

Rt Hon Frank Field MP and Rachel Reeves MP
The Chairs
Work and Pensions Committee
Business, Energy and Industrial Strategy Committee

Our ref

Your ref

Date
20 February 2018

Dear Mr Field and Ms Reeves

Carillion - Joint Select Committees

I am writing to clarify a point around the issue of "clawback" of director bonuses on which I believe there may be some misunderstanding following the evidence received to date by the Committee.

Clawback of bonuses paid out

In Q71 in the transcript of the Liaison Committee discussion with Mr Liddington it says that the company had "changed its own rules making it harder to clawback these bonuses". That is not the case. The only changes we made were to make it possible to claw back bonuses. We made this change in February 2015. Until we changed the rules, there was no express power to claw back bonuses paid out, whether in cash or shares. Our changes addressed this. Those new rules governing clawback have remained the same since we introduced them in 2015.

It will be a matter for the liquidator as to whether the conditions to claw back bonuses have been triggered.

"Malus" or loss of unvested bonus (i.e. not yet paid out)

There was a separate regime, already in place before our further changes were made, under which share bonuses still subject to vesting (i.e. not paid out) could be forfeited. The substance of these provisions continued.

These provisions are now of course irrelevant, as the value of all share bonuses not already paid out was automatically lost on liquidation. These provisions were referred to, loosely, in a number of press articles as "clawback" arrangements, incorrectly confusing them with the clawback changes we introduced.

I hope this is useful and removes any confusion which may exist around the ability to recoup executive benefits from members of the Carillion executive team.

Please let me know if I can assist further.

Yours sincerely

Alison Horner

Date
20 February 2018
Letter to
Rt Hon Frank Field MP and Rache Reeves MP