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T. Rowe's Statement on Shareholder Activism – We Speak for Ourselves

June 14, 2018 | Client Update | 2-minute read

T. Rowe wants to make clear that activists and other investors do not speak for them, in its June **ESG Spotlight**, as they share their investment philosophy on shareholder activism. Activism is defined as proxy contests, campaigns to influence management and boards on strategy, capital allocation and/or governance and unsolicited hostile bids.

While the investor believes that companies tend to be better informed about their businesses and will afford management a certain amount of deference, they also stress that management and their boards should "exhibit openness, curiosity, and intellectual honesty" regarding serious and sustained ideas from outsiders.

T. Rowe's internal policies prohibit their investment professionals from initiating activism campaigns indirectly, such as discussing or pitching ideas to activist investors or other third parties. The investor outlined its roles and responsibilities as engaged investors, to the point where they may help facilitate compromise between the parties, which they believe is usually a better outcome than a contested vote.

The investor emphasized that they conduct diligent assessment of the dispute, usually meeting with both sides at least once. Both sides can expect feedback, and they will even share their voting decisions in advance of the vote upon request by either party. They stress that they arrive at their decisions independently, without following proxy advisory firm recommendations or allowing the business interests of the firm to participate. Since proxy voting decisions always reside with the portfolio manager at T. Rowe, managers with the same stock in different portfolios vote individually and votes may diverge.

They may, under certain conditions, speak with other investors regarding an activism situation. This would include instances when T. Rowe is a significant investor in the company and the campaign has been publicly disclosed. However, they stressed that no activist or other investor represents their views or speaks on their behalf about an activist campaign, and any company that hears of such claims should contact T. Rowe directly.

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If you have any questions regarding the matters covered in this publication, please reach out to any of the lawyers listed below or your usual Davis Polk contact.

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