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GLOBAL CORPORATE GOVERNANCE COLLOQUIUM

2025

Conference Report

2025 Global Corporate Governance Colloquium GCGC

Imperial Business School, London

Friday, 13 June 2025
Saturday, 14 June 2025

About the Event

The Global Corporate Governance Colloquia (GCGC) is a global initiative to bring together the best research in law, economics, and finance relating to corporate governance at a yearly conference held at 12 leading universities in the Americas, Asia and Europe. The 12 hosting institutions are:

Columbia University, Harvard University, Imperial Business School, National University of Singapore, Peking University, Seoul National University, Stanford University, Stockholm University, University of Oxford, University of Tokyo, Yale University and Goethe University Frankfurt (Leibniz Institute for Financial Research SAFE and DFG LawFin Center).

The aim of the conference series is to attract current research papers of the highest scholarly quality in the field of corporate governance. The conferences are primarily 'academic to academic' events with some participants from industry and the public sector including the practitioner partners of GCGC and other invited panelists. Japan Exchange Group (JPX) is a Practitioner Partner.

Foreword

GCGC is a special kind of conference. Over two days at Imperial College London, ideas spilled beyond the slides and into conversations — in the hallways, over coffee, and during lively audience exchanges that stretched long after the formal sessions had closed. It was a privilege to chair this year's colloquium and to witness such a vibrant exchange of ideas among finance and law scholars from around the world.

The theme that ran through much of our programme was the growing interconnection between governance, markets, and politics. From an exploration of corporate identity in an era of geoeconomics to our panel on the EU's Sustainability Due Diligence Directive, we grappled with big questions: How should firms navigate national strategic interests alongside shareholder value? Can a single compliance regime set global standards? And what new responsibilities does this impose on boards and executives?

Sustainability also remained central, though the tone was more pragmatic than in past years. We debated ESG performance, executive incentives, and the realities of sustainable investing — sometimes with a dose of humour. Who could forget "mindful snacking," which became a recurring touchpoint summing up the tension between lofty sustainability promises and tangible impact? A survey of portfolio managers deepened the conversation, revealing how environmental and social factors increasingly shape investment decisions, though often constrained by institutional mandates rather than ideology.

Equally memorable were the sessions where theory and practice collided. We unpacked the dynamics of venture capital bargaining, examined new evidence on committee decision-making, revisited debates on share repurchase authorisations, and explored the evolving market for corporate control. Our panel on investor coalitions sparked lively exchanges, raising provocative questions about the fine line between collaboration and coordination in pursuit of influence.

I am deeply grateful to all our presenters, discussants, and participants for their thoughtful contributions. This report aims to capture the richness of our discussions and offers a window into the ideas shaping the future of corporate governance. I invite you to explore the session summaries, watch the recordings, and continue the conversations that they sparked. As the series moves to the National University of Singapore for GCGC 2026, we look forward to building on the insights forged in London and carrying them into new contexts and debates.

Prof. Claudia Custodio
Conference Chair, GCGC 2025

"The Overlooked Reality of Shareholder Activism in China: Defying Western Expectations"

(by Chun Zhou, Wei Zhang, Dan W. Puchniak)

The session on *Shareholder Activism in China* challenged a widely held assumption in comparative corporate governance: that shareholder activism in China is either absent or politically predetermined. **Dan W. Puchniak** (Singapore Management University) presented new empirical evidence showing that since the mid-2000s—and accelerating after 2017—China has developed a rule-based market for shareholder activism, even where state-owned enterprises (SOEs) are the target.

A hand-collected dataset documents numerous activist campaigns, including private shareholders pressing "national champion" SOEs on board composition and dividends. Puchniak highlighted emblematic cases—from retail investors organising online (inspired by an activist known as "Legend of the Red Scarf") to state-owned institutional shareholders from one province challenging SOEs in another. Statistically significant evidence shows that, in China, activists' success correlates more with the size of their shareholdings than with political alignment, underscoring a rules-based market for activism rather than politically driven corporate governance.

> *We are not saying that politics is not important… What we are saying is that when you look at these campaigns, they're allowing them to go ahead based on the rules.* ***~ Dan Puchniak***

Discussant **Joon Hyug Chung** (Seoul National University) noted how the findings align with broader East Asian trends toward shareholder-empowered governance—citing recent corporate law reforms in China, Japan, and Korea that strengthen minority rights and transparency. He noted, however, that while SOEs make up a smaller share of activist targets than private firms, their outsized role in the Chinese economy suggests continued potential for activism in this sector.

The discussion raised thoughtful questions about the nature of this activism: whether some campaigns might be tacitly encouraged by the state to discipline underperforming firms, whether observed outcomes are equilibrium results of behind-the-scenes negotiations, and whether formal legal processes coexist with unobservable political constraints. Comparisons were drawn with Japan's dividend-focused reforms and the limited presence of foreign activist funds in China.

Puchniak acknowledged that Chinese activism operates within a distinct political and institutional framework—different from the US model—but stressed that the formal corporate law tools are being used in a consistent, rules-based way. The session closed with the sense that while China's activism may be "ordinary" in technique, its coexistence with Party supervision and state policy goals makes it an extraordinary governance phenomenon deserving further study.

"Political Party and Firm Value, Evidence from Political Control Shift in SOEs"

(by Jerry Cao, Jeremy Goh, Wenlian Lin)

The session on Evidence from Political Control Shift in SOEs offered a rare empirical lens on one of the more politically sensitive developments in Chinese corporate governance—the 2017 reforms that embedded Communist Party authority explicitly into state-owned enterprise (SOE) charters.

Jerry Cao (The Hang Seng University of Hong Kong) traced the evolution of SOE governance from Zhu Rongji's 1990s reforms—when large SOEs were consolidated under SASAC supervision—to Xi Jinping's shift in the late 2010s, which moved oversight from SASAC to direct Party control. A central moment came in 2017 with Rule No. 36, which required SOEs to revise corporate charters, formalising the Party's role in board-level decision-making.

Cao's event study examined market reactions around this reform, comparing abnormal returns for SOEs and private firms (POEs) listed in Hong Kong. The findings showed a small but consistent negative announcement effect for SOEs—roughly a 1% cumulative abnormal return in short windows—suggesting investor scepticism about the value implications of heightened Party involvement. Importantly, the effects were more pronounced for firms that had not already amended charters or integrated Party committees before the reform.

Discussant **Yupana Wiwattanakantang** (National University of Singapore) placed the paper in a broader historical and regulatory context, noting that Party influence in SOEs long predates 2017. She highlighted the challenge of identifying a "clean" event date, given years of gradual political integration, and pointed out that some private firms had also adopted similar provisions voluntarily—often as a form of signalling. She encouraged further exploration of whether the formalisation in 2017 marked a substantive shift or largely codified existing practice.

The discussion from the floor picked up on these points. Several participants suggested testing multiple event dates to capture a sequence of reforms, while others queried the clustering approach in the regressions, noting potential correlations among SOEs. There was also debate over interpreting market reactions: are short-term price effects a reliable measure of long-term governance outcomes, especially when reforms may prioritise political or strategic goals over shareholder value?

Cao responded that while Party oversight may not be new in substance, the formalisation altered governance dynamics—replacing pockets of managerial autonomy with more direct political control. He acknowledged statistical refinements suggested by the audience and pointed to future work examining the interplay with corporate governance mechanisms, such as independent directors and institutional investor presence.

"Venture Capital Contracting as Bargaining in the Shadow of Corporate Law Constraints"

(by Luca Enriques, Casimiro A. Nigro, Tobias H. Tröger)

The session on *Venture Capital Contracting as Bargaining* explored why venture capital (VC) markets in continental Europe remain comparatively small despite efforts to emulate the US model. **Tobias Tröger** (Goethe University Frankfurt) argued that rigid corporate law—not its substantive content, but its limited flexibility—constrains the efficient private ordering that underpins VC financing. Drawing on detailed legal analysis of Germany and Italy, the authors showed how contract provisions common in US VC deals—such as automatic cumulative dividends or robust liquidation preferences—cannot be implemented with the same effect under continental regimes.

Tröger illustrated that while European VC contracts often look similar to their US counterparts, their legal enforceability diverges. Restrictions rooted in doctrines like "residual claims" or "immorality" limit downside protections and shift provisions into shareholder agreements, weakening self-enforcement. The authors suggested that such rigidity raises transaction costs, diminishes contractual value, and may increase the cost of capital—ultimately discouraging marginal deals.

Discussant **Geneviève Helleringer** (ESSEC Business School and University of Oxford) brought a creative twist, likening the paper's comparative analysis to poetry: Anglo-American law, she quipped, is like poetry about landscapes—practical and orderly; German law resembles poetry about gloom—meticulous but weighted with constraints; Italian law, poetry about true love—genuine and earnest; and French law, poetry about desire. Her point being that each legal system has its own cultural and institutional rhythm, which shapes how VC contracts are interpreted and enforced.

She framed the analysis as part of a broader comparative inquiry into how legal flexibility supports financial innovation, emphasising the difference between absolute prohibitions (rare) and relative restrictions (more common but still impactful). She noted that much of the friction stems from interpretive uncertainty, with courts tending toward caution in enforcement.

The discussion broadened to consider whether the US is the outlier rather than Europe, and whether VC ecosystems shape the law as much as law shapes VC outcomes. Participants also questioned which contractual terms matter most in practice, noting that US VC has shifted away from some protective clauses as returns concentrate in a small percentage of successful investments. Others pointed to complementary factors—labour market flexibility, exit markets, and cultural norms—that interact with corporate law.

Tröger acknowledged that law is one part of a multi-factor explanation, but maintained that legal flexibility influences bargaining power and contract design, particularly in down-market scenarios. He proposed that insulated, standardised VC charters at the EU level might mitigate national court intervention and support more efficient contracting.

"Beyond ESG: Executive Pay Metrics and Shareholder Support"

(by Nickolay Gantchev, Mariassunta Giannetti, Marcus Hober)

The session on Beyond ESG examined why firms adopt ESG-linked compensation metrics and whether these metrics meaningfully influence outcomes. **Mariassunta Giannetti** (Stockholm School of Economics), with co-authors Nick Ganchev and Marcus Ober, drew on a unique global dataset of more than 10,000 companies to classify pay-performance metrics—ESG and non-ESG—across jurisdictions.

The analysis found that ESG metrics are rarely used in isolation. Firms that include them tend to have more complex pay plans with a broad range of operational and market metrics. Using media-based performance sentiment data, the authors showed that CEO pay is only weakly linked to the specific ESG metrics named in contracts; pay appears more sensitive to overall ESG sentiment than to targeted metric performance. Interestingly, companies are more likely to select ESG metrics in areas where they already perform relatively well—suggesting the choice may be as much about signalling as about incentivising change.

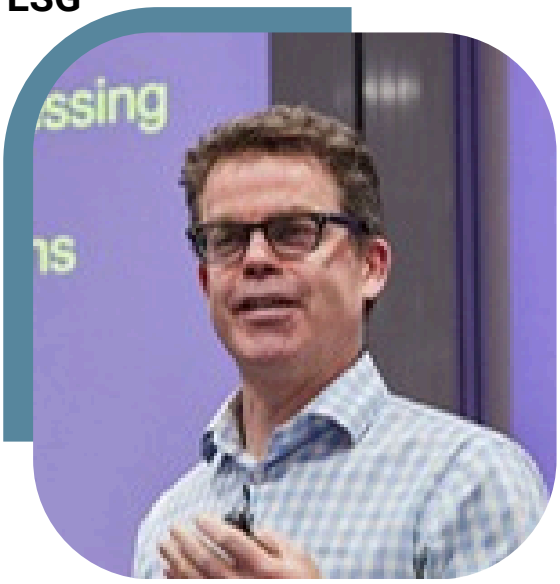
Discussant **Dirk Jenter** (LSE) praised the scale of the dataset, noting its contribution beyond the S&P 500–focused literature. He encouraged the authors to explore more within-firm variation, particularly around events such as the arrival of active blockholders. While supportive of the descriptive findings, he was less convinced by the causal story that ESG metrics serve primarily to build shareholder consensus. If metrics are weakly tied to pay, he asked, how can they credibly communicate strategy?

Audience discussion added nuance. Some argued that even low-powered ESG targets can shape perceptions—reducing shareholder proposals or dissent simply by showing responsiveness. Others suggested that peer effects, proxy advisor expectations, and evolving disclosure norms may explain the uptake of these metrics. "Mindful snacking" was again referenced as a metaphor for how some ESG pay metrics operate. Questions were also raised about cross-country differences, given divergent regulatory regimes and common ESG focus areas (e.g., diversity in the US versus climate in the EU).

Giannetti responded that while cross-sectional patterns are clear, the motivations remain complex. ESG metrics may play multiple roles: appeasing shareholders, aligning with proxy advisor norms, and signalling corporate priorities. Whether they materially improve ESG performance is less certain, but their communicative function within a broader governance context is evident.

"ESG Overperformance? Assessing the Use of ESG Targets in Executive Compensation Plans"

(by Adam B. Badawi, Robert Bartlett)



The session on ESG Overperformance explored the growing trend of linking executive compensation to environmental, social, and governance (ESG) metrics—an increasingly common practice among S&P 500 firms. **Adam Badawi** (UC Berkeley), presenting joint work with Bobby Bartlett (Stanford), examined whether firms actually meet these targets and whether doing so translates into improved ESG outcomes.

Drawing on hand-collected proxy data for 2023, the authors found that 63% of S&P 500 companies include ESG measures in pay plans, usually within the annual bonus (averaging 15% of the bonus, or roughly 3% of total CEO pay). Long-term incentive plans incorporate ESG far less frequently, and typically only in sectors like utilities. Crucially, the data show that firms almost always meet their ESG targets—only 2% miss all of them—compared to 22% missing all financial targets. Yet, meeting these targets does not appear to improve ESG scores, suggesting that targets may be set at levels that are achievable without driving significant change.

> *Just having a target is associated with higher ESG scores, but meeting or exceeding your targets is not associated with higher ESG scores.* ***~ Adam Badawi***

Discussant **Ana Albuquerque** (Boston University) praised the painstaking data collection and noted the paper's policy implications for improving disclosure and target transparency. She encouraged consideration of alternative explanations, such as executives having greater control over ESG outcomes (e.g., hiring diversity) or the presence of non-compensation costs to missing targets (e.g., reputational damage).

The discussion broadened to methodological points, including whether ESG categories (E, S, G) should be analysed separately, the role of qualitative versus quantitative targets, and potential circularity in ESG scoring. An example that caught the audience's attention was a Mondelez bonus metric tied to "mindful snacking," that is, small, symbolic actions that may be more about signalling commitment than transforming performance—prompting questions about the seriousness of certain ESG targets and the challenge of distinguishing genuine performance from symbolic commitments. Audience members also highlighted the shifting political and investor landscape, with some firms scaling back ESG-linked pay amid anti-ESG pressures.

Badawi acknowledged these dynamics, noting that while ESG targets are a small part of compensation, they may be used opportunistically—sometimes to offset missed financial goals. The session closed on the point that while ESG-linked pay is widespread, its impact on genuine performance remains uncertain, with future research needed to disentangle symbolic compliance from substantive outcomes.

Panel Discussion I: How the EU's Sustainability Due Diligence Directive Could Reshape Corporate America

Speakers: Jennifer G. Hill, Phil Bartram, Alessandro De Nicola, Luca Enriques

The final session of the first day, moderated by **Jennifer G. Hill** (Monash University), turned to the EU's Corporate Sustainability Due Diligence Directive (CSDDD) and its potential—perhaps overstated, perhaps underestimated—to reshape corporate America. **Luca Enriques** (Bocconi University), presenting joint work with Matteo Gatti and Roy Shapira, described the Directive as a shift from "carrots to sticks" in ESG: moving from voluntary reporting and incentive alignment to binding obligations on human rights and environmental risk management throughout a company's value chain.

The Directive will apply to large EU and non-EU companies with significant EU turnover, requiring them to identify, prevent, mitigate, and account for adverse impacts across subsidiaries and direct (potentially indirect) suppliers. While the final text has been watered down from earlier drafts—including removal of director liability—the combination of CSDDD with US Caremark oversight duties could, the authors suggest, create heightened legal risk for US boards. Enriques highlighted the "super Brussels effect": firms covered by the directive must operate a single compliance regime aligned with EU requirements, which can lead global risk management systems to be standardised to EU levels.

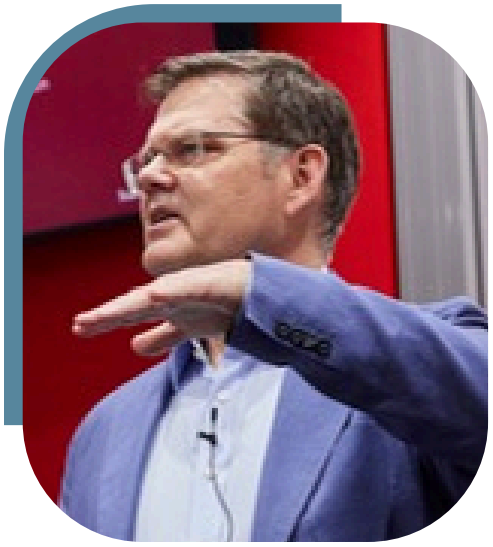
The panel brought contrasting perspectives. **Phil Bartram** (Travers Smith) noted that while some US issuers are alert to the Directive, many have not yet engaged seriously, in part because they have deprioritised it after concluding they are out of scope for the CSRD, and are awaiting further clarity on the shape of the EU Omnibus package of sustainability reforms. He expects renewed focus closer to the 2028–29 application dates, especially if director-level risks are emphasised. **Alessandro De Nicola** (BonelliErede) observed that Italian companies are largely unfazed, accustomed to intrusive compliance under domestic law (Law 231). Many see CSDDD as just another layer—albeit one they suspect may be diluted in implementation. He also questioned the EU's geopolitical leverage, asking whether a shrinking share of global GDP can realistically impose rules on stronger economies, and warning of unintended consequences for suppliers in the Global South.

The discussion touched on enforcement complexity—fines up to 5% of global turnover remain possible, though member states will design regimes, potentially creating fragmentation. The audience also pressed on extraterritorial reach: once in scope, a company's entire global value chain is covered, even for products not sold in the EU. The interplay with Caremark duties drew attention, with US litigation risk hinging on whether regulatory actions or sanctions create the "corporate trauma" necessary for shareholder suits. Examples from Italy's fashion industry illustrated how national authorities can pursue companies under existing laws, with reputational and financial consequences even absent CSDDD-specific enforcement.

The panel also explored geopolitical dynamics: the ISSB's single-materiality standards, possible Chinese adoption of double materiality for strategic advantage, and whether CSDDD marks a regulatory divergence between the US and a Brussels–Beijing axis. While much depends on the final Omnibus amendments and national enforcement, the session closed on a shared view that CSDDD—even watered down—will shape compliance expectations for global firms, if only because it forces boards and compliance teams to institutionalise sustainability oversight.

"Corporate Governance in an Era of Geoeconomics"

(by Curtis J. Milhaupt)



The session on *Corporate Governance in an Era of Geoeconomics* addressed how corporations are adapting to an era in which national security, technology, and global markets have become deeply entangled. **Curtis Milhaupt** (Stanford University) framed the discussion with the observation that private, profit-oriented enterprises are increasingly on the "front lines" of geopolitical competition—especially in sectors like semiconductors, aerospace, and communications. Unlike traditional ESG, where governments could act unilaterally but often choose not to, in geoeconomics the state depends directly on private companies for capabilities critical to national security. Milhaupt contrasted today's environment with the early 2000s vision of global governance convergence, which assumed open capital ows and increasing alignment with shareholder value.

That vision is being replaced by one of strategic fragmentation: capital controls, export restrictions, politicised investment flows, and state scrutiny of board composition and ownership structures. While geopolitical risk is increasingly disclosed, few firms explain how it is managed internally. He noted a gradual rise in directors with international experience, but limited military or diplomatic expertise on boards.

Jill Fisch (University of Pennsylvania) welcomed the paper's framing of corporate actors as tools of statecraft, and its concrete suggestions for how US corporations should respond to the potential impact of growing geopolitical tensions on private enterprise. She encouraged deeper consideration of how new developments including the expansion of national security interests and the fusion of government and corporate policy distinguish the current situation from earlier eras of close state–business coordination. She emphasized the particular value of Milhaupt's exploration of the evolving concept of corporate identity, observing that the concept has critical implications for the use of private enterprise for political power and highlighting how cross-border transactions, investment flows, and structural complexity complicate the analysis.

Audience discussion raised a range of perspectives. Some questioned whether these dynamics were limited to China or indicative of a broader realignment. Others explored how firms in politically sensitive sectors might alter their governance structures—such as adopting dual-class shares—to preserve autonomy. Concerns were also raised about the unintended consequences of deep state involvement in corporate decision-making, including risks to innovation and long-term growth. There was debate about whether geopolitical risk is best addressed by boards or diversified away by investors, and whether current disclosure practices provide meaningful insight or risk becoming another form of boilerplate.

Milhaupt concluded by noting that while state–business entanglement is not new, what is new is the scale and strategic centrality of private firms to national security objectives in a digitally interconnected world. For corporate boards, the challenge lies in adapting oversight, disclosure, and risk management frameworks to a world where geopolitical positioning can shape access to markets, capital, and long-term viability.

"Corporate Political Disclosure and Shareholder Voting"

(by Jill E. Fisch, Adriana Z. Robertson)

The session on *Corporate Political Disclosure* examined the landscape of shareholder proposals on corporate political spending and lobbying—an area that has attracted renewed attention in the wake of *Citizens United*. **Adriana Robertson** (University of Chicago) set out the project's core aim: to map the ecosystem of political activity proposals at S&P 500 companies, track outcomes, and assess subsequent changes in issuer behaviour.

The data show that roughly 80–100 such proposals are filed annually, with around 55–65 reaching a vote and the remainder often withdrawn—frequently as part of settlements. Robertson highlighted that withdrawal data are underreported in standard ISS records; supplementing with Sustainable Investments Institute data revealed far more settlements than previously captured. Political spending proposals were the largest category, followed by lobbying and a smaller subset of "alignment" proposals (where corporate values appear at odds with political beneficiaries).

A striking feature is the role of the Center for Political Accountability (CPA), which supports proponents, provides model proposals, and maintains the Zicklin Index ranking corporate political disclosure practices. CPA-backed proposals target disclosure "laggards" rather than high spenders, and are strongly associated with subsequent increases in disclosure when withdrawn or passed. Non-CPA proposals, by contrast, tend to target high 527 spending companies, with less evidence of post-resolution disclosure change.

Discussant **Umakanth Varottil** (National University of Singapore) praised the paper's comprehensive dataset—especially its integration of CPA and non-CPA activity, settlements, and investor voting behaviour. He encouraged the authors to explore more fully the implications of CPA's dual role as index provider and proposal proponent, and to consider how lobbying fits into the picture given the parallel but distinct shareholder campaign activity.

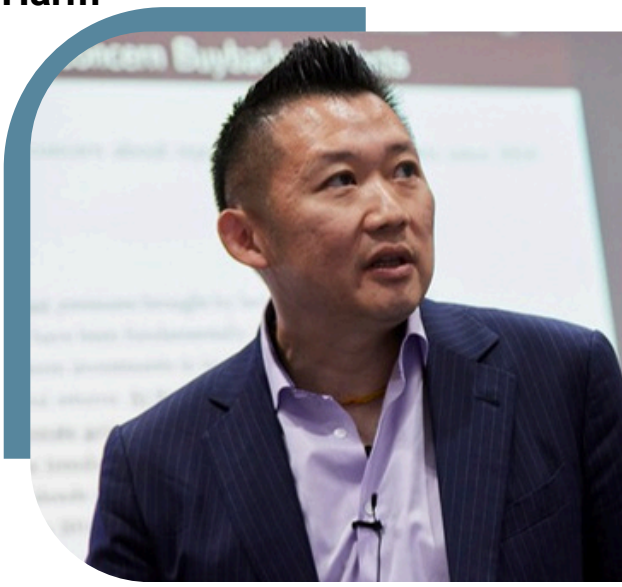
Audience discussion highlighted heterogeneity in investor support. Large asset managers such as BlackRock and Vanguard support CPA political proposals only sparingly, while public pension funds—across political leanings—support them at far higher rates. This voting divergence suggests that universal owners, index funds, and public pensions approach political spending through different strategic and governance lenses.

Several participants raised the broader question of outcomes: whether increased disclosure changes corporate political behaviour, or simply leads to "gaming" of index metrics. Others queried whether private ordering through shareholder proposals is a functional mechanism for improving transparency, or whether regulatory intervention would be more effective.

Robertson noted the difficulty of determining optimal corporate political spending levels from a shareholder value perspective, and the challenge of tracking shifts in actual expenditure given multiple channels for political engagement.

"Does Share Repurchase Legalization Really Harm Corporate Investments?"

(by Elliot Tobin, Charles CY Wang)



The session on *Share Repurchase Legalization* revisited one of the most persistent debates in corporate governance: whether stock buybacks crowd out productive investment. **Charles Wang** (Harvard Business School), with co-author Elliot Tobin, examined the staggered legalization of share repurchases across 17 countries between 1985 and 2010, expanding on earlier research that suggested a negative impact on investment at repurchasing firms. While the prior study focused narrowly on the small subset of firms that initiated buybacks immediately after legalization—typically mature, cash-rich companies—Wang and Tobin broadened the lens to all listed firms in affected markets. Using updated econometric techniques, they found no evidence of a decline in overall investment; in fact, average investment increased modestly post-legalization, driven by higher capital expenditure among non-repurchasing firms.

Wang attributed this to a capital reallocation channel: buybacks by low-growth firms free up capital that is reinvested by firms with stronger opportunities. The results were most pronounced in markets with greater frictions to capital access, and supported by evidence of increased equity issuance, higher CapEx (though not R&D), and improved operating performance at non-repurchasing firms.

> *We're pumping cash out of these low-growth, cash-rich firms, it might mean that we're funding investments in high-growth, cash-poor firms.* ~ ***Charles CY Wang***

Discussant **Ron Masulis** (University of New South Wales) welcomed the paper's broader scope and methodological care, but questioned whether the effects of legalization can be cleanly separated from other reforms that often occur alongside it. Legalisation frequently coincides with wider liberalisation of capital markets, enhanced minority shareholder rights, and corporate law updates—any of which could also stimulate investment.

The audience discussion deepened these points, raising questions about the sequencing of reforms, the interaction of buybacks with dividend policy, and jurisdictional differences in treatment, such as whether repurchased shares must be cancelled or can be retained as treasury stock. Others suggested the real policy question may not be about the investment response of repurchasing firms themselves, but about the net effects on capital allocation across the economy.

Wang acknowledged that legalization is often part of a package of market-oriented reforms and suggested a more cautious framing: buyback legalization, in conjunction with accompanying reforms, does not appear to reduce overall investment. The findings, he argued, provide reason to be wary of blanket restrictions on buybacks, which could hinder capital reallocation without meaningfully boosting long-term corporate investment.

Panel Discussion II: Are Investor Coalitions Cartels? (Coordinated Engagements)

(Marco Becht, Elroy Dimson, Shavana Haythornthwaite, Conor Kehoe)

The panel on "*Are Investor Coalitions Cartels?*" moderated by **Marco Becht** (Université libre de Bruxelles) tackled one of the more topical questions in global stewardship: when large investors work together, are they engaged in responsible finance—or collusive behaviour? **Elroy Dimson** (University of Cambridge), drawing on joint work with Oğuzhan Karakaş and Xi Li, opened with the latest iteration of his long-running study on coordinated engagement, now in "fourth fermentation" at the Journal of Finance. Using unique data from the Principles for Responsible Investment (PRI), the team examined 31 PRI-led collaborative projects involving over 1,600 company dialogues and US$23 trillion in signatory AUM.

The study finds that collaboration works better with structure. Engagements using a two-tier model—with a designated lead investor—had success rates around 50% higher than those without. Leadership credibility, local presence in the target firm's home market, and a reputation for constructive engagement were key drivers. Target firms in successful two-tier engagements showed improved abnormal returns and return on assets, while lead signatories (often asset managers) also enjoyed higher fund inflows.

Conor Kehoe (UN PRI) approached the cartel question from a policy and organisational perspective. He argued that PRI's purpose is not coordination for market manipulation, but helping investors integrate unprecedented systemic challenges—such as climate risk, demographic shifts, and potentially AI—into investment thinking. These are risks that cannot be diversified away, making collective stewardship both pragmatic and aligned with anticipated policy developments. Kehoe acknowledged the political headwinds, particularly in the US, but stressed that investors have both the right and the obligation to position portfolio companies for foreseeable regulatory and market changes.

Shavana Haythornthwaite (Morningstar) addressed the legal dimension, noting that investor coalitions can raise antitrust concerns if poorly structured, but that these risks can be managed through clear governance, independent decision-making, and careful information handling. She cited recent empirical work on Climate Action 100+ proxy proposals, which showed no evidence of voting collusion among signatories. Haythornthwaite also pointed out the need to distinguish between large, public multi-stakeholder alliances and smaller, private collaborative engagements with issuers—each carrying different legal and political risk profiles.

The discussion reflected both optimism and caution. Some saw coordinated engagement as an efficient mechanism for addressing global externalities, consistent with government policy frameworks like the Paris Agreement. Others warned that without explicit political backing, such coordination could face legal challenges, with recent withdrawals from climate alliances hinting at a chilling effect. There was broad agreement that while investor coalitions are not "cartels" in the antitrust sense, they operate in an increasingly contested political space—where law, politics, and corporate governance intersect in complex ways.

The panel closed with a recognition that coordinated engagement remains one of the few scalable tools for global stewardship, but that its future may depend on careful structuring, political legitimacy, and a clear distinction between anticipating policy and shaping it.

”Ownership and Trust: A Corporate Law Framework for Board Decision-Making in the Age of AI”

(by Katja Langenbucher)

The ECGI Working Paper Prize session opened with Marco Becht, who explained the purpose of awarding the prizes at GCGC: to recognise exceptional scholarship from ECGI’s law and finance working paper series and to give the authors a platform to share their work with the conference audience. **Amir Licht,** as editor of the law series, introduced the Cleary Gottlieb Prize for Best Law Working Paper. He noted that the selection process was straightforward this year, with the editorial board quickly converging on **Katja Langenbucher’s** (Goethe University Frankfurt, SciencesPo, Fordham Law School) paper as a timely and important contribution.

Paolo Rainelli, speaking on behalf of Cleary Gottlieb, highlighted the firm’s long-standing support for independent research, praising the paper’s engagement with one of corporate governance’s most urgent questions: how boards preserve accountability and legal integrity when decisions are increasingly shaped by AI.

Langenbucher’s presentation outlined how traditional corporate law assumptions—around board authority, reliance on expert advice, and the business judgment rule—interact with the rise of AI-assisted decision-making. She introduced a trust–ownership matrix for conceptualising how boards can integrate AI while retaining ultimate responsibility for decisions. Discussion focused on practical implications for fairness opinions, disclosure, and the balance between predictive power and explainability.

“The Evolution of the Market for Corporate Control”

(by Mike Burkart, Samuel Lee, Paul Voss)

The ECGI Finance Prize was awarded to *The Evolution of the Market for Corporate Control* by **Mike Burkart** (LSE, Swedish House of Finance), **Samuel Lee,** (Santa Clara University) and **Paul Voss** (HEC Paris). Introducing the prize, **Nadya Malenko** praised the paper as an elegant theoretical explanation for the shift from hostile takeovers in the 1980s to today’s takeover activism. Paul Voss presented the work, which models how increased capital available to control-oriented investors allows activist hedge funds to act as intermediaries, brokering sales to private equity or strategic buyers rather than acquiring targets themselves. This intermediation, the authors show, mitigates free-rider and information problems that constrain hostile bids, making activist-led sales a more efficient channel for transferring control.

Discussion explored how this model interacts with legal devices such as poison pills, the reconcentration of institutional ownership, and its applicability in jurisdictions without US-style takeover defences. The session underscored that both winning papers address live questions in governance: the first on the evolving tools and accountability of boards in an AI environment; the second on how deepening capital pools and activist intermediation are reshaping the market for corporate control.

Fixing MFW: Fairness and Vision in Controller Self-Dealing

(By Zohar Goshen, Assaf Hamdani, Dorothy Lund)

The session on *Fixing MFW: Fairness and Vision in Controller Self-Dealing* revisited one of the most influential doctrines in Delaware corporate law. **Dorothy Lund** (Columbia Law School), with co-authors Assaf Hamdani and Zohar Goshen, examined the effectiveness of the MFW framework in cleansing controlling shareholder transactions, using recent cases—including Tornetta v. Musk and Tesla/SolarCity—to illustrate its limits. The paper argues that MFW's dual-prong approach (special committee approval and majority-of-the-minority vote) often fails in practice, pushing courts back into costly and error-prone entire fairness review—particularly when idiosyncratic vision makes valuation uncertain.

Lund's proposals respond both to doctrinal concerns and to Delaware's recent legislative intervention (SB 21), which restricts MFW's application to squeeze-outs. The authors recommend giving greater cleansing weight to the disinterested shareholder vote than to special committee approval, citing structural bias risks. They also propose a "Corwin-style" approach to ensure early disclosure of process flaws, allowing shareholders to make informed decisions while insulating post-closing damages claims.

> *And in particular, we really like the shareholder vote. We think this is the critical loadstar for fairness.* ***~ Dorothy Lund***

Discussant **Gen Goto** (University of Tokyo) welcomed the paper's timeliness and its application beyond Delaware, noting relevance to Japan, Korea, and other jurisdictions that model their approach on Delaware law. While agreeing that valuation is especially fraught in idiosyncratic vision cases like Tornetta, he questioned whether the same framework should apply to more ordinary freeze-outs, where adversarial negotiation might be more effective.

Audience debate centred on the trade-offs between MFW's two prongs: whether institutional investors and proxy advisors can substitute for hard bargaining; whether shareholder votes are a reliable safeguard given turnout and information challenges; and whether SB 21's shift to single-mechanism cleansing risks underprotecting minorities. Cases like TripAdvisor and the trend of reincorporation raised the further question of whether Delaware's doctrinal refinements risk being bypassed entirely.

Lund acknowledged these complexities, noting that while no mechanism is perfect, the vote aggregates diverse shareholder assessments and avoids the structural biases that can distort special committee negotiations. She suggested that improving both mechanisms—increasing independence and process integrity for committees, while enhancing disclosure and procedural safeguards for votes—would better align doctrine with market realities.

"Sustainable Investing in Practice: Objectives, Constraints, and Limits to Impact"

(by Alex Edmans, Tom Gosling, Dirk Jenter)

The final session, *Sustainable Investing in Practice*, was presented by **Tom Gosling** (LSE and LBS). The paper surveyed over 500 active equity portfolio managers—split between sustainable and traditional funds—to examine how environmental and social (E&S) factors influence investment beliefs, objectives, constraints, and actions.

Gosling's presentation highlighted that while E&S issues rank lowest in perceived importance compared to traditional drivers of value (such as strategy and competitive position), 85% of portfolio managers—including 80% of traditional investors—view at least one E&S factor as material in their investment universe. Governance is consistently ranked higher than E&S, and factors seen as material tend to be those with clear internalisation, such as employee well-being, customer safety, and regulated environmental issues.

The survey revealed that most portfolio managers have financial, rather than dual, objectives; very few tolerate even small reductions in expected returns for E&S gains unless mandated by fund constraints. Fund mandates and firm-wide policies were the strongest drivers of E&S-related investment decisions, sometimes producing counterintuitive effects—such as excluding "E&S laggards" that managers believed could improve. Both sustainable and traditional funds report similar levels of E&S integration in stock selection, driven more by financial considerations than by targeted impact.

Discussant **Pedro Matos** (University of Virginia) emphasised the paper's value in mapping how sustainable investing works in practice, especially by focusing on active equity portfolio managers rather than asset owners. He noted that constraints—whether regulatory, mandate-driven, or reputational—often drive E&S decisions more than intrinsic return beliefs. He encouraged expanding the research to other investor segments such as pension funds, insurers, and sovereign wealth funds, whose objectives and constraints might differ significantly.

Audience discussion raised questions about sustainable fund definitions, the heterogeneity of investor beliefs, and how constraints shape E&S integration. Several participants pressed on the issue of "impact-washing," questioning whether sustainable-labelled funds deliver genuine outcomes or simply repackage conventional strategies. Others highlighted the difficulty of defining materiality for E&S issues that vary across sectors and jurisdictions, and queried whether E&S integration is truly differentiated in sustainable versus traditional funds, given similar reported practices.

Gosling acknowledged the complexity of sustainable investing in practice, noting that the findings suggest E&S integration is driven as much by portfolio constraints as by financial conviction. He agreed that expanding the work to include asset owners could provide important insight into how mandates are set and translated into manager behaviour.

















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