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***Regulatory Oversight Podcast: Navigating ESG: Preparing for Future Regulations (Part Two)***

**Host: Stephen Piepgrass**

**Guest Host: Michael Yaghi**

**Guests: Brooke Hopkins and Rob Sayegh**

**Stephen Piepgrass:**

Welcome to another episode of *Regulatory Oversight*, a podcast that focuses on providing expert perspective on trends that drive regulatory enforcement activity. I'm Stephen Piepgrass, one of the hosts of the podcast, and the leader of the firm's Regulatory Investigations Strategy and Enforcement Practice Group.

This podcast features insights from members of our group, including its nationally-ranked State Attorneys General practice, as well as guest commentary from business leaders, regulatory experts, and current and former government officials. We cover a wide range of topics affecting businesses operating in highly regulated areas.

Before we get started today, I want to remind all of our listeners to visit and subscribe to our blog at [RegulatoryOversight.com](https://www.regulatoryoversight.com), so you can stay up to date on developments and changes in the regulatory landscape.

In this episode, my colleague, Mike Yaghi, welcomes back Brooke Hopkins and Rob Sayegh of Alvarez and Marsal for the second part of their two-part series on ESG, and how companies can comply with the new requirements taking effect in the coming years. I know we're looking forward to this final part of this series.

**Rob Sayegh:**

Brooke, to get us started, I wanted to take us back to what you were asking at the end of part one about how companies can prepare for complying with ESG standards and regulations, especially as it pertains to Europe and U. S. based companies that operate within Europe.

One of the things to first think about, or just be aware of, and we touched on it, is what's the timeline on this? We're in 2024 right now, and I think you got to start. If you're a company that has European tentacles, start preparing for CSRD requirements by understanding the standards, right?

I mean, our podcast. Listening to podcasts like ours and researching what's going on over there, seeing what peer companies are doing, really understanding what you're going to be required to. You have about a year and a half right now. It's not a lot ahead start, but it's something. I think by 2025, you need to be conducting a trial run of new reporting requirements and possibly getting a third-party assurance to say, "Hey, are we where we need to be, because 2026 is knocking on the door?" Then 2026, you better be good to go, because the clock is officially on with CSRD, and you will need to be comporting with the CSRD requirements. I think, start there with knowing the timeline.

As far as I've spoken to some excellent colleagues of mine, and I basically think that there's three buckets that we can break this down into, and for how to approach being compliant and doing everything you need to do to ensure you're ready to go by 2026. Obviously, keep in mind the timeline. That works out. I think there's three buckets and then I'll break it down. The first bucket is going to be, and it always is with any organization, with everything we do is people, right? Are your people from the top, boiling on this, right? We touched on this. Mike alluded to it earlier.

What's the culture like? Are the companies truly embracing what is going on? Are we checking boxes? Are we going through motions? Are we fighting it? Are we, "I'll do this, but I don't want to do that. I'm worried about the profit here, or I don't agree with climate change." Whatever it may be, is it really being embraced the right way? Because in any culture, everybody is in a company right now, that comes down. Do we have the right people in place with the right backgrounds? Are there proper training being done? Is the people who are in charge, do they have the bandwidth to handle this? Are they getting the right resources?

I think first and foremost, we have to have the right people in place. You have to have the right culture, and you have to buy in on this, because everything after that, and I'm going to talk about process and I'm going to talk about technology. If the right people and the right spirit is not there, everything else is going to be hollow, right? I would really encourage our listeners and the companies to get the right people in place and really buy in on this.

As far as process goes, basically, this is operationalizing ESG, right? How are we going to do this? How do we know? It's going to basically be like anything that you would do. You're going to do an assessment, a benchmark. You're going to look at your strategies and see if they align your ESG strategies and see if they align with the corporate mission and business objectives. You're going to do a materiality assessment, most important to companies and stakeholders and businesses. Again, what's important to them. And does this all comport with the ESG strategy?

Then once you get that, you're going to need to have policies and procedures in place, right? I mean, how do we align to our ESG strategy? It's not going to happen by accident. We're going to have to have a thoughtful plan that makes sure that all this meshes together. Are we training our people? Are you training them so that they have the capabilities? Quite frankly, be understanding to follow out the ESG strategy. Then, what are you going to do to measure it? What are the KPIs we're going to have in place for that?

I'm going to talk a little bit more about KPIs and under the technology bucket. You need to get stakeholders involved. You're going to need to get investors involved. You're going to need to get customers, employees, community involved, and effectively communicate with them what your strategy is with the areas of concern are. Risk management. Again, we'll talk more about risk management in technology, but you got to identify where's your exposure, right? I mean, this is 101 for any risk management team, but where is it that we could potentially have repetitional, or operational issues? Do we have a crisis management plan in place, right? I mean, if this happens, we'll do this. Nobody should be caught off guard. Yes, Brooke?

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**Brooke Hopkins:**

Question for you. It sounds like, there could be quite a few things companies can't do. You talk about things like risk management. Do companies have an opportunity to maybe use what they've already done to help refocus it also from an ESG perspective?

**Rob Sayegh:**

For sure. They don't have to reinvent the wheel on this. I mean, there's a lot of risk management currently, like for fraud. There's risk management for just about weather. I mean, everybody has some contingency in place. You're absolutely right. I mean, the same tactics, methods that are being used just need to be channeled for ESG exposure. You're dead on. I mean, so this is not a heavy lift, or a big lift for a company that already is employing risk management strategies, but they do need to channel them and focus on. That's resources, that's energy, that's culture change, that may be political beliefs that we have to fight against.

I think the enemy to ESG, or to me, the potential problem for ESG in general is either indifference, or is checking the box, right? Which are basically the same. If you're indifferent, you're going to check the box. I think companies really need from top down, and this will flow to your risk management groups, embrace the culture of it.

**Michael Yaghi:**

Real quick, and I want to comment on that, too, if you don't mind, Rob. I think for our listeners, I would say, because Europe has specific requirements coming online in 2026, there is nothing political to discuss with Europe at least. Just forget, like you're saying, what are our requirements? To Brooke's point, let's update our policies and procedures on these requirements, our compliance requirements, and our risk management requirements, and put it into the process, so that our compliance and risk management teams, because they're monitoring a whole slew of other things, this is just another area that has to be covered. There's really no debate. In Europe, this is required. Let's do it.

**Rob Sayegh:**

I agree, Mike. It's like getting your car inspected, right? I mean, we know what they're going to be looking at.

**Michael Yaghi:**

Yeah, exactly. It's a requirement.

**Rob Sayegh:**

You better have new tires. Your windshield better not have a crack in it. We already know. To your point, this should be a plug and play type of thing, right? You're exactly right. Again, it takes, I believe, for companies to really embrace what's going on and to move it over, and they encourage their employees to get trained in it and to embrace it and to have maybe even some – and I'll talk about this and later, or in a few seconds, is some innovation. Everybody should be involved in trying to make a better wheel here, a better mouse trap.

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**Brooke Hopkins:**

Can I just add something real quick to that, and it might be polarizing. It could be polarizing to you and Mike. You don't have to call it ESG. There's nothing sane. You have to have an ESG program. There's nothing sane. You have to call it environment social governance. What you should do is figure out from your materiality assessment what is impactful to the company and to your stakeholders and show your employees, we're doing this, because it is for the good of our stakeholders. Yes, it creates value for the company.

If you're worried about the moniker ESG, because it has been inevitably politicized in the US, don't call it that. Show the value of it and the topics under it, but don't worry about calling it that. Just create value.

**Rob Sayegh:**

The last bucket that I wanted to talk about, and I think it's equally important to the process, is technology. What I mean by technology is basically, we need to have systems and sensors in place that capture real-time data from operations to reduce human error. This could be basically, blockchain technology, which provides immutable records for data. We can also, we need to have things in place for data integration platforms and cloud computing. We have to analyze large data to identify trends, correlations, and have insights that may improve our performance.

We're a heavy data world today, as we all know. We need to embrace technology to collect our data. Then obviously, that leads into AI. That's where the world's headed. We all know it. We're all uncomfortable with it, but it's headed that way. We need to use AI. AI will have certain features that can analyze data, predict outcomes, identify risk, and optimize operations. It's here. We need to use it. Then the other thing I think we need to use for technology is we need to, it will help us standardize reporting, but also, it will also allow for, to make things audit ready.

I think that we want to do things as easily as we can, so as companies, we can use our resources and our people for other matters. Data collection is important, because if we don't have the proper data collection, we just don't know where we are. We need to embrace technology. We need to embrace technology to help us to gain an understanding of our trends, of our exposures, of our risk. I think that a robust technology evaluation will absolutely help support ESG missions and objectives.

**Michael Yaghi:**

Yeah, all excellent points.

**Brooke Hopkins:**

Agree. The audit point is great, because these regulations are incorporating required audits, which is huge. You're not just going to be able to report on CSRD, throw it over the fence. They're going to require third-party independent audits of that information to confirm the data. That point and your point on technology is fantastic, because when you talk about ESG, it covers a lot, a lot, over 90 topics on CSRD. You need systems to support that data collection, not only once, but year over year over year. You need to think about, you can't just have Excel

spreadsheets, loading it in there, do once reporting, and expect to do it the next year, without going through the whole recreate the wheel again. Technology can definitely be beneficial for that.

Again, think long term. Creating value for ESG was not necessarily created in the short-term. You can do that with profits, the traditional way. Make more revenue, spend less costs. ESG is long-term value creation going into the future.

**Michael Yaghi:**

Yeah. I'll again just reiterate for our listeners and companies, their specific requirements in Europe, it's a done deal. Just stay focused on making sure you're compliant, do whatever you need to do to come into compliance and be ready in 2026. It's the profitable thing to do, because you want to avoid any *Regulatory Oversight*, want to avoid any penalties and fines and any violations. In Europe, at least the train has left the station. In that regard, just focus on compliance, because that's all you have to do, and it's not even a debate any further.

**Rob Sayegh:**

I know we're short on time, Mike, but just one thing I want to add. It's not just compliant, because you don't want to get your hand slapped. I think you need to think more broadly than that and more open mind that this is things that will also make you more profitable, right? Low employee turnover is good for your company, right? Having proper supply chains issue is going to be good for your stakeholders and your company. Having cost reduction, not being fined for environmental issues, these are all profitable, good things for your company.

It's not just a matter of, "Hey. Well, we don't want to get fined. We don't want to get in trouble." These things in place, I think, massaged properly at the right level are going to make your company and Brooke keeps coming back to not just this year, but for years to come. That's where I keep coming. This needs to be embraced from the top down and it needs to be embraced from a, hey, we're stewards of the world, but on top of that, we're also going to make more money long-term for our stakeholders. I think that's how it needs to be viewed.

**Michael Yaghi:**

Yup. All valid points.

**Brooke Hopkins:**

Yup.

**Michael Yaghi:**

Well, I want to thank you, guys. I think this was a great discussion. I hope our listeners enjoyed it. We want to thank you for joining me. I want to thank our listeners for tuning in, quite frankly, because this is a hot topic and an important topic. Hopefully, you enjoyed listening today.

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**Stephen Piepgrass:**

Thank you, Mike, Brooke, and Rob for your interesting discussion. I'm sure our listeners, like me, enjoyed your insights and valuable perspectives. Thank you to our listeners for tuning in as well. Remember to subscribe to this podcast on your preferred platform, whether it's Apple Podcasts, Google Play, Stitcher, or any other. We look forward to having you with us again next time.

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