

Key Considerations When Managing a Director or Shareholder Exit

Reviewing the individual's different roles and the desired commercial outcome at an early stage can help the business avoid conflicting decisions and procedural errors.

-  **The Individual's Different Roles**
Establish whether the individual is a director, shareholder, employee or a combination of all three. Ending one role will not necessarily bring the others to an end.
-  **Employment and Corporate Documents**
Gather the service agreement, employment contract, articles of association and shareholders' agreement. Each document may contain different procedures, rights and restrictions.
-  **The Reason for the Dispute**
Identify whether the issue relates to performance, conduct, strategy, trust or a wider ownership disagreement. The reason will influence the employment process and potential exit terms.
-  **Decision-Making Authority**
Check who has authority to begin an employment procedure, negotiate an exit or approve the individual's removal. Conflicts of interest and voting restrictions may need to be considered.
-  **Internal Procedures**
Consider whether a disciplinary, grievance, capability or investigation process is required. Seniority does not remove the need to follow an appropriate and fair procedure.
-  **Shares and Financial Interests**
Identify what will happen to the individual's shares, options, bonuses and other incentives. The employment exit and ownership arrangements should be coordinated carefully.



Confidentiality and Business Protection

Review confidentiality obligations, restrictive covenants and access to sensitive information. Appropriate protections may need to be reinforced as part of the exit process.



Communications

Plan how the departure will be communicated to employees, customers, investors and other stakeholders. A coordinated message can help reduce disruption and protect reputation.



Settlement Terms

Consider whether a negotiated settlement could provide greater certainty than a contested process. The agreement may need to address employment, board, ownership and post-termination matters.



Companies House Requirements

Identify any corporate filings required following changes to the board. Companies must generally notify Companies House of changes to directors within 14 days.



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