Hot start of summer for CEOs

- CEO Push-out Index climbs to 6.4 in June from 6.1 in May
- Rocky exit: Alliance Data CEO Ed Heffernan resigns
- Clean departure: LabCorp CEO Dave King retires
- Two-edged move: Casey's CEO Terry Handley retires
- In-depth analysis of 266 CEO departures in the U.S. from the past 12 months

(exchange) -- July 1, 2019 -- Alliance Data Systems Corp., Laboratory Corp. of America Holdings and Casey's General Stores Inc. are among the U.S. companies that announced a major leadership change in June 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 continues to rise, remaining at a significantly elevated level in the first summer month.

Every management change is different. The exit of Alliance Data CEO Ed Heffernan seems rocky, the departure of LabCorp CEO Dave King appears clean, and the move of Casey's CEO Terry Handley 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 climbs to 6.4

Hot start of summer for CEOs: The CEO Push-out Index™, which reflects the average Push-out Score for CEO departures in the U.S., rose to 6.4 in June 2019 from 6.1 in May 2019 (see Exhibit 3). The index surged for the second consecutive month. For the fourth month in a row, it was above the value of 5.

In June 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 Alliance Data Systems Corp., Casey's General Stores Inc., Cloudera Inc., TrueCar Inc., Forterra Inc., Citi Trends Inc. and Verastem Inc. Voluntary leadership changes and events with low Push-out Scores were much less frequent in June, among them the CEO changes at DTE Energy Co., Laboratory Corp. of America Holdings, CACI International Inc. and York Water Co.

In May 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 Symantec Corp., Fluor Corp., Avis Budget Group Inc., Bed Bath & Beyond Inc., Conduent Inc., Skyline Champion Corp. and Third Point Reinsurance Ltd.

The average Push-out Score for CEO departures in the 12-month period from July 2018 to June 2019 was 5.7, substantially above the long-term average of 5.

Around 56 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.

Rocky exit: Alliance Data CEO Ed Heffernan resigns

With a Push-out Score of 7, the CEO departure at Alliance Data Systems Corp. is in the upper third of the scale and appears rocky.

As announced on June 7, 2019, Edward J. (Ed) Heffernan resigned as president and CEO and as a director of the provider of data-driven marketing and loyalty services. His duties were taken over by Melisa A. Miller, age 60 and most recently president of the card services business of Alliance Data.

The vast majority of the data points indicate that Heffernan was under strong pressure to leave.

Heffernan's age of 56 years (at the time the company filed its last annual proxy statement preceding the announcement) is relatively low. That's the first point for the Push-out Score.

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

The stock price performance is relatively poor. The announcement follows a decline in Alliance Data's share price of 36 percent since June 2018. Point 3.

Ed Heffernan's move is part of a management shake-up also involving the positions of chief financial officer; and chief administrative officer.

Tim King, who has served as card services' chief financial officer for the past seven years, was named Alliance Data's new CFO. Joseph Motes, most recently the company's general counsel and secretary, will serve as Alliance Data's chief administrative officer.

The reason for the leadership change is not fully transparent. Point 4.

The management change is explained as follows. Alliance Data said: "The leadership changes were made pursuant to succession planning the board of directors implemented in anticipation of the completion of the sale of the Epsilon business, and additional initiatives under way designed to simplify Alliance Data's narrative and focus capital on the company's highest earning and growth assets."

The circumstances of the management change are challenging. Point 5.
On April 14, 2019, Alliance Data announced it has entered into a definitive agreement to sell its Epsilon business to Publicis Groupe SA for $4.4 billion in cash after the unit struggled to expand sales.

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

In the announcement from Alliance Data, which is based in Plano, Texas, Ed Heffernan receives praise and thanks, but no accolades for concrete and quantified successes, no word of regret and no good wishes.

Rob Minicucci, chairman, said, referring to Melisa Miller and Tim King: "I'm excited to see the next chapter of the Alliance Data story unfold with Melisa Miller and Tim King taking the reins. Card Services has long been the largest part of Alliance Data's business, and following the expected sale of Epsilon, its relative contribution will be even greater. Because of its unique industry position, Card Services has historically experienced high growth rates and significant returns on equity. The company's increased focus on this attractive segment will position Alliance Data to excel during the next decade, as it has in the past. Elevating these Card Services leaders to run the Alliance Data enterprise makes perfect sense."

Minicucci's statement allows for the reading that Heffernan's service as CEO is no longer needed.

Alliance Data entered into a retirement agreement with Heffernan. Pursuant to the agreement, Heffernan will receive a cash payment in the aggregate amount of $3,256,200.

Conclusion: Age, notice period, share price development, official reason, circumstances, form of the announcement and language in the communication raise seven red flags. Only Heffernan's sufficiently long term of office as CEO of 10 years and three months (as at June 5, 2019) and the succession plan prevented a greater increase in the score.

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

Clean departure: LabCorp CEO Dave King retires

With a Push-out Score of 2, the CEO departure at Laboratory Corp. of America Holdings is in the lower quarter of the scale and looks clean.

As announced on June 5, 2019, David P. (Dave) King, chairman, president and CEO, notified the board of directors on June 4, 2019, that he will retire as president and chief executive officer of the testing laboratories company on October 31, 2019.

King's duties as CEO will be taken over by Adam H. Schechter, a former executive vice president and president of global human health of Merck & Co.

Almost all characteristics of King's move indicate a smooth and voluntary change, but on closer inspection, there are some minor imperfections. To begin with, we take a look at the numerous positive criteria.

First, King's age of 62 years (at the time the company filed its last annual proxy statement preceding the announcement) is appropriate to the move.

Second, the lead time of 148 days is adequate.

Third, King's term of office as CEO of 12 years and 10 months (as at October 31, 2019) is long enough.

Fourth, the stock price performance is strong. The announcement follows an increase in LabCorp's share price of 127 percent since January 2007.

Fifth, the officially stated reason for the leadership change is understandable.

King said: "[T]he board of directors and I have been engaged for the last several years in a planning process designed to secure the best possible successor to take LabCorp to the next level of achievement."
King will continue to serve on the board and remain an employee of LabCorp as executive chairman until no later than December 31, 2020, and as a senior advisor to the LabCorp CEO through at least December 31, 2020.

Sixth and seventh, the form and language of the announcement are hard to criticize.

In the announcement from LabCorp, which is based in Burlington, North Carolina, Dave King receives accolades, praise and thanks.

During King's tenure, LabCorp entered the Fortune 500.

A closer look reveals some blemishes.

The circumstances of the management change are challenging. That's the first point for the Push-out Score.

King's retirement comes at a time of rapid change in the life science industry. While King helped engineer a partnership with Walgreens Boots Alliance Inc., LabCorp has been mentioned as a possible takeover target by Walgreens.

The succession raises questions. Point number 2.

King's successor, Adam H. Schechter, is already a director of LabCorp. Directors-turned-executives represent a blend of outsider and insider.

Schechter has served as a LabCorp director since April 1, 2013, becoming the company's lead independent director in January 2019.

Schechter led the integration of Merck and Schering-Plough.

Conclusion: Circumstances and succession plan raise two red flags.

The Push-out Score of 2 and the constellation of the data indicate a largely trouble-free departure, which, however, does not seem perfect.

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

**Two-edged move: Casey's CEO Terry Handley retires**

With a Push-out Score of 6, the CEO departure at Casey's General Stores Inc. is in the upper half of the scale and seems two-edged.

As announced on June 5, 2019, Terry W. Handley left his post as CEO at the chain of pizza restaurants and convenience stores, effective June 24, 2019.

Many criteria of the analysis model suggest that Handley may have felt pressure to leave.

Handley's age of 58 years (at the time the company filed its last annual proxy statement preceding the announcement) is relatively low. That's the first point for the Push-out Score.

The notice period of 19 days is very brief. Point number 2.

The reason for the leadership change is not fully transparent. Point 3.

A reason for Terry Handley's imminent departure from the CEO post was not explicitly provided.

The succession raises questions. Point 4.

Terry Handley's duties will be taken over by Darren M. Rebelez, currently president of IHOP Restaurants, a unit of Dine Brands Global Inc. The fact that Handley's successor is brought in from outside suggests that the board may seek to stimulate change with fresh ideas and new initiatives.

The form and language of the announcement provide points 5 and 6.

In the announcement from Casey's, which is based in Ankeny, Iowa, Handley receives praise, thanks and good wishes, but no accolades for concrete and quantified successes and no word of regret.
In the announcement, H.Lynn Horak, chairman of the board, introduces Darren Rebelez before turning to Terry Handley.

Chairman Horak said that the incoming CEO Rebelez "has an impressive track record of driving performance and innovation" and wishes the outgoing CEO Handley "many years of enjoyment and fulfillment in his retirement."

The statement allows for the interpretation that the board may have been looking for a CEO with a different skill set and that the resignation of the incumbent CEO may have been accelerated.

In fact, Casey's entered into a separation agreement with Handley, and the separation agreement provides that Handley will receive continued payment of his base salary for a period of 18 months following termination, in accordance with the severance provisions in his employment agreement. In addition, Handley has agreed to provide consulting services to Casey's during the six months following his retirement in exchange for a lump-sum cash payment equal to six months' base salary, or $462,500.

Conclusion: Age, notice period, official reason, succession plan, form of the announcement and language in the communication raise six red flags. Only Handley's sufficiently long term of office as CEO of three years and one month (as at June 24, 2019), the satisfactory stock price performance and the circumstances of the management change kept the score from climbing higher.

Casey's did not respond to a message seeking comment on the score.

In-depth analysis of 266 CEO departures

In the period from July 1, 2018 to June 30, 2019, around 30.5 percent of the CEOs in the U.S. left their post with no reason given in the announcement.

Around 7.1 percent departed "to pursue other opportunities" and around 2.3 percent "to spend time with their family," statements that are sometimes taken as code for firings.

Around 1.9 percent left for "personal reasons," and around 3 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 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."

In the U.S., the average tenure of departing CEOs in the 12-month period from July 2018 to June 2019 was 7.5 years (see Exhibit 7).

The average CEO retirement age in the U.S. was 61 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 Scores in eight out of 11 sectors have been above the critical threshold of 5. The highest average Push-out Scores in the U.S. were determined in the communication sector with 8, in the energy sector with 7.3 and in the consumer discretionary sector with 6.8 (see Exhibit 9). Telecommunications and media companies are in the midst of digital change. Energy companies are under pressure from natural gas and green energy producers. The consumer discretionary sector includes many brick-and-mortar stores that face fierce competition from online retailers such as Amazon.com.

The lowest Push-out Scores were determined in the real estate sector with 1.5, in the utilities sector with 2.2 and in the financial sector with 4.

In the consumer staples sector, the average Push-out Score was 6.7, in the health care sector it was 6.5, in the information technology sector it was 5.8, in the industrials sector it was 5.4, and in the materials sector it was 5.2.

These results were calculated from 266 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/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.
Chief point:

**Are boards proactive or reactive to industry shifts?**

*By David F. Larcker and Brian Tayan*

Public company boards are often criticized for being too slow to pull the trigger in firing an underperforming CEO. Exchange data, however, casts new doubt on this viewpoint, and raises new questions.

Exchange data shows that CEOs of companies facing industry-wise sources of strain -- such as economic headwinds or heightened competitive activity -- have average Push-out Scores over the critical threshold of 5, indicating it is more likely than not that they left involuntarily.

One example is the consumer staples industry, which includes consumer goods producers, food manufacturers, and retailers. Companies in this industry have long benefited from attractive economics, brand recognition, pricing power, and steady growth. Changes in consumer tastes, competition from generics and upstarts, and online competition -- particularly from Amazon -- have scrambled the equation.

The boards of these companies have not been flat-footed. Over the last 12 months, the Push-out Scores for CEOs in this industry have averaged 6.7, suggesting that boards have not been complacent in replacing CEOs who are not up to the challenge.

Many factors go into a potential decision to terminate a CEO: company performance, strategic misdirection, failure to manage risk, or leadership or behavioral shortcomings. Termination in the face of industry challenges suggests that boards might be proactive in evaluating the skills sets of their CEOs and recognizing when they are deficient to meet the future needs of the company.

If so, that's good news, and shareholders should find comfort in the fact that their boards are not only monitoring performance but also recognizing that fundamental changes are needed in the skills of their CEO.

Whether boards are effective in identifying the correct skills or identifying the correct future strategy, however, are entirely different questions, and ones we won't know the answers to until the next Push-out Score is published.

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

Editor's note: This is a guest post.
Ambivalent CEO departure at ABN Amro

- Kees van Dijkhuizen will not serve a new term of office
- Push-out Score of 5 indicates pressure

Large financial service providers in the U.S. and Europe need fresh blood at the top. In the past 24 months, Wells Fargo & Co., Goldman Sachs Group Inc. and Bank of New York Mellon Corp., among others, have announced a CEO change. On the old continent, the CEOs of Royal Bank of Scotland Group Plc and Deutsche Bank AG were replaced.

On Sunday, June 16, 2019, ABN Amro Group NV announced that Kees van Dijkhuizen "will not serve a new term of office" following the end of his current term, which will expire at the annual general meeting on April 12, 2020.

Van Dijkhuizen will not serve a new term of office: There are two possible interpretations of this statement, and both may be true.

The first is that van Dijkhuizen is not available for a second term of office.

The second is that the supervisory board does not grant van Dijkhuizen a second term.

In other words, either van Dijkhuizen has had enough of ABN Amro, or ABN Amro has had enough of van Dijkhuizen, or van Dijkhuizen and ABN Amro both have had enough of each other.

The Push-out Score determined by the research service provider exehange, which measures the pressure on departing CEOs on a scale of 0 to 10, shows a value of 5 for van Dijkhuizen's move. His departure seems ambivalent.

On a superficial view, several aspects indicate a smooth change.

First, van Dijkhuizen's age of 63 years is appropriate to the move.

Second, the lead time of 301 days is very long.

Third, van Dijkhuizen's time in office as CEO of three years and three months (as at April 12, 2020) is not exactly generous, but sufficiently long.

Fourth, the language in the announcement is appropriate.

At the same time, five of nine warning lamps light up.

The stock price performance is relatively poor. The announcement follows a decline in ABN Amro's share price of 15 percent since January 2017. That's the first point for the Push-out Score.

The reason for the leadership change is not fully transparent. Point number 2.

In the announcement, ABN Amro did not explicitly explain the reason for Kees van Dijkhuizen's move. Van Dijkhuizen said 113 words: "I have been an executive of ABN Amro since 2013, first as the CFO and later as the CEO, and next year I will have served on the board for seven years. As the executive committee, we refreshed our strategy last year and introduced the bank's new purpose, 'Banking for better, for generations to come'. Both now have the support of 93% of our people and will be secured by the continuity of the current leadership. I'm fully committed to further accelerating the bank's strategy and pursuing the purpose together with our employees and clients in the months ahead, after which I will be able to pass on the torch in full confidence."

The fact is that van Dijkhuizen steps aside at a critical time. Point 3.

On May 15, 2019, ABN Amro reported a net profit of €478 million for Q1 2019. The quarterly net profit plunged by a fifth and fell short of expectations, and ABN Amro also warned that slowing economic growth and low interest rates could hit future earnings. Furthermore, ABN Amro disappointed investors in February when it proposed an unchanged dividend on 2018 earnings after raising expectations of...
an increase. ABN Amro was bailed out by the Dutch state in 2008 and re-privatized in 2015. The Dutch state still owns 56 percent of the shares.

The succession raises questions. Point 4.

A permanent successor is not immediately available. "This announcement allows the supervisory board to start looking for a successor in a timely and orderly manner," ABN Amro said. A successor will be sought both inside and outside the bank.

Thus it is currently difficult to tell whether van Dijkhuizen’s planned departure is a break with his era or a sign of continuity.

The form of the communication shows anomalies. Point 5.

In the announcement from ABN Amro, which is based in Amsterdam, Netherlands, Kees van Dijkhuizen receives praise, but no accolades for concrete and quantified successes, no explicit word of thanks, no word of regret and no good wishes. The announcement comes 11 months after Tom de Swaan took over as chairman of ABN Amro Group N.V.

Tom de Swaan, chairman of the supervisory board, said: "The supervisory board is very proud of the results achieved by Kees, both as the CFO and as the CEO, and his team. The bank is in good shape and is well on track with its financial targets. We are looking forward to continuing the good cooperation and realising further achievements in the coming period."

Conclusion: Share price development, official reason, circumstances, succession plan and form of the announcement raise five red flags.

The Push-out Score of 5 suggests that some pressure may have contributed to van Dijkhuizen’s move.

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

Some of van Dijkhuizen’s colleagues scored lower, some higher.


Goldman Sachs Group Inc. CEO Lloyd Blankfein retired in September 2018 with a Push-out Score of 3.

Royal Bank of Scotland Group Plc CEO Ross McEwan announced his departure in April 2019. The Push-out Score was 6.


Deutsche Bank AG CEO John Cryan left in April 2018 with a Push-out Score of 10.
Warm words, cold shoulder

By Daniel Schaubert *

Laud, praise and thanks: A naïve reader could easily confuse a CEO resignation announcement with a hymn of praise, even if it bears the title “press release.”

Praise them for their mighty deeds, praise them with trumpet sound, let everything that breathes praise them: All the honor, glory and fame of a resigning top manager are otherwise only known from heroic poetry and hymnbooks.

What are investors supposed to do with these poetic outpourings? They should read them carefully. It would be negligent to ignore compliments and hypocrisy because here, too, information is contained.

Therefore, in the Push-out Score analysis model of the research firm exchage, one in 10 points is reserved for linguistic peculiarities. Praise for trivial accomplishments and poisoned wishes (“We thank him for his leadership and wish him much success in his next endeavor”) can be read as: It was not the right fit, and we are happy we got rid of him. The phrase “He has worked tirelessly” can mean: His leadership was neither efficient nor successful.

Words of praise for the successor (“He has the skill set that will help propel the company to its next stage”) can be biting criticism of the outgoing manager (who may be considered incapable of propelling the company to its next stage).

Warm words are a legally unassailable means of showing disgraced executives the door and elegantly giving them the cold shoulder.

* The writer is the owner of the research firm exchage.
### Exhibit 1

#### Selected CEO departures

<table>
<thead>
<tr>
<th>Announced</th>
<th>Company</th>
<th>Name</th>
<th>Push-out Score *</th>
</tr>
</thead>
<tbody>
<tr>
<td>7-Jun-19</td>
<td>Alliance Data Systems Corp.</td>
<td>Ed Heffernan</td>
<td>7</td>
</tr>
<tr>
<td>5-Jun-19</td>
<td>Laboratory Corp. of America Holdings</td>
<td>Dave King</td>
<td>2</td>
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<tr>
<td>5-Jun-19</td>
<td>Casey's General Stores Inc.</td>
<td>Terry Handley</td>
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<td>13-May-19</td>
<td>Bed Bath &amp; Beyond Inc.</td>
<td>Steven Temares</td>
<td>10</td>
</tr>
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<td>9-May-19</td>
<td>Symantec Corp.</td>
<td>Greg Clark</td>
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</tr>
<tr>
<td>2-May-19</td>
<td>Fluor Corp.</td>
<td>David Seaton</td>
<td>8</td>
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<tr>
<td>22-Apr-19</td>
<td>Kraft Heinz Co.</td>
<td>Bernardo Hees</td>
<td>7</td>
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<tr>
<td>18-Apr-19</td>
<td>Paccar Inc.</td>
<td>Ron Armstrong</td>
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<td>8-Apr-19</td>
<td>Celanese Corp.</td>
<td>Mark Rohr</td>
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<td>28-Mar-19</td>
<td>Wells Fargo &amp; Co.</td>
<td>Tim Sloan</td>
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</tr>
<tr>
<td>22-Mar-19</td>
<td>Pilgrim’s Pride Corp.</td>
<td>Bill Lovette</td>
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<td>4-Mar-19</td>
<td>Eagle Materials Inc.</td>
<td>Dave Powers</td>
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<td>11-Feb-19</td>
<td>Colgate-Palmolive Co.</td>
<td>Ian Cook</td>
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<td>Cognizant Technology Solutions Corp.</td>
<td>Frank D’Souza</td>
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<td>6-Feb-19</td>
<td>Arconic Inc.</td>
<td>Chip Blankenship</td>
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<td>PG&amp;E Corp.</td>
<td>Geisha Williams</td>
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<td>Owens Corning</td>
<td>Mike Thaman</td>
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<td>Bunge Ltd.</td>
<td>Soren Schroder</td>
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<td>Akorn Inc.</td>
<td>Raj Rai</td>
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<td>Gannett Co.</td>
<td>Bob Dickey</td>
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<td>Coty Inc.</td>
<td>Camillo Pane</td>
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<td>McKesson Corp.</td>
<td>John Hammergren</td>
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<td>Rob Sands</td>
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<td>General Electric Co.</td>
<td>John Flannery</td>
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<td>Pfizer Inc.</td>
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<td>Mike Jackson</td>
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<td>Tom Hayes</td>
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<td>Milton Johnson</td>
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<tr>
<td>22-Aug-18</td>
<td>Calyxt Inc.</td>
<td>Federico Tripodi</td>
<td>9</td>
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<tr>
<td>6-Aug-18</td>
<td>PepsiCo Inc.</td>
<td>Indra Nooyi</td>
<td>5</td>
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<td>2-Aug-18</td>
<td>ITT Inc.</td>
<td>Denise Ramos</td>
<td>0</td>
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<tr>
<td>17-Jul-18</td>
<td>Goldman Sachs Group Inc.</td>
<td>Lloyd Blankfein</td>
<td>3</td>
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<tr>
<td>12-Jul-18</td>
<td>Northrop Grumman Corp.</td>
<td>Wes Bush</td>
<td>6</td>
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<tr>
<td>11-Jul-18</td>
<td>Dunkin’ Brands Group Inc.</td>
<td>Nigel Travis</td>
<td>2</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: exechance
### 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>
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<td></td>
<td>Internal vs. external successor</td>
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<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: exehange
Exhibit 3

**How strong the pressure is: CEO Push-out Index**

Average Push-out Score in the 12-month period from July 1, 2018 to June 30, 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 266 observations. Source: exchage

![Chart showing CEO Push-out Index from July 1, 2018 to June 30, 2019 with data points and trend line]

- Jul-18: 5.3
- Aug-18: 5.3
- Sep-18: 3.5
- Oct-18: 5.8
- Nov-18: 7.0
- Dec-18: 8.3
- Jan-19: 5.5
- Feb-19: 4.9
- Mar-19: 6.1
- Apr-19: 5.2
- May-19: 6.1
- Jun-19: 6.4

Values above 5 suggest strong pressure. Sample includes 266 observations. Source: exchage
How the pressure on CEOs is distributed

Percentage distribution of Push-out Scores in the 12-month period from July 1, 2018 to June 30, 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 266 observations. Figures may not total to 100 due to rounding. Source: exechange
Exhibit 5

Why they leave: CEO departure reasons

Percentage distribution of departure reasons in corporate announcements in the 12-month period from July 1, 2018 to June 30, 2019 in the U.S. stock index Russell 3000

- No reason given; 30.5%
- "Other opportunities"; 7.1%
- "Time with family"; 2.3%
- "Personal reasons"; 1.9%
- Bad behavior; 3.0%
- Disagreement; 0.8%
- Health; 1.1%
- Career change (†); 0.4%
- Non-business-related reasons; 0.4%
- Performance issues (+); 16.2%
- "Planned succession"; 22.9%
- "The time is right"; 13.5%

(*) if precise information about the new position is available immediately after the departure announcement; (+) if explicitly mentioned; Sample includes 266 observations. Figures may not total to 100 due to rounding. Source: exechange
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.
How long they stay: Departing CEO tenure

Percentage distribution in the 12-month period from July 1, 2018 to June 30, 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 266 observations. Figures may not total to 100 due to rounding. Source: Exehange
When they go: CEO departure age

Percentage distribution in the 12-month period from July 1, 2018 to June 30, 2019 in the U.S. stock index Russell 3000

Legend: Around 5 percent of the CEOs who announced their departure within the above mentioned period were 64 years old. Sample includes 266 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 July 1, 2018 to June 30, 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 266 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?

© exchanger

How the scoring works

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

exchange’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.