

Freedom to Invest

How Shareholder Responsibility Works Real-World Examples

Shareholder responsibility has proven its value. Over decades, responsible ownership has strengthened governance, improved oversight, and enhanced long-term value creation across U.S. markets. Communication between shareholders and companies should be seen as a strength for business, not something to be restricted and regulated.

Examples of Shareholders Strengthening Companies

- **Majority Voting for Directors:** For years, directors at many public companies could be elected with a single affirmative vote in uncontested elections. Through sustained shareholder proposals and engagements, investors pushed companies to adopt majority voting standards. Today, the vast majority of S&P 500 companies require directors to receive majority support from shareholders – strengthening the accountability of the board to the shareholders who own the company.
- **Declassification of Corporate Boards:** Many companies historically used staggered (classified) boards, limiting shareholders’ ability to vote on all directors annually. Shareholder proposals helped drive widespread board declassification. As a result, most large-cap U.S. companies now hold annual elections for all directors, improving transparency and responsiveness.
- **Say-on-Pay and Executive Compensation Reform:** Before advisory “say-on-pay” votes became federally mandated in 2010, shareholders were already filing proposals requesting votes on executive compensation. These engagements encouraged companies to better align executive pay with long-term performance, strengthened oversight, and reduced misaligned incentives.
- **Risk Oversight Committees in Financial Institutions:** Following financial crises and risk management failures, shareholders advocated for clearer board-level oversight of risk. Many major financial institutions subsequently formalized dedicated board risk committees, enhancing governance and internal controls.
- **Enhanced Disclosure of Material Risks:** Shareholder engagement has prompted improved disclosure around cybersecurity, supply chain resilience, environmental exposure, and other material risks. Better transparency supports informed capital allocation, reduces surprise losses, encourages companies to mitigate risks, and increases investor confidence.
- **Political Spending Transparency:** Shareholder proposals have encouraged companies to adopt clearer reporting policies on corporate political spending and lobbying. Greater transparency reduces reputational and legal risk and improves accountability to shareholders.
- **Protecting Children Online:** Proposals have driven meaningful action to address child safety online, pushing social media companies to remove harmful content and implement stronger protections. These efforts fostered industry collaboration and led to bipartisan informed solutions developed with the Senate Judiciary Committee.

Shareholder responsibility has consistently strengthened corporate governance, improved transparency, and enhanced long-term value without heavy-handed regulation. The reforms to corporate practices that have emerged from shareholder proposals were not the result of government mandates, but rather the outcome of a structured, market-based process between owners and the companies they invest in. When shareholders are empowered to fulfill their role responsibly, markets become more accountable, more resilient, and better equipped to allocate capital efficiently. Protecting shareholder responsibility protects the integrity of the free market itself.

Learn more: freedomtoinvest.org/shareholder-rights