

By: Hughes

S.B. No. 2337

A BILL TO BE ENTITLED

AN ACT

relating to the provision of proxy advisory services in connection with certain entities domiciled in this state.

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

SECTION 1. Title 2, Chapter 21, Business Organizations Code, is amended by adding Subchapter T to read as follows:

SUBCHAPTER T: PROXY ADVISORS

Sec. 21.1001. DEFINITIONS. In this subchapter:

(1) "Company" means a publicly traded, for-profit company organized or created under the laws of this state or having a principal place of business in this state.

(2) "Company proposal" means any proposal made by a company that is included in a company's proxy statement, including but not limited to proposals regarding director elections, executive compensation, corporate transactions and structure, auditor selections, and other similar measures.

(3) "Investment manager" means a person or company who, for compensation, provides professional investment management services. The term does not include:

(A) an employee or member of an advisory committee of a public retirement system; or

(b) a seller of security interests.

(4) "Proxy advisor" means a person or entity who, for

1 compensation, provides proxy advisory services to the shareholders
2 of a company, or to other interested parties, including but not
3 limited to investment managers.

4 (5) "Proxy advisory services" includes the provision
5 of any of the following services in connection with or relating to
6 a company:

7 (A) advice or recommendations on how to vote with
8 regard to measures under shareholder consideration, including
9 proxy proposals and company proposals;

10 (B) proxy statement research and analyses,
11 including with regard to proxy proposals and company proposals;

12 (C) corporate governance ratings and research or
13 other similar services;

14 (D) proxy voting policy development; or

15 (E) proxy vote administration, including through
16 the use of proxy vote management software or other similar
17 services.

18 (6) "Proxy proposal" means any proposal made by a
19 shareholder to a company that is included in the company's proxy
20 statement.

21 (7) "Shareholder" includes a shareholder, unitholder,
22 limited partner, or other equity owner of a company.

23 Sec. 21.1002. OBLIGATION TO DISCHARGE DUTY BASED SOLELY ON
24 CERTAIN FINANCIAL INTERESTS. (a) Except as otherwise provided in
25 this section, a proxy advisor shall provide proxy advisory services
26 solely in the best financial interest of the shareholders of a
27 company, based on quantitative, impartial standards, for the sole

1 purpose of maximizing financial return and control associated
2 levels of risk.

3 (b) For purposes of this section, proxy advisory services
4 are not provided solely in the best financial interest of the
5 shareholders if based, all or in part, on non-financial factors,
6 including any commitments, initiatives, policies, targets, or
7 subjective or value-based standards pertaining to:

8 (1) environmental, social, or governance (ESG)
9 investment principles;

10 (2) diversity, equity, or inclusion;

11 (3) social credit or sustainability scores; or

12 (4) membership in, or association with, any non-profit
13 organization, coalition, initiative, institution, industry, or
14 similar organization that bases its evaluation or assessment of a
15 company's value on non-financial factors.

16 (c) For any proxy advisory services that are not provided
17 solely in the best financial interest of the shareholders, the
18 proxy advisor shall:

19 (1) include a conspicuous warning with the provision
20 of each such proxy advisory services that they are not made solely,
21 and may not be, in the best financial interest of the shareholders;

22 (2) use best efforts to obtain a prompt, written
23 acknowledgment of the warning required by subpart (a) herein from
24 each recipient shareholder or other interested party, as
25 applicable;

26 (3) immediately notify the company that is the subject
27 of such proxy advisory services, including full disclosure of all

1 related proxy advisory services, the basis of the proxy advisor's
2 advice and recommendations under this subsection, and all
3 recipients of each such proxy advisory services; and

4 (4) publicly and conspicuously disclose on the
5 homepage or front page of the proxy advisor's website that its proxy
6 advisory services include advice and recommendations that are not
7 made solely, and may not be, in the best financial interest of
8 shareholders.

9 Sec. 21.1003. VOTING RECOMMENDATIONS; CONFLICTS. (a) If a
10 proxy advisor provides proxy advisory services regarding a company
11 to multiple shareholders or other interested parties that include
12 voting recommendations that differ in any material respect
13 regarding the same proxy proposal or company proposal, the proxy
14 advisory services shall be considered not to be in the best
15 financial interest of the shareholders.

16 (b) For any proxy advisory services described in Subsection
17 (a), in addition to complying with the requirements of Section
18 21.1002(c), the proxy advisor shall immediately:

19 (1) notify each recipient shareholder or other
20 interested party in writing of the conflicting advice or
21 recommendations, including full disclosure of all related advice or
22 recommendations and the proxy advisor's basis for such advice or
23 recommendations;

24 (2) notify the company that is the subject of the proxy
25 advisory services in writing of the conflicting advice or
26 recommendations, including disclosure of all related
27 recommendations, the proxy advisor's basis for the

1 recommendations, and the recipients of each recommendation; and

2 (3) publicly and conspicuously disclose on the landing
3 page or front page of the proxy advisor's website that its proxy
4 advisory services include advice and recommendations that are in
5 material conflict with proxy advisory services provided to other
6 shareholders or interested parties.

7 Sec. 21.1004. VIOLATIONS; DECLARATORY JUDGMENT. An
8 affected party, including the company that is the subject of the
9 proxy advisory services, any shareholders of the company, or other
10 interested parties, may bring an action under Chapter 37, Civil
11 Practice and Remedies Code, to determine whether a proxy advisor
12 has committed a violation of this subchapter.

13 SECTION 2. The changes in law made by this Act apply only to
14 proxy advisory services rendered on or after the effective date of
15 this Act. Proxy advisory services rendered before the effective
16 date of this Act are governed by the law in effect on the date the
17 contract or other agreement for the services was entered into, and
18 the former law is continued in effect for that purpose.

19 SECTION 3. This Act takes effect immediately if it receives
20 a vote of two-thirds of all the members elected to each house, as
21 provided by Section 39, Article III, Texas Constitution. If this
22 Act does not receive the vote necessary for immediate effect, this
23 Act takes effect September 1, 2025.