

Dentons Flashpoint

Daily Global Situation Report

December 22, 2021

Global Situation Update: December 22, 2021

KEY TAKEAWAYS

Libya's parliament cancelled planned presidential elections, leaving the way forward in the peace process in doubt.

In the UK, vaccine effectiveness against symptomatic Omicron infection ranged from 0-to-20% after two doses, and from 55-to-80% following a booster.

Ships carrying LNG destined for Asia are being re-routed mid-voyage to supply European consumers willing to pay a large premium.

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WHAT WE'RE WATCHING

In 2022, business leaders are likely to hear more about a new wave of resource nationalism amid the global push for supply chain security in response to economic disruptions made worse by the omicron variant. Worldwide, there is a sharp and disproportionate increase in discriminatory trade measures, especially for food, energy and mineral products. New tariffs and regulations are directed at taming inflation and promoting domestic mineral and energy production to secure national supply chains.

Rising resource nationalism will include governments that turn to extractive sectors to fill budgetary holes caused by the ongoing pandemic, which will raise tax and contractual risks to contractors and projects. The global energy transition is also focusing attention on competition for critical minerals by regional and global powers. Geopolitical and trade risks will likely increase in 2022 due to secure supply chain initiatives.



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

Global

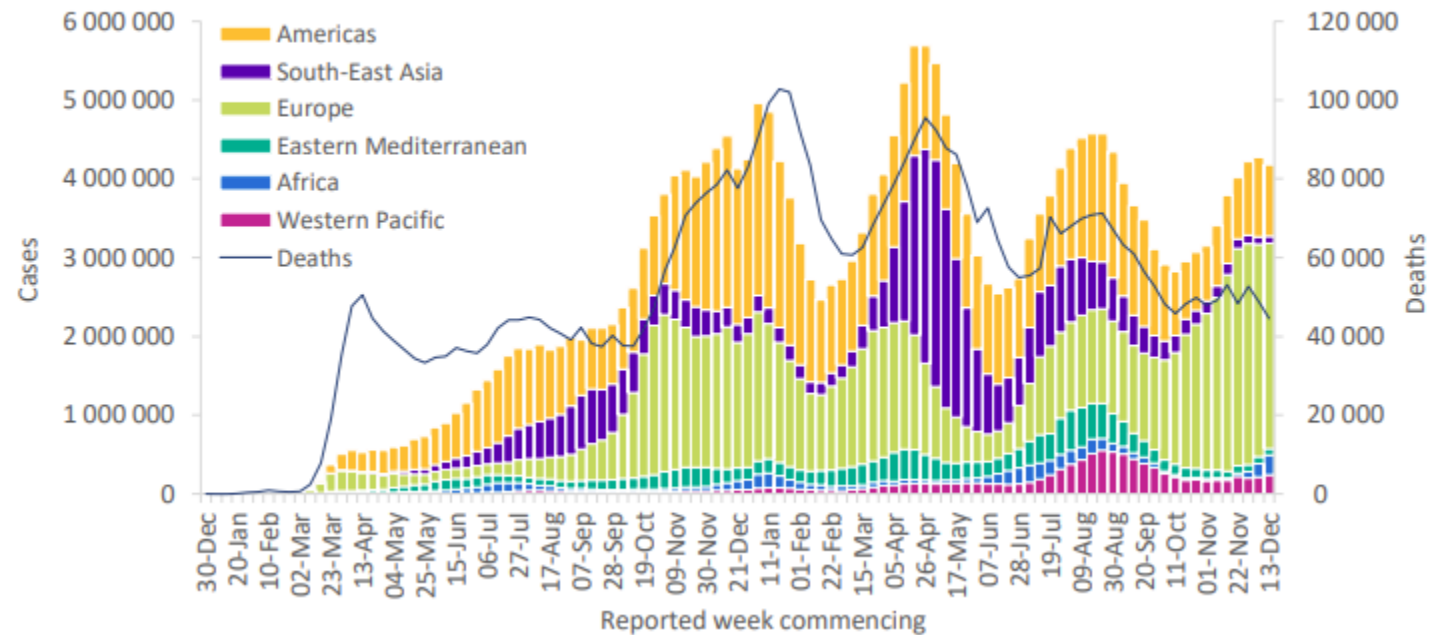
Globally, confirmed coronavirus cases topped 274.6 million with 5.3 million deaths; almost 8.3 billion vaccine doses have been administered.

- Per a new UK study, for vaccines available in the UK, effectiveness against **symptomatic Omicron infection** ranged from 0 percent to 20 percent after two doses, and from 55 percent to 80 percent following a booster dose. The report also estimated that after taking individual **risk factors** into account, the odds of reinfection with Omicron are 5.4 times greater than for reinfection with the Delta variant.
- **Novavax** said the World Health Organization's panel of experts had recommended a third dose of its vaccine, NVX-CoV2373, for immunocompromised persons.

Global

During the week 13-19 December, the global number of new cases remained similar to those reported during the previous week; however, the weekly incidence of deaths decreased by 9 percent.

Figure 1. COVID-19 cases reported weekly by WHO Region, and global deaths, as of 19 December 2021**



Source: New York State Government

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Markets & Business

NY Stock Exchange and Nasdaq are pursuing listings from companies in south-east Asia and India to counteract a sudden slowdown in business from China. Some 270 Chinese enterprises are in danger of getting the kicked off US exchanges in 2024.

- **Maersk** is paying \$3.6 billion for **Li & Fung's** contract logistics business as the world's largest container shipping line works to boost its land-based operations.
- Ships carrying **liquefied natural gas** destined for Asia are being re-routed mid-voyage to supply European consumers willing to pay a large premium, as prices across the region surge to new peaks. According to data from Platts, the difference between European and Asian prices is currently the widest on record.
- **NatWest Markets PLC** pleaded guilty to wire and securities fraud, admitting that its traders in London, Singapore and Connecticut engaged in several schemes between 2008 and 2018 to manipulate US Treasury markets.
- **BHP Group** and the world's top steel producer **China Baowu Steel Group** have completed a cross-border trade settlement for iron ore using a blockchain platform. The transaction between BHP and Baowu Steel was worth \$11 million and was done on the **EFFITRADE** cross-border trade financial services platform.

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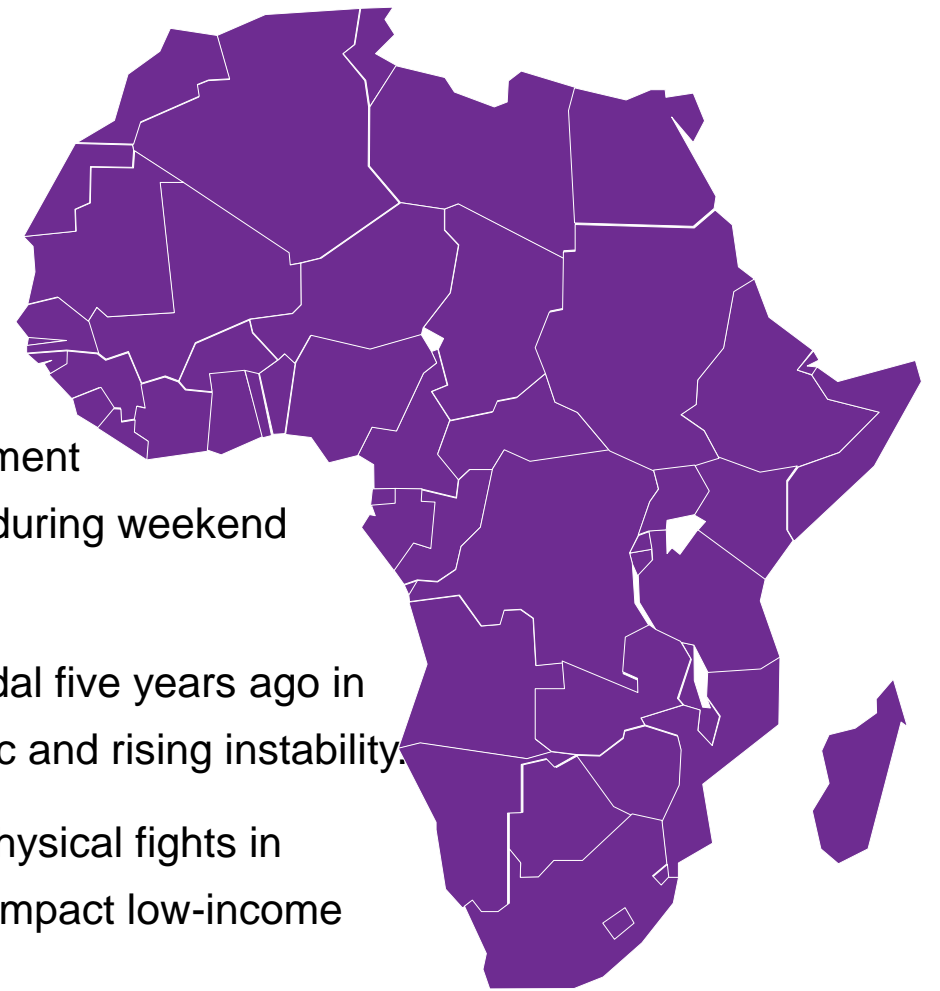
Environment, Sustainability & Governance

Morgan Stanley announced the launch of the Institute for Inclusion's Equity in Education and Career Consortium, an initiative aimed at improving career and financial outcomes for minorities.

- TotalEnergies will launch the largest-ever battery-based energy storage plant in France in an attempt to address the need for **grid stabilization with green energies.**
- DHL launched the **DHL Green Carrier Certification**, a program that will reward subcontractors for increasing sustainability.
- Egypt aims to increase the government's contribution to government-backed **green investments** to 50 percent by 2025, the finance ministry.

Africa

- Reports leaked to media that **Sudanese** Prime Minister Hamdok intends to resign. The move comes as Hamdok has lost significant legitimacy among Sudanese after he rejoined coup leaders in government after his ouster. The UN reported that at least 13 women were raped during weekend anti-government protests in Khartoum.
- **Mozambique** is seeking its first IMF loan since a \$2 billion graft scandal five years ago in an attempt to kickstart the economy following the COVID-19 pandemic and rising instability.
- Debates on a proposed tax on electronic transactions devolved into physical fights in **Ghana's** parliament; opponents say the tax would disproportionately impact low-income Ghanaians.
- The **Ethiopian** government in Addis Ababa said that the army was clearing Tigrayan rebels from the Amhara and Afar regions, dismissing reports that implied the Tigrayans were retreating voluntarily.



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Asia

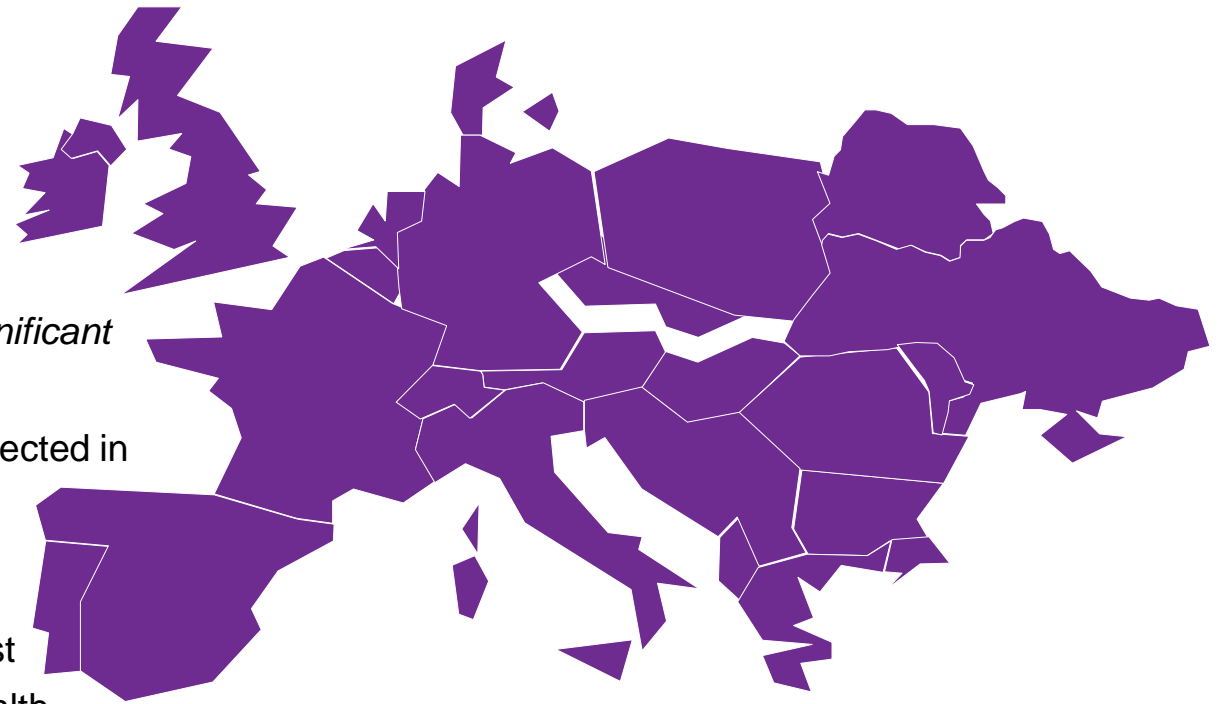
- **Australian** Prime Minister Morrison ruled out a Christmas lockdown, saying hospitals were coping well with a record surge in COVID-19 cases.
- The **Philippines'** health ministry halved the wait time for a COVID-19 vaccine booster to three months.
- **Chinese** regulators suspended an information-sharing partnership with Alibaba Cloud Computing, over accusations it failed to promptly report and address a cybersecurity vulnerability.
- **China** has barred entry to four people from the **US** Commission on International Religious Freedom, following the US imposing additional sanctions this month over accusations of human rights abuses in Xinjiang.
- **Myanmar's** oldest rebel force wants international help to establish a "no-fly zone" near the Thai border, after warning there was a danger of clashes with the army resulting in civilians being targeted by air strikes.



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Europe

- The WHO's **European** head warned countries to brace for a "*significant surge*" in COVID-19 cases as Omicron spreads and advised the widespread use of boosters for protection. Omicron has been detected in at least 38 of the 53 countries in the WHO's European region.
- **Romanian** protesters tried to force their way into parliament, blocking traffic and vandalizing some cars in the capital Bucharest in an attempt to prevent lawmakers from making a COVID-19 health pass mandatory for workers.
- The **British** government is reducing the COVID-19 self-isolation period to seven days from 10 days for people in England who get a negative result on a lateral flow test two days in a row. The **European** Commission adopted rules that will make the EU COVID-19 certificate valid for travel nine months after the completion of the primary vaccination schedule. Portugal and Sweden imposed new movement restrictions.
- President Putin said that **Russia** had no room to retreat in a standoff with the **US** over **Ukraine** and would be forced into a tough response unless the West dropped its "*aggressive line*." European gas prices hit a new record high on Tuesday after a pipeline that brings Russian gas to **Germany** switched to flow east, feeding tensions between Russia, US and Western Europe.



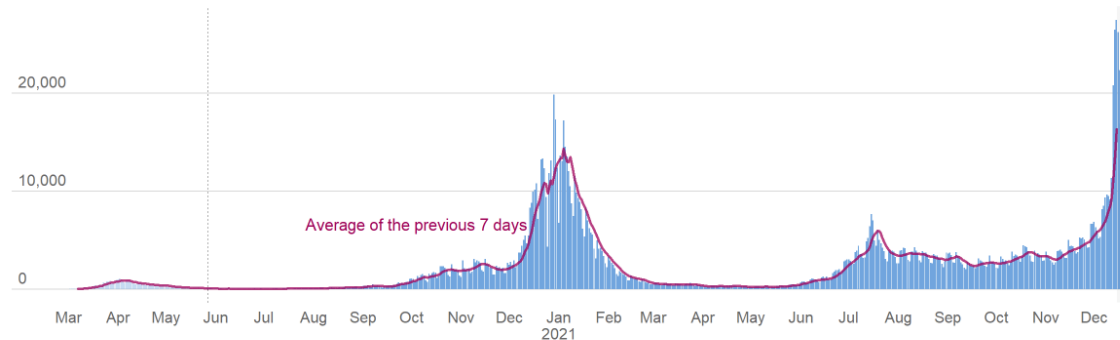
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Europe

The first case of Omicron was reported in England on November 24. In the month since, London has experienced an intense surge of daily new infections, far outstripping the Delta variant surge and with no sign that the outbreak is peaking. Hospitalizations and deaths (14 countrywide) are well below the Delta variant rate.

Daily Cases by date of specimen

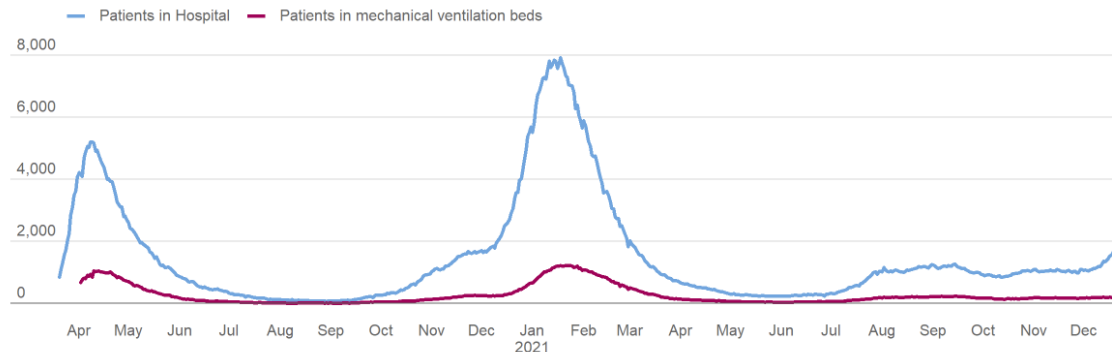
London



Source: PHE COVID-19 Dashboard
Note: Recent data (shaded region) is likely to be revised upwards
Graphic by GLA City Intelligence

People in Hospital in London with COVID-19

Most recent data for 21 December

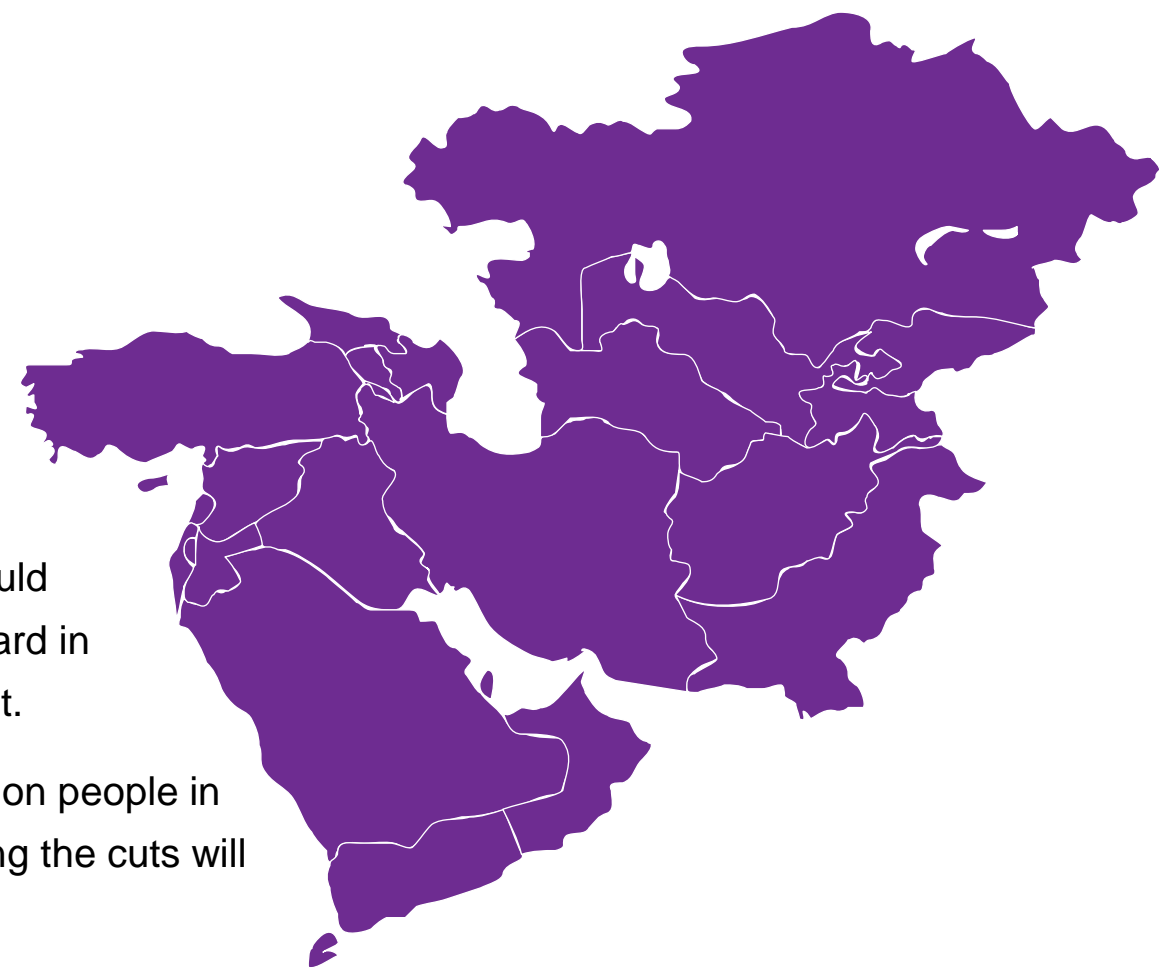


Source: PHE COVID-19 Dashboard
Graphic by GLA City Intelligence

Source: Greater London Authority

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Middle East



- A former **Israeli** intelligence official acknowledged that Israel had aided the **US** in the killing of **Iranian** IRGC General Qassem Soleimani, the first official confirmation of cooperation.
- **Libya's** parliament said Friday's planned presidential election would not go ahead and did not name a new date, leaving the way forward in the peace process and the fate of the interim government in doubt.
- The World Food Program said it will reduce food rations for 8 million people in **Yemen** from January due to a lack of funding from donors, warning the cuts will push more people into starvation.
- **Israel** will offer a fourth dose of a COVID-19 vaccine to people older than 60 or with compromised immune systems, and to health workers, as part of a drive to ramp up the shots and outpace the spread of the Omicron variant of the coronavirus. COVID-19 cases in **UAE**, one of the most vaccinated countries in the world, surged by 50 percent in one day. **Saudi Arabia** began a mass vaccination campaign for children aged 5-11. **Kuwait** will require boosters starting January 2.

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Americas

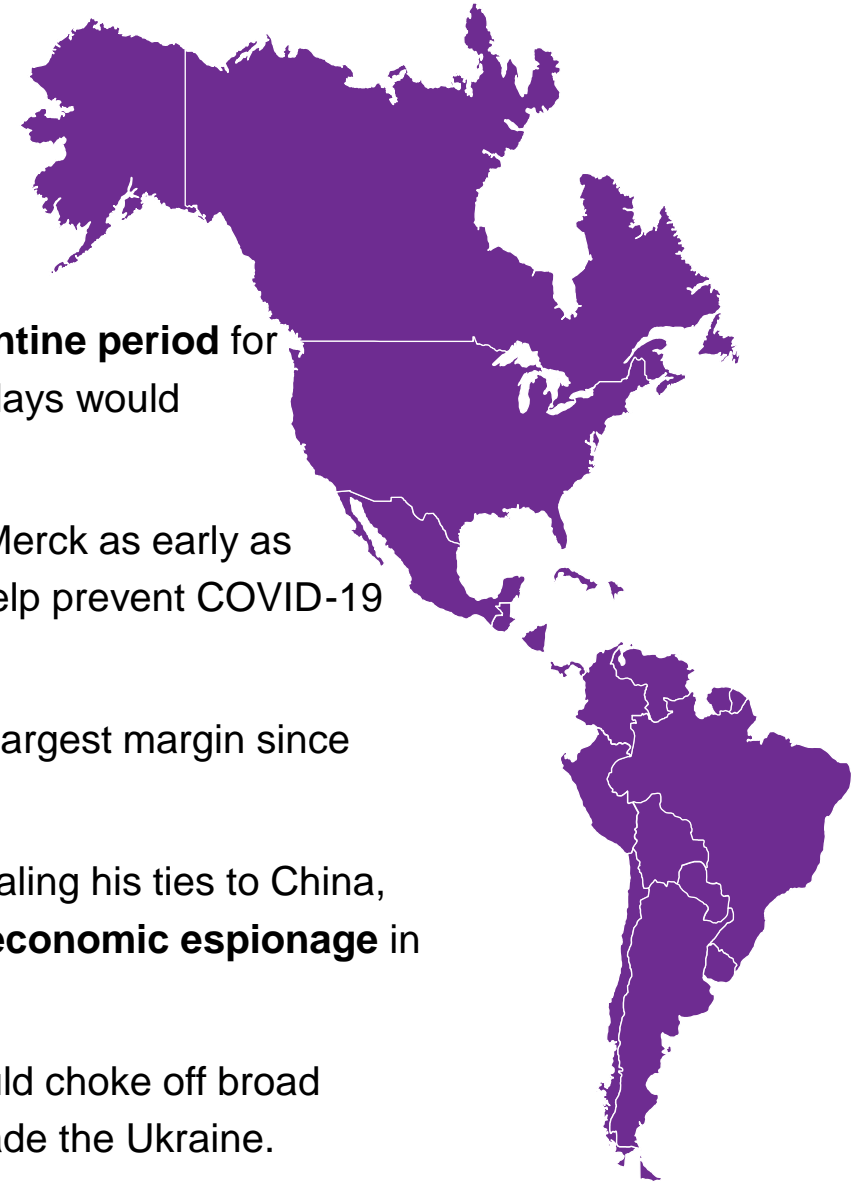
- **Peruvian** communities blockading a copper mine over distribution of investment returns opted to participate in government talks, reversing earlier decisions.
- **Canada's** housing minister suggested that cities rezone to allow for more density and temporarily ban foreign buyers to address a housing shortage.
- The **Canadian** government launched a challenge against American duties on Canadian softwood lumber under the terms of the **US-Mexico-Canada** (USMCA) trade deal; The US Department of Commerce nearly doubled its duties on imported Canadian softwood lumber to 17.9 percent in November
- **Cuban** leaders pledged to ease inflation and address shortages at a year-end economic meeting.
- **Ecuadorian** President Lasso said the country will gradually decrease its international transfer tax in a bid to remove barriers for international investment.
- **Chile's** market steadied following steep drops after the election of a leftist former student activist as president.



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Americas: US

- US. health authorities are considering reducing the 10-day recommended **quarantine period** for Americans who test positive for COVID-19. Reducing the number of quarantine days would help asymptomatic people return to work or school, with the proper precautions.
- The FDA is set to authorize **COVID-19 treatment pills** from both Pfizer Inc and Merck as early as Wednesday. The treatments can be taken upon onset of symptoms at home to help prevent COVID-19 hospitalizations and deaths.
- **US population growth** hit a record low in 2020, while life expectancy fell by the largest margin since World War II, reflecting the pandemic's impact on deaths and immigration.
- A Harvard University chemistry professor was convicted in federal court of concealing his ties to China, securing a victory for the Justice Department's effort to crack down on **Chinese economic espionage** in the US.
- The White House is considering "*extraordinary*" export control measures that could choke off broad swaths of industrial and consumer technologies to **Russia**, if Russian troops invade the Ukraine.



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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](#).

The Risks of EU-US Divergence on ESG Disclosure Rules

When looking back, some analysts may peg 2021 as the year the world decided to put its money where its values are by investing in sustainable enterprises, or Environment, Social and Governance (ESG) investment.

In the run up to the 2021 United Nations Climate Change Conference (COP26), and after, there has been a slew of announcements on the formation of new ESG exchange traded funds, ESG indexes and new tools to help investors navigate the ESG space. Demand for ESG investing has been growing because people care about the impact of climate change, diversity, equity and inclusion. They want to know what is in the pool of investments they are making and if those companies have policies and practices that uphold these sustainable values. In fact, sustainable investing is not new. The Dow Jones Sustainability World Index was launched in 1999. What is different today is that world governments are beginning to write the rules of the road for ESG investing, with the European Union (EU) in the lead, and the US following a different byway.

S&P Global President Doug Peterson, speaking last week at Washington think tank Bipartisan Policy Council, reviewed the

emerging landscape and risks in the divergent developments in the ESG regulatory environment. Peterson observed that so far this year, there has been \$130 billion of issuance of sustainable debt. The demand is driven by people who care about sustainability seeking out investment opportunities in what is becoming a very difficult environment to differentiate between ESG-compatible options while protecting against greenwashing. Governments working with industry leaders and NGOs are stepping forward to develop policies that will set standards for ratings and disclosures. Peterson ticked through the alphabet soup of new networks and sustainability boards, identifying the establishment of the International Sustainability Standards Board (ISSB) as one of the most significant. Launched by the IFRS Foundation, ISSB will lay the technical groundwork for a global sustainability disclosure standard for the financial markets, streamlining and formalizing corporate sustainability disclosures.

The Risks of EU-US Divergence on ESG Disclosure Rules

The EU ESG Regulations

Peterson assessed that the EU was well ahead of the rest of the world in developing ESG policy frameworks. Over the past ten years, European central banks have been debating which ESG factors should be incorporated in decisions made about financial allocation of resources and capital. These regulations are building up. Like with GDPR (the EU law on data protection and privacy), the EU is setting itself up to be the global standard setter for ESG. The EU is hardwiring ESG into their regulations of asset managers through the EU Taxonomy Regulation.

The EU taxonomy is a classification system, establishing a list of environmentally sustainable economic activities. The taxonomy has six different sustainability objectives; for climate change, The EU Taxonomy Climate Delegated Act, adopted by EU member states this past June, aims to support sustainable investment by making it clearer which economic activities most contribute to meeting the EU's environmental objectives. For an activity to be considered ESG-compliant, it must contribute to one of the six objectives in the taxonomy and cannot do significant harm to any of the other objectives. It has definitions and rules, created to address

information gaps and greenwashing. It imposes certain disclosure obligations to fill the data gaps. The details are still being debated, particularly on controversial issues such as including nuclear energy as a sustainable activity and setting thresholds for compliance (strict verses lenient interpretations).

While the EU taxonomy defines the terms of what is and is not ESG, the Sustainability Finance Disclosure Regulation (SFDR), which came into effect last March, is designed to help institutional asset owners and retail clients understand, compare, and monitor the sustainability characteristics of investment funds by standardizing sustainability disclosures. Currently, disclosure data is fragmented, not standardized and hard to use.

The EU Corporate Sustainability Reporting Directive (CSRD), introduced in April 2021 and goes into effect in 2023, upgrades the 2014 nonfinancial reporting directive and seeks to improve the coverage and reliability of sustainability reporting. When the law comes into effect, the CSRD is expected to increase the number of European and Europe-based companies that disclose sustainability information by fourfold.

The Risks of EU-US Divergence on ESG Disclosure Rules

The US' Laissez-faire Approach under Reconsideration

The US has been on a completely different track in dealing with ESG considerations. Sustainable investing and disclosure are guided by voluntary, private-sector-led processes and protocols. According to Peterson, 85 percent of companies on the S&P500 have sustainability reports, addressing climate disclosure, diversity and inclusion. Pressure to disclose ESG information comes both from retail and institutional investors, with institutional investors having more leverage over corporations to address systematic risks like climate change. Yet the disclosures are difficult to use by rating agencies because they tend to be in narrative form rather than in data classes that can be compared.

The US Securities and Exchange Commission (SEC) signaled a potential change in approach in March of this year when it solicited input from investors, registrants, and other market participants on climate change disclosure. The SEC received about 550 unique comment letters in response, with three quarters supporting mandatory climate disclosure rules. The majority of the comment letters came from investment, banking/financial organization and corporate entities, as well as trade associations. On September 14,

SEC Chair Gensler said in testimony before the Senate Committee on Banking, Housing, and Urban Affairs that SEC staff are preparing a climate change disclosure rule proposal, likely not to be finalized in 2022.

Peterson spoke positively of the signal change by the SEC and assessed the Climate Envoy John Kerry will become more vocal on the US regulatory environment and standards setting. He assessed that the US needs to be more involved in setting global standards or risk having the EU keep the lead without due consideration of issues such as the need for a safe harbor for companies making disclosures. Unlike the EU, the US is very litigious, and companies are worried about disclosures leading to litigation against them.

Risks to Trade and Investment Flows

US Chamber of Commerce Executive Vice President for the Center for Capital Markets Competitive Tom Quaadman, who also participated in the Bipartisan Policy Council discussion, observed that US businesses are not sufficiently involved in the regulatory discussion in either the US or EU. He assessed that 80 percent of the discussion is taking place overseas and by the time it migrates back to the US, a lot of the rules will already be decided.

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The Risks of EU-US Divergence on ESG Disclosure Rules

Additionally, many US financial institutions have global operations, with subsidiaries in the EU or trading in EU-based assets. These companies will need to either step into compliance with new EU regulations or be shut out of Europe. Furthermore, the EU and US need to move beyond discussion to coordination so that companies do not face conflicts in rule making.

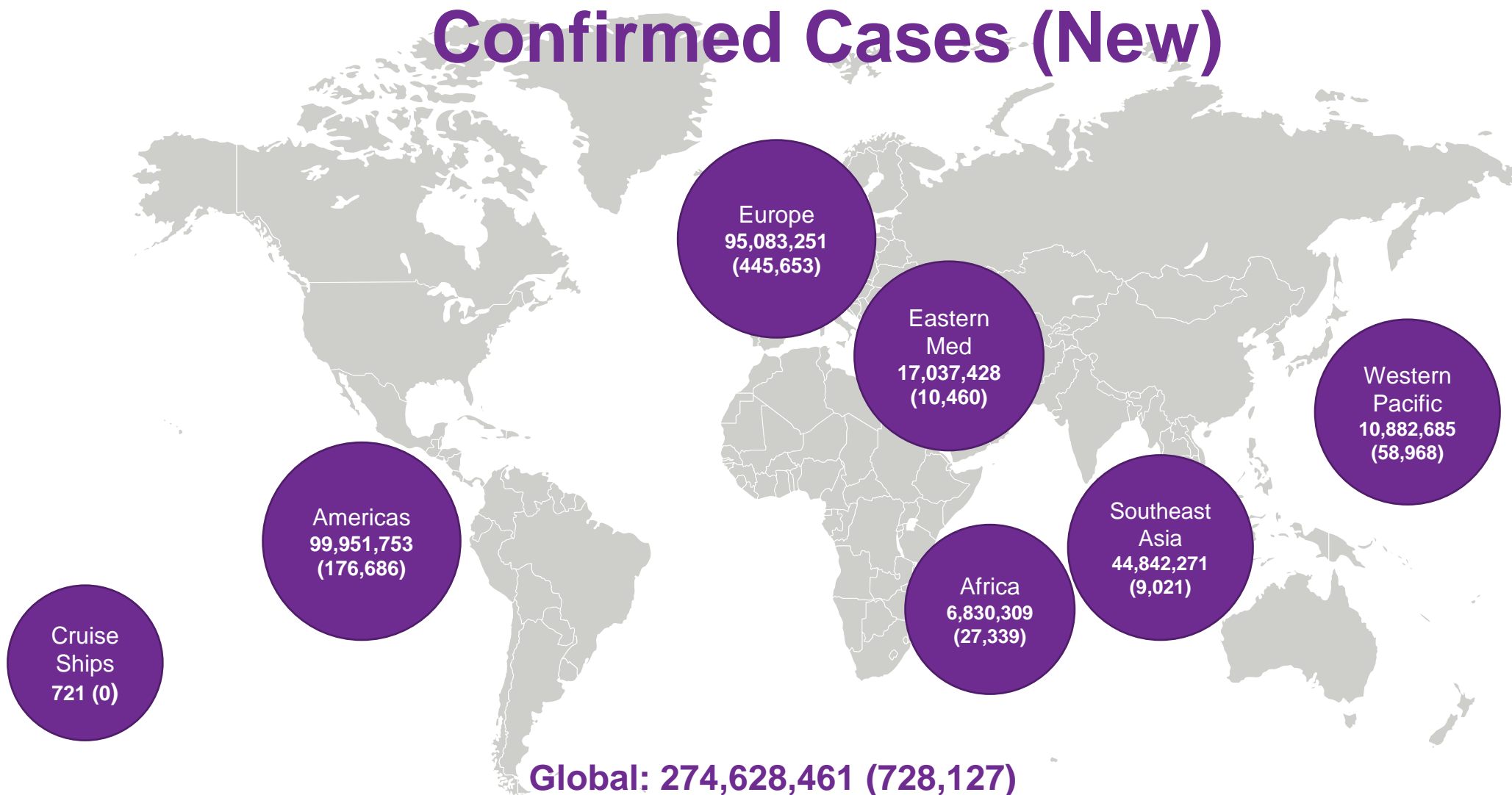
According to Brookings Institute non-resident fellow Addisu Lashitew, the SEC rules are likely to depart from the EU's approach in a number of ways. SEC regulation will likely target only publicly listed companies whereas the EU's Corporate Sustainability Reporting Directive covers large unlisted firms as well. Second, the SEC will mandate disclosure of a narrow range of outcomes related to climate risk and human capital, while the EU has a broader set of sustainability outcomes, including indirect outcomes through the value chain and relevant corporate strategies and processes. Third, given capacity constraints, the SEC will likely adopt less comprehensive, third-party disclosure standards as opposed to developing its own comprehensive standards as the EU is doing. Lashitew concludes that conflicting regulatory regimes between the

US and EU risk harming trade and investment flows across the Atlantic and potentially globally.

Coronavirus Condition Updates

As of 5:15 pm CEST on December 21, 2021

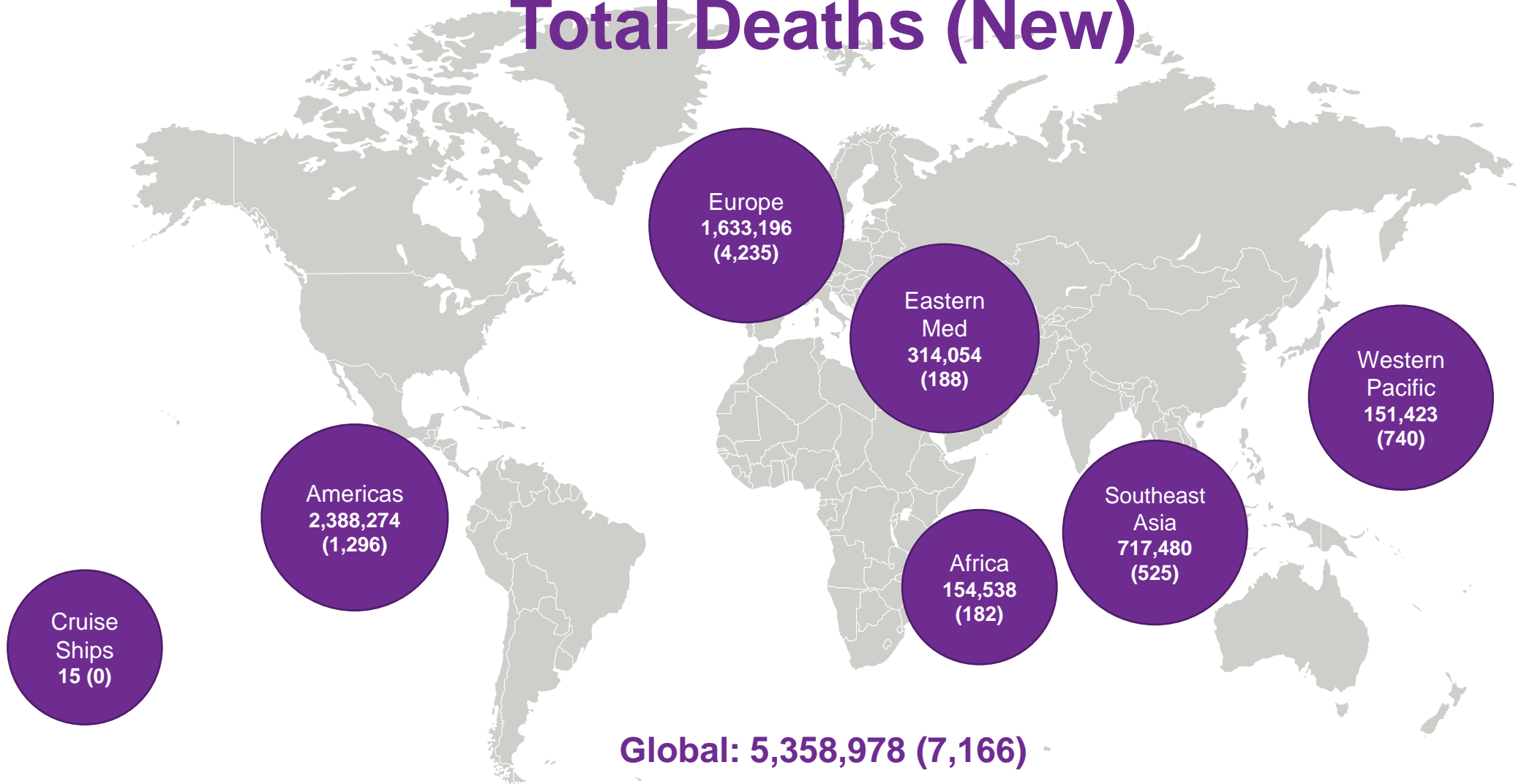
Confirmed Cases (New)



Reflects data as of 5:15 pm CEST on December 21, 2021.
Data Source: World Health Organization

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Total Deaths (New)



Reflects data as of 5:15 pm CEST on December 21, 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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