

2025 Proxy Season: Temporary Disruption amid Structural Shifts in Shareholder Activism

Companies should not mistake the midyear lull as a trend toward lower activism

By **Derek Zaba, Kai H.E. Liekefett** | September 5, 2025

While the second quarter of 2025 saw a notable reduction in activist campaigns, the proxy season nevertheless delivered key developments that are likely to shape expectations heading into 2026. Economic and regulatory disruptions, combined with evolving investor behaviors and tactics, generated important lessons for issuers, activists and market observers alike.

Liberation Day Torpedoes Proxy Season

"Liberation Day" (April 2) opened the second quarter of 2025 with a bang — and a blow to what had been shaping up as a near-record proxy season. U.S. campaign announcements in the critical Q4 2024 to Q1 2025 period were up 38% compared to 2023/24 but fell 20% year over year in Q2 (1).

The spike in economic and geopolitical uncertainty led many activists to pause or abandon campaigns. Much as we saw during the 2020 proxy season, market fragility makes commitments to new investments and public confrontations riskier for activists.

Dealmaking also suffered in the first half of this year. Global M&A values fell 41% year over year in the first half of 2025. The Trump administration's tariff strategy increased input costs, unsettled supply chains, and depressed dealmaking confidence.

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Value over Virtue: A Shift in Activist Priorities

One theme of the season was a pivot away from ESG-driven campaigns toward traditional economic arguments. High-profile contests included Elliott's successful bid for board seats at Phillips 66, despite a company-friendly shareholder base. Ancora launched a forceful campaign against U.S. Steel though ultimately withdrew as regulatory scrutiny intensified. Universal proxy rules, now in their third year, continued to enable nuanced shareholder decisions, increasing the number of "split-ticket" outcomes where a minority of the activist slate is elected. In many recent votes, it appears that shareholders are willing to use their votes to deliver a limited mandate for change, but they remain hesitant to force wholesale boardroom disruption. As always, staying aware of and responsive to shareholder sentiment is critical.

The Return of 'Vote No' Tactics

One notable aspect of the 2025 proxy season was the reemergence of a handful of "vote no" or "withhold" campaigns in lieu of traditional proxy contests. H Partners narrowly missed ousting Harley-Davidson directors despite favorable proxy advisor recommendations. Ancora Advisors successfully forced resignations at Forward Air after low vote totals for targeted directors. Similar efforts at WEX by Impactive Capital yielded minimal results. While this approach gained visibility, its broader applicability remains uncertain.

Proxy Advisors: Still Influential, Not Determinative

Institutional Shareholder Services and Glass Lewis continued to wield particularly strong influence under the universal proxy regime, though their recommendations were not always decisive.

Companies that demonstrated clear operational progress, such as Matthews International, managed to secure shareholder backing even when lacking proxy advisor support. A leadership change at ISS appears to have resulted in a less friendly environment for incumbents, with ISS's support for the entire dissident slate at Russell 3000 companies at its highest level since 2018.

Nevertheless, traditional substantive factors — relative TSR, financial performance and board composition — remained central to proxy advisor recommendations.

Regulatory Interventions: SEC Update on 13D/13G

Guidance issued by the SEC regarding beneficial ownership reporting is viewed as an inflection point in the manner in which investors holding more than 5% of a company's stock, particularly index funds, engage with their shareholders. The revised interpretation classified formerly routine engagement activities — such as urging governance policy changes — as evidence of activist intent, potentially triggering Schedule 13D obligations. As a re-

sult, companies reported difficulty in gauging investor sentiment mid-contest. Peacetime engagements by large shareholders have also been affected, complicating companies' ability to remain responsive to shareholder concerns. The long-term impact of this guidance will be better understood as we progress into next proxy season.

Lessons and Outlook: Green Shoots for a Second-Half Rebound

Looking ahead, several lessons emerge. Performance remains paramount, with shareholder dissatisfaction closely tied to lagging relative TSR. The universal proxy regime has raised the floor but lowered the ceiling on activist wins, encouraging both activists and companies to recalibrate expectations. Proxy advisors remain important, but major institutional investors — particularly the index funds — are often the true arbiters of campaign outcomes. Moreover, external shocks — whether regulatory (SEC guidance), political (CFIUS reviews) or geopolitical (trade tariffs) — can rapidly alter the campaign terrain.

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Rather, historical parallels suggest a potential for a second-half resurgence, as seen in the post-Covid recovery of 2020. Anecdotally, we have recently seen a spike in engagements by activists as they prepare for the 2026 proxy season. Boards must remain vigilant, proactively assess vulnerabilities, and prepare for renewed activist scrutiny amid ongoing macroeconomic uncertainties.

(1) For U.S.-headquartered companies with a market capitalization of at least \$250 million, excluding funds. Data from FactSet.