

Dentons Flashpoint

Daily Global Situation Report

June 8, 2022

Global Situation Update: June 8, 2022

KEY TAKEAWAYS

The World Bank downgrades 2022 growth forecast by nearly a third and warns of risk of "*stagflation*."

Russian and Turkish talks end without breakthrough on export grain from Ukraine.

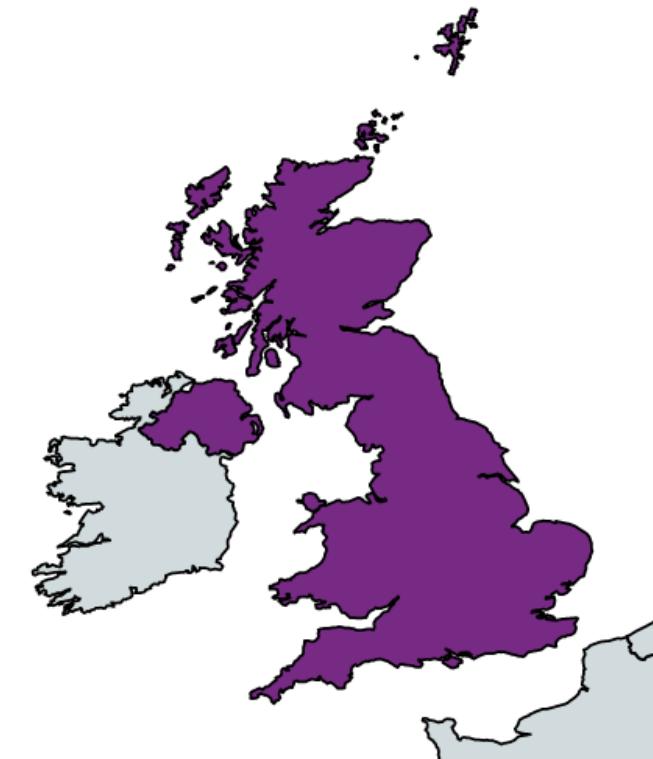
An international agreement on waiving intellectual property rights for COVID-19 vaccines is within reach, per WTO.

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WHAT WE'RE WATCHING

Prime Minister Boris Johnson narrowly survived a no confidence vote by his own Conservative Party, with 211 party MPs voting for him and 148 voting against him. While Johnson will remain in office, the vote reflects discontent among Conservative MPs in the wake of reports on parties held in 10 Downing Street during the COVID-19 pandemic while much of the country was under strict lockdown.

Johnson will likely try to shore up his position in the party by introducing new policies to reduce the cost of childcare and help people purchase homes. Pressure on Johnson to resign, though, will continue to grow, especially if the Conservatives lose two by-elections in the Wakefield and Tiverton & Honiton constituencies on June 23. A leadership contest at a time of economic hardship could lead to political instability in Parliament.



Note: This report is based on sources and information deemed to be true and reliable, but Dentons makes no representations to same.

Global

The global economy risks falling into a harmful period of 1970s-style "stagflation," sparked chiefly by Russia's invasion of Ukraine, the World Bank warned yesterday as it slashed its annual growth forecast by nearly a third to 2.9 percent for 2022.

- The IMF advised governments fighting soaring food and fuel prices to target aid to vulnerable citizens rather than issue across-the-board aid that risked adding to strains on **public finances**.
- An international agreement on waiving **intellectual property rights for COVID-19 vaccines** is within reach ahead of a global trade meeting next week, per the head of the WTO.
- Europe could face **energy shortages** next winter after Russia's invasion of Ukraine has deepened the region's energy crisis, International Energy Agency head warned.
- Russian and Turkish talks end without a significant breakthrough toward creating a sea lane to export grain from Ukraine across the Black Sea as a part of a UN-backed effort to address a **global food crisis**.

Markets & Business

Italian Prime Minister Draghi vetoed a transfer of technology and software to China in a deal involving industrial robot maker EFORT Intelligent Equipment.

- The US Securities and Exchange Commission is exploring an overhaul of **US stock market rules** to strengthen competition and ensure individual investors are fairly treated after the explosion in retail trading during the coronavirus pandemic.
- **Teneo Holdings LLC** is close to a deal to buy D.C.-based **WestExec Advisors** that would expand the well-known public relations firm's focus on geopolitical and policy consulting.
- The US Federal Trade Commission is probing **CVS Caremark Express Scripts Inc.** and other large pharmacy-benefits managers over what impact their business models have on the accessibility and affordability of prescription drugs.
- South Korea's **LG Energy Solution** broke ground on nickel processing plants in Indonesia, part of the company's \$9.8 billion investment in the country to produce electric vehicle batteries.

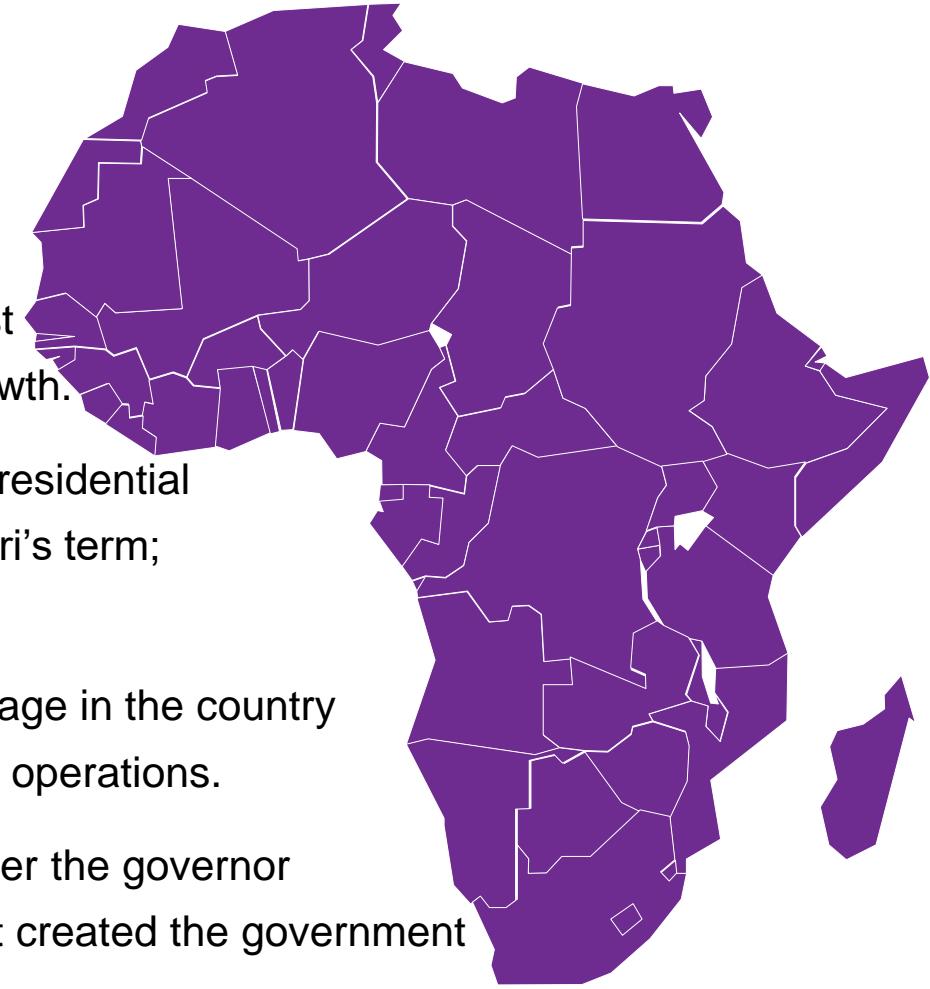
Environment, Sustainability & Governance

EU negotiators agreed to the bloc's first-ever quota for women on corporate boards, requiring companies listed in the EU to have women comprise at least 40 percent of non-executive board seats or 33 percent of executive and non-executive roles.

- Five automakers including Ford, Volkswagen and Honda backed efforts by President Biden's administration to restore California's ability to set its own strict tailpipe and **zero-emission vehicle standards**.
- Regulators in Brussels have agreed to use a common charger for smartphones and laptop computers to counter **electronic waste** and curb the number of chargers consumers have to carry.
- The UK's rail union said that **strike action** could shut down the country's entire rail network for three days later this month if demands on pay freezes and job cuts are not met.

Africa

- **South Africa's** economy returned to its pre-pandemic size for the first time since the onset of the pandemic in Q1 on surprisingly strong growth.
- **Nigeria's** ruling party is voting today in primaries to select its future presidential candidate, who will likely take power after the end of incumbent Buhari's term; surprisingly, Buhari has not named a successor, as is typical.
- The **Kenya** Association of Manufacturers warned that the dollar shortage in the country could trigger job losses as manufacturing firms are forced to suspend operations.
- Tribes announced the end of a sit-in blocking roads to Port **Sudan** after the governor voluntarily resigned amid opposition to the 2020 Juba Agreement that created the government following Bashir's ouster in 2020.
- **Cameroon's** government acknowledged that a group of soldiers killed nine villagers last week in a "*manifestly disproportionate*" response to a confrontation in the Northwest region, an unusual admission of blame.



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Asia

- In an annual policy paper, the **Japanese** government proposes to drastically increase defense spending "*within the next five years*," citing for the first time both a time frame for the expenditure and concern about threats faced by **Taiwan**.
- **Cambodian** Minister of Defense Tea Banh dismissed fears that Cambodia would let **China** build a military base on its soil, saying any country could use the facilities at the Ream naval base, while Cambodia was open to accepting military assistance from anyone.
- Under measures introduced this week, **Chinese** citizens can receive rewards of more than 100,000 yuan (\$15,000) and special certificates for tip-offs on breaches of national security. While rewards for exposing foreign spies or other security violations have existed for years in China, the new measures are aimed at standardizing rewards and motivating the public at a time of intensifying threats from foreign intelligence agencies and other hostile forces.



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How do You Manage Incident Response?

2022 has already seen business disrupted by extreme weather, ransomware attack, the ongoing pandemic and more. The common refrain “It’s not if, but when” rings truer than ever for disruptive incidents that will impact business as usual.

Working with Dentons, you can effectively develop an organizational incident-behavior adopted by all your team members. Dentons will help you build muscle memory through tabletop exercises, which are crafted to fit the business strategy of every client.

Our team plays events and incidents of different severities and complexities and accounts for real-world factors such as inconclusive evidence, mistakes by responders, and the business impact of eradication steps. Our tech-savvy lawyers continuously revise the playbooks per the evolving sector-specific threat landscape.

Dentons tabletop sessions are fluid, and designed to enhance preparedness with services, including:

- ❖ Ransomware tabletop exercises
- ❖ Post-tabletop action reports
- ❖ Maturity assessments for preparedness
- ❖ Supply-chain attack simulation
- ❖ Comprehensive incident response plan
- ❖ Threat analysis and monitoring

All interaction with Dentons is attorney-client privileged

To learn more about the bespoke intelligence and risk services from Dentons, contact [Karl Hopkins](#).

Europe

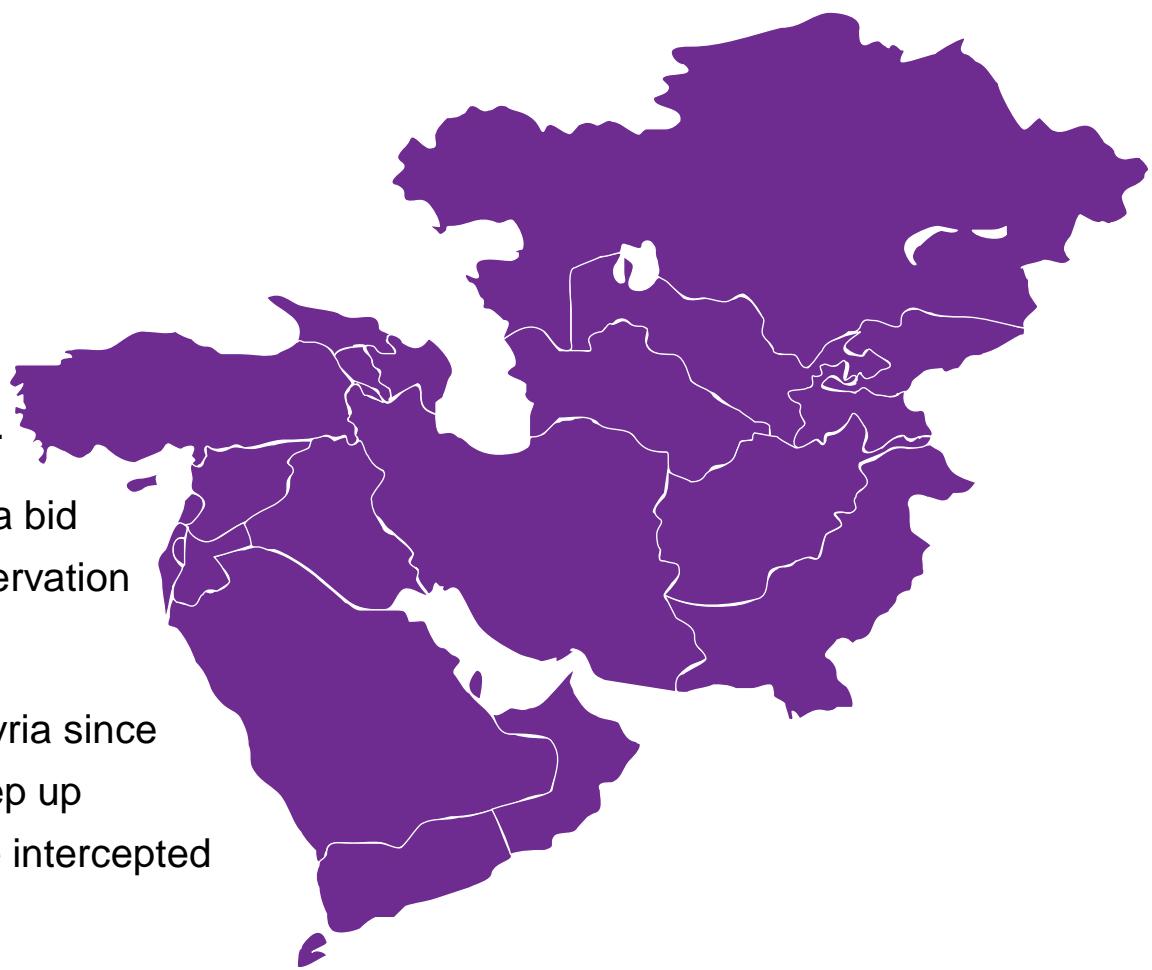
- The **euro zone** economy grew much faster in Q1 than in the previous three months despite the impact of the war in **Ukraine**, with the EU statistics office revising its earlier estimates sharply higher.
- With polls showing shrinking support, the centrist camp of **French** President Macron may not win an absolute majority in this month's legislative elections. Macron, who won a second mandate in April as France's centrist, pro-European president, also needs to win a majority in the lower house of parliament in the June 12 and 19 ballot to be able to implement his reform agenda.
- **Sweden's** government narrowly survived a vote of confidence in parliament amid surging crime in the country. The vote of confidence in Justice Minister Johansson took place as the country aims to join the NATO military alliance, despite strong opposition from **Turkey**.
- The **EU** reached a deal on how member states will ensure adequate minimum wages in a move that will protect workers at a time of soaring inflation and a cost-of-living crisis. The framework includes obligations on member states to establish clear criteria for updating minimum wages every two to four years and the establishment of consultative bodies in which “*social partners*” such as unions are able to take part.



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Middle East

- The **US** told the IAEA that reentry into the 2015 nuclear deal is hung up on **Iranian** demands that sanctions be lifted on the IRGC.
- **Pakistan** will reduce its official work week to five days from six in a bid to reduce energy and fuel consumption as part of an energy conservation plan approved by the country's cabinet.
- The **Syrian** regime and **Russia** conducted their first joint drill in Syria since the invasion of **Ukraine**, following **Turkey's** signal that it would step up operations in Syria. Syrian media reported that regime air defense intercepted **Israeli** missiles south of Damascus.
- A **US** diplomat said that the US is “*cautiously optimistic*” about prospects for a more durable ceasefire in **Yemen** after the warring parties extended a truce this week, the most positive message out of Yemen talks in years.



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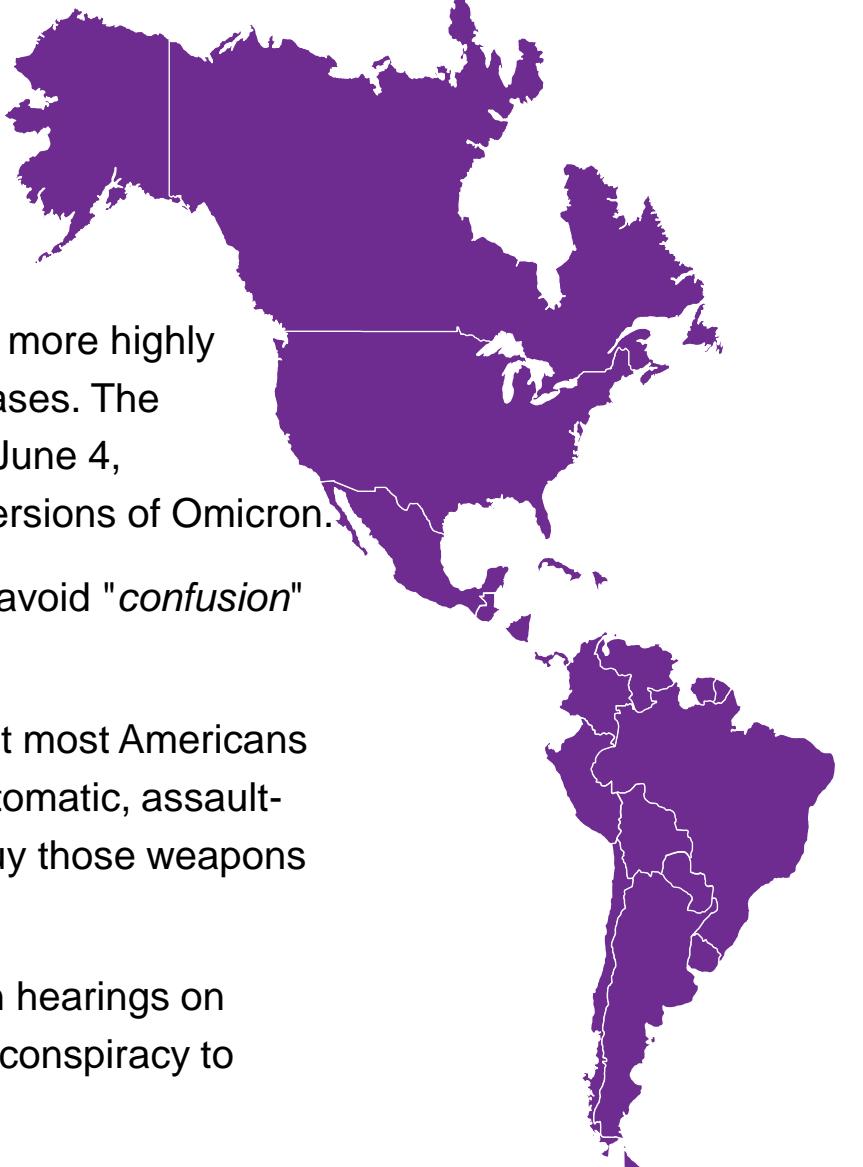
Americas

- **Venezuelan** President Maduro announced plans to meet with President Erdogan in **Turkey**, one of the few countries that maintains diplomatic ties with Caracas; the visit coincides with the **US**-hosted Summit of the Americas, which several countries sat out over Venezuela's and other countries' exclusion.
- **Peru's** government called for new talks with indigenous groups whose protests have forced the closure of the Las Bambas copper mine, and police suggested that they were ready to intervene to remove the protesters.
- **Canada's** elections administrator released a new report recommending that the country make it illegal to knowingly spread disinformation about the voting process.
- In advance of the formal opening of the Summit of the Americas, **US** Vice President Harris announced corporate pledges of \$3.2 billion aimed at addressing some of the economic factors driving migration from **Central America**. Investments are intended to create jobs, expand access to the internet and bring more people into the formal banking system.



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Americas: US



- Omicron **COVID-19 variants** BA.4 and BA.5 are on the rise in the US, adding two more highly contagious versions of the virus to the mix that has fueled a springtime surge in cases. The subvariants represented a combined 13 percent of US cases for the week ended June 4, according to the CDC. Evidence suggests the variants are yet-more contagious versions of Omicron.
- The CDC removed a mask recommendation from its **monkeypox** travel notice to avoid "*confusion*" over the disease, which primarily spreads through direct contact.
- **Gun control legislation** remains stalled in Congress despite polling reflecting that most Americans support stronger gun laws. President Biden last week called for banning semi-automatic, assault-style rifles and high-capacity magazines, or at least raising the minimum age to buy those weapons from 18 to 21.
- The US House of Representatives **January 6th committee** will start holding open hearings on Thursday, detailing their findings of what they say was a months-long Republican conspiracy to overthrow Joe Biden's legitimate election victory, led by President Donald Trump.
- The **US trade deficit** narrowed by the most in nearly 9.5 years in April as exports jumped to a record high, putting trade on course to contribute to economic growth this quarter.

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ESG Credibility Eroding on Two Fronts

By Anni Coonan

On Monday, May 30, German police conducted a surprise raid of the offices of Deutsche Bank's DWS unit as part of its investigation into claims of "greenwashing," or overstating its sustainability claims, by DWS – the first time that an asset manager had been raided as part of an ESG investigation.

The event capped off a month that had seen a rising global crackdown on greenwashing in the world of environmental, social and governance (ESG) investing, including the proposal of new SEC rules that would require US-listed ESG funds to disclose their goals, criteria, strategy, and data on their sustainability progress, and a fine of \$1.5 million for BNY Mellon for “misstatements and omissions” concerning ESG disclosures. Paired with emerging socio-political opposition to ESG standards, the combination of increased scrutiny of greenwashing claims and weak on-the-ground regulations pose mounting challenges to ESG credibility in the near-term.

Greenwashing Accusations Gain Teeth

Backlash against perceived greenwashing has been growing. New SEC rules, proposed on May 25, are among the US' most targeted efforts to push back on false or misleading sustainability claims. The new guidance could include inclusion of ESG characteristics in the

Names Rule (which stipulates that if a fund's name suggests that it is focused on a particular class of investment, at least 80 percent of its assets must be in that class) and provide more detailed disclosures on ESG strategies and methodologies in fund prospectuses and other documents. Japan, home to one of the largest ESG and green bond markets in the world, is also seeking to strengthen its oversight of ESG funds – this month, Japan's market regulator, the Financial Services Agency (FSA), announced plans to introduce new ESG guidance by March and is expected to gain cabinet approval to increase its oversight as early as this week. The announcements follow the March 2022 application of anti-greenwashing rules in the EU, which require investment firms managing money in the EU to publicize whether they are reviewing the environmental and social impacts of their investments based on 18 metrics, including greenhouse gas emissions and gender pay gaps.

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ESG Credibility Eroding on Two Fronts

Recent months have also seen a rising tide of climate-related litigation aimed at ESG-related goals. In a landmark case last May, a court in The Hague found in favor of a group of environmental activists to order that Royal Dutch Shell is obligated to reduce its worldwide greenhouse gas emissions as part of a duty of care obligation in Dutch tort law. Emboldened by the group's success, risk consulting firm Verisk Maplecroft estimates that more than 70 climate lawsuits have been filed worldwide this year, a significant increase over the first six months of last year. While these types of efforts have overwhelmingly focused on the primary climate effects of fossil fuel-dependent industries, cases dealing directly with greenwashing are popping up. Last month, a group of environmental organizations launched a first-of-its-kind case against KLM accusing the Dutch aviation giant of misleading consumers with greenwashing claims, and the Supreme Court of Massachusetts recently denied a motion to dismiss the state's case against ExxonMobil for greenwashing and deceptive marketing.

Backlash to ESG Values Builds

At the same time as accusations of, and tools to combat, greenwashing have grown, a countervailing narrative in the US

questioning the value of ESG has emerged among the Republican party. Rising conservative opposition to ESG is driven by several factors, including criticism of deviation from more traditional free market principles, worry about the economic viability of necessary but non-ESG compliant businesses, and ideological opposition to environmental and social policies seen as Democratic priorities. . Further, Republican-governed states worry that plans to incorporate ESG ratings into state credit ratings could complicate their efforts to finance infrastructure updates and other budget items (a plan that Utah state officials publicly condemned this year).

Republican officials throughout the country have made moves to limit ESG: last year, Texas enacted a law that bars state investment and retirement funds from doing business with companies that "boycott" fossil fuels, and in January West Virginia announced that it would stop doing business with BlackRock because of the fund's climate commitments.

Opponents think that they are already seeing success from this strategy – firebrand Congressional Republican Dan Crenshaw (R-TX) attributed BlackRock's recent decision to back fewer climate-related resolutions at shareholder meetings this year to popular anti-

ESG Credibility Eroding on Two Fronts

ESG pressure (BlackRock publicly attributed the move to concerns about “micromanaging”). Looking ahead, Republican members of Congress have introduced a spate of measures that would limit the ability of investment funds to prioritize ESG-related concerns; if Republicans were to win both Houses of Congress in upcoming elections, the legal environment for ESG in the US could change course.

Next Steps for ESG

Recent months have seen two-pronged attacks on the credibility of ESG guidelines, leaving sustainability-minded investors a narrow line to toe as the sector continues to grow and evolve. The lack of a universal, objective and rigorous framework for ESG investing remains the primary roadblock for standardizing ESG, and while steps in that direction could protect both investment firms and individual investors from greenwashing, rising negative sentiment around the classification could stymie those efforts.

Despite growing wariness around the usefulness of ESG designations and risks of greenwashing, investing with these concerns in mind remains useful and of interest for many investors – facing criticism from conservatives, BlackRock has said that it will

continue to consider ESG dynamics given the very real impact of environmental risks, for example, on certain investment returns. Individual investors, too, remain interested in ESG investments: a February Gallup poll found that 48 percent of individual investors with more than \$10,000 invested are very or somewhat interested in ESG investment, and about 40% look into a company’s governance policies and social value advocated by companies before investing.

The next few years will be crucial in determining whether the ESG sector (still nascent, in the big picture) can weather attacks on its credibility from both opponents and proponents of its ostensible goal of incentivizing investment with purpose. Many investors call for the methodology and standards for ESG funds to be further refined, allowing for standardized assessments across companies and markets, while others call for the retirement of the ESG term altogether in favor of several, more precise designations that avoid the potential dilution of all-encompassing funds. While the broader concept of conscious investing is likely going nowhere – especially as increasingly politically- and environmentally-motivated younger generations enter the workforce and amass wealth – the utility of the ESG designation is increasingly in question.

Ukraine War Update: Battle for Severodonetsk, Grain Export Talks

Ukraine will fight to recover all its territory occupied by Russian forces, President Zelensky said on Tuesday, as his troops struggled to hold their ground in bloody street-to-street fighting in the city of Severodonetsk.

Political Developments

Ukrainian President Zelenskyy said a stalemate in the war with Russia was "*not an option for us*" as he once more appealed for western military support to restore his country's territorial integrity. "We are inferior in terms of equipment and therefore we are not capable of advancing," he said. "*We are going to suffer more losses and people are my priority.*"

British Prime Minister Johnson told a Cabinet meeting that Ukraine should not be pressured "*into accepting bad peace.*" Johnson said, "*the world must avoid any outcome where Putin's unwarranted aggression appears to have paid off.*"

Norway donated 22 self-propelled howitzers to Ukraine, including spare parts, ammunition and other gear, per the Norwegian defense ministry.

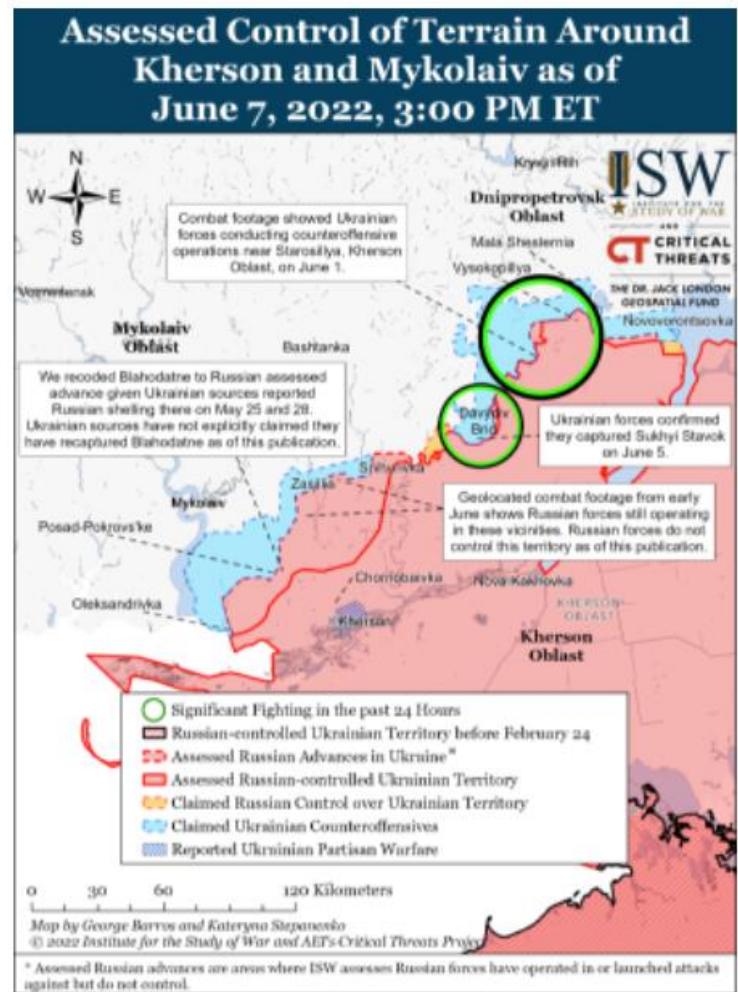
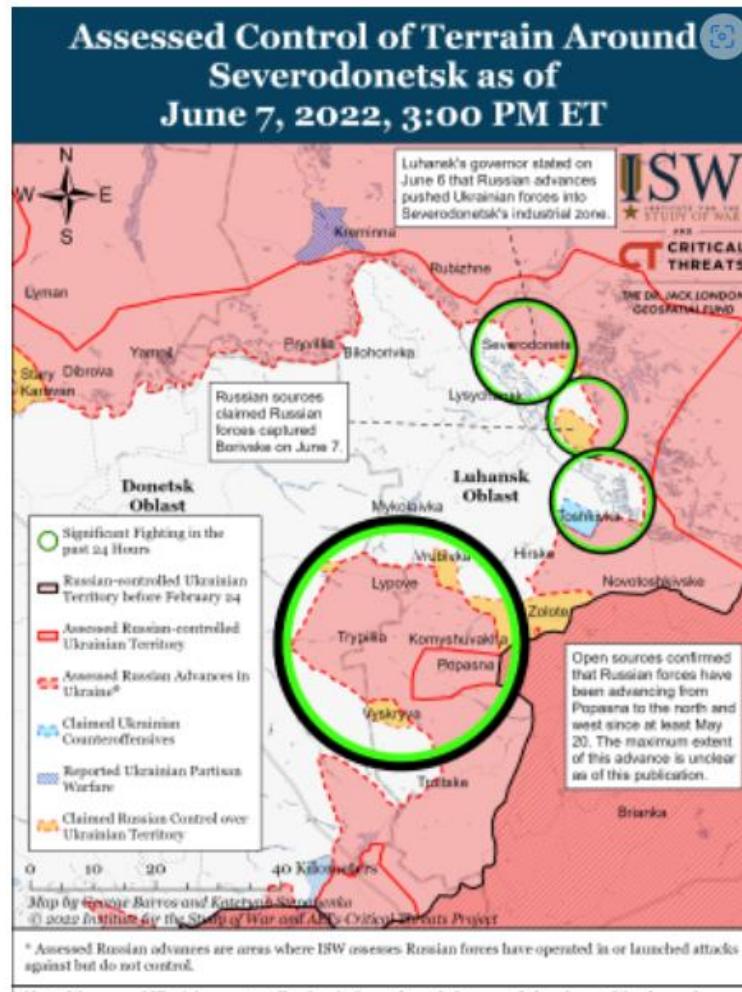
The Russian Embassy in the US claimed that the transfer of weaponry to Ukraine carries the risk of arming "*bandits and terrorists.*"

Russian and Turkish talks end without a significant breakthrough toward creating a sea lane to export grain from Ukraine across the Black Sea as a part of an UN-backed effort to address a global food crisis.

Battlefield Developments

Intense fighting to control Severodonetsk continued Tuesday, with both Russia and Ukraine making a series of claims and counterclaims about the situation on the ground. Moscow said it had "*liberated*" the eastern city, which is key to controlling Ukraine's eastern Donbas region, although this was soon rebuked by Kyiv who maintained they were still in control.

Ukraine War Update: Battle for Severodonetsk, Grain Export Talks



Source: [Institute for the Study of War](#)

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Ukraine War Update: Battle for Severodonetsk, Grain Export Talks

The Institute for the Study of War assessed Russian forces continued offensive operations in several locations in eastern Ukraine but did not secure any confirmed gains in ground assaults on June 7. Russian forces have likely captured most of Severodonetsk. Russian forces additionally redeployed troops east of Bakhmut to renew offensives to secure access to highways northeast of Bakhmut and threaten Ukrainian lines of communication. Russian troops north of Slovyansk will likely seek to advance toward Slovyansk and Kramatorsk from positions north of the city. Russian forces on the Southern Axis are reportedly redeploying away from Zaporizhia Oblast toward Kherson Oblast, likely in order to support Russian defensive positions that have been threatened by Ukrainian counterattacks along the Mykolaiv-Kherson Oblast border south of Davydiv Brid.

Economic Developments

The World Bank's executive board approved \$1.49 billion of additional financing for Ukraine on Tuesday to help pay wages for government and social workers, expanding the bank's total pledged support to over \$4 billion.

The US Treasury Department has banned US money managers from buying any Russian debt or stocks in secondary markets, on top of its existing ban on new-issue purchases. The rules do still allow US investors to sell or continue to hold Russian assets that they already own. Buying shares in US funds that contain Russian debt or equities will also still be possible.

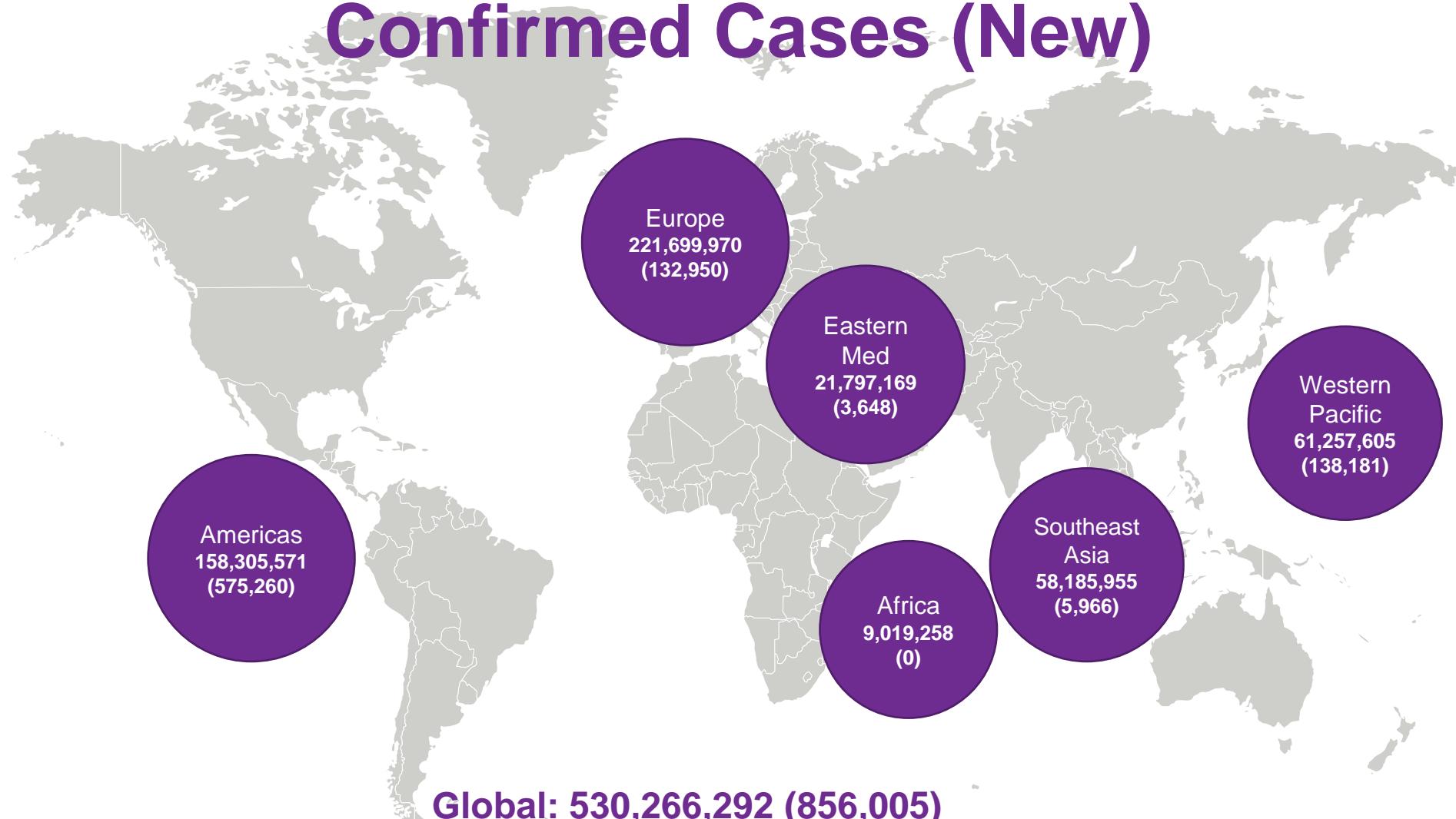
International Business Machines Corp is winding down its business in Russia and has started to lay off its employees in the country.

Russian state flagship airline Aeroflot said it plans to raise up to 185.2 billion rubles (\$3 billion, €2.8 billion) in an emergency share issue. The company has been under pressure from Western sanctions and airspace bans.

Coronavirus Condition Updates

As of 5:22 pm CEST on June 7, 2022

Confirmed Cases (New)



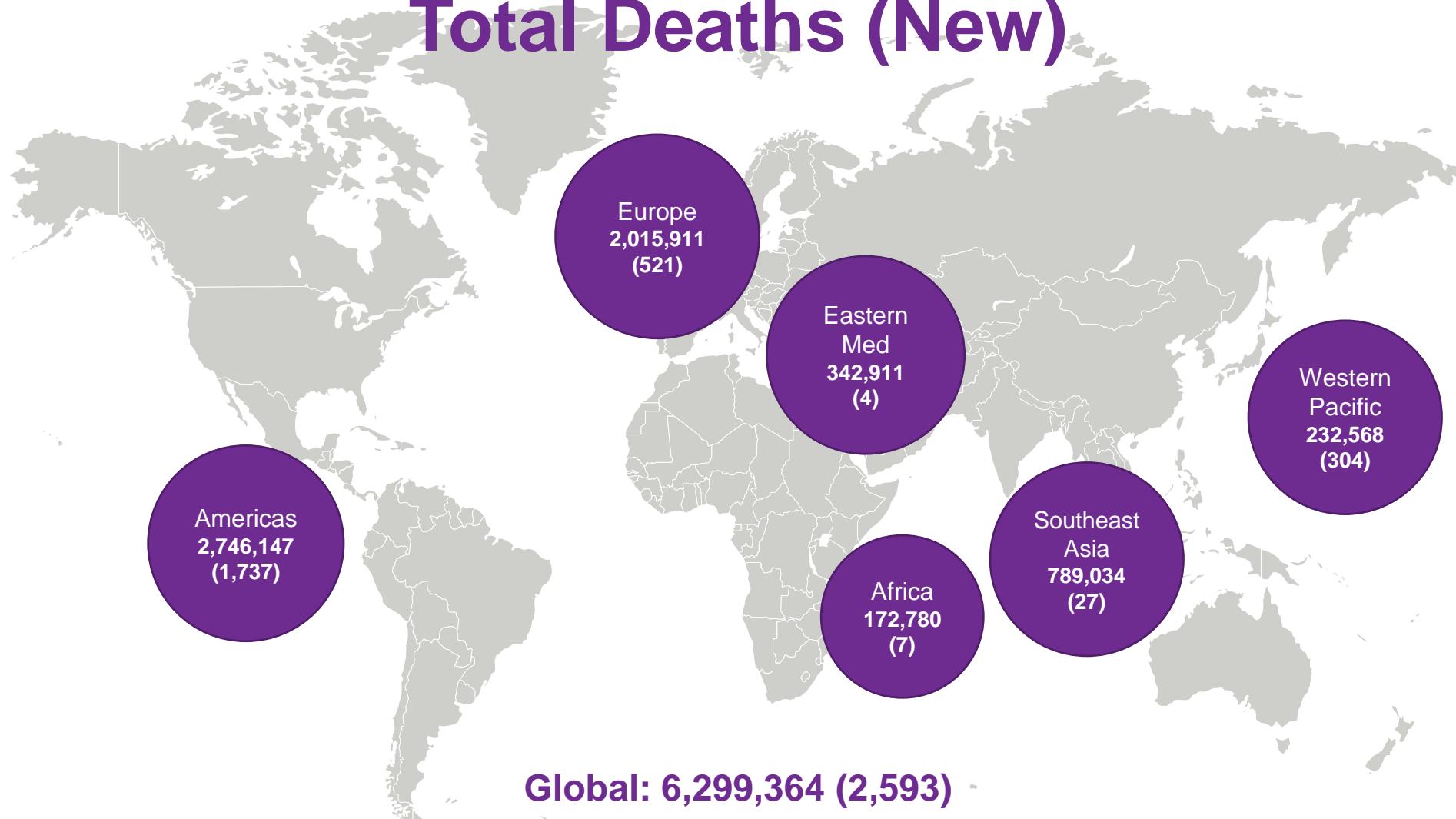
Reflects data as of 5:22 pm CEST on June 7, 2022.

Data Source: World Health Organization

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Total Deaths (New)



Reflects data as of 5:22 pm CEST on June 7, 2022.

Data Source: World Health Organization

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Contacts

This summary is based on reports sourced from among the 75 countries in which Dentons currently serves clients as well as from firms in other locations, some of which will formally join Dentons later in 2020. We are pleased to share this complimentary summary and contemporaneous assessment, with the caveat that developments are changing rapidly. This is not legal advice, and you should not act or refrain from acting based solely on its contents. We urge you to consult with counsel regarding your particular circumstances.

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