

exchange news

We determine the Push-out Score™

2.2019

Mixed start of the year for CEOs

- **CEO Push-out Index declines to 5.5 in January from 8.3 in December**
- **Rough departure: PG&E CEO Geisha Williams steps down**
- **Stale exit: MetLife CEO Steve Kandarian retires**
- **Two-edged move: Owens Corning CEO Mike Thaman retires**
- **In-depth analysis of 260 CEO departures in the U.S. from the past 12 months**

(exchange) -- February 1, 2019 -- PG&E Corp., MetLife Inc. and Owens Corning are among the U.S. companies that announced a major leadership change in January 2019.

Obviously, not all of the top managers leave the position entirely on their own initiative.

Research using the Push-out Score analysis model shows that the pressure on CEOs falls drastically, reaching a medium level at the start of the year. In December, it was at a high level.

Every management change is different. The departure of PG&E CEO Geisha Williams seems rough, the exit of MetLife CEO Steve Kandarian appears stale, and the move of Owens Corning CEO Mike Thaman looks two-edged.

A more detailed insight is provided by research firm exchange, which has analyzed more than 200 CEO departures of publicly traded companies in the U.S. from the past 12 months (see Exhibit 1).

exchange uses a scoring system with a scale of 0 to 10 to measure the pressure on the departing executive and to determine the likelihood of a forced executive change. A Push-out Score™ of 0 indicates a completely voluntary management change, and a score of 10 indicates an overtly forced departure. Push-out Scores above 5 mean that the red flags cannot be counted on the fingers of one hand, suggesting strong pressure.

The Push-out Score incorporates facts from company announcements and other publicly available data. It considers not only the official reason given for the departure, but also additional evidence that weighs on the credibility of that reason. The system also interprets the sometimes-cryptic language in corporate communications, using a proprietary algorithm (see Exhibit 2).

The Push-out Score indicates how many of the following nine criteria are met: unusual age, short notice, short tenure, poor share price performance, non-transparent reason, challenging circumstances, succession issues, formal anomalies and linguistic peculiarities in the announcement. When the manager is openly pushed out (e.g., "terminated for cause"), then 10 points are given.

CEO Push-out Index declines to 5.5

The CEO Push-out Index™, which reflects the average Push-out Score for CEO departures in the U.S., fell to 5.5 in January 2019 from 8.3 in December 2018 (see Exhibit 3). It was the first decline in four months. The index fell the most in eleven months.

For the fourth month in a row, it was above the value of 5.

In January 2019, the index was influenced by many obviously forced turnover events and leadership changes with high Push-out Scores, including the announced CEO departures at Herbalife Nutrition Ltd., USG Corp., PG&E Corp., Pandora Media Inc., Itron Inc., Ironwood Pharmaceuticals Inc. and Guess? Inc. A large number of high Push-out Scores in the month of January is unusual. At the beginning of a year, the index is typically characterized by a seasonal pattern with a large number of low Push-out Scores. Carefully planned CEO successions are often implemented on the day of the company's annual meeting of stockholders and officially announced around 100 days in advance, that is, in January. As a result, the average Push-out Score generally drops significantly at the beginning of the year. In December 2018, the index had been dominated by a flood of bumpy management changes and turnover events with high Push-out Scores, including the announced CEO departures at Lam Research Corp., Bunge Ltd., Acadia Healthcare Co., QEP Resources Inc. and Medicines Co.

The average Push-out Score for CEO departures in the 12-month period from February 2018 to January 2019 was 6.

Around 55 percent of the Push-out Scores of CEO departures in the U.S. from the past 12 months reached values between 6 and 10 (see Exhibit 4).

More than one in two CEOs stepped down under high pressure.

The Push-out Score analysis model is presented below using three current case studies.

Rough departure: PG&E CEO Geisha Williams steps down

With a Push-out Score of 9, the CEO departure at PG&E Corp. is in the upper range of the scale and appears rough.

As announced on January 14, 2019, Geisha J. Williams stepped down from her post as CEO at the utility.

While the announcement does not explicitly state that she was fired, all the criteria of the analysis model suggest that she had to leave under tremendous pressure.

Williams's duties were taken over in the interim by John R. Simon, most recently executive vice president and general counsel of PG&E.

The fact that a permanent successor is not immediately available constitutes the first point for the Push-out Score.

Williams leaves in difficult times. Point number 2.

On January 14, PG&E also said it is preparing to file for Chapter 11 bankruptcy protection as it faces liabilities linked to wildfires in California.

A reason for Williams's departure from the CEO post was not explicitly provided. Point number 3.

The management change announcement follows a decline in PG&E's share price of 74 percent since October 2017. Point number 4.

Williams's short tenure as CEO (one year and 10 months), the fact that she leaves her post effective immediately and her low age of 57 years make for points number 5, 6 and 7.

The form and language of the announcement provide points 8 and 9.

In the announcement from the San Francisco, California-based PG&E, Williams receives praise and thanks, but no accolades for concrete and quantified successes, no word of regret and no good wishes.

Richard C. Kelly, chair of the board of PG&E, did not say many words regarding Williams: "On behalf of the board, I want to thank Geisha for her service and her tireless commitment to our employees and the 16 million Californians we serve."

Simon, her successor, addresses the problems directly. He states: "While the board conducts its CEO search, our priority will be keeping the company focused on further improving safety."

Williams is entitled to receive severance benefits.

Conclusion: Succession issues, challenging circumstances, non-transparent reason, poor share price development, short tenure, short notice period, low age, formal anomalies and linguistic peculiarities in the announcement are nine red flags.

PG&E did not respond to a message seeking comment.

On January 29, PG&E filed for Chapter 11 protection. It was the biggest utility bankruptcy in U.S. history.

Stale exit: MetLife CEO Steve Kandarian retires

With a Push-out Score of 3, the CEO departure at MetLife Inc. is in the lower range of the scale and looks stale.

As announced on January 8, 2019, Steven (Steve) Albert Kandarian is retiring as chairman, president and CEO of the nation's second-biggest life insurer, effective April 30. His duties as president and CEO will be taken over by Michel A. Khalaf, 54 years old and currently president, U.S. Business and EMEA of MetLife.

The hard data on Kandarian's departure are inconspicuous. His age of 66 years, his tenure as CEO of 8 years, the notice period of 112 days and the fact that his successor was groomed internally clearly point to a smooth transition.

Furthermore, the form of the announcement from the New York-based MetLife is hardly objectionable. In addition, the short-term share price performance shows no acute pressure to act. In a weak market environment, the MetLife share has lost 20 percent in value over the previous 12 months, outperforming its rival Prudential Financial Inc., which suffered a 30 percent decline in its share price.

But a closer look reveals several red flags.

Kandarian, who turns 67 in March, is already beyond MetLife's customary retirement age of 65. While a reason for the change is not explicitly provided, his departure seems overdue. That's the first point for the Push-out Score.

MetLife is at a critical juncture. Point number 2. The company disclosed in 2017 that it failed to pay thousands of people owed pension payments. Probes including an investigation by the Securities and Exchange Commission are continuing.

Is the leadership change a break with the era of the incumbent CEO or a sign of continuity? The language in the announcement points to the former. That's point number 3 for the Push-out Score.

The incoming CEO's statement is peppered with thinly veiled criticism. Khalaf says: "By accelerating revenue growth, further optimizing our portfolio, and strengthening expense discipline, we will become a more financially successful company. This will help us meet our obligations to customers, create more opportunities for employees, and deliver stronger returns to shareholders."

Khalaf puts plenty of salt in open wounds.

In two concise sentences, he indirectly addresses deficits in seven areas: sluggish revenue growth, suboptimal portfolio, weak expense discipline, low financial success and neglect of customers, employees and shareholders.

Shares in MetLife have returned 32 percent since Kandarian started as CEO in 2011, significantly less than MetLife's rival Prudential Financial, insurance industry indices and the broader market.

Conclusion: Linguistic peculiarities in the announcement, non-transparent reason and challenging circumstances are three red flags. The Push-out Score of 3 suggests significant pressure on Kandarian to eventually leave after a mixed tenure.

MetLife did not respond to a message seeking comment.

Two-edged move: Owens Corning CEO Mike Thaman retires

With a Push-out Score of 5, the CEO departure at Owens Corning is in the middle of the scale and seems two-edged.

As announced on January 3, 2019, Michael H. (Mike) Thaman "has decided to retire" from his role as CEO as of the day of the company's annual meeting of stockholders, currently scheduled for April 18, 2019. He will hand over the reins to Brian D. Chambers, currently chief operating officer of Owens Corning.

At first glance, many criteria point to a voluntary change. The lead time of 105 days is immaculate. Thaman's tenure of approximately 11 years as CEO is impeccable. The outgoing CEO will remain with the insulation and roofing company in the role of executive chairman, and the fact that the CEO post is filled internally implies continuity.

On closer examination, the planned CEO change raises a lot of questions.

At the age of 54 (as at the time the company filed its latest proxy statement), Thaman seems quite young to retire from the CEO post. That's the first point for the Push-out Score.

The management change announcement follows a decline in Owens Corning's share price of 55 percent since January 2018. Point number 2.

Thaman steps aside at a critical time. Point number 3. On October 24, 2018, Owens Corning came out with quarterly earnings of \$1.54 per share, missing the Zacks consensus estimate of \$1.71 per share. Owens Corning grapples with higher raw material and transportation costs.

The form and language of the announcement provide points number 4 and 5.

In the announcement from the Toledo, Ohio-based Owens Corning, Thaman receives praise and thanks, but no accolades for concrete and quantified successes.

Thaman says: "Having served 11 years as CEO and nearly two decades in executive leadership, I feel this is the right time for a leadership change." It almost sounds like he's tired of office.

Thaman's successor was promoted to the newly created post of COO in August 2018, less than half a year ago. At the age of 52, the incoming CEO is not much younger than the outgoing CEO.

John Williams, lead independent director, stated that the management change announcement "is the successful culmination of a multiyear succession plan to select the best leader for the company." His statement can be understood as if the board no longer considers the sitting CEO to be the best leader.

Conclusion: low age, poor stock price performance, critical time, formal anomalies and linguistic peculiarities in the announcement are five red flags. The Push-out Score of 5 suggests that Thaman may have decided to leave the CEO post after some subtle encouragement.

On the other hand, correlation does not imply causation. It cannot be completely ruled out that Thaman decided to retire from his CEO post entirely on his own initiative at a relatively young age and that the correlation between his move and the recent extremely weak share price performance and the

recent disappointing earnings development is purely coincidental and not causal. However, if Thaman's intention was to catch the optimal time to resign, he obviously did not achieve that goal.

Owens Corning did not respond to a message seeking comment.

In-depth analysis of 260 CEO departures

In the period from February 1, 2018 to January 31, 2019, around 33.1 percent of the CEOs in the U.S. left their post with no reason given in the announcement.

Around 8.1 percent departed "to pursue other opportunities" and around 1.9 percent "to spend time with their family," statements that are sometimes taken as code for firings.

Around 2.3 percent left for "personal reasons," and around 5 percent have been ousted with a specific reference to misconduct (see Exhibit 5).

CEOs who departed "to pursue other opportunities" received an average score of 7.6. CEOs who left "to spend time with their family" received an average score of 7.6, and CEOs who stepped down for "personal reasons" received an average score of 7.8.

Companies are, within certain limits, not necessarily required to reveal the reason for a CEO departure (see Exhibit 6). However, if they consider it appropriate, they may give a reason for the move, for example to curb speculation.

In the past 12 months, exexchange recorded the following CEO changes in the Russell 3000 index that were openly linked in the departure announcement to alleged or actual conduct issues.

- **Herbalife Nutrition** Ltd. CEO Rich Goudis resigned in January 2019. His departure "pertains to comments which recently came to light, made by Mr. Goudis prior to his role as CEO, that are contrary to the company's expense-related policies and business practices. The comments made were inconsistent with Herbalife Nutrition's standards and do not reflect the company's culture."
- **Kemet Corp.** CEO Per Loof resigned in December 2018 following "an investigation overseen by certain independent members of the Kemet board, with the assistance of an external law firm, of the facts and circumstances surrounding a consensual personal relationship between Mr. Loof and an employee of the company and related actions which were inconsistent with the company's policies."
- **Lam Research Corp.** CEO Martin Anstice resigned in December 2018 "as the company investigates allegations of misconduct in the workplace and conduct inconsistent with the company's core values, including allegations about Mr. Anstice."
- **Abeona Therapeutics Inc.** CEO Carsten Thiel was terminated in November 2018 "due to personal misconduct that violated the company's code of business conduct and ethics."
- **Axalta Coating Systems Ltd.** CEO Terrence Hahn resigned in October 2018 "by mutual agreement with the board, following an investigation by outside counsel into conduct by Mr. Hahn unrelated to financial matters that Axalta believes was inconsistent with company policies."
- **CBS Corp.** CEO Les Moonves resigned in September 2018 following allegations of sexual misconduct, while CBS and Moonves will donate \$20 million "to one or more charitable organizations that support the #MeToo movement and equality for women in the workplace."
- **Texas Instruments Inc.** CEO Brian Crutcher resigned in July 2018 due to "violations of the company's code of conduct."
- **Barnes & Noble Inc.** CEO Demos Parneros was terminated in July 2018 for "violations of the company's policies."
- **Rambus Inc.** CEO Ron Black was terminated in June 2018 after his "conduct fell short of the company's standards."
- **Intel Corp.** CEO Brian Krzanich resigned in June 2018 after a "violation of Intel's non-fraternization policy" and after a "past consensual relationship with an Intel employee."

- **Avid Technology** Inc. CEO Louis Hernandez was terminated in February 2018 due to "violations of company policies related to workplace conduct."
- **Wynn Resorts** Ltd. CEO Steve Wynn resigned in February 2018 because he found himself "the focus of an avalanche of negative publicity" after the "Wall Street Journal" reported in January 2018 that Wynn had engaged in a pattern of sexual misconduct.
- **Lululemon Athletica** Inc. CEO Laurent Potdevin left in February 2018 because "Lululemon expects all employees to exemplify the highest levels of integrity and respect for one another, and Mr. Potdevin fell short of these standards of conduct."

In the U.S., the average tenure of departing CEOs in the 12-month period from February 2018 to January 2019 was 8.2 years (see Exhibit 7).

The average CEO retirement age in the U.S. was 60.4 (see Exhibit 8).

In the past 12 months, the highest average Push-out Scores in the U.S. were determined in the technology sector with 7.1 and in the consumer sector with 7.1.

The lowest Push-out Scores were determined in the financial sector with 3.8 and the services sector with 4.5.

In the healthcare sector, the average Push-out Score was 6.6, in the basic materials sector it was 5.5, and in the industrial sector it was 5.4.

These results were calculated from 260 individual CEO departures of companies listed in the Russell 3000 index, which provide a homogenous and wide data pool for the analysis of CEO departures.

The Russell 3000 seeks to be a benchmark of the entire U.S. stock market and encompasses the 3,000 largest U.S.-traded stocks, in which the underlying companies are all incorporated in the U.S.

The exchange study monthly documents and analyzes CEO departure events of Russell 3000 companies, updating a database first introduced in 2017.

Corporate governance experts from Stanford University (David Larcker and Brian Tayan) and Harvard University (Ian Gow, now University of Melbourne) have investigated exchange's analysis model and found that Push-out Scores are positively correlated with stock market volatility. See <https://ssrn.com/abstract=2975805>

This report, including exhibits, is available at <https://exchange.com/research-news>

About exchange

exchange is an independent research provider widely recognized as an important voice on executive changes. exchange determines the Push-out Score and was featured by *The Wall Street Journal*, *Harvard Business Review* and *Stanford University*. For more information, visit exchange.com.

Chief point:

Another CEO goes down with the ship

*By David F. Larcker and Brian Tayan **

The bankruptcy of PG&E Corp. -- and the resignation of CEO Geisha Williams -- is an unfortunate reminder of the critical importance of risk management programs and the too-often occurrence with which those programs fail.

In the case of PG&E, the failure occurred in its core business -- power delivery to residential customers, albeit customers in fire-prone areas.

Rightly or wrongly, the company has long had a reputation for poor safety. Devastating fires in Northern California in 2017 and 2018 exemplified this. So too did a catastrophic natural gas pipeline explosion in 2010.

Geisha Williams, who stepped down in January 2019 with a Push-out Score of 9, was a key figure in the company's effort to rehabilitate its public image following the explosion. However, a change at the top did not lead to a substantive improvement in the company's ability to reduce risk.

In this way, PG&E is reminiscent of major failures at companies such as Equifax Inc. and General Electric Co.

In these cases, boards have shown their willingness to hold CEOs accountable. However, they also serve as a reminder that boards should put much more emphasis on developing programs, plans and procedures that actually work in preventing disasters that can cause long-lasting damage to the business.

** The authors are a professor and researcher at the Rock Center for Corporate Governance, Stanford University.*

Editor's note: This is a guest post.

By the numbers:

CEO change number 13 in consumer goods industry

- **Bumpy exit at Reckitt Benckiser**
- **Push-out Score of 6 indicates forced move**

The wave of CEO changes in the consumer goods industry is rolling.

In the past 12 months, 12 global heavyweights have announced a leadership change: Unilever NV, Coty Inc., Kimberly-Clark Corp., Constellation Brands Inc., British American Tobacco Plc, Tyson Foods Inc., PepsiCo Inc., Dunkin' Brands Group Inc., Beiersdorf AG, Brown-Forman Corp., Campbell Soup Co. and Altria Group Inc.

Here comes number 13: Reckitt Benckiser Group Plc.

Rakesh Kapoor retires as CEO by the end of 2019.

The Push-out Score of 6, determined by the research firm exexchange, indicates a forced exit.

On the surface, it looks like a voluntary move.

At 60, Kapoor is close to the normal retirement age. His tenure of approximately eight years is reasonable. The lead time of up to one year is generous, and in the departure announcement of January 16, 2019, he receives praise and thanks.

However, the analysis model shows six red flags, suggesting a forced departure.

First of all, the reason Kapoor gives for his move seems threadbare. He states: "2020 will herald a new decade and I believe now is a good time for new leadership to take this great company through the next phase of outperformance." Precise information regarding his future plans was not immediately available.

Second, the share has lost around 22 percent of its value since May 2017.

Third, the CEO leaves in difficult times. Reckitt Benckiser has faced a number of problems in recent years, including a cyber attack, a safety scandal in South Korea and a temporary baby milk factory shutdown in the Netherlands.

Fourth, the company has yet to find a successor.

Fifth and sixth, the form and language of the brief announcement provide two further warning signals. Chris Sinclair, who has only served as Chairman for nine months, refrains from praising the outgoing CEO for concrete and quantified successes or from regretting his departure.

Sinclair was CEO of toy manufacturer Mattel Inc. until 2017 and therefore knows first hand about the current problems of consumer goods companies. He is also aware of how difficult it is to find the right person at the top. His successor at Mattel, Margo Georgiadis, was already on the move again after about a year as CEO.

Standpoint:

Words on the gold scale

*By Daniel Schaubert **

Is it okay to put every word on the gold scale?

The Push-out Score analysis model does just that. For good reason. The words used in corporate announcements are usually carefully selected by communication professionals. They are also refined in lengthy coordination meetings, often involving lawyers. And they are aimed at a linguistically competent audience.

For correct weighing, these honed words do not belong on the truck scale, but on the finest measuring device.

The superficial observer may have the impression that corporate announcements consist of hollow words and randomly compiled text modules (which can sometimes even be the case). But a CEO change is one of the most critical events in a company's history. That is why corporate communications professionals choose every word with meticulous care.

For the knowledgeable reader, it is clear that there is a small but subtle difference whether the outgoing CEO is wished "continued success," "the best of luck" (they might need it) or nothing at all for the future.

What does the chairman say at the end, what does the outgoing CEO say? Deafening silence sometimes weighs more than a thousand words.

** The writer is the owner of the research firm exexchange.*

Exhibit 1

Selected CEO departures			
Announced	Company	Name	Push-out Score *
13-Jan-19	PG&E Corp.	Geisha Williams	9
8-Jan-19	MetLife Inc.	Steve Kandarian	3
3-Jan-19	Owens Corning	Mike Thaman	5
10-Dec-18	Bunge Ltd.	Soren Schroder	7
7-Dec-18	Akorn Inc.	Raj Rai	10
5-Dec-18	Gannett Co.	Bob Dickey	6
12-Nov-18	Coty Inc.	Camillo Pane	9
1-Nov-18	McKesson Corp.	John Hammergren	4
1-Nov-18	Caesars Entertainment Corp.	Mark Frissora	10
17-Oct-18	Constellation Brands Inc.	Rob Sands	4
1-Oct-18	General Electric Co.	John Flannery	9
1-Oct-18	Pfizer Inc.	Ian Read	0
19-Sep-18	AutoNation Inc.	Mike Jackson	5
17-Sep-18	Tyson Foods Inc.	Tom Hayes	8
10-Sep-18	HCA Healthcare Inc.	Milton Johnson	1
22-Aug-18	Calyxt Inc.	Federico Tripodi	9
6-Aug-18	PepsiCo Inc.	Indra Nooyi	5
2-Aug-18	ITT Inc.	Denise Ramos	0
17-Jul-18	Goldman Sachs Group Inc.	Lloyd Blankfein	3
12-Jul-18	Northrop Grumman Corp.	Wes Bush	6
11-Jul-18	Dunkin' Brands Group Inc.	Nigel Travis	2
8-Jun-18	Verizon Communications Inc.	Lowell McAdam	4
6-Jun-18	Ameris Bancorp	Ed Hortman	1
6-Jun-18	Athenahealth Inc.	Jonathan Bush	10
22-May-18	J.C. Penney Co.	Marvin Ellison	5
18-May-18	Heartland Financial USA Inc.	Butch Fuller	1
18-May-18	Campbell Soup Co.	Denise Morrison	10
19-Apr-18	Mattel Inc.	Margo Georgiadis	9
12-Apr-18	Lennar Corp.	Stuart Miller	5
2-Apr-18	Commerce Bancshares Inc.	David Kemper	0
20-Mar-18	Dover Corp.	Bob Livingston	5
12-Mar-18	Lattice Semiconductor Corp.	Darin Billerbeck	8
5-Mar-18	3M Co.	Inge Thulin	0
21-Feb-18	Tupperware Brands Corp.	Rick Goings	4
12-Feb-18	Dun & Bradstreet Corp.	Bob Carrigan	10
1-Feb-18	Altria Group Inc.	Marty Barrington	4

* The Push-out Score on a scale of 0 to 10 is a measure of the pressure on the departing CEO. Push-out Scores above 5 suggest strong pressure. Source: exexchange

Exhibit 2

Push-out Score: Examples of factors considered

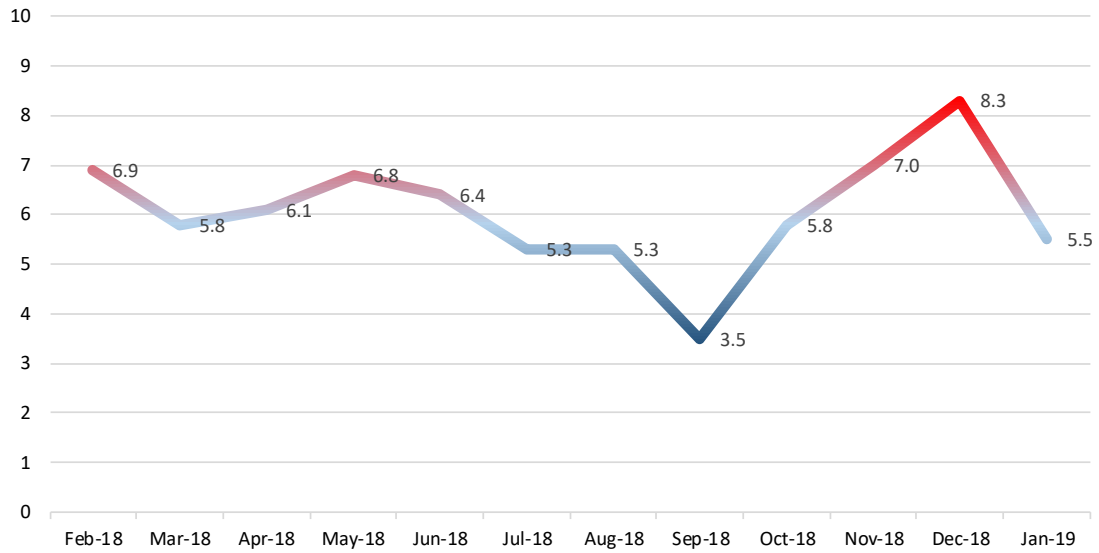
Dimension	Selected factors
Form	Dedicated press release (yes or no) Placement (top of release or buried in other news, such as earnings release) Length of disclosure (e.g., excessively short or long, omissions)
Language	Tone of announcement (warm, neutral, cold) Language used in quotations (e.g., poisoned praise, hidden criticism) Clarity of language
Age	Age of departing executive relative to typical retirement age
Notice period	Length of time between announcement and last day
Tenure	Length of time in post (reasonable or excessively short)
Share price	Recent share price performance Significant positive or negative relative performance
Official reason	Official reason given (yes or no) Clarity of official reason (ambiguous or understandable) Stated post-employment activity
Circumstances	Industry performance Peer group performance Governance factors (controversy, restatements, lawsuits) Severance payments made (yes or no)
Succession	Signs of continuity Successor identified (yes or no) Internal vs. external successor Interim or permanent replacement Successor added to corporate website (yes or no)

Source: exchange

Exhibit 3

How strong the pressure is: CEO Push-out Index

Average Push-out Score in the 12-month period from February 1, 2018 to January 31, 2019 in the U.S. stock index Russell 3000

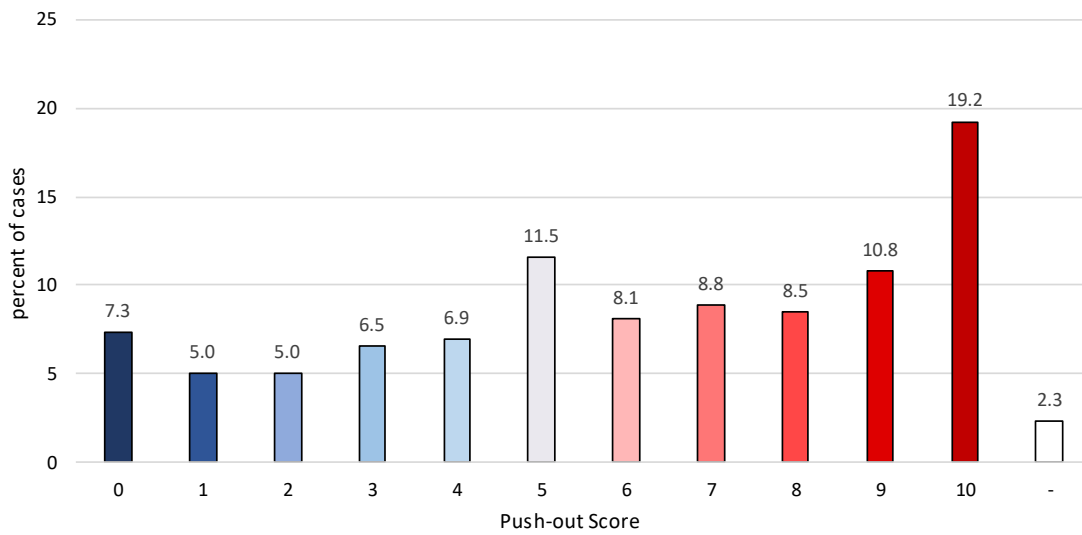


Legend: The Push-out Score on a scale of 0 to 10 is a measure of the pressure on the departing CEO. Values above 5 suggest strong pressure. Sample includes 260 observations. Source: exchange

Exhibit 4

How the pressure on CEOs is distributed

Percentage distribution of Push-out Scores in the 12-month period from February 1, 2018 to January 31, 2019 in the U.S. stock index Russell 3000

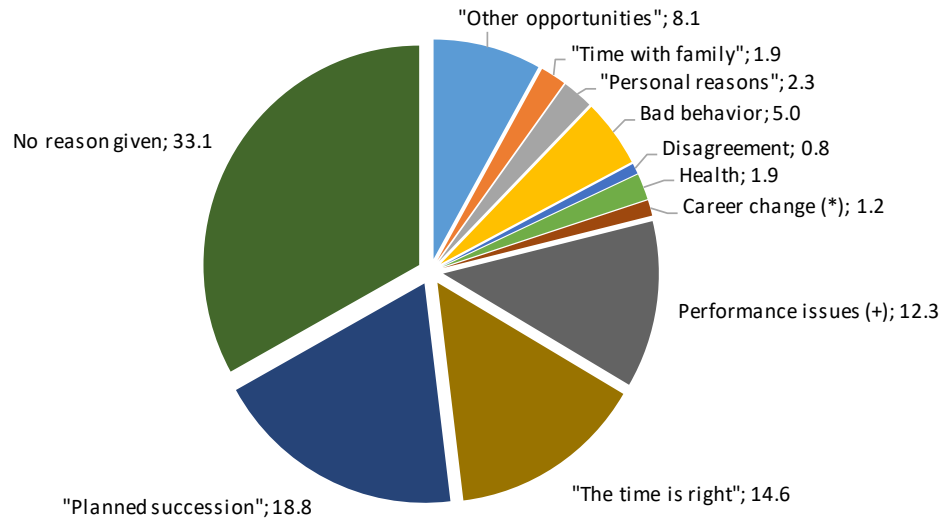


Legend: Around 7 percent of the CEOs received a Push-out Score of 0. Cases in which a score is not determined (e.g., death) are summarized under '-'. Sample includes 260 observations. Figures may not total to 100 due to rounding. Source: exchange

Exhibit 5

Why they leave: CEO departure reasons

Percentage distribution of departure reasons in corporate announcements in the 12-month period from February 1, 2018 to January 31, 2019 in the U.S. stock index Russell 3000



(*) if precise information about the new position is available immediately after the departure announcement; (+) if explicitly mentioned; Sample includes 260 observations. Figures may not total to 100 due to rounding. Source: exchange

Exhibit 6

SEC requirements

Companies are, within certain limits, not necessarily required to reveal the reason for a CEO departure. However, if they consider it appropriate, they may give a reason for the move, for example to curb speculation.

The Securities and Exchange Commission requires that public companies must issue a securities filing called an 8-K within four business days if a major event relevant to shareholders occurs (see <https://www.sec.gov/files/form8-k.pdf>).

While Item 5.02(b) of Form 8-K requires companies to disclose when a principal executive officer "retires, resigns or is terminated from that position," companies only need to "disclose the fact that the event has occurred and the date of the event."

When companies make statements, they must act responsibly, including endeavoring to ensure the statements are not false or misleading and do not omit information a reasonable investor would consider important in making an investment decision.

If the CEO is also a director, which a CEO often is, and departs in their capacity as a director because of a disagreement with the company "on any matter relating to the company's operations, policies or practices," or has been removed for cause from the board of directors, item 5.02(a) of Form 8-K requires the company to disclose "a brief description of the circumstances representing the disagreement that the registrant believes caused, in whole or in part, the director's resignation, refusal to stand for re-election or removal."

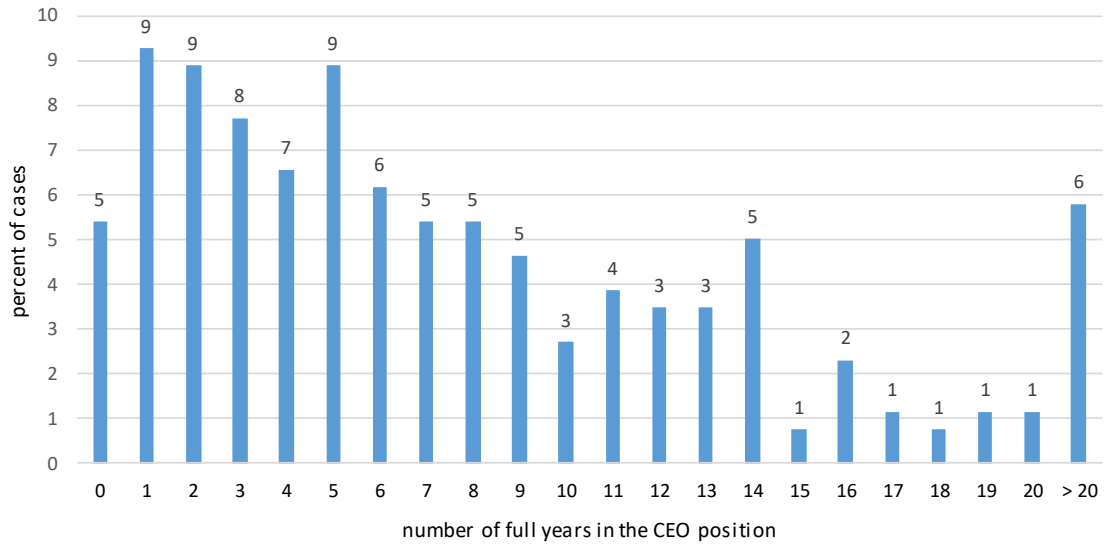
The SEC does not detail how specific that description must be.

While statements must not be misleading, companies sometimes give vague reasons for a CEO's departure. This approach may be sensible because an investigation has not yet been completed, due to privacy concerns for the CEO, in order to prevent a defamation action by the departing CEO against the company, or to have more flexibility in case a CEO tries to litigate a "for cause" departure or the elimination of severance payments.

Exhibit 7

How long they stay: Departing CEO tenure

Percentage distribution in the 12-month period from February 1, 2018 to January 31, 2019 in the U.S. stock index Russell 3000

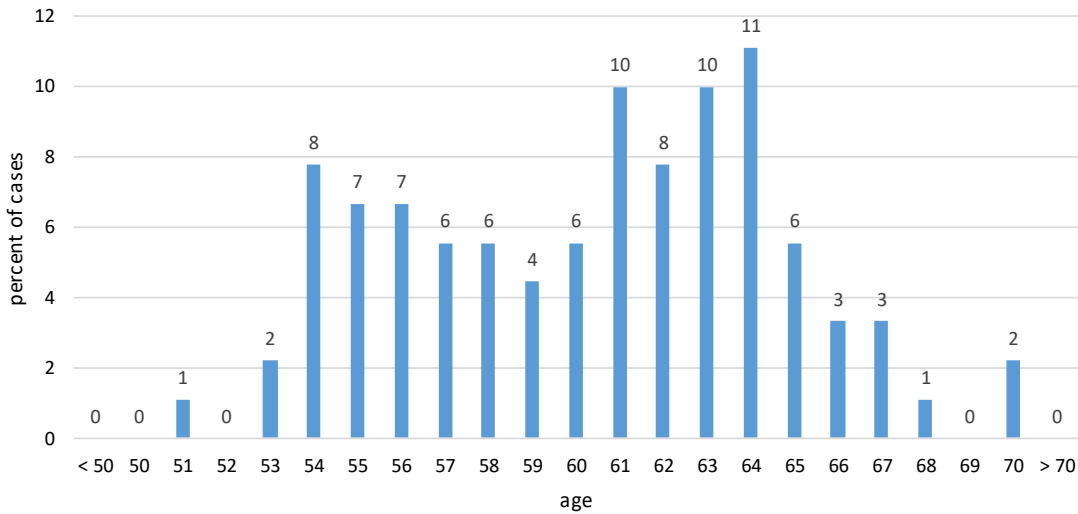


Legend: Around 9 percent of the CEOs who announced their departure within the above mentioned period left their post after 1 full year in the position. Sample includes 260 observations. Figures may not total to 100 due to rounding. Source: exchange

Exhibit 8

When they come to rest: CEO retirement age

Percentage distribution in the 12-month period from February 1, 2018 to January 31, 2019 in the U.S. stock index Russell 3000



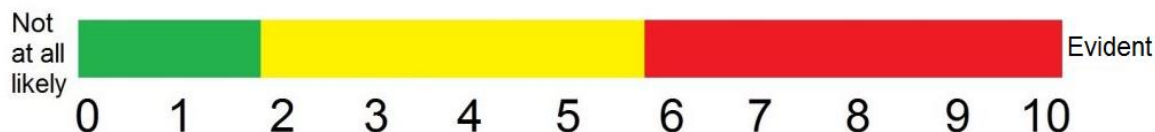
Legend: Around 11 percent of the CEOs who announced their retirement within the above mentioned period were 64 years old. Sample of all departing CEOs includes 260 observations. Figures may not total to 100 due to rounding. Source: exchange

Push-out Score™: The number you need to know

Forced or voluntary departure? The Push-out Score is the number you need to know.

Push-out Score™

How likely is it the manager was pushed out or felt pressure to leave the post?



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How the scoring works

The Push-out Score is a measure of the pressure on the departing executive.

exexchange's Push-out Scoring System™ is based on the assumption that management changes are triggered by pull-out forces and push-out forces.

The higher the score, the more likely the manager was pushed out or felt pressure to leave the position.

When the manager is openly pushed out (e.g., "terminated for cause") or when there is absolutely no doubt that the manager left the position due to pressure, then 10 points are given.

If the manager was not openly pushed out and the reason for the departure is not health-related, one point is given for each of the following parameters (proxy variables) when certain criteria are fulfilled.

1. Form of the announcement
2. Language in the announcement
3. Age
4. Notice period
5. Tenure
6. Share price development
7. Official reason given
8. Circumstances of the management change
9. Succession

A Push-out Score of **0 to 1** suggests no significant signs for push-out forces.

A Push-out Score of **2 to 5** suggests significant signs for push-out forces.

A Push-out Score of **6 to 9** suggests strong signs for push-out forces.

Who comes. Who leaves.
Who wants to go. Who has to go.
Who is praised. Who is blamed.
Who wins. Who loses.
Who's in. Who's out.
Who is good. Who is well.
Who recovers. Who is bad.
Who advises. Who is well advised.
Who steps back. Who kicks back.
Who is appointed. Who is disappointed.
Who signs. Who resigns.
Who separates amicably. Who separates mutually.
Who escapes. Who is a scapegoat.
Who fits. Who quits.
Who's old. Who's obsolete.
Who's number 1. Who's number 2.
Who goes ahead. Who goes behind.
Who is there. Who is gone.
Who is right. Who is left.
Who fights for honor. Who fights for money.
Who is selected. Who is sorted out.
Who is honored. Who is humbled.
Who benefits. Who suffers.
Who goes through hell. Who keeps going.
Who gets a golden hello. Who gets a golden handshake.
Who bows. Who bows out.
Who is host. Who is hostile.
Who is goodman. Who is badman.
Who is a friend. Who is an enemy.
Who is hired. Who is fired.
Who steps up. Who steps down.
Who chairs. Who presides.
Who is over. Who is under.
Who gives in. Who gives up.
Who says thanks. Who says No thanks.
Who wishes all the best. Who wishes the best of luck.
Who prompts. Who repeats.
Who leaves early. Who leaves late.
Who designs. Who resigns.
Who excites. Who exits.
Who is first. Who is last.
Who throws his hat. Who throws in the towel.
Who ranks first. Who is the first available.
Who is successful. Who is successor.
Who congratulates. Who wishes luck.
Who packs in. Who packs out.
Who reigns. Who serves.
Who retires from office. Who retires from the world.
Who is in seventh heaven. Who is on cloud nine.

Who speaks. Who is silent.
Who sits. Who lies.
Who heals. Who hurts.
Who sees green. Who sees red.
Who soothes. Who scolds.
Who is sorry. Who is sad.
Who is thrilled. Who mourns.
Who is up. Who is down.
Who helps. Who betrays.
Who is not named. Who is shamed.
Who is missed. Who is dismissed.
Who commands. Who obeys.
Who is a leader. Who is a follower.
Who accepts. Who regrets.
Who is at C-level. Who is at eye level.
Who feels pity. Who feels schadenfreude.
Who shows grace. Who falls from grace.
Who tells the story. Whose fate is unknown.
Who is hero. Who is zero.
Who is welcomed. Who is ousted.
Who is severe. Who gets severance.
Who quits at the right time. Who says the time is right.
Who decides. Who departs.
Who is groomed. Who is doomed.
Who is major. Who is minor.
Who assists. Who stands by.
Who is refunded. Who is replaced.
Who contributes. Who distributes.
Who is family. Who is familiar.
Who is confident. Who is confidant.
Who has tailwind. Who has headwind.
Who makes a big deal. Who makes a big fuss.
Who is in quest. Who is at rest.
Who does well. Who means well.
Who will be back. Who leaves for good.
Who stumbles. Who crumbles.
Who topples. Who tumbles.
Who is victor. Who is victim.
Who pays. Who pays back.
Who earns it. Who deserves it.
Who is vested. Who is invested.
Who gives the last shirt. Who gives the last penny.
Who is personal. Who takes it personally.
Who is a big wheel. Who is a bigwig.
Who is chief. Who is big kahuna.
Who is a personality. Who is a person.
Who is Who. Who says what.
Who has a vote. Who has a say.
Who has the last word. Who can say it?

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We determine the Push-out Score™