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Pay Governance

All Aboard the Tex-Express: Corporate Redomiciliation to Texas Continues Despite Proxy Advisor Scrutiny

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KEY TAKEAWAYS

- ***Redomiciliation to Texas was on the rise in 2026.*** *Recent Texas legal reforms and business court infrastructure have made the state an attractive alternative to Delaware for corporate domiciles.*
- ***Proxy advisors remain skeptical of moves to Texas.*** *ISS and Glass Lewis have focused on concerns about loss of shareholder leverage, an untested legal framework, potential dilution of shareholder rights, and the lack of clear company-specific rationale when opposing proposals to move domicile to Texas.*
- ***Major institutional investors have been receptive to Texas redomiciliation.*** *BlackRock, State Street, and Vanguard supported most of the proposals to redomicile in Texas during the 2026 proxy season.*
- ***Texas redomiciliation proposals have generally passed but not overwhelmingly.*** *Approximately 80% of 2026 Texas redomiciliation proposals have passed to date despite proxy advisor opposition, with support levels varying meaningfully across companies.*
- ***Company-specific context matters.*** *Outlier results suggest that domicile history, controlled company status, vote thresholds, and prior shareholder dissatisfaction—particularly around executive compensation—can impact outcomes.*
- ***Compensation committees should be prepared for heightened governance scrutiny following domicile moves outside of Delaware.*** *Strong pay-for-performance alignment, clear disclosure, and credible governance messaging may become more consequential when a redomiciliation is viewed as enhancing board discretion and lessening shareholder remedies.*

Introduction

As boards continue to navigate evolving governance expectations, a company's state of incorporation is increasingly becoming part of the broader governance discussion. Recent proposals to move a company's state of incorporation to Texas reflect a convergence of legal, operational, and investor-relations considerations, positioning redomiciliation as more than a technical decision; it is increasingly a shareholder-facing governance event.

This shift is drawing attention from proxy advisors, who are questioning whether redomiciliation proposals enhance corporate flexibility at the expense of shareholder rights. Their scrutiny and opposition has been consistent, particularly where a move is perceived to weaken accountability mechanisms, limit shareholder remedies, or shift the balance of power toward the board.

For boards and compensation committees, Texas redomiciliation may be legally and operationally attractive, but it also creates a governance narrative that will need to be navigated carefully.

Why Texas and Why Now?

Although less than 100 companies have moved their domicile out of Delaware since 2024, proposal activity accelerated in 2026. Texas established the Texas Business Court in 2024 and updated its Business Organizations Code throughout 2025 to offer boards faster, more flexible capital frameworks and litigation protections intended to compete with other popular non-Delaware domiciles such as Nevada. Additionally, with more corporations moving their corporate headquarters to Texas and the establishment of the Texas Stock Exchange in Dallas, momentum continues to build. As of August 2026, 16 companies had put proposals to redomicile in Texas to a shareholder vote during the year.

The Proxy Advisor Lens

Both ISS and Glass Lewis have generally opposed proposals to reincorporate in Texas, with each recommending against 15 of 16 proposals as of August 2026. Their principal concerns have included the following:

- **Reduced shareholder leverage.** Proxy advisors have expressed concerns that Texas redomiciliation may make derivative litigation and other accountability mechanisms more difficult for shareholders to pursue.
- **Untested legal infrastructure.** Texas's recently expanded business court system remains comparatively new, which has created uncertainty around how governance disputes will be resolved.
- **Potential dilution of shareholder rights.** Optional Texas governance provisions may allow companies to raise ownership thresholds required to submit proposals, limit shareholder remedies, or otherwise weaken investor protections.
- **Need for strong rationale and disclosure.** Proxy advisors evaluate the business rationale presented in the proposal and weigh the perceived pros and cons of the proposed move. ISS is also seeking input on its policy toward redomiciliation in its 2027 policy survey, including how business considerations should be balanced against the possible loss of shareholder rights.

Big Three Index Fund Voting Record

The voting record of the three largest index fund managers on domicile moves to Texas provides a useful counterpoint to proxy advisor opposition. According to SMU's Corporate Governance Initiative (tracker.smucgi.org/Texas-or-Nevada), BlackRock supported 11 of 14 proposals, State Street supported 13 of 15, and Vanguard supported 9 of 17, with Vanguard splitting its own fund votes on 3 proposals. This pattern suggests that large index managers are evaluating redomiciliation proposals based on company-specific context rather than automatically following proxy advisor recommendations.

Summary of 2026 Vote Outcomes

Overall, 13 of 16 Texas redomiciliation proposals passed with majority support in 2026, although results varied meaningfully by ownership structure and company-specific circumstances.

Nine of the 16 companies that sought to redomicile to Texas in 2026 were non-controlled companies, while the remainder were controlled companies or had concentrated ownership structures. Among non-controlled companies, Texas redomiciliation proposals generally passed despite overwhelming opposition from ISS and Glass Lewis. Support levels varied meaningfully across companies, from 99% to 45%, with median support of 67%.

Controlled companies and those with concentrated ownership generally received stronger support. All proposals in this group except one passed despite ISS and Glass Lewis opposition, with median shareholder support of approximately 85%, illustrating how ownership structure can materially influence voting outcomes. Overall, the results indicate that proxy advisor opposition may affect support levels but has not, by itself, prevented most Texas redomiciliation proposals from securing approval.

Circumstances Underpinning Failed Votes

Across the 2026 proposal landscape, three Texas redomiciliation proposals failed to receive the shareholder approval necessary to proceed, each highlighting a different potential source of risk.

- **Company #1:** involved a company seeking to move its domicile from Ireland to Texas, which made the proposal subject to a support threshold of at least 75%, higher than the simple majority required for most U.S. moves. Although the proposal received support from a majority of shareholders, it did not achieve the higher vote requirement needed for approval.
- **Company #2:** had a highly concentrated ownership base yet failed to pass its redomiciliation proposal. Among the shareholders who voted, the "For" votes outnumbered the "Against" votes, creating the appearance of sufficient support. However, because this company has a highly dispersed retail investor base alongside its institutional blocks, the high volume of unvoted outstanding shares meant that management failed to clear the 50% of total shares required by Delaware law.
- **Company #3:** followed a more traditional Delaware-to-Texas redomiciliation but received only 45% support. While the specific drivers are difficult to isolate, the company stood out for having experienced significant shareholder dissatisfaction in recent Say-on-Pay voting, suggesting that broader governance concerns may contribute to increased resistance against other governance-related votes.

Implications for Compensation Committees

For compensation committees, these voting outcomes matter because redomiciliation may affect how investors interpret future pay decisions. Even when shareholders approve the move, committees should expect executive compensation decisions to be assessed within the broader context of governance rights, board discretion, and shareholder accountability.

Redomiciliation introduces several considerations for compensation committees that extend beyond legal structure to the broader governance context in which executive pay decisions are made. Early priorities for compensation committees of companies that have redomiciled should include:

- **Assess how governance protections influence pay oversight.** Enhanced business judgment protections and higher litigation thresholds may increase board discretion, making it important for committees to demonstrate that executive pay decisions continue to be supported by a rigorous process, clear rationale, and strong alignment with shareholder interests. Proactive shareholder outreach and enhanced disclosure would support these efforts.
- **Anticipate heightened proxy advisor scrutiny on the governance of executive compensation.** Redomiciliation could elevate the focus on and scrutiny of compensation practices, particularly if proxy advisors view the move as having reduced shareholder rights or oversight mechanisms.
- **Ensure alignment between compensation outcomes and governance messaging.** Strong pay-for-performance alignment and clear disclosure will help reinforce credibility if the company is perceived to be operating within an evolving business law framework.

> *For companies pursuing Texas redomiciliation, compensation committees should expect executive pay decisions to be evaluated within the broader governance context surrounding the move. Strong pay-for-performance alignment, clear disclosure, and thoughtful shareholder outreach will be important to maintaining credibility where investors may perceive increased board discretion or reduced shareholder protections.*

General questions about this Viewpoint can be directed to Chris Brindisi (chris.brindisi@paygovernance.com).