

The background of the slide is a photograph of Antelope Canyon, showing its characteristic smooth, undulating sandstone walls. Light filters through the narrow passages, creating a play of warm colors like orange, red, and purple. In the top-left corner, there is a bright yellow square containing the text 'Hogan Lovells'.

Hogan  
Lovells

# Financial Institutions Horizons 2023

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Riding the wave

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# Introduction



Sharon Lewis  
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The outlook for 2023 looks uncertain, following another tumultuous year. The collapse of a number of large cryptocurrency exchanges has shone another spotlight on the digital asset market. The financial system's resilience to wobbles in the crypto market had already been tested in 2022 with the onset of a new "crypto winter". Wider macroeconomic issues are snowballing, and we continue to keep a close eye on developments in Ukraine following its invasion by Russia, China's abandonment of zero-Covid policies, and potential recessions in the West. During uncertain times the economic and political backdrop will create challenges and opportunities. Against this backdrop, our Financial Institutions team continues to support our clients, and identify growth opportunities. We highlight key areas of focus within our 2023 edition of Financial Institutions Horizons.

Our financial institutions clients are increasingly turning to us for support with the adoption and implementation of blockchain technology and increasing use of digital assets. We have developed our Digital Assets and Blockchain practice (DAB) over the past year to allow us to work alongside our clients as the market continues to mature, enabling them to take advantage of blockchain and cryptoassets' huge potential while helping them navigate an ever-evolving legal and regulatory landscape. The group brings together a multi-disciplinary team with experience across all industry sectors to provide a coordinated approach and full service offering to our clients operating in or exploring the DAB space. Recently we have seen key developments in the future regulatory framework for the wider regulation of cryptoassets which is really starting to take full-service shape. In the UK, HM Treasury's recent publication of the long-awaited consultation paper and call for evidence setting out proposals to mark the next stage of the UK's phased approach for introducing a UK regulatory regime for cryptoassets is a step in the right direction, aiming to reflect the opportunities and potential risks that cryptoassets present.

ESG is still an important area of focus for investors, consumers and regulators and how they choose to interact with businesses. We look at the UK's equivalent to the EU Sustainable Finance Disclosure Regulation and the potential divergence in approach from other international regimes, as well as the legal and regulatory risks of ESG greenwashing in Hong Kong.

December 2022 saw the publication of the long-awaited Edinburgh Reforms, which provide further detail on the future of UK financial services regulation post-Brexit. The key aims of the reforms include ensuring that the UK's financial markets remain an open and attractive place to do business promoting the effective use of capital. We comment on what the measures mean for firms in the sector.

# Introduction

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Sharon Lewis  
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We also look at the increasing use cases for the safe and responsible adoption of artificial intelligence (AI) and machine learning across financial services. We examine how the UK's Senior Managers and Certification Regime (SM&CR) could be fine-tuned to provide an oversight and governance framework for AI systems in firms and explore the possibility of AI in an outcomes-based approach to Consumer Duty and how much space firms should make for AI in their interactions with consumers.

Regulators are also riding the wave of the impact of political and economic turbulence leading to supply chain issues, inflation, rising interest rates, and a terrible cost of living crisis for many. We highlight the issues which need to be considered by financial institutions, focusing in particular on the UK but also with snapshots of similar trends in Ireland and the U.S.

My sense is that 2023 will not be an easy year. However, I do hope you find this edition of Financial Institutions Horizons informative and thought-provoking, which may help guide you through 2023. If you have any questions or would like to speak to our team about any of the challenges or opportunities you're facing, please do get in contact with us.



# Digital assets and payments: further developments and innovations



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2023 looks set to see the emergence of a regulatory framework for the wider regulation of cryptoassets in the UK. HM Treasury's publication of the long-awaited consultation paper and call for evidence setting out proposals to mark the next stage of the UK's phased approach for introducing a UK regulatory regime for cryptoassets proposes a holistic approach to regulation in the sector.

In contrast to the EU's approach with MiCA which sets out a new regime to cover all cryptoassets not currently in the scope of regulation, the Treasury's proposals look to use the existing Financial Services and Markets Act (FSMA) regime to regulate the sector by expanding the list of "specified investments" to cover "cryptoassets".

The adaptation of the existing financial services regime could allay concerns about introducing an entirely novel regime. There are also challenges in trying to adapt existing rules to the cryptoassets sector. The clarity and proportionality benefits of having a bespoke regime might prove to be a missed opportunity. Overall, the devil will be in the detail as to how a new regulatory regime will be applied but there is no doubt that the new regime represents a positive step for the UK. Read the full article regarding the cryptoassets consultation [here](#). Further developments have occurred in relation to financial promotions relating to qualifying cryptoassets and we are likely to see further details of a bespoke temporary exemption emerging during 2023. Read the full article [here](#).

As our everyday lives become more digital, we have seen further innovation in the digital payments sector. Developments include the Bank of England and HM Treasury consulting on a model for a UK retail central bank digital currency (CBDC) or 'digital pound' that would sit alongside, rather than replace, cash. In contrast to unbacked cryptoassets, the digital pound would be issued and backed by a central authority, the Bank of England, providing intrinsic value and better stability. The earliest stage at which the digital pound could be launched would be the second half of the decade. Read the full Engage article [here](#).

*Article correct as of 08 February 2023.*

# UK/EU ESG sustainability-related disclosure rules

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The long-awaited proposed rules (CP22/20) from the UK financial services conduct regulator, the Financial Conduct Authority (FCA), were finally published in Q4 2022.

These set out the proposals for the UK's sustainability-related disclosure requirements and investment-labelling regime (SDR). The labelling regime aims to help consumers distinguish between products on the basis of their sustainability characteristics, themes and outcomes, and helps them to identify different types of sustainable investment product and will be applicable to investment products marketed in the UK, provisionally from 30 June 2024. The FCA is expected to finalise the SDR and publish a policy statement by the end of H1 2023.

The FCA's classification and labelling of investment products is a key contrast in approach to the European authorities who have made it clear that the EU's equivalent to the SDR is "not a labelling regime".

The EU was the first jurisdiction to announce its plans for sustainability-related disclosures. The EU's Sustainable Finance Disclosure Regulation (SFDR) which has been phased in since March 2021 introduced three categories of products with respective disclosure requirements. Whilst not intended as such, these categories have become a de facto classification and labelling system.

The Level 2 requirements under the SFDR and the Taxonomy Regulation came into effect on 1 January 2023 and from that date financial market participants (FMPs), including asset managers, will need to comply with the SFDR Level 2 requirements, including website disclosures for Article 8 and Article 9 financial products, template pre-contractual disclosures for financial products falling under Article 8 and Article 9 of SFDR, template principle adverse sustainability impacts statements and template periodic disclosures for Article 8 and Article 9 financial products.

To help firms leverage the systems investments they have made, the FCA has tried to map the UK product categories to those in the SFDR.

The SFDR did not form part of retained EU law following Brexit but certain UK FMPs have opted to comply with the EU SFDR:

- i) where they market their financial products into the EU; and
- ii) on the basis that, by complying with the SFDR, they may be, or close to, compliant with the UK SDR.

On other areas, however, the proposed UK SDR regime is likely to give rise to further fragmentation internationally and firms who operate on a global basis will need to examine the relevant rules for the countries in which they have a presence to identify the key points of difference.

Read the full article about the SDRs on Engage [here](#) and the ESAs detailed SFDR Q&As [here](#).

*Article correct as of 01 December 2022.*



## Toolkit

### ESG Global Vision for Financial Institutions and Insurers

[ESG Global Vision for Financial Institutions & Insurers](#) is an interactive guide on the latest ESG issues and regulation affecting financial institutions and insurers. Produced by our regulatory and transaction lawyers, our tool allows financial institutions and insurers to track corporate and regulatory ESG developments, with the ability to search and filter by sector and obligation-type and generate custom reports.

You can find out more about this toolkit [here](#).



# Dangers of a green sheen

## The legal and regulatory risks of ESG “greenwashing” in Hong Kong



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The word on everyone’s lips when it comes to risk in the context of environmental, social and governance (ESG) is “greenwashing” and in Hong Kong it is no different.

Hong Kong regulators have identified that investors need consistent, available and reliable climate-related information to make their investment decisions, and therefore they are implementing globally consistent sustainability reporting standards for listed companies and across the financial industry. But the financial and securities regulators have existing tools in their arsenals which can be used by the regulators, investors, consumers and environmental activists to find redress for greenwashing claims.

Though there may currently be a lack of specific climate-related law, policies and codes to protect investors, greenwashing is, at its heart, misrepresentation, and Hong Kong has a number of existing provisions to protect investors and consumers, including as part of Securities and Futures Ordinance (SFO) and advertising protections. Several provisions of the SFO impose a statutory duty on those responsible for issuing public communications to take reasonable care in respect of the accuracy of information involved.

For financial institutions and listed companies in Hong Kong, the risk of greenwashing is greatest. There is investor and regulator focus on companies’ ESG information being supplied and in the future, organizations may expect investigations under the SFO for misrepresentation.

For financial institutions and listed companies in Hong Kong, the risk of greenwashing is greatest. There is investor and regulator focus on companies’ ESG information being supplied and in the future, organizations may expect investigations under the SFO for misrepresentation.

There have been no ESG enforcements as at the date of publication of this article, but given that Hong Kong is positioning itself to be the leading ESG finance hub in Asia, greenwashing is unlikely to be tolerated by the financial and securities regulators in Hong Kong.

Read the full article for more details on Engage [here](#).

*Article correct as of 29 November 2022.*



# One year on: using tokenization to advance climate initiatives

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Tokenization is a process whereby assets can be converted into digital tokenized form.

The resulting tokens can constitute rights in respect of physical assets, they can also constitute non-physical assets like shares and other securities and/or can be assets in and of themselves (like digital artworks in the form of non-fungible tokens). There are a number of potential benefits of tokenization and some of the most commonly cited are liquidity and fractionalization – blockchain-based tokens enable trading of interests in otherwise illiquid assets and also provide for ownership of fractional interests in assets which are otherwise difficult to divide.

Tokenization is flexible, adaptable, strongly aligned with ‘monitoring, reporting and verification’ (MRV) requirements in the broad ESG-investing space (including climate). It is also built on systems that can be substantially

automated and are highly efficient from an operational perspective.

Its usefulness in all these respects as a solution for achieving climate-related goals is increasingly recognised. In this article we look at how tokenization could help advance climate goals, including through integration of carbon offsets with tokenized debt securities, the offering of tokenized green real estate investment platforms and the emerging asset class of natural capital investments, and ask, what do we see in the future for this space?

Read the full article for more details on Engage [here](#).

*Article correct as of 18 January 2023.*



# The use of AI and machine-learning in financial services



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The UK financial services regulators, the Bank of England (BoE), the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA) have been taking a [closer look](#) at the increasing use cases for the safe and responsible adoption of artificial intelligence (AI) and machine-learning across financial services.

The discussions around the benefits and risks related to the use of AI in financial services are focused on consumer protection, competition, safety and soundness of firms, insurance policyholder protection, financial stability and market integrity.

A key area of consideration for the regulators is looking at where existing legislation, rules and guidance can help to mitigate the risks associated with an increased use of AI and machine-learning across firms.

The existing FCA and PRA rules and guidance implementing the SM&CR emphasize senior management accountability and responsibility which are relevant to the use of AI and the risks the regulators are looking to circumvent.

This [Engage article](#) examines how the SM&CR could be fine-tuned to provide an oversight and governance framework for AI systems in firms.

*Article correct as of 30 November 2022.*

The new Consumer Duty sets a higher standard of behavior for financial services firms directly or indirectly interacting with retail customers in the UK. This [Engage article](#) (*article correct as of 28 October 2022*) explores the potential for AI in an outcomes-based approach to the Consumer Duty and considers how much space firms should make for AI in their interactions with consumers. When used properly AI can, improve firms' compliance with the Consumer Duty and ultimately create more positive outcomes for consumers, though this will certainly not be a case of "one size fits all."



## Toolkit

### Digital Assets and Blockchain Hub

The DAB Hub is a one-stop-shop for all of your questions. Whether it's to find out the latest regulatory developments or learn about new applications of the technology, the DAB Hub has you covered.

You can find out more about this toolkit [here](#).



## Toolkit

### Senior Managers and Certification Regime

Our SMCR toolkit offers a seamless approach to the SMCR, combining the expertise of our legal and financial services regulatory consulting teams to help get you where you need to be.

You can find out more about this toolkit [here](#).



# The Edinburgh Reforms: the next chapter for UK financial services regulation



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December 2022 saw the long-awaited Edinburgh Reforms package of measures providing further detail on the future of UK financial services regulation post-Brexit.

The measures build on the Future Regulatory Framework (FRF) Review and the Financial Services and Markets Bill expected to come into force in the first half of 2023.

With these reforms, the UK Government is aiming to build an “agile, proportionate and homegrown” rulebook and seeks to balance stability and innovation to boost the competitiveness of the UK post-Brexit.

The key aims of the reforms include ensuring that the UK’s financial markets remain an open and attractive place to do business promoting effective use of capital. The UK wants to maintain its position as a world leader in sustainable finance. At all times and across all products and services, it aims to deliver for consumers and businesses whilst remaining at the forefront of innovation and technology.

With these aims in mind, the ambitious list of 30 key measures will have a huge impact on

the financial services sector as we go into 2023 and beyond. Some of the detail of the measures remains to be seen as the consultations are due in the pipeline, but key areas include the following: reform of the ring-fencing regime; a review of the SM&CR; a commitment to having a consolidated tape in place by 2024; a review of the MiFID II reporting rules; reform of short selling in the UK; consulting on a UK CBDC; Consumer Credit Act reform of the securitization prospectus regimes; and repealing PRIIPs.

To meet its ambition to become a world leader in sustainable finance, an updated Green Finance Strategy will be published shortly, together with proposals for ESG ratings providers to come within the FCA’s remit.

Read the full article regarding the Edinburgh Reforms on Hogan Lovells Engage [here](#).

*Article correct as of 09 December 2022.*



## Toolkit

### The Edinburgh Reforms Navigation Toolkit

We have also published navigation aids to get to grips with the measures, including a timeline and quick guide.

You can find out more about this toolkit [here](#).



# Securitization and capital requirements – a match (not) made in Basel?



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The updated Basel III framework is the principal response of the Basel Committee to the global financial crisis.

The updated framework makes wide-ranging changes to the perceived shortcomings of the previous regime. Although the framework has retained the optionality for banks to select an internal model and assess the credit risk of particular positions based on supervisor-approved and operationally sound internal models, the imposition of a new “output floor” has reversed some of the advantages of this flexibility, and may result in banks no longer having the incentive to commit to further due diligence where their capital benefits are capped. This article assesses the Basel Committee’s changes to the credit risk regime in the structured finance space, and considers whether some of the changes will need to be further calibrated or adjusted to ensure that the right balance is struck between a prudential and resilient banking system, and one which levies arduous requirements that stifles access to capital. In particular, the

article also assesses the differences between STS and non-STS transactions for both internal models and the standardised approach, as well as their impacts on the output floor and the supervisory parameter “p”.

Read the full article on Engage [here](#).

*Article correct as of 11 November 2022.*

**Note:** we note that since the publication of the article, a response has been provided by the Council of the EU in respect of the EU Banking Package 2021, which broadly agreed with the comments by the market participants and a number of industry bodies to delay the implementation of a number of Basel III requirements. Please see our separate article [here](#).

# From Basel (III) to Brussels: no direct train service for securitization capital requirements



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The EU has surged ahead of the UK and the US in implementing the Basel III standards. The EU Banking Package has been reviewed by the Council of the EU and will be negotiated with the European Parliament, ahead of the planned commencement date of 1 January 2025.

The Council has broadly agreed with the industry bodies' call for a delay in the implementation of Basel III and the softening of certain aspects of regulatory oversight. However, other than temporary transitional relief for the output floor until 2030, no substantive changes urged by the market for the securitization framework were adopted: a capital framework for ESG was not determined, there were no changes to the capital surcharge applicable to all securitizations, and no significant softening of the standardized approach for specific asset classes. This may negatively affect the competitiveness of European securitizations, at a time where regulators are urged to unlock excess capital to reignite funding in the real economy. In particular, the impact of the output floor, coupled with the capital surcharge for securitizations, is widely perceived as contributing to making the securitization market less attractive from a capital perspective, thereby potentially impacting bank organizations and bank participations in securitizations.

Read the full article on Engage [here](#).

*Article correct as of 11 November 2022*

**Note:** since publication of the article, the Bank of England published its consultation on the implementation of Basel III; proposals include a revision of the standardized approach for credit risk, a revised approach to market risk and adopting the approach of some other jurisdictions by transitioning the output floor over 5 years. The EBA also published its prudential report confirming no changes to the “p” factor. Please see our article [here](#).

*Article correct as of 21 December 2022.*

# Achieving good outcomes whilst managing competing priorities - Quality Assurance



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The months ahead are set to be challenging for all, with the cost of living crisis taking its grip on all firms and customers, incoming regulatory changes such as the UK's Consumer Duty demanding widespread cultural change, along with updated guidance and expectations on firms to support their customers through this period, and an increased focus overall on achieving good outcomes. Having legally appropriate policies and documentation is no longer enough – it's increasingly important for firms to demonstrate that they are consistently delivering good customer outcomes in practice.

Effective quality assurance frameworks are key to helping firms identify and address emerging risks as part of the three lines of defence. Demonstrating appropriate action off the back of reporting and MI produced from these activities will enhance both customer outcomes and demonstrate a culture of effective governance and controls.

Whereas “quality control” often measures whether a process is being followed correctly,

“quality assurance” is typically an independent review of the key outputs and outcomes. This lends itself to helping firms to evidence that good customer outcomes are being achieved, but more importantly, helps to identify what may be impeding the outcomes a firm intends to provide.



Key components and issues to consider for a Quality Framework:

1. Have you defined a “good” outcome and how you will measure against this?
2. Is there a complete list of customer touchpoints (policy, process, etc.) across all products?
3. What data is available at each touchpoint and what benefit does it drive?
4. Are assurance questions balanced between internal processes, regulatory requirements and achieving the right outcome?
5. How are passes / fails recorded – is the root cause identified and captured?
6. How are results and root causes reported and what action does it drive as a result?

**In this article**, our regulatory consulting team looks at how to ensure QA is independent, the key aspects of an effective framework, how data lends itself to enhance review and challenge, and how to embed this activity in your BAU activity.

*Article correct as of 16 December 2022.*



## Toolkit

### Consumer Duty Hub

Our Consumer Duty Hub brings together recent developments, insights, webinars and videos from our Financial Services, Insurance and Litigation lawyers and our Consulting team on a range of Consumer Duty -related topics. Learn more about the toolkit [here](#).





# UK cost of living crisis: key issues for retail financial institutions



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With “real” disposable incomes falling (due to inflation, high energy prices and interest rate increases), the cost of living crisis is having a knock on effect on financial services firms, with particular disruption in the retail lending market.

The crisis comes at a time when regulated firms in the UK are facing an increased focus on avoiding foreseeable harm as they move from treating customers fairly (TCF) requirements to implementing the new Consumer Duty.

Despite guidance that the Consumer Duty should not be applied retrospectively, the Financial Conduct Authority (FCA) seems to want to apply its spirit and intent towards the challenges created by the current difficult economic landscape to ensure good outcomes for consumers. To a certain extent this chimes with policy objectives that underpin the “S” (Social) in the regulatory focus on ESG measures (not least financial inclusion as a policy objective).

With more consumers likely to be at risk of experiencing financial difficulties and following the publication of the key findings from the FCA’s Borrowers in Financial Difficulty review, another area of focus for firms in the retail lending space should be affordability and forbearance. They should be comfortable that their related policies and procedures offer adequate protection should they come under the spotlight.

In this article we highlight the above, as well as other issues which need to be considered by firms within this sector, focusing in particular on the UK but also with snapshots of similar trends in Ireland and the U.S.

Read the full article on Hogan Lovells Engage [here](#).

*Article correct as of 10 November 2022.*

# Need for operational flexibility may test airlines' stakeholders in restructurings



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In the wake of the COVID-19 pandemic, the surviving airlines have accelerated cost-cutting efforts, curtailed capital expenditures, and reduced their fleets.

Arguably, airlines are in a much stronger operational position to cope with volatile operating environments. However, the highly uncertain waves of future disruption facing the industry require airlines to be nimble and maintain significant liquidity to become more stable and profitable. As described in this article, the participation of key constituencies also will have significant positive or negative impacts on the outlook for airlines.

Read the full article [here](#).

*Article correct as of 28 November 2022.*



# European leveraged loan restructurings: why the next downturn will be different



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Although the IMF recently announced at Davos that it would upgrade its global economic forecasts, with an improvement predicted in the later part of 2023 and into 2024, times remain difficult for many companies and their lenders – and are likely to remain so for a while yet.

In this article, we look at how current trends in the UK and European leveraged loan markets may affect the way in which future restructurings may play out, new UK legislative hurdles that may need to be factored in to any potential restructuring and (on a more positive note!) the new UK tools such as the restructuring plan that may assist a company in achieving a successful restructuring despite creditor or shareholder objection.

Read the full article [here](#).

*Article correct as of 19 January 2023.*



# About Hogan Lovells

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Our vision is to be a bold and distinctive law firm creating valuable solutions for clients.

Our expertise is well-balanced across practices and jurisdictions allowing us to deliver high quality advice. We pride ourselves on our culture which is ambitious, committed and supportive.

Innovation means different things to different people. At one level, innovation simply means the ability to approach a project with an open mind, to adapt to what a particular client needs and to identify ways in which we can improve. We also include the following under innovation:

## Helping our clients innovate

We focus on areas where law and regulation are changing, helping our clients realize the potential of a wide-ranging set of developments, market shifts and new technologies, whether that is Big Data, blockchain or Brexit. We also work to help in-house legal teams innovate and drive outcomes within their businesses.

## Innovating in how we deliver our services

As our clients' priorities change, we are always looking to enhance our mix of services and the way we deliver them. Part of this involves thinking about ways we can use advanced technology or alternative delivery models. But it also involves thinking about the way in which we engage and collaborate with our clients at all stages of a project in order to develop new approaches, improve decision-making and maximize value for the in-house legal team.

## Innovating in how we run our business

Our people are our most important resource. Talent-focused innovation in relation to diversity and inclusion, legal learning and citizenship initiatives are therefore all central to our approach.

We also operate an internal innovation hub and business incubator, focused on helping our people to test and develop their ideas.

The following pages set out details of some of the areas where we can provide further support to you, such as tailored training and ways to leverage new technology. However, we would welcome a discussion and ongoing dialogue with you about your legal and business needs and the ways in which we can support you.

[Top 10 most innovative law firms in Europe, North America and Asia](#)

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[Financial Times – FT Innovative Lawyer Awards 2019, 2020 & 2022](#)

# Our global Financial Institutions team

Financial technology is changing the face of financial services and overturning assumptions about the way they are delivered. Disruptive technologies are challenging the traditional models for the provision of services.

Our cross-border, multidisciplinary teams provide the insight you need, wherever you need it. Whether it is assisting you with structural reform, competition investigations, patenting new technology, or entering new markets and developing new products, we can put together a team tailored to your needs.

We work across all major market sectors, including retail and investment banks, intermediaries, peer to peer lenders, FinTech companies, alternative lenders, asset managers, infrastructure providers, as well as, industry bodies and regulators. This means we bring a complete market view to your projects.

Strong relationships with local, national, and supranational regulatory bodies mean we can navigate regulations to find solutions or lobby for change where none can be found.

Our knowledge of what is happening across our sector can help you develop in new markets.

We can assist in the design and rollout of new products or assist in the acquisition of new businesses.

Our ability to deliver on transatlantic contentious matters is unmatched. We can help you through major regulatory investigations or assist with internal reviews across your global business to ensure compliance with the complex web of regulatory requirements.

Because you work globally, so do we — with teams on the ground in major financial hubs and offices in the emerging economies.

## Lawyers

We have over 2,000+ lawyers in our financial institutions sector. Our extensive network ensures that there are very few issues that we have not come across.

## Ranked lawyers

Our lawyers have been recognized as leaders in the financial institutions sector and awarded top individual rankings by legal guides in 2022 and 2023, including the Hall of Fame status.

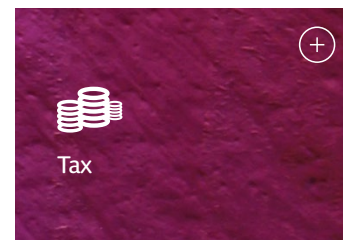
## Jurisdictions

Ranked for financial institutions in 10+ jurisdictions by Legal 500 and Chambers, including Band 1 rankings in the U.S., UK, France, Italy, Spain, and Germany.



# Financial Institutions at Hogan Lovells

We are a full-service, integrated global financial institutions team. Learn about our practices below.



# Spotlight: Sustainable Finance & Investments

Our Sustainable Finance & Investments practice brings together a multidisciplinary global team and provides clients with best-in-market support in this mission-critical area. We help our clients stay ahead in this rapidly evolving sector through delivering tools, products and solutions to overcome the challenges facing the sustainable finance economy.

We position our advice within the wider ESG landscape, identifying risks and also opportunities.

Innovation is a core part of the strategy and the team meets regularly in order to create and consider innovation – the use of existing tools in different contexts and the creation of new tools and systems.

Against this backdrop, we highlight the importance of UN Sustainable Development Goal #17. In order to mobilise capital and create an efficient, scalable and sustainable financial ecosystem, partnerships and collaboration are crucial. Our lawyers are tasked with servicing our clients but also contributing to the development of the sector. We have collaborated on industry initiatives globally with the Loan Markets Association, ISDA, GBBC Digital Finance, European Leveraged Finance Association, UN Global Compact and others.

On sustainability strategy, product development, transactions and risk, we create innovative solutions combining market intelligence, guidance, legal expertise, project management and strategic alignment to facilitate our clients. An important part of this is raising awareness, education and training; our lawyers in this space are dedicated to sharing expertise and best practice insights, thereby allowing our clients to navigate the complex, wide-ranging set of issues when considering sustainable finance and investments.

## Key services

- Advising on ESG investment and sustainability policies, ESG strategy, reporting and disclosure and ensuring alignment with corporate strategy and business operations
- Advising on the rapidly changing regulatory environment for sustainable finance and investments and helping teams to analyse and apply trade body principles, guidance and relevant reports and data
- Working with trade associations and organisations to develop market guidance and advising on ESG market practices and standards, voluntary codes and goals
- ESG due diligence and disclosures advice in the context of debt offerings, client and/or investment portfolio strategy analysis and acquisitions and disposals
- Working across Hogan Lovells finance practices and sectors on sustainable finance transactions including green, social, blue and sustainability-linked loans and bonds, ESG fund finance, ESG securitisation, ESG derivatives, ESG trade finance, natural capital investment structures and impact finance and investments
- Establishing sustainable investment funds, including Article 8 and Article 9 funds, impact funds and hybrid transactions
- Connecting clients, organisations, foundations and enterprises across our network and raising awareness of issues and opportunities
- Advising on risk, potential disputes and legal issues including greenwashing, misrepresentation and advertising, regulatory enforcement, class actions, director's duties and competition-related matters

# Spotlight: Environmental, Social and Governance

Environmental, social, and governance (ESG) issues have unprecedented importance for business. Driven by regulatory change, consumer and investor demand and a growing awareness among institutions, their boards, employees and other stakeholders, companies increasingly are making these issues central to core strategic decision-making.

Navigating this evolving space represents a significant opportunity, yet can also be challenging, with reporting obligations and standards shifting across regions and corporate reputations on the line. Our legally-driven holistic approach to managing ESG issues draws on the full scope of our global practice and sector capabilities to drive long-term profits and maximize positive impact for clients. We help our clients use the law to build a better and more sustainable business and world.

## ESG Academy

To help you navigate the complex and rapidly evolving world of ESG issues, we've created the Hogan Lovells ESG Academy, a video and podcast series that quickly and concisely breaks down key issues behind critical ESG topics that impact every organization.

In brief episodes, our leading lawyers from across geographies, sectors, and practices deliver powerful content that empowers in-house counsel to understand and communicate key legal and commercial issues.

[Click here](#) to join the Academy.

## ESG Global Vision

[ESG Global Vision](#) is an interactive global guide for a country-by-country breakdown of the regulations, laws, and voluntary standards that impact ESG-related issues in each jurisdiction. This is an incredibly useful resource that nicely complements any client requests about ESG.

Learn about our ESG practice [here](#).

### Energy Transition

Solar, Wind, Hydro, Battery, Interconnectors, Hydrogen, Energy from Waste, Electrification, Energy Efficiency, Smart Metering, Carbon Trading

### Sustainable Finance and Investment

Responsible Investment Policies, Green Loans, Green Bonds, Measurement, Disclosure and Reporting, Training and Compliance, Financial Regulation, Capital Adequacy, Sustainable Insurance

### Social

Pensions, Supply Chain, Business and Human Rights, Indigenous People, Impact Measurement and Reporting, Justice and Rule of Law, Diversity and Inclusion



### Corporate and Governance

Governance, ESG Policies, Shareholder Activism, Listing Reporting and Disclosure, Remuneration and Incentives, Brand, Digitalization, Transparency

### Environmental

Climate Change, Carbon, Pollution, Plastics, Real Estate, Environmental Permitting, Water, Biodiversity



## Tools and Resources

Our cross-functional ESG team has created a number of free resources for you to access; use the + buttons below to view more.

# Spotlight: Environmental, Social and Governance

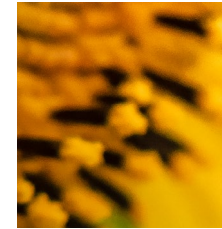
Environmental, social, and governance (ESG) issues have unprecedented importance for business. Driven by regulatory change, consumer and investor demand and a growing awareness among institutions, their boards, employees and other stakeholders, companies increasingly are making these issues central to core strategic decision-making.



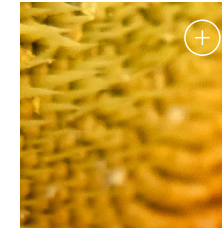
Hogan Lovells guide to key ESG Trends in 2021-23



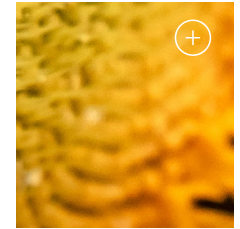
Hogan Lovells guide to new and emerging ESG regulations



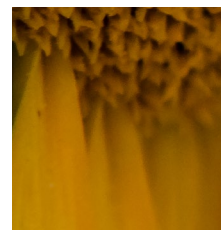
Total Business Integrity Healthcheck – a 5-minute app to help you determine whether your business is fit for purpose



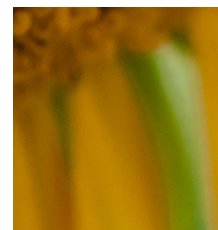
Crisis Leadership Portal – a diagnostic tool to help you assess how ready you are for a crisis



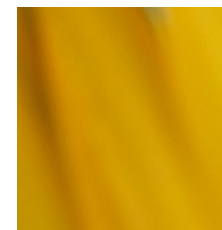
ESG Global Vision – an interactive global guide on overarching ESG laws and regulations around the world.



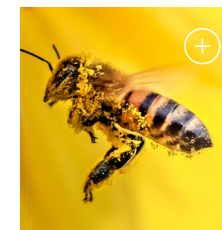
Energy Transition Handbook – an overview of the issues all companies face related to Energy Transition



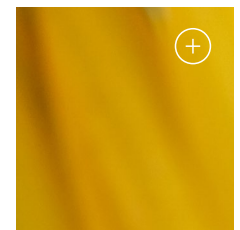
Hogan Lovells ESG video insight series



Dedicated thought leadership on sustainable finance and investment



The next decade will be one of unique opportunity for business in the UK. Access thought leadership in our UK2030 program.



Hogan Lovells ESG Academy – a video and podcast training series that quickly and concisely breaks down key issues beyond critical ESG topics.

# Spotlight: Digital Assets and Blockchain



Sharon Lewis  
Sector Group Leader of Finance, Insurance  
and Investment, Paris / London



John Salmon  
Partner, London



Elizabeth Boison  
Partner, Washington, D.C.



Leopold von Gerlach  
Partner, Hamburg, Frankfurt



Andrew McGinty  
Partner, Hong Kong



Bryony Widdup  
Partner, London



Luke Grubb  
Consultant, London



Lavan Thasarathakumar  
Digital Assets and Blockchain  
Policy Consultant, London

Whether it's bringing transparency to a supply chain, reducing risk in financial transactions or defining ownership and value of NFTs, blockchain is much more than a Bitcoin database and markets across all sectors are being transformed by the technology. The rapid growth and adoption among businesses, individuals and governments has resulted in a complex domestic and international regulatory landscape.

We have one of the most experienced cross-sector Digital Asset and Blockchain practice of any law firm, with deep experience advising on complex, first-in-kind matters. We are at the forefront of change and our lawyers play a leading role in the development of the emerging regulatory frameworks for digital assets.

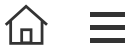
Our Digital Assets and Blockchain team are at the heart of the industry. Whether that is through providing briefings, training sessions and webinars to Governments and regulators across the world as they look to implement new regulatory regimes or providing counsel to and founding industry associations such as GBBC Digital Finance, we are there looking to move the needle on the discussion.

Our market leading lawyers and consultants, leverage a wealth of experience and know-how to provide our clients with the best possible service to tackle the most complex and first-in-kind matters arising in the industry. Spanning across all our offices, our team gives truly global representation.

## Digital Assets and Blockchain Hub:

A global one-stop shop to investigate ways to use blockchain, how the technology is shaking up industries, follow regulatory developments, compare legal position and generate reports.

[Click here](#) to access the Hub.



# Legal tech solutions

On this page we have summarized some of the key technology tools which we are using to improve the way we deliver legal services and collaborate with our clients. We would be happy to discuss further the way any of these might be used by you.

## Collaborate

We have long used custom-built extranets as a repository for project documentation and information. Collaborate is the next step forward in this area, an innovative platform that combines the traditional functions of a data room with an online interface that enables live collaboration between the in-house and Hogan Lovells teams and makes it easier to capture and share knowledge as projects develop.

## Contract generation - DraftXpress

Our document automation service, DraftXpress, helps to automate the repetitive elements of transactional documents, allowing the in-house and Hogan Lovells legal teams to focus on bespoke drafting. By answering a simple online questionnaire, you can quickly and easily generate a first draft. This significantly reduces drafting time, creates a consistent approach to document drafting across teams and jurisdictions, enables suites of documents to be automated and provides quality assurance.

## DriveChain

DriveChain, is a new tech product developed by Hogan Lovells which has which has applicability across all sectors. DriveChain was recognised as “stand out” for Digital Legal Services at the FT Innovative Lawyers Europe Awards in 2022.

DriveChain-enabled ‘smart documents’ can be summarised, reported on and automated into virtually any document, contract, or asset management software application in seconds. It then harnesses enterprise blockchain technology (via Integra Ledger) to securely verify documents, enabling automated peer-to-peer processing of the data with absolute confidence. It is the first ecosystem-wide, software agnostic

document and contract automation technology to deliver transaction efficiencies for clients, and with 100% accuracy. If you would like to discuss how DriveChain can help your business, please do get in touch.

## Due diligence and contractual analysis - Kira

Kira is a contract review tool that, when trained, identifies and extracts legal concepts from contracts to speed up and make more efficient due diligence and document review exercises.

Information is extracted into a searchable format that links back to the original document and enables the review to identify documents that contain relevant clauses that may require more in-depth review without the need to read through all the documents.

We have also partnered with FTI Consulting to combine our talents in legal analysis with their expertise in mining information from large volumes of contracts and other data sources. Our collaboration produces sophisticated results while facing tight deadlines and cost constraints.

## Litigation outcomes

We are also employing cutting edge tools to conduct research and assess potential outcomes in litigation, including Ravel Law, Lex Machina and Prism. Prism is our Early Case Assessment (ECA) service, which provides early in-depth analysis of a dispute for a fixed fee within 30 days. Using online software we take instructions, agree the scope, the action points, the timetable and fix the price of the ECA. A note of all of this is generated immediately and given to the client. Prism won the British Legal Awards 2016, Innovation Legal Services category, where it was described as “something genuinely new that actually helps clients.”

# Engage

Engage is your Hogan Lovells news, insights and analysis platform, all in one place.

We have moved away from our bulletins and blogs, and have changed how we share our updates, newsletters, alerts, publications and other pieces of legal content and thought leadership, and have brought this into one place: Hogan Lovells Engage.

Engage is our dedicated content and thought leadership site and has been set up with our clients in mind, with clear sections that are easy to navigate. The site puts you in charge of the content you see and receive.

All you need to do is to register (for free) and customize your account with the topics that are of interest to you. You will then receive a regular email alert with news, insights and analysis relating to the topics of your choice.

#### What should you do?

If you are not already registered on Engage, click [here](#) to fill in the short form.

You can use the “remember me” function to save your login details and access the site with ease later. Use the “tailor your alerts” function to set your email preferences.

However, you can customize your account at any time, updating both how often you hear from us and the topics that appear on your homepage and email alerts.

Some high-value content on Engage is only for registered users, so make sure you complete your registration to take advantage of all our content.

#### Watch this space

Some of our practice areas, industries and sectors are already on Engage and, in the coming months, the site will gradually expand to include the rest.

Our ambition is to give you information and analysis that help you stay on top of developments and make the best choices for your business, so we hope you enjoy using the site. For questions or feedback about Engage, please contact us [here](#).



## Engage Premium Products

Our cross-functional team has created a number of digital products to help you navigate complex legal developments. Use the + buttons below to access details about our free and subscription products. If you would like to custom-build a specific product for their own use, we have the resources and know-how to help.

<i>Free</i> Digital Asset and Blockchain hub	<i>Free</i> Crisis Leadership Portal	<i>Free</i> EBA Outsourcing	<i>Free</i> FCA Authorization Tool	<i>Free</i> Guide to the Regulatory Technical Standards (RTS) for Strong Customer Authentication (SCA)
<i>Free</i> Financial Investigations Roadmap	<i>Free</i> Global Investigations Guide	<i>Free</i> Investigating in China: Legal and Regulatory Update	<i>Free</i> LIBOR Tool	<i>Free</i> Consumer Duty Hub
<i>Subscription</i> Senior Managers and Certification Regime	<i>Subscription</i> Consumer Credit Academy	<i>Subscription</i> Cryptoasset Activity AML Registration	<i>Subscription</i> Electronic Signatures	<i>Subscription</i> ESG Global Vision for Financial Institutions & Insurers
<i>Subscription</i> Payment Services Academy	<i>Subscription</i> PISP / AISP Authorisation	<i>Subscription</i> PSD2	<i>Subscription</i> Sanctions Navigator	

Hogan Lovells  
Engage and  
Engage Premium

## Added value services

### Bespoke client training

We regularly provide in-person and remote bespoke training for our clients on topics that are relevant to their particular needs and requirements. We also host numerous events on a monthly and quarterly basis, covering hot topics and new regulations as they arise. We deliver these in a variety of formats, from traditional “chalk and talk” presentations to roundtable discussions, mini-theatres and e-learning.

#### Digital transformation of financial institutions requires new legal skills

Hogan Lovells can provide comprehensive digital training for your in-house legal team, customized for your lawyers.

Our training offer is based on a series of modules that can be broken into separate master classes.

We can also help you to develop a suite of online training tools through short videos. The training focuses principally on EU-legislation, but can cover other jurisdictions as required. On request, we can also involve a leading university so that participants receive certification.

Each module can be provided (and purchased) separately. You can also purchase multiple modules or the whole training program comprised of a series of master classes.

#### Legal project management

Our extensive experience of working with our clients and executing projects gives us considerable expertise in legal project management (LPM), which we use to improve efficiency and assist our clients with the management of their projects. We have also developed a dedicated internal LPM team in order to identify and share best practice across our

different client teams and to provide practical support to fee-earners. This helps ensure even the most complex projects can be delivered efficiently and to plan.

#### Project resourcing

We can deliver the services we offer to you in a number of different ways, to achieve the right balance of expertise and cost-effectiveness. These resources include lawyers and paralegals from:

- Our Legal Delivery Centre (LDC) in Birmingham.
- Our partner flexible resource providers, such as Elevate and Cogna.
- Our alumni network.

These different resources allow us to provide appropriate and cost-effective support across a range of different types of matter, including detailed document reviews for business reorganizations, product reviews and litigation.

Our LDC has both lawyers and paralegals and can scale up to a team of just under 120.

#### Leveraging new technology

In order to deliver our services as efficiently as possible, we are always looking to identify new technology that can help us work and collaborate with our clients more effectively.



# Hogan Lovells as a responsible business

We are committed to playing a leadership role in driving inclusive and sustainable development in which people and planet prosper.






We contribute to the achievement of the UN Sustainable Development Goals (SDGs) in our own business and we support our clients to do the same through the work of our ESG taskforce. Working collaboratively within our firm, within our communities and society, and with our clients we use the law to build a better world for all.

## Diversity and Inclusion

Our vision for Hogan Lovells is to make a meaningful, positive impact in our firm and on society and to establish ourselves as market leaders in diversity and inclusion.

Delivering on our commitments to diversity and inclusion is one of the five key strategic priorities of the firm, on par with putting clients at the center of everything we do and enhancing profitability. We are actively creating an inclusive workplace where each of our people can thrive as their authentic self, by mitigating unconscious bias and actively creating opportunities for and supporting our colleagues. Our commitment to diversity and inclusion makes us a better law firm and helps us to deliver the best experience for our clients, attract the best talent, and drive innovation.

Our global team of thirteen diversity professionals works together with diversity partners around the globe to deliver on these commitments using the five pillars of our global D&I strategy:

-  **Accountability** We hold ourselves accountable by establishing ambitious, attainable metrics, directing our efforts towards their achievement, and inspiring each of our people to invest in our colleagues.
-  **Processes** We focus on institutional change internally by implementing allocation processes to drive work and pitch opportunities to our underrepresented colleagues. We are active in the diversity industry in developing best practices. Instituting best practice processes ensures that all of our colleagues, regardless of background, have the best opportunity to thrive.
-  **Recruitment and Retention** We want the best and brightest talent at all levels, and take a holistic approach to attracting them, from briefing our recruiters on our expectations for diverse candidate slates to reviewing our recruiting and lateral integration requirements.
-  **Culture** Individuals are the bedrock of our culture. Ensuring that we are training members of our firm, starting from the top on unconscious bias and inclusive leadership while empowering allyship, is critical to ensuring a culture of belonging.
-  **Clients** Providing excellent client service is what we do at Hogan Lovells. Partnering with our clients, through collaborative forums focused on diversity and inclusion and other bespoke initiatives, only enhances that service.

Download the global D&I brochure [here](#).



# Hogan Lovells as a responsible business

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## Operating Sustainably

We recognize that operating sustainably is core to being a responsible business. How we choose to operate impacts future generations and we must play our part in protecting our people and our planet. As part of our commitment to operate sustainably, we are a signatory to [UN Business Ambition for 1.5°C](#) and [Race to Zero](#), which commit us to develop and implement [Science Based Targets](#) to reduce our carbon emissions, and become net zero. Our commitments are backed by adherence to the robust CDP reporting framework, and the broader Ecovadis ratings. We are also founder members of the Legal Sustainability Alliance, and the Net Zero Lawyers Alliance.

## Community investment

Our community investment program is focused on creating partnerships and collaborating with others to create thriving local communities.

We develop strategic partnerships with ground-breaking and innovative organizations to support them to successfully deliver their goals and scale their impact. Our [five strategic themes](#) guide our actions, which are under-pinned by an emphasis on UN Sustainable Development Goal 17 – Partnerships for the Goals.

Our people use their professional skills to offer support where there are gaps in knowledge, resources, and funding. Our local work supports our global aim to drive inclusive and sustainable development in which people and planet thrive.

## Pro Bono

We consistently challenge ourselves to focus our time, skills, and resources to create a world-leading pro bono practice.

Focusing on access to justice and the rule of law, we have a long tradition of supporting ground-breaking social developments. As lawyers we recognize this commitment is part of our professional practice and collectively, we spend 150,000+ pro bono hours per year on work to achieve lasting impact for others. The strength of our pro bono practice lies in our commitment to strategic litigation to bring about systematic change, which is complemented by ensuring we engage our commercial expertise to advise brave and pioneering individuals and nonprofits. Through our [HL Business and Sustainable Enterprise](#) practice we act for innovators and entrepreneurs in the impact economy.



## Strategic Themes and Partnerships

We create partnerships and collaborate with others to achieve a positive impact in our communities and society.

Our work supports the achievement of the [UN Sustainable Development Goals \(SDGs\)](#) through our five strategic themes and our key strategic partnerships. Everyone at Hogan Lovells is expected to dedicate at least 25 hours each year to approved pro bono and community investment work. This commitment is part of our cultural DNA and collectively we spend over 230,000 hours per year on work to benefit others.

### Our strategic themes

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#### Advancing racial justice



#### Supporting innovation in environmental protection and advancing our sustainability goals



#### Empowering women and girls and supporting youth



#### Peace and reconciliation



#### External crises and change



Hogan Lovells  
as a responsible  
business

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Alicante  
Amsterdam  
Baltimore  
Beijing  
Birmingham  
Boston  
Brussels  
Budapest\*  
Colorado Springs  
Denver  
Dubai  
Dublin  
Dusseldorf  
Frankfurt  
Hamburg  
Hanoi  
Ho Chi Minh City  
Hong Kong  
Houston  
Jakarta \*  
Johannesburg  
London  
Los Angeles  
Louisville  
Luxembourg  
Madrid  
Mexico City

Miami  
Milan  
Minneapolis  
Monterrey  
Munich  
New York  
Northern Virginia  
Paris  
Philadelphia  
Riyadh\*  
Rome  
San Francisco  
São Paulo  
Shanghai  
Shanghai FTZ\*  
Silicon Valley  
Singapore  
Sydney  
Tokyo  
Ulaanbaatar\*  
Warsaw  
Washington, D.C.

\*Our associated offices  
Legal Services Centre: Berlin

[www.hoganlovells.com](http://www.hoganlovells.com)

"Hogan Lovells" or the "firm" is an international legal practice that includes Hogan Lovells International LLP, Hogan Lovells US LLP and their affiliated businesses.

The word "partner" is used to describe a partner or member of Hogan Lovells International LLP, Hogan Lovells US LLP or any of their affiliated entities or any employee or consultant with equivalent standing. Certain individuals, who are designated as partners, but who are not members of Hogan Lovells International LLP, do not hold qualifications equivalent to members.

For more information about Hogan Lovells, the partners and their qualifications, see [www.hoganlovells.com](http://www.hoganlovells.com)

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