Blog Series: Good Governance for Value Creation
Blog Post no.3

Shareholder resolutions: a vital tool for investor voice.

Written by Jen Sisson (ICGN CEO) and Jakub Brejdak (Senior Policy Executive) on 8 January 2026

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In the previous blog post, we described voting rights as a cornerstone of corporate governance. But voting on standard ballot items alone is not always enough. It allows shareholders to support or oppose items presented by the board, yet sometimes essential issues are missing from the agenda entirely. Shareholder resolutions are a vital mechanism for company owners to raise concerns with company board and management, and all shareholders.

The ability to file shareholder resolutions is a legitimate shareholder right. It should be used thoughtfully as part of a disciplined stewardship process, not as a confrontational first step. Effective engagement typically begins with private dialogue, may move to public signalling where necessary, and culminates in a formal resolution only as a last resort. While it is sometimes argued by those who do not support these investor rights that resolutions can be used by small investors to raise issues of limited relevance, in practice such proposals are usually defeated and cause little disruption. However, ideas that initially attract limited support can over time influence expectations and standards of good practice. Investors are therefore concerned when this important mechanism comes under pressure, particularly in the United States.

No single global model for filing proposals

Legal frameworks governing shareholder resolutions vary across markets. The conditions for submitting a proposal, such as minimum shareholding thresholds or holding periods, differ across jurisdictions, as do the majorities required for a resolution to pass. Frameworks also differ in the circumstances under which boards may exclude a proposal. Another important distinction is whether resolutions are advisory or binding. In some jurisdictions, for instance in Scandinavia, a successful vote obliges the board to act, while in others, such as the United States, it serves only as a formal signal of shareholder expectations.

Culture matters too

The strength of shareholder activism depends not only on law but also on culture. Shareholder proposals remain significantly more common in the United States than in the United Kingdom, for instance.[1] In several Asian markets, including Japan and South Korea, regulators have lowered the legal thresholds for filing shareholder resolutions to align with international standards. Yet the use of these rights remains limited. Filing a proposal is often viewed as confrontational rather than as a constructive act of stewardship, raising concerns about reputational risk or strained relations with management. This cultural conservatism creates a gap between the formal rights available to shareholders and their willingness to exercise them. In practice, investors active in these markets tend to prioritise sustained private engagement and relationship-building, escalating to formal proposals only when dialogue fails to deliver progress. Seen in this light, shareholder resolutions function as a safety valve rather than a default mechanism. In markets characterised by concentrated ownership, cross-shareholdings or relationship-based governance models, limited use of shareholder resolutions can nonetheless weaken accountability in practice, even where legal thresholds are low. Yet even when support levels are modest, shareholder resolutions can play an important signalling and norm-setting role by legitimising issues that might otherwise struggle to gain board attention, particularly on governance reform, capital allocation discipline or long-term risk oversight. In Japan, fewer than five 5% of listed companies received shareholder proposals in 2023[2], while in South Korea only 41 out of 2,460 listed companies had any shareholder proposal on their AGM.[3]

Shareholder resolution rights under threat

For decades, investors in the United States have been able to use shareholder proposals to influence improvements in corporate governance and risk oversight. Recently, however, businesses have complained about the amount and nature of some of the shareholder proposals and political debates have framed proposals

[1] Cheffins, B.R. and Reddy, B. (2025), Deconstructing the "Anglo-American" Corporate Model. Harvard Business Law Review, Vol. 16.
[2] https://www.whitecase.com/insight-alert/japan-2023-proxy-season
[3]https://koreajoongangdaily.joins.com/news/2025-04-15/business/economy/Shareholder-meetings-a-tense-affair-as-investors-feel-sidelined-management-feels cornered/2285631

especially those relating to environmental and social issues as a distraction from company priorities.[4]

In February 2025, the SEC issued new guidance expanding the grounds on which companies may exclude shareholder proposals from proxy ballots. The number of shareholder proposals voted in the US fell by 22% year on year, from 647 in 2024 to 502 in the 2025 proxy year ending 30 June. While average support for governance and sustainability proposals has remained relatively stable after two years of decline between 2021 and 2023.[5]

On 17 November 2025, the SEC announced that its decision to scale back its substantive review of Rule 14a-8 requests for the proxy season 2025/2026. Under the new approach, companies may obtain a “no-objection” letter based solely on their own assertion that they have a reasonable basis for exclusion, without any assessment by the SEC staff of whether that justification is adequate. This move aligns with the SEC’s broader regulatory flexibility agenda, which anticipates possible rulemaking in this area, with an indicative timeline of April 2026.

Why are shareholder resolutions important?

1. Shareholder resolutions surface material risks and drive improvements

Resolutions that obtain significant shareholder support often highlight issues that boards have not prioritised, but investors deem financially material for the success of the company, and that are not overly prescriptive for company management. Shareholders tend to support proposals that can catalyse improvements in reporting, governance, risk management, and long-term strategic thinking. The shareholder resolution mechanism provides market information that helps companies anticipate challenges and adapt early, which is key for their resilience.

Academic research shows that governance provisions restricting shareholder rights, such as limits on the ability to propose on resolutions, are associated with lower firm valuation and weaker stock performance. Bebchuk, Cohen, and Ferrell (2009)’s "entrenchment index" showed that companies with fewer shareholder rights tend to

[4] The Need for Bold Proxy Process Reforms, The Business Roundtable, 2025. https://www.businessroundtable.org/the-need-for-bold-proxy-process-reforms

[5] ESG Shareholder Resolutions: Signal Failure?, Harvard Law School Forum on Corporate Governance, https://corpgov.law.harvard.edu/2025/10/07/esg-shareholder-resolutions-signal-failure/

underperform, highlighting that active shareholder engagement contributes to value creation.[6]

Research also shows that shareholder proposals can drive meaningful change even when they are not binding or do not receive majority support.[7] Companies frequently adjust policies or disclose additional information in response to proposals that attract reasonable backing, fail by a narrow margin or are withdrawn following engagement. In many cases, a proposal prompts private discussions between investors and the board, and these negotiations can lead to commitments or improvements that are never reflected in the final vote. This demonstrates that the value of shareholder resolutions lies not only in the outcome of the vote but in the dialogue, scrutiny and accountability they generate.

2. **Shareholder resolutions provide accountability when other mechanisms fail**

Even with voting rights intact, minority shareholders can struggle to challenge an unresponsive board. Shareholder resolutions allow investors to put issues to a vote, ensuring boards hear and consider views they might prefer to ignore. As part of their stewardship toolbox, shareholder resolutions may give investors a structured way to escalate issues with companies they own, when deemed necessary.

When shareholder resolution rights are weakened, there are fewer avenues for investors to challenge performance, oversight or strategic decisions that may put long-term value at risk.

3. **Shareholder resolutions signal investor expectations and market confidence**

Voting outcomes on shareholder proposals provide a public barometer of investor sentiment. High support levels can drive rapid governance improvements, while even modest levels of support often prompt constructive engagement between boards and investors. These votes help guide boards on how the market expects them to manage material issues. If shareholder proposals become harder to file or easier to

[6] L. A. Bebchuk, A. Cohen and A. Ferrell, ‘What Matters in Corporate Governance?’, Review of Financial Studies, vol. 22, no. 2, 2009, p. 785.
[7] Bauer, R., Moers, F., & Viehs, M. (2015). Who Withdraws Shareholder Proposals and Does It Matter? An Analysis of Sponsor Identity and Pay Practices. Corporate Governance: An International Review

exclude, markets lose that signalling function. Companies may misread investor expectations, and investors lose visibility into how peers are interpreting long-term risks and opportunities; both of which are crucial for well-functioning, trusted capital markets.

4. **When one channel of dialogue between shareholders and the board closes, pressure shifts elsewhere**

Weakening the shareholder proposal process may also create unintended pressure points in investor–company relations. Removing this crucial channel of communication between investors and the board risks making engagement more strained and less predictable. When proposals are no longer a reliable avenue for raising concerns, shareholders may turn to other, perhaps stronger mechanisms such as voting against the board of directors. Furthermore, the likelihood of legal challenges increases when investors feel they have been denied a fair opportunity to raise issues formally.

Case studies

Samsung C&T: Shareholder resolutions as disciplined escalation on capital allocation[8]

Background: Samsung C&T Corporation has long traded at a persistent discount to the value of its underlying assets, raising concerns among international investors about capital allocation discipline and balance-sheet efficiency. After a period of private engagement failed to deliver meaningful change, a group of long-term shareholders led by City of London Investment Management filed shareholder proposals ahead of the company's 2024 annual general meeting. The shareholder proposals called for enhanced returns through higher dividends and a share buyback, alongside clearer disclosure of capital allocation priorities. The initiative attracted unusually broad support for the Korean market, including backing from global institutional investors such as Norges Bank Investment Management, and favourable recommendations from leading proxy advisers.

[8] https://www.koreatimes.co.kr/business/companies/20240313/global-pension-funds-side-with-activist-investors-at-samsung-ct?utm_source=chatgpt.com

Outcome: The shareholder proposals did not pass. Nevertheless, the proposals received meaningful minority support from unaffiliated shareholders, elevating capital allocation to a central governance issue for Samsung C&T and signalling clear investor expectations. The case illustrates how non-binding shareholder resolutions can function as a disciplined escalation mechanism; legitimising debate, challenging entrenched practices, and reshaping engagement dynamics even where formal votes fall short of majority support.

Volkswagen: Active ownership drives lobbying transparency change[9]

Background: In April 2022, a shareholder resolution co-filed by Schroders urged Volkswagen AG to publish a detailed assessment of how its trade association memberships and lobbying activities aligned with the company's climate goals. The proposal pointed to a mismatch between Volkswagen's public transition targets and its indirect policy engagement through third-party bodies.

Outcome: Volkswagen responded by publishing a more detailed lobbying and association transparency report, clarifying its position on climate-related trade associations and updating its governance disclosures. The case illustrates how shareholder proposals can catalyse meaningful governance improvement without adversarial frameworks, highlighting the value of direct engagement paired with the formal resolution mechanism.

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9 https://www.schroders.com/en-bm/bm/professional/insights/active-ownership-case-study-volkswagen/?utm_source=chatgpt.com