

Rt Hon Frank Field MP
Chair, Work and Pensions Committee

Rachel Reeves MP
Chair, Business, Energy and Industrial Strategy Committee

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22 June 2018

Our Ref: SA180522C &
SA180614E

Dear Frank Field and Rachel Reeves

Re: Carillion plc ("Carillion")

Thank you for your letters of 22 May and 14 June 2018. In your first letter, you ask for an update on our investigation into Carillion and our timeline for reporting on it. In your second letter, you ask more specific questions about a request from Carillion's former Chairman, Philip Green, to protect the company and its lenders from any fines or penalties for action taken by Carillion before July 2017.

We are grateful to the Joint Committees for their report into Carillion, and the evidence sessions it held, all of which we are considering. We do not intend to comment on the report, however, while our investigation remains open in order not to prejudice the outcome of the investigation.

The following is in response to your questions.

"...please update us on the status of your investigation and detail your timetable for reporting on it."

"Could your response please detail what aspects of Carillion's market announcements are being investigated, including whether it will cover any insider trading of shares?"

Scope of our investigation

On 3 January 2018, Carillion announced that we are carrying out an investigation into its announcements to the market.

Our investigation is into the timeliness and content of the firm's announcements. Our primary focus is to determine whether the matters announced in Carillion's trading update on 10 July 2017 were identified and announced at the appropriate time.

We are also considering whether earlier announcements made by Carillion were false or misleading as a result. This includes Carillion's £845 million contract provision as well as Carillion's revised expectations as to revenue, profit and debt levels that were also announced on 10 July. Our investigation currently covers potential breaches of the Market Abuse Regulation, Listing Rules and Listing Principles. We are aware of allegations of insider trading in Carillion's shares prior to its trading update on 10 July 2017 and are looking into them.

Current status

We have made good progress and have conducted interviews and meetings with senior Carillion staff, key advisers and shareholders. This is helping us to build a picture of the circumstances that led to the announcements by the firm, the information available to Carillion's board at the time and how the announcements were viewed by the markets. We have also obtained a significant number of documents.

We also continue to liaise closely with the Insolvency Service, the Financial Reporting Council and the Pensions Regulator on our respective investigations.

Timescales

The specific timing of the investigation is subject to access to the company's records as well as ongoing cooperation with the Insolvency Service, the FRC and the Pension Regulator. However, we aim to complete the investigation as soon as possible.

"Were the FCA made aware by Carillion and/or the Cabinet Office that such a request [to protect Carillion from fines and penalties] had been made?"

Were the FCA aware that the request was being made at the behest of Carillion's major financial lenders?"

As for your question about a request for us to withhold action or grant immunity, I am not aware of a request from Carillion, or the Cabinet Office, to the FCA of this kind.

Have the FCA ever previously received requests such as this where lenders or investors have asked for immunity from fines or prosecutions as a precondition to lending/investing in companies? If so, what approach does the FCA take to such requests?"

Our policy to setting penalties is set out in our Decision Procedure and Penalties Manual, which is available on our website.¹ Under the policy, it would only be in an exceptional case that we would be prepared to agree to issue a public censure rather than impose a financial penalty if a financial penalty would otherwise be the appropriate sanction. Examples of such exceptional cases could include:

- where the application of our policy on serious financial hardship results in a financial penalty being reduced to zero;
- where there is verifiable evidence that the firm would be unable to meet other regulatory requirements if we imposed a financial penalty at an appropriate level, or
- where there is the likelihood of a severe adverse impact on the firm's shareholders or a consequential impact on market confidence or market stability if a financial penalty was imposed. However, this does not exclude the imposition of a financial penalty even though this may have an impact on a firm's shareholders.

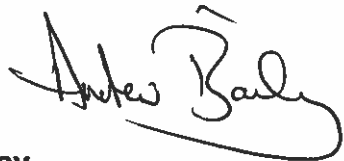
As is to be expected, the occasions on which we have agreed to issue a public censure against a firm rather than impose a financial penalty, where a financial penalty would otherwise be the appropriate sanction, are rare.

¹ <https://www.handbook.fca.org.uk/handbook/DEPP/>

In August 2015, we took action against Co-op Bank for breaching the Listing Rules. The failings merited a substantial financial penalty. However, given the impact of the financial penalty we decided to impose a public censure instead. The circumstances were that Co-op Bank was engaged in a turnaround plan aiming to ensure it met its Individual Capital Guidance on a sustainable basis and had adequate capital to withstand a severe stress. It was important the plan was successful and that Co-op Bank's capital resource was directed towards improving its resilience.

I hope that you find this information helpful.

Yours Sincerely

A handwritten signature in black ink that reads "Andrew Bailey". The signature is written in a cursive style with a large, sweeping flourish at the end.

Andrew Bailey
Chief Executive