

## TRP'S 2018 VOTING POLICY UPDATES SUMMARY

April 5, 2018

Earlier this year, T. Rowe Price ("TRP") updated its global proxy voting policies. The main policy changes relate to: use of proxy advisor; board diversity; shareholder proposals on written consent and non-shareholder approved poison pills. The changes are summarized below.

### **Switched to ISS for its Proxy Advisory Services**

TRP has switched from Glass Lewis to Institutional Shareholders Services (ISS) for its proxy advisory and voting services. ISS will provide vote recommendations and execute votes driven by custom policies based on TRP's voting guidelines. TRP's Proxy Committee establishes its own in-house voting guidelines that are used by TRP's portfolio managers in determining how to vote on the proxy proposals of companies in their portfolios. The switch to ISS should see some, although limited, voting impact given the use of custom policies and the role of portfolio managers in final voting decisions at TRP. Proposals that are subject to case-by-case analysis, like say-on-pay, are more likely to see the impact.

### **Added a Section on Board Diversity**

While TRP has not adopted a voting policy, it has added a section discussing the issue of board diversity in its voting guidelines. TRP notes the lack of diversity in the current average board composition and the potential risk it poses to a company's competitiveness over time. TRP mentions that board diversity will be a topic of focus in its engagement program that may form the basis of a future voting policy guideline on the issue.

As mentioned in our previous Georgeson reports ["BlackRock Asks Companies to Deliver Social Value and Sustainable, Long-term Financial Growth"](#) and ["SSGA'S 2018 Voting Policy Updates Summary,"](#) the issue of board diversity is increasingly becoming part of institutional investor voting policy guidelines and should accelerate what has been a slow progress in board composition, thus far.

### **Generally Against Shareholder Proposals on Written Consent**

Under its updated policy, TRP will generally vote against shareholder proposals that seek to establish shareholders right to act by written consent. Prior to this change, TRP voted against the shareholder proposal only if a company did not provide shareholders the right to call special meeting.

Most of the companies that are targeted by written consent proposal already provide for the right to call special meeting. Therefore, this change should have little impact on final support for these proposals that received on average approximately 45 percent vote this past proxy season.

### **Eliminated Three-Year Look-back on Poison Pills**

TRP will vote AGAINST all directors or certain committee members at boards that have adopted a poison pill without shareholder approval, and with no commitment to put it to a shareholder vote within 12 months.

Prior to the policy update, TRP voted against directors only in cases where the pill was adopted within the past three years. As a result of this policy change, director nominees at portfolio companies of TRP with non-shareholder approved poison pills older than three years will now also be subject to negative votes from TRP.

### **Other Changes**

In addition to the above updates, TRP will now always vote against “Other Business” or “Adjourn Meeting” proposals. TRP previously supported “Adjourn Meeting” proposals that were narrow in scope and where TRP was in favor of the underlying merger proposal. Lastly, TRP’s updated voting guidelines mentions the use of its internal Responsible Investment team as one of the additional sources to analyze environmental and social proposals, likely reflective of the growing attention on environmental and social issues.

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Please feel free to contact us with questions:

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