

## Warning Notice Statement 20/2

On 18 September 2020, the Financial Conduct Authority (the FCA) gave Carillion plc (in liquidation since 15 January 2018) and certain previous executive directors of Carillion a warning notice each, proposing to take action in respect of the conduct summarised in this statement. In relation to Carillion a public censure is proposed, not a financial penalty.

**IMPORTANT:** A warning notice is not the final decision of the FCA. The firm and the individuals have the right to make representations to the Regulatory Decisions Committee (RDC) which, in the light of those representations, will decide, in respect of each of the parties, on the appropriate action and whether to issue a decision notice. The RDC is a committee of the FCA board which decides whether the FCA should give certain statutory notices described as within its scope by the FCA's Handbook.

If a decision notice is issued, the recipient will have the right to refer the matter to the Upper Tribunal which would reach an independent decision on the appropriate action for the FCA to take, if any.

If either the RDC or the Upper Tribunal decides that no further action should be taken against a party, the FCA will publish a notice of discontinuance provided it has the firm's or the individual's consent (as applicable).

1.1 The following is a summary of the reasons why the FCA gave each of Carillion and the relevant executive directors<sup>1</sup> a warning notice:

- The FCA considers that during the period from 1 July 2016 to 10 July 2017 Carillion breached the following provisions:
  - a. Article 15 of MAR (prohibition of market manipulation) by disseminating information that gave false or misleading signals as to the value of its shares in circumstances where it ought to have known that the information was false or misleading;
  - b. Listing Rule 1.3.3R (misleading information must not be published) by failing to take reasonable care to ensure that its announcements were not misleading, false or deceptive and did not omit anything likely to affect the import of the information;
  - c. Listing Principle 1 (procedures, systems and controls) by failing to take reasonable steps to establish and maintain adequate procedures, systems and controls to enable it to comply with its obligations under the Listing Rules;
  - d. Premium Listing Principle 2 (acting with integrity) by failing to act with integrity towards its holders and potential holders of its premium listed shares.

<sup>1</sup> This is a reference to individuals who were executive directors at material times during the time period 1 July 2016 to 10 July 2017.

- The FCA considers that the relevant executive directors were knowingly concerned in the above breaches by Carillion.

1.2 In particular, the FCA considers that:

- Carillion's announcements on 7 December 2016, 1 March 2017 and 3 May 2017 were misleading and did not accurately or fully disclose the true financial performance of Carillion. They made misleadingly positive statements about Carillion's financial performance generally and in relation to its UK construction business in particular, which did not reflect significant deteriorations in the expected financial performance of that business and the increasing financial risks associated with it.
- Carillion's systems, procedures and controls were not sufficiently robust to ensure that contract accounting judgments made in its UK construction business were appropriately made, recorded and reported internally to the Board and the Audit Committee.
- At material times, the relevant executive directors were each aware of the deteriorating expected financial performance within the UK construction business and the increasing financial risks associated with it. They failed to ensure that those Carillion announcements for which they were responsible accurately and fully reflected these matters. Despite their awareness of these deteriorations and increasing risks, they also failed to make the Board and the Audit Committee aware of them, resulting in a lack of proper oversight.

1.3 The FCA considers that Carillion and the relevant executive directors acted recklessly in relation to the above matters.