

# exchange news

We determine the Push-out Score™

4.2019

## Pressure on CEOs is significantly elevated

- **CEO Push-out Index climbs to 6.1 in March from 4.9 in February**
- **Ambiguous move: Bloomin' Brands CEO Liz Smith leaves her post**
- **Rocky exit: Cantel CEO Jorgen Hansen resigns**
- **Dignified departure: Eagle Materials CEO Dave Powers retires**
- **In-depth analysis of 269 CEO departures in the U.S. from the past 12 months**

(exchange) -- April 1, 2019 -- Bloomin' Brands Inc., Cantel Medical Corp. and Eagle Materials Inc. are among the U.S. companies that announced a major leadership change in March 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 rises modestly, reaching a significantly elevated level in the first spring month. In February, it was at a marginally lowered level.

Every management change is different. The move of Bloomin' Brands CEO Liz Smith seems ambiguous, the exit of Cantel CEO Jorgen Hansen appears rocky, and the departure of Eagle Materials CEO Dave Powers looks dignified.

A more detailed insight is provided by research firm exchange, which has analyzed more than 250 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.

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## **CEO Push-out Index climbs to 6.1**

The CEO Push-out Index™, which reflects the average Push-out Score for CEO departures in the U.S., rose to 6.1 in March 2019 from 4.9 in February 2019 (see Exhibit 3). It was the first increase in three months.

The index thus reached the upper half of the scale.

In March 2019, the barometer was influenced by many obviously forced turnover events and leadership changes with high Push-out Scores, including the announced CEO departures at Wells Fargo & Co., Newell Brands Inc., Pilgrim's Pride Corp., Cantel Medical Corp., Synaptics Inc., Nevro Corp. and Rite Aid Corp. Apparently voluntary leadership changes and events with low Push-out Scores were less frequent in March, among them the CEO changes at Science Applications International Corp., Eagle Materials Inc. and Piedmont Office Realty Trust Inc.

In February 2019, the index had been dominated by many obviously voluntary turnover events and leadership changes with low Push-out Scores, including the announced CEO departures at Colgate-Palmolive Co., C.H. Robinson Worldwide Inc., Alliant Energy Corp., Nordson Corp., Flowers Foods Inc., Tandem Diabetes Care Inc. and Ensign Group Inc.

The average Push-out Score for CEO departures in the 12-month period from April 2018 to March 2019 was 5.9, substantially above the long-term average of 5.

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).

In other words, more than one in two CEOs stepped down under high pressure.

### **Ambiguous move: Bloomin' Brands CEO Liz Smith leaves her post**

With a Push-out Score of 5, the CEO departure at Bloomin' Brands Inc. is in the middle of the scale and appears ambiguous.

As announced on March 8, 2019, Elizabeth A. (Liz) Smith leaves her CEO post at the casual dining restaurant company, effective April 1, 2019.

At first glance, many criteria point to a smooth change.

Smith, current chairman and CEO, has been appointed to serve as executive chairman.

Her term of office (nine years and five months) is immaculate.

She hands over the reins to an internal successor. Smith's duties as CEO will be taken over by David J. (Dave) Deno, currently chief financial and administrative officer of Bloomin' Brands.

Furthermore, in the announcement from the Tampa, Florida-based Bloomin' Brands, Liz Smith receives praise.

On closer examination, the CEO change raises several questions.

At the age of 55, Smith seems quite young to leave the CEO post. That's the first point for the Push-out Score.

She steps aside at short notice (24 days after the announcement date). Point number 2.

The announcement follows a decline in Bloomin' Brands's share price of 19 percent since February 2015. Point 3.

A reason for the change is not explicitly provided. Point 4.

Smith is leaving her post at a critical juncture. Point 5.

Bloomin' Brands also said that it will host an analyst and investor day three days later in New York City and that "the presentations will detail the company's strategic review of the casual dining segment,

portfolio growth initiatives and the key drivers behind the momentum at the Outback Steakhouse brand."

Jim Craigie, lead independent director, points out that Liz Smith joined the company "when the casual dining segment was facing unprecedented headwinds, and the brands needed a refresh" and says that Dave Deno "is the ideal person to lead the company going forward."

This sounds as if a CEO with other skills is needed.

Deno is a restaurant industry veteran whose resume includes C-level positions with Pizza Hut and Yum Brands, as well as roles with Burger King and Quiznos.

Deno's new employment agreement is for a five-year term, with optional one-year renewals, at a base salary of \$900,000, with an annual target bonus of 150 percent of his salary, and he will receive a one-time equity award of \$5 million.

Smith's new employment agreement is for a two-year term, with optional one-year renewals, at a base salary of \$750,000, with an annual target bonus of 130 percent of her salary, and she will receive a one-time equity award of \$4.125 million.

Conclusion: Low age, short notice, poor stock price performance, non-transparent reason and critical time are five red flags. The Push-out Score of 5 suggests that Smith may have decided to leave the CEO post after some encouragement.

Bloomin' Brands did not respond to a message seeking comment on the score.

### **Rocky exit: Cantel CEO Jorgen Hansen resigns**

With a Push-out Score of 9, the CEO departure at Cantel Medical Corp. is in the upper range of the scale and looks rocky.

As announced on March 5, 2019, Jorgen B. Hansen has resigned from the maker of medical equipment.

While the announcement does not explicitly state that Hansen was ousted, all the criteria of the analysis model suggest that he had to leave under intense pressure.

Hansen's successor is recruited from the board. That's the first point for the Push-out Score.

George L. Fotiadis, age 65, has been named Cantel's president and CEO. He has been a member of Cantel's board of directors since 2008 and most recently served as operating partner at Five Arrows Capital Partners. Fotiadis was previously president and COO of Cardinal Health Inc.

Often a board member is a last resort, someone who is turned to in desperation when a company cannot find suitable candidates. On the other hand, directors-turned-executives represent a blend of outsider and insider.

They don't have the constraints of a pure insider when it comes to leading painful changes or making unpopular decisions, and they have more company knowledge than a pure outsider.

Having been a director, Fotiadis understands the expectations and dynamics of the board and has knowledge of Cantel's organization, risk-management practices and strategy.

Hansen leaves in difficult times. Point number 2.

A week earlier, Cantel missed the consensus forecast with its fiscal second-quarter results.

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

Hansen also resigned as a director of the company, and Cantel insists that Hansen "did not resign from his position as a director as a result of any disagreement with the company on any matter relating to the company's operations, policies or practices."

It speaks volumes that this is said explicitly.

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The announcement follows a decline in Cantel's share price of 44 percent since May 2018. Point number 4.

Hansen's short tenure as CEO (two years and seven months), the fact that he leaves his post effective immediately and his low age of 51 years (at the time the company filed its latest annual proxy statement) 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 Little Falls, New Jersey-based Cantel, Hansen receives praise, thanks and good wishes. But the departing CEO receives no accolades for concrete and quantified successes and no word of regret.

In the announcement, Charles M. Diker, chairman of the Cantel board, introduces Fotiades before turning to Hansen.

Fotiades receives plenty of advance praise.

Chairman Diker states that Fotiades's experience leading companies "through significant growth, creating organizational capabilities on a global scale, and integrating acquired businesses make him the ideal candidate to lead Cantel at this juncture."

Diker wishes Hansen "all the best in the next phase of his career."

Precise information regarding Hansen's future plans was not immediately available.

Meanwhile, Fotiades states that he looks forward to working in his new role "to improve our operating model and performance, drive organic growth, attract and cultivate top leadership talent, and identify attractive acquisition candidates and expansion opportunities."

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.

Cantel did not respond to a message seeking comment on the score.

### **Dignified departure: Eagle Materials CEO Dave Powers retires**

With a Push-out Score of 0, the CEO departure at Eagle Materials Inc. is at the bottom of the scale and seems dignified.

It follows the typical pattern of well-prepared management changes.

As announced on March 4, 2019, David B. (Dave) Powers leaves his CEO post at the producer of building materials, effective July 1.

First, Powers's age of 68 years is appropriate.

Second, the notice period of 119 days is immaculate.

Third, his tenure of three years and three months (as at July 1, 2019) is long enough in view of his relatively advanced age.

Fourth, the share price development is strong. The announcement follows an increase in Eagle Materials Inc.'s share price of 371 percent since September 2011. Eagle Materials competes with LafargeHolcim Ltd., HeidelbergCement AG and Cemex SAB.

Fifth, the official reason given for the CEO change ("culmination of a multi-year succession plan") seems reasonable, because sixth, the succession seems to have been carefully planned. Powers's duties will be taken over by Michael Haack, currently president and chief operating officer of Eagle Materials. Haack joined Eagle as COO in 2014 from Halliburton Energy Services Inc. The leadership change is a generational change as well. Michael Haack is about 23 years younger than Dave Powers. Powers will remain on the Eagle Materials board of directors.

Seventh, the circumstances of the management change are positive. On January 29, Eagle Materials provided a positive outlook, noting that "the basic underlying fundamentals of low unemployment, low interest rates, and higher wages remain favorable" for continued demand growth for its construction materials.

Eighth and ninth, the form and language of the announcement are hard to criticize.

In the announcement from the Dallas, Texas-based Eagle Materials, Dave Powers receives praise and thanks.

In the announcement, Powers does not need to praise himself. Instead, he compliments his successor and says that he has "every confidence the board is making the right decision in promoting Michael into this role," while his successor Haack states: "I look forward to continuing the company's well-established strategy."

Conclusion: Age, notice period, tenure, share price development, official reason given, circumstances, succession plan, form and language of the announcement are consistent, reasonable and free of red flags.

Eagle Materials did not respond to a message seeking comment on the score.

### **In-depth analysis of 269 CEO departures**

In the period from April 1, 2018 to March 31, 2019, around 32 percent of the CEOs in the U.S. left their post with no reason given in the announcement.

Around 8.9 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 1.5 percent left for "personal reasons," and around 3.7 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 7.5. CEOs who left "to spend time with their family" received an average score of 6.8, and CEOs who stepped down for "personal reasons" received an average score of 9.

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."

In the U.S., the average tenure of departing CEOs in the 12-month period from April 2018 to March 2019 was 8 years (see Exhibit 7).

The average CEO retirement age in the U.S. was 60.3 (see Exhibit 8).

In the past 12 months, the highest average Push-out Scores in the U.S. were determined in the energy sector with 7.9 and in the consumer sector with 6.9 (see Exhibit 9).

The lowest Push-out Scores were determined in the utilities sector with 2.8 and the financial services sector with 3.8.

In the technology sector, the average Push-out Score was 6.5, in the healthcare sector it was 6.5, in the industrial sector it was 5.3, in the materials sector it was 4.9, in the real estate sector it was 4.4, and in the communication services sector it was 4.

These results were calculated from 269 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 and earlier reports, including exhibits, are available at**  
<https://exchange.com/research-news>

### **About exchange**

exchange is the independent, privately held research provider that tracks executive changes and determines the Push-out Score™, a measure of pressure on departing CEOs on a scale of 0 to 10. The Push-out Score was featured by *The Wall Street Journal*, *Harvard Business Review* and *Stanford University*. For more information, visit [exchange.com](https://exchange.com).

Chief point:

## **Kingfisher: A case study of the effects of CEO bias**

*By Jo Whitehead \**

A common reason for CEO exit is failure when taking on a tough challenge.

While this challenge is often growth related (M&A or international growth), a recent example suggests an alternative -- a tough operational challenge.

exexchange's newsletter of March 25, 2019, highlights Véronique Laury's exit from Kingfisher, a U.K. company that owns several European DIY retail chains.

Laury attempted to drive up profits by centralizing purchasing.

In fact, Kingfisher's profits declined.

Our research suggests two reasons for such failures.

The first is capabilities -- but Laury seems qualified, having been in a French subsidiary of Kingfisher since 2003 and at Leroy Merlin before then.

The second is an inappropriate bias -- and this appears to have been the problem.

Laury got the job on the basis of her purchasing plan, which she proposed prior to her appointment.

Having a plan before doing the proper analysis is very risky.

*The Times* states that it was based on "customer surveys showing that the whims of homeowners from Britain to France to Poland were more similar than they were different" -- but her colleagues were skeptical and the organization was riven with national fiefdoms that resisted centralization.

Doing the analysis pays!

*\* The writer is a director of Ashridge Strategic Management Centre and currently researching why companies and CEOs stumble. Jo.whitehead@ashridge.hult.edu.*

*Editor's note: This is a guest post.*

By the numbers:

## Why the Brenntag CEO is leaving

- **Steve Holland retires with a Push-out Score of 5**
- **Ambivalent change**

It is always divine to read how top managers justify their resignations. Steve Holland, CEO of Brenntag AG, says: "2020 is the start of a new decade and I believe it's the right time for new leadership."

What connection might there be between the beginning of a new decade according to the Christian calendar and the departure of the head of a chemical distributor in Essen, Germany? If the CEO's reasoning were convincing, there would have to be a management exodus at the beginning of every decade that even surpasses the biblical exodus from Egypt.

The Push-out Score, which measures the pressure on outgoing managers on a scale of 0 to 10, results in a point value of 5 in Brenntag's case. According to the analysis model, which wants to offer a well-founded second opinion, the change appears ambivalent.

Formally, Holland resigns voluntarily. According to a statement dated March 6, 2019, he said that "he has decided he will retire after nine years as CEO when his current contract ends in February 2020 and he will not be available for an extension of his contract."

His pensionable age of 61 years, his long term in office, the lavish lead time of up to 12 months and the solid constitution of the company all fit in well with this statement.

The remaining five criteria of the analysis model show red flags.

First, there is no successor in sight.

Second, the justification for the change is threadbare.

Third, the share price performance leaves room for improvement. The announcement of the resignation follows a share price increase of around 75% during Holland's tenure. However, the share price performance has recently lagged behind the MDax benchmark index, regardless of whether the comparison is made over one, two or five years.

Fourth and fifth, the form and language of the announcement raise questions. Holland receives laud, praise and thanks, but no explicit words of regret.

These facts allow the interpretation that the resignation wish of the CEO may coincide with that of the supervisory board headed by Stefan Zuschke. Zuschke himself recently switched from financial investor BC Partners to competitor Apollo.

There are certainly also reasons why Holland points out that Brenntag is approaching "transformational changes."

Is it possible that the supervisory board is seeking a successor with other skills? Or is that too much exegesis?

One thing is certain: The CEO change has nothing to do with the beginning of a new decade in Christian year counting. But perhaps with the beginning of a new era at Brenntag.



Standpoint:

## **Why CEOs let themselves be fired**

*By Daniel Schaubert \**

Are there CEOs who prefer to be fired openly? Top managers are usually encouraged to resign voluntarily shortly before an imminent dismissal, in the certainty that they will not be left financially out in the cold after a silent resignation and that the board publicly "regrets" but "respects" the CEO's "decision."

If this is the case, how can a CEO be so ignorant that they knock over a golden bridge that every sensible board member loves to build for them -- provided the manager has not stolen silver spoons, falsified balance sheets or is guilty of worse. A sense of honor, or emotions such as pride or revenge, can play a role when managers choose the forced option and reject the voluntary one ("If you want me to leave, you have to fire me").

In addition, a formally forced exit can be financially more attractive if the termination of the contract at the company's initiative triggers severance payments. Who can do without warm words at the end and prefers a golden handshake determines whether it is more attractive to be fired.

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

Exhibit 1

<b>Selected CEO departures</b>			
<b>Announced</b>	<b>Company</b>	<b>Name</b>	<b>Push-out Score *</b>
8-Mar-19	Bloomin' Brands Inc.	Liz Smith	5
5-Mar-19	Cantel Medical Corp.	Jorgen Hansen	9
4-Mar-19	Eagle Materials Inc.	Dave Powers	0
11-Feb-19	Colgate-Palmolive Co.	Ian Cook	2
6-Feb-19	Cognizant Technology Solutions Corp.	Frank D'Souza	5
6-Feb-19	Arconic Inc.	Chip Blankenship	9
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

\* 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**

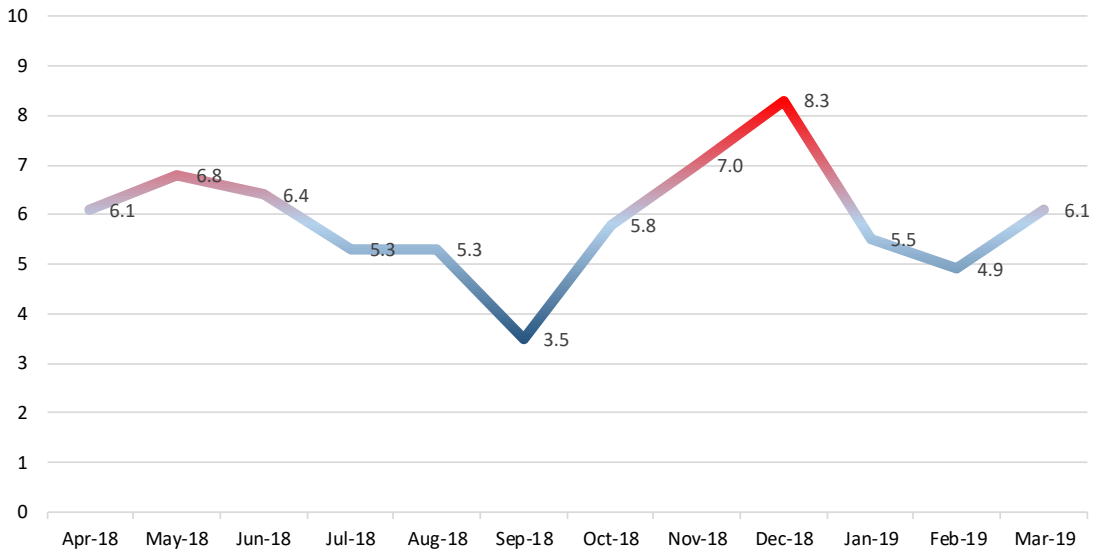
<b>Dimension</b>	<b>Selected factors</b>
Form	Dedicated press release (yes or no) Placement (top of release or buried in other news, such as earnings release) Length of disclosure (e.g., excessively short or long, omissions)
Language	Tone of announcement (warm, neutral, cold) Language used in quotations (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 April 1, 2018 to March 31, 2019 in the U.S. stock index Russell 3000

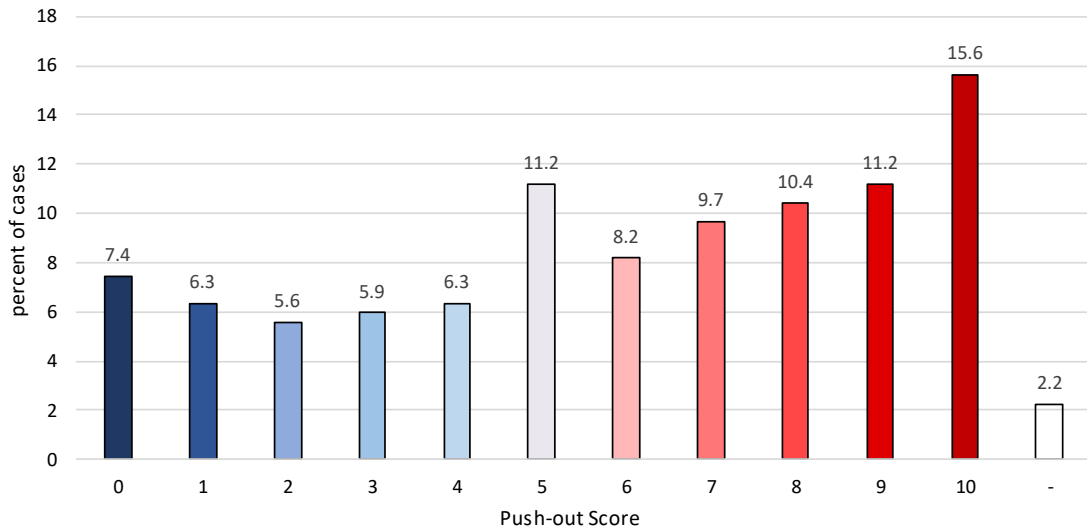


Legend: The Push-out Score on a scale of 0 to 10 is a measure of the pressure on the departing CEO. Values above 5 suggest strong pressure. Sample includes 269 observations. Source: exchange

Exhibit 4

### How the pressure on CEOs is distributed

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

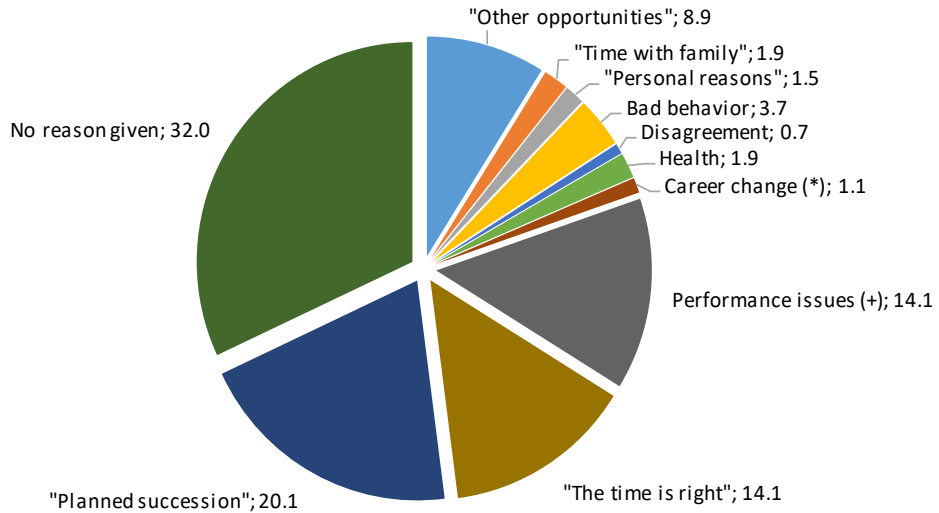


Legend: Around 7 percent of the CEOs received a Push-out Score of 0. Cases in which a score is not determined (e.g., death) are summarized under '-'. Sample includes 269 observations. Figures may not total to 100 due to rounding. Source: exchange

Exhibit 5

### Why they leave: CEO departure reasons

Percentage distribution of departure reasons in corporate announcements in the 12-month period from April 1, 2018 to March 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 269 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."

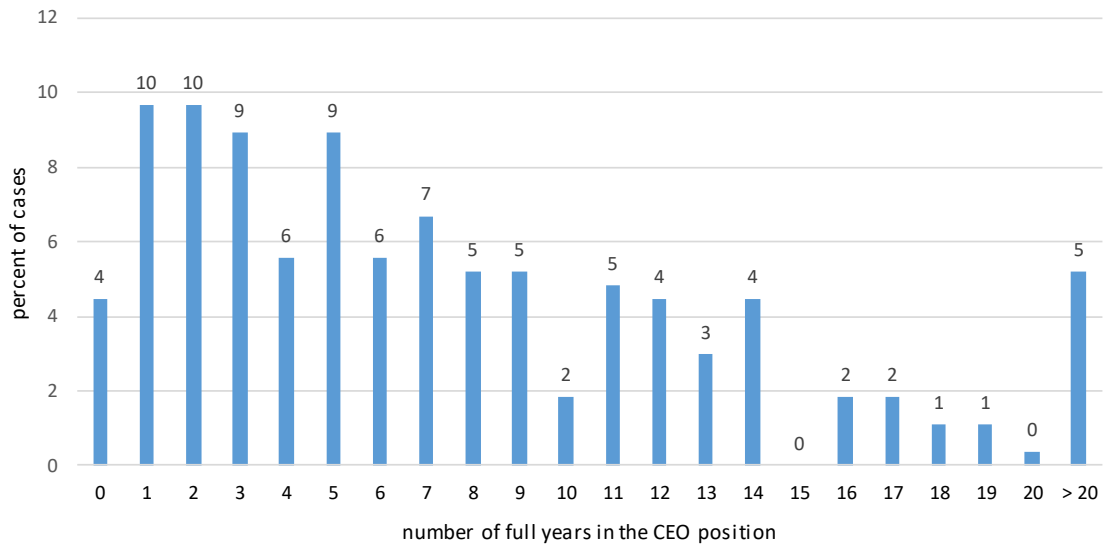
The SEC does not detail how specific that description must be.

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 April 1, 2018 to March 31, 2019 in the U.S. stock index Russell 3000



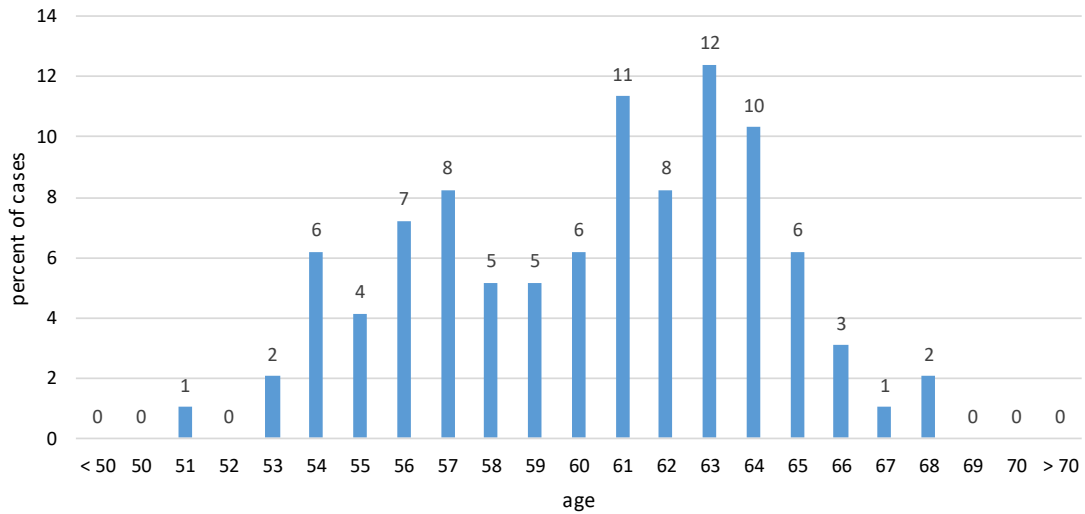
Legend: Around 10 percent of the CEOs who announced their departure within the above mentioned period left their post after 1 full year in the position. Sample includes 269 observations. Figures may not total to 100 due to rounding. Source: exchange



Exhibit 8

### When they come to rest: CEO retirement age

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

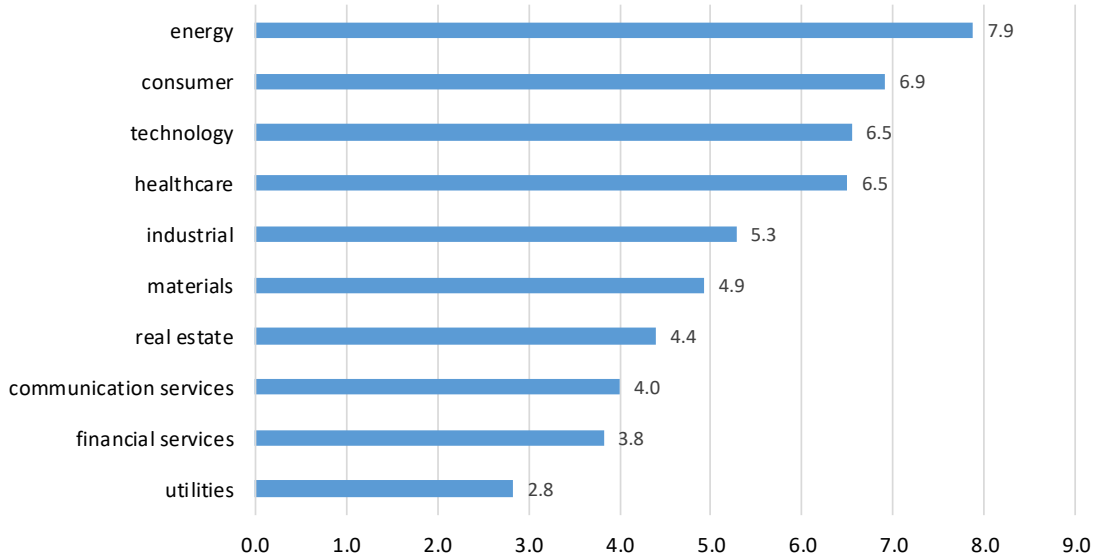


Legend: Around 10 percent of the CEOs who announced their retirement within the above mentioned period were 64 years old. Sample of all departing CEOs includes 269 observations. Figures may not total to 100 due to rounding. Source: exchange

Exhibit 9

### Where the pressure on CEOs is high

Average Push-out Scores by sector in the 12-month period from April 1, 2018 to March 31, 2019 in the U.S. stock index Russell 3000



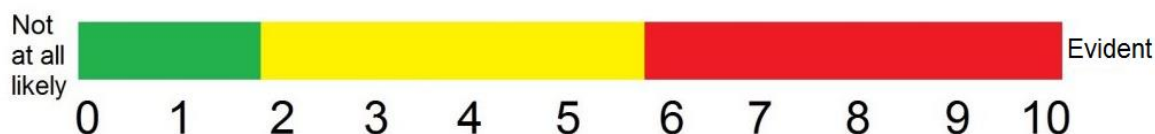
Legend: The Push-out Score on a scale of 0 to 10 is a measure of the pressure on the departing CEO. Values above 5 suggest strong pressure. Sample includes 269 observations. Source: exchange

## ***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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