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Five Ways AI Could Transform Coming Proxy Seasons

Recent [decisions](#) by J.P. Morgan Asset Management and Wells Fargo to deploy artificial intelligence (“AI”) to guide proxy voting are evidence of deeper structural changes already underway that could transform future proxy seasons. The near-term impact of AI will likely be most acutely felt in the shift away from benchmark voting policies developed by proxy advisors to customized voting policies developed with the aid of AI. Over the medium to longer term, AI could potentially upend the tactics, tools and timing of future proxy contests. We highlight below five potential changes that could occur in the coming years.

1. What Gets Measured May Matter More Than What Gets Said

As AI tools increasingly inform voting decisions, how AI algorithms are constructed, trained and calibrated could determine the outcome of proxy contests. To date, solicitation efforts have centered around human decision makers at proxy advisors and institutional investors, who have in turn largely relied on materials shared by the company and activist. But as AI empowers institutional investors to independently gather and analyze information with increasing efficiency and accuracy, the relative influence of fight decks and fight letters—which have been the central components of a proxy contest—could diminish, along with traditional proxy solicitation strategies focused on disseminating such materials.

What may matter more in future proxy contests is convincing investors of what issues, metrics and trends deserve the greatest attention. Engagement efforts may need to focus on inputs—data sources, weighting methodologies and interpretive assumptions—rather than on specific outcomes. Adopting a “kitchen sink approach” to fighting proxy contests may also become less credible as the growing availability of data and analysis will more easily expose weaker arguments.

2. One Investor, Multiple Vote Outcomes

AI tools may allow institutional investors to develop more granular policies tailored to specific funds and designed to address a greater range of topics and metrics. By contrast, today’s proxy voting policies at most institutional investors are applied across funds. This shift could be particularly pronounced among actively managed funds, who may face greater pressure to further tailor their voting practices to specific fund mandates. Passive investors, who continue to face regulatory pressure to remain “passive,” may also deploy AI tools to facilitate more surgical approaches to proxy voting.

Over time, voting outcomes could diverge more sharply across funds managed by the same institutional investor. For issuers and activists alike, this could mean fewer predictable “house votes.” Proxy contests may become less about persuading institutional investors as a whole and more about identifying and targeting the most consequential funds.

3. Speed and Intensity of Proxy Contests Accelerate

Artificial intelligence may accelerate the speed and intensity at which proxy contests are fought. AI’s potential to capture, analyze and react to public disclosures in near real-time could compress timelines for response and place a premium on proactive and preemptive messaging and rapid correction of the record before new information begins to influence voting outcomes. AI tools may also make it easier for companies and activists to increase the volume and cadence of messaging to

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investors and tailor their messaging and engagement strategies to fund-specific mandates and voting patterns, which may in turn further accelerate the intensity of proxy contests. Investor sentiment could also shift meaningfully during the course of a proxy contest as AI tools enhance information availability. Consequently, vote predictions may become more difficult, and settlement discussions (which are primarily driven by the leverage wielded by each side) could also become less predictable and more complex.

4. Lower Barriers to Entry Increase Activist Activity

AI will likely lower the barrier to entry for activist investing. AI-enabled screening tools can help reduce the cost and time required to identify potential targets, develop campaign theses and execute campaigns. Consequently, a broader set of activists, including new entrants and occasional participants, may pursue campaigns that would not have been economically practicable in the past. Given that there is a finite number of attractive targets at any given time, an increase in the number of activists could lead to increased swarming behavior and multi-year and off-cycle activity as multiple activists seek to gain credibility, visibility, and traction around similar themes or targets. In this new environment, the quality, originality and persuasiveness of ideas may matter more than ever.

5. Cadence and Frequency of Shareholder Engagement May Shift

AI could reshape when investors choose to engage with companies and continue to blur the lines between “off” and “in-season” engagement. Institutional investors are already deploying AI tools to evaluate public disclosures, identify engagement priorities and targets and inform engagement agendas. AI is being used to review proxy statements, quarterly and annual reports, earnings materials and peer data across time to identify emerging risks or material changes in a company’s operations, strategy and governance. The availability of such data may allow the largest passive funds to become even more targeted in their engagement efforts, particularly as changes to the SEC’s guidance on Schedule 13G filing eligibility has continued to dampen index fund appetite for engagement. For active investors, the deployment of AI systems to continuously ingest information could encourage more spontaneous engagements driven by new disclosures and market developments.

Looking Ahead

The growing use of artificial intelligence in proxy voting signals a likely shift in how future proxy seasons may unfold. Future proxy contests are likely to become more data-driven, faster-moving, and more competitive. The adoption of AI may reduce the influence of traditional solicitation tools, reduce the transparency of voting policies, lower barriers to entry for activism and alter the cadence and nature of shareholder engagement. Going forward, companies and activists alike will need to adapt their strategies to a proxy voting landscape that is increasingly shaped by algorithms, analytics and real-time information flow.

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This memorandum is not intended to provide legal advice, and no legal or business decision should be based on its content. Questions concerning issues addressed in this memorandum should be directed to:

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