

EXECUTIVE EXITS IN LISTED AND REGULATED BUSINESSES

Balancing Disclosure, Reputation and Risk



Senior executive departures in listed and regulated businesses are rarely just an HR issue. They sit at the intersection of:

- Employment law and incentive structures
- Board governance and director duties
- Market disclosure and regulatory expectations
- Reputation, culture and ESG narratives

Handled well, an executive exit can support strategic change, reinforce governance standards and minimise litigation risk. Handled badly, it can trigger regulatory scrutiny, shareholder anger, internal uncertainty and highvalue disputes.

This insight sets out a practical framework for boards, General Counsel, HR leaders and company secretaries to manage executive exits in a way that balances disclosure, reputation and risk – particularly in listed companies and regulated sectors such as financial services, energy, professional services and infrastructure.

1. Why executive exits are uniquely sensitive in listed and regulated environments

1.1 Multiple audiences, competing expectations

When a CEO, CFO or other key executive leaves a listed or regulated business, several audiences are watching at once:

- Regulators and listing authorities, focused on governance, culture and conduct
- Investors and analysts, seeking clarity on performance, strategy and leadership stability
- Employees and key stakeholders, reading signals about culture and future direction
- Media and commentators, framing the narrative for customers and the wider market

Each group cares about slightly different things – performance, accountability, values, continuity, fairness – but all will infer meaning from timing, messaging and terms of the exit.

1.2 Legal, regulatory and reputational risk converge

Executive exits in these environments typically engage:

- Board and director duties, especially where there are concerns about performance, culture or financial reporting
- Regulatory risk, including possible notifications or investigations in sectors such as financial services and energy
- Employment and incentive issues, including notice, bonuses, LTIPs, malus/clawback and restrictive covenants
- Litigation and dispute risk, from unfair dismissal and whistleblowing claims to shareholder and governance disputes

Treating the exit as a narrow HR negotiation ignores this complexity and can undermine the board's position if the departure is later scrutinised by regulators, courts or investors.

2. Mapping the framework: what really governs an executive exit?

2.1 Board duties and governance obligations

For listed and regulated entities, directors must consider:

- Duties to act in the best interests of the company as a whole, not just the departing executive
- Conflicts of interest (particularly where the executive remains on the board during negotiations)
- The need for robust decisionmaking processes, clear minutes and defensible rationales for settlement terms, incentive treatment and disclosure strategy

Boards should ensure that exit decisions:

- Are taken at the right level (often by a committee of nonexecutive directors or the remuneration committee)
- Are based on clear factual briefings, not purely relationship dynamics
- Can be explained in governance and risk reports, if required

2.2 Market and regulatory disclosure

In listed and supervised environments, executive exits may trigger:

- Market announcements where the departure or its circumstances amount to inside or price sensitive information
- Regulatory notifications, for example for senior management or controlled functions in financial services
- Governance reporting in annual reports, including explanations of loss of office payments and incentive outcomes
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Key questions include:

- Is the exit announcement accurate, complete and suitably neutral, without prejudging ongoing investigations or disputes?
- Does the timing of the announcement align with market disclosure obligations and regulatory expectations?
- How will the wording be read alongside remuneration reports, risk disclosures and any commentary on culture or conduct?

2.3 Employment contracts, incentives and business protection

The legal mechanics of the exit will usually be driven by:

- The service agreement (term, notice, payment in lieu, garden leave, post termination restrictions)
- Bonus and incentive plan rules (good/bad leaver definitions, vesting on termination, malus and claw back)
- Any side letters, bespoke arrangements or historic variations

Employers must balance:

- Incentive plan rules and regulatory expectations
- Consistency with past practice and disclosed policies
- The need to protect confidential information, client relationships and key teams through enforceable restrictions

2.4 Investigations and enforcement context

Where the exit is linked to alleged misconduct, control failures or regulatory issues, the board must decide:

- Whether an internal or external investigation is required, and in what sequence relative to the exit
- How any investigation interacts with regulator expectations, potential enforcement and whistleblower protections
- How to preserve legal privilege while still providing regulators with the information they require

In complex cases, the exit is often just one element in a wider investigations and regulatory strategy, not a standalone event.

3. Designing the exit strategy: key decisions for boards, GCs and HR

3.1 Clarifying the real drivers

Before engaging with the executive, the board team (typically the chair, SID, GC and HR director) should align on:

- What is genuinely driving the exit – performance, strategic divergence, culture concerns, regulatory issues, transaction dynamics or personal circumstances
- Whether investigations are required to clarify factual position before negotiating terms
- The board's risk appetite – litigation risk, regulatory challenge, media exposure, and internal cultural impact

This analysis will determine whether a negotiated compromise agreement is appropriate, or whether a more formal performance or disciplinary route is required.

3.2 Choosing the process: negotiated exit vs formal procedures

A negotiated exit may offer speed and reduced uncertainty, but can be difficult to justify if:

- Serious misconduct is alleged
- Regulators would expect a full investigation and disciplinary process
- The business has stated public positions on culture, ESG or zero tolerance policies

Conversely, a formal process may:

- Provide a clearer evidential record for regulators and tribunals
- Take longer, with greater internal and external visibility
- Increase the risk of contested proceedings if not managed carefully

Boards should assess which route better supports long-term governance and regulatory confidence, not just short-term convenience.

3.3 Coordinating internal stakeholders

Effective executive exits in listed and regulated businesses are multistakeholder projects, requiring alignment between:

- Board and committees (board, remuneration, risk/audit)
- General Counsel and inhouse legal
- HR, remuneration and incentives teams
- Company secretariat and investor relations
- Regulatory, compliance and risk functions
- Corporate communications and, where appropriate, external PR advisers

Clear allocation of roles reduces the risk of mixed messages and inconsistent documentation.

3.4 Managing timing and sequencing

Timing mistakes often create avoidable risk. A disciplined sequence might involve:

1. Internal decision on strategy and process
2. Initial without prejudice discussion with the executive (if appropriate)
3. Provisional agreement in principle, subject to committee and board approval
4. Drafting of settlement documentation and treatment of incentives
5. Board and committee approvals
6. Coordinated release of market announcement, internal communication and regulatory notifications

Compressing these stages without proper coordination can lead to leaks, inconsistent messaging and exposure in later disputes.

4. Disclosure: saying the right thing, to the right people, at the right time

4.1 Materiality, inside information and narrative

Boards must decide:

- Is the departure itself price sensitive, or is it the reason for the departure (e.g. conduct, investigations, performance) that constitutes inside information?
- Can the company legitimately say that there is “no other matter” requiring disclosure, if there are open investigations or unresolved disputes?
- How does the announcement sit alongside previous messaging on strategy, culture and performance?

The goal is to give the market enough information to avoid misleading impressions, without prejudicing investigations or litigation.

4.2 Drafting public and internal communications

Good practice includes:

- Short, factual public announcements, avoiding unnecessary commentary on reasons or future prospects
- Avoiding loaded language (“mutual agreement”, “to pursue other opportunities”) where it conflicts with reality and might be challenged later
- Preparing aligned internal messaging for employees and key stakeholders, consistent with the formal announcement but tailored to audience and culture
- Ensuring the executive’s own communications (e.g. LinkedIn posts, internal farewell messages) are consistent with agreed positions, within appropriate limits

Communications should be tested against potential future scenarios – tribunal claims, regulatory enforcement, shareholder disputes – before they leave the building.

4.3 Handling speculation, leaks and media interest

In high-profile exits:

- Media and analysts may speculate about reasons, internal dynamics or regulatory angles
- Leaks from within the organisation can undermine carefully designed messaging

Boards and communications teams should agree:

- Who is authorised to speak externally and internally
- Clear lines and Q&A for expected questions
- How to respond if allegations or speculation go beyond what can be addressed publicly at that stage

5. Structuring exit terms: pay, protections and ongoing obligations

5.1 Notice, garden leave and termination mechanics

Key considerations include:

- Whether to use working notice, garden leave or payment in lieu
- The impact on access to systems, clients and confidential information
- The interaction with regulatory responsibilities and any ongoing handover needs

In regulated roles, there may be limits on leaving individuals in post once concerns arise, which can push towards garden leave or immediate termination.

5.2 Incentives, LTIPs and malus/claw back

For listed and regulated businesses, decisions on:

- Unvested and vested LTIPs and share plans
- Annual bonus and deferred remuneration
- Malus (reduction or cancellation) and clawback (recovery)

Must be consistent with:

- Plan rules and disclosed remuneration policies
- Regulatory expectations on accountability and risk adjustment (especially in financial services)
- Market disclosures in annual remuneration reports

Remuneration committees should document clearly:

- The basis for any discretion exercised
- The link between conduct, performance, risk outcomes and incentive treatment
- How decisions align with the company's broader culture and ESG commitments

5.3 Confidentiality, no disparagement and references

Most executive exit agreements will address:

- Confidentiality of terms and underlying disputes, subject to whistleblowing and legal obligations
- Mutual no disparagement, calibrated to be enforceable and realistic
- References and agreed statements for future employers and regulators

In regulated sectors, care is needed to ensure that:

- References and regulatory notifications are accurate and not misleading
- Contractual commitments do not constrain required regulatory candour
- Whistleblower protections are respected, and employees are not prevented from raising concerns with regulators or law enforcement agencies

6. Managing investigations, misconduct and regulatory risk alongside the exit

6.1 Parallel internal or regulatory investigations

Where allegations involve potential misconduct, control failures or regulatory breaches, boards may need:

- An independent investigation (internal or external) to establish facts
- To decide whether the executive can remain in role or on garden leave during the investigation
- To consider deferring final settlement of incentive treatment until findings are available

Ending the employment relationship does not end regulatory interest; in some cases, it intensifies it.

6.2 Regulatory references and notifications

In many regulated environments, firms must:

- File regulatory references or notifications for certain roles on departure
- Respond to later reference requests accurately and consistently
- Update regulators if new information emerges post exit
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These obligations must align with:

- Settlement terms
- Internal investigation findings
- The firm's broader relationship with key regulators

6.3 Protecting privilege and documentation

Throughout the exit process, sensitive material is created:

- Investigation reports and legal advice
- Board and committee papers
- Drafts of announcements and settlement agreements

A privilege aware approach is essential:

- Route sensitive analysis through legal teams
- Separate factual findings from legal advice where appropriate
- Manage circulation and labelling to reduce the risk of unnecessary waiver

This reduces risk in future disputes, regulatory interactions and shareholder litigation.

7. Reputation, culture and “the story” the exit tells

7.1 Internal culture and leadership signal

Employees draw conclusions from how senior people are treated on exit:

- Are underperformers or those misaligned with culture actually held to account?
- Are people who raise concerns protected and treated fairly?
- Does the process feel principled and consistent, or opaque and political?

Well-handled executive exits can reinforce a culture of accountability and fairness; poorly handled ones can erode trust and encourage disengagement or further claims.

7.2 External narrative: investors, regulators and counterparties

For external stakeholders, key questions include:

- Does the exit fit the story the company tells about strategy, culture and risk management?
- Are explanations credible, given publicly available information and performance history?
- Do remuneration and exit terms appear proportionate, especially where value has been destroyed?

Aligning legal, regulatory and communications perspectives helps avoid contradictions between what is said to regulators, investors and the media.

8. Practical checklist for executive exits in listed and regulated businesses

A high-level framework for GCs and boards:

1. Define objectives – What does “success” mean: speed, certainty, culture signal, regulatory confidence, litigation risk reduction?
2. Map the framework – Identify applicable listing, regulatory, employment, incentive and governance rules.
3. Clarify facts – Decide whether investigations are needed before, during or after exit discussions.
4. Structure governance – Assign responsibilities to board committees and document decision-making.
5. Design process – Choose between negotiated settlement and formal procedures, with clear escalation routes.
6. Coordinate stakeholders – Legal, HR, remuneration, compliance, IR and communications working from a single plan.
7. Plan disclosure – Sequence announcements, internal communications and regulatory notifications.
8. Document terms – Ensure exit documentation, incentives and restrictions align with policy, precedent and regulatory expectations.
9. Protect privilege – Handle sensitive documents and advice through legal channels, with disciplined circulation.
10. Review outcomes – After the event, review process, messaging and documentation to refine future playbooks.

How STA Legal helps clients manage executive exits, disclosure and board-level employment risk

STA Legal is built around work where legal risk, governance and reputation are tightly intertwined – including executive disputes, internal investigations, regulatory exposure and board-level governance issues.

In the context of executive exits in listed and regulated businesses, we assist boards, General Counsel and senior executives in the following ways.

1. Board-level strategy and governance for senior departures

We advise boards, committees and senior management on:

- Designing exit strategies that reflect director duties, governance codes and stakeholder expectations
- Structuring decision-making processes, minutes and documentation so they are defensible with regulators, auditors and courts
- Integrating exit decisions with wider governance, risk and ESG frameworks

Our advice is framed for board and committee use, with a focus on clarity and audit ready documentation.

2. Employment, incentives and business protection

Our Employment & Business Protection and executive employment teams:

- Draft and negotiate executive service agreements, post termination restrictions and incentive arrangements with exits in mind
- Lead or support negotiated exits, ensuring that terms on notice, bonus, LTIPs, malus/claw back and restrictive covenants align with policy and regulatory requirements

We aim to reduce litigation risk while protecting confidential information, client relationships and key teams.

3. Regulatory and disclosure alignment

For listed and regulated entities, we help:

- Map regulatory and listing rule obligations triggered by executive exits, especially in financial services and other regulated sectors
- Coordinate content and timing of market announcements, regulatory notifications and governance disclosures

Our objective is to demonstrate credible governance and cooperation while preserving the client's legal and reputational position.

4. Investigations, misconduct and follow on disputes

Where exits arise against a backdrop of allegations or control failures, we:

- Conduct or oversee internal investigations for boards and committees, including whistleblowing and culture reviews
- Advise on the interplay between investigations, executive exits and regulatory expectations
- Manage follow on litigation, arbitration or regulatory proceedings, including shareholder, employment and governance disputes #

This integrated approach ensures that exit strategy and investigations strategy are consistent rather than working at crosspurposes.

5. Playbooks, templates and training for future readiness

To support inhouse legal, HR and governance teams, we can:

- Develop Senior Exits Playbooks, checklists and template board/committee papers tailored to each client's risk profile
- Deliver board and leadership training on managing executive exits, regulatory risk and disclosure obligations
- Review and refresh contracts, policies and incentive frameworks to reduce friction and uncertainty in future departures

By combining governance, employment, regulatory and disputes capability, STA Legal helps clients handle executive exits in listed and regulated businesses in a way that protects enterprise value, supports culture and stands up to scrutiny from regulators, investors and courts.
