

AN ACT

relating to the regulation of the provision of proxy advisory services.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. The legislature finds that:

(1) when shareholders in this state hire professionals to provide advice in the exercise of their rights as shareholders, the shareholders expect that service to be performed in their financial interest as shareholders, and professionals who are hired by shareholders to provide that service and who deviate from that expectation must clearly disclose that fact;

(2) there is a particular need for disclosures for proxy voting advice because that advice is often:

(A) provided for hundreds or thousands of shareholder votes each year; and

(B) based on lengthy policies that contain general statements but do not explain whether or how the policy provisions will maximize returns for investors for any particular company or shareholder vote;

(3) proxy advisors:

(A) have recommended votes based on environmental, social, or governance (ESG) investing, diversity, equity, or inclusion (DEI), and social credit or sustainability scores; and

1 (B) have not conducted financial analyses before  
2 making the recommendations described by Paragraph (A) of this  
3 subdivision despite having proxy voting policies claiming that the  
4 purpose of the recommendation is maximizing and protecting  
5 shareholder value;

6 (4) requiring proxy advisors to provide clear, factual  
7 disclosures when the advisors recommend casting a vote for  
8 nonfinancial reasons or provide conflicting advice to multiple  
9 clients who seek to maximize financial returns is necessary in  
10 order to prevent fraudulent or deceptive acts and practices in this  
11 state; and

12 (5) a company that is the subject of a shareholder  
13 proposal may have information regarding whether the proposal is in  
14 the shareholder's financial interests or regarding the costs of the  
15 proposal, and notice would allow the company to provide relevant  
16 information to shareholders that may prevent fraudulent or  
17 deceptive practices associated with proxy advisors making  
18 recommendations for nonfinancial reasons.

19 SECTION 2. Title 1, Business Organizations Code, is amended  
20 by adding Chapter 6A to read as follows:

21 CHAPTER 6A. PROXY ADVISORY SERVICES

22 SUBCHAPTER A. GENERAL PROVISIONS

23 Sec. 6A.001. DEFINITIONS. In this chapter:

24 (1) "Company" means a publicly traded, for-profit  
25 corporation, limited liability company, partnership, or other  
26 business entity that is organized or created under the laws of this  
27 state, has its principal place of business in this state, or is a

1 foreign entity that has made a company proposal to become a domestic  
2 entity, whether by merger, conversion, or otherwise.

3 (2) "Company proposal" means a proposal made by a  
4 company that is included in the company's proxy statement,  
5 including a proposal regarding director nominations or elections,  
6 executive compensation, corporate transactions and structure,  
7 auditor selection, or similar measures.

8 (3) "Proxy advisor" means a person who, for  
9 compensation, provides a proxy advisory service to shareholders of  
10 a company or to other persons with authority to vote on behalf of  
11 shareholders of a company.

12 (4) "Proxy advisory service" means any of the  
13 following services that are provided in connection with or in  
14 relation to a company:

15 (A) advice or a recommendation on how to vote on a  
16 proxy proposal or company proposal;

17 (B) proxy statement research and analysis  
18 regarding a proxy proposal or company proposal;

19 (C) a rating or research regarding corporate  
20 governance; or

21 (D) development of proxy voting recommendations  
22 or policies, including establishing default recommendations or  
23 policies.

24 (5) "Proxy proposal" means a proposal made by a  
25 company's shareholder that is included in the company's proxy  
26 statement, including the nomination of a director.

27 (6) "Shareholder" includes a shareholder, unitholder,

1 limited partner, or other equity owner of a company.

2 SUBCHAPTER B. DISCLOSURE REQUIREMENTS FOR PROXY ADVISORS

3 Sec. 6A.101. DISCLOSURE OF NONFINANCIAL PROXY VOTING  
4 SERVICES TO PREVENT FRAUD OR DECEIT. (a) For purposes of this  
5 section, a proxy advisory service is not provided solely in the  
6 financial interest of the shareholders of a company if the service:

7 (1) is wholly or partly based on, or otherwise takes  
8 into account, one or more nonfinancial factors, including a  
9 commitment, initiative, policy, target, or subjective or  
10 value-based standard based on:

11 (A) an environmental, social, or governance  
12 (ESG) goal, factor, or investment principle;

13 (B) diversity, equity, or inclusion (DEI),  
14 including any attempt to provide preferential treatment based on  
15 characteristics protected under Section 21.051, Labor Code;

16 (C) a social credit or sustainability factor or  
17 score; or

18 (D) membership in or commitment to an  
19 organization or group that wholly or partly bases its evaluation or  
20 assessment of a company's value over any period on nonfinancial  
21 factors;

22 (2) involves providing a voting recommendation with  
23 respect to a shareholder-sponsored proposal that:

24 (A) is inconsistent with the voting  
25 recommendation of the board of directors or a board committee  
26 composed of a majority of independent directors; and

27 (B) subject to Subsection (c), does not include a

1 written economic analysis of the financial impact on shareholders  
2 of the proposal;

3 (3) is not based solely on financial factors and  
4 subordinates the financial interests of shareholders to other  
5 objectives, including sacrificing investment returns or  
6 undertaking additional investment risk to promote nonfinancial  
7 factors; or

8 (4) advises against a company proposal to elect a  
9 governing person unless the proxy advisor affirmatively states that  
10 the proxy advisory service solely considered the financial interest  
11 of the shareholders in making such advice.

12 (b) If a proxy advisor provides a proxy advisory service  
13 that is not provided solely in the financial interest of the  
14 shareholders of a company, the advisor shall:

15 (1) include a disclosure to each shareholder or entity  
16 or other person acting on behalf of a shareholder receiving the  
17 service that:

18 (A) conspicuously states that the service is not  
19 being provided solely in the financial interest of the company's  
20 shareholders because it is based wholly or partly on one or more  
21 nonfinancial factors; and

22 (B) explains, with particularity, the basis of  
23 the proxy advisor's advice concerning each recommendation and that  
24 the advice subordinates the financial interests of shareholders to  
25 other objectives, including sacrificing investment returns or  
26 undertaking additional investment risk to promote one or more  
27 nonfinancial factors;

1           (2) immediately provide a copy of the notice under  
2 Subdivision (1) to the company that is the subject of the service;  
3 and

4           (3) publicly and conspicuously disclose on the home or  
5 front page of the proxy advisor's publicly accessible Internet  
6 website that the advisor's proxy advisory services include advice  
7 and recommendations that are not based solely on the financial  
8 interest of shareholders.

9           (c) A written economic analysis provided under Subsection  
10 (a)(2)(B) must include:

11           (1) the short-term and long-term economic benefits and  
12 costs of implementing any shareholder-sponsored proposal, as  
13 written;

14           (2) an analysis of whether the proposal is consistent  
15 with the investment objectives and policies of the client;

16           (3) the projected quantifiable impact of the proposal,  
17 if adopted, on the investment returns of the client; and

18           (4) an explanation of the methods and processes used  
19 to prepare the economic analysis.

20           Sec. 6A.102. DISCLOSURES IF PROVIDING CONFLICTING VOTER  
21 ADVICE OR RECOMMENDATIONS. (a) For purposes of this section,  
22 "materially different," with respect to advice or a recommendation  
23 on how to vote on a company proposal or proxy proposal, means  
24 simultaneously advising or recommending that:

25           (1) one or more clients vote for the proposal and one  
26 or more clients vote against the proposal;

27           (2) one or more clients vote for a nominee for a

1 company's governing authority and one or more clients vote against  
2 or abstain from voting for the same nominee; or

3 (3) one or more clients vote for or against the  
4 proposal in opposition to the recommendation of the company's  
5 management.

6 (b) If a proxy advisor provides to different clients who  
7 have not expressly requested services for a nonfinancial purpose  
8 either advice or a recommendation on how to vote on a proxy or  
9 company proposal that is materially different, the advisor shall:

10 (1) if applicable, comply with disclosure  
11 requirements for nonfinancial proxy advisory services under  
12 Section 6A.101(b);

13 (2) notify the following persons, in writing or by  
14 electronic means, of the conflicting advice or recommendation:

15 (A) each shareholder receiving the advice or  
16 recommendation;

17 (B) each entity or other person receiving the  
18 advice or recommendation on behalf of a shareholder;

19 (C) the company that is the subject of the  
20 company or proxy proposal; and

21 (D) the attorney general; and

22 (3) disclose which of the conflicting advice or  
23 recommendations is:

24 (A) provided solely in the financial interest of  
25 the shareholders; and

26 (B) supported by any specific financial analysis  
27 performed or relied on by the advisor.

1                    SUBCHAPTER C. ENFORCEMENT

2            Sec. 6A.201. DECEPTIVE TRADE PRACTICE. A violation of this  
3 chapter is a deceptive trade practice under Subchapter E, Chapter  
4 17, Business & Commerce Code, and is actionable under Section 17.47  
5 of that code.

6            Sec. 6A.202. DECLARATORY JUDGMENT OR INJUNCTIVE RELIEF.

7            (a) In this section, "affected party" includes:

8                    (1) the recipient of proxy advisory services provided  
9 by the proxy advisor;

10                   (2) the company that is the subject of the proxy  
11 advisory services; or

12                   (3) any shareholder of the company described by  
13 Subdivision (2).

14            (b) An affected party may bring an action seeking a  
15 declaratory judgment or injunctive relief under Chapter 37, Civil  
16 Practice and Remedies Code, against a proxy advisor who violates  
17 this chapter. Not later than the seventh day after the date on  
18 which an action is brought under this subsection, the plaintiff  
19 shall provide notice to the attorney general, who may intervene in  
20 the action.

21            SECTION 3. The changes in law made by this Act apply only to  
22 a proxy advisory service provided on or after the effective date of  
23 this Act.

24            SECTION 4. This Act takes effect July 1, 2025, if it  
25 receives a vote of two-thirds of all the members elected to each  
26 house, as provided by Section 39, Article III, Texas Constitution.  
27 If this Act does not receive the vote necessary for effect on that

S.B. No. 2337

1 date, this Act takes effect September 1, 2025.

\_\_\_\_\_  
President of the Senate

\_\_\_\_\_  
Speaker of the House

I hereby certify that S.B. No. 2337 passed the Senate on May 8, 2025, by the following vote: Yeas 20, Nays 11; May 25, 2025, Senate refused to concur in House amendments and requested appointment of Conference Committee; May 30, 2025, House granted request of the Senate; May 31, 2025, Senate adopted Conference Committee Report by the following vote: Yeas 21, Nays 10.

\_\_\_\_\_  
Secretary of the Senate

I hereby certify that S.B. No. 2337 passed the House, with amendments, on May 28, 2025, by the following vote: Yeas 92, Nays 50, two present not voting; May 30, 2025, House granted request of the Senate for appointment of Conference Committee; May 31, 2025, House adopted Conference Committee Report by the following vote: Yeas 82, Nays 41, three present not voting.

\_\_\_\_\_  
Chief Clerk of the House

Approved:

\_\_\_\_\_  
Date

\_\_\_\_\_  
Governor