Cool end of spring for CEOs

- CEO Push-out Index climbs to 6.1 in May from 5.2 in April
- Bumpy move: Bed Bath & Beyond CEO Steven Temares leaves
- Rough exit: Symantec CEO Greg Clark resigns
- Frosty departure: Fluor CEO David Seaton steps down
- In-depth analysis of 273 CEO departures in the U.S. from the past 12 months

(exchange) -- June 1, 2019 -- Bed Bath & Beyond Inc., Symantec Corp. and Fluor Corp. are among the U.S. companies that announced a major leadership change in May 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 significantly, reaching a significantly elevated level in the last spring month. In April, it was at a marginally elevated level.

Every management change is different. The move of Bed Bath & Beyond CEO Steven Temares seems bumpy, the exit of Symantec CEO Greg Clark appears rough, and the departure of Fluor CEO David Seaton looks frosty.

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 climbs to 6.1**

Cool end of spring for CEOs: The CEO Push-out Index™, which reflects the average Push-out Score for CEO departures in the U.S., rose to 6.1 in May 2019 from 5.2 in April 2019 (see Exhibit 3). For the third month in a row, it was above the value of 5.

In May 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 Symantec Corp., Fluor Corp., Avis Budget Group Inc., Bed Bath & Beyond Inc., Conduent Inc., Skyline Champion Corp. and Third Point Reinsurance Ltd. Voluntary leadership changes and events with low Push-out Scores were much less frequent in May, among them the CEO changes at Old Republic International Corp., MKS Instruments Inc., Avista Corp., National Storage Affiliates Trust and ProAssurance Corp.

In April 2019, the index had also been dominated by many obviously forced turnover events and leadership changes with high Push-out Scores, including the announced CEO departures at Kraft Heinz Co., Verso Corp., Chico's FAS Inc., Red Robin Gourmet Burgers Inc., Insys Therapeutics Inc., Casi Pharmaceuticals Inc. and Clearside Biomedical Inc.

The average Push-out Score for CEO departures in the 12-month period from June 2018 to May 2019 was 5.8, substantially above the long-term average of 5.

Around 54 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, one in two CEOs stepped down under high pressure.

**Bumpy move: Bed Bath & Beyond CEO Steven Temares leaves**

With a Push-out Score of 10, the CEO departure at Bed Bath & Beyond Inc. is at the top of the scale and appears bumpy.

As announced on May 13, 2019, Steven Temares has stepped down as Chief Executive Officer at the retail-store company.

While some facts speak for the departing executive, there is no reasonable doubt that Temares was under tremendous pressure to go. To begin with, let us look at the positive criteria.

First, Temares's age of 59 years (at the time the company filed its latest annual proxy statement) is appropriate to the move.

Second, Temares's time in office as CEO of 16 years and one month (as at May 13, 2019) is long enough.

At the same time, even a superficial observer can hardly overlook the multitude of warning signals.

The change is effective immediately. That's the first point for the Push-out Score.

The stock price performance is weak. The announcement follows a decline in Bed Bath & Beyond's share price of 79 percent since March 2015. Point number 2.

Above all, the officially stated reason for the leadership change is a sign of enormous pressure. Point 3. Patrick Gaston, independent chairman of the board, said: “As the company continues its efforts to improve its financial performance and enhance its competitive position, the board determined that now is the right time to identify the next generation of leadership.”

Temares steps aside at a critical time. Point 4. Bed Bath & Beyond faces pressure from activist investors Legion Partners Asset Management, Macellum Advisors and Ancora Advisors. A recent report from the activists included a 100-day plan to fix problems that they say also included Temares's “excessive” pay.

The succession raises questions. Point 5.

Temares's duties will be taken over by board member Mary A. Winston, age 57 and a former chief financial officer of Family Dollar Stores Inc., as interim CEO.
The board has formed a CEO search committee to identify a permanent CEO and will retain an executive search firm to assist in the search process. "The board's search process will focus on individuals who have transformation and innovation experience in the retail sector," Bed Bath & Beyond said.

The form and language of the announcement provide points 6 and 7.

In the announcement from Bed Bath & Beyond, which is based in Union, New Jersey, Steven Temares receives accolades, praise, thanks and good wishes, but no word of regret.

Chairman Patrick Gaston thanks him for his "unwavering commitment and tireless service" and wishes him "the best."

Interim CEO Mary Winston says that "we will be focused on driving continued margin improvement, enhancing the in-store and online experience, and accelerating our transformation."

Temares says that he will miss his fellow associates "immensely."

On May 16, Bed Bath & Beyond stated in a regulatory filing: "In connection with his separation from the company, Mr. Temares will be entitled to those separation payments and benefits as are provided upon a termination of employment without 'cause' pursuant to his employment agreement, outstanding option and performance stock unit award agreements, and, subject to his timely execution and non-revocation of a release of claims, his supplemental executive retirement benefit agreement."

The constellation of all the warning signals mentioned above leaves little room for interpretation and indicates that Temares was under enormous pressure to leave.

According to the Push-out Scoring System, 10 points are given when the manager was openly pushed out or when there is no reasonable doubt that the manager left the position under tremendous pressure.

Therefore, the Push-out Score is increased to 10.

Bed Bath & Beyond did not respond to a message seeking comment on the score.

**Rough exit: Symantec CEO Greg Clark resigns**

With a Push-out Score of 9, the CEO departure at Symantec Corp. is near the top of the scale and looks rough.

As announced on May 9, 2019, Gregory S. (Greg) Clark stepped down as president and CEO and as a member of the board of the antivirus software maker.

Formally, he resigned. At the same time, all the criteria of the analysis model indicate that Clark was under extreme pressure to leave.

Clark's age of 53 years (at the time the company filed its latest annual proxy statement) is quite low. That's the first point for the Push-out Score.

The change is effective immediately. Point number 2.

Clark's term of office as CEO of two years and nine months (as at May 9, 2019) is short. Point 3.

Clark joined Symantec as CEO when it acquired Blue Coat, a security company that he headed up, in 2016. At the time he replaced Mike Brown, who also stepped down suddenly with no replacement.

The stock price performance is relatively poor. The announcement follows a decline in Symantec's share price of 34 percent since October 2017. Point 4.

The reason for the leadership change is not fully transparent. Point 5.

Daniel H. Schulman, chairman of the Symantec board of directors, said: "As we enter into a new financial year, Greg and the board agreed that now is the right time to transition leadership."
Meanwhile, Clark said: "As Symantec enters its next phase of growth and value creation, it is the right time for the board to identify the next generation of leadership."

Clark steps aside at a critical time. Point 6.

Clark's departure came along with a gloomy set of quarterly results that fell short of expectations on revenue and a warning on profit.

The succession raises questions. Point 7.

"The Company will commence a search process to find a permanent CEO," Symantec said.

Clark's duties will be taken over in the interim by Richard S. (Rick) Hill, 67 years old and a former chairman and CEO of semiconductor maker Novellus Systems, as interim CEO. Hill is already a director of Symantec. Hill joined the company's board as a nominee of hedge fund Starboard Value LP.

Starboard disclosed a 5.8% stake in Symantec in August and demanded the appointment of five directors to its board before finally settling for three.

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

In the announcement from Symantec, which is based in Mountain View, California, Greg Clark receives praise, thanks and good wishes, but no accolades for concrete and quantified successes and no word of regret.

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

Chairman Schulman wishes Clark "all the best in his future endeavors."

Schulman further said that Symantec has a "significant opportunity to further enhance shareholder value by continuing to build on the leadership and momentum of both our Enterprise and Consumer Cyber Safety segments."

Hill further said: "During the CEO search process and beyond, we will benefit from our deep bench of leaders, including Art Gilliland and Samir Kapuria, to help maintain continuity and leadership across our Enterprise and Consumer organizations. As Symantec continues to execute our strategy for these pivotal business segments, I can think of no two better leaders than Art and Samir to continue driving results and ensuring we achieve the goal of making our cyber world a safer place."

Greg Clark's move is part of a management shake-up.

Vincent Pilette, CFO of Logitech and former VP of finance for Hewlett Packard Enterprise's server, storage and networking business, has been appointed executive vice president and CFO of Symantec.

The management change comes just months after Nicholas Noviello, Symantec's chief financial officer, announced he was stepping down to pursue other opportunities.

The software maker has seen a slew of key executive departures since late last year, including Chief Marketing Officer Michael Williams and Chief Operating Officer Michael Fey.

Symantec is being investigated by U.S. regulators over an accounting irregularity.

According to a Reuters report, Hill said that Clark wanted to take care of his ailing father.

Conclusion: Age, notice period, tenure, share price development, official reason, circumstances, succession plan, form of the announcement and language in the communication raise nine red flags.

Symantec declined to comment on the score.

**Frosty departure: Fluor CEO David Seaton steps down**

With a Push-out Score of 8, the CEO departure at Fluor Corp. is in the upper quarter of the scale and seems frosty.
As announced on May 2, 2019, David T. Seaton has stepped down as chief executive officer at the engineering and construction firm, effective May 1, 2019.

Almost all the criteria of the analysis model suggest that Seaton was under intense pressure to leave. Seaton's age of 57 years (at the time the company filed its latest annual proxy statement) is relatively low. That's the first point for the Push-out Score.

The notice period is alarming. The change was implemented one day before the announcement date. Point number 2.

The stock price performance is relatively poor. The announcement follows a decline in Fluor's share price of 33 percent since October 2018. Point 3.

The reason for the leadership change is not fully transparent. Point 4. A reason for David Seaton's departure from the CEO post was not explicitly provided.

Seaton steps aside at a critical time. Point 5.

On May 2, Fluor also missed Wall Street's first-quarter earnings expectations. The adjusted loss came to 14 cents a share, widely missing analysts' forecasts for earnings of 52 cents a share. Fluor said it expects 2019 earnings of $1.50 to $2 a share, below Wall Street's $2.75 estimate.

The succession raises questions. Point 6.

David Seaton's duties were taken over in the interim by Carlos M. Hernandez, most recently executive vice president, chief legal officer and secretary of Fluor Corporation, as interim chief executive officer.

On May 1, the board also appointed Alan L. Boekmann, age 70, as its executive chairman. Boekmann was previously chairman and CEO of Fluor from February 2002 until 2011.

The form and language of the announcement provide points 7 and 8.

In the announcement from Fluor, which is based in Irving, Texas, David Seaton receives praise and thanks for his 34 years of service to Fluor, but no accolades for concrete and quantified successes, no word of regret and no good wishes.

In the announcement, Alan L. Boeckmann, executive chairman, introduces Carlos Hernandez, but does not say a word about David Seaton.

Boeckmann said, referring to Hernandez: "The board has great confidence in Carlos. We trust that he will provide the needed direction for the company."

Conclusion: Age, notice period, share price development, official reason, circumstances, succession plan, form of the announcement and language in the communication raise eight red flags. Only Seaton's sufficiently long term of office as CEO of eight years and three months (as at May 1, 2019) prevented the score from climbing higher.

Fluor declined to comment on the score.

**In-depth analysis of 273 CEO departures**

In the period from June 1, 2018 to May 31, 2019, around 31.9 percent of the CEOs in the U.S. left their post with no reason given in the announcement.

Around 7.7 percent departed "to pursue other opportunities" and around 2.2 percent "to spend time with their family," statements that are sometimes taken as code for firings.

Around 1.8 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 7.6. CEOs who left "to spend time with their family" received an average score of 5.8, and CEOs who stepped down for "personal reasons" received an average score of 8.2.
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, exchange 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 was terminated 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 June 2018 to May 2019 was 7.8 years (see Exhibit 7).

The average CEO retirement age in the U.S. was 60.8 years. The average CEO departure age (including CEOs who resigned, stepped down or retired) in the U.S. was 58.4 years (see Exhibit 8).

Over the past 12 months, the average Push-out Score in eight out of 11 sectors has been above the critical threshold of 5. The highest average Push-out Scores in the U.S. were determined in the consumer cyclical sector with 7, in the consumer defensive sector with 6.7 and in the healthcare sector with 6.4 (see Exhibit 9). The consumer cyclical sector includes many brick-and-mortar stores that face fierce competition from online retailers such as Amazon.com. Companies in the consumer defensive sector, which includes suppliers of products ranging from toothpaste to canned soup, are grappling with rapidly changing consumer preferences that undermine the value of big consumer brands. Food companies are under particular pressure as shoppers have started to avoid canned and boxed food. Healthcare companies are experiencing pressure on pricing, cost containment and regulatory issues.

The lowest Push-out Scores were determined in the utilities sector with 2.9, in the real estate sector with 3.3 and in the financial services sector with 3.9.
In the technology sector, the average Push-out Score was 6.3, in the energy sector it was 6, in the communication services sector it was 6, in the basic materials sector it was 5.5, and in the industrials sector it was 5.1.

These results were calculated from 273 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 exechange 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 exechange'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://exechange.com/news

About exechange

exechange 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 exechange.com.
Chief point:

The shelf life of Mark Zuckerberg

By Harry Garretsen and Janka Stoker *

Facebook is under attack. As such, this is not news because Facebook has already been criticized for its market dominance and data privacy policies.

But now, the leader himself is being scrutinized. Several shareholders are challenging the position of the CEO. As founder, CEO Zuckerberg has been in charge for 15 years.

On average, CEOs do not perform better when their tenure increases. A CEO roughly peaks after five years, and even earlier in dynamic sectors such as IT.

As a shareholder, how do you get rid of your CEO once their shelf life has expired?

One way is to ensure sufficient internal countervailing power. Another way to get new leadership is via the market; if a firm really starts to underperform, it often implies the exit of the CEO. But this is unlikely to happen at Facebook because the firm is just too powerful. Enforcing a change in leadership at such a superstar firm should however appeal to everyone.

So, what to do? The more than 2.2 billion people could simply decide to no longer use their services. After all, we also do this with other products past their expiration date.

* The writers are professors at the University of Groningen.

Editor’s note: This is a guest post.
By the numbers:

When mighty old men have to let go

Whether the CEO resigns at the age of 60, 70 or 80 depends on three authorities: He himself, the board or a higher power.

On May 9, 2019, Aldo Zucaro, CEO of the insurance company Old Republic International Corp., announced his departure at the age of 80, effective October 1. After 26 years in the role, however, he is not retiring. He continues as chairman.

To all appearances, Zucaro is voluntarily vacating his post. The Push-out Score determined by the research firm exechange, which measures the pressure on outgoing managers on a scale of 0 to 10, shows a particularly low value of 2 for Zucaro’s move.

Not every elderly CEO can let go on their own initiative. exechange has counted 31 cases in a sample of more than 500 announced CEO changes from the past 24 months in the Russell 3000 index where the CEO had reached an age of at least 70 years; a third of these 31 cases show Push-out Scores above 5, a result which indicates strong pressure to leave.

In three cases, the Push-out Score was as high as 10: Halcón Resources Corp. CEO Floyd Wilson (then 71*), Wynn Resorts Ltd. CEO Steve Wynn (76) and MiMedx Group Inc. CEO Pete Petit (77*) had to give way under extreme pressure.

Halcón was subject to pressure from activist shareholders, Wynn faced public accusations of sexual misconduct, and MiMedx’s management change coincided with investigations by the Justice Department and the Securities and Exchange Commission.

Managers who departed with Push-out Scores above 5 also included VSE Corp. CEO Mo Gauthier (70*), PAR Technology Corp. CEO Don Foley (73*), MarineMax Inc. CEO Bill McGill (74*), Synergy Pharmaceuticals Inc. CEO Gary Jacob (70*), Cowen Inc. CEO Peter Cohen (70*) and Lannett Co. CEO Arthur Bedrosian (70*). And three CEOs had to hand over the baton at the behest of the highest of all powers: Roper Technologies Inc. CEO Brian Jellison (72) left for health reasons in September 2018 and died in November. CSX Corp. CEO Hunter Harrison (73) died in office. M&T Bank Corp. CEO Bob Wilmers (83) died after 34 years and eight months at the helm of the regional bank, “suddenly and unexpectedly,” according to the company.

When managers leave office at an advanced age, it is natural that there will be a generational change at the top. In about half of the cases examined, the successor was at least 25 years younger.

There were extreme age differences between old and new CEOs at PAR Technology Corp. (38 years), Riverview Bancorp Inc. (37 years) and Gentex Corp. (35 years).

Almost always, an older man handed over the CEO position to a younger man. Only one company in the sample put the CEO post in the hands of a woman: At Tupperware Brands Corp., CEO Rick Goings (72) gave way to Tricia Stitziel, who is 20 years younger.

Sometimes, pressure from the board and the realization of the aged CEO that it is time to go coincide. Simulations Plus Inc. CEO Walt Woltosz (72*) walked away with a Push-out Score of 5 and said of his abrupt handover to an external successor: “The opportunity to retire while I can still do things that require significant physical activity makes sense.”

And those who are elbowed out in their old age can still start something new. Two months after he stepped down as CEO of Halcón, Floyd Wilson launched another oil company.

* according to the latest proxy statement preceding the departure announcement.
**Standpoint:**

**Form is the highest content**

*By Daniel Schauber*

When a top manager steps down, it is worth taking a closer look at the form of the announcement. Does the release consist of only a few thin sentences? Does it lack any personal touch? Is the important news even buried deep in a quarterly report?

Formalities can provide strong evidence that an executive resigned under pressure. For this reason, one of 10 possible points in the Push-out Score analysis model of the research firm exechange is reserved for formal peculiarities.

Appropriate recognition of the outgoing leader is important. It is not just a question of good or bad style. Failing to show appreciation for an outgoing executive’s service risks alienating their supporters on the board and in the company.

It says a lot if a company says goodbye to its CEO with great pomp and ceremony. Does the departing executive receive accolades, praise, thanks and good wishes, and perhaps even words of regret? Will the outgoing executive be missed? Or does the company silently remove the manager with a message consisting of only three stale sentences?

Form expresses the attitude to content. Or, as the poet Christian Friedrich Hebbel wrote: "Form is the highest content."

* The writer is the owner of the research firm exechange.
Selected CEO departures

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<td>Ameris Bancorp</td>
<td>Ed Hortman</td>
<td>1</td>
</tr>
</tbody>
</table>

* 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: exechange
Exhibit 2

**Push-out Score: Examples of factors considered**

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

Source: exechange
How strong the pressure is: CEO Push-out Index

Average Push-out Score in the 12-month period from June 1, 2018 to May 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 273 observations. Source: exechange
Exhibit 4

How the pressure on CEOs is distributed

Percentage distribution of Push-out Scores in the 12-month period from June 1, 2018 to May 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 273 observations. Figures may not total to 100 due to rounding. Source: exechange
**Why they leave: CEO departure reasons**

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

- **No reason given**: 31.9
- **“Planned succession”**: 21.6
- **“The time is right”**: 14.7
- **Performance issues (+)**: 13.9
- **“Other opportunities”**: 7.7
- **“Time with family”**: 2.2
- **“Personal reasons”**: 1.8
- **Bad behavior**: 3.7
- **Disagreement**: 0.7
- **Health**: 1.1
- **Career change (*)**: 0.4
- **Non-business-related reasons**: 0.4

(*) if precise information about the new position is available immediately after the departure announcement; (+) if explicitly mentioned; Sample includes 273 observations. Figures may not total to 100 due to rounding. Source: exechange
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/form-8-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.
How long they stay: Departing CEO tenure

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

Legend: Around 8 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 273 observations. Figures may not total to 100 due to rounding. Source: exechange
Exhibit 8

**When they go: CEO departure age**

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

Legend: Around 6 percent of the CEOs who announced their departure within the above mentioned period were 64 years old. Sample includes 273 observations. Figures may not total to 100 due to rounding. Source: exechange
Where the pressure on CEOs is high

Average Push-out Scores by sector in the 12-month period from June 1, 2018 to May 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 273 observations. Source: exechange
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?

How the scoring works

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

exechange’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.