



FAO: Rt Hon Frank Field MP, Rachel Reeves MP

Work and Pensions Committee and Business, Energy and Industrial Strategy Committee

House of Commons

London

SW1A 0AA

9 May 2018

Dear Mr Field and Ms Reeves

Carillion inquiry

- 1 I refer to the Carillion Remuneration Committee ("**RemCo**") documents and minutes recently published online by your Committees, which amongst other things refer to my move from CEO to COO in July 2017 and my subsequent departure from Carillion in November 2017. I also refer to a number of related points made by Alison Horner at the session before your Committees on 6 February 2018 (at Q628 and Q629). In light of the publication of these documents I thought it would be helpful to clarify a number of points, particularly in relation to questions you asked of Alison Horner at the session on 6th February.
- 2 For the reasons set out below, Mrs Horner's suggestion that lump sum payments were merely "custom and practice" at the session before your Committees on 6 February 2018 (see Q628) is not correct. As is clear from the below, the Company was contractually obliged to provide this benefit, however, given I had worked with the business for over 23 years I decided (in November 2017) not to pursue this point and instead was working with Janet Dawson (Carillion's HR Director) to reach an amicable compromise.
- 3 Further, I received two months' salary in lieu of my 12 months' contractual notice. This equates to roughly 16% of what my contract provided for, not the one third which Mrs Horner estimated before your inquiry on 6 February 2018 (at Q629).
- 4 Although I was disappointed at the Company's failure to honour my contract and what it had specifically agreed with me, I decided not to pursue the matter. I readily acknowledge that many others have lost out following the Company's liquidation and are facing real hardship as a result.
- 5 My bigger regret is that I and two key business unit Managing Directors, Services and Construction, were not able to continue to work to lead and support the critical operations of the business: work winning, dispute resolution and negotiations, cash collection and operational delivery. As I said before your Committees in February, I believe our experience in respect of the challenging contracts, relationships and commitment may have helped the group work through its difficulties.

- 6 Your inquiry has recently published the minutes of the RemCo meeting held at 3:45pm on 9 July 2017, which confirms that as COO, I was to retain my current salary, allowances and termination arrangements of twelve months' notice. The minutes also record that my bonus arrangements would be in line with other senior Managing Directors but that any future participation in the LEAP scheme would be on reduced terms. However, the board's proposed amendments to bonus and leap arrangements were not raised with me and my bonus and leap arrangements were left as per my CEO contract, and no one ever asked me to accept reduced terms nor were such terms transferred into the 17th July contract (detailed below).
- 7 These new terms (but curiously not the changes to bonus and leap terms) were recorded in a letter dated 9 July 2017 (copy attached). The same day, Janet Dawson said that I could receive 12 months' salary and benefits as a single lump sum in lieu of notice on leaving Carillion which I agreed with the Chairman, through, Mrs Dawson, and I recorded this on the letter by hand. A follow-up letter dated 17 July 2017 from Mrs Dawson confirmed my agreement with the Chairman (copy attached) and confirmed the lump sum payment in lieu of notice (of 12 months' salary and benefits) on contract termination and was the basis on which I accepted the COO role. It also confirmed that I would receive deferred bonus shares in line with the scheme rules when I left the Company.
- 8 I was informed in writing (I had been verbally told on Thursday 24th August by Keith Cochrane) in mid to late September 2017 that I would be leaving Carillion at the end of September 2017, although my contract was not officially terminated until 3 November 2017. I was also told that the Company was no longer prepared to pay me the agreed lump sum for my 12 months' notice period or give me any of the deferred shares, despite this being in my amended contract and therefore a contractual obligation of the Company. No reason was cited for this change and I was told that the board were aware that this was a breach of my contract. It was also at this point that a number of other senior managers were exited.
- 9 Accordingly Mrs Horner's suggestion that lump sum payments were merely "custom and practice" at the session before your Committees on 6 February 2018 (see Q628) is therefore not correct.
- 10 Please do not hesitate to contact me if I can provide you with further information, either in relation to the above issues or my role with Carillion more generally.

Yours sincerely



Richard Howson

9 July 2017



Dear Richard

This letter is formal confirmation of our agreement that, with effect from Sunday 9 July 2017 you will cease to undertake your role as Chief Executive Officer of Carillion plc and will take up the role of Chief Operating Officer of Carillion plc.

By signing the attached copy of this letter you resign as a director of Carillion plc with immediate effect.

An announcement of your resignation and change of role will be made with the trading announcement on 10th July.


Your remuneration, including salary and bonus opportunity, will be unchanged. As discussed our expectation is that your tenure in the new role will be for a period of up to twelve months. As a result, we are effectively deferring your termination until a date to be agreed. At that time, we will operate the settlement of your notice period in line with your contract dated 8 December 2009 as if we had issued notice on your actual leaving date.

[THIS IS NOT MY CEO CONTRACT]

I would like to discuss the details of your role and responsibilities when you are back from leave, but you will be expected to carry out the role of Chief Operating Officer and will report to Keith Cochrane, the interim CEO, and the board of Carillion plc in the normal way.

Please sign and return to me the attached copy of this letter to signify your agreement to its terms.

Yours sincerely

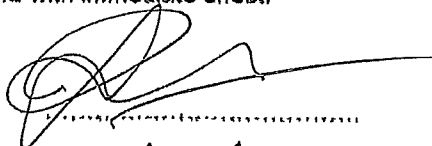

Philip Green
Chairman

[AGREED, SUBJECT TO, AS AGREED, THE 12 MONTH NOTICE PERIOD AND PAYMENTS WITH REMAINING, UPON LEAVING, AS A SINGLE LUMP SUM PAYMENT.]


4/7/17

I confirm my agreement to the terms set out in your letter of 9 July 2017 and I hereby resign as a director of Carillion plc with immediate effect.

Signed:



Date:

4/7/17

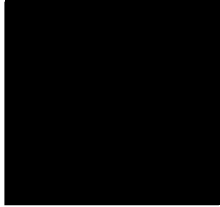
[MY CEO CONTRACT TAKES PRECEDENCE OVER MY 8/2/09 CONTRACT]

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[INCLUDES CAR ALLOWANCE, MEDICAL, PENSION CONTRIBUTION etc.]



17 July 2017

Private & Confidential – Addressee Only

Dear Richard,

Further to our letter of 9th July regarding your recent change of role I am writing to confirm the position on the points you noted in your acceptance letter.

Your Contract of Employment dated 8 December 2009 is not for the role of Chief Executive Officer (CEO). It is however an executive director contract and provides for the same notice terms you are entitled to as CEO. This contract will have been varied by any increases in salary, your bonus and LEAP invitations etc. since it was issued so in the round it enshrines your terms and these are not at issue between you and the Company.

On the lump sum settlement of your contract, this has been agreed by the Chairman and I note that it is the basis on which you have accepted the COO role.

The settlement will be made based on your base pay, the value of the Company's contributions to the Carillion Pension Plan, your allowance over the Annual Allowance limit and your pension allowance over the Carillion pension cap. It will also include your car allowance and the value of your family medical provision (which could be retained for 12 months if preferred).

LEAP Awards

Awards under this Plan will continue to run and will vest subject to the satisfaction of the performance conditions on their planned vesting dates. You will continue to participate in these to the extent you are employed during the performance period. For those awards where you are not employed for the whole period, you will participate on a pro-rata basis of the appropriate number of 36^{ths} of the final award based on your service. There is no requirement for a further holding period if you are no longer employed.

Deferred Bonus

Your deferred bonus shares will pass to you at the point you leave employment in line with the rules of the Plan.

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You will be aware that both deferred bonus and LEAP are subject to clawback under very specific circumstances. I attach a schedule of your outstanding awards under both plans.

Please let me know if you have any questions regarding any element of your reward arrangements.

Yours sincerely



Janet Dawson
Group HR Director

Enclosed – Summary of Awards

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Summary of Awards

Year of Award	Plan Name	Number of shares vested	Number of shares awarded	Status of entitlement	Dividend Equivalent due
2014	LEAP	139,896		Shares not transferred to employee due to insider restriction	Yes
2015	LEAP		278,298	Performance period ends 2017 - release 2019 ex holding period*	Yes
2016	LEAP		319,024	Performance period ends 2018 - release 2020 ex holding period*	Yes
2017	LEAP		448,980	Performance period ends 2019 - release 2021 - ex holding period*	Yes
2013	Deferred Bonus	26,752		Shares due for release April 2017, but not released due to insider restrictions	No pre-dates policy
2014	Deferred Bonus	37,446		Shares due for release 2018	Yes
2015	Deferred Bonus	51,081		Shares due for release 2019	Yes
2016	Deferred Bonus	56,870		Shares due for release 2020	Yes
Totals		312,045	1,046,302		

*Holding period would not apply once you have left service

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