

The Long and the Short of It: Institutional Investors' Views on Activism



1

VIEWS ON ACTIVISM

1.A. Utility Of Activism

1.B. Activist Credibility

1.C. Objectives that Resonate

TABLE

OF CONTENTS

2

EVALUATION CRITERIA

2.A. Role of Governance in Activism

2.B. Financial Evaluation –
Not All Metrics Are Created Equal

2.C. Barriers to Support

2.D. Source Material

3

ENGAGEMENT DYNAMICS

3.A. Voting on Activist Campaigns

3.B. Engagement with Activist Campaigns

3.C. Communication around Activism

FOREWORD

The growth of passive investment within global equity markets has been considerable in scale, and sustained in duration. Passive investment has proven to be an attractive investment strategy securing significant growth in assets under management (“AUM”) at a small number of large investment firms. Vanguard, BlackRock and State Street Global Advisors (“State Street”) – the “Big Three” – have led this charge, with combined AUM swelling from USD 3 trillion in 2005, to approximately USD 27 trillion in Q1 2025. Unlike active managers, who aim to outperform a benchmark through selective bets, passive managers are judged by how precisely they mirror an index. By their very design, passive investors lack the flexibility to invest in or divest from specific companies at their discretion, as doing so would result in a deviation from the benchmark they are mandated to follow.

The current market dynamics suggests that passive investors need active managers to identify companies that are failing to create and/or protect long-term shareholder value through escalations – actions often considered “activist” – so that engagement and votes of passive investors can be mobilized to enable warranted change. Failure of this dynamic, either by active or passive managers, risks fostering a market environment in which price and fundamental value drift apart, with fewer and less constructive opportunities for timely correction.

In an increasingly competitive asset management industry, active managers face mounting pressure to justify their value. If they don’t, investors may start to question the benefits of paying for active management when they could simply choose a passive strategy that tracks the market at a lower cost. Apart from identifying true growth stories, another differentiation for active managers could involve publicly criticizing underperforming companies, opposing board members on the basis of company performance or strategy, or collaborating with

other shareholders to drive meaningful governance reforms (and, of course, choosing how much of their portfolio to concentrate at these stocks relative to the benchmark). While concerns about activism may persist, the negative stigma associated with it has largely dissipated. **Both passive and active managers increasingly recognize the positive impact of activism in promoting corporate accountability and long-term value creation.**

Appreciating that the barriers to escalating stewardship activities have shrunk, boards that are not communicating effectively the strength of their governance framework will be more prone to activism in some form at some time. More specifically, in routine activities, companies must ensure engagements are impactful. Considerations to evaluate this include:

- Do we understand our investors (including their investment strategies, the decision makers, and the inputs of third-party research)?
- Do we understand what investor sensitivities exist, and for which constituencies?
- Are we involving the right people? Should board members be part of the engagement to better instil trust in elected representatives?
- Are our engagements leading to valuable investor feedback and actionable items?

A thoughtful approach to these questions not only strengthens shareholder relations but also enhances a company’s ability to anticipate and address concerns before they escalate. For companies aiming to build trust in the capital markets, **prevention is better than remedy.**

KEY TAKEAWAYS

Summary interpretations based on investor responses to the activism survey:

Activism is Useful:

Investors overwhelmingly agree that activism is a valuable market force, primarily for catalyzing change (77%) and driving accountability.

Activist Credibility:

The most critical factor in activist credibility is the strength of arguments (87%), followed by campaign track record.

Activist Concerns:

A key concern (65%) is that activists may oversimplify complex businesses or adopt overly short-term views and cause disruption.

Governance and Returns Matter:

Poor governance is seen as a trigger for activism (84%), with return and profitability metrics rated as the top performance indicators.

Boards Under the Spotlight:

Board-related activism tied to governance and management change is most supported (71%), while M&A and balance sheet activism receive minimal backing (3%).

Claims Need to be Substantiated:

Shareholder proposals that are weakly justified are the top barrier to investor support.

Direct Engagement Influences Decisions:

Investors primarily engage with campaigns through letters, press releases, and direct outreach.

The Decision-Makers:

Fund Managers play a leading role in final voting decisions – with the support of Stewardship Teams.

Engagement Dynamics:

Nearly half of investors are open to engaging before a campaign is public; many also consult peers to gauge broader sentiment.

Methodology

SquareWell Partners (“SquareWell”) conducted a survey of over 30 institutional investors—including both asset managers and asset owners—collectively responsible for more than \$35 trillion in assets under management. The survey included 14 questions organized around three key themes: Views on Activism, Evaluation Criteria, and Engagement Dynamics.

To capture a global perspective on shareholder activism, respondents were drawn from North America, Europe (including the United Kingdom), and Asia. The survey engaged both Stewardship Team professionals (61% of participants) and Portfolio Managers (39%), ensuring a balanced representation of governance and investment perspectives.

Participants ranged from institutions managing less than \$1 billion to some of the world’s largest investors with over \$1 trillion in AUM. To reflect the breadth of viewpoints rather than the concentration of assets, responses are reported based on the number of participants rather than their assets under management.

1 VIEWS ON ACTIVISM



1. A. UTILITY OF ACTIVISM

Activism has become a powerful force in global markets, with activist investors often aiming to drive corporate change, improve governance, and enhance shareholder value. In recent years, high-profile and sometimes contentious campaigns have fueled debate over activism’s role in shaping corporate strategy.

Institutional investors overwhelmingly view activism as a useful market force. It is primarily seen as a catalyst for change (77%) and a driver of accountability (71%), with improved transparency and engagement (61%) also highlighted as key benefits. Fresh perspectives brought by activists are valued by 55% of respondents.

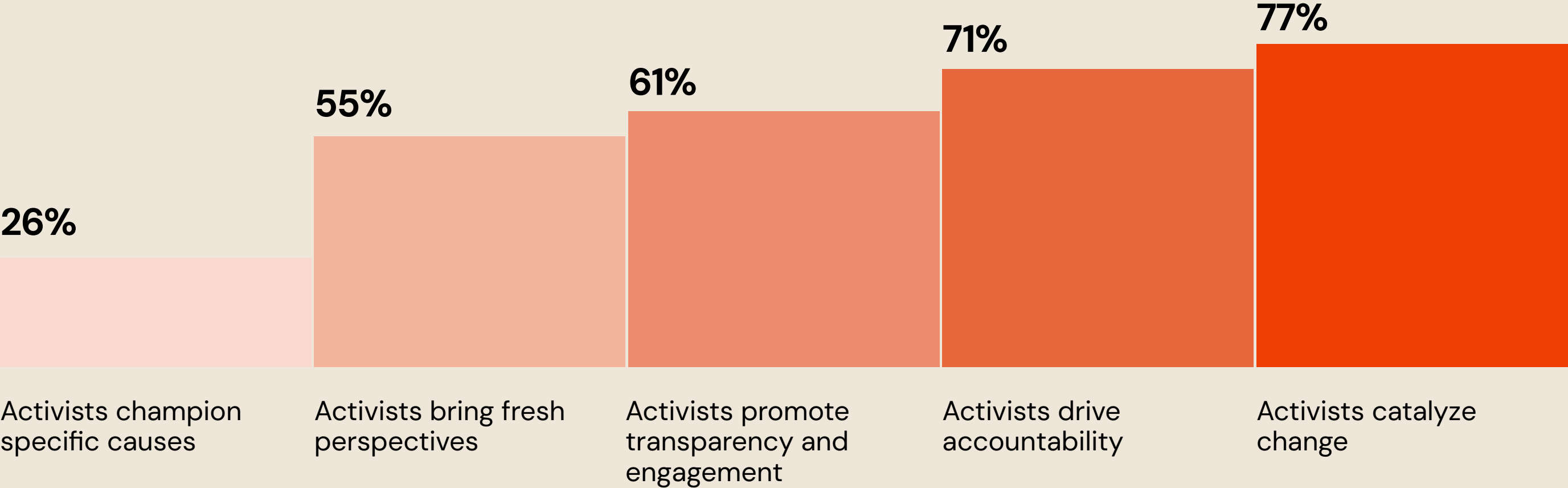
At the same time, investors acknowledge several drawbacks. The most cited concern is that activists often have a narrow focus that overlooks broader business complexities (65%). Short-termism (48%), the disruptive or costly nature of campaigns (35%), and disregard for wider stakeholder interests (32%) are also noted.

These findings reflect strong support for activism as a market-based oversight mechanism—valued for promoting accountability, transparency, and performance. At the same time, investors emphasize the importance of a broader, long-term perspective that considers business complexity and the interests of all stakeholders.

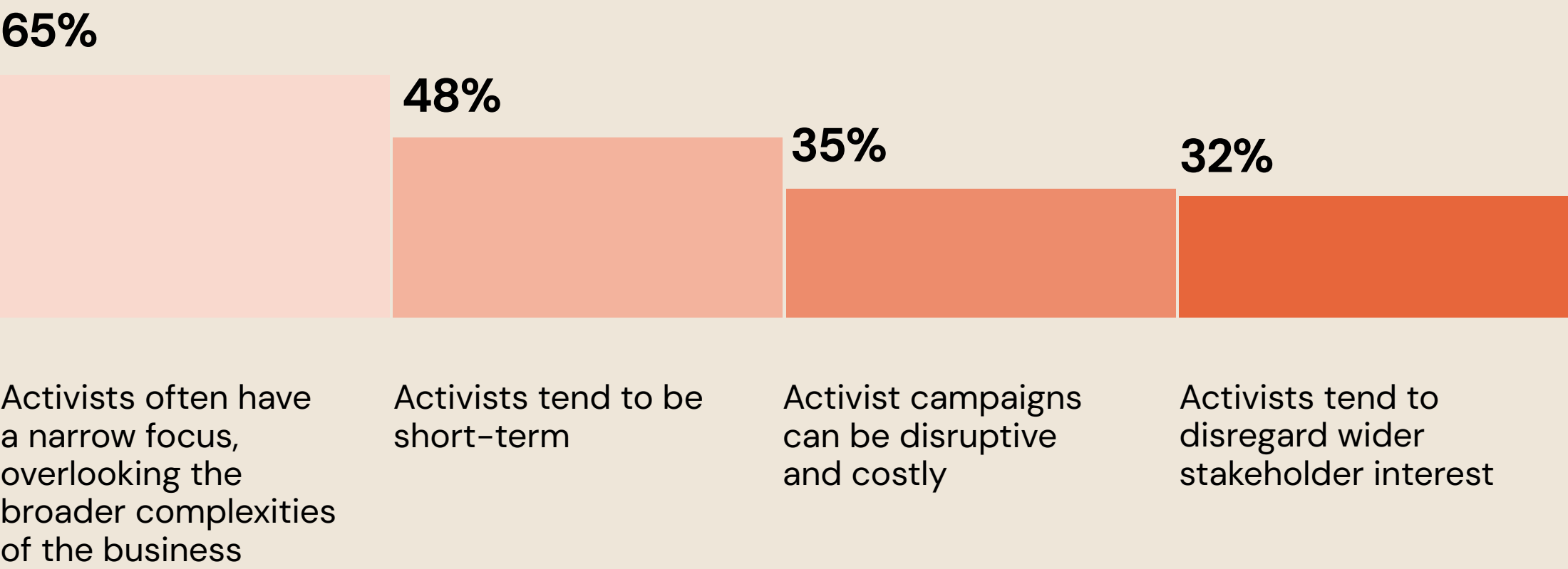
Do you consider activism to be a useful market force?



What do you like the most about activism?*



What do you dislike the most about activism?*



*Respondents could select multiple options.

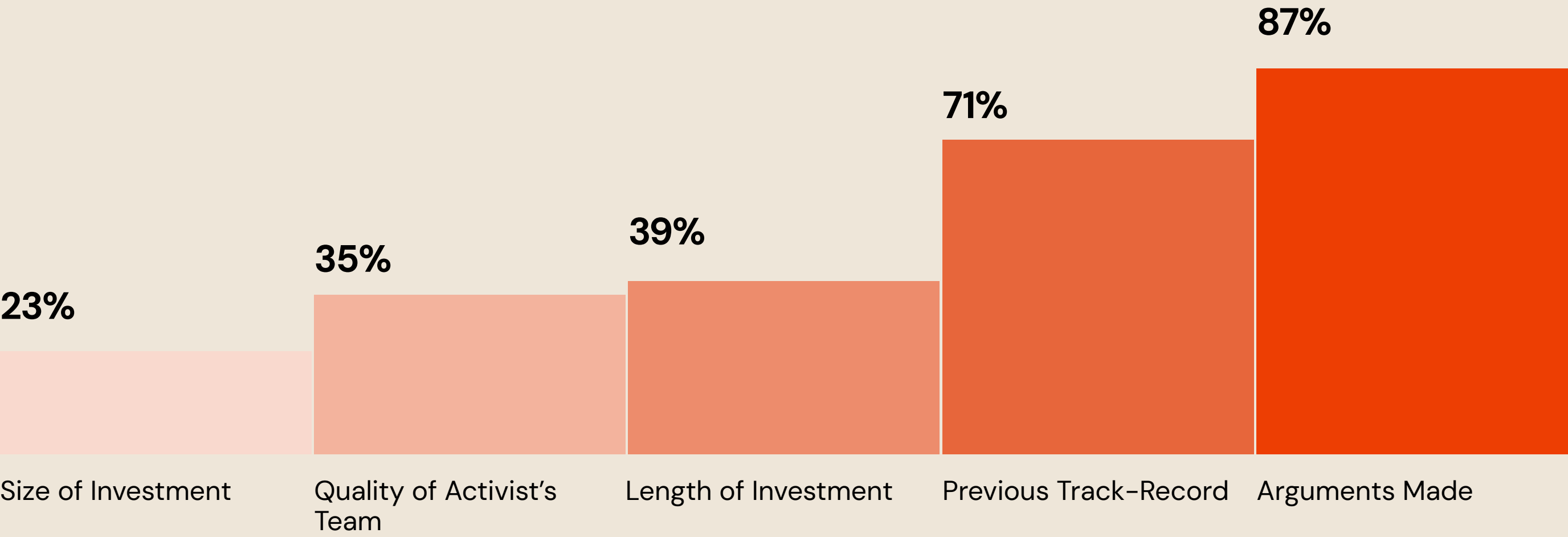
1. B.

ACTIVIST CREDIBILITY

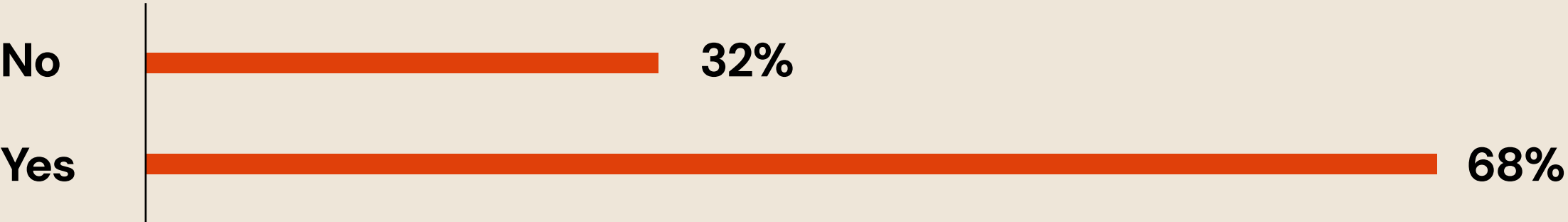
Aligning with an activist is often viewed as a high-stakes decision—one that reflects both an investor’s appetite for change and their assessment of the activist’s credibility. When making that call, institutional investors overwhelmingly focus on the strength of the activist’s arguments, cited by 87% as the most critical factor. An activist’s track record also carries significant weight (71%), while factors such as the length of investment (39%), team quality (35%), and size of stake (23%) are seen as less decisive.

Notably, 68% of investors admitted there have been times when they regretted not supporting an activist campaign. This retrospective insight highlights the need for careful, forward-looking evaluation—and suggests that strong, well-articulated campaigns are increasingly difficult to ignore, and investors are sensitive to cosmetic steps taken by a company to defend a campaign.

What is the most critical factor that helps you determine whether an activist is credible or not?*



Have there been instances in the past where you wished you had supported an activist shareholder’s proposal or campaign?



*Respondents could select multiple options.

1. C.

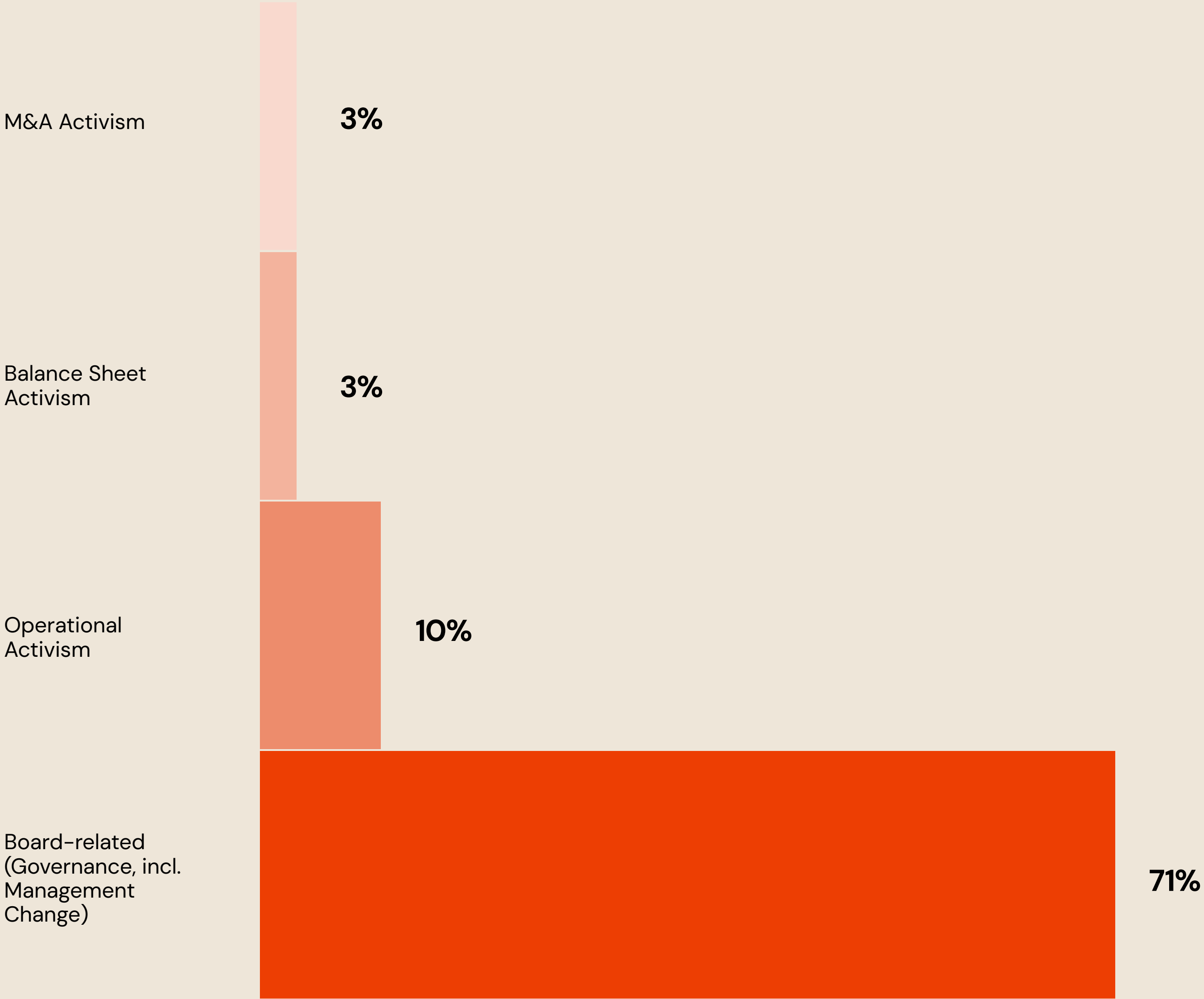
OBJECTIVES THAT RESONATE

Depending on the focus of the campaign — whether advocating for board changes, operational improvements, or other areas — institutional investors may have differing levels of comfort and alignment with an activist’s objectives. This balance is shaped by several factors, including views on how involved shareholders should be in corporate decision-making.

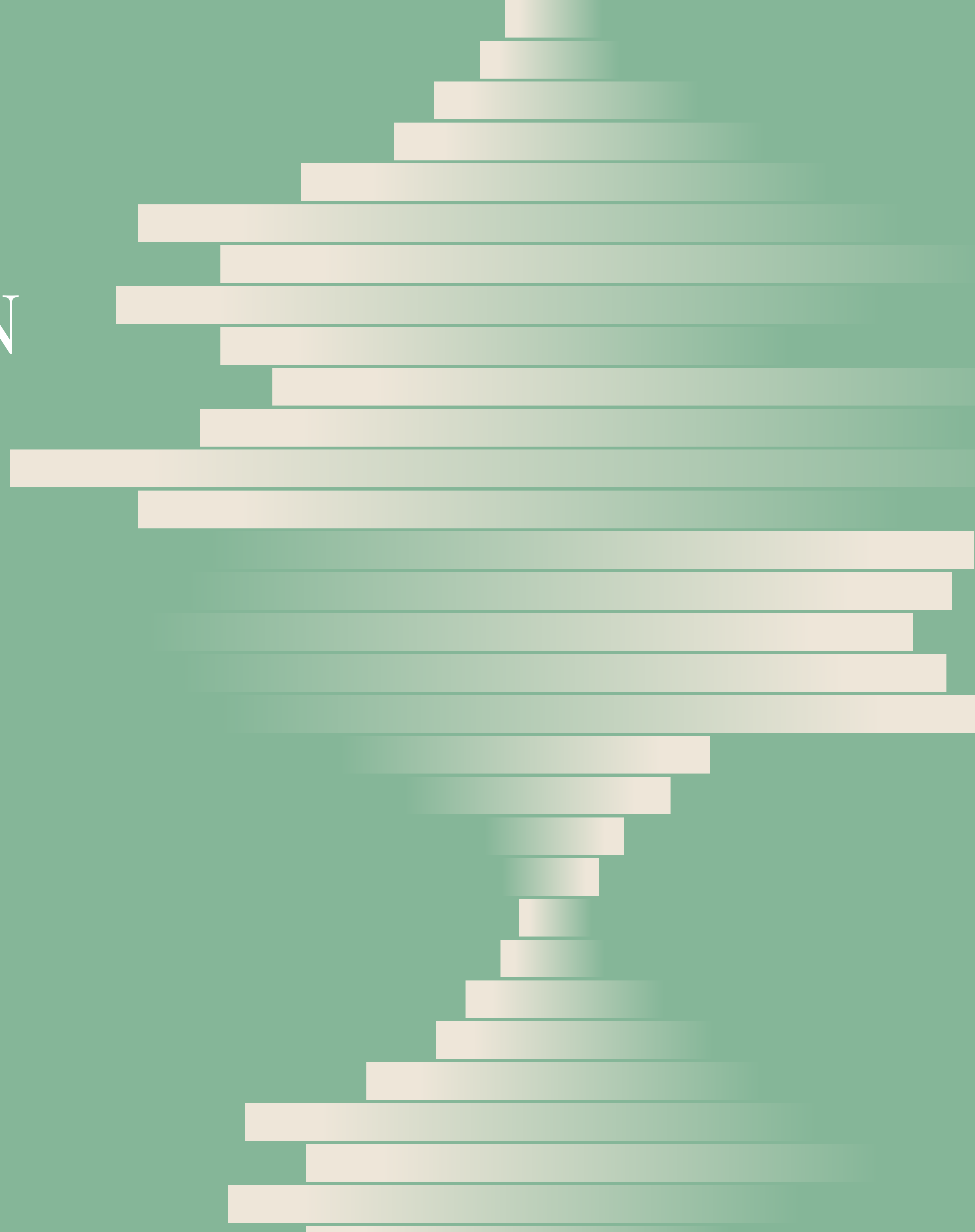
When asked which type of activism they are most comfortable supporting, investors overwhelmingly favored board-related approaches. In total, 71% expressed support for activism targeting the board on governance and management change. This significantly outweighs comfort levels with operational (10%), balance sheet (3%), or M&A activism (3%).

This preference is both logical and instructive: the board is ultimately accountable to shareholders and is uniquely positioned to influence all core aspects of company performance — from capital allocation and strategic oversight to holding management accountable for underperformance.

What type of activism do you feel more comfortable to support?



2 EVALUATION CRITERIA



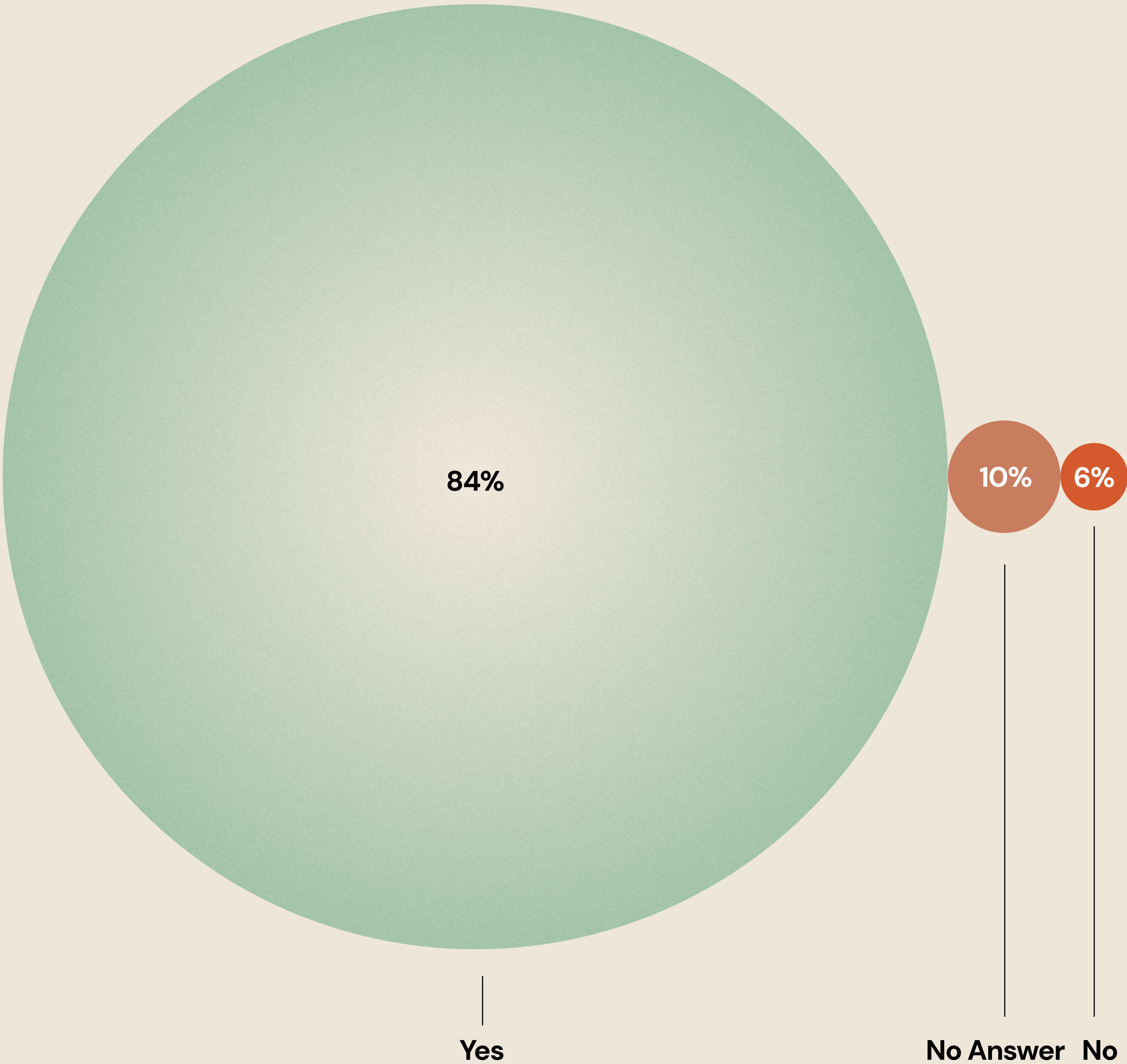
2.A.

ROLE OF GOVERNANCE IN ACTIVISM

Companies with weak governance practices are often seen as more vulnerable to activist interventions. This question explored whether institutional investors believe that poor governance acts as a magnet for activist investors.

The results indicate a strong consensus: 84% of respondents agreed that poor governance attracts activist investors. This suggests that governance quality is widely perceived as a key factor influencing the likelihood of activist involvement. It is also worth noting that in the eyes of many investors, governance-related change may be viewed not only as a response to activist pressure but also as a potential lever for unlocking value.

Do you think that companies with poor governance practices attract activists?



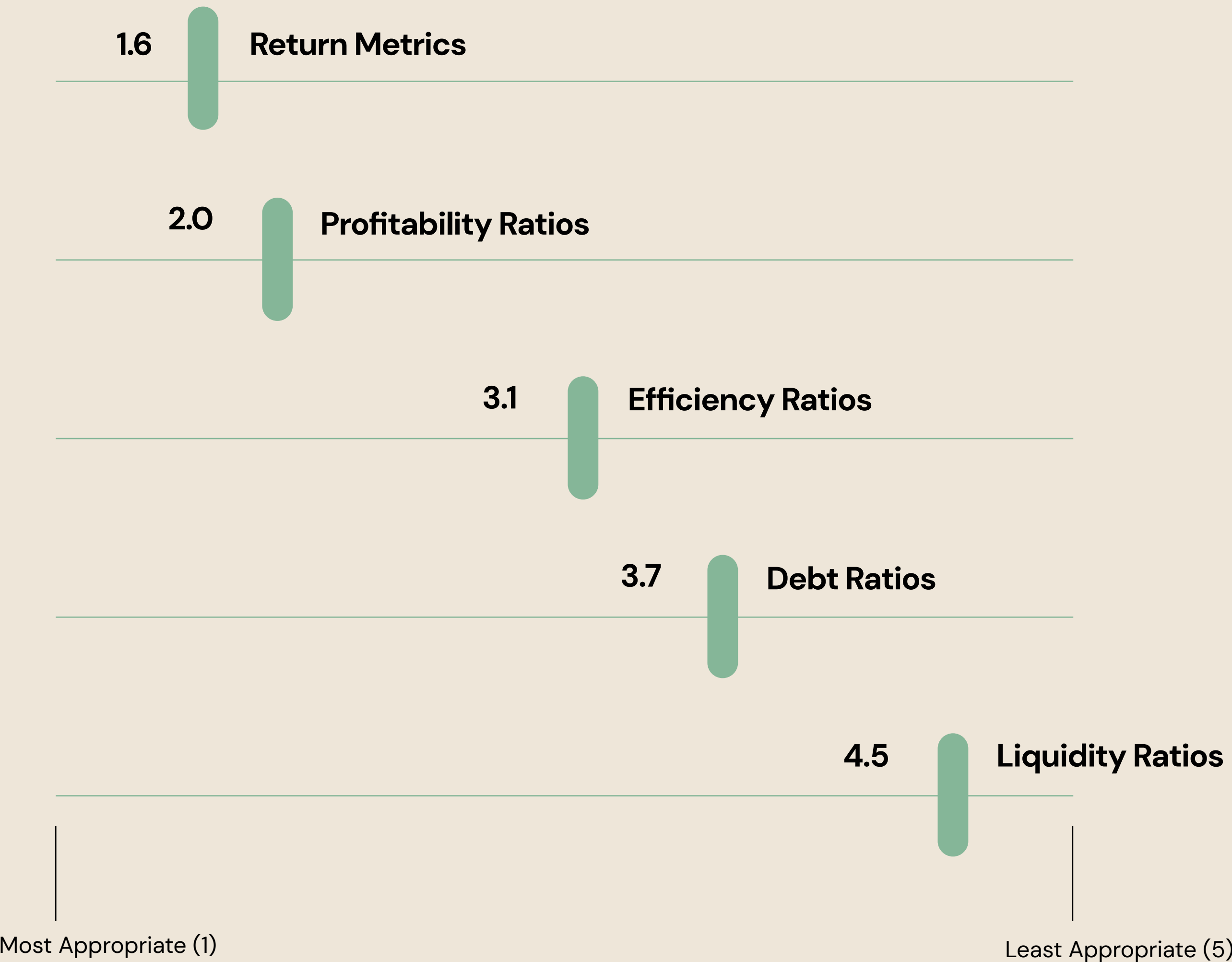
2 . B .

FINANCIAL EVALUATION – NOT ALL METRICS ARE CREATED EQUAL

While activist materials often present a wide array of financial measures to argue underperformance, investors show a clear preference for those most directly tied to value creation. On a scale from 1 (most appropriate) to 5 (least appropriate), Return Metrics received the top average ranking (1.6), suggesting investors favor indicators such as return on equity or return on invested capital when evaluating performance.

Profitability Ratios followed closely at 2.0, reinforcing the emphasis on earnings quality and margin strength. Efficiency Ratios (3.1) were viewed as moderately relevant, while Debt (3.7) and Liquidity Ratios (4.5) ranked lowest. This descending order points to a common investor perspective: performance is best assessed through the lens of sustainable returns and operational effectiveness rather than balance sheet conservatism.

Please rank the ratios you consider appropriate when evaluating a company’s performance*



* The average response taken for all survey respondents

2 . C .

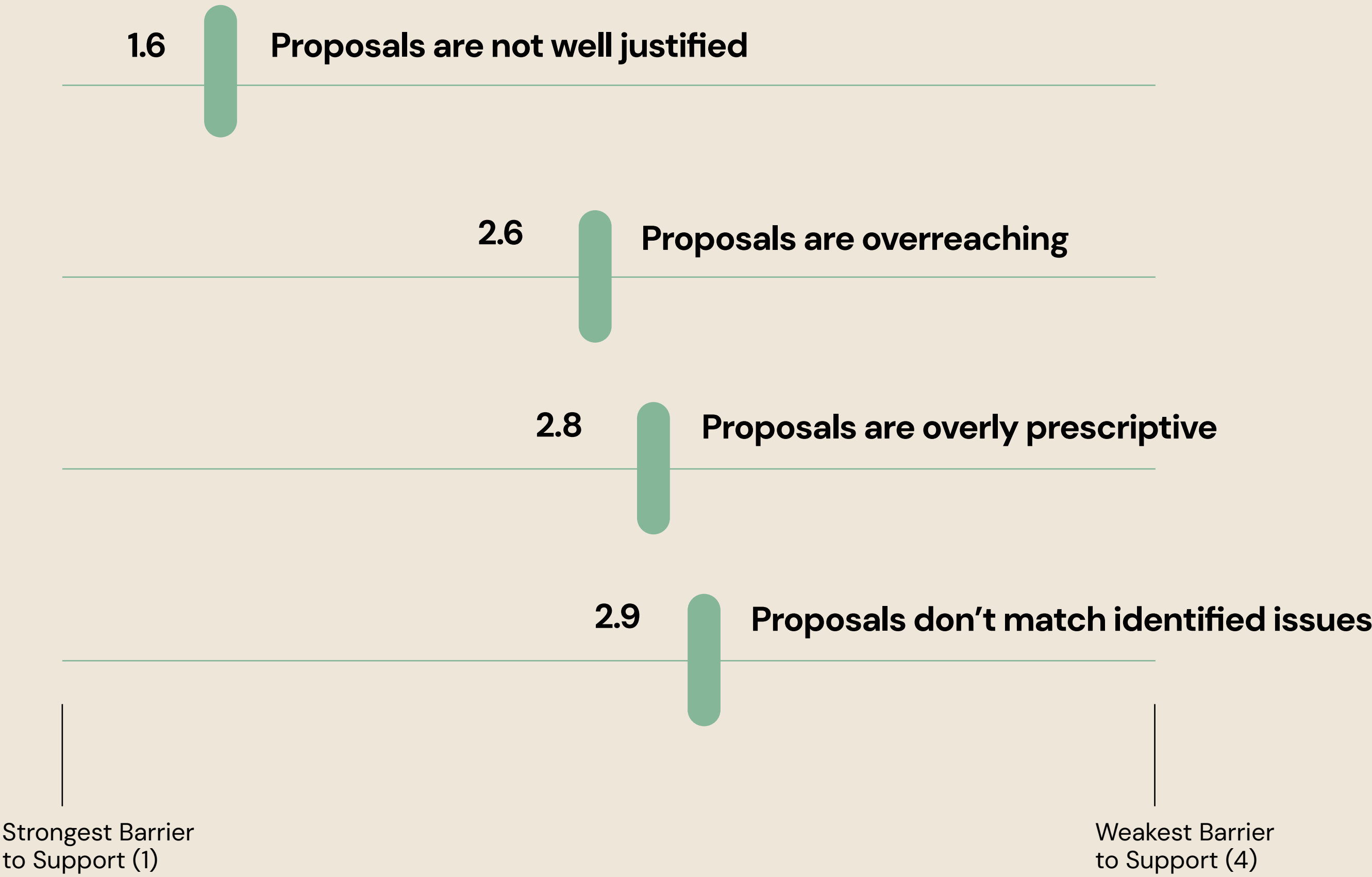
BARRIERS TO SUPPORT

While the rationale for an activist campaign may resonate with investors, the specific proposals put forward—particularly those escalated to a shareholder vote—often do not. This question aimed to uncover the primary reasons institutional investors may withhold support.

Respondents were asked to rank each barrier from 1 (Most Common) to 4 (Least Common). The most frequently cited concern was that proposals were not well justified (1.6 average ranking). Other commonly cited stumbling blocks included proposals being overreaching (2.6), overly prescriptive (2.8), or not well aligned with the issues identified (2.9).

These results align with the evaluative approach taken by ISS, the most influential proxy advisor. In assessing activist campaigns, ISS first considers whether change is warranted—but just as critically, whether the proposed course of action is the most appropriate means to effect that change and maximize long-term shareholder value.

When an activist campaign escalates to a shareholder vote, please rank the “barriers to supporting” a campaign?*



* The average response taken for all survey respondents

2 . D .

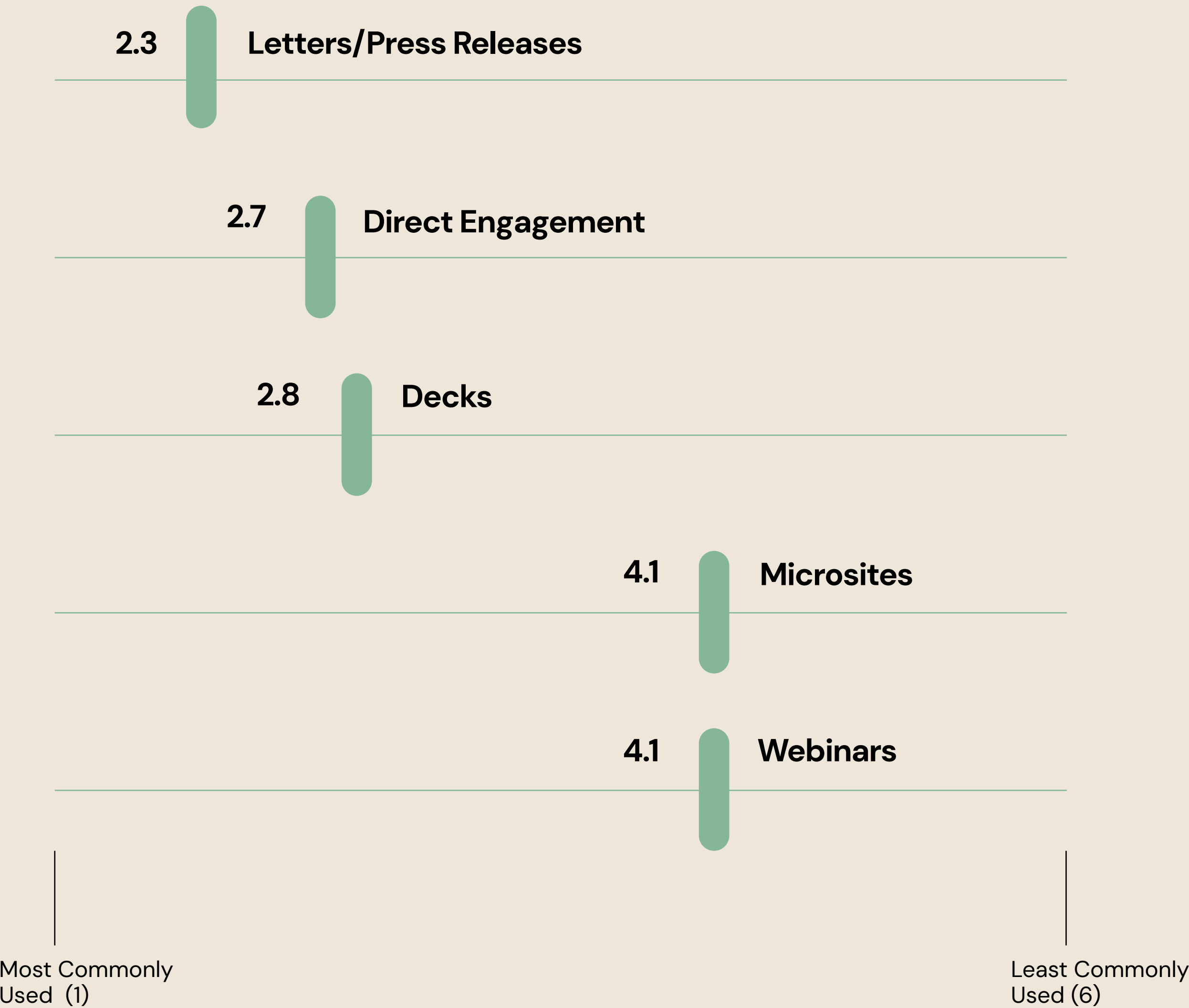
SOURCE MATERIAL

Activists use a range of materials to communicate their campaigns—such as public letters, presentations, and online media. This question asked institutional investors to rank how commonly they engage with each type, from 1 (Most Commonly Used) to 6 (Least Commonly Used).

The results highlight a strong preference for more direct and substantive forms of communication. Letters and press releases (2.3), direct engagement (2.7), and presentation decks (2.8) are the most commonly reviewed materials when assessing a campaign. In contrast, other formats such as microsites (4.1), and webinars (4.1)—are less relied upon.

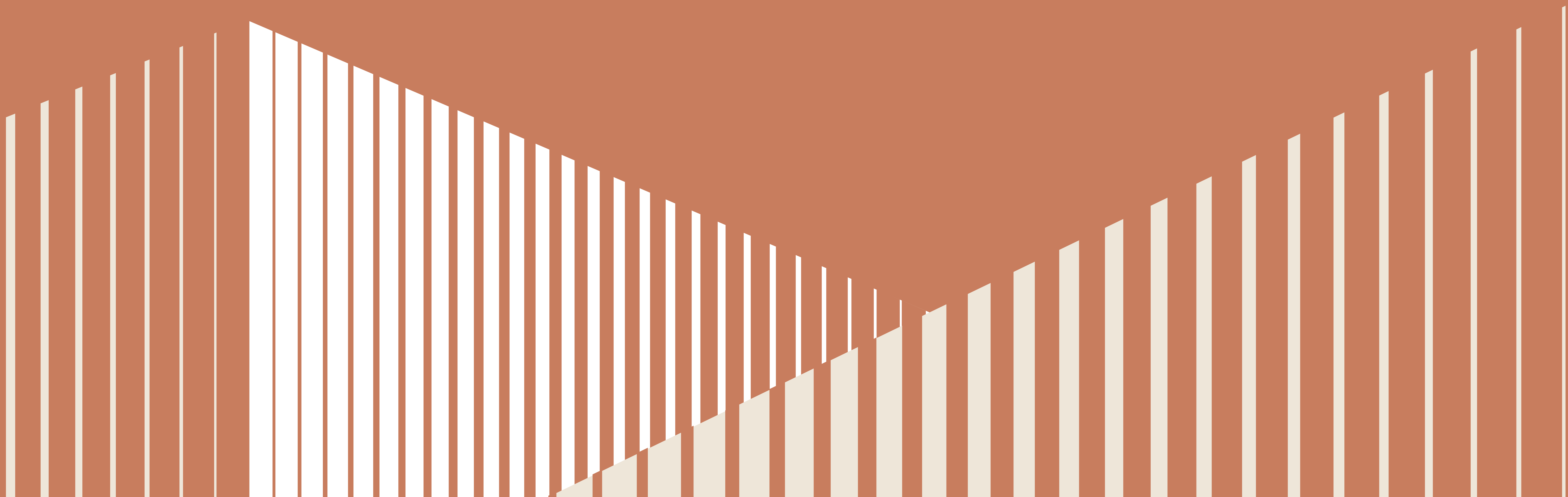
Direct engagement remains a key channel for investors. Although participation may be shaped by resource constraints, the data indicates that when investors do engage, the interaction is viewed as meaningful and worthwhile.

What activist material do you most commonly engage with?*



* The average response taken for all survey respondents

3 ENGAGEMENT DYNAMICS



3.A.

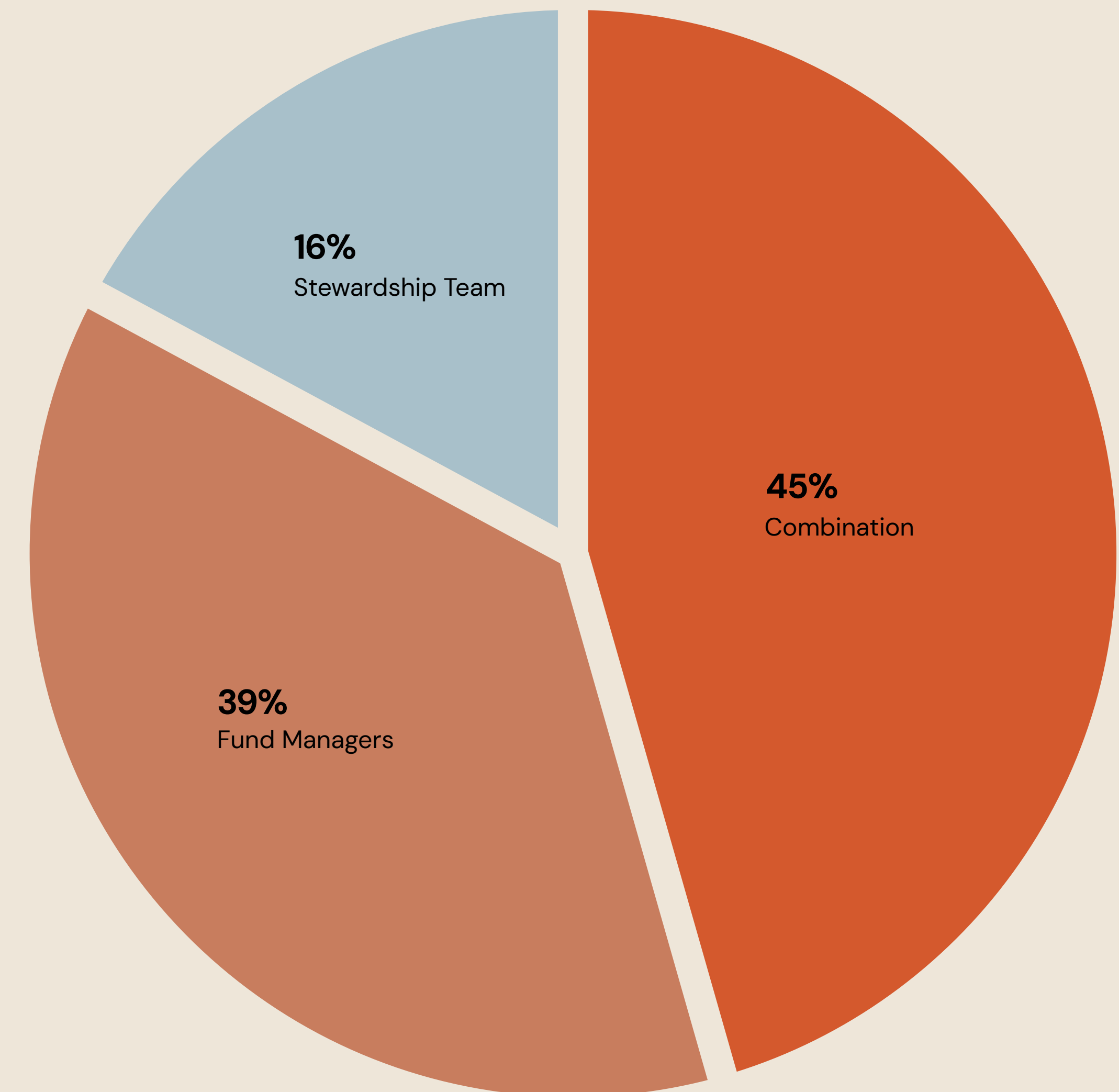
VOTING ON ACTIVIST CAMPAIGNS

Institutional investors adopt defined processes for making voting decisions in uncontested situations—these may be led by fund managers or handled by stewardship teams, including at actively managed funds. However, this framework often shifts when an activist campaign is underway, prompting a more nuanced approach. This question explored how decisions are made specifically in contested situations, where the stakes and scrutiny are higher.

The results show that the vast majority of investors involve fund managers in their assessment. Nearly half (45%) of respondents said that both stewardship teams and fund managers are involved in final decision-making, reflecting a collaborative model that draws on both governance expertise and investment judgment. Another 39% of respondents indicated that fund managers alone make the final call, while just 16% defer solely to the stewardship team.

Investors who do not have fund managers in the process are typically passive managers without dedicated stock-picking teams. At the same time, the fact that half of all respondents include stewardship input underscores the importance of campaigns that persuasively integrate both value creation and governance considerations.

Who makes the final voting decisions in a contested situation?



3 . B .

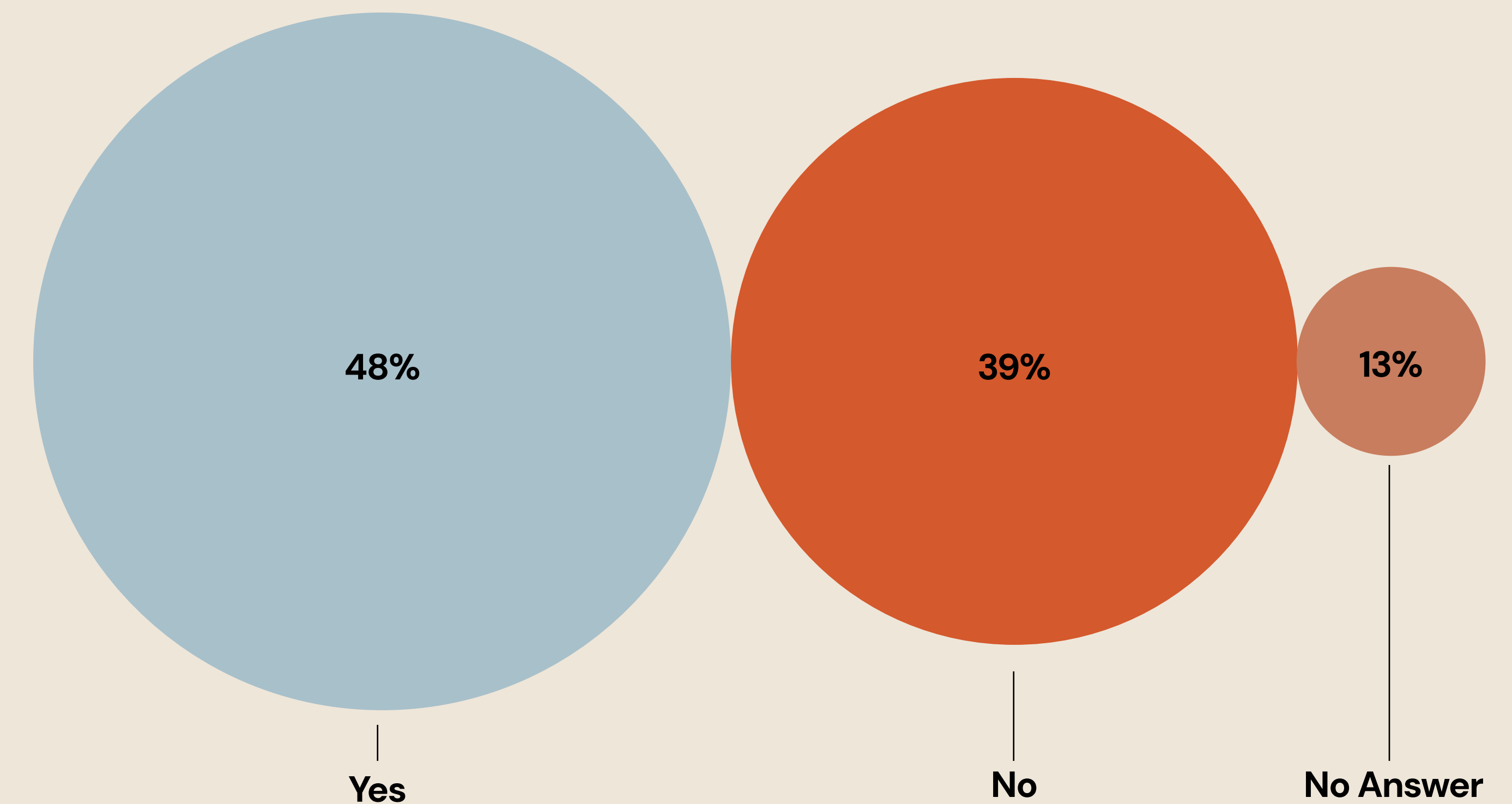
ENGAGEMENT WITH ACTIVIST CAMPAIGNS

Activist campaigns often begin well before they enter the public eye, with engagement flowing in all directions — between the activist, the company, institutional investors, and other market participants. Private engagement in this context can be complex and highly sensitive, particularly as compliance standards vary widely among investors, and markets.

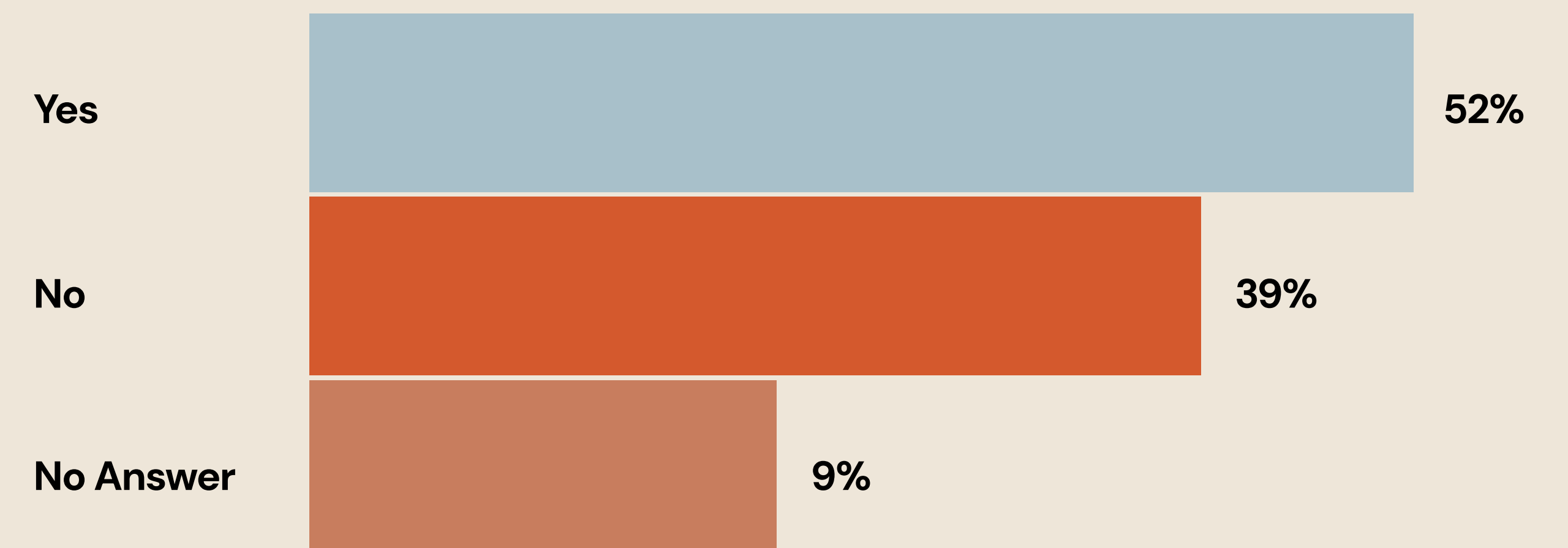
This sensitivity is reflected in the responses to both of our questions on non-public engagement. Nearly half of investment professionals (48%) indicated that they would engage with an activist even before a campaign becomes public (typically smaller investors pursuing active strategies), while 39% said they would not, and 13% did not respond. Similarly, when asked whether they speak with fellow investors during an activist campaign, 52% said they do, 39% said they do not, and 9% provided no answer.

The near-identical split across both questions suggests a consistent divide: roughly half of investors are willing — or able — to engage extensively in private, while a significant portion remain unwilling or constrained from doing so.

Do you engage with an activist even if the campaign is not yet public?



Do you generally speak with other investors (other than the activist) to find out what they are thinking of the activist campaign?

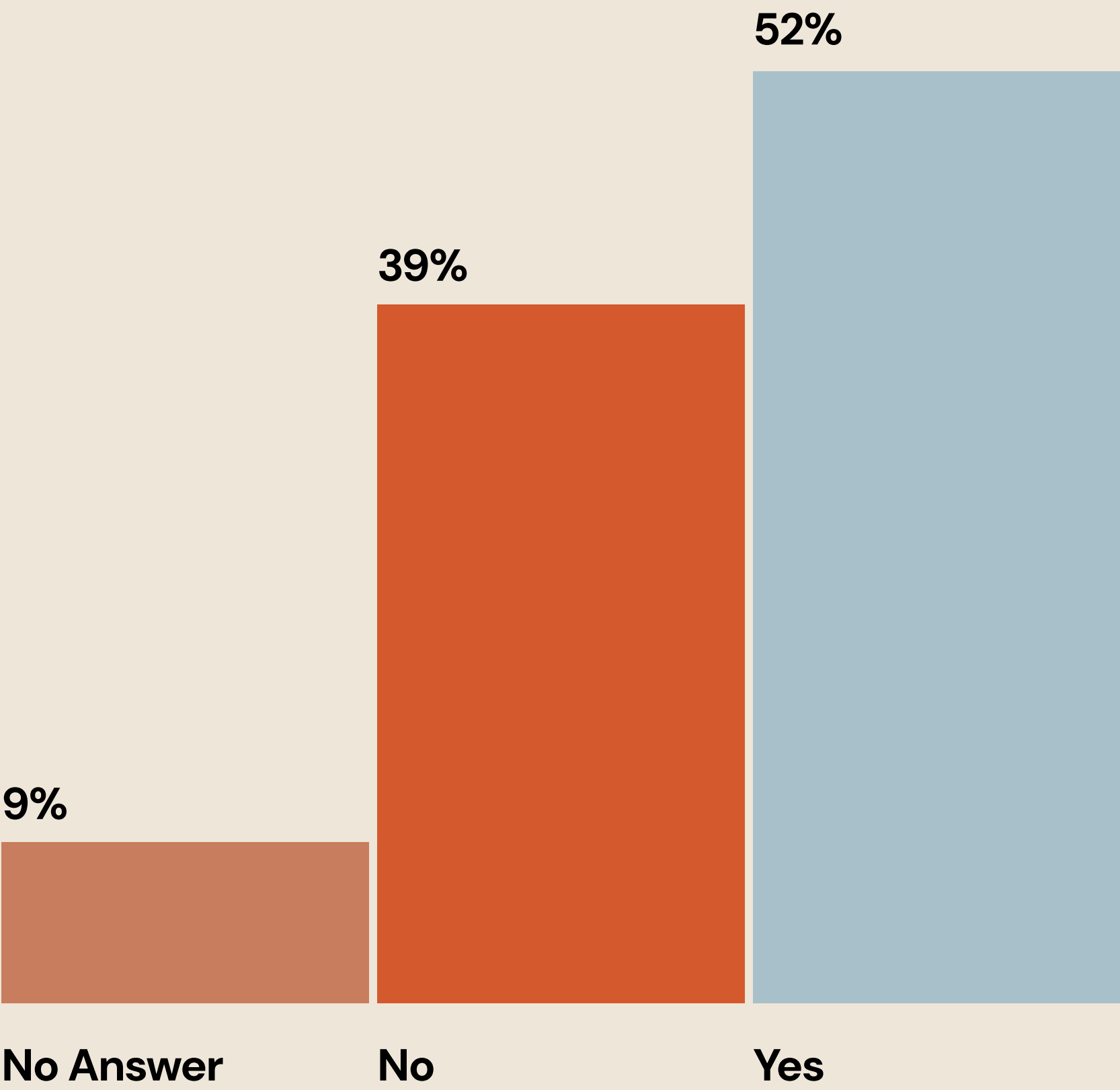


3.C. COMMUNICATION AROUND ACTIVISM

In high-profile activist campaigns, backing from institutional investors—particularly those seen as market standard-bearers—can send a strong signal to the wider shareholder base. This support, whether through disclosed voting intentions or public endorsement, can be pivotal in shaping outcomes. To gauge the appetite for such engagement, we asked investment professionals about their willingness to communicate their stance.

While 52% of respondents (especially those pursuing an active strategy) said they would consider going public with their support for an activist, 39% would not, and 9% declined to answer. The fact that public endorsements remain relatively uncommon in practice suggests that investors are generally cautious about taking a visible stance—though not unwilling when the right circumstances arise.

Would you consider going public with your support for an activist to support the campaign’s momentum?





SquareWell Partners is a leading shareholder advisory boutique, founded in 2018 with offices in London and Paris. The firm advises on high profile special situations, helping clients navigate complex investor expectations. SquareWell is known for its fact-based research, independent tactical advice, and deep expertise in governance, stewardship practices, and shareholder activism.

Prevention is better than remedy.

It is always a good time to speak with SquareWell. For more information, please e-mail enquiries@squarewell-partners.com or visit us at www.squarewell-partners.com.

DISCLAIMER

This publication has been prepared by SquareWell Partners Ltd. ("SquareWell") for general information purposes only. The content herein reflects the views and opinions of surveyed institutional investors on the topic of shareholder activism and is not intended to constitute legal, financial, investment, or any other form of professional advice. While the information contained in this publication is based on sources believed to be reliable and has been prepared in good faith, SquareWell makes no representation or warranty, express or implied, as to its accuracy, completeness, or reliability. Readers should not rely on the information contained in this publication for making any investment or other decisions. Any action taken based on the content of this publication is strictly at the reader's own risk.

SquareWell shall not be held liable for any loss or damage arising from or in connection with the use of or reliance on this publication or the information contained herein.

This document may not be reproduced, distributed, or transmitted in any form or by any means without the prior written permission of SquareWell Partners Ltd.