

Dentons Flashpoint

Daily Global Situation Report

March 3, 2022

Global Situation Update: March 3, 2022

KEY TAKEAWAYS

The UN General Assembly condemns Russian aggression against Ukraine.

Oil prices shot to highest level in more than nine years, rising past \$113 per barrel.

Russian and Belarus athletes are banned from the Paralympics in Beijing.

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

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WHAT WE'RE WATCHING

Georgia and Moldova are making maximum efforts to join the European Union as soon as possible which presents each with new risks and threats. Tbilisi will today formally submit a bid to join the bloc, while Moldovan officials are calling for the EU to fast-track its application. Ukraine, meanwhile, had its EU application backed by the European Parliament this week.

Moscow will likely view the moves as a provocation and it remains uncertain exactly how rapidly Brussels will consider these applications. Both countries, which each have regions currently under the control of Russian forces, could face new threats of destabilization to keep them out of the EU.



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Global

Planned second round of talks between Ukraine and Russia have not yet happened. Conditions continue not to favor productive talks.

- At the **UN General Assembly**, 141 countries voted to condemn Russian aggression against Ukraine, with 5 “no” votes including Belarus, North Korea, Eritrea and Syria and 35 abstentions including China and Cuba.
- Over the last 24 hours, **Russian forces** made gains across the southern coast while struggling to seize targets in north and east. Russian forces have captured Kherson, strategically located at the mouth of the Dnipro River.
- In a surprise reversal, the International Paralympic Committee barred Russian and Belarusian athletes from the **Winter Paralympics Games** in Beijing on the eve of the Games.
- **Economic sanctions** on Russia are returning trade conditions to the pre-détente period, when the former Soviet Union’s economy was almost completely cut off from the west.

Markets & Business

The EU is discussing methods to prevent the use of cryptocurrencies to circumvent sanctions on Russia.

- **Oil prices** shot to its highest level in more than nine years, rising past \$113 per barrel, and **wheat** prices climbed above \$11 a bushel for the first time since 2008.
- In **commodity markets**, aluminium, coal and palm oil hit record highs, as Russia's invasion of Ukraine disrupted global raw material flows.
- Major Portuguese producer **Galp** became the latest western utilities company to boycott Russian gas.
- Major energy trader **Trafigura** is reviewing its investment in an Arctic exploration project backed by Russian President Putin.
- **H&M, Oracle, EA, and Canada Goose** added to the list of businesses limiting or halting business in Russia. German **carmakers** warned that the impact of Russia's invasion on car production will continue to get worse.
- **Google** will require employees in most US and UK offices back in the office at least three days a week from April.
- **Amazon** will close all 68 of its brick-and-mortar bookstores and shops, ending most of its physical retail experiments.

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Environment, Sustainability & Governance

Terraformation, a forest restoration start-up founded by the former boss of technology company Reddit, is looking to raise \$100 million for a fund focused on early-stage projects in developing countries. Terraformation estimates that restoring 2.3 billion acres of forest could cost \$2.6 trillion.

- Hyundai will invest \$79.21 billion over the next eight years in **EV-related business**, targeting 7 percent of global market share by 2030. Ford boosted its EV spending to \$50 billion by 2026, up from \$30 billion, and announced plans to establish its EV unit as a separate business.
- Verizon announced the launch of its fourth \$1 billion **green bond**, with profits expected to go towards renewable energy projects.
- According to data voluntarily submitted to nonprofit environmental disclosure platform CDP (world's biggest repository of **environmental data**), only 1 percent of companies provide investors with the information they need to assess whether they have a credible plan for the transition to a low-carbon economy.

Africa

- The UN appointed a former chief prosecutor at the International Criminal Court to head an inquiry into potential war crimes committed by all sides in the **Ethiopian** civil war.
- **South African** universities began implementing what they called “*soft mandates*,” requiring students and staff without proof of vaccination to switch to virtual learning.
- A new report by a **South African** graft probe presented further evidence former President Zuma and his associates accepted illegal bribes and recommended new graft charges; earlier attempts to try Zuma resulted in protests that were the most disruptive in decades.
- The **Nigerian** senate voted to reject a measure that would have allowed members of the diaspora to vote and allocate parliament seats for women.



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Asia

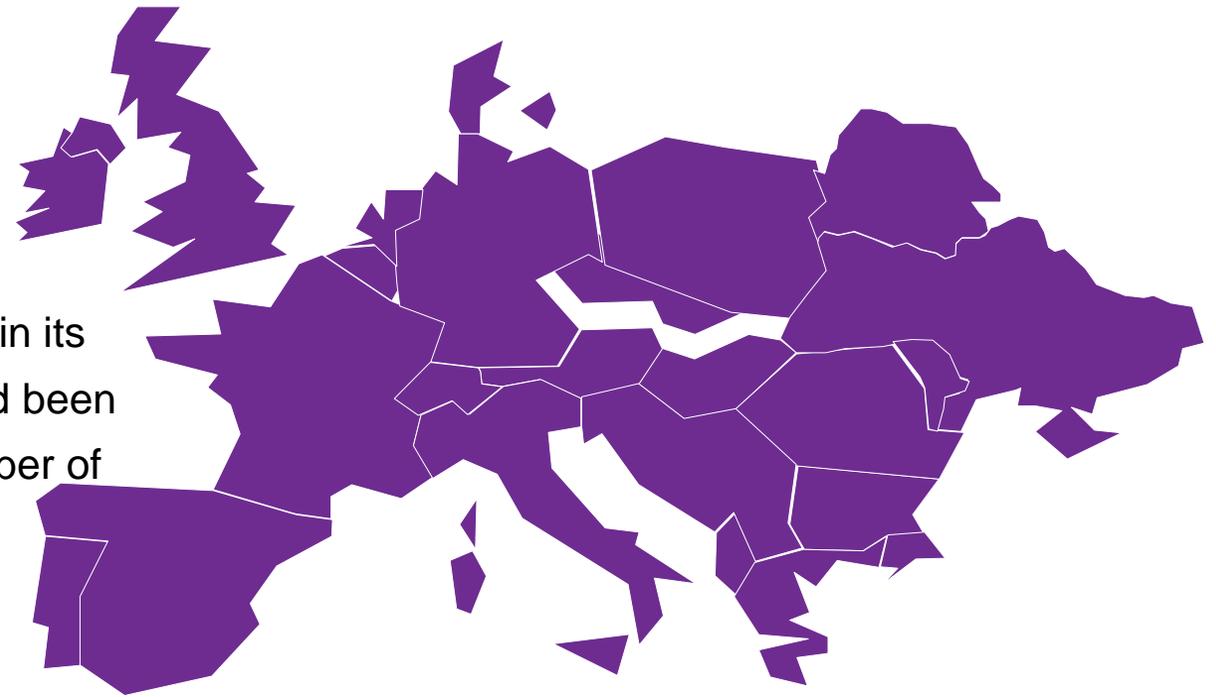
- A Western intelligence report suggests that **China** asked **Russia** to delay any planned hostilities against **Ukraine** until after the Beijing Olympics.
- **New Zealand** police dismantled an anti-vaccine protest that had camped out in the capital for three weeks, resulting in the arrests of dozens and several fires.
- **Sri Lanka's** president vowed to end power cuts, which have increased over the last few weeks due to an inability to pay for fuel, without clarifying a plan to afford the fuel.
- At least five superyachts owned by **Russian** oligarchs have recently docked in the **Maldives** in a likely attempt to evade efforts by some governments to block Russian ships from their ports and seize property of wealthy state-linked Russians.
- **Japan** is poised to extend COVID-19 restrictions as new hospitalizations remained high.
- Authorities in **Australia** issued more orders for people to leave their homes today after heavy rain triggered flash floods in Sydney, with officials warning of worse to come and some 500,000 people likely to face orders to evacuate.



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Europe

- **Russia** for the first time acknowledged heavy casualties in its invasion of Ukraine, reporting that about 500 soldiers had been killed and 1,600 injured; **US** intelligence has put the number of fatalities at between 1,500-2,500.
- The **UK's** media regulator launched new investigations into the impartiality of **Russian** outlet RT.
- The **EU** is banning 70 percent of **Belarus'** exports to the bloc, including potash, which will severely limit fertilizer access.
- The **EU** expects **Georgia and Moldova** to submit formal applications to join the bloc before the end of the week. Both are part of EU's eastern partnership program and have association agreements covering trade and other social ties with the bloc.
- European benchmark **gas prices** reached record highs as governments weighed sanctions against Russian gas.



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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



- The World Bank approved a plan to use more than \$1 trillion in frozen **Afghan** funds to finance urgently needed education and infrastructure plans in the country.
- A **US** Treasury delegation to **Lebanon** urged officials to look into abuses of power within the Lebanese Central Bank, echoing other international comments as the country seeks international aid.
- **Iran** likely suffered another failure of a satellite-carrying rocket prototype, per satellite imagery.
- **Israel's** Supreme Court froze the evictions of several Palestinian families from homes in the flashpoint East **Jerusalem** neighborhood of Sheikh Jarrah; attempts to evict these families from their homes prompted an 11-day conflict between Israel and Hamas last May.
- **Libya's** parliament officially confirmed a new interim parliament, cementing parallel governments as the former interim prime minister continued to refuse to accede to a government without holding elections.

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Americas

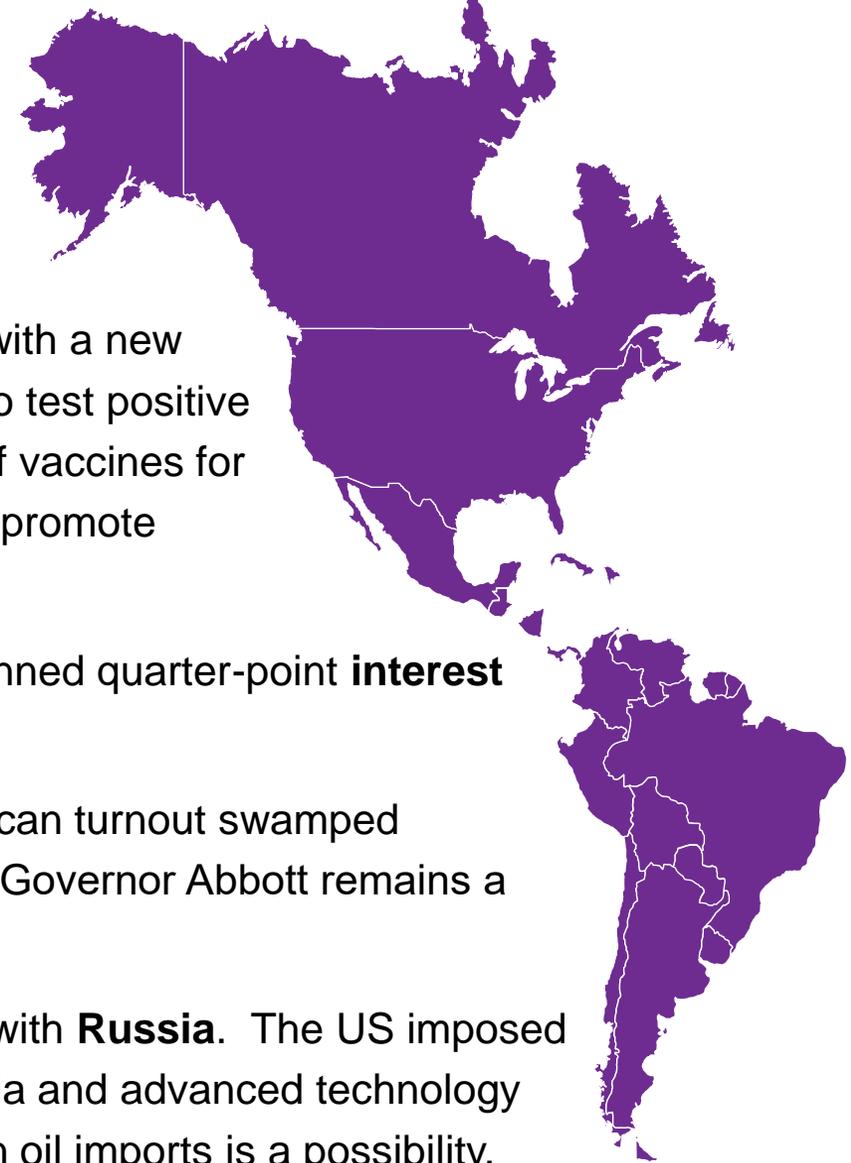
- **Canada** raised its interest rate for the first time since 2018 in an effort to curb inflation.
- Heavy rains in **Argentina** are alleviating fears of a continued drought that could further impact global food supply chains.
- Coffee traders in **Brazil** said that they have added **Russia** to a list of risky importers, including countries like **Syria and Lebanon**, due to sanctions and currency instability, and will seek agreements for payments ahead of delivery.



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Americas: US

- The White House announced a new **COVID-19 strategy** designed to cope with a new phase of the pandemic, including a test-to-treat plan that provides those who test positive at pharmacies with antivirals immediately, a plan to speed the deployment of vaccines for children under five when and if one is approved, and a clean air checklist to promote ventilation.
- Federal Reserve chair Jerome Powell said that he will go through with a planned quarter-point **interest rate hike** despite market instability.
- In **Texan primaries**, the first primaries of the 2022 election season, Republican turnout swamped Democrats, throwing cold water on hopes for a “blue wave,” and incumbent Governor Abbott remains a favorite to win reelection.
- The US canceled an ICBM test launch in a bid to avoid escalating tensions with **Russia**. The US imposed a new set of export restrictions for oil and gas extraction equipment to Russia and advanced technology for military use to **Belarus**. President Biden suggested that banning Russian oil imports is a possibility.



The Impact of ESG Activist Investors

By Matthew Gardell

After a brief lull during the COVID pandemic, activist investors are back and determined to make an impact. Corporate boardrooms are facing scrutiny from ESG-focused activist investors in particular.

Prior to the emergence of the COVID pandemic in 2020, activist investors were on track for a record-breaking year. As the pandemic spread, new campaigns fell to multi-year lows according to Lazard, an investment bank. With shareholder activism once again increasing, highlighted by recent high-profile activist investor campaigns at Kohl's and McDonald's, the most salient trend and business risk is the proliferation of ESG activist investing.

ESG-focused activist investors

Businesses are increasingly focused on ESG policy and meeting new requirements. As ESG functions become a core feature of business operations, there has been an increase in ESG-related shareholder activism. In particular, ESG activist investors have roiled the oil and gas industry. Last June, activist investor Engine No. 1 was able to install three directors to Exxon Mobil's company board,

sending shockwaves throughout the industry. At Chevron, shareholders voted to cut scope 3 emissions, which are the result of activities from assets in a company's supply chain that are not owned or controlled by the reporting organization and are thus the most difficult to measure and reduce. Across the major energy multinationals, shareholders are backing climate-related resolutions. In Exxon's case, some of the company's biggest institutional investors, including BlackRock, Vanguard and State Street, supported the activist investor campaign.

A new report by shareholder advocacy group As You Sow assessed that concerns over executive pay was also spurring shareholder activism, with a sharp increase in investor opposition to CEO pay packages: in 2021, CEO pay reached record levels, and record 16 companies in the S&P 500 having increases in CEO pay

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The Impact of ESG Activist Investors

rejected by more than half of investors last year. Activist investors tend to focus on how CEO compensation is formulated, especially with regards to profit proportionality, rather than the amount of CEO pay. On diversity and inclusion, ESG activists have launched campaigns for greater board diversity, and this has already led to major changes at companies; Nasdaq, for example, has issued board diversity requirements for companies listed on the exchange. Other campaigns involve governance issues such as board tenure, shareholder rights and board independence. Activist investor campaigns on corporate governance have also targeted a broad range of sectors including the energy, technology and financial services industry.

Business Risk and Response

Businesses must adapt to an environment of increased ESG shareholder activism. Surveys performed by consulting firm Deloitte show that most public company CFOs have reported some form of shareholder activism. Before a company faces an activist investor campaign, they should already have a detailed response plan in place that integrates legal, IT, financial and public relations departments. During an activist campaign, analysts maintain that it is critical that there is alignment between management and their

teams, which may mean consistently engaging board directors and other key stakeholders.

Corporate boards should be well-versed in sustainability and climate issues given that many activist investors are pushing for stronger environmental standards. Businesses need to evaluate themselves against ESG rankings and understand their vulnerabilities in this space, while being proactive in addressing or developing responses to areas that may become the focus of activist investor campaigns. One method of doing this is to compare their environmental output against established climate benchmarks for different markets and sectors, such as the UN's Sustainable Development Goals, the Paris Climate Accords, or the US Department of Energy's new Better Climate Change challenge. Benchmarking will ensure companies meet critical regulatory thresholds when required while also guiding proactive measures to hedge against the risk of adverse media and investor attention. Hedge fund activist investor Chris Hohn has launched his "Say on Climate" campaign, which works with shareholders to push companies to enact carbon net zero transition plans. Say on Climate plans on filing resolutions with companies that refuse to adopt climate transition action plans to bring those proposals to a shareholder vote.

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The Impact of ESG Activist Investors

Businesses should also look critically at governance, an increasing focus for activist investors. According to Diligent, 70 percent of all activist-investor demands over the past decade have focused on governance; of those, 40 percent focused on personnel concerns while 60 percent focused on structural concerns. Therefore, businesses need to shore up their governance credentials by conducting a governance review. A governance review should encompass issues such as by-laws, board composition, election methods, board role and organizational policies, which are all issues that may come up during an activist campaign. More specific actions to consider include reviewing board member terms, increasing board diversity and clarifying expectations for board members.

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Ukraine War Update: UNGA Votes, Kherson Falls, Global Commodity Prices Surge

As Russia makes gains on the battlefield in southern Ukraine, the campaign to isolate Russia politically and economically gathers steam, increasing costs to all parties.

Political Developments

Planned second round of talks between Ukraine and Russia have not yet happened. The US called for a diplomatic solution, saying Russia had to first halt military operations in Ukraine and pull back. Conditions continue to not favor productive talks.

The UN General Assembly met in emergency session, the first time since 1982, and voted in overwhelming numbers to denounce Russia's invasion of Ukraine. In the vote, 141 of the assembly's 193 members supported the resolution, while five voted against, namely Russia, Belarus, Eritrea, North Korea and Syria. China, Cuba, India, Iran, Iraq, Kazakhstan and South Africa were among the 35 abstentions.

The International Criminal Court opened an investigation into possible war crimes committed in Ukraine, following a request to do so by 39 of the court's member states.

More than 1 million people have fled Ukraine since the fighting began. More than half of the refugees have travelled to Poland, with Hungary and Moldova among other key destinations. The UNHCR said nearly 50,000 refugees have gone to Russia. The UK is stepping up its capacity to deal with visa applications in anticipation of a growing number of refugees from Ukraine.

The French government has advised its citizens to leave Russia unless they are there on essential business.

Battlefield Developments

Over the last 24 hours, Russian forces made gains across the southern coast while struggling to seize targets in north and east. The cities of Kyiv, Kharkiv, Chernihiv and Mariupol remain in Ukrainian hands. Russian forces have captured Kherson, strategically located at the mouth of the Dnipro River.

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Ukraine War Update: UNGA Votes, Kherson Falls, Global Commodity Prices Surge

The Russian offensive in the south is making significant gains in the strategic objective of cutting off Kyiv's access to the Black Sea, important to supplying the war effort, importation of basic and humanitarian supplies and export of Ukrainian products. Russia has been more successful in the south in part because of shorter supply lines with the proximity to Crimea, the peninsula it annexed eight years ago.

Intense fighting was also reported further east along the coast in Mariupol. Russian forces have encircled Mariupol from the east and west and are heavily shelling its center. The city is the last Ukrainian holdout preventing Russia securing a full land corridor from Crimea to territories that have been held by Kremlin-backed separatists since 2014. Taking Mariupol would give Russia control of the whole of Ukraine's south-eastern coast.

The Ukrainian military said that four Russian landing ships accompanied by three missile boats were moving towards the Ukrainian Black Sea port of Odesa, which has so far been relatively unscathed by fighting.

Russian forces outside Kyiv remain bogged down, delayed by Ukrainian resistance, mechanical breakdown and congestion.

The US has started to send anti-aircraft Stinger missiles to Ukraine, a step the White House had been reluctant to take in the run-up to the invasion.



Source: Institute for the Study of War

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Ukraine War Update: UNGA Votes, Kherson Falls, Global Commodity Prices Surge

In all, about 20 countries, most members of NATO and the EU, are funneling arms into Ukraine. The European fund being used to buy lethal arms is called the European Peace Facility. The US and UK have set up International Donors Coordination Center to coordinate efforts to move equipment and weapons rapidly into Ukraine from Poland.

Civil Society Developments

In a surprise reversal, the International Paralympic Committee barred Russian and Belarusian athletes from the Winter Paralympics in Beijing on the eve of the Games following threats of boycotts by other teams over Russia's invasion of Ukraine. A 71-member Russian contingent and 12-member team from Belarus are already in Beijing for the Games, which begin on Friday.

Russian-Israeli oligarch Roman Abramovich put the Chelsea football club up for sale after 19 years of ownership, waiving £1.5bn it owes him and pledging to donate proceeds of the sale to victims of the war in Ukraine.

Grassroots movements are getting organized to promote a boycott of Russian vodka and renaming of the Moscow Mule to the Kyiv Mule.

In a new effort to control the media and the narrative of the war, Russia's national legislature will discuss a bill on Friday that seeks to make "unofficial" reporting on Russia's attack on Ukraine punishable by up to 15 years in prison. Two independent news broadcasters, Echo Moskyv radio station and Dozhd TV, were taken off the airwaves Tuesday.

The British Broadcasting Corporation (BBC) has launched two new shortwave radio frequencies that will reach areas of Ukraine and Russia where access to information may be limited because of Moscow's invasion. Shortwave radio can reach remote areas and travel vast distances without the need for satellites or cables, which can be compromised in wartime. BBC's Russian and Ukrainian-language news websites are seeing a surge in readership, with the Russian-language site reaching 10.7 million people in the past week, per the BBC.

Economic and Commercial Developments

Economic sanctions on Russia are returning trade conditions to the pre-détente period, when the former Soviet Union's economy was almost completely cut off from the west. These sanctions, imposed

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Ukraine War Update: UNGA Votes, Kherson Falls, Global Commodity Prices Surge

in unprecedented speed, are punitive. They are not structured to be used as a flexible negotiating tool, i.e., partial easing for partial withdrawal. Sanctions experts assess that in practical terms, their removal will only happen with President Putin's departure from power. Some will never be reversed, such as restoring property seized from oligarchs as ill-gotten gains.

The European Union has approved new sanctions against Belarus, effectively banning about 70 percent of all imports from that country. The new sanctions, which spare for now Belarusian banks, target wood, timber, steel, iron, cement, rubber and fuels. The EU also sanctions 22 high-ranking members of the Belarusian military involved in the aggression against Ukraine.

The UK has imposed fresh sanctions on the Russian and aviation and space industries, blocking them from buying insurance and reinsurance.

The US announced it will curb exports of oil and gas equipment to Russia and advanced military technology to Belarus.

Ratings agencies Fitch and Moody's downgraded Russia by six notches to "junk" status. Fitch said the only other precedent to such

a large six-notch downgrade on a single sovereign entity was South Korea in 1997. Fitch also assessed that sanctions could lead to a political decision to default on debt.

FTSE Russell and MSCI to announce yesterday that they will remove Russian equities from all their indexes. The London Stock Exchange has suspended trading in 27 companies with strong ties to Russia.

Russia plans to tap its National Wealth Fund (NWF), a rainy day fund, saying it would spend up to 1 trillion roubles (\$9.34 billion) to buy shares in Russian companies. Russia had previously planned to tap into the fund to cover budget shortfalls.

Global commodity prices hit the highest level since 2008 on Thursday as the Ukraine crisis intensified worries about global supplies of raw materials.

Despite sanctions carve outs, supplies of Russian liquefied natural gas to Europe have been disrupted by uncertainty over whether ships can discharge cargoes at European ports.

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Ukraine War Update: UNGA Votes, Kherson Falls, Global Commodity Prices Surge

ANA Holdings and Japan Airlines have cancelled flights to Europe over safety concerns, citing their use Russian airspace for their European flights.

Announcements by companies exiting the Russian market continue to mount. More car manufacturers are halting vehicle exports. UPS and FedEx will no longer service customers in Russia. AerCap Holdings, the world's biggest aircraft leasing company, will cease leasing activity with Russian airlines. Some banks are beginning to wind down relations with Russian banks and funds. Sportswear companies are pulling out of partnerships in Russia and limited future sales. Telecom companies Ericsson and Nokia stop deliveries to Russia. Big tech companies are limiting access of Russian media to their platforms, and some have cut product sales. Some Hollywood studios have suspended new film releases in Russia.

Currently, across Western Europe there is popular support for strong economic and political actions against Russia and Belarus. However, economic disruptions risk civil unrest in the future. Disruption to energy markets and spiking wheat prices are likely to exacerbate rising energy prices, adding to inflationary pressures in Europe. Prior to Russia's invasion of Ukraine, Europe was already

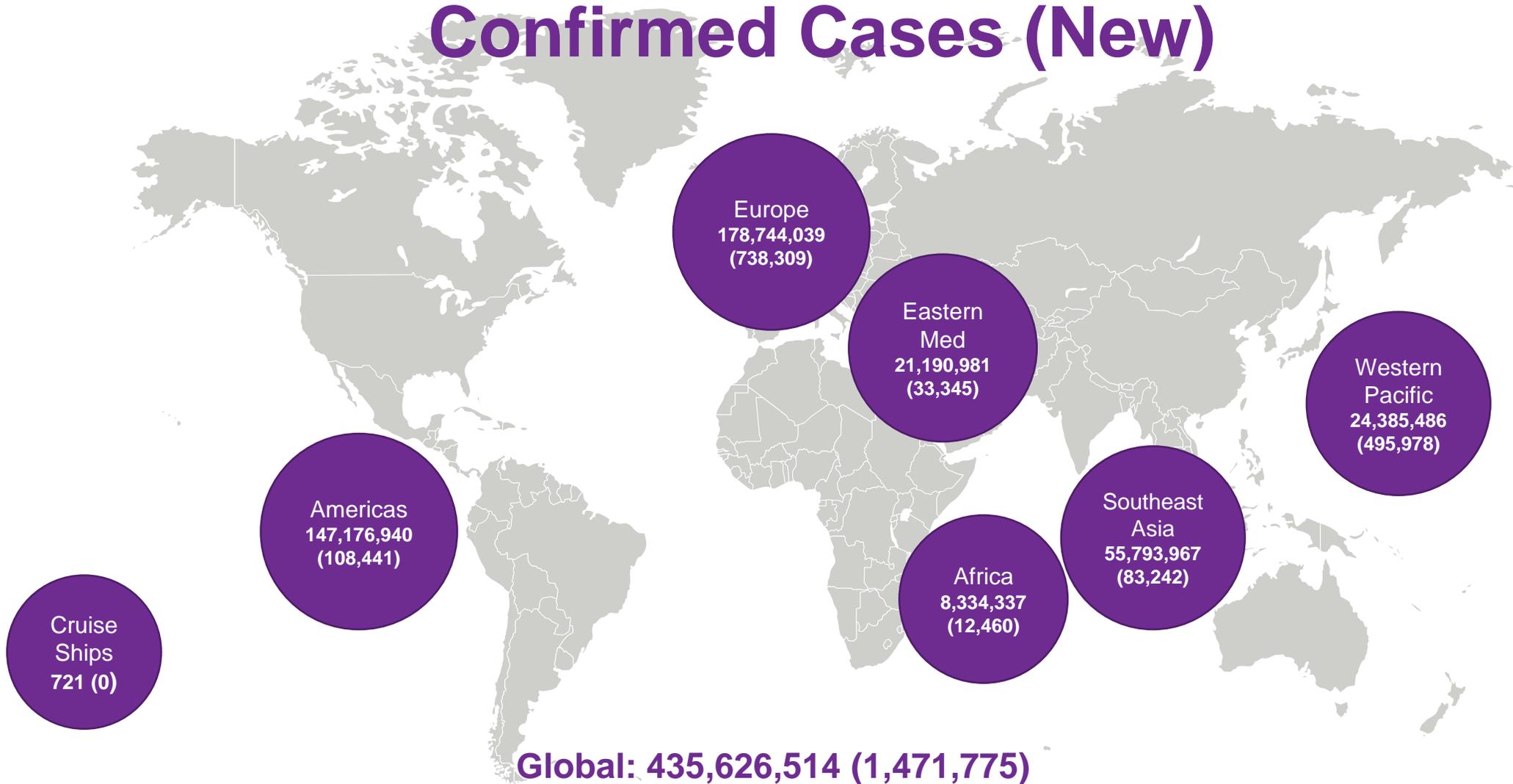
experiencing a period of civil unrests, with large street protests against COVID-19 restrictions on civil liberties.

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Coronavirus Condition Updates

As of 5:37 pm CEST on March 1, 2022

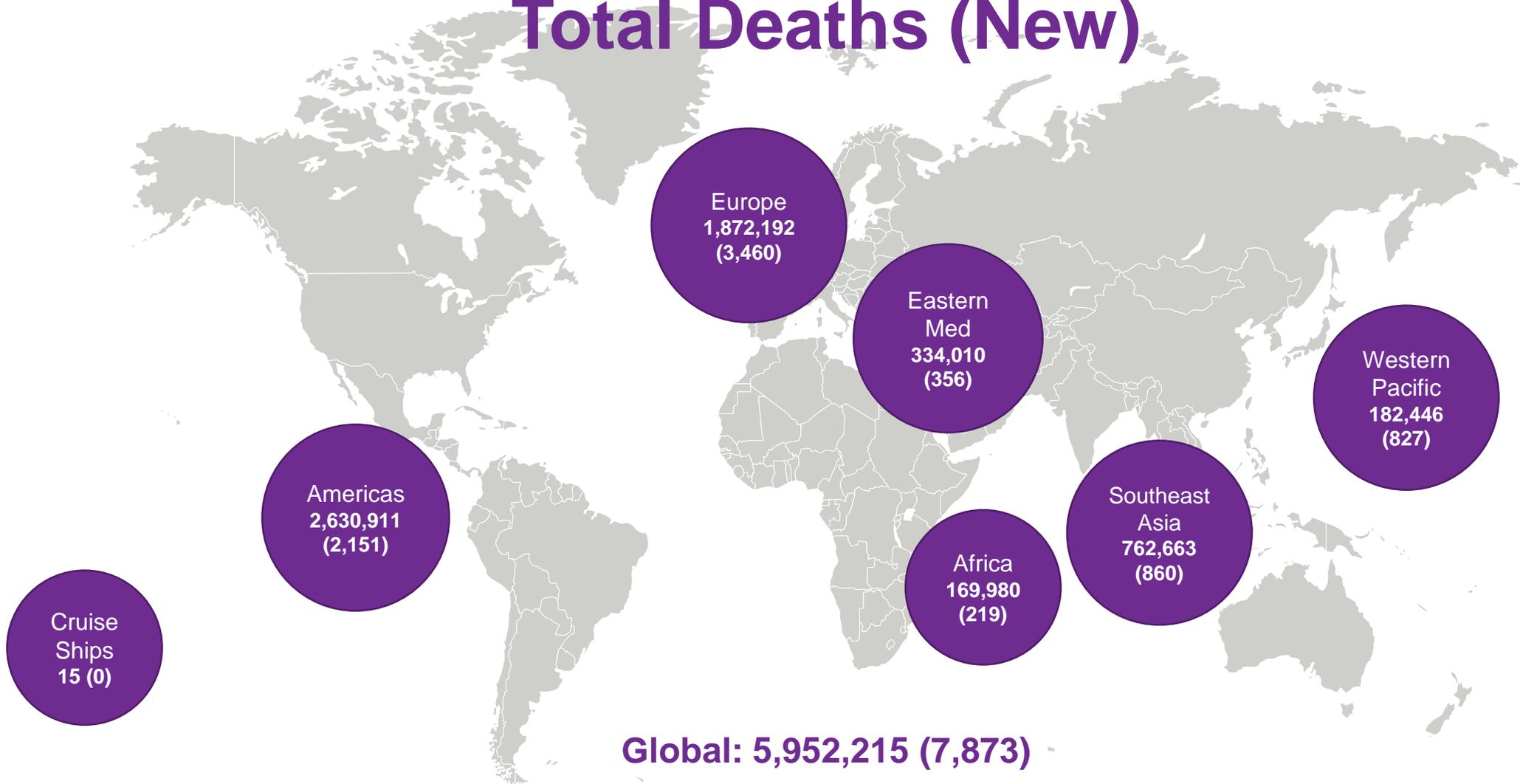
Confirmed Cases (New)



Reflects data as of 5:37 pm CEST on March 1, 2022.
Data Source: World Health Organization

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Total Deaths (New)



Reflects data as of 5:37 pm CEST on March 1, 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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