

Shareholder engagement

A director's guide to building investor
credibility and confidence

June 2026



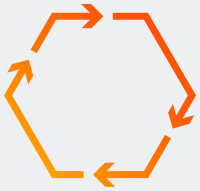


Introduction

Director–shareholder engagement is undergoing a fundamental shift. Since the beginning of 2025, changes in regulation, market structure, and investor behavior have made engagement more complex and increasingly more direct between directors and shareholders.

Investors are bringing a wider range of priorities and perspectives to their engagements with companies. Asset managers' proxy voting is increasingly fragmented across teams, client-directed voting programs, and technology-enabled decision-making, with some investors relying on proprietary platforms, data, and AI tools to inform voting. These changes are resulting in more customized and less standardized voting approaches, making outcomes less predictable. In parallel, regulatory developments and heightened scrutiny of investor influence are reshaping how investors engage (see [appendix](#)).

In this new landscape, engagement is no longer a periodic activity focused on managing proxy outcomes. What 'good' engagement looks like is changing to become:



Continuous, not episodic: Engagement happens year-round and informs board decision-making, not just proxy season outcomes.



Strategic, not transactional: The objective is not simply to secure votes, but to gain insight into investor perspectives and build durable support.



Board-centered, not solely management-led: Directors, particularly independent board leaders and committee chairs, play a more active and visible role in engagement.



Judgment-driven, not policy-driven: With less reliance on proxy advisors and more variation in investor approaches, boards must explain and defend their decisions with clarity and consistency.

This guide is designed to help boards navigate these dynamics. It reframes shareholder engagement as a critical element of board oversight, enabling directors to sense emerging risks, strengthen governance, and improve investor credibility over time.

The new engagement paradigm

In this environment, shareholder engagement calls for greater structure and intentionality. Rather than treating engagement as a series of discrete interactions, boards should approach it as a way to **understand investor conviction, reinforce accountability, enhance transparency, and build resilience in shareholder support**. It also necessitates a deeper view of the different lenses through which investors assess the company, whether they are deciding to buy, hold, sell, or vote, and what factors most influence those decisions.

Even where boards are not directly involved in engagement, they still play a critical oversight role by setting expectations for management, requesting updates on investor perspectives, and following up on key takeaways.

Putting this into practice requires a clear set of principles that guide how boards approach, execute, and learn from shareholder engagement.

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1

Reframe shareholder engagement as a core board responsibility

Historically, shareholder engagement has largely been management-led, with directors participating selectively, typically during proxy season or in response to specific events such as activism or say-on-pay concerns. Today, engagement is evolving into a standing governance function, overseen by the board in much the same way as risk oversight, CEO succession, or capital allocation.



Source: PwC, *2025 Annual Corporate Directors Survey*, October 2025.

What does this mean for boards?

Boards should approach shareholder engagement as an integral input into board effectiveness, not a periodic communications exercise. Directors should be clear on why they engage—not only to explain decisions, but also to gather insight, test assumptions, reinforce accountability, and sharpen oversight of management. This requires a deliberate approach to director participation, including defining who engages, coordinating interactions with management and investor relations, and focusing director involvement on areas where board judgment adds the most value. Engagement should follow a year-round cadence, and insights from those discussions should be synthesized and brought back into the boardroom to inform oversight and decision-making.

Boards should be asking

- What feedback or emerging concerns warrant deeper board attention or follow-up?
- Where might there be gaps between how the board views the company and how investors perceive it?
- How should investor perspectives influence our oversight of strategy, risk, compensation, or board composition?



2

Shift the objective from ‘managing the vote’ to ‘sensing risk and conviction’

Historically, shareholder engagement has often been oriented around managing proxy outcomes such as reducing opposition to management proposals, securing support for directors, and meeting proxy advisor expectations. Today, engagement is increasingly viewed as a way to understand investor conviction and anticipate how those concerns may translate into future actions. At the same time, voting outcomes are becoming less predictable, and support levels alone no longer provide a complete picture of investor sentiment. As a result, boards should focus less on achieving a specific level of support and more on understanding the durability of shareholder support and the factors that may strengthen or weaken it over time.

What does this mean for boards?

Boards should treat engagement as both an early-warning system and a tool for evaluating the resilience of their decisions over time. Rather than focusing narrowly on whether investors support or oppose a specific item, directors should treat engagement insights as forward-looking indicators and incorporate them into board discussions before concerns surface publicly. At the same time, boards should avoid viewing lower levels of support as a governance failure. Instead, they should evaluate outcomes based on the strength of the board’s decision-making process and the implications for future oversight and engagement.

Boards should be asking

- What signals suggest that investor concerns could escalate into voting opposition, **activism**, or reputational risk?
- Which issues appear to carry the greatest investor conviction, and how could those views evolve over time?
- Are we responding to investor concerns thoughtfully and deliberately, or reacting to short-term pressure?

3

Engage with the real decision-makers

Historically, many companies have viewed shareholder support through a simplified lens, assuming a small number of large institutions or proxy advisors effectively determined voting outcomes. Voting power today is increasingly disaggregated, algorithmic, and in some cases opaque, reflecting changes in how asset managers structure stewardship and how decisions are informed by data and technology.

What does this mean for boards?

Boards should move beyond a traditional ownership lens and develop a more precise view of who actually influences voting decisions and how those decisions are made. In today's environment, knowing who holds the shares is no longer sufficient. Voting authority may be distributed across stewardship teams, directed by clients, or guided by proprietary tools, and proxy advisors no longer serve as a reliable proxy for broader investor views. Effective engagement therefore requires a more targeted and inquisitive approach that recognizes differences across investor types, voting frameworks, and decision-making structures. Boards should use these interactions to gain clarity on how investors evaluate governance and performance, and how concerns may escalate if left unaddressed.

Boards should be asking

- Who among our largest shareholders is influencing voting decisions, and how is that authority distributed across teams, strategies, or client-directed programs?
- Which investors rely primarily on standardized voting frameworks versus company-specific judgment, data platforms, or external recommendations?
- Are our engagement approaches appropriately differentiated across investor types, geographies, and decision-making structures?

4

Redesign engagement for a polarized environment

Historically, shareholder engagement often operated from a relatively consistent baseline of expectations on governance practices, fiduciary priorities, and, more recently, **sustainability considerations**. Today, investors bring more varied perspectives to engagement, while facing increasing pressure to connect those views to financial performance and long-term value creation. As a result, engagement is less about conforming to a single set of expectations and more about navigating a broader range of investor viewpoints.

What does this mean for boards?

Boards should approach engagement with a clear grounding in enterprise value, long-term performance, and oversight rather than ideology or external framing. Directors should be explicit about the competing priorities the board has considered and maintain a clear narrative explaining strategy and governance that can withstand scrutiny from investors, proxy advisors, regulators, and activists. In this environment, effective engagement depends less on achieving consensus and more on demonstrating disciplined judgment and credibility.

Boards should be asking

- Where are investor expectations diverging most significantly, and how are we explaining the tradeoffs and considerations behind our decisions?
- Does our framing of strategy, governance, and oversight resonate across stakeholders with differing priorities and perspectives?
- If challenged, could we clearly defend our decisions, and the processes behind them, to investors and other stakeholders?

5

Institutionalize what the board learns

Historically, insights from shareholder engagement have often been informal and short-lived, captured through meeting notes, relayed verbally, or considered in isolation from broader board discussions. Today, engagement insights are increasingly treated as board intelligence that informs how the board evaluates strategy, oversees risk, and **assesses its own effectiveness**.

What does this mean for boards?

Boards should establish a more systematic approach to capturing, synthesizing, and applying what they learn from shareholder engagement. These insights should not remain within management or investor relations but should be brought into the boardroom and considered alongside other key inputs. Just as importantly, boards should close the loop, so investors see how their feedback has been considered and, where appropriate, how it has influenced board decisions. This reinforces credibility and enhances the effectiveness of future engagement.

Boards should be asking

- How are engagement insights being aggregated and brought into board discussions and decision-making?
- Where have engagement insights already influenced governance processes such as strategy reviews, compensation decisions, or board refreshment?
- How are we tracking the actions taken in response to engagement feedback and communicating our responsiveness to shareholders?

Director–investor engagement drives boardroom discussions, but not always actions

PwC’s research shows that director–investor engagement often leads to additional board discussion but less frequently results in any changes, underscoring the importance of a structured process for converting feedback into action.

Actions boards took following director–investor engagement in the past 12 months



Q. If you answered YES to Q14a, which of the following steps did your board take as a result of that engagement? (select all that apply)

Base: 318

Source: PwC, *2025 Annual Corporate Directors Survey*, October 2025.



Conclusion

Shareholder engagement should be viewed as a cornerstone of board effectiveness. Boards that understand how investors make decisions, listen for meaningful signals, and translate those insights into stronger oversight and clearer communication will be better positioned to sustain investor confidence over time.

Appendix

Key regulatory and policy developments affecting shareholder engagement

Recent regulatory and policy developments have reshaped key aspects of the proxy system and shareholder engagement, with practical implications for how investors communicate views and determine voting outcomes.

The shareholder proposal process (Rule 14a-8 and ‘no-action’ requests)

For the 2026 proxy season, the SEC staff **shifted away from providing substantive responses** to most shareholder proposal no-action requests, where companies historically sought confirmation that the SEC would not take enforcement action if a proposal was excluded from the proxy statement. Under the current approach, companies may still submit their rationale for exclusion, but the staff generally will not provide a detailed view. As a result, companies must exercise greater independent judgment, and decisions may be subject to increased investor scrutiny or legal challenge.

Shareholder communications (exempt solicitations)

In January 2026, the SEC staff **updated its approach to exempt solicitations**, which are shareholder communications made outside the company’s proxy statement to influence voting outcomes. These filings have become a common tool for smaller shareholders and advocacy groups to publicize their views. Now, the staff may object to voluntary submissions where a filing is not mandated, which is generally the case unless the shareholder holds more than \$5 million of the company’s stock. These changes may shift how information is disseminated during proxy season, with more engagement occurring through direct outreach, media, and other channels rather than formal filings.

Beneficial ownership reporting (Schedules 13G and 13D)

In February 2025, the SEC staff **clarified when investor engagement** may be viewed as influencing control, particularly for investors that report holding more than 5% of a company's shares on Schedule 13G. The guidance indicates that certain engagement activities, such as advocating for governance changes or signaling voting intentions, could be viewed as inconsistent with passive ownership and may require a shift to more burdensome Schedule 13D reporting. As a result, some institutional investors are taking a more cautious approach to engagement, particularly in how they communicate views or signal voting positions.

Proxy advisors and investor influence

In December 2025, an **Executive Order** directed the SEC, Federal Trade Commission (FTC), and Department of Labor (DOL) to review aspects of the proxy advisory ecosystem and the role proxy advisors play in shaping voting outcomes. In parallel, regulators and policymakers have raised broader questions about stewardship practices and investor influence. These developments are contributing to a more fragmented and less standardized voting environment, as investors increasingly rely on customized frameworks and internal analysis.



How PwC can help

To have a deeper discussion about how this topic might impact your business, please contact your engagement partner or a member of PwC's Governance Insights Center.

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