BUSINESS ORGANIZATIONS CODE

TITLE 1. GENERAL PROVISIONS

CHAPTER 6A. PROXY ADVISORY SERVICES

SUBCHAPTER A. GENERAL PROVISIONS

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

(1)  "Company" means a publicly traded, for-profit corporation, limited liability company, partnership, or other business entity that is organized or created under the laws of this state, has its principal place of business in this state, or is a foreign entity that has made a company proposal to become a domestic entity, whether by merger, conversion, or otherwise.

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

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

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

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

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

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

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

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

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

Added by Acts 2025, 89th Leg., R.S., Ch. 1153 (S.B. [2337](http://capitol.texas.gov/tlodocs/89R/billtext/html/SB02337F.HTM)), Sec. 2, eff. September 1, 2025.

SUBCHAPTER B. DISCLOSURE REQUIREMENTS FOR PROXY ADVISORS

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

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

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

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

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

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

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

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

(B)  subject to Subsection (c), does not include a written economic analysis of the financial impact on shareholders of the proposal;

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

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

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

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

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

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

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

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

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

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

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

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

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

Added by Acts 2025, 89th Leg., R.S., Ch. 1153 (S.B. [2337](http://capitol.texas.gov/tlodocs/89R/billtext/html/SB02337F.HTM)), Sec. 2, eff. September 1, 2025.

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

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

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

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

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

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

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

(A)  each shareholder receiving the advice or recommendation;

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

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

(D)  the attorney general; and

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

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

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

Added by Acts 2025, 89th Leg., R.S., Ch. 1153 (S.B. [2337](http://capitol.texas.gov/tlodocs/89R/billtext/html/SB02337F.HTM)), Sec. 2, eff. September 1, 2025.

SUBCHAPTER C. ENFORCEMENT

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

Added by Acts 2025, 89th Leg., R.S., Ch. 1153 (S.B. [2337](http://capitol.texas.gov/tlodocs/89R/billtext/html/SB02337F.HTM)), Sec. 2, eff. September 1, 2025.

Sec. 6A.202.  DECLARATORY JUDGMENT OR INJUNCTIVE RELIEF. (a)  In this section, "affected party" includes:

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

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

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

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

Added by Acts 2025, 89th Leg., R.S., Ch. 1153 (S.B. [2337](http://capitol.texas.gov/tlodocs/89R/billtext/html/SB02337F.HTM)), Sec. 2, eff. September 1, 2025.