3. Termination Arrangements – Richard Howson

The options for termination under Richard's contract are:

- Terminate with notice paid in a single payment or in 12 payments over 12 months
- Put on garden leave for 12 months

The current position is that Richard has agreed to stay at home until the basis of his exit is agreed.

The position proposed by the Committee is as follows:

Employment is terminated as at the end of September 2017 and the notice period is paid over the 12 months to September 2018 unless Richard wants to commence employment elsewhere.

1. Base pay of £660,000 per annum for a period of 12 months with the first payment to be made in October 2017.

2. In addition, monthly payments will made in respect of his annual car allowance of £17,000 and his annual pension allowance of £231,579 including employer contributions to the Carillion Pension Plan (£19,300 per month)

3. He will remain covered by the Company's medical insurance arrangements in line with previous cover levels for 12 months.

4. No bonus will be paid in respect of 2017.

5. Deferred bonus payments in respect of the following years are due to be released on the dates shown:

    - 2014 - 37,446 shares are not due for release until May 2018.
    - 2015 - 51,081 shares not due for release until April 2019.
    - 2016 - 56,870 shares are not due for release until May 2020
    - Release will be subject to the discretion of the Remuneration Committee.

6. Richard will have left employment by the final vesting date of the LEAP 2015, 2016 and 2017 awards and will not be treated as a good leaver and therefore outstanding awards will lapse on cessation.

7. An allowance in respect of legal services (paid directly to the third party) to be agreed.

Payments in respect of salary, benefits and pension will be mitigated to the extent that Richard receives earnings from other sources received during the period to October 2018. There is a duty to mitigate in his contract of employment.

Richard is contesting that the full contractual payment of salary, benefits and allowance should be paid in full. He is also contesting that the Deferred Bonus shares should be released in full (on their usual release date).

Shareholder considerations and possible alternative approach

Deloitte have advised that from a shareholder perspective, there may be pressure to clarify the position on the DBP shares with an expectation that RH would not be treated as a good leaver and that the deferred shares should lapse. Under the DBP rules the awards ordinarily lapse on cessation unless the reason for leaving is death, ill-health, retirement, redundancy or any other reason at the discretion of the Committee. This decision is typically made by the Remuneration Committee at the point of leaving but Deloitte's view is that shareholders should recognise why the Committee is deferring until all circumstances have come to light at which point a fully informed view can be taken.

Deloitte have also suggested that the use of an escrow account could deliver an acceptable solution to both parties, provided it is clear that there is mitigation in place. Richard has accepted the point on mitigation as it is contractual. The fact that these payments were in escrow would not form part of the disclosure in the DRR. Deloitte's view is that if this did become public knowledge, the fact that the payments were subject to mitigation would support the position that this was simply a mechanism for delivering a contractual obligation on both sides.