THE COVID CORPORATE FINANCING FACILITY

Where are the Conditions for the Billion £ Bailouts?
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, 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.

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, 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.

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¹ https://www.bankofengland.co.uk/markets/bank-of-england-market-operations-guide/results-and-usage-data
³ The Covid Corporate Financing Facility, AG, https://agsvs.uk/ccff
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.”

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.” Due to the required credit rating, only around 300 of Britain’s biggest companies are reportedly eligible. As of 24 June 2020, 181 businesses had been ultimately liable for the scheme.

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. 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. In total £76.37bn has so far been made available for 181 businesses through the CCFF, as of 24 June.

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. All lending extended by the BoE under the CCFF is guaranteed by the Treasury, which is ultimately liable for the scheme.

### Table: List of Companies

<table>
<thead>
<tr>
<th>Industry</th>
<th>Company Name</th>
<th>Amount</th>
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<tbody>
<tr>
<td>2. Accommodation &amp; food services</td>
<td>Compass Group</td>
<td>£600m</td>
</tr>
<tr>
<td></td>
<td>Intercontinental Hotels</td>
<td>£600m</td>
</tr>
<tr>
<td></td>
<td>Bourne Leisure Limited</td>
<td>£300m</td>
</tr>
<tr>
<td></td>
<td>Fuller Smith &amp; Turner</td>
<td>£100m</td>
</tr>
<tr>
<td></td>
<td>SSP Financing</td>
<td>£50m</td>
</tr>
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<td></td>
<td>Young &amp; Co.’s Brewery</td>
<td>£30m</td>
</tr>
<tr>
<td>3. Administrative &amp; support services</td>
<td>Rentokil</td>
<td>£600m</td>
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<td></td>
<td>G4S</td>
<td>£300m</td>
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<td></td>
<td>Amcor</td>
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<tr>
<td>4. Arts, entertainment &amp; recreation</td>
<td>Tottenham Hotspur</td>
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<tr>
<td></td>
<td>Anasco Arena</td>
<td>£45m</td>
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<tr>
<td>5. Electricity, gas, steam &amp; air conditioning supply</td>
<td>Iberdrola</td>
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<tr>
<td>6. Information and communication</td>
<td>DXC</td>
<td>£600m</td>
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<td></td>
<td>Telefonica</td>
<td>£200m</td>
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<td>7. Manufacturing</td>
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<td></td>
<td>Bayer</td>
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<td>Vesuvius</td>
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<td>ITOCHU</td>
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<td>8. Wholesale and Retail Trade</td>
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<td>Kingfisher</td>
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<td>Brake Bros</td>
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<tr>
<td></td>
<td>John Lewis</td>
<td>£300m</td>
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<tr>
<td></td>
<td>Marks &amp; Spencers</td>
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<td></td>
<td>Greggs</td>
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<td>Inchcape</td>
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<tr>
<td></td>
<td>ASOS</td>
<td>£100m</td>
</tr>
<tr>
<td></td>
<td>Alliance Automotive</td>
<td>£20m</td>
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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.” 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.”

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.

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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.28 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.”29

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.20 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 tempted 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.30 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 and 10% of assets drawn from the CCFS have been 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.31 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 revenue from BA, 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.

12 Covid Corporate Financing Facility (CCFF) information for those seeking to participate in the scheme, Bank of England, https://www.bankofengland.co.uk/market/covid-corporate-financing-facility
14 Rutter Pooley, “End is nigh for brief era when BoE borrowing meant bragging rights,” Financial Times, 19 May 2020, https://www.ft.com/content/326d5e19-8f48-422d-977d-d10f30295a78
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/fd11b28e-e914-4a63-8038-80b30b30c7f6
19 Yields on commercial paper soared as the Covid-19 crisis began to hit Western countries. 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.38 One purpose of the scheme has been to suppress yields on CP more generally, allowing it to support corporate finance markets overall.23 As such yields on the open market for A-rated CP have fallen to around 60 bps above OIS, though still costlier than the rates – as low as 20 bps over OIS - offered by the BoE through the CCFF.
22 Bloomberg database
25 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/0f82bb-a94-4e63-6038-3be2c9953c02
26 “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.
27 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
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.22

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,23 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.24 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.

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.25 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 3.3). 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.26 Further, the Bank’s corporate bond purchases are skewed toward high-carbon assets, supporting fossil fuel and carbon-dependent companies.27 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.28

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.

14 The Covid Corporate Financing Facility: July 2020

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19 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).

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 31, 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. 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, 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. Worker representation on company boards 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 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.

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. 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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16 The Covid Corporate Financing Facility. AG, https://agsvs.uk/ccff
20 The Covid Corporate Financing Facility. AG, https://agsvs.uk/ccff
21 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).”
22 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.
23 A clear 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.
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

<table>
<thead>
<tr>
<th>Company</th>
<th>Amount eligible for</th>
<th>Sector</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Associated British Foods</td>
<td>Undisclosed</td>
<td>Consumer</td>
<td>Food processing and retail company Associated British Foods, which owns brands including Primark, Twinnings and Ryvita, is eligible for an undislosed amount.</td>
</tr>
<tr>
<td>Barratt</td>
<td>Undisclosed</td>
<td>Property &amp; finance</td>
<td>Property developer Barratt has attracted controversy for its schemes, including a development in West Hendon which has been described as &quot;social cleansing.&quot;</td>
</tr>
<tr>
<td>Bellway</td>
<td>£300m</td>
<td>Property &amp; finance</td>
<td>Property developer</td>
</tr>
<tr>
<td>Card Factory</td>
<td>Undisclosed</td>
<td>Consumer</td>
<td>Card Factory ranked first on a list of employers failing to pay the National Minimum Wage in 2018.</td>
</tr>
<tr>
<td>Coca-Cola</td>
<td>Undisclosed</td>
<td>Consumer</td>
<td>Drinks manufacturer</td>
</tr>
<tr>
<td>Countryside Properties</td>
<td>£300m</td>
<td>Property &amp; finance</td>
<td>Countryside Properties was criticised in 2018 for using unsafe cladding in its developments and refusing to cover the costs of replacement.</td>
</tr>
<tr>
<td>Creast Nicholson</td>
<td>£300m</td>
<td>Property &amp; finance</td>
<td>Property developer and house builder</td>
</tr>
<tr>
<td>Dart</td>
<td>£300m</td>
<td>Airlines</td>
<td>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 airline at 10.82%.</td>
</tr>
<tr>
<td>Diploma</td>
<td>£225m</td>
<td>Other</td>
<td>Supplies technical products and services.</td>
</tr>
<tr>
<td>Dunelmii</td>
<td>Undisclosed</td>
<td>Home Furnishings</td>
<td></td>
</tr>
<tr>
<td>Forterra</td>
<td>£175m</td>
<td>Consumer</td>
<td>Building material manufacturer</td>
</tr>
<tr>
<td>Go-Ahead</td>
<td>£300m</td>
<td>Industrial &amp; transport</td>
<td>Public transport company which runs trains and buses.</td>
</tr>
<tr>
<td>Greencore</td>
<td>£300m</td>
<td>Consumer</td>
<td>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.</td>
</tr>
<tr>
<td>Halma</td>
<td>Undisclosed</td>
<td>Industrial &amp; transport</td>
<td>Manufacturer of hazard detection products</td>
</tr>
<tr>
<td>Intertek</td>
<td>Undisclosed</td>
<td>Industrial &amp; transport</td>
<td>Brick manufacturer</td>
</tr>
<tr>
<td>Imperial Brands</td>
<td>Undisclosed</td>
<td>Consumer</td>
<td>Multinational tobacco manufacturer Imperial Brands says that participation in the CCFF has helped strengthen the resilience of the company.</td>
</tr>
<tr>
<td>Intertek</td>
<td>Undisclosed</td>
<td>Other</td>
<td>Quality assurance provider Intertek has confirmed that it is in a position to access an undislosed amount. Intertek employees have been accused of fraud, including activities which have seen the Ugandan government lose tax revenue.</td>
</tr>
<tr>
<td>Johnson Services</td>
<td>£150m</td>
<td>Industrial &amp; transport</td>
<td>Textile rental company</td>
</tr>
<tr>
<td>Keller</td>
<td>£200m</td>
<td>Industrial &amp; transport</td>
<td>Ground engineering company Keller is pushing ahead with dividend payouts announced prior to the coronavirus lockdown.</td>
</tr>
<tr>
<td>Marshalls</td>
<td>£200m</td>
<td>Industrial &amp; transport</td>
<td>Landscaping products manufacturer is considering plans to cut up to 400 jobs.</td>
</tr>
<tr>
<td>McCarthy &amp; Stone</td>
<td>£300m</td>
<td>Property &amp; finance</td>
<td>Retirement home developer and manager. Have been accused of exploiting its elderly customers.</td>
</tr>
<tr>
<td>Morgan Sindel</td>
<td>Undisclosed</td>
<td>Consumer</td>
<td>Construction company and developer</td>
</tr>
<tr>
<td>Next</td>
<td>Undisclosed</td>
<td>Property &amp; finance</td>
<td>Property developer and house builder</td>
</tr>
<tr>
<td>Royal Mail</td>
<td>Undisclosed</td>
<td>Other</td>
<td>There is a petition to end Rightof’s access to the scheme, accusing the company of making “massive profits” and overcharging small businesses.</td>
</tr>
<tr>
<td>Senior</td>
<td>Undisclosed</td>
<td>Industrial &amp; transport</td>
<td>A holding company for aerospace, defence, land vehicle and power &amp; energy manufacturers.</td>
</tr>
</tbody>
</table>

**Notes:**
<table>
<thead>
<tr>
<th>Company</th>
<th>Amount</th>
<th>Sector</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Smiths Group</td>
<td>£600m</td>
<td>Industrial &amp; transport</td>
<td>Engineering firm</td>
</tr>
<tr>
<td>Spirax-Sarco Engineering</td>
<td>Undisclosed</td>
<td>Industrial &amp; transport</td>
<td>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.</td>
</tr>
<tr>
<td>SThree</td>
<td>£300m</td>
<td>Other</td>
<td>Recruitment firm SThree announced that it is eligible to access funding under the CCFF &quot;to further strengthen its financial position.&quot; 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.</td>
</tr>
<tr>
<td>St Modwen</td>
<td>Undisclosed</td>
<td>Property &amp; finance</td>
<td>Property investor and developer St Modwen is eligible to access funding under the CCFF, though it has announced &quot;selective redundancies.&quot;</td>
</tr>
<tr>
<td>SThree Students</td>
<td>Undisclosed</td>
<td>Property &amp; finance</td>
<td>Property investor and developer SThree announced that it is eligible to access funding under the CCFF &quot;to further strengthen its financial position.&quot; 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.</td>
</tr>
<tr>
<td>United Utilities</td>
<td>Undisclosed</td>
<td>Property &amp; finance</td>
<td>Water company</td>
</tr>
<tr>
<td>Vistry</td>
<td>Undisclosed</td>
<td>Property &amp; finance</td>
<td>Housebuilder. Formerly known as Bovis Homes, the company has courted controversy for the quality of their building and has been accused of misleading customers.</td>
</tr>
<tr>
<td>Whitbread</td>
<td>£600m</td>
<td>Consumer</td>
<td>Retailer</td>
</tr>
<tr>
<td>WPP</td>
<td>£600m</td>
<td>Communications</td>
<td>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.</td>
</tr>
</tbody>
</table>

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86 Nick Sommerland and Andy Robertson, 'Firm with links to top Tory sucks £2.6MILLION from NHS reforms he helped push through,' Mirror, 13 March 2014, https://www.mirror.co.uk/news/uk-news/st-three-nhs-reform-firm-links-3236237
91 Andrew Ellson and Sam Blanchard, 'Buyers in despair at badly built new homes,' The Times, 19 April 2018, https://www.thetimes.co.uk/article/UK-rent-to-buy-home-new-build-flats-home-love-r145c05
93 'FY20 Results,' Whitbread, 21 May 2020, https://www.whitbread.co.uk/investors/files/Whitbread%20FY20%20Results%20Presentation%2020200521012002-20200521012002-20200521012002.pdf
Appendix B: Case studies

Airlines

The aviation industry is fundamentally incompatible with Paris Agreement goals. Across the transport sector, aviation is 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. 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. 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. Since 2014, an average of 50% of the airline’s pre-tax income has been allocated to dividend payments to shareholders.

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”.

Simultaneously, EasyJet has lobbed against environmental regulations that would make a positive significant 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.

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. 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. The company has since been branded a ‘national disgrace’ by MPs.

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. 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. Tax Watch has highlighted that Wizz Air is having a holding company in Jersey, which is a well-known tax haven.

Ryanair

Ryanair has drawn £600 million from the CCFF while announcing 3,000 job cuts and 20% staff pay cuts. 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.

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. 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.” It is ubiquitous in the fossil fuel industry, working with every major international oil company and directly for many autocratic and so-called “patriotes” with poor human rights records.

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. Further, Schlumberger features on Tax Watch’s list of companies with strong links to well-known tax havens, including Curaçao and the Netherlands.

Appendix C: Divestment targets

Airlines

- **EasyJet**
  - £1 billion divestment
  - £100 million divestment
  - £30 million divestment
  - £50 million divestment

- **British Airways**
  - £1 billion divestment
  - £100 million divestment
  - £30 million divestment
  - £50 million divestment

- **Ryanair**
  - £1 billion divestment
  - £100 million divestment
  - £30 million divestment
  - £50 million divestment

Oil and Gas

- **Schlumberger**
  - £10 billion divestment
  - £1 billion divestment
  - £100 million divestment
  - £30 million divestment

- **Baker Hughes**
  - £1 billion divestment
  - £100 million divestment
  - £30 million divestment
  - £50 million divestment

- **All other oilfield services companies**
  - £300 million divestment
  - £30 million divestment
  - £10 million divestment
  - £5 million divestment

**Total divestment targets**: £30 billion
Car Manufacturers and Distributors

Road transport emissions, which have increased by 6% since 1990, make up a fifth of the UK’s total emissions.114

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.115 For example, last year it sided with Trump in his opposition to emissions caps across the US.116

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.117

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.

114 Baker Hughes website: https://www.bhge.com/
117 Tabby Kinder, “UK tax authority accuses General Electric of fraud in £1 billion dispute,” Financial Times, 28 May 2020, https://www.ft.com/content/627972e4-4384-4e2e-aaf5-0b84626f4b56
131 TUC, “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.themoneyjournal.co.uk/money/news/article-6338659/w5-4f-e43e-b315-6-98405545b208
135 Thomas and Money, “Compass seeks £2bn in biggest fundraising since pandemic began”, 19 May 2020, https://www.themoneyjournal.co.uk/money/news/article-6338659/w5-4f-e43e-b315-6-98405545b208
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. More recently, Bayer in partnership with BASF (see below), have faced a series of litigations from over 100 farmers across the US against knowingly selling a seed and crop system that resulted in large scale damage to their lands. Bayer announced dividend payments of £2.7 billion for the year 2019 paid out in early May 2020. 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 in the UK, supplying chemicals for the agricultural and automotive sector. In total disregard for the conditions for job losses.

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. The Netherlands appears in the top 10 of the financial secrecy index and the haven score. 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 is 14% of JCB’s UK workforce will still go ahead.

Lendlease

Lendlease Europe Finance PIC 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 $467.6mn in 2019. The company has been reported to have paid no tax for several years by the Australian Taxation Office (ATO). 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 who were relocated by the council. The Lendlease development provides only 82 out of 2,704 socially rented flats. 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.
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. 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. The government has contracted G4S to help with the coronavirus testing centers and security for Nightingale hospital. 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.

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