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September 21, 2016

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Engler Testimony on Financial Disclosures: Focus on Materiality Standard, Shareholder Proposals

Washington — Congress should reform the financial disclosure process so shareholders can have the needed information to make effective investment decisions, Business Roundtable President John Engler told a House Financial Services Subcommittee today.

Engler identified two key areas for reform: Renewing a commitment to the materiality standard and minimizing abuses of the shareholder proposal process.

Adherence to the materiality standard has eroded, Engler told the Subcommittee on Capital Markets and Government Sponsored Enterprises. The materiality standard ensures that required disclosures provide investors with essential information to make investment and proxy voting decisions.

“Congress and the Securities and Exchange Commission have increasingly turned to the disclosure system to address social, political and environmental issues more effectively addressed through other means,” Engler said.

In October 2015, Business Roundtable released a white paper on the issue, [“The Materiality Standard for Public Company Disclosure: Maintain What Works.”](#)

Abuse of the shareholder proposal process imposes significant costs on companies, diverting resources from the long-term creation of value for shareholders, Engler continued.

In too many cases, activist investors with insignificant stakes in public companies make proposals that “pursue idiosyncratic, social or political agendas unrelated to the interests of the shareholders as a whole,” he testified.

Engler outlined a series of reforms that would reduce the abuses of the shareholder process. His full written testimony is available [here](#).

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