THE COVID CORPORATE FINANCING FACILITY

Where are the Conditions for the Billion £ Bailouts?

PositiveMoney

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Executive Summary

The Covid Corporate Financing Facility (CCFF) is a Bank of England and HM Treasury scheme implemented in response to the economic fallout of Covid-19. It is a highly exclusive and privileged facility, designed to provide the UK's biggest corporations with access to billions of pounds in cheap loans directly from the Bank of England. The terms of these loans are significantly more favourable than those offered to the country's Small and Medium Enterprises (SMEs), who face far higher interest rates on commercial bank emergency loans.

In propping up big corporations without attaching social or environmental conditions, the CCFF is inconsistent with the government's pledge to 'build back better' towards a fairer, greener, and more resilient economy. The CCFF's few existing conditions related to corporate governance are insufficient and poorly designed. As a result, many companies are benefiting from public money while simultaneously paying out dividends to shareholders, laying off workers, and harming the environment. Further, the CCFF currently lacks transparency, deepening the democratic deficit at the Bank of England.

This report proposes five simple recommendations to improve the CCFF and align it with efforts to build back better. Specifically, we outline how the Bank of England and the Treasury can strengthen the existing conditions of the scheme, introduce new conditions that protect both workers and environment, implement mechanisms to ensure compliance, and enhance the transparency of the scheme.

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Summary of Recommendations

This report makes five key recommendations to improve the design of the Covid Corporate Financing Facility (CCFF), which can be summarised as follows. The Treasury and the Bank of England should:

1. Extend the scheme's existing conditions by implementing restrictions on senior pay and a one year moratorium on capital distributions for all companies participating in the CCFF.
2. Require CCFF participants to guarantee: (i) no lay-offs while the Coronavirus Job Retention Scheme (CJRS) is in place; (ii) immediate inclusion of worker representation on company boards; and (iii) union consultation in any future restructuring of the workforce when the CJRS comes to an end.
3. Require that each company, in their letter of commitment to the Treasury[1], outline credible net-zero carbon plans in line with the Paris Agreement and commit to disclosure of climate risks as recommended by the Task Force on Climate-related Financial Disclosures.
4. Outline clear consequences for failure to comply with the conditions of the CCFF, such as a financial penalty and less favourable terms and conditions in further bailout schemes.
5. Enhance the transparency of the CCFF by publishing: (i) total amounts borrowed by each company since the start of the scheme; (ii) a detailed explanation of how eligibility is determined and how loan amounts are agreed upon; and (iii) all letters from companies explaining how conditions are being met.

[1] Under the CCFF conditions of use, the Treasury has outlined that companies issuing commercial paper which matures on or after 19 May 2020 (or exceeds the limit set by the issuer's investment rating) will be required to provide a letter of commitment on meeting the existing conditions on capital distributions and senior pay restraint. https://www.bankofengland.co.uk/markets/market-notices/2020/joint-hmt-and-boe-ccff-consolidated-market-notice-may-2020

Section 1: Introduction

The Covid Corporate Financing Facility (CCFF) was implemented by the Bank of England and the Treasury as an emergency lending facility to support the UK's largest corporations through the economic fallout of the Covid-19 crisis. The facility provides privileged access to newly-created central bank money, lent out at cheap rates to a highly exclusive list of big corporations. As of 24 June, 63 companies have £18.596 billion in outstanding loans from the CCFF.[2]

The privilege of participation in the CCFF is most clearly demonstrated when compared to the government's other emergency lending facilities for the rest of the country's businesses. For example, small and medium-sized enterprises (SMEs) borrowing from the Coronavirus Business Loan Interruption Scheme (CBILS) - administered by profit-maximising commercial banks - face interest rates up to approximately 8% higher than those offered to corporations drawing from the CCFF. Despite the CCFF's favourable financial terms, the facility lacks conditions and therefore fails to protect jobs it was set up to support.

The government has expressed on a number of occasions its commitment to a fair and green recovery, and the governor of the Bank of England has equally pledged to prioritise decarbonising the Bank of England's asset purchases.[3] However, the current design of the CCFF fails to attach any social or environmental conditions. As a result, the CCFF is supporting some of the world's biggest polluters, including airlines, car manufacturers, and oil and gas companies, while they simultaneously lay-off workers in droves and aim for a return to business as usual. So far, 39% of CCFF participants have committed to large-scale redundancies totaling over 34,000 UK-based jobs.[4]

Furthermore, the CCFF is not sufficiently transparent. Following a Positive Money campaign, the Bank and the Treasury took an important step by publishing a list of companies participating in the CCFF,[5] but serious transparency issues remain. In failing to maximise the transparency of the scheme, the CCFF is exacerbating a lack of democratic accountability and legitimacy at the Bank of England. Transparency is a crucial pillar of a functioning democracy, and simple steps can be taken to ensure that it remains a priority in the fast-moving economic response to Covid-19.

This report makes five recommendations that would rapidly improve the design of the CCFF, addressing transparency gaps and aligning it with the fair and green recovery that the government and the Bank claim to support. These recommendations involve: extending existing conditions on senior pay and capital distributions to ensure that all participants preserve cash in this time of crisis; adding new conditions that will protect workers and the environment; implementing mechanisms that will ensure compliance with conditions attached to the scheme; and taking simple steps to enhance the overall transparency of the CCFF, providing the public with a more comprehensive picture regarding key decision-making processes, use of public funds, and implementation of conditions.

The rest of this report is structured as follows. Section 2 provides an introduction to the CCFF, including the facility's latest usage data. Section 3 outlines the two fundamental problems with the CCFF in its current form: (i) it is inconsistent with the government's own commitment to a fair and green recovery; and (ii) it lacks transparency and accountability mechanisms. Section 4 then explains how we can improve the CCFF with five simple recommendations. Section 5 concludes. The appendices provide additional data on eligible companies, as well as case studies of sectors and companies participating in the CCFF.

[2] "Results and usage data," Bank of England, https://www.bankofengland.co.uk/markets/bank-of-england-market-operations-guide/results-and-usage-data

[3] David Clarke, "Andrew Bailey announces crucial step towards climate-friendly Bank of England", Positive Money, 6 March 2020, https://positivemoney.org/2020/03/andrew-bailey-announces-crucial-step-towards-climate-friendly-bank-of-england/

[4] 'The Covid Corporate Financing Facility,' AG, https://agsvs.uk/ccff

[5] Simon Youel, "Bank of England comes clean on corporate bailouts following Positive Money campaign", Positive Money, 19 May 2020, https://positivemoney.org/2020/05/press-release-govt-and-boe-comes-clean-on-corporate-bailouts/

Section 2: What is the CCFF?

The Covid Corporate Financing Facility (CCFF) was announced by the Treasury and the Bank of England on 17 March 2020, as part of a package of measures to respond to the economic fallout of the Covid-19 pandemic. It allows large companies to obtain financial support directly from Britain's central bank, the Bank of England (BoE), by selling commercial paper, a form of short-term debt. By buying up the debt of large firms, the central bank aims to "help businesses across a range of sectors to pay wages and suppliers, even while experiencing severe disruption to cashflows." [6]

The CCFF is available to companies that are investment grade rated (or equivalent) and are judged to "make a material contribution to the UK economy". [7] Due to the required credit rating, only around 300 of Britain's biggest companies are reportedly eligible.[8] As of 24 June 2020, 181 businesses had been approved as eligible for CCFF issuance.[9] Eligible firms will initially be able to access up to £1 billion. Most firms have been deemed eligible to access amounts of either £150 million, £300 million or £600 million, with an average of over £420m. The Bank of England has included provisions for companies to increase their CCFF limit over and above that suggested by their investment rating, indicating that companies will be able to draw further on the scheme.[10]

As of 24 June 2020, the Bank of England was providing £18.596 billion to 63 businesses through the CCFF - around £300m each on average.[11] However, this is not a total of how much funding the Bank has provided through the scheme, as it only provides a weekly snapshot and does not include funds which have previously been paid back. Usage of the CCFF was highest in the BoE's weekly report dated May 20, at £20.498 billion.[12] In total £76.37bn has so far been made available for 181 businesses through the CCFF, as of 24 June. [13]

The CCFF involves the Bank of England using newly created central bank money to buy these companies' debt, in a similar manner to quantitative easing (QE). The Bank has confirmed that there are no limits on the amount of money it is willing to create, but with the initial sum capped at £1bn per company, and with around 300 companies eligible, we can infer that it is effectively limited to less than £300bn.[14] All lending extended by the BoE under the CCFF is guaranteed by the Treasury, which is ultimately liable for the scheme.

[6] "HM Treasury and the Bank of England launch a Covid Corporate Financing Facility (CCFF)," Bank of England, updated 17 March 2020, https://www.bankofengland.co.uk/news/2020/march/hmt-and-boe-launch-a-covid-corporate-financing-facility

[7] "Covid Corporate Financing Facility (CCFF): information for those seeking to participate in the scheme," Bank of England, updated 11 June 2020, https://www.bankofengland.co.uk/markets/covid-corporate-financing-facility

[8] Ruth Sutherland, "Emergency loan scheme has already lent £10.8bn to 35 of the biggest firms, says Bank of England chief," Daily Mail, 22 April 2020, https://www.thisismoney.co.uk/money/news/article-8242359/10-8bn-lent-35-biggest-firms-says-Bank-England-chief.html

[9] "Results and usage data," Bank of England, updated 18 June 2020, https://www.bankofengland.co.uk/markets/bank-of-england-market-operations-guide/results-and-usage-data

[10] "Covid Corporate Financing Facility (CCFF): information for those seeking to participate in the scheme," Bank of England, https://www.bankofengland.co.uk/markets/covid-corporate-financing-facility

[11] "Results and usage data," Bank of England, https://www.bankofengland.co.uk/markets/bank-of-england-market-operations-guide/results-and-usage-data

[12] "Weekly Report", Bank of England, published 21 May 2020, https://www.bankofengland.co.uk/-/media/boe/files/weekly-report/2020/20-may-2020.pdf?la=en&hash=906AC39E2EFB68B70AB77C9380DC7FF9F09C83E3

[13] "Results and usage data," Bank of England, https://www.bankofengland.co.uk/markets/bank-of-england-market-operations-guide/results-and-usage-data

[14] Chris Giles, "Bank of England offers unlimited QE for large company financing", Financial Times, 18 March 2020, https://www.ft.com/content/bfb22e3e-6921-11ea-800d-da70cff6e4d3

Figure 1: List of companies in receipt of CCFF funds as of 24 June 2020

Accommodation & food service activities	**£1.68bn**
Compass Group	£600m
Intercontinental Hotels	£600m
Bourne Leisure Limited	£300m
Fuller Smith & Turner	£100m
SSP Financing	£50m
Young & Co.'s Brewery	£30m
Administrative & support service activities	**£1.18bn**
Rentokil	£600m
G4S	£300m
Amcor	£280m
Arts, entertainment & recreation	**£0.22bn**
Tottenham Hotspur	£175m
Ansco Arena	£45m
Electricity, gas, steam & air conditioning supply	**£1.1bn**
Iberdrola	£100m
Information and communication	**£0.8bn**
DXC	£600m
Telefonica	£200m
Manufacturing	**£6.05bn**
BASF	£1bn
Bayer	£600m
JCB	£600m
Nissan	£600m
ABB	£400m
Johnson Controls	£370m
Rolls-Royce	£365m
Toyota	£365m
Mitsubishi	£300m
Burberry	£300m
Vesuvius	£200m
Honda	£110m
Polypipe	£100m
Meggitt	£60m
Vitec	£50m
Paccar	£40m
Akzo Nobel	£30m
ITOCHU	£25m
Oil and gas extraction	**£1.335bn**
Baker Hughes	£600m
Schlumberger	£415m
TechnipFMC	£320m
Professional, scientific & technical activities	**£0.03bn**
Goodwin PLC	£30m
Real estate activities	**£1.5bn**
Westfield	£600m
Lendlease	£300m
London & Quadrant Housing Trust	£300m
OPTIVO	£150m
Platform Housing Group	£100m
Flagship Housing Group	£50m
Transportation and storage	**£3.075bn**
easyJet	£600m
Ryanair	£600m
British Airways	£300m
Wizz Air	£300m
FirstGroup	£300m
National Express	£300m
RCL Cruises	£300m
Stagecoach	£300m
Chemring Group	£50m
Carnival	£25m
Wholesale and Retail Trade	**£2.67bn**
Chanel	£600m
Kingfisher	£600m
Brake Bros	£600m
John Lewis	£300m
Marks and Spencers	£200m
Greggs	£150m
Inchcape	£100m
ASOS	£100m
Alliance Automotive	£20m

Box 1: Eligible companies

There are a large number of companies unnamed by the Bank of England but confirmed as eligible to draw from the CCFF. By tracking individual announcements of firms, we have compiled a partial list of these companies in Appendix A. Those eligible include multinational corporations like Coca Cola, Imperial Brands and WPP, as well as household British brands such as Royal Mail, WH Smith and Next. There are also a number of companies with questionable environmental and social records, including Dart Group, which owns Jet2, the airline with the fastest growing carbon emissions in Europe. There are a number of companies with a history of excessive low pay such as Greencore, Card Factory and Associated British Foods, which owns Primark.

Section 3: What are the problems with the CCFF?

This section outlines two fundamental problems with the CCFF in its current form. First, by propping up big corporations with no strings attached, the scheme is inconsistent with the government's pledge to build back better. The lack of conditionality has seen participants of the CCFF draw up to £1 billion in cheap funding while paying out dividends, laying off workers, and maintaining environmentally destructive business models. Second, the CCFF lacks transparency, impeding public scrutiny of the distributions and use of public funds and exacerbating issues of democratic accountability at the Bank of England.

3.1. Failing to implement a fair and green recovery

Announcing the UK's intention to delay the COP26 summit until November 2021, the Prime Minister told the nation that "we owe it to future generations to build back better and base our recovery on solid foundations, including a fairer, greener, and more resilient global economy".[15] Likewise, in a piece co-authored with current and former central bankers, including the Prime Minister's Finance Adviser for COP26 Mark Carney, Bank of England governor Andrew Bailey wrote:

> "Acting early will help to smooth the transition and avoid a sharp and disorderly adjustment. To meet the goals of the Paris agreement requires a whole economy transition: every business, bank and financial institution will need to adapt. The pandemic has shown that we can change our ways of working, living and travelling, but it has also shown that making these adjustments at the height of a crisis brings enormous costs. To address climate breakdown, we can instead take decisions now that reduce emissions in a less disruptive manner. That requires us to be strategic. To build back better."[16]

In propping up corporates including some of the biggest polluters and worst offenders for worker conditions with no strings attached, the CCFF is inconsistent with these statements. The current design of the facility shows the extent to which the government and the Bank are immediately failing to carry out schemes aligned with the speeches and articles they are writing about a fair and green recovery.

The CCFF offers highly favourable financial treatment to some of the largest corporations in the country and the world. The Bank of England is offering interest rates between approximately 0.3 and 0.7% on funds obtained through the CCFF (see box 2 for further details on CCFF pricing). Given that commercial paper yields started to soar with the onset of Covid-19, the rate offered by the Bank is far cheaper than what corporations would otherwise be facing were the scheme not in place. The CCFF has also served to suppress commercial paper yields more generally, helping to ease the financing conditions of corporations across the board.

[15] Michael Holder, 'Boris Johnson: 'We owe it to future generations to build back better'', BusinessGreen, 28 May 2020, https://www.businessgreen.com/news/4015783/boris-johnson-owe-future-generations-build

[16] Andrew Bailey, Mark Carney, François Villeroy de Galhau, Frank Elderson, 'The world must seize this opportunity to meet the climate challenge', The Guardian, 5 June 2020, https://www.theguardian.com/commentisfree/2020/jun/05/world-climate-breakdown-pandemic

Box 2: CCFF pricing

The Bank of England states that the CCFF "offers financing on terms comparable to those prevailing in markets in the period before the Covid-19 economic shock."[17]

As of 19 May 2020, the BoE was purchasing A1, A2 and A3 rated commercial paper (CP) at 20, 40, and 60 basis points (bps) above the current sterling overnight index swap (OIS) rate respectively through the CCFF. This is slightly below the spread A-rated firms were paying on CP at the beginning of the year, though the OIS rate itself has fallen in line with the Bank of England cutting its base rate from 0.75% to 0.1% in March. Yields on commercial paper soared as the Covid-19 crisis began to hit Western countries.[18] By 24 March, when lockdown measures had come into force in the UK, spreads on A-rated 3 month CP had risen to around 165 bps above OIS.[19] One purpose of the scheme has been to suppress yields on CP more generally, allowing it to support corporate finance markets overall.[20] As such yields on the open market for A-rated CP have fallen to around 60 bps over OIS, though still costlier than the rates - as low as 20 bps over OIS - offered by the BoE through the CCFF.

The generosity of the CCFF's pricing is further illustrated through international comparison. The Federal Reserve's Commercial Paper Funding Facility (CPFF), which also sees the US central bank buying up CP, announced on the same date as the CCFF, is priced at 200 bps over OIS for 3 month CP - up to 10 times the price offered by the Bank of England.[21]

With the Sterling OverNight Index Average (SONIA) currently below 0.1%, a spread of 20-60 bps above OIS means firms are paying an interest rate of approximately 0.3%-0.7% on funds obtained through the CCFF.

The financial privilege of participating in the CCFF is most apparent when compared with the terms offered to SMEs in the other emergency lending programmes. For example, SMEs with an annual turnover below £45 million and requiring a loan of over £50 million have to apply through the Coronavirus Business Interruption Loan Scheme (CBILS). The CBILS is administered by profit-maximising commercial banks charging interest rates as high as 8.9%, and averaging 6%.[22] Companies with an annual turnover of over £45 million can apply for loans of up to £200 million under the Coronavirus Large Business Interruption Loan Scheme (CLBILS), which are also administered by commercial banks with no cap on interest rates. The rates charged by banks under these schemes are significantly higher than those offered to corporations via the CCFF. Therefore, by participating in the CCFF rather than one of the loan schemes available to smaller businesses, these corporations are likely saving millions of pounds in interest payments on emergency loans.

Qualifying for the CCFF may also provide the additional privilege of lowering these firms financing costs more generally. Investor confidence may be buoyed by the fact these companies can access cheap financing directly from the central bank, rather than risking failure or having to rely on the market to provide costlier funding. Financial Times author Cat Rutter Pooley argues that there is a "badge of (relative) balance sheet strength that comes with state-sponsored debt" through the CCFF, suggesting that businesses unable to qualify face more stigma than those that are able to qualify.[23]

[17] Covid Corporate Financing Facility (CCFF): information for those seeking to participate in the scheme," Bank of England, https://www.bankofengland.co.uk/markets/covid-corporate-financing-facility

[18] Colby Smith, Eric Platt and Joe Rennison, 'Commercial paper market still creaking despite Fed measures', Financial Times, 1 April 2020, https://www.ft.com/content/326d5e19-8f48-422d-977d-d10f30295a78

[19] Bloomberg database

[20] "Apply for the COVID-19 Corporate Financing Facility", GOV.UK, published 20 March 2020, https://www.gov.uk/guidance/apply-for-the-covid-19-corporate-financing-facility

[21] "Commercial Paper Funding Facility 2020: Program Terms and Conditions", Federal Reserve, published 17 March 2020, https://www.federalreserve.gov/newsevents/pressreleases/files/monetary20200317a1.pdf

[22] Adam Williams, "Small businesses 'spend twice as much' by using wrong government loan scheme", The Telegraph, 9 June 2020, https://www.telegraph.co.uk/money/consumer-affairs/small-businesses-spend-twice-much-much-using-wrong-government/

[23] Cat Rutter Pooley, "End is nigh for brief era when BoE borrowing meant bragging rights," Financial Times, 19 May 2020, https://www.ft.com/content/fd11b28e-e914-4a63-8038-38e2d4353dc2

Despite clear benefits of participation in the CCFF and the urgent need to protect jobs and the environment, no conditions were attached to these loans. In their update to the CCFF on 19 May 2020, The Bank and the Treasury announced one condition, which stipulates that long-term borrowers will be required to provide a letter which commits to "restraint on their capital distributions and on senior pay" while the loan is outstanding.[24] Restraint on capital distributions includes suspending dividends and buybacks on ordinary shares. As the template for the letter provided by the BoE reads: "We expect that firms will commit to no pay rises or cash bonuses to senior management, including the Board and company management."[25]

There are two key issues with this condition. First, it lacks any strong enforcement mechanism, as the only penalty for failing to comply is that the letter may be published, at the Treasury's discretion. Second, it sets up a perverse incentive that may favour the biggest companies in a position to repay their loans earlier than others.[26] Given that this condition only applies to lending that extends beyond 19 May 2021, firms are incentivised to repay the loan early in order to avoid the restrictions. Therefore, companies may be encouraged to cut costs such as labour in order to repay within a year, meaning that this element of the scheme risks being counterproductive to the CCFF's stated objective of protecting jobs by helping firms pay their wages.[27]

The lack of stronger CCFF conditions regarding corporate governance is particularly surprising when compared with the conditions of loans under the CLBILS, where all borrowers must commit to clearly defined restrictions on capital distributions and senior pay for the full terms of their loans.[28] Therefore, companies drawing a maximum of £200 million at higher interest rates face stricter conditions that companies receiving up to £1 billion at cheap rates under the CCFF. As it stands, there is nothing stopping CCFF beneficiaries from taking advantage of their cheap funding to pay out dividends and buy up assets, including their own shares and bonds. For example, BASF, which has drawn £1 billion from the CCFF, announced on 18 June that it will go ahead with a £3 billion dividend payout to shareholders.[29]

Despite the government and Bank of England's commitment to a fair and green recovery, the CCFF in its current form lacks any conditions designed to protect workers or the environment. 56% of funds are currently allocated to high-carbon sectors, including airlines, car manufacturers, and oil and gas companies (see Figure 2). As a result, we've seen some of the world's biggest polluters receive millions of pounds while simultaneously laying off thousands of workers. For example, British Airways has received £300 million amidst a worker-led campaign highlighting its poor treatment of staff throughout the Covid-19 crisis. BA is laying off over 12,000 workers and threatening to lay off up to an additional 19,000 unless they accept worse pay and working conditions.[30] Airlines overall have drawn £1.8 billion from the scheme while collectively announcing up to 21,000 layoffs. According to analysis from AG, approximately 39% of CCFF participants have large scale redundancies planned, totalling over 34,000 UK-based jobs, and only 19% have disclosed accurate statistics for carbon emissions, energy, water and waste.[31] Appendix B provides detailed case studies showing the poor environmental, social and governance record of many of the companies participating in, and eligible for, the CCFF.

[24] Covid Corporate Financing Facility (CCFF): information for those seeking to participate in the scheme", Bank of England, https://www.bankofengland.co.uk/markets/covid-corporate-financing-facility

[25] "Conditions letter for CCFF for CP maturing on or after 19 May 2021," Bank of England, accessed 18 May 2020, https://www.bankofengland.co.uk/-/media/boe/files/markets/covid-corporate-financing-facility/conditions-letter-for-ccff-for-cp-maturing-on-or-after-19-may-2021.docx?la=en&hash=97344FD245EE84C218B8BC597536744776199768

[26] Rutter Pooley, "End is nigh for brief era when BoE borrowing meant bragging rights," https://www.ft.com/content/fd11b28e-e914-4a63-8038-38e2d4353dc2

[27] The BoE does charge an additional fee for early repayments, but this is currently set at just 5 bps. Markets are currently pricing in further cuts to the BoE's base rate, which would see the OIS rate fall, and thus the price of new funds through the CCFF, unless the Bank decides to raise spreads on its CP purchases. This raises the question of whether it may be in borrowers' interests to 'refinance' by repaying their current loans and drawing down a further amount at a cheaper rate.

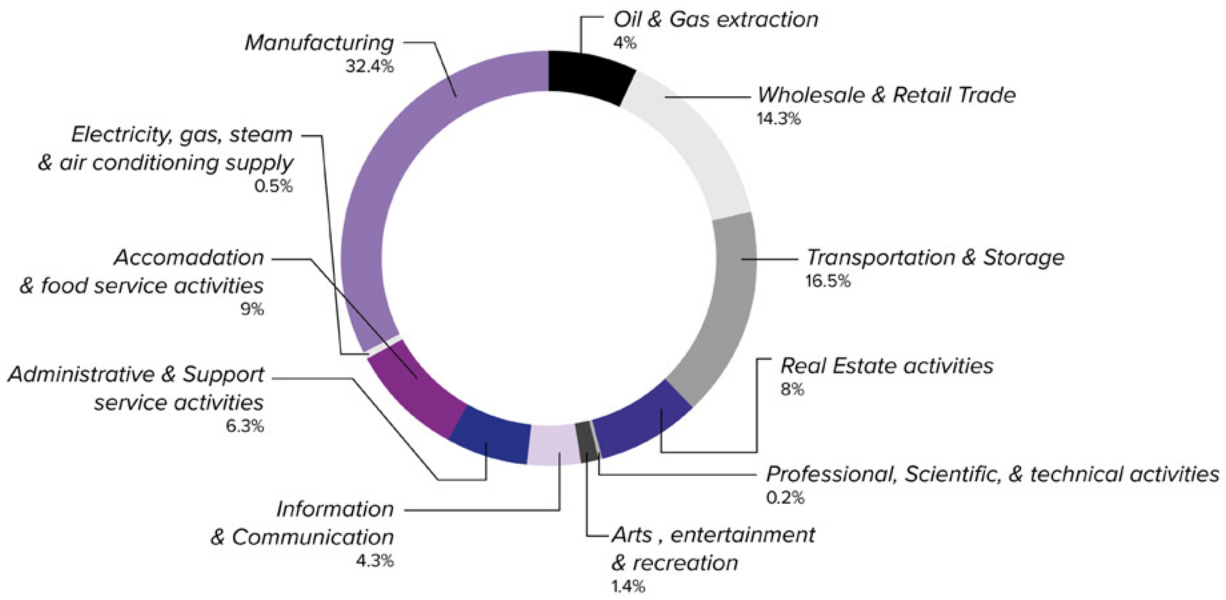
[28] FAQs for businesses: Coronavirus Large Business Interruption Loan Scheme (CLBILS)', British Business Bank, https://www.british-business-bank.co.uk/ourpartners/coronavirus-business-interruption-loan-schemes/clbils/faqs-for-businesses/#f7

[29] 'Annual Shareholders' Meeting 2020,' BASF, https://www.basf.com/global/en/investors/calendar-and-publications/annual-shareholders-meeting/annual-shareholders-meeting-2020.html

[30] Joe Hills, 'BA threatens to dismiss 19,000 staff unless they accept worse pay and conditions,' ITV News, 1 June 2020, https://www.itv.com/news/2020-06-01/british-airways-threatens-to-dismiss-19000-staff-unless-they-accept-worst-pay-conditions/

[31] 'The Covid Corporate Financing Facility,' AG, https://agsvs.uk/ccff

Figure 2: *Shares (%) of outstanding CCFF commercial paper by sector as of 24 June 2020*



Source: Calculated from data provided by Bank of England on CCFF results and usage.
Available at: https://www.bankofengland.co.uk/markets/bank-of-england-market-operations-guide/results-and-usage-data.
Sectors are based on Standard industrial classification of economic activities (SIC),
https://www.gov.uk/government/publications/standard-industrial-classification-of-economic-activities-sic

As UK unemployment soars to 2.8 million, poverty intensifies, and the threat of climate and ecological breakdown looms large, it is irresponsible to provide privileged financial support to big corporates without securing any social and environmental guarantees in return. The CCFF design is clearly inconsistent with the government's own pledge to build back better, and the governor of the Bank of England's support for a green recovery. As recommended in section 4, we urgently need provisions that will ensure corporations benefiting from public funds will protect workers and play their part in transitioning to a zero-carbon economy.

3.2. Failing on transparency and accountability

Despite the CCFF's use of public money, the Bank of England and the Treasury have failed to make the scheme transparent, which is a basic prerequisite for democratic oversight and accountability. This perpetuates an ongoing trend since the financial crisis of 2008 of the Treasury granting ever-greater powers to the Bank of England, without developing sufficient accountability mechanisms that ensure democratic legitimacy.[32]

The CCFF was shrouded in secrecy for approximately two months following its launch on 17 March 2020. Neither the Bank nor the Treasury were informing the public of which companies were drawing public funds from the facility. Following a campaign initiated by Positive Money,[33] the Bank announced on 19 May that it would publish on a weekly basis a list naming the participants of the CCFF along with their respective outstanding amounts drawn from the scheme.[34] This was an important first step in lifting the CCFF's veil of secrecy, but there remain three considerable transparency gaps that prevent full public scrutiny of the scheme.

[32] Rob Macquarie, Fran Boait, David Clarke, 'Seeking Legitimacy: A new settlement for the Bank of England,' Positive Money, October 2019, http://positivemoney.org/wp-content/uploads/2019/10/Positive-Money-Seeking-Legitimacy.pdf

[33] Simon Youel, 'Bank of England comes clean on corporate bailouts following Positive Money campaign', 19 May 2020, https://positivemoney.org/2020/05/press-release-govt-and-boe-comes-clean-on-corporate-bailouts/

[34] 'Update to the Covid Corporate Financing Facility,' Bank of England, 19 May 2020, https://www.bankofengland.co.uk/news/2020/may/update-to-the-covid-corporate-financing-facility

First, the Bank is currently only publishing outstanding amounts of commercial paper. This means that there is no comprehensive public record of participants and the size of their loans prior to 4 June when the list was published. For example, Ferguson plc announced that it had drawn funds from the CCFF, but then did not appear on the Bank's list.[35] This suggests that the company paid back its loan - the amount of which is unknown to the public - prior to the first list being published. Other companies may have done the same without publicly announcing it, in which case there would be no public record of their participation in the scheme. As a result, there is also no record of the total amount of funds borrowed via the CCFF and the total scale of repayments.

Second, there is no transparency regarding how loan amounts are agreed upon with each participating company. For example, no explanation is provided for why BASF has received £1 billion - 50 times more than the smallest drawing of £20 million - even though it only employs 850 people in the UK. These decisions of enormous public significance are happening entirely behind closed doors, hidden from public view. This is made increasingly problematic by the Bank's inclusion of provisions for companies to increase their loan amount over the limit recommended by their investment rating. It is unclear how the Bank will be deciding whether to grant more funds to companies, and whether there will be sufficient mechanisms to ensure access to cheap finance from the central bank isn't taken advantage of for non-essential purposes.

Third, companies extending their borrowing beyond May 2021 are required to send a letter to the Treasury explaining how they are showing restraint on capital distributions and senior pay (See section 3.1). However, the letters will not be published unless they are deemed unsatisfactory by the Treasury itself. Therefore, there will be no opportunity for the public to assess whether companies have satisfactorily met the conditions of participation in the CCFF and are using public funds for legitimate purposes.

Transparency is a basic prerequisite for ensuring democratic accountability and legitimacy. The Bank of England's lack of accountability mechanisms is typically justified by its independence and the 'neutrality' of its operations. However, the Bank's policies are nowhere near neutral in practice. Since the financial crisis of 2008, the political nature of the Bank has become more evident than ever, with the introduction of unconventional monetary policy tools such as Quantitative Easing, which has previously fuelled asset price inflation, exacerbating inequalities between the asset-rich and the asset-poor.[36] Further, the Bank's corporate bond purchases are skewed toward high-carbon assets, supporting fossil fuel and carbon-dependent companies.[37] These developments, as well as the addition of the financial stability mandate to the Bank's remit, were not accompanied by sufficient provisions to ensure heightened democratic accountability.[38]

The CCFF further exposes the myth of neutrality. Through this exclusive scheme, the Bank is directly selecting who will have access to its money-creation powers, and who will not. It is picking winners and losers, inevitably affecting the relative prices of financial assets and long-term macroeconomic outcomes. Therefore, the pretence of neutrality loses all credibility. To ensure that this expansion of the Bank's powers is met with new mechanisms that guarantee democratic accountability, transparency of the scheme is a minimum requirement. So far, the Bank and the Treasury are drastically failing on this front.

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[36] Konstantin Bikas, 'Bank of England working paper considers monetary policy's effect on inequality,' Positive Money, 6 April 2018, https://positivemoney.org/2018/04/bank-england-working-paper-considers-monetary-policys-effect-inequality/

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[38] Macquarie et al., 'Seeking Legitimacy', https://positivemoney.org/seekinglegitimacy/

Section 4: How can we improve the CCFF?

Given the urgent need for a transparent response to the Covid-19 economic fallout that protects jobs and is aligned with efforts to build back better, the Treasury and the Bank must rapidly address the CCFF's problems. The problems outlined in section 3 are serious, but can be solved by relatively simple changes to the design of the scheme. Therefore, this section proposes five recommendations to improve the CCFF.

> **1.** The Treasury and the Bank of England should extend the scheme's existing conditions by implementing restrictions on senior pay and a one year moratorium on capital distributions for all companies participating in the CCFF.

Accessing government funds in times of crisis should always come with enforceable conditions on capital distributions and senior pay. This ensures public funds are not indirectly diverted to shareholders and senior executives through excessive pay and bonuses. The purpose of the CCFF scheme is to ensure firms have sufficient liquidity to maintain their workforce and operations, not to benefit senior management and shareholders. Extending the CCFF's current conditions to all companies for a fixed period of time would ensure that all companies preserve their cash flows and would overcome the perverse incentives built into the existing conditions (outlined in section 3.1).

> **2.** The Treasury and the Bank of England should require CCFF participants to guarantee: (i) no lay-offs while the Coronavirus Job Retention Scheme (CJRS) is in place; (ii) immediate inclusion of worker representation on company boards; and (iii) union consultation in any future restructuring of the workforce when the CJRS comes to an end.

Despite CCFF's stated aim being to help companies pay wages and suppliers, as outlined in section 3.1, CCFF participants are nonetheless laying off workers in droves, with 25 CCFF participants (39%) planning large scale redundancies, totalling more than 34,000 UK-based jobs.[39] Especially while the CJRS is in place, there is no excuse for such behaviour. Conditions that protect workers from bearing the brunt of this crisis are urgent. The current corporate model has a strong tendency to disproportionately benefit shareholders over workers,[40] and the response to the current crisis is exacerbating the inequalities arising from such unequal power structures. If the government and Bank of England are serious about building back better, such conditions should also restore some of the power that workers have lost over the past 40 years of financialisation.[41] Worker representation on company boards[42] and more union consultation are key ways of achieving this.

> **3.** In their letter to the Treasury each company should be required to outline credible[43] net-zero carbon plans in line with the Paris Agreement and commit to disclosure of climate risks as recommended by the Task Force on Climate-related Financial Disclosures.[44]

It is incoherent for the government to talk of a green recovery while bailing out some of the world's largest polluters with no environmental strings attached. Analysis from ESG consultancy AG suggests that more than 6.9 billion trees would need to be planted to sequester all of the carbon emitted by CCFF companies in the 2018/19 reporting year - a feat which would require covering an area three times the size of the UK with trees capable of carbon storage. Further, only 19% of companies using the CCFF have disclosed accurate statistics for carbon emissions, energy, water and waste.[45] As the government and the economy respond and adapt to the slowdown in activity brought about by Covid-19, now is an opportune time to foster a step-change in the pace at which companies transition to zero carbon models. Such environmental conditions would be in firms' long-term interests, as failure to take advantage of this opportunity to align business models with the Paris Agreement would only increase the physical and transition risks that these companies and the financial system will encounter further down the road.

> **4.** The Treasury and the Bank of England should outline clear consequences for failure to comply with the conditions of the scheme, such as a financial penalty and less favourable terms and conditions in further bailout schemes.

A clear set of consequences for non-compliance with conditions is necessary to ensure that participants in the scheme take conditions seriously when drawing on public funds. The existing condition on capital distributions and senior pay lacks any serious enforcement mechanism. As a result, some participating companies are paying little attention to it. For example, BASF paid out a £3 billion dividend to shareholders in June despite drawing £1 billion from the CCFF, and after the BoE imposed restrictions on capital distributions in May 2020. Strict consequences can take various forms, including a financial penalty and less favourable terms and conditions in further bailout schemes such as the Treasury's forthcoming 'Project Birch'. Full transparency is needed from the Treasury and the Bank to ensure that consequences are applied in a fair and systematic manner.

> **5.** The Treasury and the Bank of England should enhance the transparency of the CCFF by publishing: (i) total amounts borrowed by each company since the start of the scheme; (ii) a detailed explanation of how eligibility is determined and how loan amounts are agreed upon; and (iii) all letters from companies explaining how conditions are being met.

As outlined in section 3.2, the current design of the CCFF lacks transparency and therefore undermines democratic accountability at the Bank of England. However, there need not be a trade-off between rapid action and maintenance of transparency in times of crisis. The three simple steps proposed here would maximise the transparency of the CCFF without draining resources and capacity focused on responding to the unfolding crisis. In deciding to publish the list of outstanding amounts borrowed by each company, the Treasury and the Bank have already shown willingness to enhance the transparency of the scheme. They must now take a further step to ensure the public has more comprehensive information on all key aspects of the scheme.

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[39] 'The Covid Corporate Financing Facility,' AG, https://agsvs.uk/ccff

[40] Duncan McCann and Christine Berry, "Shareholder Capitalism: A System in Crisis", New Economics Foundation, May 2017, https://neweconomics.org/uploads/files/NEF_SHAREHOLDER-CAPITALISM_E_latest.pdf

[41] Karsten Kohler, Alexander Guschanski, Engelbert Stockhammer, "The impact of financialisation on the wage share: a theoretical clarification and empirical test", Post-Keynesian Economics Society, January 2018, http://www.postkeynesian.net/downloads/working-papers/PKWP1802_MQ1APLF.pdf

[42] Janet Williamson, 'All Aboard: Making worker representation on company boards a reality,' TUC, 2016, https://www.tuc.org.uk/sites/default/files/All_Aboard_2016_0.pdf

[43] A credible plan in this context refers to one that does not rely too heavily on controversial carbon offsets and technologies that are non-existent, untested, and uncosted. For example, EasyJet's net-zero carbon plan is entirely composed of carbon offsetting in the short-term and research into unproven technologies in the long-run. Failure to acknowledge the limitations of such plans severely undermines their credibility.

[44] Governor of the Bank of England Andrew Bailey, alongside other current and former central bankers, has himself suggested "linking financial support to climate-related conditions laid out by the Task Force on Climate-related Financial Disclosures (TCFD)."

[45] 'The Covid Corporate Financing Facility,' AG, https://agsvs.uk/ccff

Section 5: Conclusion

By offering Britain's biggest corporations exclusive access to cheap funding with no strings attached, the Bank of England and the Treasury are already undermining their commitments to a fair and green recovery. It is unacceptable that large companies, including some of the world's biggest polluters, benefit from public funds while paying out dividends, laying off workers, and failing to make credible zero-carbon commitments. The Bank and the Treasury must rapidly move to apply enforceable conditions to the CCFF, securing protection of workers and commitments to Paris-aligned business models.

Furthermore, the CCFF in its current form lacks sufficient transparency. Important aspects of the scheme, such as total drawings prior to the publication of the list of participating companies, remain hidden from public view, deepening issues of democratic accountability and legitimacy at the Bank of England. The Bank and the Treasury must urgently address these transparency gaps. The public deserves to know how decisions are being made about public money, where that money is going and how it is being used.

Finally, the conditions suggested in this report should not be limited to the CCFF. All public bailouts, in their various forms, should come with conditions that ensure progress on social and environmental indicators. The recommendations proposed here may prove useful for further bailout schemes that respond to the economic fallout of Covid-19. Moreover, in order to ensure a truly fair and green recovery, social and environmental regulations will ultimately have to be applied more broadly across the economy, not just to companies participating in bailout schemes.

The CCFF is in urgent need of improvement, and failure to do so by the Bank of England and the Treasury will undermine the credibility of claims they make to support a green and fair recovery.

Appendix A: Eligible companies

Below is a partial list detailing 37 of the firms which have been confirmed as eligible for the CCFF but have not yet accessed the funds available to them, compiled by tracking announcements from publicly listed companies through the London Stock Exchange's Regulatory News Service (RNS) and other sources.

Figure 3: Partial List of CCFF Eligible Companies

Company	Amount eligible for	Sector	Notes
Associated British Foods[46]	Undisclosed	Consumer	Food processing and retail company Associated British Foods, which owns brands including Primark, Twinings and Ryvita, is eligible for an undisclosed amount.
Barratt[47]	Undisclosed	Property & finance	Property developer Barratt has attracted controversy for its schemes, including a development in West Hendon which has been described as "social cleansing."[48]
Bellway[49]	£300m	Property & finance	Property developer
Card Factory[50]	Undisclosed	Consumer	Card Factory ranked first on a list of employers failing to pay the National Minimum Wage in 2018.[51]
Coca-Cola[52]	Undisclosed	Consumer	Drinks manufacturer
Countryside Properties[53]	£300m	Property & finance	Countryside Properties was criticised in 2018 for using unsafe cladding in its developments and refusing to cover the costs of replacement.[54]
Crest Nicholson	£300m	Property & finance	Property developer and house builder
Dart[55]	£300m	Airlines	Dart Group, the holding company which owns airline Jet2, is eligible for £300m, which it expects to make use of in August 2020. For the past 2 years, Jet2 has grown its carbon emissions faster than any other European airline. In 2018, its emissions increased by 20% on the previous year,[56] and in 2019 by a further 10.82%.[57] By growing its emissions at such a rapid pace, Jet2 is arguably the airline that is currently the most misaligned with climate targets.
Diploma[58]	£225m	Other	Supplies technical products and services.
Dunelm[59]	Undisclosed	Consumer	Home Furnishings
Forterra[60]	£175m	Industrial & transport	Building material manufacturer
Go-Ahead[61]	£300m	Industrial & transport	Public transport company which runs trains and buses.

[46] 'Interim Results Announcement,' Associated British Foods, 21 April 2020, https://www.abf.co.uk/documents/pdfs/2020/interimresultsannouncement.pdf

[47] 'Covid Corporate Financing Facility (CCFF) Update,' Barratt Developments, 28 April 2020, https://otp.tools.investis.com/clients/uk/barratt/rns/regulatory-story.aspx?newsid=1388240&cid=1055

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[49] 'COVID-19 Update,' Bellway p.l.c., 9 June 2020, https://www.bellwayplc.co.uk/media/1739/2020-06-09-trading-update.pdf

[50] 'Covid 19 update,' London Stock Exchange, 6 May 2020, https://www.londonstockexchange.com/news-article/CARD/covid-19-update/14529604

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[56] Eoin Bannon, 'Airline emissions growth out of control,' Transport & Environment, 16 April 2019, https://www.transportenvironment.org/news/airline-emissions-growth-out-control

[57] Eoin Bannon, 'Big airline polluters grew emissions in 2019 ahead of expected COVID drop', Transport & Environment, 1 April 2020, 'https://www.transportenvironment.org/press/big-airline-polluters-grew-emissions-2019-ahead-expected-covid-drop

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[59] 'Business and liquidity update,' London Stock Exchange, 16 April 2020, https://www.londonstockexchange.com/news-article/DNLM/business-and-liquidity-update/14503809

[60] 'Trading Update', Investegate, 3 June 2020, https://www.investegate.co.uk/forterra-plc/rns/trading-update/202006030700027409O/

[61] 'Trading Statement,' London Stock Exchange, 22 May 2020, https://www.londonstockexchange.com/news-article/GOG/trading-statement/14549966

Greencore[62]	£300m	Consumer	Greencore has been criticised for taking advantage of low-paid workers, with chief executive Patrick Coveney being paid 160 times more than his lowest paid staff in 2014.[63]
Halma[64]	Undisclosed	Industrial & transport	Manufacturer of hazard detection products
Ibstock[65]	Undisclosed	Industrial & transport	Brick manufacturer
Imperial Brands[66]	Undisclosed	Consumer	Multinational tobacco manufacturer Imperial Brands says that participation in the CCFF has helped strengthen the resilience of the company.
Intertek[67]	Undisclosed	Other	Quality assurance provider Intertek has confirmed that it is in a position to access an undisclosed amount. Intertek employees have been accused of fraud, including activities which have seen the Ugandan government lose tax revenue.[68]
Johnson Services[69]	£150m	Industrial & transport	Textile rental company
Keller[70]	£300m	Industrial & transport	Ground engineering company Keller is pushing ahead with dividend payouts announced prior to the coronavirus lockdown.
Marshalls[71]	£200m	Industrial & transport	Landscaping products manufacturer is considering plans to cut up to 400 jobs.[72]
McCarthy & Stone[73]	£300m	Property & finance	Retirement home developer and manager. Have been accused of exploiting its elderly customers.[74]
Morgan Sindall[75]	Undisclosed		Construction company and developer.
Next[76]	Undisclosed	Consumer	Clothing retailer
Redrow[77]	£300m	Property & finance	Property developer
Rightmove[78]	Undisclosed	Property & finance	There is a petition to end Rightmove's access to the scheme, accusing the company of making "massive profits" and overcharging small businesses.[79]
Royal Mail[80]	Undisclosed	Other	Since privatisation, Royal Mail has been in numerous disputes with its workers, and has been accused of putting "profits before safety" during the coronavirus pandemic.[81]
Senior[82]	Undisclosed	Industrial & transport	A holding company for aerospace, defence, land vehicle and power & energy manufacturers.

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[77] 'COVID-19 Update,' Redrow PLC, 9 April 2020, http://otp.investis.com/clients/uk/redrow_plc/rns/regulatory-story.aspx?newsid=1385255&cid=317

[78] 'Covid Corporate Financing Facility,' Rightmove, 28 April 2020, http://otp.investis.com/clients/uk/rightmove-plc/rns/regulatory-story.aspx?cid=625&newsid=1388105

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Smiths Group[83]	£600m	Industrial & transport	Engineering firm
Spirax-Sarco Engineering[84]	Undisclosed	Industrial & transport	Thermal energy management manufacturer Spirax-Sarco Engineering announced that it is eligible for support under the CCFF while going ahead with the payout of a £57.5m dividend.
SThree[85]	£300m	Other	Recruitment firm SThree announced that it is eligible to access funding under the CCFF "to further strengthen its financial position." The company has attracted criticism for profiting from the privatisation of the Britain's healthcare system, receiving £2.6m in 10 months from the NHS by filling vacancies caused by controversial healthcare reforms in 2014.[86]
St. Modwen[87]	Undisclosed	Property & finance	Property investor and developer St Modwen is eligible to access funding under the CCFF, though it has announced "selective redundancies".
Unite Students[88]	Undisclosed	Property & finance	Student accommodation provider
United Utilities[89]	Undisclosed	Other	Water company
Vistry[90]	Undisclosed	Property & finance	Housebuilder. Formerly known as Bovis Homes, the company has courted controversy for the quality of their building and has been accused of misleading customers.[91]
WH Smith[92]	£300m	Consumer	Retailer
Whitbread[93]	£600m	Consumer	Whitbread, the hotel and restaurant company which owns Premier Inn, Table Table, Beefeater and Brewers Fayre.
WPP[94]	£600m	Communications	Multinational communications, advertising, public relations, technology and commerce holding company. WPP has allegedly engaged in tax avoidance, paying only a fraction of the amount it should be paying on its UK profits.[95]

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Appendix B: Case studies

Airlines

The aviation industry is fundamentally incompatible with Paris Agreement goals. Across the transport sector, aviation the mode of transport with by far the highest climate impact per passenger, and there is no credible evidence that any airline is transitioning to a zero-carbon model.[96] Nonetheless, airlines that have repeatedly underpaid corporation tax and prioritised shareholder interests over workers and environment have now drawn a total of **£1.8 billion from the CCFF,** while collectively announcing **up to 21,000 layoffs**. Airlines' unconditional participation in the CCFF represents the antithesis of a just transition for the aviation industry. Meeting Paris Agreement goals requires a rapid downscaling of the industry in a way that does not punish workers.

EasyJet
Britain's biggest airline has drawn £600 million from the CCFF and simultaneously announced a 30% cut to its workforce, while maintaining a 107-plane order from Airbus.[97] At the start of the pandemic, EasyJet asked staff to take two months unpaid leave while senior management took a pay cut of just 20%, and the company's founder received £60 million as part of a £174 million dividend payout.[98] Since 2014, an average of 50% of the airline's pre-tax income has been allocated to dividend payments to shareholders.[99]

EasyJet is also well versed in greenwashing and anti-environment lobbying, upholding the status quo in the aviation sector. In November 2019, the company announced it would become the world's first major airline to operate net-zero carbon flights across its entire network by engaging in carbon offsetting. Given that carbon offsetting is an ineffective and unjust means of reducing emissions, the programme has been widely criticized by leading environmental campaigners and scientists, including Greenpeace's UK Chief Scientist Doug Parr who referred to the scheme as "jumbo-size greenwash".[100]

Simultaneously, EasyJet has lobbied against environmental regulations that would make a significant positive difference. For example, the company's CEO expressed strong opposition to green taxes in a private meeting last year with Transport Secretary Grant Shapps, who subsequently promised that no such taxes would be levied on the aviation sector.[101]

British Airways
British Airways (BA) has drawn £300 million from the CCFF amidst a worker-led campaign highlighting its poor treatment of staff throughout the Covid-19 crisis. BA is laying off over 12,000 workers and threatening to lay off up to an additional 19,000 unless they accept worse pay and working conditions.[102] Prior to the £300 million CCFF bailout becoming public news, multiple MPs across parties had already reprimanded BA's mis-use of government funds via the job retention scheme.[103] The company has since been branded a 'national disgrace' by MPs.[104]

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[97] Simon Goodley, "EasyJet founder offers £5 million reward as he seeks to derail Airbus order", The Guardian, 12 May 2020, https://www.theguardian.com/business/2020/may/12/easyjet-founder-offers-5m-reward-as-he-seeks-to-derail-airbus-order

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[103] Bethan Staton, "UK government scolds BA for its approach to job cuts", Financial Times, 3 June 2020, https://www.ft.com/content/8447add7-9317-4dfa-9e6c-7fb63efb90b4

[104] Tanya Powley, "MPs brand British Airways a 'national disgrace' over job cuts", Financial Times, 13 June 2020, https://www.ft.com/content/8e10767f-70f4-4b12-ac8d-d61ccf34d75f

Wizz Air
Wizz Air has drawn £300 million from the CCFF, yet has announced up to 1,000 layoffs, as well as pay cuts for staff.[105] Wizz Air is the worst tax evader in the UK aviation industry, having paid an average effective tax rate of just 3.5% since 2015.[106] Tax Watch has highlighted that Wizz Air has a holding company in Jersey, which is a well-known tax haven.[107]

Ryanair
Ryanair has drawn £600 million from the CCFF while announcing 3,000 job cuts and 20% staff pay cuts.[108] Since 2016, Ryanair has spent over £2.2 billion on share buybacks, and in 2019, it became one of Europe's top 10 polluting companies.[109]

Oil and Gas

The oil and gas industry is the main driving force behind the climate crisis. As of yet, a total of over £1.3 billion has been disbursed to the oil and gas sector through the CCFF, including to two of the world's largest oilfield services companies, Schlumberger and Baker Hughes. These companies offer key services to the oil and gas industry worldwide, enabling continued extraction of fossil fuels both onshore and offshore. Aligning our economy with Paris Agreement goals requires rapid divestment from the fossil fuel assets and activities that oilfield services companies are producing, maintaining, and enabling.

Schlumberger
Schlumberger has drawn £415 million from the CCFF. The company's revenue in 2019 was £32.9 billion, making it the biggest oilfield services company in the world.[110] It is heavily involved in arctic exploration, deep-sea drilling, and fracking operations. Schlumberger was described in the Guardian as "the biggest company you've never heard of". [111] It is ubiquitous in the fossil fuel industry, working with every major international oil company and directly for many autocratic and so-called 'petrostates' with poor human rights records.[112]

In 2019, the company's CEO received an overall compensation of $22.25. Only $2 million of this represents base salary, meaning that the company's recent announcement of a 20% pay cut for senior management during the pandemic only amounts to a 1.8% decrease in the CEO's 2019 compensation.[113] Further, Schlumberger features on Tax Watch's list of companies with strong links to well-known tax havens, including Curaçao and the Netherlands.[114]

[105] Peggy Hollinger, "Wizz Air cuts fifth of workforce and reduces wages", Financial Times, 14 April 2020, https://www.ft.com/content/5975cfb8-d692-497b-b1e3-cb5afdd0cfde

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[110] N. Sönnichsen, "Schlumberger's Limited revenue from 2008 to 2019", Statista, 21 April 2020, https://www.statista.com/statistics/277077/revenue-of-schlumberger-limited/

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[112] Ibid.

[113] Joshua Mann, "Schlumberger layoffs, furloughs, exec pay cuts incoming", Houston Business Journal, 1 April 2020, https://www.bizjournals.com/houston/news/2020/04/01/schlumberger-layoffs-furloughs-exec-pay-cuts.html

[114] George Turner, "Tax avoidance, bailouts and bribery - The UK government's Corona Corporate Finance Facility", Tax Watch, 6 June 2020, https://www.taxwatchuk.org/ccff_companies/

Baker Hughes

Baker Hughes has drawn £600 million from the CCFF. The company's website boasts that it is the only firm to offer services across the 'full value chain of oil and gas activities'.[115] It has set net-zero carbon targets for its own operations, but its basic activities continue to serve international oil and gas extraction that is driving the climate crisis. Despite the CCFF's current condition requesting that companies show restraint on capital distributions, Baker Hughes paid out its latest quarterly dividend to shareholders on 5 June.[116] Further, the company's parent is located in Bermuda,[117] and its ultimate holding company is General Electric, currently involved in a £1 billion tax dispute with HMRC.[118]

Car Manufacturers and Distributors

Road transport emissions, which have increased by 6% since 1990, make up a fifth of the UK's total territorial-based greenhouse gas emissions,[119] signaling that efficiency improvements have been insufficient in efforts to decarbonise the automobile sector. The automobile production process also produces significant emissions and material footprints as it requires glass, steel, rubber, paints, plastics and more. Despite the urgent need for a just transition, car manufacturers have so far received £1.2 billion from the CCFF with no strings attached. The following car manufacturers have so far drawn from the facility:

- Alliance Automotive Investment Ltd
- Honda Finance Europe PLC
- Nissan Motor Co Ltd
- PACCAR Financial PLC
- Toyota Financial Services (UK) PLC
- Inchcape PLC

Toyota, which has drawn £375 million from the CCFF, is particularly reproachable on environmental grounds. The company has accelerated its lobbying against climate regulations under the Trump Administration.[120] For example, last year it sided with Trump in his opposition to an emissions cap across the US.[121]

Consumer

The consumer sector as a total has received £6.1 billion in CCFF funding. The broader consumer category includes wholesale and retail, and accommodation and food services. These have been amongst the hardest hit sectors during the lockdown period resulting from the covid-19 crisis. Around 3 million workers across these two consumer sub-sectors have been furloughed alongside widespread job losses. This amounts to a 35% share of the total number of workers furloughed.[122] Workers tend to be amongst the lowest paid in the economy and subject to precarious working conditions due to different employment arrangements through subsidiaries, supply chains and agency contracting.

[115] Baker Hughes website: https://www.bhge.com/

[116] Baker Hughes Dividends record: https://www.dividendmax.com/united-states/nyse/oil-equipment-services-and-distribution/baker-hughes-a-ge-company/dividends

[117] George Turner, "Tax avoidance, bailouts and bribery - The UK government's Corona Corporate Finance Facility", Tax Watch, 6 June 2020, https://www.taxwatchuk.org/ccff_companies/

[118] Tabby Kinder, "UK tax authority accuses General Electric of fraud in £1 billion dispute", Financial Times, 28 May 2020, https://www.ft.com/content/9d27f726-4384-4ad2-a945-f3f840bf5c56

[119] Office for National Statistics, "Road transport and air emissions", 16 September 2019, https://www.ons.gov.uk/economy/environmentalaccounts/articles/roadtransportandairemissions/2019-09-16

[120] InfluenceMap, "How the US auto industry accelerated its climate lobbying under the Trump Administration", November 2017, https://influencemap.org/site/data/000/303/Auto_Lobbying_COP23_Nov_2017.pdf

[121] Scott Stringer, "Trump, GM, Toyota and Fiat Chrysler are holding us hostage to a dying planet", CNBC, 30 October 2019, https://www.cnbc.com/2019/10/30/trump-gm-toyota-and-chrysler-holding-us-hostage-to-a-dying-planet.html

[122] HMRC, "Coronavirus Job Retention Scheme Official Statistics", Statistical Bulletin, 11 June 2020, https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/891249/Coronavirus_Job_Retention_Scheme_Statistics_June_2020.pdf

Compass Group

Compass group is a UK multinational contract catering service which supplies schools, offices, NHS canteens and the armed forces. The company announced 4000 job cuts in 2019 to be spread over two years, across Europe and the UK. This was despite annual revenue of £25 bn and profits after tax of 1bn in 2019.[123] In early May 2020 due to the impact of the covid-19 lockdown the company revealed a 55% drop in operations [124] and warned that further job cuts[125] are on the horizon. Currently, 70% of its workforce are furloughed through government job retention schemes across Europe.[126] While the chief executive has taken a 30% pay reduction for 3 months, this is a very limited action. The chief executive Dominic Blakemore earned £4.7 million last year, which was 260 times more than their average employee.[127] Low wages are widespread across Compass group subsidiaries. In 2019, contracted workers including cleaners, porters and catering staff at Northwick Park Hospital in North West London initiated a campaign against receiving wages below the London living wage and lower than those directly hired at the hospital.[128] Such practices are common across NHS Hospitals in the UK.

Intercontinental Hotels Group

InterContinental Hotels Group (IHG), is a multinational hospitality company which owns chains including the Holiday Inn and the Crowne Plaza. The company reported £1.6 bn in revenue and an increase in profits of 8%. In 2017, IHG reversed their commitment to introduce the London Living Wage, made as part of their bid as a hotel for the Olympic games.[129] Last year, Unite reported IHG to the United Nations Global Compact for unethical anti-trade union behaviour.[130] There are serious inequalities in pay and gender throughout the sector and within IHG. The chief executive of IHG earns a compensation package of over $3 mn while the lowest paid workers, mainly female, often earn below the living wage. TUC reported that in 2017, the median hourly wage for a woman working in the accommodation sector was £7.97. [131]

Carnival Plc

Carnival PLC is one of the world's largest cruise companies. It operates as a joint British-American firm. The company recently announced it would cut a quarter of its UK workforce, that is around 450 jobs, and impose a 20% pay cut for all salaried workers. While far more job losses will take place globally. Carnival owns Cunard, P&O and Costa cruise brands. Many of Carnival's fleet of over 100 ships are registered in tax havens around the world including Panama, Bermuda and the Bahamas, with some registered in the UK. These jurisdictions enable a lowering of standards through low pay and precarious employment contracts which are rife across the sector. At the same time, the Chief Executive of Carnival, Arnold Donald, is one the highest paid FTSE 100 bosses within the consumer services sector with a pay packet of £10.3m.[132] In 2019, the CEO to mean staff (global) pay package ratio for Carnival was 422:1.[133]

[123] Compass Group PLC,"Annual Report 2019", https://www.compass-group.com/content/dam/compass-group/corporate/Investors/Annual-reports/CompassGroup_Annual%20Report2019.pdf

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[130] Turnbull, "Holiday Inn owner, IHG reported to United Nations Global Compact for 'unethical' anti-trade union behaviour", Unite news, 1 May 2019, https://unitetheunion.org/news-events/news/2019/may/holiday-inn-owner-ihg-reported-to-united-nations-global-compact-for-unethical-anti-trade-union-behaviour/

[131] TUC, "Low pay in the hotel and accommodation sector", Research Report, 27 Feb 2019, https://www.tuc.org.uk/research-analysis/reports/low-pay-hotel-and-accommodation-sector

[132] Turvill, "The boss paid 1,000 times more than his workers! Astonishing gap between staff and top brass", This is Money, 20 Jan 2019, https://www.thisismoney.co.uk/money/news/article-6610331/Boss-paid-1-000-times-workers.html

[133] Kalinina, Shand, and Walsh,"Executive pay in the FTSE 100 Is everyone getting a fair slice of the cake?" CIPD and the High Pay Centre research report, Aug 2019, https://www.cipd.co.uk/Images/ftse-100-executive-pay-report-2019_tcm18-62886.pdf

Industrial and Transport

Industrial and transport sector is a broad category that comprises a variety of companies including aerospace and defence, electronics, capital goods and machinery, chemicals, plastics etc. The industrial sector received a total £5.9 billion in CCFF funds. The transport sector firms include railway and bus operators and received a total of £900 million.

Bayer AG
Bayer AG is a German multinational with a presence in pharmaceuticals, health care and agriculture. The company received £600 million through the CCFF scheme. Its presence in the UK includes 2000 employees and six manufacturing sites. In 2018, Bayer acquired controversial agrochemical company Monsanto for over $60 billion, which has been plagued with litigation cases over cancer claims related to their herbicides.[134] More recently, Bayer in partnership with BASF (see below), have faced a series of ligations from over 100 farmers across the US against knowingly selling a seed and crop system that resulted in large scale damage to their lands.[135] Bayer announced dividend payments of €2.7 billion for the year 2019 paid out in early May 2020.[136] The payout was timed just ahead of the Bank of England attaching conditions for companies to show restraint on capital distributions on 19 May 2020.

BASF SE
BASF SE a German multinational chemical company has received the largest share of the CCFF government backed funding at £1 billion. The company has 850 employees[137] in the UK, supplying chemicals for the agricultural and automotive sector. In total disregard for the conditions for restraint expected of companies receiving bailouts, the company paid out €3 billion in dividends to shareholders on 23 June 2020.[138]

First Group
A number of transport providers have accessed the CCFF scheme to the tune of £900mn. Stagecoach and National Express have put a hold on dividend payments for the remainder of 2020. First Group, a bus and rail operator, has made no such announcement. The RMT Union raised concerns that in early March 2020, First Group told investors it plans to deliver maximum returns to shareholders despite the crisis.[139] The company has struggled with its joint ownership of South Western Railways (SWR), revealing a loss of £137m[140] in 2019. This has been attributed to poor management, failure to improve infrastructure and late trains. A wave of strikes by guards and drivers took place in 2019 over expected job losses.

[134] Weston, "Monsanto: Do cancer payouts and global protests signal the end for this agrochemical company?", Independent, 18 May 2019, https://www.independent.co.uk/environment/monsanto-protests-cancer-pay-out-gm-crops-weapons-a8919236.html

[135] Gillam, "Revealed: Monsanto predicted crop system would damage US farms", The Guardian, 30 Mar 2020, https://www.theguardian.com/us-news/2020/mar/30/monsanto-crop-system-damage-us-farms-documents

[136] https://www.investor.bayer.com/en/stock/dividends/

[137] https://www.basf.com/gb/en/who-we-are/BASF-in-the-United-Kingdom.html

[138] https://www.basf.com/global/en/investors/share-and-adrs/dividend.html

[139] RMT, "RMT appalled at bus and rail giant FirstGroup plans", press release, https://www.rmt.org.uk/news/rmt-appalled-at-bus-and-rail-giant-firstgroup-plans/

[140] BBC, "South Western Railway could lose franchise after £137m loss", 7 Jan 2020, https://www.bbc.co.uk/news/uk-england-51026397

Construction, Property and Finance

Construction sector is a sub-sector of the industrial and transport sector. Only two of the 58 companies drawing on the CCFF fall under this category, namely, CNH Industrial N.V. and JCB service. Both companies have received £600 million each. Property and finance companies account for an 8% share of the total CCFF funds, amounting to £1.5 billion.

JCB Service
JCB Service is part of the JCB group, a UK manufacturer of construction machinery and equipment. In late 2019, JCB announced record sales turnover of £4.1 bn and increased profits to £310.4m for the year 2018. While JCB Service is domiciled in the UK it is part of the JCB group and is owned by a Dutch holding company controlled by the Bamford Family.[141] The Netherlands appears in the top 10 of the financial secrecy index[142] and the haven score.[143] JCB revealed in early May 2020 that it was planning to axe some 1500-2000 jobs - at least a quarter of its UK workforce - this year despite benefiting from the furlough scheme and the CCFF. Currently, the company is in talks with unions to save a proportion of shop floor jobs through restructuring working patterns. However, cuts to 950 salaried jobs that is 14% of JCB's UK workforce will still go ahead.

Lendlease
Lendlease Europe Finance PlC received £300 mn from the CCFF. It's parent company is Lendlease Group, a global property and construction company based in Australia. Lendlease Group made profits of $467 mn (AUD) in 2019[144]. The company has been reported to have paid no tax for several years by the Australian Taxation Office (ATO).[145] Lendlease's presence in the UK has been plagued with controversies. Lendlease has won key local council housing development projects which have resulted in significant loss of social housing. Southwark council awarded a contract to Lendlease to redevelop Elephant and Castle Heygate estate. The estate, demolished in 2011, included 1,200 mostly socially rented homes and 3000 residents[146] who were relocated by the council. The Lendlease development provides only 82 out of 2,704 socially rented flats.[147] In 2019, residents of Green Quarters tower blocks in Manchester won a battle to make Lendlease pay for replacing Grenfell style flammable cladding. Lendlease had developed the properties in 2013 but sold the freehold leaving residents with the prospect of a £3mn re-cladding bill.

[141] Pooler, "JCB pays bumper £75m dividend to Bamford owners", FT, 17 Sept 2019, https://www.ft.com/content/547fa5dc-d962-11e9-8f9b-77216ebe1f17

[142] Tax Justice Network, ""Financial Secrecy Index 2020 reports progress on global transparency", 18 Feb 2020, https://www.taxjustice.net/2020/02/18/financial-secrecy-index-2020-reports-progress-on-global-transparency-but-backsliding-from-us-cayman-and-uk-prompts-call-for-sanctions/

[143] Tax Justice Network,"Corporate Tax Haven Index - 2019 Results", https://corporatetaxhavenindex.org/en/introduction/cthi-2019-results

[144] Lendlease, "Lendlease Group Annual Report 2019", 19 Aug 2019, https://www.lendlease.com/au/-/media/llcom/investor-relations/asx-announcements/2019/lendlease-group-2019-annual-report.pdf

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[146] Steadman, "Look to the Heygate Estate for what's wrong with London's housing", New statesman, 6 Nov 2-13, https://www.newstatesman.com/politics/2013/11/look-heygate-estate-whats-wrong-londons-housing

[147] http://35percent.org/heygate-regeneration-faq/

Other

G4S international finance plc

G4S international finance plc received £300 million in the government's CCFF scheme. The company is a subsidiary of G4S plc which is a global security services company. G4S is infamous for a catalogue of scandals ranging from poor human rights to systematic abuse by staff in immigration detention centres in the UK and prison service failures. G4S employs 25,000 workers in the UK and receives considerable amounts of public money from government contracts across prisons, justice, and healthcare services. Currently, the GMB union is campaigning to support UK prison staff contracted by G4S who receive only 3 weeks full paid sick leave if they have been employed for 3 or more years. Workers employed for less than 3 years get far less or are not eligible. Workers self-isolating or sick beyond 3 weeks or not eligible, have to manage with statutory sick pay of £95 per week.[148] ONS data suggest that outside of frontline NHS and care workers, prison workers are one of the occupations at high risk of exposure to coronavirus[149]. The government has contracted G4S to help with the coronavirus testing centers and security for Nightingale hospital.[150] These workers will also not receive full paid sick leave despite high exposure risks.

In 2019, Norway's state-backed wealth fund blacklisted G4S over serious human rights violations regarding use of illegal recruitment fees for migrant workers in Qatar and United Arab Emirates (UAE). Workers are trapped in debt bondage in substandard working and living conditions. UNI Global, an international union, is currently supporting G4S workers in Peru. Despite receiving financial support from the Peruvian government, approximately 300-400 G4S workers have been suspended during the lockdown without receiving any salary and without consultation with the union.

[148] GMB, "G4S sick pay fails prison officers 'among most likely to die'", GMB news update, 15 May 2020, https://www.gmb.org.uk/news/g4s-sick-pay-fails-prison-officers-among-most-likely-die

[149] ONS, "Which occupations have the highest potential exposure to the coronavirus (COVID-19)?", 11 May 2020, https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/articles/whichoccupationshavethehighestpotentialexposuretothecoronaviruscovid19/2020-05-11

[150] Hobbs, "Outsourcing the coronavirus crisis to business has failed – and NHS staff know it", The Guardian, 7 May 2020, https://www.theguardian.com/commentisfree/2020/may/07/outsourcing-coronavirus-crisis-business-failed-nhs-staff

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