



**HL INFLUENCERS:
DIGITAL TRANSFORMATION
TRANSCRIPT
AI, ESG AND ETHICS (PT 1)**

<p>Leo von Gerlach</p>	<p>Hello everybody and welcome to another edition of <i>The Influencers</i>, our podcast conversation on digital transformation and law. I'm Leo von Gerlach, and with me in the studio are my Hogan Lovells partners, Adrian Walker and Rita Hunter, both from our London office.</p> <p>Adrian leads our global ESG practice and Rita co-leads our sustainable finance and investment practice. Each of them is the perfect conversation partner to speak about the intersection between ESG and AI, or to put it differently, what impact the arrival of artificial intelligence will have on the practice of ESG.</p> <p>And with that, Adrian, Rita, it's absolutely terrific to have you at the show.</p>
<p>Adrian Walker</p>	<p>Leo, thank you so much. We really appreciate you making the space to have us on the show and have this conversation.</p>
<p>Rita Hunter</p>	<p>Thank you, Leo. It's great to be here today.</p>
<p>Leo von Gerlach</p>	<p>Wonderful. Let's just dive right into it. So Adrian, just on a very high level, we speak about the intersection of AI and ESG. What does it mean? What does it mean in particular for you as a very seasoned ESG practitioner?</p>
<p>Adrian Walker</p>	<p>Well, Leo, I'm really glad that we're finally getting around to having this conversation because we've talked about some of this before and we know that AI and ESG are two really big topics. They're hugely at play in the world today. I'm more of an ESG expert than an AI expert. But the one thing we know is there's huge crossover between these two topics, and there's fantastic potential for each to help the other.</p> <p>It's also true that they're both in the news a lot at the moment, and there's a lot of conflict in the world around both of these topics. And so I thought we'd just start by outlining what we're talking about in terms of three big buckets in what some people refer to as sustainability, we call ESG.</p> <p>So if we break this down, in ESG, "E" is for the environment, as everyone knows, and we would generally talk about the planet, we would talk about</p>

	<p>climate change, and we'd also talk about biodiversity loss and earth systems.</p> <p>And I think the interesting thing here is the degree of complexity is now becoming fully appreciated. The amounts of data involved in these complex interactions that are going on, and that is clearly something that AI can offer help on in terms of understanding. So that's the E.</p> <p>If we look at the "S", that's really S is for social. I sometimes think a better word for that is actually people, because it's really a bunch of objectives about progressing the human condition, improving equality, ending things like human slavery, and a lot of this is about wealth and jobs as well. And again, there's a big overlap between what AI focuses on here, whether it can be an enabler, a helper, or whether it can be a hindrance.</p> <p>And the last one, "G", I think everyone who works in the ESG space would say it's been overlooked. It's coming more to the fore. And I think particularly in this interface with AI space, it's the big one. And particularly because if you get the governance right, it can drive solutions to the environmental side and the social side.</p> <p>That's the outline, three big buckets.</p>
Leo von Gerlach	<p>We will definitely go into each of those buckets in more detail. Before doing that, again, on a very high level, just tell us a little bit about the positive side of things. So the opportunities you see on the horizon deriving from that advent of artificial intelligence on the ESG space.</p>
Adrian Walker	<p>I guess you know that I'm an optimist, so I like to be glass-half-full and look at the opportunity, and we have to. This is where we are now. But we also need to have some balance in terms of thinking about the risks as we go.</p> <p>So if I trot back through that framework, we started with the environmental side. And I think critically here, AI and technology more broadly offers the possibility of solving the critical technology challenges around climate transition and particularly the energy transition.</p> <p>If we want to look at the risk other side of the coin, everyone knows that AI is a huge consumer of energy. It's consuming energy at levels equivalent of countries or continents. And so we have to balance those two. We know the time pressure is on because the last 11 years in the world were the 11 hottest on record that there's ever been. And so when you look at this issue and the opportunity, it's really a question of how much innovation and efficiency can AI bring, how quickly, and can it solve the problem before it aggravates the problem through the energy it's consuming. And no one knows the answer to that, but I think that is a bet that's worth making and I think it's probably the only bet that we have. So I think that is definitely a huge opportunity. I think that one is fairly clear, notwithstanding the energy consumption issue.</p>

If you look on the "S", the sort of people in the social side, I think it's a little bit more complicated because so much of that is wrapped up in jobs and wealth and equality. And it's undoubtedly the case that technology is bringing opportunity and evening up some of the equalities in ways that we'd never thought of. So you've got a big opportunity there.

The sort of scary counterpoint is all the arguments that I'm sure other speakers on your podcast have referred to, you know, the threat to jobs, the possibility that AI will replace human thought and, you know, purpose with knock-ons for mental health and the like.

So, you've probably got more of a tension around the social side and we'll have to see how that plays out.

If we then move on to the last one, which is the governance side, I think it's quite important to start with the purpose of the governance, you know, what are we all actually trying to achieve? And I thought the moral philosopher, William MacAskill, framed this quite well because he said the big question, I'm paraphrasing, the big question we have to ask is how can we build a society that improves its moral view over time; more of us are acting in accordance with that and can we do that with a sustainable high growth model? Because he says if we can, then we're going to evolve and accelerate morally and technically logically sort of hand-in-hand. And I think that connection he draws between the technology side and the moral side is a really important one.

And one of the reasons I was really glad we're having this conversation is I think the question we also have to ask is, are we working too often in silos on the ethical and the technology side, and are we bringing those conversations together so that the technologists are asking those same questions? Do they acknowledge that MacAskill summary of moral evolution? Are they thinking about that as they evolve their technology models and are we coming together enough around that? And I think that's the big issue.

So big, big interface between the topics accompanied with risk, and I thought what was quite interesting, it's always opportunity and risk together.

The World Economic Forum has just come out with its 2026 survey of, I guess, if you like, all the global influencers and where they think the risk is and I think it's fascinating to see that the top three are all related to the planet and earth systems and the next two after that are connected with data, misinformation, and the risk of adverse AI outcomes. So, there's a connection there that these topics are all there together at the top of the league table of opportunity and risk and if we can get them to work together well, then we're going to get a better outcome for our children and for the planet and people as it exists.

So, it's a worthwhile discussion, Leo.

Leo von Gerlach	<p>Wow. Thank you. Thank you, Adrian. I think that is a very nuanced answer to this simple question about opportunities and it tells me that for each of these buckets, we see a really ambivalent impact of AI on each of those ESG topics.</p> <p>And carrying that further, Rita, just trying now to flip the perspective, just flipping from having spoken about the impact of AI on ESG topics, now reversing that, speaking about the impact of ESG thinking and approaches on what is on everybody's mind in these days of technology-drive AI regulation. So can you give us a little bit of a rundown of where you see the most relevant impact that ESG is having on this current topic of AI regulation and how to get it right?</p>
Rita Hunter	<p>Thank you, Leo, and I'd love to do that. I think the only way that we can break down this question is if we look at what major jurisdictions are doing when it comes to regulating AI and essentially having a look to see where they stand on ESG, whether they've aligned that when coming up with their AI rules and regulations.</p> <p>And I'm going to start with the easy one.</p> <p>So, the easy place to start is with the EU and EU regulators had, when looking at developing their AI regulation, it's called the EU Artificial Intelligence Act, so the AI Act, they did incorporate ESG-related concepts into the development of that Act and they did go for issues around governance, transparency, human rights, and even environmental impact. There is some commentary that maybe they could have gone further on the environmental impact, but they certainly did have these issues in mind when they were coming up with the requirements of the Act.</p> <p>Before we get into that, I think if you look at what the EU has done from an ESG perspective, it's always been quite a trailblazer in terms of being one of the first major jurisdictions to develop and introduce mandatory ESG-related laws. For example, you've got the Corporate Sustainability Reporting Directive, you've got the Corporate Sustainability Due Diligence Directive, and all of those are going to be mandatory as the years sort of go on.</p> <p>We have had some delays in terms of the EU's position on the ESG laws and when they will commence but again, I don't think it's controversial if I were to say that the EU is predominantly viewed as an ESG friendly, pro-ESG jurisdiction.</p> <p>So, I don't think it comes as any surprise that the EU's AI Act does appear to be designed with EU sustainability and corporate responsibility agenda having been taken into consideration.</p>

You have in the AI Act requirements to ensure transparency, so, environmentally friendly considerations, so, looking at transparency around resource use for high risk AI systems.

You do have human right protections built in and again, the EU's AI Act is all risk-based. So different levels of risk then give rise to different requirements for compliance. And the Act does try to incorporate adequate corporate governance obligations. So, looking at the need to have mandatory risk management frameworks, ensuring the use is documented, everything can be audited, and that there are clear accountability structures. So, while the EU lawmakers didn't label the AI Act as an ESG regulation, you can certainly see ESG principles were integrated into its design. And they seem to be the only jurisdiction that has gone down that path.

So, if we were to compare and contrast, and I think, let's look to the UK.

Firstly, the UK doesn't have a binding single AI law. We have here in the UK sector-led principles-based, which regulators are meant to take on board and consider when they're regulating in different sectors. And so we don't have, in terms of these principles, any environmental reporting or energy use transparency for AI. On the social side, we have some high-level principles that mention fairness and safety but again, there's no binding requirements. And for governance, we do have a principle around companies being encouraged to implement risk frameworks, but they're not necessarily required to do so.

Let's take the US.

As many of you probably know, the US is in a bit of a state of flux when it comes to how it views ESG. Even the acronym itself gives rise to controversy. So again, probably no surprises to hear that ESG wasn't necessarily considered than when the US is looking at AI laws. There's no federal AI law, but you do have a mixture of sort of agency rules and state laws. And I think states like California are looking at introducing an AI Act. But again, you know, we're not really seeing any explicit environmental requirements for AI. On the social side, I think there are some civil rights concerns addressed through sectoral laws and on the governance side, again, there's very few binding governance duties.

So again, you've got, I guess, fragmentation in the US on various topics such as ESG, which then I think sort of bleeds into how they regulate AI as well.

And then I've got China as an example.

Again, China does have a centralized sort of security driven model. There are multiple binding AI regulations but again, we don't have any environmental obligations. There's some social stability and content control, but there's no real sort of human rights protections embedded within those regulations. And on the governance side, again, there isn't anything other

	<p>than sort of strong state oversight and mandatory security assessments. Again, no real surprises there, I think, based on how these jurisdictions operate in other areas and how they're viewed politically.</p> <p>But again, I think the EU, as I said, does seem to have taken ESG into account. Perhaps they could go further, but they're certainly ahead of a lot of our other sort of major jurisdictions when we look across the globe.</p>
Leo von Gerlach	<p>Rita, thank you. Wow, this was a very great <i>tour de resort</i> through the whole globe in terms of AI regulation and also, thank you, Adrian. Given where we are in the conversation, I think we should press the pause button here and we have a second recording where where we will continue that conversation, where we will go more into more specific questions of governance and compliance and how that works out in practice for individuals and corporations. But for now, I think we should thank all our listeners. Please stay tuned. We will be back soon. Until then, take care. Goodbye.</p>