

Private & Confidential

Rt Hon Frank Field MP and Rachel Reeves MP

The Chairs

Work and Pensions Committee

Business, Energy and Industrial Strategy Committee

11 June 2018

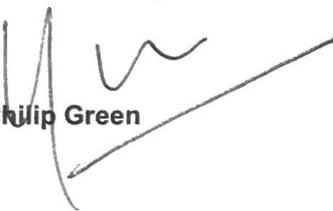
Dear Mr Field and Ms Reeves

Carillion – Joint Select Committee Hearing Evidence

1. Thank you for your letter to me dated 8 June 2018 in which you ask some questions regarding Carillion's initial request for support from Government made on 31 December 2017. I welcome the opportunity to clarify some matters, in particular to make clear that neither I nor any director of Carillion sought personal immunity from criminal prosecution or any other sanction as part of any requests made to Government.
2. As noted in your letter, the recent National Audit Office report refers to certain of the requests that were made by the company of Government on 31 December 2017 including a request concerning regulatory investigations in relation to actions taken by the company before July 2017 (the "regulatory request").
3. As to the detail of the regulatory request:
 - a. The request made of Government was for "support" with a view to the company and Government being able to "...*explore what, if any, assurance [could] be provided that any investigations that [were] or may be carried out in relation to the actions of Carillion prior to July 2017 [would] not, when finalised, lead to the relevant regulator or enforcement agency seeking to take steps to impose material fines or other penalties on Carillion...*";
 - b. The request related to investigations or regulatory actions against the company and not against directors or other individuals. There was no element of the request that sought personal immunity from fines or other sanctions for directors.
4. As to the background to the request, in late December 2017, the company was working alongside its advisers (specifically, Slaughter and May, Lazard and EY) to prepare a formal request to Government for financial and other support. This was being done at the request of and in conjunction with the company's creditors. As part of this process, I believe Carillion's lenders insisted that the regulatory request be included. Whilst Carillion agreed to this, it was not a request that the company had wished or proposed to make for itself. Once the final form of wording was agreed, the Chief Executive, Mr Cochrane, wrote to the Cabinet Office on 31 December 2017 enclosing the formal request.
5. The regulatory request explained that to the extent needed, the intention was that Carillion would request Government's assistance in ensuring that any applicable regulator or enforcement agency would be aware of the broader context of the restructuring, Carillion's financial position and the stakeholder dynamics. The reasoning for this, set out in the request, was that, if a debt for equity swap were proposed, it would not seem appropriate to expect the converting creditors or potential new money providers to be exposed to a risk of the impact of a financial penalty when they were not shareholders at the time of the relevant actions and/or had injected further funding or made other material concessions to rescue the business.
6. As to your specific questions:
 - a. Question 1: To the best of my knowledge the only regulatory proceeding underway at that point relating to the pre-July 2017 period was an investigation by the FCA. However, the request was drafted generically to refer to "any investigations".

- b. Question 2: As explained above, the regulatory request was included on the insistence of the company's lenders. The company's lawyers were involved in the drafting of the formal request to Government, including the regulatory request but insofar as I am aware, the company did not take specific advice as to the legal grounds for the support being requested. The request was made in a commercial context in order to satisfy the company's lenders and was phrased tentatively so as to lay the groundwork for a conversation on the issue as opposed to making a specific request for immunity or other support. As noted in the NAO report (paragraph 4.3), in the cover email to the Cabinet Office representative, Mr Cochrane, the Chief Executive, apologised for what he called the "hard edge" to some of the requests.
- c. Question 3: As set out above, neither I nor any director of Carillion sought personal immunity from criminal prosecution or any other sanction as part of any requests made to Government.
- d. Question 4: I understand from Mr Cochrane that at a meeting between him and Government on 4 January 2018, Mr Cochrane was told that Government was not able to agree to the regulatory request and that Mr Cochrane did not seek to press it further. As a result, the request was withdrawn. The lenders did not ask the company to make this request again. A further proposal was put to Government on 8 January 2018, which no longer included the regulatory request.

Yours sincerely



Philip Green