Shareholder Activism in the UK

The Past, Present, and Future

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I. INTRODUCTION

Shareholder activism in the United Kingdom has travelled a long arc—from a marginal, insurgent practice often met with managerial resistance to a mainstream mechanism of corporate governance. Once associated primarily with adversarial hedge fund campaigns targeting underperforming firms, activism has evolved into a complex, multi-actor phenomenon that shapes boardroom dynamics, capital allocation decisions, and public policy debates. This transformation has been particularly visible in markets with high institutional ownership, where the boundaries between shareholder activism and shareholder stewardship have become increasingly blurred.

While the terms are sometimes used interchangeably, shareholder activism and stewardship reflect different traditions and orientations. Activism typically refers to shareholder-led efforts—often adversarial or event-driven—to influence specific corporate decisions, such as board composition, capital allocation, or strategic direction. Stewardship, by contrast, denotes a more continuous and relational mode of engagement, grounded in the fiduciary responsibility of institutional investors to monitor, vote, and engage with investee companies in pursuit of long-term value.[1] In practice, these modalities increasingly intersect, as investors adopt both tactical and

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* The provided links were last checked on 16 December 2025.

1 See generally the contributions in D. KATELOUZOU/D.W. PUCHNIAK (eds.), Global Shareholder Stewardship (2022).

systemic approaches to influence corporate behavior. This convergence is particularly evident in the UK context.

The UK exemplifies this trajectory with particular clarity. Its liquid capital markets, dispersed ownership structures, and pioneering Stewardship Code have positioned it as an early laboratory for shareholder engagement practices that are now gaining global attention—if not yet full adoption—in other jurisdictions, most notably Japan. What began in the early 2000s as a series of high-profile, firm-specific interventions by activist hedge funds has gradually institutionalized into a broader stewardship ecosystem. Over the past decade, a more diverse array of institutional actors—including index funds, pension schemes, and traditional asset managers—has normalized shareholder engagement as an integral part of responsible investment. These institutions now link firm-level value propositions to wider systemic concerns such as climate risk, supply-chain resilience, and social license to operate.

This shift marks more than a tactical shift; it reflects a deeper reconceptualization of shareholder activism in the UK. No longer framed solely as a corrective to managerial inefficiency or entrenchment, activism is now understood as part of a wider governance function—one that engages with long-term value creation and the management of systemic risk. As the economic rationale for shareholder intervention has broadened, so too has its normative scope. Activism has become more pluralistic in its methods and more expansive in its aims, moving beyond narrow financial concerns to encompass environmental, social, and governance (ESG) imperatives.

The UK's evolving model offers a rich case study in how shareholder activism can be institutionalized, diversified, and integrated into a broader regulatory and cultural framework. It does not offer a one-size-fits-all template, but it does provide a valuable lens for comparative inquiry—particularly for jurisdictions like Japan, where corporate governance reform is gaining momentum. By examining how the UK has navigated the tensions between shareholder power, corporate accountability, and public value, this chapter contributes to a deeper understanding of how similar governance challenges are framed, contested, and resolved across differing legal, institutional, and cultural contexts.

II. The Historical Evolution of Shareholder Activism in the UK

The story of shareholder activism in the UK begins in the aftermath of the First World War, when ownership of listed companies gradually shifted from entrepreneurial families to dispersed outside investors.[2] Although British firms retained stronger blockholders than their US counterparts, post-war studies revealed a growing separation between ownership and control.[3] This transition fed into a broader post-war embrace of 'managerialism'.[4] From Burnham's fears of bureaucratic overreach to Drucker's hopes for responsible technocrats, the prevailing consensus cast shareholders as passive rentiers—legally supreme, but functionally disengaged.[5] They acquiesced in a tacit bargain: managers would run the firm, and shareholders would accept the returns they were given. Public meetings were perfunctory, and shareholder interventions were rare. Political and legal discourse increasingly focused on employees and the public interest, thereby sidelining shareholders as anachronistic.[6]

Albert O. Hirschman's theory of *exit* and *voice* helps explain this passivity.[7] With deep and liquid capital markets, shareholders typically exited underperforming firms rather than engaging with them.[8] By the 1970s, this logic was reinforced by the rise of contractarian theories: poor governance was not to be challenged via voice but corrected through market discipline—the so-called 'market for corporate control'.[9] Few environments rewarded this logic more than the City of London, where a vibrant takeover market and the 1968 City Code empowered hostile bidders and reinforced exit as the primary disciplinary mechanism.[10]

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2 For a fuller account of the historical foundations of shareholder governance and shareholder activism in the UK, see D. KATELOUZOU, The Path to Enlightened Investor Stewardship (Cambridge University Press, forthcoming), Chapter 2.

3 D.H. ROBERTSON, The Control of Industry (1943 edn., 1923) 65; H. PARKINSON, Ownership of Industry (1951); P. SARGANT FLORENCE, Ownership, Control and Success of Large Companies (1961).

4 The literature on 'managerialism' is vast. Some of the seminal contributions include R. MARRIS, The Economic Theory of 'Managerial' Capitalism (1964); J.K. GALBRAITH, The New Industrial State (1968); A.D. CHANDLER, The Visible Hand: The Managerial Revolution in American Business (1977); A.D. CHANDLER, Scale and Scope: The Dynamics of Industrial Capitalism (1990).

5 J. BURNHAM, The Managerial Revolution (3rd ed., 1944); P.F. Drucker, The New Society: The Anatomy of Industrial Order (1993 edn., Transaction Publisher 1950).

6 See e.g. T. HADDEN, Company Law and Capitalism (2nd ed., 1972) 84–86 (writing in the early 1970s that the most significant limitations on managerial powers are organized labor and involvement of government rather than the shareholders).

7 A.O. HIRSCHMAN, Exit, Voice and Loyalty: Responses to Decline in Firms, Organizations and States (1970) 83.

8 B.R. CHEFFINS, Corporate Ownership and Control: British Business Transformed (2008) 373–377.

9 H. MANNE, The "Higher Criticism" of the Modern Corporation, Columbia Law Review 62 (1962) 399; H. MANNE, Mergers and the Market for Corporate Control 73 (1965) Journal of Political Economy 110.

10 CHEFFINS, *supra* note 8, 360–370. For a comprehensive account of the differences in the regulation of defensive tactics across the Atlantic, see J. ARMOUR/D.A. SKEEL Jr.,

Yet the limitations of this model became clear in the 1990s. Recession and a dwindling supply of undervalued targets stalled the takeover wave.[11] At the same time, the ownership landscape had shifted dramatically: individual shareholders who had dominated the 1960s were now being eclipsed by institutional investors. This transformation raised expectations for more informed and active oversight. Legal scholars at the time highlighted the potential for institutional voice to supplement or even replace exit as the primary mechanism of shareholder discipline, challenging the dominance of the market-based control paradigm.[12] Early empirical studies lent cautious support to this view, suggesting that institutional monitoring could, under the right conditions, improve governance outcomes.[13] Yet in practice, this promise proved elusive. Structural barriers—including portfolio diversification, collective action problems, and conflicts of interest—continued to constrain meaningful engagement and limited the emergence of a consistently activist investor class.[14]

Still, the architecture for change was beginning to take shape. Ownership was concentrating—by 2020, the top three shareholders in a typical FTSE firm held nearly a quarter of its equity.[15] At the same time, the growth of passive funds and long-term mandates made divestment more difficult, just as high-profile failures (such as Polly Peck, Maxwell, and Enron) exposed the inadequacies of market discipline.

Yet the economics of intervention remained a powerful constraint on shareholder activism. Traditionally anchored at the level of the individual firm, activism was shaped by a simple calculus: the size of an investor's

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Who Writes the Rules for Hostile Takeovers and Why. The Peculiar Divergence of U.S. and U.K. Takeover Regulation, Georgetown Law Journal 95 (2007) 1727.

11 M. JENSEN, The Eclipse of the Public Corporation, Harvard Business Review 5 (1989) 61–75.

12 B.S. BLACK, Agents Watching Agents: The Promise of Institutional Investor Voice, UCLA Law Review 39 (1992) 811; J. POUND, The Rise of the Political Model of Corporate Governance and Corporate Control, New York University Law Review 68 (1993) 1003; B.S. BLACK/J.C. COFFEE, Hail Britannia? Institutional Investor Regulation under Limited Regulation, Michigan Law Review 92 (1994) 1997.

13 See e.g. S.L. GILLAN/L.T. STARKS, Corporate Governance, Corporate Ownership, and the Role of Institutional Investors: A Global Perspective, Journal of Applied Finance 13 (2003) 4.

14 See e.g. E.B. ROCK, The Logic and (Uncertain) Significance of Institutional Shareholder Activism, Georgetown Law Journal 79 (1991) 445; A. HAMDANI/S. HANNES, The Future of Shareholder Activism, Boston University Law Review 99 (2019) 971, 977–983.

15 OECD, The Future of Corporate Governance in Capital Markets Following the COVID-19 Crisis (2021).

stake had to justify the costs of engaging with management.[16] Engagement would typically be pursued only when the expected benefits, in terms of improved firm performance or value realization, outweighed the direct and opportunity costs of intervention. This logic reinforced what came to be known as the 'passivity story': most institutional investors, lacking both the incentives and the concentrated holdings necessary to effect change, defaulted to silence or exit.[17]

That model began to unravel in the early 2000s, when hedge funds with concentrated portfolios and performance-based mandates demonstrated that targeted activism could be both feasible and profitable.[18] Their success, particularly in the Anglo-American markets, challenged longstanding assumptions about the viability of shareholder voice.[19] While their methods often diverged from those of traditional institutions, hedge funds' growing prominence prompted imitation and accommodation by a wider range of investors. Nonetheless, many mainstream investors continued to exhibit what has been called 'rational reticence'—preferring to support activist campaigns led by others rather than initiating them.[20]

Concurrently, a dense web of soft law instruments has emerged to legitimize and support shareholder engagement as a core feature of corporate governance. Beginning in the early 1990s, a series of soft-law initiatives—including the Cadbury Report in 1992 and the evolving Combined Code on Corporate Governance—reframed institutional investors not merely as passive recipients of returns but as key actors in corporate accountability. Rooted in agency theory and underpinned by strong shareholder rights in

16 For the various costs of shareholder activism, see D. KATELOUZOU, Worldwide Hedge Fund Activism: Dimensions and Legal Determinants, University of Pennsylvania Business Law Review 17 (2015) 798, 797–802, 852 (elaborating that the costs of firm-specific shareholder activism include entry costs (that is, search costs associated with identifying the potential candidate target company), financing and transaction costs involved in acquiring an ownership stake, and the costs of actually executing an activist campaign (disciplining costs).

17 See e.g. B.S. BLACK, Shareholder Passivity Re-examined, Michigan Law Review 89 (1990) 520, 524.

18 D. KATELOUZOU, Myths and Realities of Hedge Fund Activism: Some Empirical Evidence, Virginia Law & Business Review 7 (2013) 459.

19 For literature reviews of the empirical literature, see e.g. A. BRAV et al., Recent Advances in Research on Hedge Fund Activism: Value Creation and Identification, Annual Review of Financial Economics 7 (2015) 579; J.C. COFFEE Jr./D. PALIA, The Wolf at the Door: The Impact of Hedge Fund Activism on Corporate Governance, Journal of Corporation Law 41 (2015) 545, 551 (2016).

20 R.J. GILSON/J.N. GORDON, The Agency Costs of Agency Capitalism: Activist Investors and the Reevaluation of Governance Rights, Columbia Law Review 113 (2013) 863, 867, 895.

UK company law, these initiatives called for more active and responsible oversight.[21] The Cadbury Report explicitly urged institutional shareholders to hold boards accountable and to exercise voting rights with care.[22] This expectation was gradually institutionalized through successive iterations of the UK Corporate Governance Code, most recently revised in 2024.[23] The 2001 Myners Review further reinforced the notion that institutional investors had both the capacity and obligation to exercise stewardship on behalf of beneficiaries.[24] Within this framework, shareholder engagement was redefined as a routine function rather than an exceptional one.

By the end of the 2000s, shareholder engagement in the UK had undergone a fundamental transformation. Supported by a maturing soft-law infrastructure and evolving regulatory expectations, activism was no longer an isolated or confrontational gesture but part of a broader shift toward institutionalized shareholder stewardship. The codification of investor responsibilities—most notably through the UK Stewardship Code—signaled that shareholder voice was not simply permitted but expected.[25] This reconceptualization set the stage for a more sustained and sophisticated form of activism, driven less by opportunism and more by strategic alignment with institutional mandates.

III. The Contemporary Landscape of Shareholder Activism

1. *Evolving Forms and Tactics*

Contemporary shareholder activism in the UK has moved from the margins to the mainstream. As institutional investors replaced dispersed individual shareholders, activism became more strategic, visible and multi-dimensional.[26] The key question evolved from *whether* investors could act to

21 For a critical analysis, see I. H.-Y. Chiu, The Meaning of Share Ownership and the Governance Role of Shareholder Activism in the United Kingdom, Richmond Journal of Global Law and Business 8 (2008) 117.

22 The Committee on the Financial Aspects of Corporate Governance, Report of the Committee on The Financial Aspects of Corporate Governance (1992) paras. 6.1, 6.6, 6.10, 6.11, 6.15 and 6.16.

23 See e.g. UK Corporate Governance Code 2024, at 4 and Principle D.

24 P. Myners, Institutional Investment in the United Kingdom: A Review (2001).

25 D. Katelouzou, Something Old, Something New: Cultivating Institutional Investor Engagement through Shareholder Stewardship, in: Enriques/Strampelli (eds.), Board-Shareholder Dialogue: Policy Debate, Legal Constraints and Best Practices (2024) 185.

26 Generally, on the corporate governance role of institutional investors, see A. Dasgupta et al., Institutional Investors and Corporate Governance, Foundations and Trends in Finance 12 (2021) 276.

when, how, and *to what end*. For most, the decision to engage depends on cost-benefit calculations, expected impact, and alignment with long-term portfolio objectives.

One of the most significant structural shifts has been the rise of index funds, which—by design—cannot exit underperforming firms. This immobility, when combined with long-term investment horizons, substantial ownership stakes, and exposures to market-wide risks, reconfigures the choice set available to these investors, rendering engagement a structurally salient—though contested—response to corporate governance concerns.[27] While critics question whether index funds possess adequate oversight incentives given agency problems and potential conflicts of interest,[28] growing presence has nonetheless contributed to the expansion of shareholder activism beyond firm level, extending it across industries and entire portfolios.

This expansion has led to a more layered and hybrid landscape. Shareholder activism now varies along several axes: by level (firm, industry, or portfolio), by motivation (financial, reputational, or systemic), and by approach (offensive or defensive). Some campaigns continue to target individual firms; others function as symbolic interventions or industry nudges; and the most expansive—such as those addressing climate risk—aim to preserve market integrity and long-term value across entire portfolios.[29] These forms of activism are not mutually exclusive. Firm-specific interventions can generate spillover effects, influencing corporate policies reaching across sectors and prompting pre-emptive reforms elsewhere.[30]

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27 See e.g. E. DIMSON et al., Active Ownership, The Review of Financial Studies 28 (2015) 3225; M. BARZUZA et al., Shareholder Value(s): Index Fund ESG Activism and the New Millennial Corporate Governance, Southern California Law Review 93 (2019) 1243; J. FISCH et al., The New Titans of Wall Street: A Theoretical Framework for Passive Investors, University of Pennsylvania Law Review 168 (2019) 17; M. KAHAN/E. B. ROCK, Index Funds and Corporate Governance: Let Shareholders Be Shareholders, Boston University Law Review 100 (2020) 1771; M. BECHT et al., Does Paying Passive Managers to Engage Improve ESG Performance?, European Corporate Governance Institute – Finance Working Paper No. 922/2023, HKU Jockey Club Enterprise Sustainability Global Research Institute – Archive, *http://dx.doi.org/10.2139/ssrn.4506415*.

28 J.D. MORLEY, Too Big to Be Activist, Southern California Law Review 92 (2018) 1407; L. BEBCHUK/S. HIRST, Index Funds and the Future of Corporate Governance: Theory, Evidence, and Policy, Columbia Law Review (2019) 119 2029, 2050–2075.

29 M. CONDON, Externalities and the Common Owner, Washington Law Review 95 (2020) 143–148 and 63–64; J.C. COFFEE Jr., The Coming Shift in Shareholder Activism: From "Firm-specific" to "Systematic Risk" Proxy Campaigns (and How to Enable Them), Brooklyn Journal of Corporate, Financial & Commercial Law 16 (2021) 45.

To pursue their objectives, activist deploy a diverse array of strategies. At the firm level, they may employ formal mechanisms—such as shareholder proposals, director nominations, or litigation—or exert informal pressure through public statements, vote-no campaigns, and behind-the-scenes engagement.[31] While UK activists often treat adversarial methods as a last resort, their availability strengthens the credibility of shareholder voice.[32] In contrast, portfolio-level activism relies on thematic engagement and coordinated voting strategies across multiple holdings. Common themes include board diversity, climate alignment, and adherence to ESG standards.

Coordination further amplifies shareholder influence. Hedge fund-led "wolf pack" campaigns exert pressure through informal alignment, while broader coalitions allow institutional investors to support activist demands without leading them.[33] These coalitions, whether formal or informal, can be highly effective—especially when activist demands align with long-term portfolio interests.[34] Firm-specific activism often generates governance externalities, prompting industry peers to adjust practices to avoid becoming targets themselves.[35]

Beyond informal constellations, formal collaborative platforms increasingly structure activism. In the UK, the Investor Forum facilitates coordinated engagement among major institutions.[36] Globally, initiatives such as the PRI Collaboration Platform, Climate Action 100+, and organizations

30 See e.g. N. GANTCHEV et al., Governance under the Gun: Spillover Effects of Hedge Fund Activism, Review of Finance 23 (2019) 1031.

31 The literature on activist strategies is voluminous. See e.g. S.L. GILLAN/L.T. STARKS, Corporate governance proposals and shareholder activism: the role of institutional investors, Journal of Financial Economics 57 (2000) 275; P. CZIRAKI et al., Shareholder Activism through Proxy Proposals: The European Perspective, European Financial Management 16 (2010) 738; J.A. MCCAHERY et al., Behind the Scenes: The Corporate Governance Preferences of Institutional Investors, The Journal of Finance 71 (2016) 2905; T. BOWLEY et al., Shareholder Engagement Inside and Outside the Shareholder Meeting, European Corporate Governance Institute – Law Working Paper No. 709/2023, *https://ssrn.com/abstract=4465802*.

32 M. BECHT et al., Returns to Shareholder Activism: Evidence from a Clinical Study of the Hermes U.K. Focus Fund, The Review of Financial Studies 22 (2008) 3093.

33 See e.g. A. BRAV et al., Wolf Pack Activism, Management Science 68 (2022) 5557.

34 On the impact of acting-in-concert rules, see D.W. PUCHNIAK/U. VAROTTIL, Rethinking Acting in Concert: Activist ESG Stewardship is Shareholder Democracy, NUS Law Working Paper No. 2023/023, European Corporate Governance Institute – Law Working Paper No. 731/2023 *https://ssrn.com/abstract=4565395*.

35 J.N. GORDON, Systematic Stewardship, Journal of Corporation Law 47 (2021) 627, 638.

36 The Investor Forum Review 2022 (January 2023).

like ShareAction provide infrastructure for joint action on systemic issues.[37] These coalitions combine firm-level tools—like shareholder resolutions and board nominations—with portfolio-level strategies, including coordinated voting and public policy advocacy, to drive large-scale corporate change.

Importantly, shareholder activism rarely seeks corporate control. Even in board contests or M&A situations, the goal is influence, not ownership. As CHEFFINS and ARMOUR argue, activists operate within a 'market for corporate influence', relying on persuasive rather than proprietary power.[38] While the traditional market for corporate control has not disappeared, it has evolved—shareholder activism increasingly functions as a complementary mechanism, relying on influence rather than takeovers to discipline management.[39] Within this framework, activists may target specific firms to send signals across markets, or they may use systemic campaigns to shift norms and enable more surgical interventions. Recognizing this strategic fluidity is essential to understanding how shareholder voice now operates across multiple scales.

The framing of activism has also evolved. While maximizing fund value remains central, the means to that end now often include environmental and social concerns. The once-sharp boundary between 'value' and 'values' has blurred.[40] Unlike earlier ESG efforts that focused narrowly on firm-specific risk mitigation, today's *sustainability-oriented shareholder activism* integrates financial and non-financial considerations at both the firm and portfolio levels.[41] Climate inaction, biodiversity loss, and labor risks are increas-

37 See e.g. J.-P. GOND/V. PIANI, Enabling Institutional Investors' Collective Action: The Role of the Principles for Responsible Investment Initiative, Business & Society 52 (2013) 64; E. DIMSON et al., Coordinated Engagements, ECGI, Finance Working Paper No. 721/2021, *https://ssrn.com/abstract=3209072*.

38 B.R. CHEFFINS/J. ARMOUR, The Past, Present and Future of Shareholder Activism by Hedge Funds, Journal of Corporation Law 37 (2011) 51, 55.

39 M.C. BURKART/S. LEE/P. VOSS, The Evolution of the Market for Corporate Control (29 January 2024), European Corporate Governance Institute – Finance Working Paper No. 956/2024, Swedish House of Finance Research Paper No. 24-05, HKU Jockey Club Enterprise Sustainability Global Research Institute – Archive *https://ssrn.com/abstract=4709037*.

40 L.T. STARKS, Presidential Address: Sustainable Finance and ESG Issues—Value versus Values, The Journal of Finance 78 (2023) 1837.

41 D. KATELOUZOU/Y. REN/M. SAGARRA, A Bibliometric Analysis of Four Decades of Shareholder Activism Research, Corporate Governance: An International Review (2024) 2, 19. For empirical literature on the effects of this activism, see T. BARKO et al., Shareholder Engagement on Environmental, Social, and Governance Performance, Journal of Business Ethics 180 (2022) 777; A.G.F. HOEPNER et al., ESG shareholder engagement and downside risk, Review of Finance 28 (2023) 483.

ingly presented as threats to long-term shareholder returns.[42] This financial-materiality framing has even enabled traditionally aggressive hedge funds to pursue sustainability campaigns. Notable examples involving UK-based activist funds include TCI Fund Management's pressure on Aena to adopt Paris-aligned emissions targets, Bluebell Capital's push for Glencore to divest its thermal coal assets, and Sarasin & Partners' engagement with BP and Shell to align capital expenditure with net-zero objectives—all of which framed environmental concerns as financially material.[43]

Yet tensions remain. Hedge-fund-style activists tend to engage only when environmental or social risks intersect clearly with financial performance, rather than out of a normative commitment to broader sustainability goals.[44] Some large asset managers have faced growing criticism for 'rational hypocrisy'—endorsing sustainability in public while applying it selectively.[45] In parallel, anti-ESG sentiment—especially as imported from US debates—add further complexity.[46]

These shifts in shareholder activism—towards broader motivations, hybrid tactics, and systemic goals—are reshaping the UK's governance landscape. But how are these changes playing out in practice? The next section turns to empirical data from UK campaigns over the past two decades to assess the evolving scope, strategies, and impact of institutional shareholder activism.

2. *Empirical Trends in UK Institutional Shareholder Activism*

The institutionalization of shareholder activism in the UK has coincided with a marked rise in public campaigns, particularly at the firm level. Once dominated by private, behind-the-scenes engagement,[47] the UK's activism

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42 See e.g. C. McDonnell et al., Climate action or distraction? Exploring investor initiatives and implications for unextractable fossil fuels, Energy Research & Social Science 92 (2022) 102769.

43 A. Gara, Billionaire Chris Hohn Explains Why Increased Disclosure Will Force Companies To Cut Their Carbon Emissions, Forbes, 9 March 2021; "Activist investor Bluebell urges Glencore to separate its thermal coal unit", Reuters, 30 November 2021; "Sarasin & Partners to support Paris-aligned proposal at Shell and Total, warning of 'empty promises'", Responsible Investor, 14 May 2020.

44 S. Hannes et al., The ESG Gap, Brigham Young University Law Review 49 (2023) 1137, 1168–1173; M. Moore/T. Wilson, BP pivots back to oil and gas after 'misplaced' faith in green energy, Financial Times, 26 February 2025.

45 A. Christie, The Agency Costs of Sustainable Capitalism, UC Davis Law Review 55 (2021) 875, 907–911.

46 H. Welsh, Anti-ESG Proposals Surged in 2024 But Earned Less Support (2024) (reporting a surge in anti-ESG proposals during the 2024 proxy season in the US, though average shareholder report remained low at just 1.9%).

landscape has become increasingly visible, data-rich, and central to corporate governance decades.

Between 2000 and 2010, UK firms were targeted in 128 campaigns involving 274 demands by 51 activist hedge funds. These figures significantly outpaced other European jurisdictions—Germany, for instance, recorded only 30 campaigns, while France and the Netherlands saw 25 and 20 respectively.[48] The momentum continued throughout the following decade. From 2013 to 2022, the UK registered 309 public activist campaigns and 505 individual demands, accounting for 27.2% and 29.18% of all such activity in Europe.[49] Activist demands peaked in 2019 (64) and again in 2021 (76), with the UK representing approximately 15% of all public campaigns in Europe in each of those years.

This growth has been driven primarily by hedge-fund-style activists, who initiated 68.66% of all UK campaigns during the 2013–2022 period. Of these, 42.77% originated from US-based funds and 35.26% from UK-based funds. In contrast, other institutional investors—including asset managers, private equity funds, and pension schemes—were responsible for only 31.49% of activist demands. The UK's institutional shareholding structure and strong shareholder rights under company law have created a favorable environment for this form of activism, particularly for hedge funds seeking to leverage concentrated stakes and a permissive legal framework.[50]

Activist demands span a wide range of objectives, from operational and financial restructuring to governance reform. Among the most common are board-related demands, especially board appointments, which constitute 39.2% of all demands. Activists typically push for short-slate board representation to enhance oversight rather than to obtain full control.[51] Corporate control activism—such as opposing or initiating M&A activity—remains a prominent feature, alongside calls for divestitures, cost-cutting measures, and, to a lesser extent, ESG reforms and capital returns.[52] While hedge

47 BECHT et al., *supra* note 32, 3096.

48 D. KATELOUZOU, Hedge Fund Activism, Corporate Governance and Corporate Law: An Empirical Analysis Across 25 Countries (Ph.D Thesis, University of Cambridge 2012) 93–94.

49 The Diligent Market Intelligence (previously Insightia) is a subscription-based database; it is available at: *https://www.insightia.com/*.

50 On the legal determinants of hedge fund activism, see KATELOUZOU, *supra* note 16.

51 See also A.L. CHRISTIE, The new hedge fund activism: activist directors and the market for corporate quasi-control, Journal of Corporate Law Studies 19 (2019) 1.

52 This contrasts, for instance, with hedge fund activism in Japan, which is often directed at the cash reserves of Japanese companies. According to hand-collected data, 15.72% of the activist campaigns in Japan between 2000 and 2010 sought cash returns, as opposed to 8.76% in the UK. Data with the author.

funds tend to prioritize financial restructuring, other institutional investors are more likely to advance governance and sustainability-related objectives.

Success rates in UK activism are relatively high, particularly in campaigns targeting board appointments and capital structure changes. Hedge funds are generally more successful than other institutional investors,[53] though outcomes vary by demand type. Single-seat board seats are especially effective, with success rates exceeding 82%, while multi-seat bids see diminishing returns. These patterns indicate a preference for influence rather than control, with many activists negotiating change rather than relying on proxy fights.

Ownership levels also shape campaign dynamics. Most campaigns are launched with minority stakes, and hedge funds typically operate with smaller, more agile holdings than other investors.[54] While campaign success generally correlates with increased ownership, the relationship is non-linear: campaigns with very large stakes do not always perform better. Instead, the most effective campaigns tend to fall within a moderate ownership range of 5% to 20%, striking a balance between influence and strategic flexibility.

Contrary to stereotypes of short-termism, UK activists often adopt medium- to long-term investment horizons. Many remain invested well beyond the resolution of a campaign, suggesting a shift toward sustained engagement rather than opportunistic arbitrage.[55] Hedge funds frequently exit via liquid market transactions, while other institutional investors may realize returns through mergers, delistings, or strategic realignments. In both scenarios, activists demonstrate enduring involvement in portfolio companies.

The timing of interventions further reveals strategic diversity. Some activists make demands shortly after acquiring a stake, while others wait months or even years before acting—blurring the lines between proactive and reactive engagement.[56] Even after securing specific outcomes, activists frequently maintain their positions for extended periods, reinforcing their influence over corporate governance and ongoing performance.[57]

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53 Hedge funds lead with a 53.2% combined success and partial success rate, compared to 44.7% for other institutional investors.

54 Nearly half (47.2%) of all demands are associated with ownership stakes below 5%. Data with the author.

55 The average (median) holding period for completed exits is 1,497 (1,185) days—far longer than typical US campaigns.

56 The average (median) time between initial investment and demand is 584 (129) days, with hedge funds typically holding longer before intervening.

57 The median duration after achieving an outcome is 301 days, with hedge funds exiting slightly later (303 days) than others (292.5 days).

Taken together, these patterns illustrate how UK shareholder activism has evolved into a sophisticated and multifaceted tool for corporate influence. While hedge-fund-style activists remain dominant, the growing involvement of other institutional investors is diversifying the field. The UK thus offers a valuable case study in the broader global shift toward institutionalized, deliberate, and purposeful shareholder engagement.

IV. The Future of Shareholder Activism in the UK: Institutional Constraints and Contested Pathways

As shareholder activism in the UK enters its third decade of institutional maturity, its trajectory is being shaped by three interlinked forces: institutional transformation, regulatory recalibration, and the growing salience of systemic risks. These developments mark not merely a continuation of past trends but a deeper evolution in the nature and purpose of shareholder voice. Activism is shifting from a tactical tool for firm-specific intervention into a continuous, norm-driven mode of investor governance, increasingly framed through stewardship and sustainability imperatives.

The most significant transformation is institutional. UK capital markets are now dominated by a concentrated cohort of institutional investors—particularly passive and quasi-passive funds, many of them foreign-owned.[58] These investors may not be inherently activist, but their inability to divest, long-term horizons, and exposure to portfolio-wide risks—combined with pressure from beneficiaries, NGOs, and regulators—has made them central to corporate governance debates.[59]

However, this shift also exposes a legitimacy gap. Most UK equities are held through intermediated structures such as pension schemes, investment trusts, and mutual funds, distancing ultimate beneficiaries (savers, pensioners, retail investors) from the exercise of shareholder rights.[60] As activism extends into ESG and systemic domains—where end-investor preferences are heterogeneous—questions of representation, voice, and accountability become more acute. These tensions are amplified in the case of universal owners. Large index funds, for instance, often hold stakes in both activist targets and their competitors or suppliers, creating portfolio-level conflicts

58 Orient Capital, Foreign investors take an increased stake in UK plc (2021); K. Fukami et al., Institutional investors and stewardship (OECD Corporate Governance Working Papers, 2022).

59 T.A. Gormley/H.B. Kim, Do Index Funds Monitor? Revisited, European Corporate Governance Institute – Finance Working Paper No. 1057/2025, *https://ssrn.com/abstract=5004197*.

60 For a critical analysis, see S.A. Gramitto Ricci et al., The Shareholder Democracy Lie, Florida Law Review (2026) 78 forthcoming.

that can dampen their willingness to support firm-specific campaigns.[61] In such cases, the challenge is not the absence of influence but its contested legitimacy within a pluralistic, contested investment ecosystem.

Activism is also becoming more hybrid, thematic, and multi-scalar. While traditional hedge fund campaigns targeting capital allocation or governance reform remain prominent, they are now complemented by collaborative, portfolio-wide efforts aimed at systemic issues like climate risk, biodiversity, digital governance, and workforce equity.[62] These initiatives reflect a broader 'unbundling' of shareholder voice—cutting across asset classes, time horizons, and engagement styles. The result is a model of 'networked shareholder activism', in which influence is exercised through both direct interventions and collective norm-setting.

This transformation is not simply tactical. It signals a reconceptualization of the shareholder's role—from a rights-bearing principal concerned with disciplining management to a system-aware steward accountable for the long-term integrity of financial and social ecosystems.[63] Activism increasingly demands not only financial credibility, but narrative fluency, namely the capacity to frame goals in ways that resonate with both shareholders and broader stakeholders.

These institutional and conceptual shifts are unfolding alongside significant regulatory recalibration. The UK Corporate Governance Code (2024), the UK Stewardship Code (2026), and reforms to the listing regime reflect efforts to preserve the competitiveness of UK markets while responding to evolving public expectations of corporate responsibility.[64] Where shareholder rights once functioned primarily to check managerial discretion, they are now embedded in a broader regulatory project centered on sustainability, resilience, and legitimacy. Yet this recalibration remains fragile. Enhanced disclosure requirements and stewardship expectations risk becoming performative unless grounded in enforceable norms and linked to substantive outcomes.

In this context, the future of shareholder activism in the UK is unlikely to be defined by adversarial boardroom contests. Instead, it is evolving toward a more iterative, system-aware form of engagement—one that seeks

61 Z. GOSHEN/D. LEVIT, Common Ownership and Hedge Fund Activism: An Unholy Alliance?, European Corporate Governance Institute – Finance Working Paper No. 982/2024, *https://ssrn.com/abstract=4835079*.

62 A. BAKER et al., The Evolving Battlefronts of Shareholder Activism, Stanford Closer Look Series Corporate Governance Research Initiative, *https://www.gsb.stanford.edu/faculty-research/publications/evolving-battlefronts-shareholder-activism*.

63 D. KATELOUZOU, The Unseen 'Others': A Framework for Investor Stewardship, Current Legal Problems 77 (2024) 295.

64 See further KATELOUZOU, *supra* note 2, Chapters 5 and 8.

influence not through confrontation, but through alignment, coordination, and sustained pressure. If successful, this transition may complete the shift from shareholder activism to enlightened shareholder stewardship—not as ESG box-ticking, but as a reimagined governance function capable of mediating complex trade-offs between short-term returns and long-term resilience. As shown elsewhere, while some activist hedge funds deploy stewardship rhetoric as a strategic tool of legitimization, others have begun to embody the logic of stewardship more substantively—indicating that enlightened shareholder stewards are not merely rhetorical constructs but an emerging, if uneven, reality in contemporary corporate governance.[65]

Yet this trajectory is neither linear nor uncontested. The politicization of ESG in the United States has already created hesitation among some global managers, while the UK faces its own challenges: critiques of greenwashing, inconsistent stewardship practices, and tensions over fiduciary duty, coordination legality, and shareholder influence over corporate strategy. These frictions reflect deeper questions about the role of investors in mediating public values and the difficulty of aligning diffuse beneficiary preferences with coherent engagement goals.

A comparative glance at Japan sharpens these insights. While Japan has adopted a Stewardship Code and taken steps to encourage active engagement, the uptake of confrontational tactics has been limited by cultural norms, legacy cross-shareholdings, and a consensus-oriented corporate culture.[66] Nonetheless, Japan has drawn inspiration from the UK model, pursuing collaborative investor engagement and improved transparency. The UK thus offers both a prototype and a warning: institutionalizing shareholder voice requires more than regulatory reform—it demands cultural realignment, sustained investor coordination, and mechanisms that link stewardship to tangible outcomes.

Ultimately, shareholder activism is not converging along a single global trajectory. National contexts—legal systems, institutional structures, ownership patterns, and political economies—continue to shape its form and effectiveness. For the UK, which now sits at the intersection of concentrated institutional ownership, expanding stewardship expectations, and mounting public scrutiny, the future of shareholder activism will depend less on influence over individual boardrooms and more on its ability to mediate plural interests, manage systemic risks, and preserve its legitimacy in a shifting governance landscape.

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65 D. KATELOUZOU, The Rhetoric of Activist Shareholder Stewards, New York University Journal of Law & Business 18 (2021) 665.

66 G. GOTO, The Japanese Stewardship Code: Its Resemblance and Non-resemblance to the UK Code, in: Katelouzou/Puchniak (eds.), *supra* note 1 (2022) 222.

SUMMARY

This article examines the evolution, contemporary practice, and future trajectory of shareholder activism in the United Kingdom, tracing its transformation from a marginal, adversarial practice into a central feature of the corporate governance framework. Drawing on historical analysis and empirical evidence from UK activist campaigns over the past two decades, it shows how shareholder activism has expanded across multiple levels (firm, portfolio, and system), a widening range of actors (including hedge funds, asset managers, pension funds, and index investors), and increasingly plural motivations (financial, governance, and ESG-related), while remaining primarily oriented towards influence rather than corporate control. The article argues that contemporary UK shareholder activism is increasingly—but unevenly—embedded within a broader stewardship ecosystem shaped by regulatory expectations, sustainability concerns, and systemic risk. This development raises important legal and institutional questions concerning legitimacy, accountability, and the governance implications of increasingly intermediated share ownership. While the UK experience does not provide a universal model, it offers valuable insights for comparative corporate governance debates—particularly in jurisdictions such as Japan—on the capacity and limits of institutionalized shareholder voice as a mechanism for mediating long-term value, public interest, and corporate accountability.