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Regulators beg to differ on E.S.G.

Investors are demanding more information from companies about environmental, social and governance, or E.S.G., issues. Regulators are taking notice but aren't coming to the same conclusions on what to do about it.

“We are clearly at a tipping point,” said **Michael Passoff**, the head of **Proxy Impact**, a shareholder services firm. He told DealBook that in 25 years of working in sustainable investing, the enthusiasm among shareholders for [E.S.G. resolutions](#) this year was “unprecedented.” So far, 34 such proposals at public companies have gained a majority vote, surpassing last year’s record-setting total of 21. Half of the successful shareholder votes on such proposals in the past decade have occurred in the past two years.

“You cannot direct the wind, but you can adjust your sails,” said Allison Herren Lee, an S.E.C. commissioner, in remarks to [the Society for Corporate Governance](#). Lee, who has made [E.S.G. a focus](#) of her recent work, urged corporate board members to recognize [the movement’s momentum](#). “This proxy season is just the latest affirmation of a sea change on climate and E.S.G.,” she said, adding that the S.E.C.’s disclosure rules should “provide investors with adequate information to test public pledges” that companies make on these issues.

“What if the sustainability standards turn out to be flawed?” asked Hester Peirce, another S.E.C. commissioner, [in a letter](#) to an accounting standards-setting body, whose “gaze has drifted to sustainability reporting,” she said. “We must be careful not to compromise accounting standard-setting in an effort to achieve objectives other than high-quality financial reporting, no matter how noble those objectives may be.” She will detail what role she thinks the S.E.C. should play in E.S.G. at a Brookings Institution event [this month](#).

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