



June 19, 2026

The Honorable Bryan Hughes
Chair, Senate Committee on State Affairs
1400 Congress Ave
Room 3E.8
Austin, Texas 78701

Dear Chairman Hughes:

We have received your letter of June 10, 2026, inviting a representative from Institutional Shareholder Services Inc. (ISS) to testify at the Committee hearing on June 23. We understand that the Committee's focus at the hearing will be on the implementation of Senate Bill 2337. ISS has brought a legal challenge to S.B. 2337 in a matter captioned as *Institutional Shareholder Services Inc. v. Paxton*, No. 1:25-cv-01160-ADA (W.D. Tex.). In this litigation, ISS argues that S.B.2337 violates the First and Fourteenth Amendments to the U.S. Constitution. The Court entered a preliminary injunction on August 29, 2025, barring the Texas Attorney General from enforcing the statute against ISS. Because this case remains in active litigation, we must respectfully decline the invitation to appear for public testimony at this time.

ISS values engagement with elected leaders, and we would welcome the opportunity to engage directly with you and other committee members to explain our business and dispel any misconceptions about our role in the proxy voting ecosystem. While we are not in a position to participate in the hearing, ISS would like to provide the Committee with the following information about the services we provide to our institutional investor clients and how our service offerings continue to evolve to meet our clients' needs.

ISS serves sophisticated institutional investors, from asset owners to global asset managers, who have different investment strategies and time horizons with a broad range of views on proxy voting issues. These views are captured in the voting policies of our clients, which provide the frameworks to guide our recommendations as applied to the facts and circumstances unique to each company. As an investment adviser registered with the Securities and Exchange Commission under the Investment Advisers Act of 1940, ISS has a fiduciary duty to place our clients' interests above our own and to faithfully implement our clients' selected or customized proxy voting policies in an independent and transparent way.

As a client-focused service provider, we do so by working closely with clients to ensure our services evolve with their expectations. After consultation with clients including the Teacher Retirement System of Texas (TRS), ISS expanded its range of proxy voting policies in 2023 to include the ISS Global Board-Aligned specialty voting policy. This policy is designed for subscribing clients who want to uphold foundational corporate governance principles (such as board independence) as a means of protecting and maximizing their investments while generally voting with the board's recommendation against environmental and social proposals. In 2024, ISS was first to offer as a custom voting policy choice the voting guidelines designed by Bowyer Research, which describes its policy as one that appeals "to



investors who are deeply skeptical about ESG and wish to encourage companies to get back to neutral on political and cultural issues.” The Texas Permanent School Fund Corporation (Texas PSF) was among the first to adopt this custom voting policy using ISS.

In the last nine months, ISS has further expanded the range of policy choices. In November 2025, ISS became one of the first providers to offer the proxy voting guidelines developed by The Catholic University of America, which describes the faith-based option as fully aligning with the U.S. Catholic bishops' socially responsible investment guidelines and calling for ethical and socially responsible investing strategies that “protect life” and “promote human dignity.” In October 2025, ISS introduced Gov360, a service that provides data and research on shareholder meetings but does not include any vote recommendations. Also in October 2025, ISS introduced Custom Lens, a service that allows clients to fully customize the data, analysis, and recommendations, as well as the format and scope of their research reports — in all cases, based on the client’s custom voting policies.

It is important to note the nature of the role that ISS plays with respect to shareholder votes. ISS plays an *advisory* role in the proxy voting process. Our job is to provide subscribing institutional investors with independent, timely, and expert research and vote recommendations based on the proxy voting policies they select, and in many cases, that they customize based on their determination of the best interests of the beneficiaries they serve. For each shareholder vote, ISS analyzes relevant data, reviews proxy materials, and provides non-binding recommendations tailored to clients’ proxy voting criteria.

Today, ISS administers approximately 500 voting policies, of which more than 450 are custom voting policies that our clients have customized to reflect their specific mandates and proxy voting considerations. In 2024, approximately 90% of the voted shares ISS processed globally were for clients with custom policies. This means that, for the vast majority of shares, custom policies provide the basis for the voting recommendations we provide. Not surprisingly, given our clients’ differing investment objectives, we routinely offer different recommendations to different clients on the same voting issues, providing both for and against recommendations on the same ballot item, which our clients are free to then accept or reject, retaining ultimate voting authority as owners of the company.

ISS takes seriously the fiduciary bond we have forged with our clients who are some of the world’s most sophisticated institutional investors and we take pride in providing research and recommendations tailored to our clients’ needs and preferences, as reflected in their voting policies.

Very truly yours,

INSTITUTIONAL SHAREHOLDER SERVICES INC.

CC: Members, Texas Senate Committee on State Affairs

