

CLIENT ALERT

Navigating Compensation Governance

ISS and Glass Lewis Challenge Texas Law Regulating Proxy Advisors

ISS and Glass Lewis seek to bar the enforcement of a new Texas law regulating proxy advisors.

Unless the court intervenes, the law will take effect on September 1, 2025.

Texas recently enacted a law which imposes new disclosure and notice requirements on proxy advisory firms that provide "proxy advisory services" to any public company organized in Texas, headquartered in the state or proposing redomicile to Texas (see Meridian [Client Alert dated June 21, 2025](#)).

On July 24, 2025, Institutional Shareholder Services (ISS) and Glass Lewis filed two distinct complaints in a federal court to bar the enforcement of the new disclosure and notice requirement.

Glass Lewis and ISS allege the Texas law is unconstitutional by violating their First Amendment right to advise clients even if the state does not agree with the advice.

In addition, both proxy advisors claim that the Texas law will (i) impose significant costs on their business and (ii) require the firms to provide misleading warnings to their clients that their proxy advice was against their clients' financial interests. Glass Lewis further claims that the law exposes its clients to the risk of unwarranted litigation by private parties and the Texas Attorney General. Moreover, ISS alleges the law is designed to protect corporate directors and will harm shareholders whose votes are an "important check and balance" against boards.

We expect the Texas court will rule on the cases before the law takes effect in September.

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