

1 financial analyses that consider the recommended vote's effect on the financial
2 value of the investment. Investors also should be able to access those analyses
3 upon request, in order to assess whether the analyses are sufficient to uphold
4 fiduciary standards.

5 (8) Requiring proxy advisors to provide clear, factual disclosures under these
6 circumstances helps investors evaluate whether a proxy advisor's
7 recommendations uphold institutional investors' fiduciary duties of prudence
8 and loyalty.

9 (9) Requiring proxy advisors to inform company directors of their
10 recommendations also promotes disclosures in line with fiduciary duties. For
11 example, company directors considering a shareholder proposal often have
12 additional information regarding the costs of the proposal and whether it is in
13 shareholders' financial interests. Notice of a proxy advisor's recommended
14 vote on the proposal allows directors seeking to uphold their fiduciary duties
15 to provide additional responsive information to their shareholders.

16 **SECTION 2.** Chapter 78C of the General Statutes is amended by adding a new
17 Article to read:

18 "Article 10.

19 "Proxy Advisor Transparency Act.

20 **"§ 78C-110. Definitions.**

21 The following definitions apply in this Article:

22 (1) Company. – A publicly traded for-profit corporation, limited liability
23 company, partnership, or other business entity.

24 (2) Company proposal. – Any proposal made by a company to its shareholders
25 that is included in the company's proxy statement, including, but not limited
26 to, any proposal relating to director nominations or elections, executive
27 compensation, corporate transactions, corporate structure, auditor selection,
28 or company policy on any subject.

29 (3) Default recommendation or policy. – A system or set of rules, principles, or
30 guidelines designed to assist with voting decisions on any company proposal
31 or proxy proposal.

32 (4) Person. – An individual, corporation, limited liability company, partnership,
33 association, or other legal or business entity.

34 (5) Proxy advisor. – A person who, for compensation, provides a proxy advisory
35 service to shareholders of a company or to other persons with authority to vote
36 on behalf of shareholders of a company. The term does not include a bank or
37 bank holding company or trust company, or a broker-dealer, or an investment
38 advisor.

39 (6) Proxy advisory service. – Any of the services provided for in this subdivision
40 that are in connection with a company headquartered or incorporated in this
41 State or to a person in this State by a proxy advisor. This term does not include
42 (i) services carried out as part of in-house securities brokerage, investment
43 advisory, trust, or estate administrative services; or (ii) a charitable
44 organization if the organization's gross annual revenue from proxy advisors is
45 less than two hundred fifty thousand dollars (\$250,000) and, if applicable,
46 each affiliated group of the organization has combined gross annual revenue
47 from proxy advisory services that is less than two hundred fifty thousand
48 dollars (\$250,000). The services are as follows:

49 a. Advice or a recommendation on how to vote on a company proposal
50 or proxy proposal.

- 1 b. Proxy statement research and analysis regarding a company proposal
2 or proxy proposal.
- 3 c. Development of proxy voting recommendations or policies, including
4 establishing default recommendations or policies.
- 5 (7) Proxy proposal. – Any proposal made by a shareholder of a company that is
6 included in the company's proxy statement or has been submitted for inclusion
7 in the company's proxy statement, including, but not limited to, a proposal
8 relating to any of the subjects that could be covered by a company proposal.
- 9 (8) Shareholder. – A shareholder, unitholder, limited partner, member, or other
10 equity owner of a company.
- 11 (9) Written financial analysis. – A written document that does all of the following:
- 12 a. Analyzes the expected short-term and long-term financial benefits and
13 costs to a company of implementing a company proposal or proxy
14 proposal.
- 15 b. Concludes what vote or course of action is most likely to positively
16 affect shareholder financial value.
- 17 c. Explains the methods and processes used to prepare the analysis,
18 including the experience and geographic location of the personnel who
19 formed the recommendation.

20 **§ 78C-111. Disclosure of lack of financial analysis to prevent fraud or deceit.**

21 (a) If a proxy advisor makes a recommendation against company management on a
22 company proposal or proxy proposal, or makes a default recommendation or policy involving
23 votes against company management on company proposals or proxy proposals, and the proxy
24 advisor does not do so based on a written financial analysis, the proxy advisor shall do all of the
25 following:

- 26 (1) Concurrently with providing the proxy advisory service, include a clear and
27 conspicuous disclosure to each shareholder or other person acting on behalf
28 of a shareholder receiving the proxy advisory service, that does all of the
29 following:
- 30 a. Identifies the service being provided.
- 31 b. Identifies the recommendation or policy at issue.
- 32 c. States that the proxy advisory service has not based its
33 recommendation or policy on a written financial analysis of the impact
34 of that recommended action on investors.
- 35 (2) For a proxy advisory service under G.S. 78C-110(6)a. or b., concurrently with
36 providing the proxy advisory service, provide the disclosure under subdivision
37 (1) of this subsection to the board of directors of each company that is the
38 subject of the service.
- 39 (3) While any proxy advisory services described under this subsection are being
40 provided, publicly and conspicuously disclose on the homepage or front page
41 of the proxy advisor's website a statement that the proxy advisory services
42 include one or more recommendations or policies against company
43 management on company proposals or proxy proposals that are not based on
44 a written financial analysis, regarding the impact of the recommendations or
45 policies on investors.

46 (b) If a proxy advisor makes a recommendation against company management on a
47 company proposal or proxy proposal, or makes a default recommendation or policy involving
48 votes against company management on company proposals or proxy proposals, and the proxy
49 advisor does so based on a written financial analysis, the proxy advisor shall do all of the
50 following:

- 1 (1) Concurrently with providing the proxy advisory service, include a clear and
2 conspicuous disclosure to each shareholder or other person acting on behalf
3 of a shareholder receiving the proxy advisory service that does all of the
4 following:
5 a. Identifies the service being provided.
6 b. Identifies the recommendation or policy at issue.
7 c. States that the proxy advisory service has made the recommendation
8 or policy based on a written financial analysis.
9 d. States that the analysis is available upon request.
10 (2) Make the analysis available within a reasonable time to any client of the proxy
11 advisory service upon request.
12 (3) For a proxy advisory service covered under G.S. 78C-110(6)a. or b.,
13 concurrently with providing the proxy advisory service, provide a copy of the
14 analysis to the board of directors of each company that is the subject of the
15 service.

16 **"§ 78C-112. Enforcement.**

17 (a) A proxy advisor that provides proxy advisory service shall register annually with the
18 Secretary of State in the manner provided by the Secretary. The proxy advisor shall submit a fee
19 of one hundred dollars (\$100.00) with each annual registration.

20 (b) A violation of this Article is an unfair and deceptive trade practice under Chapter 75
21 of the General Statutes and is actionable under the enforcement provisions of that Chapter. The
22 Attorney General may exercise all investigative powers under Chapter 75 of the General Statutes
23 if the Attorney General has reason to believe a violation has occurred, is occurring, or is about to
24 occur.

25 (c) In addition to enforcement under subsection (a) of this section, any person aggrieved
26 by a violation of this Article may bring an action seeking a declaratory judgment or injunctive
27 relief against a proxy advisor. Not later than the seventh day after the date on which an action is
28 brought under this Article, the plaintiff shall provide written notice to the Attorney General, who
29 may intervene in the action. For purposes of this subsection, an aggrieved person includes all of
30 the following:

- 31 (1) A recipient of proxy advisory services provided by a proxy advisor.
32 (2) A company that is the subject of proxy advisory services under
33 G.S. 78C-110(6)a. or b.
34 (3) Any shareholder of a company described in subdivision (2) of this
35 subsection."

36 **SECTION 3.** If any provision of this act or its application is held invalid, the
37 invalidity does not affect other provisions or applications of this act that can be given effect
38 without the invalid provisions or application and, to this end, the provisions of this act are
39 severable.

40 **SECTION 4.** This act becomes effective October 1, 2026, and applies to proxy
41 advisory services provided on or after that date. Nothing in this act eliminates any claim under
42 Chapter 75 of the General Statutes, regardless of whether that claim accrues before, on, or after
43 the effective date of this act.