

Dentons Flashpoint

Daily Global Situation Report

May 18, 2022

Global Situation Update: May 18, 2022

KEY TAKEAWAYS

Finland and Sweden submitted their membership bids for NATO.

UK inflation hit 9 percent in April, its highest level in more than 40 years.

North Korea reports 1.72 million people with COVID-19 symptoms.

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WHAT WE'RE WATCHING

The World Meteorological Organization (WMO) will release today its final report for the year on the state of global climate change. The flagship annual report gives details of climate indicators such as temperatures, ocean heat, ocean acidification, sea level rise, sea ice glaciers and extreme weather. WMO pointed out earlier this week that the world had the fifth warmest April on record.

A major initiative of the WMO is to strengthen early warnings and early action for problems like the heat wave gripping India and Pakistan. WMO is also working to address record-breaking rain in South Africa. Its report is released just ahead of the World Economic Forum 2022 Annual Meeting, which brings together more than 2,000 leaders and experts from around the world.



WORLD
METEOROLOGICAL
ORGANIZATION

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Global

More children around the world are at risk for severe malnutrition, as the price of food and life-saving treatment skyrockets, UNICEF warned in a new report on Tuesday.

- Ukrainian and Russian officials said that **peace negotiations** between the two countries have stagnated. Moscow accused Ukraine of hardening its stance. Ukrainian presidential adviser Podolyak said that talks are "*on hold*" as Russia is not willing to accept it "*will not achieve any goals.*"
- The US is considering blocking **Russia's** ability to pay its US bondholders by allowing a key waiver to expire next week, which could put Moscow closer to the brink of **default**.
- At the UN today, the US will host the Global Food Security Call to Action summit in a focus on strengthening **global food security**, nutrition, and resilience.

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Markets & Business

International investors sold off \$16 billion worth of Chinese bonds in April in the face of a weakening renminbi and more attractive returns on dollar debt, according to the *Financial Times*. That marked the third straight month of net sales by offshore investors.

- **Saudi Aramco** is reportedly considering an initial public offering of its trading arm amid high oil profits.
- **Netflix** said it has laid off about 150 people, mostly in the US, as the streaming service company faces slowing growth.
- **Apple** paused plans to start bringing employees back to the office a third day each week, amid an increase in COVID-19 cases in the San Francisco area and complaints from some workers, unhappy with the proposed increase.
- One of **Allianz SE's** US investing divisions pleaded guilty to securities fraud and agreed to pay about \$6 billion in penalties and restitution to investors who suffered losses when some of the subsidiary's hedge funds crashed during the March 2020 market selloff.
- French shipping group **CMA CGM** is set to become a leading shareholder in **Air France-KLM** and will forge a partnership in air cargo with the carrier, part of a drive to expand its reach after a boom in its business during the pandemic.

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Environment, Sustainability & Governance

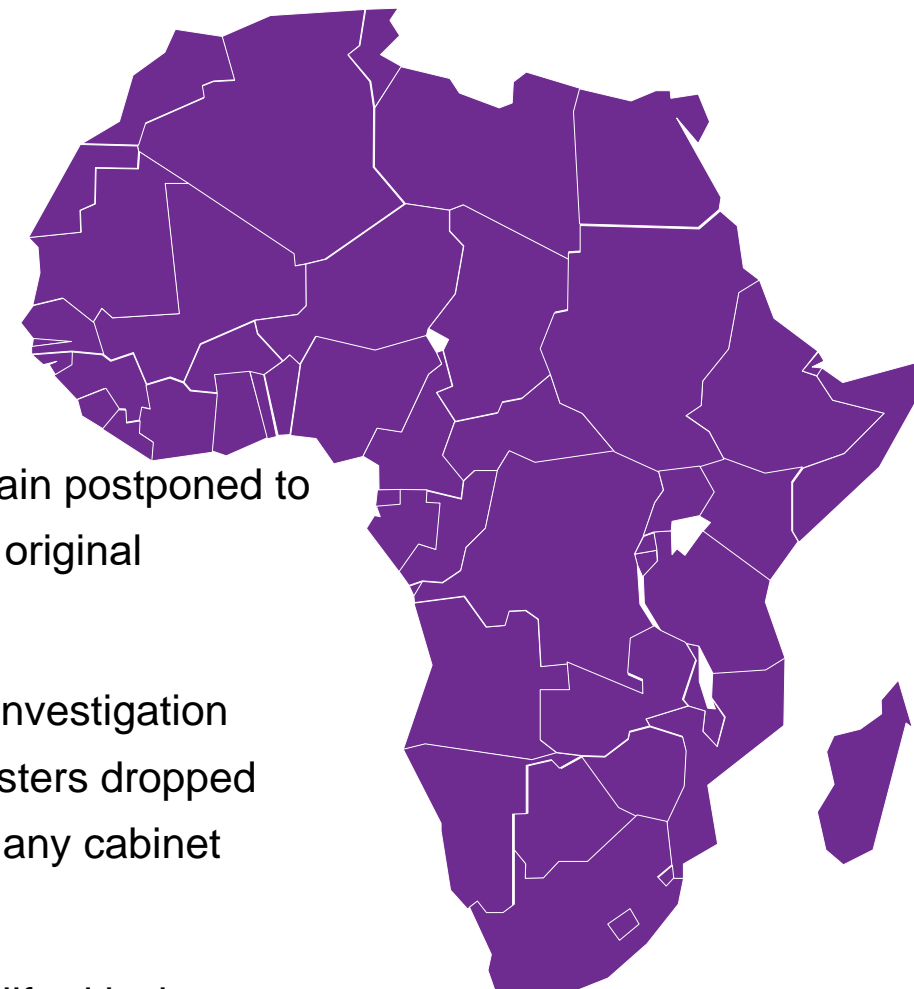
The European Commission will unveil today a 210 billion euro plan for how Europe can end its reliance on Russian fossil fuels by 2027 and use the pivot away from Moscow to quicken its shift to green energy.

- Only 31 percent of JPMorgan Chase shareholders voted to approve a **special payout for CEO** Jamie Dimon in an advisory referendum.
- Germany, Belgium, the Netherlands and Denmark are set announce a joint pledge to build at least 150 gigawatts (GW) of **offshore wind** in the North Sea by 2050, increasing their capacity tenfold.
- **Environmental activists** briefly disrupted BNP Paribas' annual shareholder meeting in Paris, accusing France's largest listed bank of being Europe's main financing partner for the fossil energies sector.
- Worsening outdoor **air pollution** and toxic lead poisoning have kept global deaths from environmental contamination at an estimated 9 million per year since 2015 – countering modest progress made in tackling pollution elsewhere, per global nonprofit Pure Earth.

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Africa

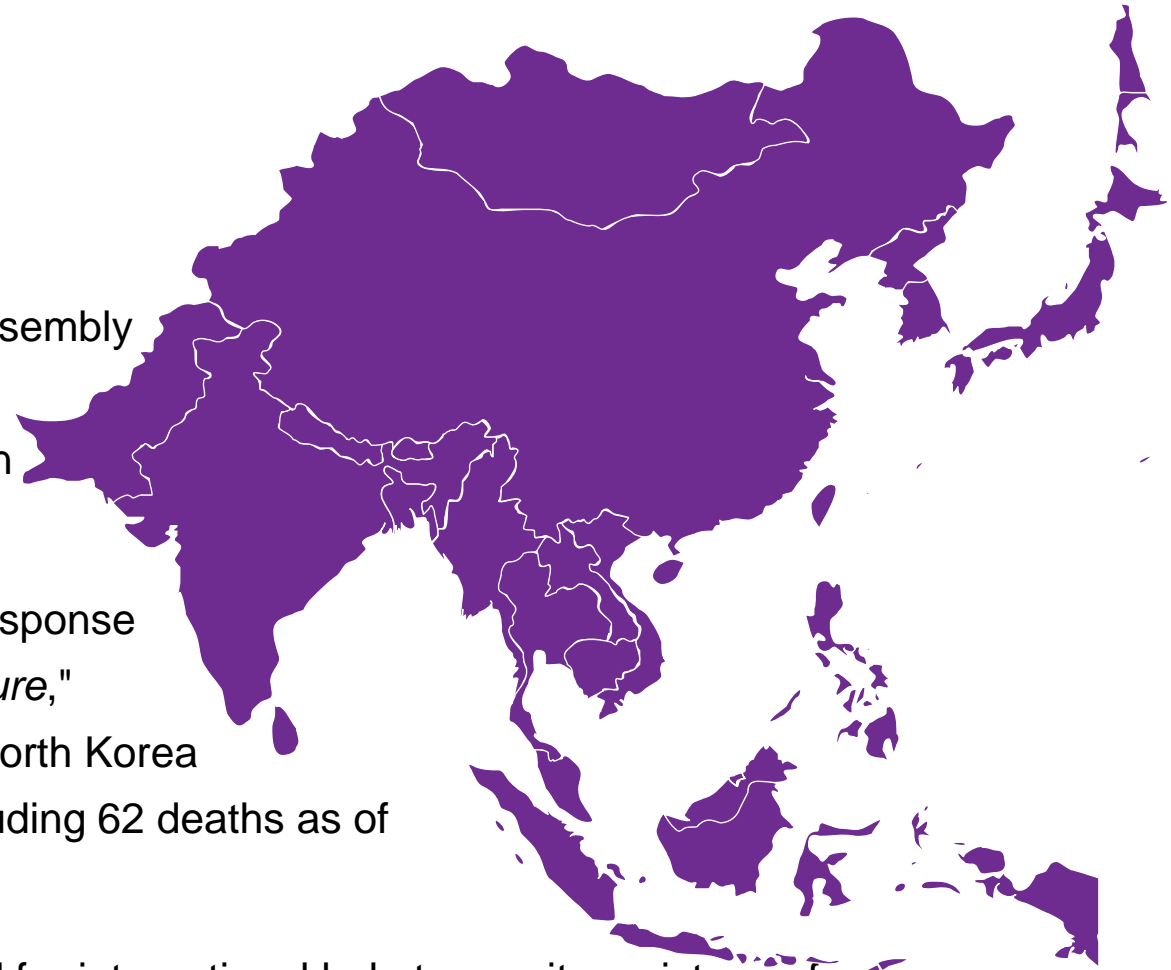
- Five opposition leaders were arrested in **Chad** for disturbing the public order during a Saturday demonstration against France.
- The corruption trial for former **South African** President Zuma was again postponed to August pending an appeals decision from the supreme court. Zuma's original sentencing prompted historic unrest in the country.
- The head of **Nigeria's** treasury was arrested for failing to respond to investigation requests for fraud and money laundering charges. Four Nigerian ministers dropped presidential bids following an announcement from the incumbent that any cabinet members seeking election must resign.
- **Zimbabwe's** central bank banned third country foreign payments but lifted its ban on bank lending amid ongoing efforts to curb the country's financial crisis.
- The **EU** will keep its military training mission in **Mali** suspended but not terminate it for the time being, per foreign policy chief Borrell.



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Asia

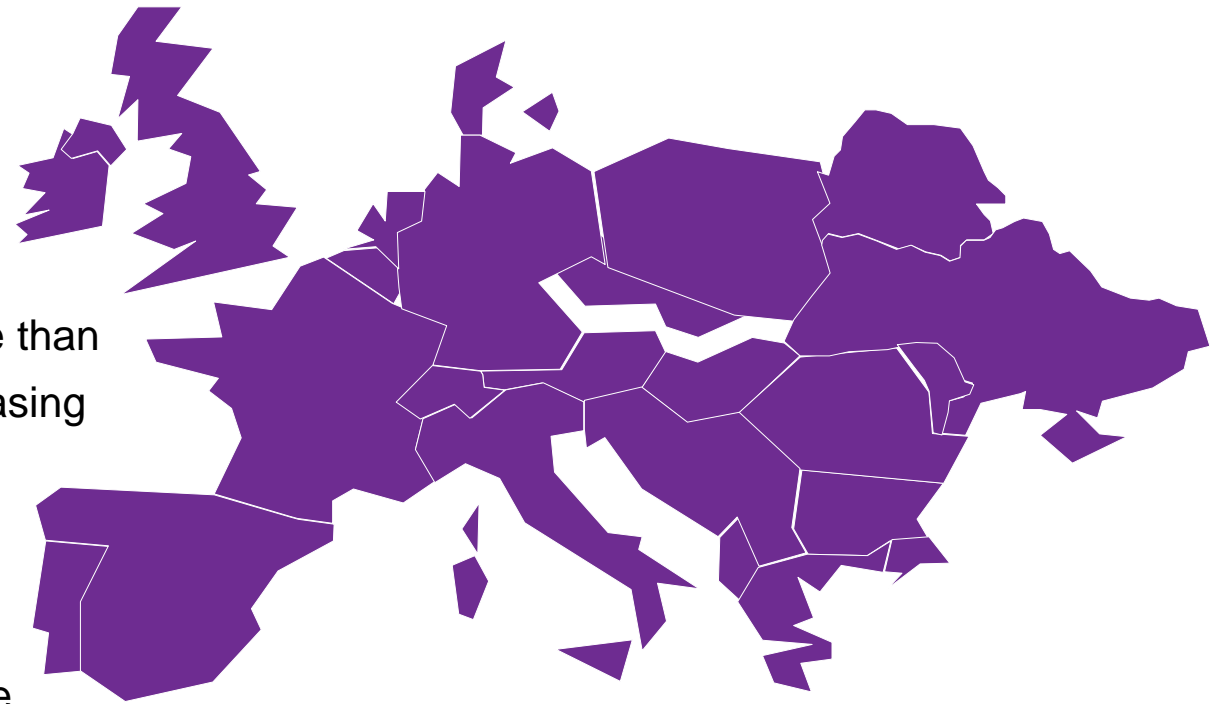
- The **US** called for **Taiwan** to be allowed to attend a WHO assembly next week, arguing the democratically governed island's exclusion at **China's** behest was unwarranted and a concern for global health.
- **North Korean** leader Kim Jong Un criticized his country's response to its first officially confirmed COVID-19 outbreak as "*immature*," accusing government officials of inadequacies and inertia. North Korea has reported 1.72 million patients with fever symptoms, including 62 deaths as of Tuesday evening.
- The defense chief of **Myanmar's** shadow government called for international help to arm its resistance forces fighting the ruling military, requesting support similar to that being given to Ukrainians battling invading Russian troops.
- **Sri Lanka** is expected to be placed into default by rating agencies today after the non-payment of coupons on two of its sovereign bonds, while the energy minister said the country had run out of money to pay for fuel.



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Europe

- **UK** inflation hit 9 percent in April, its highest level in more than 40 years, driven by soaring gas and electricity bills increasing the cost of living crisis.
- **Britain's** Business Secretary Kwarteng said his department would end all overseas aid spending in **China**, focusing instead on where UK aid is needed more. Last year, UK aid to China was around 13 million pounds (\$16.2 million).
- **Britain** set out steps on Tuesday to try to break the deadlock with the **EU** on trade with **Northern Ireland**, lining up a new law that would effectively override parts of a Brexit deal and further inflame ties with Brussels.
- **Finland and Sweden** submit their membership bids for NATO today. Finland and Sweden were both neutral throughout the Cold War and their decision to join NATO reflects the sweeping shift in public opinion in the Nordic region since **Russia's** February 24 invasion. Ratification of all 30 allied parliaments could take up to a year.



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How do You Manage Incident Response?

2021 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](#).

Middle East



- Palestinian medics reported that more than 70 Palestinians were wounded in overnight clashes with **Israeli** forces at a **Jerusalem** funeral for a man killed at Al-Aqsa mosque clashes last month, potentially further heightening tensions.
- Four opposition lawmakers from **Tunisia's** dissolved parliament were jailed by a military court, according to their lawyers, a further sign of consolidating presidential control. Tunisia resumed phosphate exports after 11 years.
- **Egyptian** officials said that a World Bank-backed scheme to export energy from Egypt to **Lebanon** is being held up by the **US**, who has not clarified whether the pipeline would be subject to sanctions due to the payment of transit fees to the Assad government in **Syria**. The plan is aimed at alleviating severe energy shortages in crisis-hit Lebanon.
- **Saudi Arabia's** Deputy Minister of Defense visited the **US** for surprise talks with senior US officials, the Kingdom's first cabinet level visit to the US since President Biden has refused to meet with de facto leader Crown Prince Mohammed bin Salman and a potential signed of thawing ties.

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Americas

- US officials told media that **Venezuela's** President Maduro and the opposition are expected to resume talks after the **US** eases some sanctions. The US extended a limited license held by Chevron Corp. that allows the oil company to maintain its operations in Venezuela and negotiate future business in an attempt to encourage talks between the government and the US-backed opposition to open a path to free and fair elections.
- **Brazil's** top elections official warned that the country could see a repeat of the US' January 6 riots, further raising the alarm on President Bolsonaro's efforts to seed skepticism in the process.
- **Guatemalan** President Giammattei said he would not attend next month's Summit of the Americas, a day after the **US** criticized the country for appointing its attorney general to serve another term.

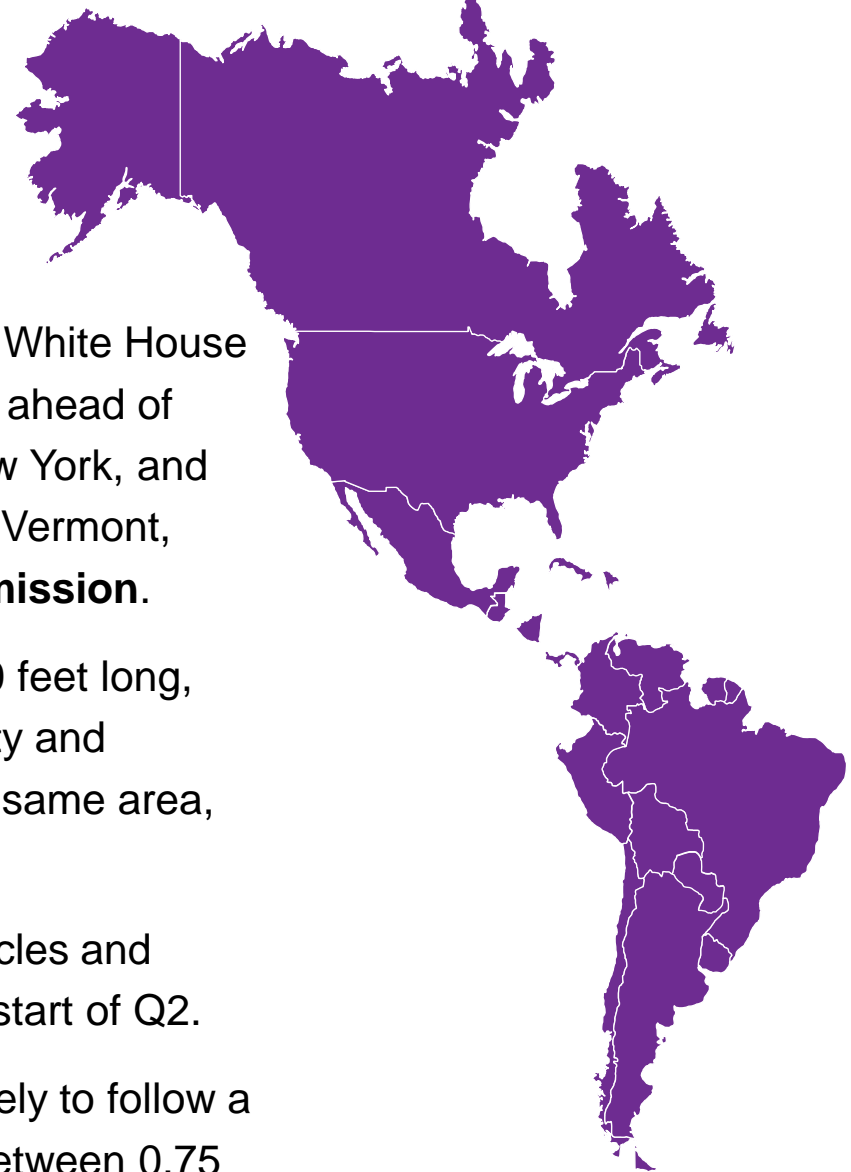


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Americas: US

- Households can now order eight more free at-home **coronavirus tests**, the White House said Tuesday, giving Americans access to an additional supply of rapid tests ahead of possible summer and fall surges. As of Tuesday, much of the Northeast, New York, and parts of Delaware, New Jersey, Pennsylvania, Connecticut, Massachusetts, Vermont, New Hampshire and Maine, has reached **high community levels of transmission**.
- US anti-narcotics agents have discovered a **drug-smugglers' tunnel**, 1,750 feet long, running under the US-Mexico border and equipped with a rail track, electricity and ventilation system. Since 1993, close to 100 tunnels have been found in the same area, most recently in March 2020, per US prosecutors.
- US **retail sales** rose strongly in April as consumers bought more motor vehicles and increased spending at restaurants, providing a boost to the economy at the start of Q2.
- US Federal Reserve Chairman Powell signaled that the central bank was likely to follow a half-percentage-point raise in **interest rates** earlier this month, to a range between 0.75 percent and 1 percent, with similar moves at meetings in June and July, warning that restoring price stability is necessary and may cause an increase in unemployment.

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Pay, Performance and ESG: Shareholder Pushback on Executive Compensation

By Matthew Skros

Pressure from shareholders on executive compensation has grown in the past few years, requiring business leaders to rethink how they administer packages, possibly tying them to company performance or Environmental, Social and Governance (ESG) metrics.

Over the past several years, chief executive pay at large corporations has continued to rise. According to data provider ISS Corporate Solutions, median chief executive compensation at S&P 500 companies rose from \$13.2 million in 2020 to \$14.4 million in 2021, increasing despite the economic downturn that resulted from the COVID-19 pandemic. Now, though, many shareholders are pushing back on such high compensation packages, citing what they view as unsatisfactory company performance and the lack of justification for the large packages. Many investors are also demanding that CEO pay be tied to meeting certain ESG metrics. As shareholders become more active on the issue, business leaders may have to be prepared to manage this business risk and mitigate shareholders' concerns.

Some of this pressure from shareholders can be traced back to the COVID-19 pandemic and the financial losses that ensued from that

recession. Despite companies taking a financial hit and laying off staff, executives at some of those firms recorded large earnings. For example, Norwegian Cruise Lines paid its CEO \$36.4 million in 2020 according to *The Economist*, despite tourist traffic worldwide slowing and the company recording a loss that year. In May 2021, 83 percent of Norwegian Lines shareholders voted against the compensation package.

Scrutiny of compensation packages is also coming from sovereign wealth funds, such as Norway's \$1.2 trillion fund, which owns 1.5 percent of nearly every listed company on the globe. The CEO of that fund, Nicolai Tangen, has made statements attacking "*corporate greed*" and "*mediocre performance*," promising to scrutinize large salary packages that his fund feels are not justified based on performance. At the 2022 annual meetings of Intel, IBM and Apple, the fund voted against the executive compensation packages for all

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Pay, Performance and ESG: Shareholder Pushback on Executive Compensation

three companies. They also voted against Harley-Davidson's 2022 pay package, saying that the company had not made a compelling case for why the company's executives should be paid more than the industry competition. The fund, however, is not uniformly against large pay packages for executives; rather, they prefer to see the compensation tied to the satisfactory performance of the company. For example, the Norwegian fund voted in favor of large pay packages at JP Morgan and Amazon because, in those cases, the packages were long-term remuneration plans that incentivized business growth in exchange for the pay.

Apart from company performance, shareholders are also calling for more ESG considerations when calculating executive compensation, and companies are responding. According to a report from ESG analytics firm ESGAUGE, which analyzed proxy proposals from shareholder meetings in the first half of 2021, new proposals on ESG issues were up significantly from previous years' shareholder meetings. Large asset management firms are also supporting more ESG proposals. Vanguard's support for ESG proposals increased 20 percent in the first half of 2021, while BlackRock claims to have doubled its support for ESG-related shareholder proposals in 2020-2021. Large companies such as Apple, McDonalds, Chipotle and Unilever have all linked ESG metrics to their executives' pay.

As companies navigate the post-COVID business world, they will find that shareholders are much more attuned to the compensation of executives and will likely scrutinize pay packages more closely than they have in the past. Shareholders may request more justification for large compensation packages, demanding that those packages be earned through good company performance or ESG metrics being met. Business leaders may need to prepare for more questions at shareholder meetings and even tight votes on the compensation packages themselves, as Coca-Cola's board discovered in April 2022, when just 50.5 percent of shareholders supported their CEO's compensation package. Business leaders may have to mitigate those concerns by tying pay to performance metrics, thus diffusing a shareholder battle before it starts. Outside of shareholder meetings, a company paying its executives high compensation without robust business performance to match could garner negative media attention, as Norwegian Cruise Lines did when its CEO's pay was revealed. Additionally, executive compensation that is perceived by company employees as unjustified could impact workforce satisfaction, possibly leading employees to seek jobs elsewhere. As shareholder pressure on this matter grows, steps may need to be taken by business leaders to manage this risk.

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Ukraine War Update: Peace Talks, Kherson Oblast, Oil Embargo

Ukrainian and Russian officials said that peace negotiations between the two countries have stagnated. Moscow accused Ukraine of hardening its stance. Ukrainian presidential adviser Podolyak said that talks are "on hold" as Russia is not willing to accept it "will not achieve any goals."

Political Developments

G7 finance ministers are meeting in Germany to discuss short-term aid to stabilize the Ukrainian national budget, estimating that the country needs €5 billion (\$5.2 billion) of assistance for an initial period of three months.

The US announced the launch of a new program to capture and analyze evidence of war crimes and other atrocities perpetrated by Russia in Ukraine, as Washington seeks to ensure Moscow is held accountable for its actions. The Conflict Observatory will encompass documentation, verification and dissemination of open-source evidence of Russia's actions in Ukraine.

Canada introduced a bill in the Senate that will ban Russian President Putin and around 1,000 other members of his government and military from entering the country as it continues to ratchet up sanctions after the invasion of Ukraine.

In a phone conversation, French President Macron promised his Ukrainian President Zelenskyy more weapons in the days to come. The French leader also said the EU members would examine Ukraine's EU application at a summit in June. The two leaders agreed that a negotiated peace with Russia is contingent on Moscow ending hostilities and pulling out its troops from Ukraine.

The International Criminal Court is sending war crimes investigators to Ukraine in what it called the largest such deployment in its history.

Russia expelled two Finnish diplomats in retaliation for a similar measure taken by Helsinki, the Russian Foreign Ministry said yesterday.

On a visit by Russian Deputy Prime Minister Marat Khusnullin to Ukraine's southern Kherson region. Khusnullin said that the region would take a *"worthy place in our Russian family."* On May 1, Moscow introduced the Russian ruble as official currency in the

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Ukraine War Update: Peace Talks, Kherson Oblast, Oil Embargo

region. The Russian-installed local government in Kherson said it plans to appeal to Moscow for the right to become part of the Russian Federation.

Battlefield Developments

The US assesses that Russia still intend to encircle Ukrainian fighters and to occupy the Donbas and the Eastern part of the country. Mariupol is geographically relevant to the fighting, with conditions now allowing Russia to free up troops.

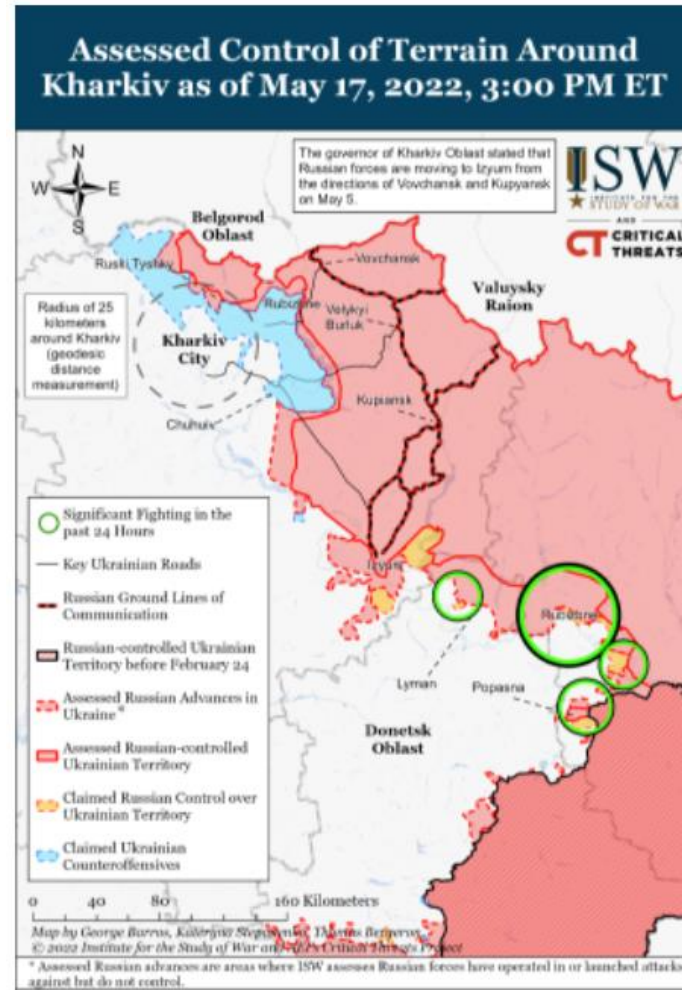
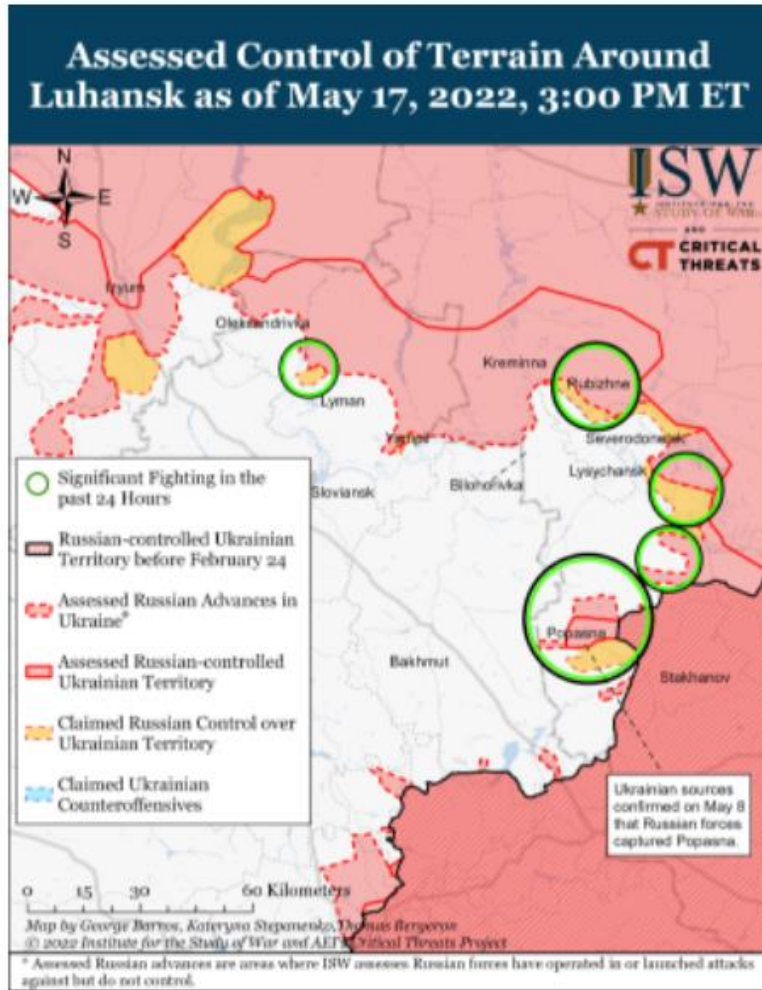
According to the Institute for the Study of War (ISW), Russian forces have intensified artillery fire on Ukrainian border settlements in Chernihiv and Sumy oblasts over the past few weeks. The Ukrainian Northern Operational Command reported that Russian forces shelled the border between Sumy Oblast and Russia over 70 times on May 17. Sumy Oblast Administration Head Dmytro Zhyvytskyi said that Russian saboteurs unsuccessfully attempted to break through the Ukrainian border on May 17.

Per ISW, the Ukrainian Military Intelligence Directorate reported that the Russian Defense Ministry's Department of Information and Mass Communications is hastily preparing a press tour of foreign journalists through occupied territories of Ukraine between May 18 and May 21. The Kremlin may have agreed to the condition surrender of the Mariupol defenders to secure a victory in order to deflect criticism on social media of the failed Russian Siverskyi Donets River crossings and the overall slow pace of the invasion.

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Ukraine War Update: Peace Talks, Kherson Oblast, Oil Embargo



Source: [Institute for the Study of War](https://www.instituteforthe study of war.org/)

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Ukraine War Update: Peace Talks, Kherson Oblast, Oil Embargo

Russia's main federal investigative body said it intends to interrogate the Ukrainian defenders evacuated from Azovstal as part of its probe into alleged "*crimes by the Ukrainian regime against the civilian population*" in Ukraine's east.

Humanitarian Developments

The World Health Organization estimates that at least 3,000 people had died in Ukraine because they could not access treatments for chronic diseases since the start of the war.

Economic Developments

The US is considering blocking Russia's ability to pay its US bondholders by allowing a key waiver to expire next week, which could put Moscow closer to the brink of default.

US Treasury secretary Yellen is in talks with EU and G7 allies on a potential price cap or tariff on Russian oil, as Brussels struggles to reach a consensus among its member states on a full import ban.

Russian President Putin on Tuesday said European countries would not be able to impose a ban on Russian oil imports. His remarks

came as EU members failed this week to negotiate a proposed embargo on Russian oil after a small group of countries continued to oppose the plan. Putin admitted that the Russian oil market had been hit by "*tectonic changes*" amid sanctions following the invasion of Ukraine, adding that Moscow would help domestic oil producers, including facilitating access to loans and insurance.

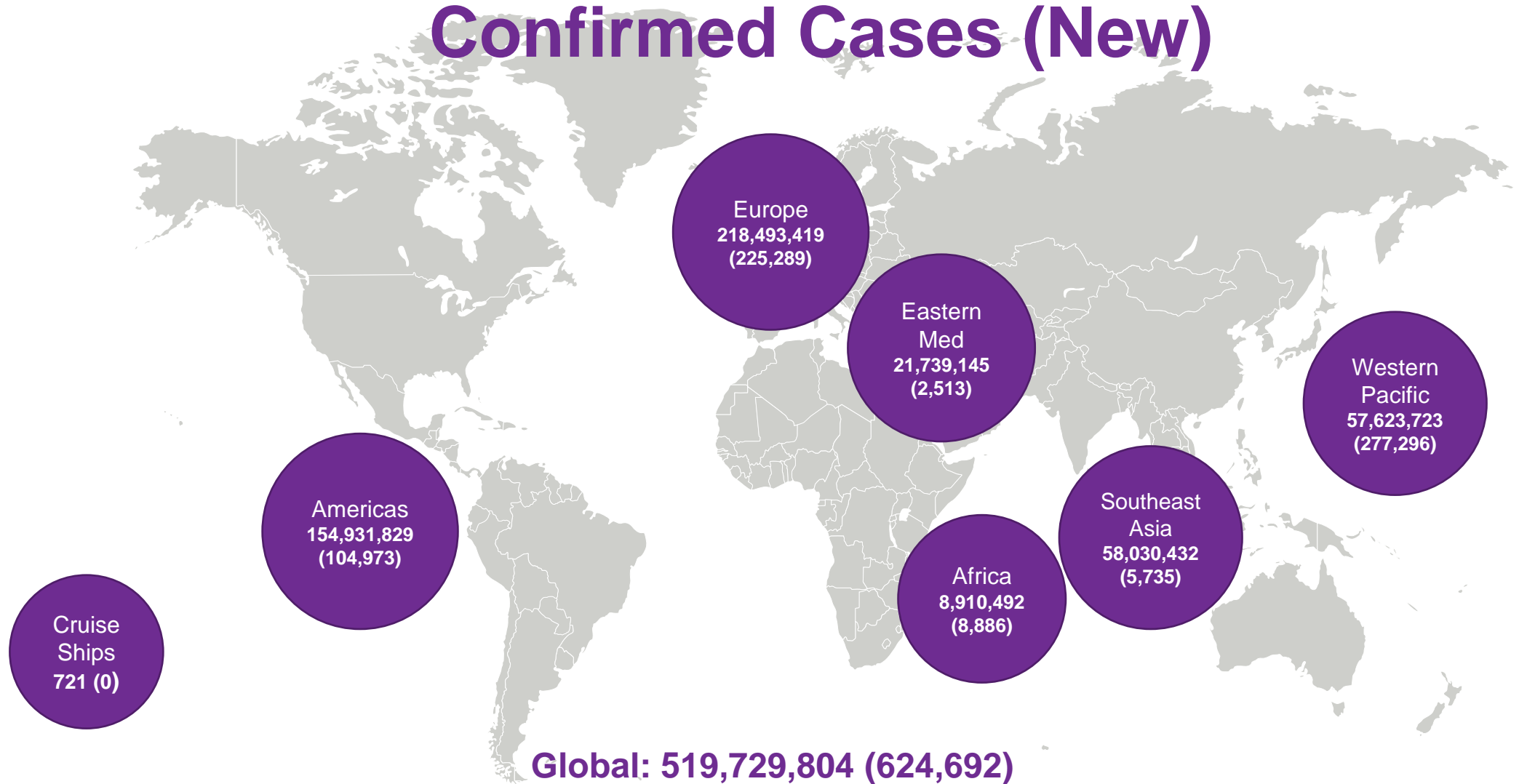
Finland is concerned that Russia might cut gas supplies, because of its refusal to pay Russia's Gazprom in rubles. Although gas accounts for only 8 percent of the energy consumed in Finland, a majority of the gas used comes from Russia.

Eni plans to open a rouble account with Gazprombank to comply with Russian demands for gas sales, a move that puts the Italian energy group on a collision course with Brussels over EU sanctions against Moscow.

Coronavirus Condition Updates

As of 8:59 pm CEST on May 17, 2022

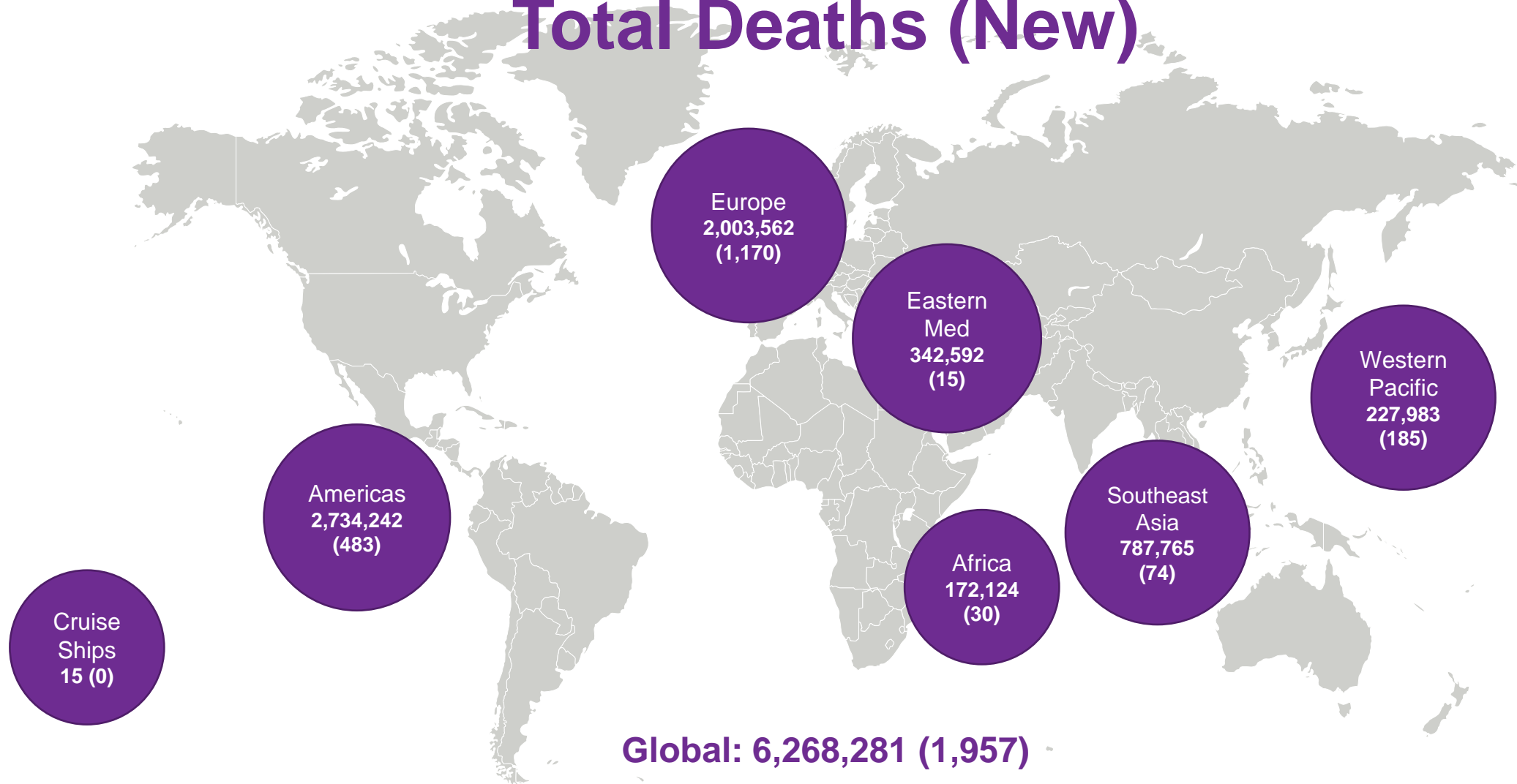
Confirmed Cases (New)



Reflects data as of 8:59 pm CEST on May 17, 2022.
Data Source: World Health Organization

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Total Deaths (New)



Reflects data as of 8:59 pm CEST on May 17, 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.

To read additional analysis, visit the [Dentons Flashpoint portal](#) for insights into geopolitics and governance; industry and markets; cyber and security; science, health and culture; and economic and regulatory issues.

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