

# Shareholder Engagement Methodology



## ASSESSING ENGAGEMENT

YourStake assigns a shareholder “Engagement Level” to every publicly traded fund on our platform. The Engagement Level is based on the following [open-sourced methodology](#) for evaluating the shareholder engagement of fund managers. The methodology draws from the academic literature to develop an evaluation framework. For example, filing a shareholder resolution with a company on a novel issue contributes positively to the Engagement Level because it has been shown to be particularly effective at creating impact through raising the issue to the attention of management, and legitimizing other actors in a civil society focused on those issues.<sup>1,2</sup>

Because most proxy voting and shareholder engagement is conducted on behalf of the assets of a firm instead of the assets of a fund, Engagement Level is almost always determined at the fund family level. There are rare exceptions in the case of specific sub-advisory or outsourced shareholder engagement relationships.

## DETERMINING ENGAGEMENT LEVEL

The Engagement Level is based on the frequency, intensity, and effectiveness of engagement activities. Categories include:

- Proxy voting:
  - % support of ESG-focused shareholder resolutions
  - Votes against directors for publicly stated ESG reasons
- Filing Shareholder Resolutions
  - # Shareholder resolutions filed.
  - # Shareholder resolutions lead filed.
  - # Shareholder resolutions filed for multiple years
  - # Shareholder resolutions withdrawn successfully or received majority support
  - # Shareholder resolutions focused on a novel topic or angle
- Informal Shareholder Engagement (e.g. letter writing, meetings with management)
  - # Companies engaged
  - # Companies engaged in collaboration with other investors
  - # Collaborative engagements in which the fund manager was the lead organizer
  - # Companies engaged on a novel topic or angle
  - # Companies engaged “comprehensively” (engagements that involved multiple, substantive and detailed discussions or interactions)
  - # Of companies that changed or committed to change following engagement by the fund manager
  - Process to monitor and follow up on engagements

Where appropriate, metrics are measured in proportion to the fund manager's size, so as to not disadvantage smaller managers.

In order to determine a fund's shareholder engagement level, YourStake analysts inspect all materials the fund manager makes publicly available, including annual shareholder engagement reports, press releases, blog posts, and industry body reports (e.g. a fund manager's Principles for Responsible Investment report). YourStake then places funds into one of three categories: "Minimal", "Base", or "Deep" engagement based on their performance on the engagement methodology. YourStake sets the thresholds such that ~60% of funds are in the "Minimal" shareholder engagement category, ~30% of funds are in the "Base" shareholder engagement category, and ~10% of funds are in the "Deep" shareholder engagement category.

1. <https://onlinelibrary.wiley.com/doi/abs/10.1002/bse.364>

2. <https://onlinelibrary.wiley.com/doi/abs/10.1002/bse.364>

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