



«Aggressive capital allocation and State-aid for Covid-19 are incompatible»

A new research by SfC shows that a number of listed companies received State aid during the pandemic while adopting aggressive capital allocation strategies, e.g. paying high dividends or cutting workforce.

The SfC network will engage the companies identified in the research in the coming months.

Florence, 1 June 2022

According to the research “Pandemic Extractivism”, led by a team of researchers coordinated by Prof. Alessandro Santoro (University of Milan-Bicocca) on behalf of SfC - Shareholders for Change, at least 8 companies received State aid related to the Covid-19 pandemic in 2020 while adopting aggressive capital allocation strategies: EssilorLuxottica, International Consolidated Airlines Group, Unibail-Rodamco-Westfield, TUI, Delta Air Lines, Unicredit, Compass Group and Coltene Holding.

The research team analysed a universe of ca. 320 companies, mostly European blue chips with a relatively good ESG profile. The aim was to identify aggressive capital allocation behaviour in at least two of the following domains:

- Employment trends (i.e. cut in workforce);
- Dividend payments;
- Share buyback programs;
- Tax planning.

“We identified 26 companies as relatively aggressive in terms of capital allocation, then we looked at their financial reports and found that 8 of them had also received State aid in 2020”, says Dr. Michele Rabasco, the leading researcher of the team. “However, information on State aid was generally scarce. Most companies are not reporting according to the GRI (Global Reporting Initiative) Disclosure 201-4: ‘Financial assistance received from government’”.

7 other companies were identified as 'aggressive' while receiving State aid non related to the pandemic.

"Based on the results of the research, we will start engaging the identified companies questioning the receipt of State aid in presence of aggressive capital allocation strategies, while asking to improve their accountability and transparency on State aid", says Aurélie Baudhuin, president of SfC and deputy CEO at Meeschaert Amilton AM, a founding member of the network.

"A company's capital allocation decisions define the long-term sustainability of its performance. These decisions are even more crucial since the Covid-19 pandemic" - says Aldo Bonati, Corporate Engagement and Networks Manager of SfC member Etica Funds, that co-financed the research. "Tracking metrics such as dividends, share buyback and tax payments helps predict companies' exposure to reputational risks. In addition, we can infer how these companies have used public resources granted during the pandemic. This is the first report to identify those companies most exposed to capital allocation related risks. It also offers guidance to investors by suggesting monitoring and engagement questions to pose to at-risk companies."

The engagement of companies will start in June 2022 and continue until December 2023.

The research "Pandemic Extractivism. An analysis of aggressive capital allocation strategies by listed companies receiving State aid during the Covid-19 pandemic" can be downloaded here: <https://bit.ly/3ayV7fn>

About SfC - Shareholders for Change

SfC - Shareholders for Change is a network for shareholder engagement dedicated to institutional investors. It was launched on 6 December 2017. Its 13 members from seven European countries manage assets for a total of €30bn.

The network's first goal is to engage with companies, governments and asset managers participating in AGMs, submitting letters as well as coordinating meetings and calls, in order to persuade them to improve their social, environmental and governance track record.

The network focusses on three issues in particular:

- Workers' rights and human rights;
- Fiscal practices and tax justice;
- CO2 emissions and climate change.

In 2021, the network jointly engaged 105 companies, one country and a sovereign wealth fund, most of them in Europe, filing resolutions and voting at annual general meetings (AGMs) or asking questions in conference calls and via mail.

The 2021 engagement report is available here:

<https://www.shareholdersforchange.eu/wp-content/uploads/2021/12/SfC-ENGAGEMENT-Report2021-DEF.pdf>

The 13 members of Shareholders for Change are:

- ABS - Alternative Bank Switzerland (Switzerland)
- Bank für Kirche und Caritas eG (BKC, Germany)
- Ecofi Investissements, Groupe Crédit Coopératif (France)
- Ethius Invest (Switzerland)
- Ethos Foundation (Switzerland)
- Etica Sgr, banking group Etica Etica (Italy)
- Fair-Finance Vorsorgekasse (Austria)
- Fondazione Finanza Etica (FFE, Italy)
- Forma Futura Invest (Switzerland)
- Friends Provident Foundation (UK)
- Fundación Finanzas Éticas (Spain)
- Meeschaert Asset Management (France)
- Sanso Investment Solutions (France)

www.shareholdersforchange.eu

The 8 most 'aggressive' companies receiving state aid related to the Covid-19 pandemic

company	industry	country
ESSILORLUXOTTICA	manufacturing	France
INTERNATIONAL CONSOLIDATED AIRLINES GROUP, S.A	transportation and storage	Spain
UNIBAIL-RODAMCO-WESTFIELD	other service activities	France
TUI AG	administrative and support service activities	Germany
DELTA AIR LINES, INC.	transportation and storage	USA
UNICREDIT SPA	financial and insurance activities	Italy
COMPASS GROUP PLC	accommodation and food service activities	UK
COLTENE HOLDING AG	human health and social work activities	Switzerland

Indicators used to assess aggressive capital allocation

