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T. Rowe Price: Perspectives on T. Rowe's Public Stance on Shareholder Activism

Today, T. Rowe Price (TRP), a significant investor in many publicly traded companies with over \$1 trillion in assets under management, firmly expressed its [policy views and investment philosophy](#) on shareholder activism from the perspective of a mutual fund family dedicated to active, rather than passive, management. While the increasing influence of “passive” investors, index funds and associated disruptions in the asset management industry continue to have a major impact on [shareholder activism, corporate governance and M&A](#), active managers like T. Rowe Price of course continue to determine stock prices, have the most touch with company management teams and are the most actively courted by activist investors.

The many companies who have engaged or will engage in the future with T. Rowe Price's portfolio managers and governance head—whether in the “light,” “heavy” or “contested” contexts across TRP's framework for allocating resources to engagement activity—may wish to review these pronouncements. It would also be a welcome development if other asset managers follow T. Rowe Price's lead on the following points, to the extent they have not already done so:

- **Putting Activists on Notice They Should Not Claim to Speak for T. Rowe Price.** An unfortunately common dynamic experienced by companies is where an activist investor insists that particular investors support the activist and that, accordingly, the company has “no choice” but to adopt the activist's program, merit aside. T. Rowe Price's stance on this activist tactic is unequivocal (all-caps in original):

“OUR MESSAGE TO COMPANIES: If an activist or any other investor claims to represent T. Rowe Price's view on any investment or voting matter related to your company, please disregard this claim and contact us directly using the instructions below.”

“OUR MESSAGE TO ACTIVISTS AND OTHER INVESTORS: If you claim to represent the views of T. Rowe Price in any activism campaign, it creates confusion in the marketplace and reduces our propensity to engage with your firm in the future.”

- **No More RFAs – Requests for Activism.** T. Rowe Price will not seek to initiate activism campaigns against a portfolio company by “pitching” targets to activist investors. Specifically, “In almost all cases, we do not believe it is T. Rowe Price's role to initiate activism campaigns. We have adopted internal policies prohibiting our investment personnel from attempting to

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initiate an activism campaign indirectly, such as by discussing or pitching ideas to activist investors or other outside parties.” TRP’s decision to instead pursue direct, private engagement with companies in an attempt to resolve differences constructively and pragmatically is welcome.

- **No Surprises in Activist Outcomes.** Especially in the context of an activism campaign, one sign of engagement gone awry is where an investor surprises the company with its ultimate vote at the last minute, especially if such vote is outcome determinative. TRP has committed to the following: “Generally speaking, both sides of a campaign can expect candid feedback from T. Rowe Price regarding the path we believe will lead to the best outcome. In the specific case of proxy contests, we will share our voting decision with both parties in the campaign in advance of the vote upon their request.”
- **Respecting That Management Has Superior Information While Expecting Companies to Be Open to Truly Good Ideas and Avoid a “Not Invented Here” Attitude.** As companies navigate activist situations, these perspectives of T. Rowe Price are often worth keeping in mind: “We believe management teams of companies have better information about their businesses than outside parties do. Therefore, a certain amount of deference is owed to management’s assessment of the company’s opportunity set....Our disciplined, active approach to investment is rooted in our ability to identify, support, and invest in companies that create sustainable value over time. Neither companies nor activists have cornered the market on great ideas that could generate value. Therefore, we believe company managements and their boards should exhibit openness, curiosity, and intellectual honesty with regard to serious, well-supported ideas for value creation, even when such ideas originate outside the company.”
- **Portfolio Manager-Led Decision-Making at Active Managers and Rejection of Proxy Advisory Firm Recommendations.** “Although we are clients of ISS for proxy-related research, we do not follow the recommendations of proxy advisors on proxy contests. Furthermore, at T. Rowe Price, the responsibility to make proxy voting decisions resides with the portfolio manager of each strategy. Therefore, decisions on activism campaigns—as well as all corporate governance issues—are made through an investment-centered lens. To the extent that the managers of multiple strategies own the same security but disagree about the issues before them in a proxy contest, they vote individually.”

- **Long-Term Perspectives.** While active managers are perhaps under the most pressure to pursue short-term returns, it is nevertheless desirable that TRP is asserting a long-term lens for contested situations, indicating that “[t]he time frame we apply for decision-making in activist campaigns is a multiyear view...our objective is to determine which path is likely to foster sustainable, long-term performance by the company.”

It remains to be seen whether companies will experience consistent application of these principles (and increased support), but T. Rowe Price’s transparency and forthrightness is a welcome development in investor stewardship and corporate governance. TRP’s updated and transparent [shareholder engagement policy](#) is also valuable. In addition to highlighting an active manager’s company-specific approach (*e.g.*, “Generally, we do not identify broad themes and then engage with multiple companies on the same issue”), TRP rejects engagement for engagement’s sake:

Issuers should not feel obligated to initiate engagement with T. Rowe Price if they do not find it useful or if there are no particular areas of concern at the present time. There is no expectation on our part that outreach should be conducted on a particular frequency, such as annually. Communication with the managements of the companies in our clients’ portfolios is a core component of our process as active managers; additional engagement on ESG matters is not necessary in every case.

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