

Dentons Flashpoint

Daily Global Situation Report

November 2, 2021

Global Situation Update: November 2, 2021

KEY TAKEAWAYS

French President Macron postpones the implementation of sanctions on the UK over a fishing dispute as the two parties engage in negotiations.

US regulators call for legislation classifying operators of dollar-backed cryptocurrency “stable coins” to be treated as banks.

Global leaders sign on to the Global Methane Pledge and Glasgow Leaders’ Declaration on Forest and Land Use at COP26.

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WHAT WE'RE WATCHING

The energy supply chain in Europe faces a new complication with the shutdown of the Maghreb-Europe gas pipeline, which supplied Spain with Algerian gas through Morocco since 1996. Algiers claims the contract to operate the transnational pipeline was not renewed because of “*Morocco’s hostile acts towards Algeria,*” while Rabat argues that the cancelation is for economic reasons as Algeria has fewer oil reserves for export as its domestic consumption has increased.

Algeria will continue supplying Spain, and indirectly parts of Portugal and southern France dependent on the gas, with natural gas via the undersea Medgaz pipeline but it has a much smaller capacity and any unforeseen problems to it will mean real trouble. There are concerns in Madrid that this alternative option may not make up the energy shortfall with winter around the corner and the price of energy skyrocketing.



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

Global

Globally, confirmed coronavirus cases topped 246.5 million with 4.9 million deaths; almost 6.8 billion vaccine doses have been administered.

- In a joint statement at the climate summit, more than 100 global leaders pledged to halt and reverse **deforestation and land degradation** by the end of the decade, pledging \$19 billion in public and private funds to invest in protecting and restoring forests. The Glasgow Leaders' Declaration on Forest and Land Use will cover forests totaling more than 13 million square miles.
- Nearly 90 countries have signed on to the Global Methane Pledge, a US/EU-led effort to slash emissions of the potent **greenhouse gas methane** 30 percent by 2030 from 2020 levels,
- EU President von der Leyen criticized Russia and China for opting not to attend **COP26** in person. Turkish President Tayyip Erdogan cancelled plans to attend the global climate conference over a disagreement on security arrangements.
- Indonesia became the first country to issue emergency use approval for the **Novavax COVID-19 vaccine**; Novavax said it has also filed for emergency use approval in Canada.

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Markets & Business

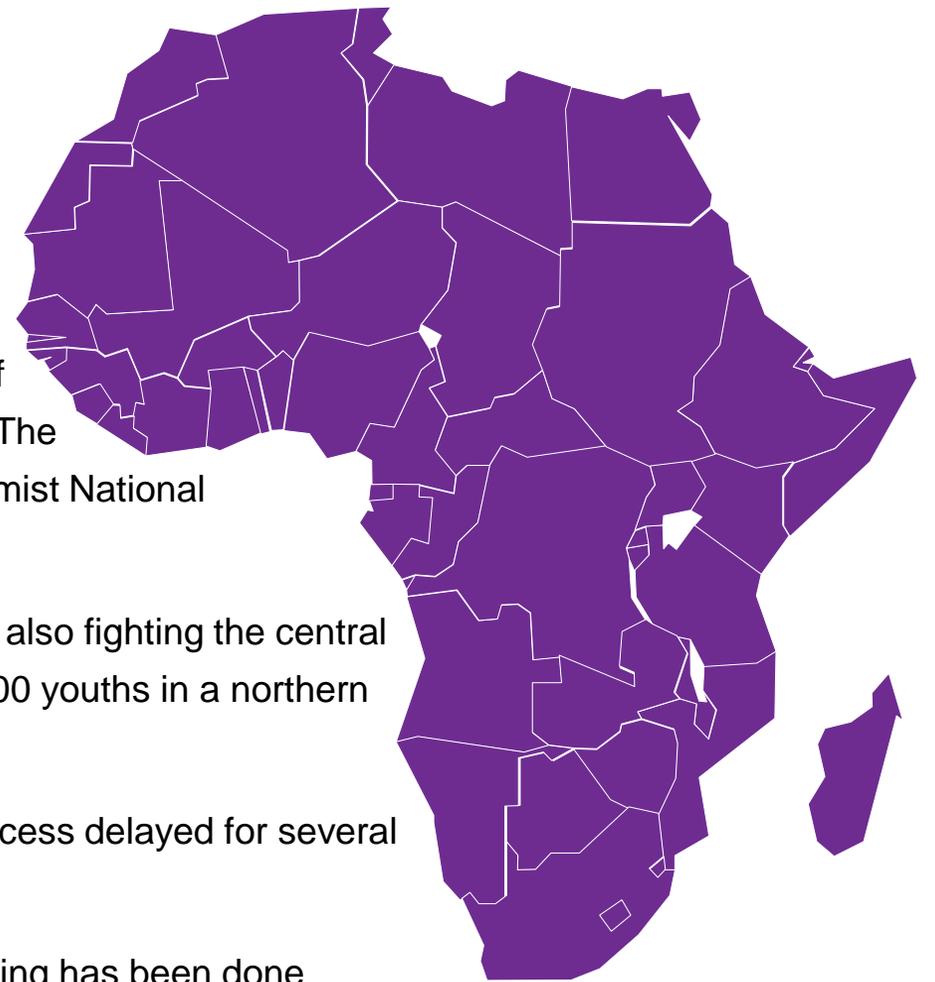
BlackRock Inc has raised \$673 million for an infrastructure fund with backing from the French, German and Japanese governments to invest in climate-focused projects such as renewable energy in emerging markets.

- **Amazon** applied to the US Federal Communications Commission (FCC) for approval to launch and operate two prototype internet satellites.
- **SpaceX's Starlink** registered its business in India, as the company gears towards launching internet services in the country.
- Qatar will partner with **Rolls-Royce** to invest billions in green technology startups in the Gulf and UK.
- Major investors are warning the world's top four audit firms they will vote to stop the firms working for the companies they invest in if audits do not integrate **climate risk**.
- Swiss investment bank **Credit Suisse Group AG** plans to accelerate its expansion in China, growing its team on the mainland by three times in the next five years.
- **Yahoo Inc.** has pulled its services in China, citing an increasingly challenging business and legal environment.

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Africa

- Tribal protestors lifted their blockade on one of **Sudan's** main seaports after reaching a deal with the country's military. The **US** special envoy for the Horn of Africa arrived in Khartoum to try to defuse a crisis following the coup last week. The military junta released several members of former dictator Omar al-Bashir's Islamist National Congress Party, but the party's former leader was shortly re-arrested.
- The Tigrayan rebels in **Ethiopia** claimed to have partnered with an Oromo state also fighting the central government. The government in Addis Ababa accused the Tigrayans of killing 100 youths in a northern city.
- **Somalia** began the process for lower house elections, restarting an election process delayed for several by disputes between the Somali president and prime minister.
- **South Africa** held local elections in more than 250 municipalities; what little polling has been done shows the potential that the ruling ANC party could fall below 50 percent of local leaders for the first time since the end of apartheid.
- The **Ugandan** government renewed its effort to require registration for journalists to attend public events, which the media has rejected as a form of surveillance.



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Asia

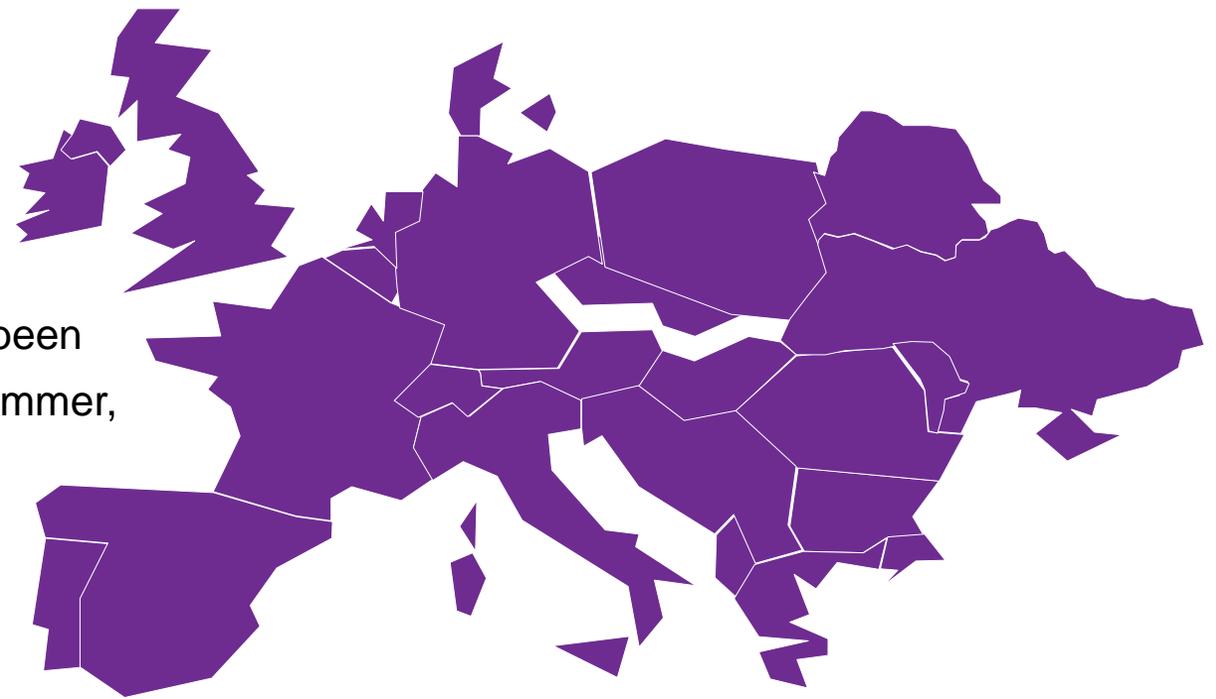
- **Indian** Prime Minister Modi said that his country would target net-zero emissions by 2070, a late addition to the roster of countries with net-zero pledges.
- The **US** and human rights groups condemned the sentencing of a **Cambodian** teenager to eight months in prison over sharing messages on social media that insulted ruling party officials.
- Netflix removed two episodes of its spy drama “Pine Gap” from its **Philippines** streaming service over complaints about scenes involving a map used to assert **China’s** claims in the South China Sea.
- **China and Russia** are pushing the UN Security Council to ease sanctions on **North Korea** by removing a ban on Pyongyang's exports of statues, seafood and textiles and lifting a refined petroleum imports cap.
- **Australia's** biggest city will lift more COVID-19 curbs for vaccinated residents ahead of schedule next week, while delaying freedoms for the unvaccinated. **Japan** announced that quarantine periods for business travelers would be cut to three days from 10.



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Europe

- Thousands more people died than would normally have been expected as a heat wave gripped **Europe's** south this summer, according to preliminary Eurostat data.
- The **Ukrainian** capital of Kiev implemented stricter restrictions amid a COVID-19 spike.
- **Netherlands** announced new restrictions; COVID passports will be mandatory for sports venues amusement parks and museums, from Friday onwards. Face coverings will also become mandatory for public spaces and contact professions.
- **French** President Macron said he would postpone the implementation of sanctions on the **UK** over a fishing dispute as the two parties engage in negotiations.
- **Ukraine's** defense ministry denied a media report of a **Russian** military buildup near its border, saying it had not observed an increase in forces or weaponry. Russian officials also denied a military buildup, calling it “fake news.”



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Europe

Russia's daily COVID-19 death toll rose to a record high of 1,178 yesterday amid a surge that has forced officials to re-impose a partial lockdown nationwide.

Russian Federation Situation

8,554,192

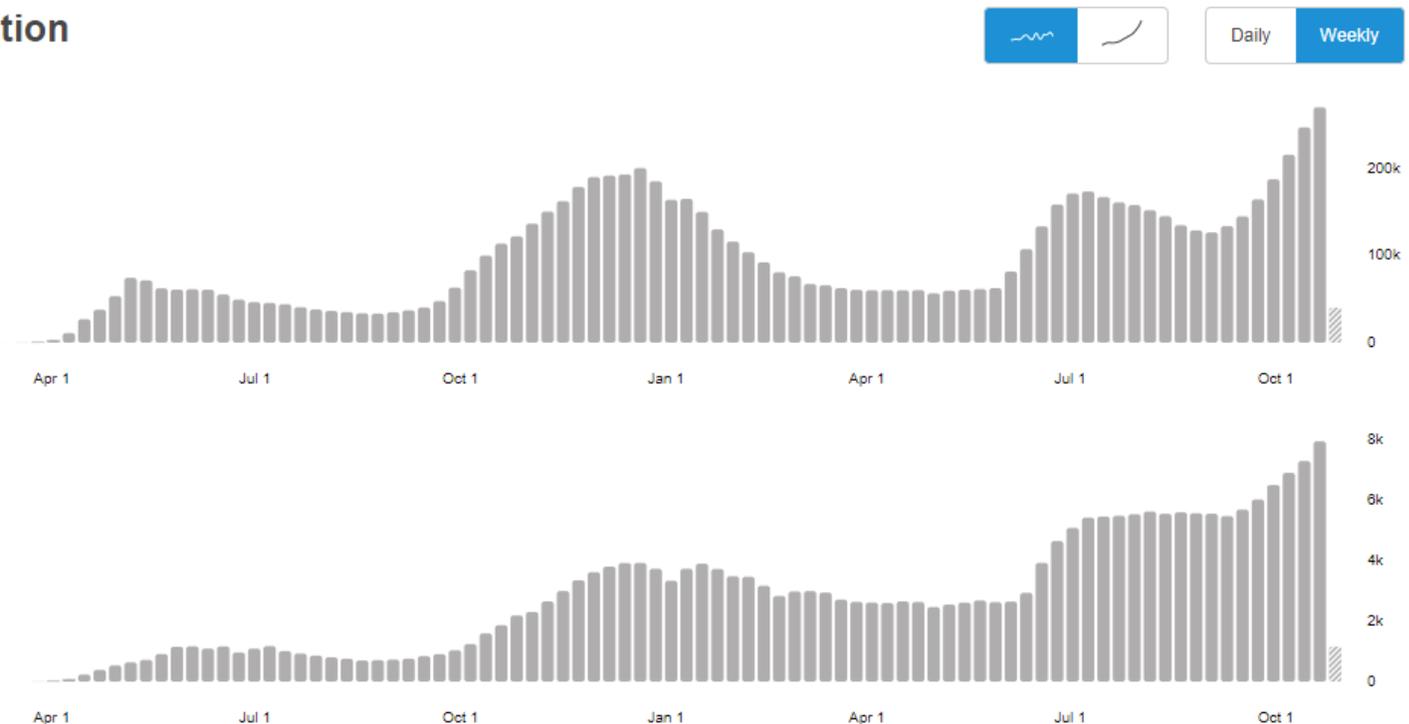
confirmed cases

239,693

deaths

Source: World Health Organization

Data may be incomplete for the current day or week.



Source: WHO

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How do You Manage Risks?

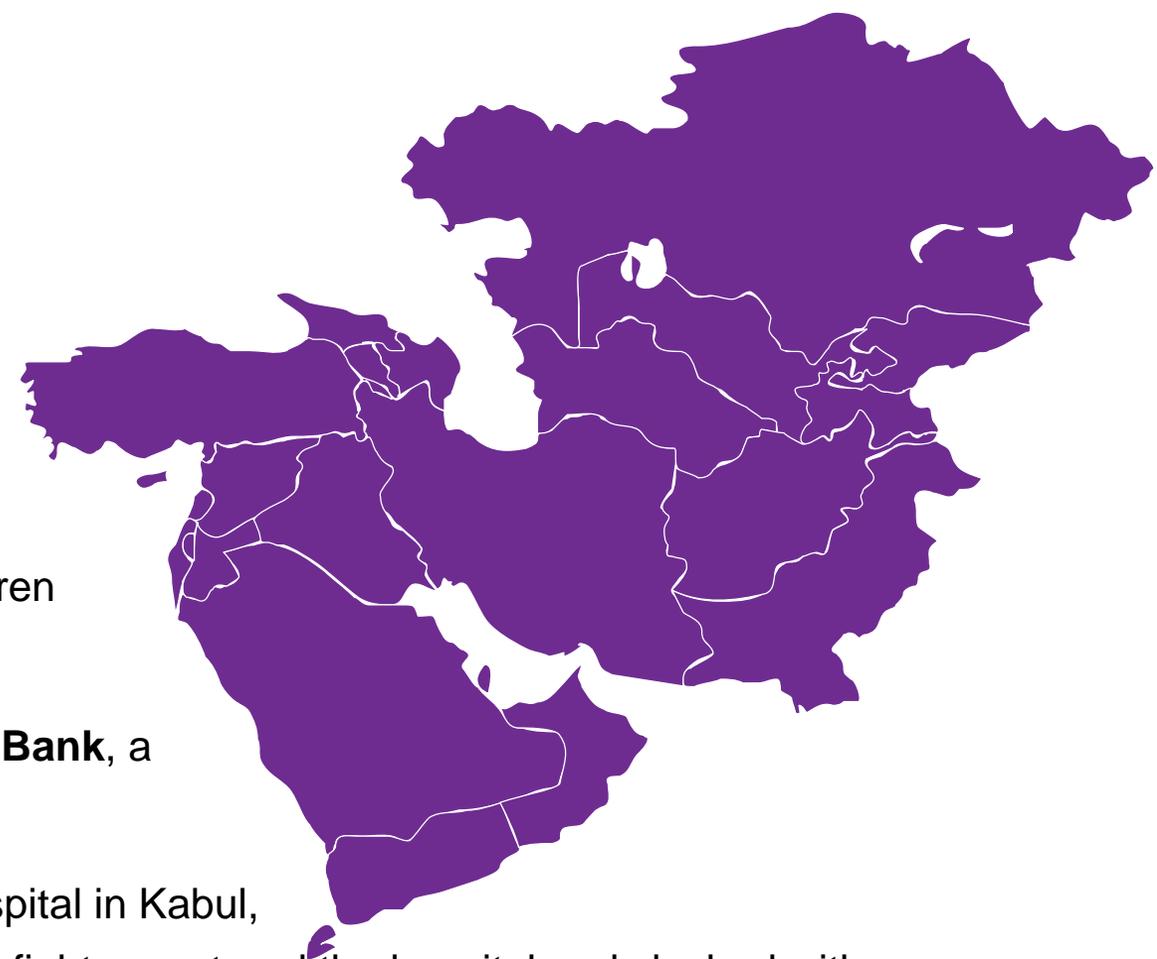
The coronavirus pandemic has not just added a new layer of risk for business leaders to navigate, but has accelerated drivers of change, including disruptive technologies, political and economic realignments and cultural priorities on equality, justice and conservation, while increasing vulnerabilities that bad actors seek to exploit.

Dentons Intelligence and Security Services Group offers bespoke services to provide business leaders with the intelligence they need to understand and thrive in complex operating environments.

- ❖ due diligence and compliance investigations
- ❖ physical and cyber security assessments
- ❖ country and political risk assessments
- ❖ enterprise risk management and organizational resiliency advice
- ❖ crisis and incident response (physical security breaches and cyber incidents, insider threats and reputational impacts)

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

Middle East



- **Israel** began welcoming solo travelers for the first time since the beginning of the pandemic, in an effort to bolster the country's tourism industry.
- The **UAE** and **Bahrain** authorized the Pfizer vaccine for children aged 5-11.
- **Israel** authorizes some 1,300 Palestinian homes in the **West Bank**, a week after advancing plans for 3,000 settler homes.
- At least two explosions hit **Afghanistan's** biggest military hospital in Kabul, witnesses and Taliban officials said on Tuesday. Islamic State fighters entered the hospital and clashed with security forces.
- **Algeria** ordered its state oil company to cease exporting fuel to **Spain** via a **Moroccan** pipeline due to tensions between Algiers and Rabat.
- The **Iraqi** government plans to sign energy contracts worth billions of dollars with **Saudi Arabia**.

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Americas

- **Brazil's** central bank raised its overnight interest rate by 1.5 percent and plans to do so again in December, a testament to the country's struggles with inflation. Brazil has seen an inflation rate of over 10 percent this year; as the largest economy in Latin America, economists worry that economic downturn could have cross-border impacts. Brazilian truckers protested high gas prices, but the government reported no disruptions to roads.
- At COP26, **Brazil** pledged to cut its greenhouse gas emissions by 50 percent by 2030, increased from a previous pledge to cut 43 percent by 2030.
- A possible cyber-attack disrupted health care appointments in **Canada**.
- Facebook said it removed a troll farm run by the **Nicaraguan** government.

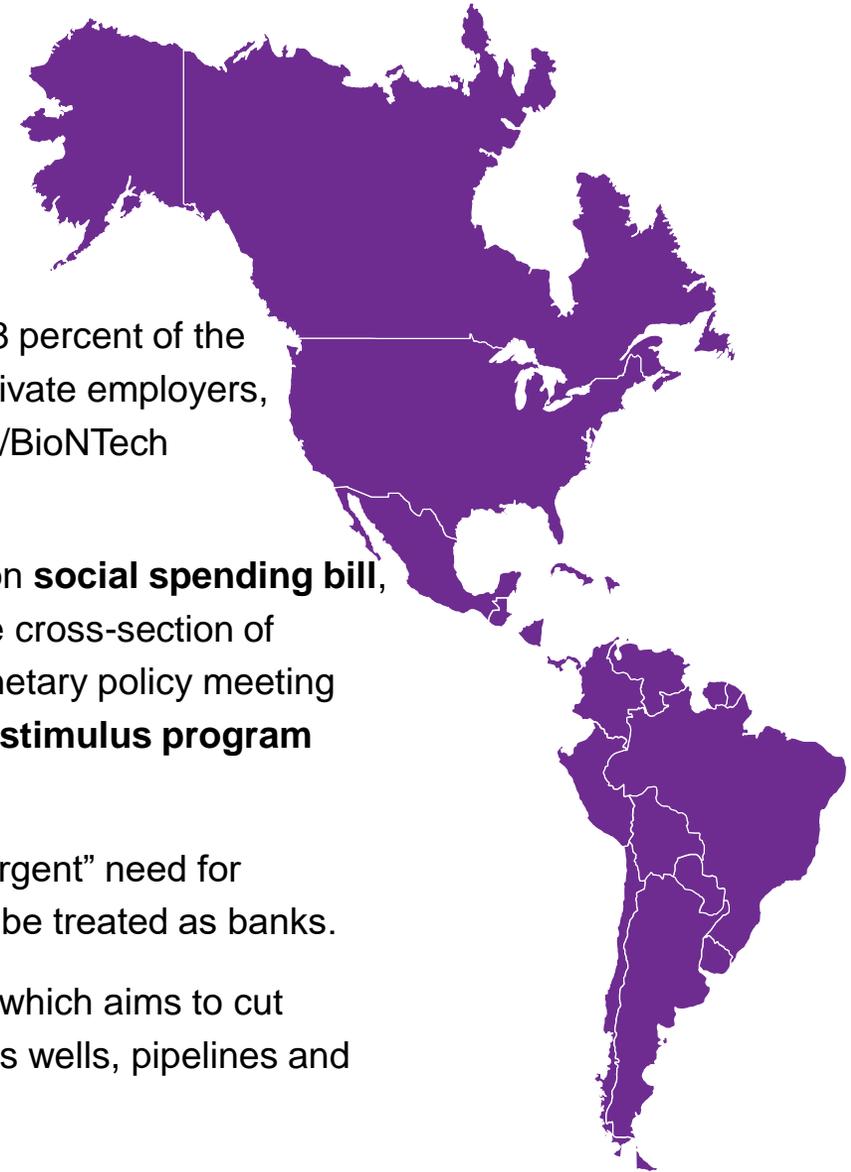


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Americas: US

- Across the nation, 221.8 million have received at least one dose of the **vaccine**; or 66.8 percent of the total population. The Biden Administration will likely release its **vaccine mandate** for private employers, including details for how it will function, this week. The US is expected to roll out Pfizer/BioNTech COVID-19 **vaccines for children** aged 5 to 11 this week.
- Senator Joe Manchin (D-WV) said that he is withholding support for Biden’s \$1.75 trillion **social spending bill**, in a further blow to Biden’s agenda. **US manufacturing** slowed in October, with a wide cross-section of industries reporting record times for raw materials. The Federal Reserve’s two-day monetary policy meeting starts today with an expectation it will announce a scaling back of its pandemic-related **stimulus program** amid uncertainty over persistent inflationary.
- A presidential advisory committee comprised of top financial regulators called for the “urgent” need for legislation to regulate dollar-backed “**stable coins**,” arguing that their operators should be treated as banks.
- Today, the Biden administration will unveil the US Methane Emissions Reduction Plan, which aims to cut emissions of the **greenhouse gas methane** across the country, starting with oil and gas wells, pipelines and other infrastructure as part of its broader strategy on climate change.
- Today is **election day** with gubernatorial elections in Virginia and New Jersey. The Virginia polls in particular are being closely watched as the race between Democrat Terry McAuliffe and Republican Glenn Youngkin remains tight, the outcome viewed by analysts as an early indicator of the national political mood.

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Backlash to Corporate ESG Efforts Creates New Risks

By Briana Boland

In today's corporate environment, the expectation that business leaders should engage with social and environmental issues is well established. From racial equity to climate impact, employees and consumers alike expect companies to take a stand and – more importantly – take action on societal issues. However, business focus on environmental, social, and governance (ESG) credentials is facing a wave of backlash.

The idea of “sustainable investing” received a wave of criticism over the past several months, as a number of critical reports and statements cast doubt on the efficacy of ESG and questioned whether the practice may even do more harm than good. While ESG expectations for banks and corporate boards may continue to grow, companies could also face reputational and regulatory risks as the credibility of ESG efforts is questioned.

Over the past several months, several high-profile incidents have cast doubt on the credibility of ESG as a serious solution to societal issues. Two Harvard professors marked the second anniversary of the Business Roundtable's Statement on the Purpose of a Corporation with an empirical analysis concluding that the statement was “*mostly for show.*” The former head of sustainable investing at BlackRock, Tariq Fancy, published a series of lengthy essays in August decrying ESG investing as a “*dangerous placebo that harms the public*

interest,” providing both an insider's view on how ESG investing works and arguing that it ultimately “*answers inconvenient truths with convenient fantasies.*” Just days after Fancy posted these essays, reports emerged that the US Securities and Exchange Commission and its German counterpart BaFin were investigating whether DWS (the asset management arm of Deutsche Bank) had misled customers about how it uses ESG metrics to inform investments. These events catalyzed a flurry of commentary on an “ESG Reckoning,” with skeptics and proponents of ESG frameworks debating their usefulness, amplifying existing doubts about corporate ESG efforts.

Arguments against ESG frameworks often point a lack of evidence that “sustainable investing” results in better real-world results. Research on ESG commitments have revealed disconnects between rhetoric and reality of corporate impact; one academic study from 2020 found that investors who signed on to the United Nations'

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Backlash to Corporate ESG Efforts Creates New Risks

“Principles for Responsible Investment” (PRI) did not actually improve the social or environmental performance of investments, but rather *“use the PRI status to attract capital without making notable changes to ESG.”* ESG skeptics also cite cases of bad investment decisions coming out of excessive “hype” – such as electric truck startup Nikola’s ability to pump investor enthusiasm despite making zero revenue and promising false technology. Without solid evidence that ESG is pushing the needle on environmental and social issues, ESG skeptics argue that it ultimately distracts from real action, creating an avenue for businesses to frame themselves as part of the solution without taking any meaningful steps and potentially deflating government efforts to legislate real structural change. Moreover, some ESG critics - including Tariq Fancy – point out that promoting ESG works in the self-interest of the investment industry by justifying higher fees for ESG services.

Even among ESG believers, the process of ESG investing is coming under increased scrutiny. The SEC has said it wants to crack down on “greenwashing” among funds that cannot prove they have done sufficient due diligence to ensure their money is actually investing in green companies (for more on the risks of corporate “greenwashing,” see the [August 31 Edition of Dentons Flashpoint](#)). Beyond pushback

against the overall framework of ESG investing, companies should expect increased scrutiny of follow-through on ESG promises to result from the recent wave of anti-ESG backlash.

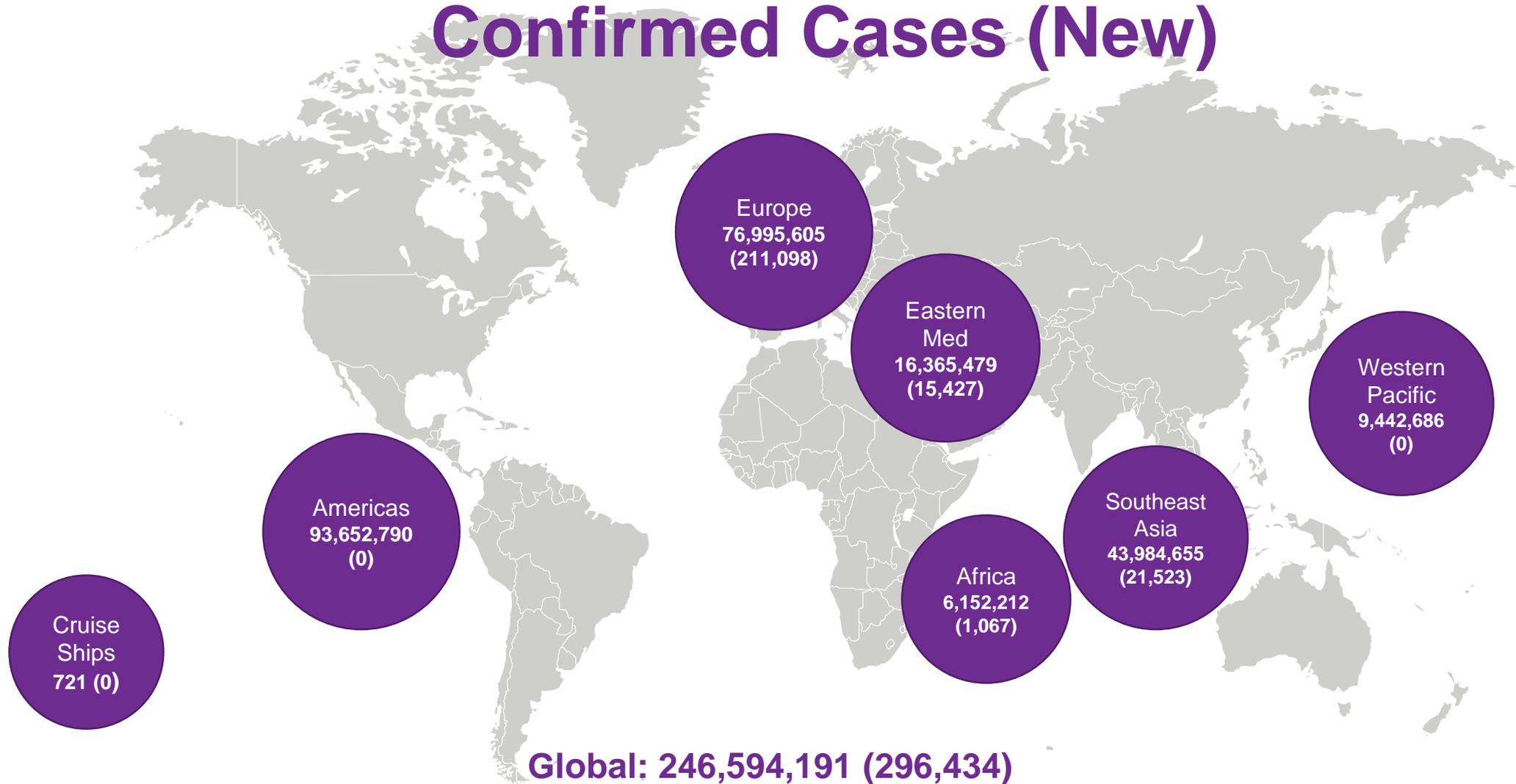
Advocates for ESG in business and investing push back on the arguments that corporate ESG efforts distract from other government or business action. In a September Fortune magazine Op-ed, President and CEO of BSR (Business for Social Responsibility), called the counterattack against ESG *“ill-conceived and poorly argued,”* instead calling for ESG advocates to recognize and remedy the flaws in ESG systems to make them work more smoothly. With public and employee demands for corporations to play a positive role in addressing environmental and social issues showing no sign of fading, ESG will continue to be a prominent issue in corporate boardrooms. However, skepticism of ESG’s efficacy means that companies will also face reputational risks for ESG rhetoric that is perceived as overstating actual impact. Increased attention to the framework of sustainable investing and criteria for ESG credentials could also bring new regulatory requirements as agencies like the SEC seek to ensure that businesses are not misrepresenting their ESG efforts.

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Coronavirus Condition Updates

As of 5:04 pm CEST on November 1, 2021

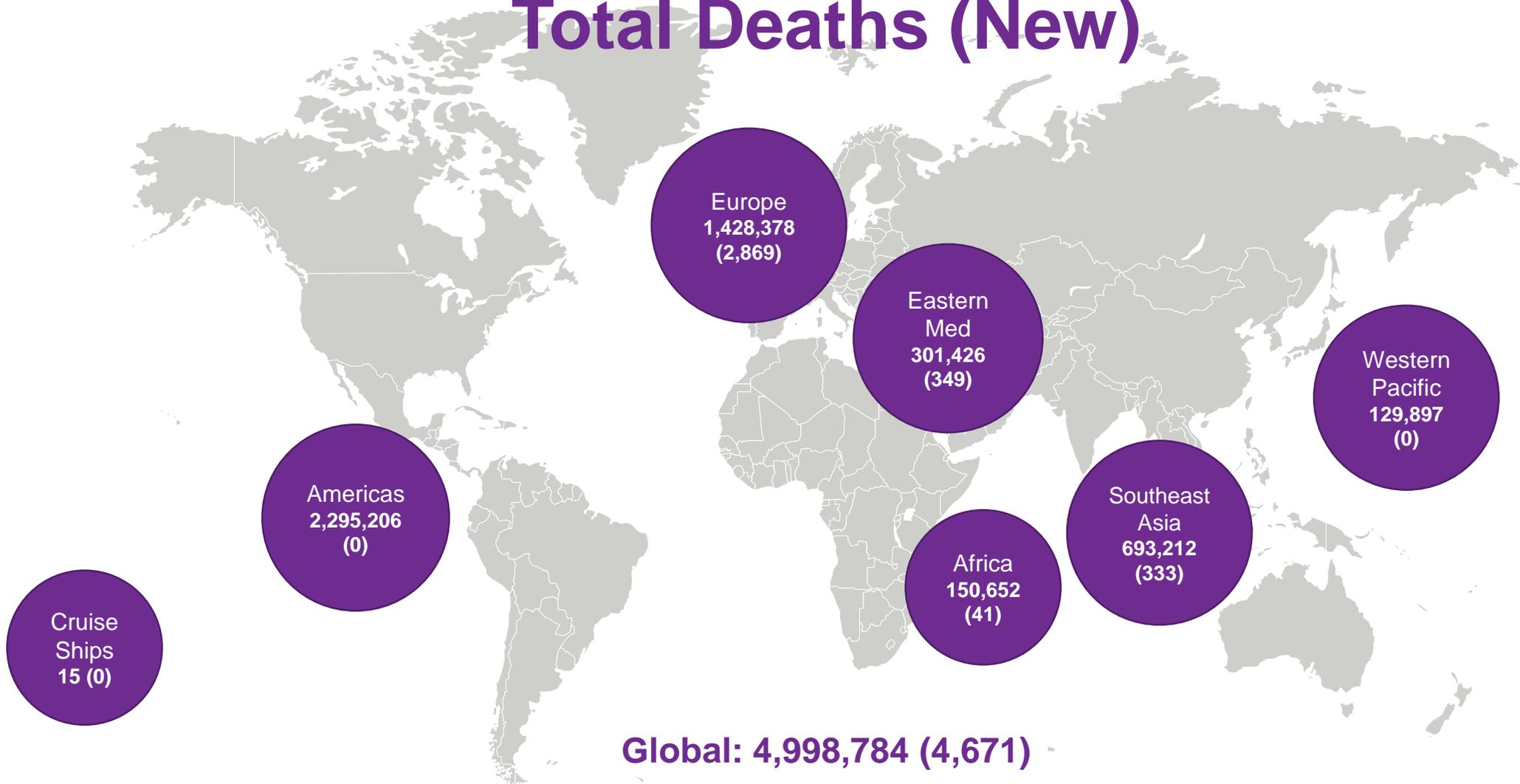
Confirmed Cases (New)



Reflects data as of 5:04 pm CEST on November 1, 2021.
Data Source: World Health Organization

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Total Deaths (New)



Reflects data as of 5:04 pm CEST on November 1, 2021.
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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