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Greens/EFA call for European guidance on economic conditionality for state aid support after the COVID-19 outbreak

In the past few weeks, trillions of euros of public money have been spent to ensure the European Union could cope with the scale of the COVID-19 emergency. It was essential to ensure that as many lives as possible could be saved, to keep the economy afloat and avoid the massive unemployment that would otherwise spread as a result of the necessary confinement. Supporting European households in these difficult times, in particular those most exposed and vulnerable, is crucial. Greens all over Europe have been very supportive of those emergency measures.

But now that we slowly turn from emergency response measures to the long-term recovery of our societies, we must be very careful not to repeat the same mistakes made in the aftermath of the 2008 financial crisis. People and the planet - not big companies and their shareholders - must be at the core of the Recovery Plan. Some Member States have already announced conditioning public support to no presence of rescued companies in tax havens. While this is a welcome move, in practice, it is unlikely to have the impact needed. Their definition of tax havens is indeed based on the EU list of non-cooperative jurisdictions, which only contains a limited number of countries and not the main usual suspects. The Greens/EFA group in the European Parliament has regularly called for an improvement of this EU list with strengthened criteria to screen third countries and for a similar scrutiny to be applied to Member States. Such request stands, regardless of the COVID-19 crisis.

This is why the Greens/EFA group in the European Parliament calls for the European Commission to adopt a set of strong economic conditions in its Temporary Framework for state aid measures. We need European guidance to ensure all Member States will respect the following requirements to protect the public interest, when providing public support to companies:

1. All large companies[1] with places of business in several countries should **commit to publicly disclose a set of key financial information, on the model of the country-by-country reports they share with tax administrations** according to Action 13 on the Base Erosion and Profit Shifting action plan. Such public information should include data on the global allocation of income, profit, taxes paid and economic activity among tax jurisdictions in which these companies operate.

2. All companies with **subsidiaries or headquarters without genuine economic activity in jurisdictions listed on the so called "black list" and "grey list**" of non-cooperative jurisdictions should not be allowed any public support.

3. All companies, especially multinationals, should **not be allowed to pay out dividends, bonuses or to buy back shares for at least the next 2 years** and, ideally, as long as the economy has not substantially recovered from the damage resulting from the COVID-19 crisis.

4. All companies should commit to **respect the UN Guiding Principles on Business and Human Rights and the European non-financial reporting Directive**, to ensure the protection and respect of human rights in the context of business activities. Companies should publicly

[1] As defined by Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings

disclose how they plan to apply such due diligence obligation with regard to environmental, social and human rights at each step of the supply chain, followed up by regular progress reports. Companies unable to achieve full transparency in non-financial matters in their 2020 reports at the latest should not eligible for state aid.

5. Finally, all state aid support should be accompanied with **an anti-abuse clause** so that if companies receiving public funds are later identified as not complying with above-mentioned requirements, such public funds should be reimbursed.

These economic related conditions are without prejudice to other green and social conditioning the Greens/EFA group is calling for. A sustainable reconfiguration of the EU economy necessitates that state aid expenditures promote not only the economic but also the environmental viability of companies. Therefore, the Commission shall design and monitor green conditions as well as social, environmental and governance standards as part of its temporary framework for state aid measures during the COVID-19 pandemic. For more information: https://extranet.greens-efa.eu/public/media/file/1/6494 (page 7 and 8)