

## PROXY SEASON

# Fewer Campaigns, But Much to Observe from the 2025 Proxy Season

**By Kai Liekefett, Derek Zaba, and Leonard Wood**

While the number of overall shareholder activism campaigns cooled in the 2025 proxy season compared to years past, the season has been marked by its fair share of fireworks and headlines, as well as unique events and disruptions. The season also has provided many lessons for companies as we look ahead to the 2026 proxy season.

In 2025, value beat virtue, as activists zeroed in on value and capital allocation and sidelined sustainability topics. Under the universal proxy system, now in its third year, investors happily elected only parts of activist slates. While proxy advisors continued to factor heavily in outcomes, and often recommended for dissident candidates, in one key contest they didn't carry the day in the face of a tenacious company campaign.

This proxy season also saw a resurgence in the prominence of traditional economic activists using "vote no" (or "withhold") campaigns instead of proxy contests. Companies and activists were reminded to expect the unexpected, as regulatory and political curveballs—from the Committee on Foreign Investment in the United States (CFIUS) reviews to significant Securities and Exchange Commission (SEC) guidance—showed a capacity to abruptly reshape campaign tactics and outcomes.

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## Amid Tariff Pressures and Reduced M&A, Activism Cooled Overall

The broad tariffs imposed by the Trump Administration had a significant impact on corporate dealmaking in 2025 and helped to cool overall activity in shareholder activism.

As was well covered in the press, the tariffs injected new uncertainty into the economy by increasing input costs, disrupting supply chains and introducing volatility into revenue forecasts. During the first four months of 2025, public M&A transactions for US-based targets declined 60 percent year-over-year to approximately \$140 billion, with the lowest number of deals in several years. According to S&P data, overall global M&A deal count fell approximately 10 percent, although overall transaction value was buoyed by a handful of multibillion-dollar deals. By other counts, the number of M&A contracts announced across the world fell in April to the lowest level in more than 20 years. Companies with significant exposure to imports braced for increased costs and possible retaliatory duties on exports.

In line with M&A trends, overall shareholder activism also lightened. Compared to the prior year, 2025 saw approximately a 10 percent decline in activist campaigns initiated overall, 26 percent decline in proxy fights initiated, 15 percent decline in dissident nominations, 10 percent decline in Schedule 13Ds filed, and 10 percent decline in formal settlements.<sup>1</sup>

The dampening effects of tariffs on activism were felt particularly acutely following Liberation Day (April 2). New public campaigns declined 11 percent in the first two months of 2025 versus the same period in 2024—and dropped 70 percent since Liberation Day.<sup>2</sup> Many campaigns were withdrawn

or left inactive, including private campaigns that were poised to go public.

Activists showed added hesitation to launch public campaigns during this period of market fragility. Public campaigns, and especially proxy contests, require activists to remain invested, which is riskier in an unpredictable environment where tariffs can squeeze margins, reduce earnings, and depress stock prices. Activists also recognized that the same volatility made shareholders less receptive to disruptive change. In essence, Liberation Day liberated large segments of Corporate America from public activism campaigns this proxy season.

## Still, Plenty of Excitement

Despite the decline in overall numbers, 2025's proxy season also offered plenty of excitement.

Among the most heated contests: Elliott Advisors took its first US board fight to a vote at Phillips 66, securing election for half of its slate of four dissident nominees. This occurred despite over 30 percent of the shareholder base comprising retail shareholders and over 25 percent held by the Big Three index funds. The Elliott victory gave a voice on strategy; Phillips 66 retained board control thanks to its classified board. Ancora Advisors moved to replace nine directors and the CEO at US Steel in protest of the company's handling of its proposed sale to Nippon Steel. Ancora withdrew its slate in April as the deal talks regained momentum and the White House ordered a new CFIUS review. Barington Capital sought to elect three directors to three available seats at Matthews International, expressing concern about financial and operational performance and seeking to change management. All three incumbents were reelected despite ISS and Glass Lewis both recommending for the election of all three dissident candidates.

There was also a resurgence in activists using "vote no" campaigns instead of proxy contests. H Partners, which previously ran a seminal "vote no" campaign at Tempur Sealy a decade ago, launched another closely watched campaign of this kind at Harley-Davidson. Even though Institutional Shareholder

Services (ISS), somewhat surprisingly, supported the Harley-Davidson, the company's candidates opposed by H Partners received slightly above 50 percent of the votes cast—escaping an embarrassing defeat by the skin of their teeth.

At a second "vote no" campaign at Forward Air, Ancora Advisors' withhold campaign succeeded in keeping the election of two company nominees to 52 percent and a third nominee to 43 percent of the votes cast. All three directors subsequently resigned. At WEX, Impactive Capital's withhold campaign had significantly less impact. The three company nominees opposed by the activist were reelected with comfortable margins between 63 percent and 69 percent of votes cast.

## Impact of the Proxy Advisors

ISS and Glass Lewis continued to be pivotal forces in ballot box outcomes. In general, when both groups support the company, a company victory is all but assured. And when both groups support the dissident, the election of at least one dissident is likely. It was this way before universal proxy, and it continues to be the case.

Matthews International's response to the campaign of Barington Capital showed one exception to this paradigm. After Barington delivered notice of its nomination of a three-person slate to the company's classified board for the 2025 annual meeting, the company pushed back, highlighting its performance and branding the challenge as costly and disruptive. ISS and Glass Lewis (and Egan Jones) ultimately recommended in favor of all three dissident candidates, arguing for new voices in the boardroom. Despite these endorsements, shareholders reelected the company's three incumbents.

A multipronged campaign persuaded investors to support the company's nominees. In particular, the company showed visible progress on strategy and operations, and was able to do so on schedule. In the six weeks before the annual meeting, the company closed a \$350 million sale of a business arm and won an arbitration against a significant counterparty.

Shareholders could see management executing. Most decided to let the current board and management team “finish the job.”

ISS has been under close watch in 2025 because Andrew Borek has succeeded Cristiano Guerra as head of special situations research. There was much anticipation over how his leadership style and analysis would change from prior years. ISS recommended votes for a good number of dissident nominees in late 2024 just prior to Borek's succession and then more in 2025 after it. This includes ISS recommendations for four dissident candidates at Phillips 66, three at Air Products, two at AIM ImmunoTech, and one at Cracker Barrel.

While the verdict is still out on what matters most to the new ISS leadership, the key themes appear consistent with prior years: share price and operating under-performance relative to peers, governance shortcomings (such as weak board refreshment, blurred accountability, or excessive CEO power), and the relative strength, industry expertise, and independence of alternative directors put forward by shareholders.

### SEC Guidance on Beneficial Ownership Reporting Interrupted the Proxy Season

The force of shareholder activism campaigns and the expectations of activists were somewhat dulled this year—at least for a time—by sudden new guidance put out by the SEC in early February 2025, expanding the list of routine “engagement” activities that could disqualify an investor from being able to file a “passive” Schedule 13G beneficial ownership filing, as distinct from a Schedule 13D filing.<sup>3</sup>

Under the new guidance, conditioning support for—or threatening to oppose—directors, or “pressuring” management to adopt a policy, is now deemed an intent to “influence control” and a basis for a 5 percent holder to report its holdings (and investment intent, among other details) on a Schedule 13D rather than a Schedule 13G. The broader “control” test could raise the cost of stepping

over the activist line for any holder that normally reports on Schedule 13G.

The SEC guidance has put constraints on major institutional investors and their approach to proxy contests. In the short term, the guidance resulted in cancelled or postponed stewardship meetings with certain institutions while they evaluated internal playbooks for engagement. Even after resuming meetings, the effect on campaigns was palpable.

It became harder for issuers and activists to “read” the leanings of the big funds—not that it was ever easy. Companies reported “silent phones” as stewardship desks avoided real-time feedback once a contest was under way. Companies in the middle of a fight were finding it more difficult to obtain meetings with institutional holders owning 5 percent or more, who are guarding their Schedule 13G filer status.

Much remains to be seen on this front in 2H 2025 and 2026. The reduced willingness of these institutions to provide direct feedback to companies will continue into off-cycle investor engagement in the fall. And the market will look to see whether the SEC will offer safe harbor or further clarifying guidance that lets asset managers resume normal stewardship without fear of tripping Schedule 13D filing requirements. In the meantime, the February 2025 guidance has not stopped institutional investors from voting, but it has reoriented their influence more squarely at the ballot box and away from discussion.

### Looking Ahead to the Second Half of 2025 and 2026

As we look ahead to the second half of 2025 with a number of contests still on the burner, top lessons of the first half of the year seem to abound.

***Performance still trumps every other issue.*** The key campaigns of the year have centered on total shareholder return (TSR) and capital-allocation pain points—mega hydrogen cap-ex at Air Products, refinery margins at Phillips 66, sales slides at Harley-Davidson, valuation at US Steel and other companies. While activists avoided environmental, social,

and governmental (ESG) rhetoric, value creation was the rallying cry.

***Universal proxy continues to encourage “split decisions.”*** Shareholders felt comfortable electing only part of an activist slate (Air Products 3-of-4, Phillips 66 2-of-4). Boards should not necessarily think of “all-or-nothing” dynamics, and are not expecting to need a clean sweep in order to claim victory.

***Proxy-advisor backing is helpful, but not necessarily decisive.*** ISS and Glass Lewis endorsed the dissidents at Air Products, Phillips 66, Matthews International and elsewhere, with mixed results in each case. This underscores that winning with BlackRock, Vanguard, and State Street matters more than winning the proxy advisors.

***Politics, abrupt regulatory changes, and geopolitics can change the battlefield overnight.*** Ancora’s US Steel withdrawal after a new CFIUS review shows how policy shifts can upend an activist timeline and force tactical retreats. The SEC guidance change of February 2025 also played its role in causing activists to be more cautious, especially in February and March – critical months in the ramp up of the proxy season.

***“Vote No” campaigns are back in fashion, but could prove to have been a niche tactic that was appropriate mainly for certain situations in 2025.*** Despite the relative prominence of “vote no” campaigns in 2025, this may have been a circumstantial feature of the 2025 proxy season, owing to the specific nature of a few campaigns in 2025 rather than evidence of a longer-term trend.

***Despite cooling numbers overall in 2025, companies should not be complacent and should remain on guard, including right after the conclusion of their annual meetings.*** The big trends of the activism environment from the height of the

Covid-era are instructive. After a slow proxy season in 2020, activity picked up pace during the second half of the year. The overall number of activist campaign initiations remained relatively consistent from 2019 through 2021, despite extreme market volatility during the onset of the pandemic.

In the long term, tariff-induced uncertainty may afford activists new opportunities. Tariffs could permanently impact operational dynamics (for example, optimal supply chain structure, geographical diversity) across a wide range of industries. In these environments, the spread between a specific activist’s perception of the company’s intrinsic value and a company’s stock price can increase dramatically. In other words, the number of companies that become attractive targets for activists likely will increase.

As in 2020, we may see a resurgence of campaigns in the second half of the year. Companies should be reviewing their activism vulnerabilities in light of the fluctuating trade landscape. Boards and management teams should expect that they are not alone in examining their business vulnerabilities in a tariff-heavy and M&A-uncertain environment. Activists are looking at these aspects of businesses as well and evaluating how those vulnerabilities can be turned into theses for significant changes in operations, balance sheet management and governance.

## Notes

1. Deal Point data.
2. Deal Point data.
3. U.S. Sec. & Exch. Comm’n, Compliance & Disclosure Interpretations: Exchange Act §§ 13(d) and 13(g) and Regulation 13D-G Beneficial Ownership Reporting, Questions 103.11 & 103.12 (Feb. 11, 2025), <https://www.sec.gov/rules-regulations/staff-guidance/compliance-disclosure-interpretations/exchange-act-sections-13d-13g-regulation-13d-g-beneficial-ownership-reporting>.