their broader institutional and organizational environment. Recent research on shareholder influence has emphasized that corporate responsiveness to institutional investors is conditioned by the institutional environment in which it takes place. For instance, shareholder engagement is known to be subject to a "home bias", whereby institutional investors are more likely to be successful in persuading corporations to improve sustainability practices if both are located in the same country (Artiga González and Calluzzo, 2019; Chhaochharia, Kumar, and Niessen-Ruenzi, 2012; Doidge *et al.*, 2019). Hence, collaborative shareholder engagement is often characterized by institutional investors from different countries working together to enable translation into locally relevant demands for sustainability (Slager *et al.*, 2023). Research on the global dispersion of Stewardship Codes also shows that it is important to account for varieties in capitalist systems: even though these Codes have been adopted by a relatively large proportion of OECD countries, stewardship principles, including the duty of institutional investors to engage in dialogue, are most suitable to capitalist systems where institutional investors play a dominant role in financial markets (Katelouzou and Puchniak, 2022). In markets where government or family ownership is dominant, the lack of saliency of institutional investors may hamper their persuasive power (Marti, Chuah, and Gond, 2025). It has also been shown that it is important to tailor shareholder engagement to the organizational characteristics of the target corporation, whereby corporations with high sustainability performance may need a different approach than laggard corporations (Slager *et al.*, 2023).

Combining Relevant Attributes

We propose that the described dyad, dialogue, and context characteristics combine into distinct configurations that shape shareholder engagement effectiveness. Conceptualizing engagement through a configurational lens allows us to better capture the causal complexity inherent in investor influence processes.

We argue that shareholder engagement leads to corporate sustainability improvement not simply when individual conditions are present, but when attributes across relational, communicative, and institutional domains align in mutually reinforcing ways. In this sense, engagement effectiveness depends on the fit between the structural composition of the engagement dyad, the depth and continuity of communicative exchange, and the governance environment surrounding the firm. Different constellations of these attributes may therefore give rise to distinct pathways through which sustainability improvements are realized.

For instance, structurally aligned dyads may achieve progress even under moderate levels of communicative intensity, whereas sustained and frequent interaction may compensate for asymmetries in authority or expertise. Similarly, supportive institutional environments may amplify the influence of relational alignment, while less receptive governance contexts may require more intensive dialogue to generate corporate responsiveness. Engagement outcomes thus reflect the interplay of multiple attributes rather than the net effect of any single factor.

Understanding shareholder engagement with greater nuance, therefore, requires examining how dyad structure, dialogue processes, and context conditions interrelate as integrated configurational systems. Existing theory remains underdeveloped in explaining how these engagement attributes combine to produce sustainability improvement. To address this gap, we adopt a configurational analytical approach. Specifically, we employ fuzzy-set Qualitative Comparative Analysis (fsQCA) to empirically derive and inductively theorize configurations of engagement attributes that are consistently associated with corporate sustainability improvement. This approach allows us to uncover multiple pathways through which engagement can be effective, while recognizing that different combinations of conditions may lead to similar outcomes.

METHODS

We study bilateral shareholder engagements conducted by a global ESG research and engagement provider. The provider operates dedicated stewardship programs on behalf of institutional investors, coordinating structured dialogues with companies on environmental, social, and governance issues. We analyze 7 engagement campaigns on environmental issues with 156 publicly listed companies across different sustainability themes for which we have complete data. Our dataset spans from 2018 to 2024 and comprises over 600 recorded conference calls and meetings, over 9000 email exchanges, and over 550 individual participants across both sides of the engagement dyads. The engagement themes covered general themes such as climate change, waste, water, and biodiversity management; as well as sector-specific themes such as sustainable management in the food, forestry, and tech sectors. For each company, the provider maintains detailed records of the engagement process, including the individuals involved on both sides of the dyad, the communication format (email exchanges, calls, meetings), and a structured scorecard evaluating company progress against predefined key performance indicators (KPIs). These internal logs allow us to capture not only the content of engagement but also the relational structure of the dialogue and whether the engagement involved stable or shifting contact partners, how intensively the parties communicated, and how individual characteristics such as seniority and expertise compared across the dyad.

Target companies are selected into the stewardship programs through a structured internal process that identifies firms with material sustainability risks or lagging performance on industry-specific benchmarks. Selection is therefore based on systematic criteria rather than responsiveness or receptiveness to engagement, consistent with prior findings that many engagement programs target broadly defined sets of firms rather than highly tailored ones (Benton and You, 2019; Denes, Karpoff, and McWilliams, 2017; Guimaraes *et al.*, 2018; Judge *et al.*, 2010; Karpoff, Malatesta, and Walkling, 1996; Nordén and Strand, 2011; Renneboog and Szilagyi, 2011).

fsQCA Methodology

Fuzzy-set Qualitative Comparative Analysis (fsQCA) is particularly well-suited for examining how engagement success emerges from combinations of interpersonal and contextual conditions. Rather than estimating the independent net effect of individual variables, fsQCA focuses on how multiple conditions jointly shape an outcome. This approach aligns closely with our theoretical perspective, which conceptualizes shareholder engagement as a configurational phenomenon unfolding through dyadic interaction. At its core, fsQCA treats both causal conditions and outcomes as sets rather than as continuous variables. Cases can display varying degrees of membership in these sets, ranging from full membership to full non-membership. Methodologically, fsQCA proceeds by identifying configurations of conditions that are consistently associated with the outcome of interest. In our context, the analysis examines how different combinations of balance in microfoundational characteristics, communicative process, and macro-institutional attributes relate to corporate sustainability improvement. The goal is not to isolate the strongest single predictor, but to uncover distinct pathways through which engagement can be effective.

A key advantage of fsQCA is its ability to account for causal complexity. First, it accommodates conjunctural causation, meaning that conditions produce outcomes only in combination with other conditions. Second, it allows for equifinality, where multiple distinct configurations may lead to similar levels of engagement success. Third, the method recognizes causal asymmetry: the configurations associated with improvement are not assumed to be the mirror opposite of those associated with non-improvement. These features make fsQCA particularly appropriate for studying shareholder engagement. Engagement is a relational and processual phenomenon shaped by interacting interpersonal, communicative, and institutional dynamics. Traditional variable-centered approaches are less equipped to capture how these conditions operate together within engagement dyads. A configurational approach instead allows us to examine how different relational structures and communication patterns combine to enable or constrain engagement success.

Our analysis follows established fsQCA procedures. After calibrating all conditions and the outcome into fuzzy sets, we construct a truth table that maps all empirically observed combinations of conditions. We then assess which conditions are necessary or sufficient in relation to the outcome. Through this process, we derive empirically grounded configurations that represent distinct pathways to corporate sustainability improvement.

In the following section, we describe the data, measures, and calibration procedures used to operationalize the outcome and causal conditions included in the analysis.

Data, Measures, and Calibration

Our analysis includes one outcome, the improvement in KPIs measuring the achievement of stated engagement goals, and six causal conditions: dyadic seniority, dyadic expertise, dialogue stability, dialogue intensity, macro context, and company starting point. Below, we describe each measure and its calibration into fuzzy sets. Table 1 summarizes the measures, data, and calibration thresholds.

INSERT TABLE 1 ABOUT HERE

Engagement Outcome

The Provider evaluates the success of each engagement based on a predefined set of KPIs tailored to the thematic issue. The KPIs cover the company's policies, actions, and practices, and public reporting (see Appendix A for an example of the KPIs for the engagement focused on Climate Change). For each target company, the provider measures the performance on the KPIs at the start and end of the engagement. Our outcome of engagement success takes the final KPI score of target companies as the degree to which the stated goals of the engagement have been reached. The final score is average by the total number of points that can be achieved, and calibrated into a fuzzy set based on calibration thresholds derived from our knowledge of the empirical phenomenon and previous research: companies that meet less than 20% of the KPIs at the end of the engagement are excluded from the set, and companies that meet at least

80% of the KPIs are included. We set the cross-over point of set inclusion at 50%, in line with previous research on shareholder engagement that evaluates success based on successive milestones reached (Dimson *et al.*, 2015).

Dyad characteristics

We include two conditions that capture micro-foundational characteristics of the dyad. The first, *seniority alignment*, captures the relative hierarchical positioning of the engager and the corporate representative within the engagement relationship. We start by operationalizing seniority separately for each side based on job titles before constructing a dyadic measure. On the company side, Corporate Secretary is coded as fully out of the set of high seniority (=0), non-management employees as 0.33, heads of department or function as 0.67, and C-suite executives as fully in (=1). On the Engager side, Senior Analysts are coded as 0, Senior Associates as 0.33, Managers as 0.67, and Directors as 1. To capture the dyadic structure, we compute a relative seniority measure reflecting the distance between the seniority of the two sides. This construction allows us to distinguish engagements characterized by hierarchical alignment from those characterized by a lack of alignment in senior positions (i.e., a junior engager engaging with a senior corporate representative or vice versa).

The second dyad characteristic we include is *expertise alignment*. Similar to the dyadic seniority condition, we first operationalize expertise separately for both sides of the engagement. On the company side, we code functional roles as a proxy for topic expertise, with Investor Relations representatives coded as fully out of the set of high issue expertise (=0) and ESG specialists or sustainability team members coded as fully in (=1). On the provider side, topic expertise is operationalized based on the engager's intensity of involvement in specific thematic areas: sole thematic leads are coded as fully in the set of high expertise (=1), primary leads responsible for roughly half of the companies in a theme as 0.67, those with minority shares of thematic coverage as 0.33, and those covering only one or two companies within a theme as fully out (=0). We again capture the dyadic structure based on the distance between the expertise of both sides, where dyads where expertise is aligned are in the set, and dyads characterized by a misalignment are coded as out of the set.

Dialogue characteristics

We include two conditions that characterize the nature of the communication in our model: dialogue stability and intensity.

Dialogue stability captures whether the engagement relationship is characterized by stable contact with decision-relevant corporate actors or whether it is characterized by repeated back-and-forth handovers between different contact persons. In many engagements, handoffs are a normal feature of organizational life. For example, initial contacts may occur through Investor Relations before being transferred to sustainability specialists or senior executives. Such handovers do not necessarily disrupt the engagement. By contrast, instability arises when the engager is repeatedly handed back and forth between different organizational units or is forced to restart the dialogue with new interlocutors due to personnel changes. We assess dialogue stability by analyzing the dialogue logs and tracing the full sequence of contact persons within each engagement. Engagements in which handoffs occur only in one direction, toward increasingly decision-relevant counterparts, are coded as stable dialogues (=1). Engagements characterized by changes in the main contact person within the same functional department are coded as unstable (=0). This operationalization captures not the mere presence of handoffs, but whether the interpersonal structure of the dialogue was characterized by stability.

The second dialogue characteristic is *dialogue intensity*, which captures the level of communicative effort and reciprocity within the engagement dyad. While stability reflects whether the relationship allows the development of trust and knowledge exchange between actors, intensity reflects how actively and substantively the dialogue is pursued over time. More intense interactions indicate active exchange, whereas low-intensity dialogues signal limited commitment, weak responsiveness, or symbolic engagement.

We operationalize dialogue intensity using two observable indicators drawn from the interaction logs: the number of incoming emails and the occurrence of calls or meetings. The incoming emails reflect the willingness of the corporate representative to acknowledge the requests of the Provider and engage in dialogue. Due to a lack of established benchmarks, we calibrated based on sample percentiles (see Table 1). In addition, we capture whether the engagement escalates beyond written correspondence into synchronous interaction, since calls and meetings allow for richer communication, negotiation, and clarification. We again calibrated based on sample percentiles (see Table 1). The final dialogue intensity score is calculated as the average of the two calibrated measures, capturing both the frequency and the depth of interaction within the dyad.

Macro context

We include two conditions in our model that capture the organizational and institutional context in which the engagement takes place.

First, the company's starting point captures the baseline sustainability performance of the target firm at the outset of the engagement. The initial position of the firm may shape both the scope for improvement and the nature of the interaction with the engager. Firms that already perform well may face diminishing marginal room for measurable progress but potentially benefit from greater internal capabilities and organizational readiness. By contrast, laggards may offer greater potential for visible improvement while also facing deeper structural constraints.

We operationalize the starting point using the share of predefined KPIs that the company has met at the beginning of the engagement. This continuous measure is calibrated into the fuzzy set *Leading firm* based on the thresholds described in Table 1: firms that do not meet any of the KPIs are excluded, and firms that meet 75% of the KPIs at the start of the engagement are included, with the crossover point set at firms meeting 50% of the KPIs.

The second context condition captures the degree to which stewardship and engagement activities by institutional investors are taken for granted by corporations. In markets characterized by high institutional ownership, corporations are accustomed to engaging in dialogue with investor representatives, whereas in markets where government or family ownership dominates, responsiveness to institutional investor demands may be more difficult to achieve. We calibrate the condition *supportive institutional environment* based on the average percentage of market cap weighted shares held by institutional investors in OECD countries (Medina, de la Cruz, and Tang, 2022). On average, institutional investors hold 24% of shares, whilst in the US and UK, they hold more than 70% and 60% respectively. We calibrate the data into a fuzzy set based on whether the ownership by institutional investors exceeds the OECD average, and whether the average ownership of institutional investors exceeds that of other categories of investors, including private corporations, public sector, and individuals (see Table 1).

Analysis

We run the analysis of necessity and sufficiency with the QCA and SetMethods packages in R (Duşa, 2019; Oana and Schneider, 2018). We find no conditions that meet the standard benchmarks for necessary conditions. In line with best practice for sufficiency analysis, we set the consistency threshold (the extent to which the combinations can be reliably linked to the outcome) at 0.8, and the proportional reduction in consistency (PRI, which accounts for the possibility that a combination can be linked to the presence and absence of the outcome) at 0.65 (Greckhamer, 2016). We use a frequency threshold (the number of cases that are empirically linked to a combination) of one. We derive the intermediate solution, which incorporates simplifying assumptions to deal with logical remainders (Greckhamer, Furnari, and Fiss, 2018). We assume that the presence of all conditions contributes to the presence of the outcome (engagement success) and vice versa for the absence of the outcome (engagement failure). Using the intermediate solution allows us to distinguish between peripheral conditions (present in the intermediate solution only) and core conditions (present in all solutions, and therefore of main theoretical importance).

RESULTS

The fsQCA analysis identifies six distinct configurations associated with high engagement improvement (Table 2). Consistent with a configurational perspective, no single condition emerges as necessary; instead, improvement results from multiple equifinal pathways that combine context characteristics, dyadic characteristics, and dialogue characteristics. Overall solution consistency (0.856) and coverage (0.821) indicate strong explanatory power, suggesting that the identified configurations cover a large proportion of empirically observed cases of engagement success.

INSERT TABLE 2 ABOUT HERE

The first two configurations show the configurational effect of the institutional environment on engagement success. The first configuration, which we label ‘Frequent callers’, captures intense engagements with firms in a supportive institutional environment. This suggests that in such environments, where shareholder engagement on ESG issues is increasingly accepted by corporations, engagement that is characterized by frequent, in-depth contact is successful in persuading target corporations to take action on issues such as climate change. For example, the Engager contacted a European-based company in the construction sector regarding climate change risks. Over the course of two years, conference calls were held every quarter where the company discussed its net zero emissions ambitions and initiatives for carbon storage and targets for emission reductions, and the company also participated in roundtable discussions with industry peers. When the company was re-assessed at the end of the dialogue, it met all the KPIs set for the engagement.

The second configuration, which we label ‘Unstable alignment’, shows engagements in supportive institutional environments, with alignment in expertise and seniority within the engagement dyad but instability in the dialogue. This suggests that in these circumstances, a change in corporate contact person can be compensated by establishing alignment in the hierarchical position and issue expertise on both sides of the engagement dyad. For example, the Engager contacted a European-based automobile manufacturer regarding plastic waste and circularity in 2019, but despite repeated outreach, struggled to establish effective dialogue with the Sustainability Department. After the intervention of the company’s Head of Investor Relations, the dialogue continued with a senior corporate representative of the product development department, achieving alignment in the seniority of the representative of the Engager and in the relative expertise related to the topic of engagement.

The third configuration, which we label ‘Frequent exchange of expertise’, shows that engagements characterized by alignment in expertise, stability, and intensity form another pathway to engagement success. Previous literature has already shown that it is important for the engager to possess relevant issue-expertise (Slager *et al.*, 2024); these results suggest that such expertise can be successfully employed when engaging in high-quality dialogue with company experts. For example, in the engagement with a South African company in the mining sector, water management practices were discussed in regular conferences with newly appointed company experts, and the Engager was able to provide feedback on the company's new water management policies. The company committed to capital investments in wastewater management and water recycling, leading it to meet all KPIs set for the engagement at the conclusion of the dialogue.

The fourth set of configurations shows the configurational effect of the starting position of the target corporation. This set of configurations shows that when the target corporation is a leading firm in terms of sustainability performance, there are three variations of peripheral conditions associated with engagement success: alignment in seniority and expertise (configuration 4a); alignment in seniority and a supportive institutional environment (configuration 4b); and stability and a supportive institutional environment (configuration 4c). This confirms previous insights into the importance of tailoring the engagement process to the capacity of the target corporation (Slager *et al.*, 2023). Configuration 4a shows that leading firms are persuaded to improve their sustainability performance further when there is a balance in expertise and seniority in the dyad, since this allows for a high-level exchange of information and knowledge with senior decision-makers. Furthermore, it shows that target corporations within institutional environments that support shareholder stewardship, engaging at the right seniority level (4b) or with the same functional representatives (4c) leads to successful engagement. For example, when the Engager initially reached out to a US-based manufacturer of electronics regarding plastic waste management, it already met 75% of the KPIs and had established an ESG task force focused on meeting European waste directives, which included senior executives. At the end of the dialogue, the company had met the remaining KPIs, as it had set targets and developed strategies to increase recycling rates, amongst other activities.

INSERT TABLE 3 HERE

The fsQCA analysis also reveals three configurations that are associated with engagement failure (see Table 3). Whilst consistency for these results (0.82) remains in line with accepted benchmarks, the coverage for the analysis of engagement failure is considerably lower (0.25). This is consistent with the notion in social sciences that the causes of failure are often more complex and heterogeneous than the causes of success, and that these are not mirror images (Campbell and Fiss, 2026). This means our model is not able to explain failure as well as it can explain success, as it does not cover a large proportion of failure cases in our sample. Nevertheless, we can observe a number of patterns in the results. First, there is evidence of causal asymmetry, as conditions such as dialogue stability and alignment of seniority in the dyad are also present when engagement fails. This strengthens the need forexamininge engagement as a configurational phenomenon (Campbell and Fiss, 2026) as the effects of individual condition depends on their combination with other conditions. Second, the lack of favorable context conditions is present in all configurations associated with engagement failure, confirming the insights related to the importance of an institutional environment that is supportive of institutional investors undertaking stewardship engagement activities. Furthermore, the configurations show a lack of a supportive institutional environment, combined with a lack of alignment in the engagement dyad (configurations 2 and 3), and a lack of depth and frequency in the engagement (configurations 1 and 2) is less likely to persuade target corporations to enhance their sustainability management.

DISCUSSION

This study advances our understanding of how shareholder engagement produces corporate sustainability improvement by shifting analytical attention from the organizational to the interpersonal. Prior research has established that coalition composition, shareholding stake, and firm-level receptivity shape engagement outcomes (Bebchuk *et al.*, 2020; Dimson *et al.*, 2015, 2023; Judge *et al.*, 2010; Slager *et al.*, 2023). Yet engagement is fundamentally enacted by individuals: investor representatives and corporate managers who meet, correspond, negotiate, and build the relational conditions through which sustainability demands become organizational imperatives. By examining the characteristics of those individuals, the structure of their relationship, and the communicative context in which dialogue unfolds, we offer a more granular account of why engagement succeeds or fails; and why seemingly similar engagement efforts so often produce divergent outcomes. Our findings show that engagement effectiveness is not a function of any single factor but depends on how dyadic, dialogue, and contextual conditions jointly configure. Below, we discuss the theoretical and practical implications of these findings in turn.

A central contribution of this study is the introduction of a “tailor-to-dyad” logic that extends and deepens the “tailor-to-target” insight of prior configurational work on shareholder engagement (Slager *et al.*, 2023). The tailor-to-target perspective demonstrated that effective engagement requires adapting coalition composition to the financial capacity and environmental predispositions of target firms. Our findings affirm the importance of context-sensitivity but reveal a more granular layer of adaptation that has so far been invisible in the literature: effective engagement also requires tailoring to the characteristics of the specific individuals who constitute the engagement dyad on both sides. Seniority alignment, expertise balance, and the relational trajectory of the dyad are not background conditions but constitutive elements of engagement configurations. The results show that engagements succeed not simply because an investor is well-positioned or a target firm is receptive, but because the individual representatives conducting dialogue are appropriately matched and equipped relative to one another.

This tailor-to-dyad logic has several specific implications. First, seniority matching between engager and corporate contact appears as a recurring element in successful configurations. When investor representatives engage at a hierarchical level commensurate with that of their corporate counterpart, they avoid the conversational asymmetries that can arise when partners are too mismatched in rank. Second, expertise alignment matters in a relational sense: engagements in which both sides bring substantive issue knowledge to the dialogue are better positioned to move beyond awareness-raising into the co-development of actionable solutions. An investor representative with deep thematic expertise can serve as an external consultant (Dimson *et al.*, 2015), but the interaction is most effective when the corporate counterpart is sufficiently knowledgeable to translate recommendations into internal organizational processes. Third, and crucially, the effects of these dyadic characteristics are not additive but configurational: seniority alignment without expertise, or expertise without dialogue stability, does not reliably produce improvement. It is the combination that matters.

Our findings contribute to an emerging microfoundational perspective on active ownership by demonstrating that the individual-level characteristics of engagement participants are consequential for sustainability outcomes. The existing literature on shareholder engagement has overwhelmingly conceptualized influence as an organizational property: a function of ownership stake, coalition size, or institutional reputation (Chuah *et al.*, 2024). While these structural resources matter, they do not determine how influence is exercised in practice. Influence is enacted through specific communicative encounters between specific people. It depends on whether a senior investor representative gains access to a senior corporate decision-maker, whether both parties share enough substantive knowledge to negotiate meaningfully, and whether the dialogue structure allows these conditions to compound over time. Prior microfoundational work on engagement has examined the communicative and rhetorical practices through which engagers establish authority and frame demands (Ferraro and Beunza, 2018; Slager *et al.*, 2024). Our contribution is to show that the structural properties of the dyad systematically condition whether those communicative practices can be deployed effectively. Engagement, in this sense, is not an organizational attribute to be switched on or off, but a relational capacity that must be actively constructed through appropriate interpersonal configuration.

Beyond the composition of the dyad, our results shed new light on the role of dialogue architecture in shaping engagement effectiveness. We distinguish two dimensions of the communicative process, stability and intensity, and show that both feature prominently in successful configurations. Dialogue stability, the degree to which the engagement relationship progresses toward decision-relevant corporate actors without fragmentation through repeated handoffs, is a structural precondition for accumulating the relational capital and shared issue understanding that substantive sustainability dialogue requires. Instances of contact instability introduce friction that erodes the cumulative gains of prior interaction. Dialogue intensity, by contrast, captures the level of communicative investment and reciprocity within the exchange. Intensive engagements enable investors to monitor progress and sustain the salience of their demands over time. Together, stability and intensity define an engagement's communicative architecture: the former ensures the relationship moves in the right direction, the latter ensures it moves with sufficient depth and momentum. The failure configurations in our analysis make the importance of this architecture particularly visible: the absence of a supportive macro-context disrupts all failure configurations, but instability and low intensity recur alongside structural dyadic misalignments, suggesting that communicative breakdown and relational misfit are mutually reinforcing.

Our findings carry concrete practical implications for engagement organizations and stewardship professionals. Most immediately, they suggest that assigning the right individual to an engagement campaign is at least as important as securing the right coalition or selecting the right target. Engagement programs that deploy junior representatives to engage with senior corporate sustainability or executive officers, or that pair issue-generalists with technically sophisticated corporate counterparts, may be systematically underperforming relative to their potential. Investment in building individual engager expertise appears as a lever for improving engagement effectiveness that the field has not yet fully recognized.

Our analysis is subject to a number of limitations. In configurational analysis, only a limited number of conditions can be included in the model, as adding conditions increases the number of (theoretically possible) configurations exponentially. We've tried to accommodate this methodological constraint by combining different measures into aggregated conditions, but in doing so, have inevitably lost some of the insights that could have been gained with a more granular approach. Furthermore, fsQCA is limited by its noninferential, descriptive nature, which means causal inferences are ideally derived from a combination of rigorous theorizing and complementary analysis of qualitative or quantitative data related to the configurations. Further research can, for example, focus on examining differences in the qualitative nature of the conversations held in the engagement dialogues associated with the different configurations.

In conclusion, this study advances a microfoundational perspective on shareholder engagement by demonstrating that sustainability improvements arise not from organizational characteristics alone, but from how the individuals conducting engagement are configured in relation to one another and to the broader communicative and institutional context in which dialogue unfolds.

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Table 1: Calibration table

Set name	Measure	Descriptive statistics				Calibration anchors					Skewness
		Mean	SD	Min	Max	Fully out	0.33	Crossover	0.67	Fully in	In the set (>0.5)
Outcome: Engagement success	Final average KPI score reached (end score/total points)	0.63	0.30	0	1	≤0.2 (meets 20% KPIs or less)		0.5 (meets 50% KPIs)		0.8 (meets 80% KPIs or more)	72%
Dyad characteristics											
Engager seniority	Job title engager	0.58	0.38	0	1	Senior Analyst	Senior Associate		Manager	Director	54%
Company seniority	Job title most senior company representative	0.61	0.22	0	1	Corporate Secretary	Non-management		Head of Department	C-suite executive	71%
Seniority alignment	Distance between seniority of engager and company representative	0.65	0.27	0	1	Distance of 1	Distance of 0.67		Distance of 0.33	Distance of 0	72%
Engager expertise	Intensity of involvement in specific thematic areas	0.71	0.20	0	1	Incidental covering	Minority lead		Primary lead	Thematic lead	94%
Company expertise	Functional area of main contact person	0.69	0.46	0	1	Investor Relations				Sustainability	69%
Expertise alignment	Distance between seniority engager and company representative	0.61	0.27	0	1	Distance of 1	Distance of 0.67		Distance of 0.33	Distance of 0	69%
Dialogue characteristics											
Stability	Change in company contacts within functional department	0.66	0.47	0	1	Change				No change	67%
Intensity (average of calibrated measures)	Incoming correspondence (company emails)	16	11	0	41	≤0 (20th percentile)		13(50th percentile)		≥ 27 (80th percentile)	56%
	Number of meetings/calls	3.7	2.6	0	10	≤0 (20th percentile)		3 (50th percentile)		≥ 6 (80th percentile)	
Context characteristics											
Leading firm	Average KPIs score at the start (start score/total points	0.40	0.26	0	1	0%		0.50%		75%	42%
Supportive institutional environment	Market cap weighted average institutional ownership percentage (OECD, 2017); Largest share compared to private companies/public sector/individuals	24	15	1	72	Below OECD average and not largest category	Below OECD average and largest		Above OECD average and not largest	Above OECD average and largest category	79%

Table 2: Configurations for engagement success

	1: Frequent callers	**2: Unstable alignment**	**3: Frequent exchange of expertise**	**2a: Leading alignment**	**2a: Leading hierarchical alignment**	**2b: Leading stability**
Dyad characteristics						
Seniority alignment		●		•	•	
Expertise alignment		●	●	•		
Dialogue characteristics						
Dialogue intensity	●		●			
Dialogue stability		∅	●			•
Context characteristics						
Leading firm				●	●	●
Supportive institutional environment	●	●			•	•
Consistency	0.87	0.88	0.90	0.94	0.94	0.93
PRI	0.84	0.83	0.88	0.92	0.91	0.91
Raw coverage	0.59	0.17	0.37	0.43	0.40	0.36
Unique coverage	0.11	0.10	0.03	0.03	0.00	0.03
Overall solution consistency	0.86					
Overall solution PRI	0.83					
Overall solution coverage	0.82					

Note: A filled-in circle means the condition is present; a circle with a line through it means the condition is absent. Blank cells mean that a condition may be present or absent in the configuration. Core conditions are indicated by larger circles, peripheral conditions by smaller circles.

Table 3: Configurations for engagement failure

	1: Shallow dialogue	2: Mixed alignment	3: Dyadic misalignment
Dyad characteristics			
Seniority alignment		●	∅
Expertise alignment		∅	∅
Dialogue characteristics			
Dialogue Intensity	∅	∅	
Dialogue Stability	●		●
Context characteristics			
Leading firm	∅	∅	∅
Supportive institutional environment	∅	∅	∅
Consistency	0.79	0.88	0.90
PRI	0.70	0.82	0.80
Raw coverage	0.16	0.19	0.08
Unique coverage	0.05	0.07	0.00
Overall solution consistency	0.82		
Overall solution PRI	0.75		
Overall solution coverage	0.25		

Note: A filled-in circle means the condition is present; a circle with a line through it means the condition is absent. Blank cells mean that a condition may be present or absent in the configuration. Core conditions are indicated by larger circles, peripheral conditions by smaller circles.

Appendix A

KPI	Explanation
Natural Resource Management, Targets & Strategy	The company has a strategic plan to manage and monitor the biodiversity impacts and interdependencies associated with the company's operations. Preparing and anticipating disclosures, such as TNFD. The company reports on metrics associated with biodiversity, such as land-use change, Natural capital values. The company actively manages and monitors water mapping across operations/supply chain/portfolio, as well as consumption. It may have rolled out tools such as the WRI aqueduct and WWF water risk filter. Furthermore, the company has an understanding of key water risks in its supply chain and is actively working with its suppliers/clients to lower these risks.
Physical Risk - Value Chain Management	The company actively addresses its climate-linked physical risk across its portfolio/supply chain, first highlighting material physical risks, then mapping and finally tracking and working to mitigate such risk. This is done by overlaying regional and geographic physical climate risk over long term time horizons. In best-case scenarios, the company has full transparency and traceability of its full supply chain to the lowest tiers. In the case of financial actors, this risk is mapped across its portfolios using the best available data. Physical risk is a recognized and tracked component in strategic planning and operational risk management. The company addresses climate preparedness, as needed, with debt rating agencies and analysts.
Practical Mitigation & Forests	Non-financial companies should be taking practical action on its forest involvement working across operations and its supply chain aligned with its sustainability goals. The company considers regulatory changes, combats deforestation, and undertakes sustainable forest management, building resilience, in particular implementing practical mitigation looking at contextual natural climate solutions. The company is also working on collaborative approaches to innovation with key stakeholders and suppliers. Meanwhile, financial actors, following the mapping of emissions and potentially other impacts using key tools and frameworks (e.g. PACTA/SDA/ PFAC) should develop a strategy concerning its portfolio impact and financing activities aligning with its sustainability/carbon goals and considers regulatory changes and stakeholder demands. The company should have practical approaches to credit and loans portfolio, for example requiring NDPE frameworks, establishing concrete time-bound sustainability linked commitments, and KPIs attached to meaningful consequences. The company is also working on collaborative approaches to innovation with key stakeholders.
Targets & Strategy	The company has science-aligned targets with 3rd party verification in place for emissions aligning with at least 1.5-degree scenarios and net-zero commitments (under development); the company has other strong targets relating to activities driving climate and operational emissions, in particular deforestation. The company has a distinct and transparent strategy integrating scenario analysis to achieve specific targets and is reporting on these regularly to stakeholders with a clear outline of how and when they will be achieved.
Governance & Disclosure	The company has board-level expertise and leadership, including, for example, accountability through a board committee and/or person-related appointment on climate change, incorporating climate transitional risk management, including the financial impact of climate change, bringing in both qualitative and quantitative analysis where applicable, aligning to TCFD. The company has remuneration throughout the organization linked to different ESG metrics inc. carbon, water, etc., and has integrated carbon pricing into decision-making. Best practice companies integrate scenario analysis in financial reporting and decision-making. Full TCFD disclosure to a high standard (beyond qualitative descriptions), including transparency on management and board-level oversight, CDP (climate, forests) & SASB, or other appropriate standards. The company also publicly discloses its lobbying and trade associations, as well as transparency on Scope 1,2 & 3 reporting including external verification. The company is also transparent on capital allocation relating to climate transition and reporting on climate-related metrics, e.g., GHG emissions, GHG/land use, water usage. The company also reports on advanced scenario analysis and incorporates 3rd party verification of ESG targets and reporting.