

# exexchange news

We determine the Push-out Score™

8.2019

## Mixed midsummer for CEOs

- **CEO Push-out Index declines to 5.2 in July from 6.4 in June**
- **Stale exit: Molson Coors CEO Mark Hunter retires**
- **Mysterious move: TD Ameritrade CEO Tim Hockey steps down**
- **Lackluster departure: Schlumberger CEO Paal Kibsgaard retires**
- **In-depth analysis of 273 CEO departures in the U.S. from the past 12 months**

(exexchange) -- August 1, 2019 -- Molson Coors Brewing Co., TD Ameritrade Holding Corp. and Schlumberger Ltd. are among the U.S. companies that announced a major leadership change in July 2019.

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

Research using the Push-out Score analysis model shows that the pressure on CEOs falls modestly, reaching a marginally elevated level in the second summer month. In June, it was at a significantly elevated level.

Every management change is different. The exit of Molson Coors CEO Mark Hunter seems stale, the move of TD Ameritrade CEO Tim Hockey appears mysterious, and the departure of Schlumberger CEO Paal Kibsgaard looks lackluster.

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

exexchange 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 declines to 5.2

Mixed midsummer for CEOs: The CEO Push-out Index™, which reflects the average Push-out Score for CEO departures in the U.S., fell to 5.2 in July 2019 from 6.4 in June 2019 (see Exhibit 3). It was the first decline in three months. The index fell the most in six months. For the fifth month in a row, it was above the value of 5.

In July 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 Schlumberger Ltd., TD Ameritrade Holding Corp., Molson Coors Brewing Co., AutoNation Inc., EQT Corp., Ameris Bancorp and Magellan Health Inc. Voluntary leadership changes and events with low Push-out Scores had a marginally lower impact on the index in July, among them the CEO changes at Vertex Pharmaceuticals Inc., Targa Resources Corp., MGIC Investment Corp., New Jersey Resources Corp. and Highwoods Properties Inc.

In June 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 Alliance Data Systems Corp., Casey's General Stores Inc., Cloudera Inc., TrueCar Inc., Forterra Inc., Citi Trends Inc. and Verastem Inc.

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

Around 56% 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.

### Stale exit: Molson Coors CEO Mark Hunter retires

With a Push-out Score of 7, the CEO departure at Molson Coors Brewing Co. is in the upper third of the scale and appears stale.

As announced on July 31, 2019, Mark R. Hunter retires as president and CEO of the multinational brewing company, effective September 27, 2019.

His duties will be taken over by Gavin D.K. Hattersley, currently president and CEO of MillerCoors, the US business unit.

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

The age of Hunter of 56 years (at the announcement date) is relatively low. That's the first point for the Push-out Score.

The notice period of 58 days is brief. Point number 2.

The stock price performance leaves much to be desired. The announcement follows a decline in Molson Coors's share price of 47% since October 2016. Point 3.

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

Andrew Molson, chairman of the Molson Coors Board, said: "After a 36-year career with the last 30 years in the beer business Mark Hunter indicated his desire to retire from his position as Molson Coors president and CEO in order to spend more time with his wife Fiona and two children."

The circumstances of the management change are challenging. Point 5.

Molson Coors struggles with declining sales and a consumer shift away from light lagers to Mexican imports, craft beers, spirits and wine.

On July 31, 2019, Molson Coors also posted second-quarter sales and earnings that missed expectations amid a drop in demand, particularly for its largest brand, Coors Light.

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

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In the announcement from Molson Coors, which is based in Denver, Colorado, Mark Hunter receives accolades, praise and thanks, but no word of regret and no good wishes.

Andrew Molson, chairman of the Molson Coors board, said, regarding Gavin Hattersley: "He's a skilled leader who understands what is required to drive shareholder value and build our portfolio of leading brands."

Gavin Hattersley said: "My commitment is to work hard, to be an empathetic leader and, above all, do whatever is necessary to maximize the potential of our business in order to restore shareholder value."

Conclusion: Age, notice period, share price development, official reason, circumstances, form of the announcement and language in the communication raise seven red flags. Only Hunter's sufficiently long term of office as CEO of four years and nine months (as at September 27, 2019) and the succession plan prevented an even higher score.

### **Mysterious move: TD Ameritrade CEO Tim Hockey steps down**

With a Push-out Score of 10, the CEO departure at TD Ameritrade Holding Corp. is at the top of the scale and looks mysterious.

As announced on July 22, 2019, Timothy D. (Tim) Hockey will step down as president, CEO and director, effective upon the date his successor commences employment, but in no event later than February 29, 2020.

The age of Hockey of 55 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 term of office of Hockey as CEO of two years and 10 months (as at July 22, 2019) is short. Point number 2.

The stock price performance is relatively poor. The announcement follows a decline in TD Ameritrade's share price of 17% since June 2018. Point 3.

Above all, the officially stated reason for the leadership change is a sign of enormous pressure. Point 4.

TD Ameritrade said in a fairly blunt statement: "In discussing the best path forward for TD Ameritrade ... -- its clients, associates and shareholders -- the company's board of directors and president and chief executive officer Tim Hockey have made the decision that he will leave the company upon the appointment of a new leader to guide its next phase of growth."

The wording suggests irreconcilable differences between the board and the CEO.

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

The succession raises questions. Point 5.

"The board will begin a search for Hockey's successor, engaging a nationally-recognized executive search firm to assist in the process, which will include internal and external candidates," TD Ameritrade said.

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

In the announcement from TD Ameritrade, which is based in Omaha, Nebraska, Tim Hockey receives praise, thanks and good wishes, but no accolades for concrete and quantified successes and no word of regret.

Joe Moglia, Chairman, said: "[W]e conduct our search to identify the right candidate to lead the company in its next chapter of growth."

Following his termination of employment on February 29, 2020, Hockey will receive the severance benefits specified in his employment agreement.

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The constellation of all the aforementioned warning signals leaves little room for interpretation and indicates that Hockey 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.

"I am not leaving for another job or to spend more time with my family, or for my health, or because I've done something contrary to our core values," Hockey said in a conference call, Financialplanning.com reported. Hockey also said on the call that the decision was not tied to company performance. TD Ameritrade's latest quarterly report showed rising profits and revenue that beat analysts' estimates.

Hockey's departure led to speculation TD Ameritrade may be on the hunt for an acquisition.

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

### **Lackluster departure: Schlumberger CEO Paal Kibsgaard retires**

With a Push-out Score of 7, the CEO departure at Schlumberger Ltd. is in the upper third of the scale and seems lackluster.

As announced on July 19, 2019, Paal Kibsgaard retired from the world's largest oilfield services provider, effective August 1, 2019.

Kibsgaard's duties as CEO are being taken over by Olivier Le Peuch, most recently chief operating officer of Schlumberger.

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

The age of Kibsgaard of 51 years (at the time the company filed its last annual proxy statement preceding the announcement) is quite low. That's the first point for the Push-out Score.

The notice period of 13 days is very brief. Point number 2.

The stock price performance is disappointing. The announcement follows a decline in Schlumberger's share price of 65% since June 2014. Point 3.

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

In the announcement, Schlumberger did not explicitly explain the reason for Kibsgaard's move.

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

The circumstances of the management change are challenging. Point 5.

Kibsgaard's move comes as the oilfield services industry has been hit by weaker demand from oil producers, which have cut spending to satisfy investors seeking higher returns.

While reporting second-quarter results that broadly topped market estimates, Schlumberger tempered its expectations for oil demand this year because of geopolitical tension and the global trade war.

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

In the announcement from Schlumberger, which is based in Houston, Texas, Kibsgaard receives praise, thanks and good wishes, but no accolades for concrete and quantified successes and no word of regret.

Peter Currie, the board's lead independent director, said, regarding Kibsgaard: "We wish Paal the very best as he enters a new chapter in his life."

Olivier Le Peuch said: "I am truly honored at being chosen to lead Schlumberger and its world-class workforce at a very exciting time in our company's history."

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Kibsgaard said: "Olivier possesses the Company's values, an in-depth knowledge of our business, and a proven industry track record—all together, he is ideally suited to lead Schlumberger into the next chapter of our history."

Also effective August 1, 2019, Kibsgaard stepped down as chairman of the board and retired as a member of the board of directors.

Conclusion: Age, notice period, share price development, official reason, circumstances, form of the announcement and language in the communication raise seven red flags. Only Kibsgaard's sufficiently long term of office as CEO of eight years (as at August 1, 2019) and the succession plan prevented a greater increase in the score.

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

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

In the period from August 1, 2018 to July 31, 2019, around 29.7% of the CEOs in the U.S. left their post with no reason given in the announcement.

Around 7% departed "to pursue other opportunities" and around 2.9% "to spend time with their family," statements that are sometimes taken as code for firings.

Around 2.6% left for "personal reasons," and around 2.2% have been ousted with a specific reference to misconduct (see Exhibit 5).

CEOs who departed "to pursue other opportunities" received an average score of 7.8. CEOs who left "to spend time with their family" received an average score of 5.9, and CEOs who stepped down for "personal reasons" received an average score of 8.1.

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."

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In the U.S., the average tenure of departing CEOs in the 12-month period from August 2018 to July 2019 was 7.4 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 58.3 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 consumer discretionary sector with 7.1 and in the energy sector with 6.9 (see Exhibit 9). Telecommunications and media companies are in the midst of digital change. The consumer discretionary sector includes many brick-and-mortar stores that face fierce competition from online retailers such as Amazon.com. Energy companies are under pressure from natural gas and green energy producers.

The lowest Push-out Scores were determined in the real estate sector with 1.3, in the utilities sector with 2.2 and in the financials sector with 4.7.

In the consumer staples sector, the average Push-out Score was 6.7, in the health care sector it was 6.3, in the information technology sector it was 5.6, in the industrials sector it was 5.3, and in the materials sector it was 5.2.

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 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](https://exchange.com).

Chief point:

## **Lessons from the departure of the BMW boss**

*By Jo Whitehead \**

One might feel sympathy for Harald Krüger, who just exited as BMW's boss. The industry faces a shift to electric cars, and reports suggest that BMW has fumbled the job so far -- but it was a tough challenge.

In our research into 10 years of corporate stumbles (in which the CEO leaves under a cloud after a significant drop in share price), almost 20% of these cases were due to failing to deal with an unavoidable, major innovation or repositioning.

Examples include multiple CEOs at Nokia, Yahoo, GlaxoSmithKline, eBay, Carrefour and Intel. You might think it was just bad luck that those CEOs were being punished but on closer examination, they typically lacked key capabilities. Industry experience by itself is not enough.

For example, Olli-Pekka Kallasvuo had been with Nokia for 30 years when he became CEO, but he had been educated as a lawyer and spent most of his career in finance. He might have been a good CEO for business as usual, but an engineer with experience in high-tech product development might have had a better chance.

Boards facing such challenges might do well to examine these cases further!

*\* 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 Harald Krüger gives way at BMW

- **Push-out Score of 7 indicates strong pressure**
- **Bitter departure**

In the automotive industry, driver changes are increasing, often at the insistence of the co-driver. Over the past 16 months, Daimler AG, Audi AG and Volkswagen AG have announced a leadership change. In the U.S., Ford Motor Co. replaced its CEO a good two years ago.

On July 5, 2019, BMW AG announced that CEO Harald Krüger gave notice "that he will not seek a second term of office."

In strictly formal terms, he thus steps aside voluntarily. How strongly was he pressured to leave the driver's seat?

The Push-out Score of the research firm exchange, which gauges the pressure on outgoing CEOs on a scale of 0 to 10, shows a value of 7 for Krüger's move, indicating high pressure and a bitter exit.

The age of Krüger of 53 years (at the announcement date) is quite low. That's the first point for the Push-out Score.

The stock price performance is relatively poor. The announcement follows a decline in BMW's share price of 39% since May 2015. Point number 2.

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

Krüger stated: "After more than ten years in the board of management, more than four of which as the CEO of the BMW Group, I would like to pursue new professional endeavors and leverage my diverse international experience for new projects and ventures."

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

The circumstances of the management change are challenging. Point 4.

BMW issued a profit warning in March. Krüger has faced growing criticism amid falling profits and an electrification plan that was seen as too tentative for a rapidly changing industry.

The succession raises questions. Point 5.

Initially, no successor was named. On the date of the departure announcement, BMW said: "The supervisory board will address the matter of a successor during its next meeting on 18 July 2019. Until a decision has been made, Harald Krüger will hold his position as chairman of the board of management."

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

In the announcement from BMW, which is based in Munich, Germany, Harald Krüger receives praise and thanks, but no word of regret.

With regard to Krüger, Norbert Reithofer, chairman of the supervisory board of BMW, stated that he has "complete respect and understanding" for Krüger's decision.

Reithofer's statement suggests that Krüger may have taken advantage of the opportunity to voluntarily step aside before being pushed out in disgrace.

Susanne Klatten and her brother, Stefan Quandt, together own almost half of BMW. Klatten and Quandt are both members of the supervisory board of BMW.

In his statement, Krüger points to "the most significant transformation" of the automotive industry.

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



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and Krüger's sufficiently long term of office as CEO of four years and one month (as at July 5, 2019) prevented an even higher score.

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

On July 18, 2019, BMW announced that Oliver Zipse will assume the role of CEO of BMW, effective on August 16, 2019. "He will provide the BMW Group with fresh momentum in shaping the mobility of the future," said Norbert Reithofer, chairman of the supervisory board of BMW. Zipse has been a member of the board of management of BMW since 2015 and is currently responsible for the production division.

On July 18, 2019, BMW further said that Krüger will resign as CEO "by mutual agreement" on August 15, 2019.

Krüger is in good company. Pressure was involved in many CEO changes in the automotive industry.

Daimler AG CEO Dieter Zetsche stepped aside in May 2019 with a Push-out Score of 4.

Audi AG CEO Rupert Stadler left his post in June 2018 with a Push-out Score of 10.

Volkswagen AG CEO Matthias Müller stepped down in April 2018 with a Push-out Score of 10.

Ford Motor Co. CEO Mark Fields retired in May 2017 with a Push-out Score of 9.

Standpoint:

## **When CEOs get older and come to rest**

*By Daniel Schaubert \**

"For everything there is a fixed time, and a time for every business under the sun." These words from the Old Testament also apply to CEOs.

At some point, "the time is right" for a leadership change, as companies often say. But is the move of the outgoing CEO actually age appropriate? To assess this, one out of 10 points is reserved for age in the Push-out Score analysis model of the research firm exexchange.

The CEO resigns at the age of 56 to take a better job elsewhere: That act makes sense. The CEO resigns at the age of 56 to "spend more time with his family": This statement raises questions, and if such questions remain open, one point is due for the Push-out Score.

The analysis model aims to measure deviations from normal values. According to exexchange data, around 70% of CEOs who announced their retirement over the past 12 months from Russell 3000 companies were between 59 and 70 years old.

This age range can be regarded as the norm. Around 29% of the CEOs retired at less than 59 years of age, and such early retirement often raises questions. For around 1% of cases, the hour of farewell even struck at over 70 years of age. In these cases, the time was certainly not only "right" for a change, but it was high time for the CEO to pass on the baton and come to rest.

*\* 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>
31-Jul-19	Molson Coors Brewing Co.	Mark Hunter	7
22-Jul-19	TD Ameritrade Holding Corp.	Tim Hockey	10
19-Jul-19	Schlumberger Ltd.	Paal Kibsgaard	7
7-Jun-19	Alliance Data Systems Corp.	Ed Heffernan	7
5-Jun-19	Laboratory Corp. of America Holdings	Dave King	2
5-Jun-19	Casey's General Stores Inc.	Terry Handley	6
13-May-19	Bed Bath & Beyond Inc.	Steven Temares	10
9-May-19	Symantec Corp.	Greg Clark	9
2-May-19	Fluor Corp.	David Seaton	8
22-Apr-19	Kraft Heinz Co.	Bernardo Hees	7
18-Apr-19	Paccar Inc.	Ron Armstrong	2
8-Apr-19	Celanese Corp.	Mark Rohr	4
28-Mar-19	Wells Fargo & Co.	Tim Sloan	9
22-Mar-19	Pilgrim's Pride Corp.	Bill Lovette	7
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

\* 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**

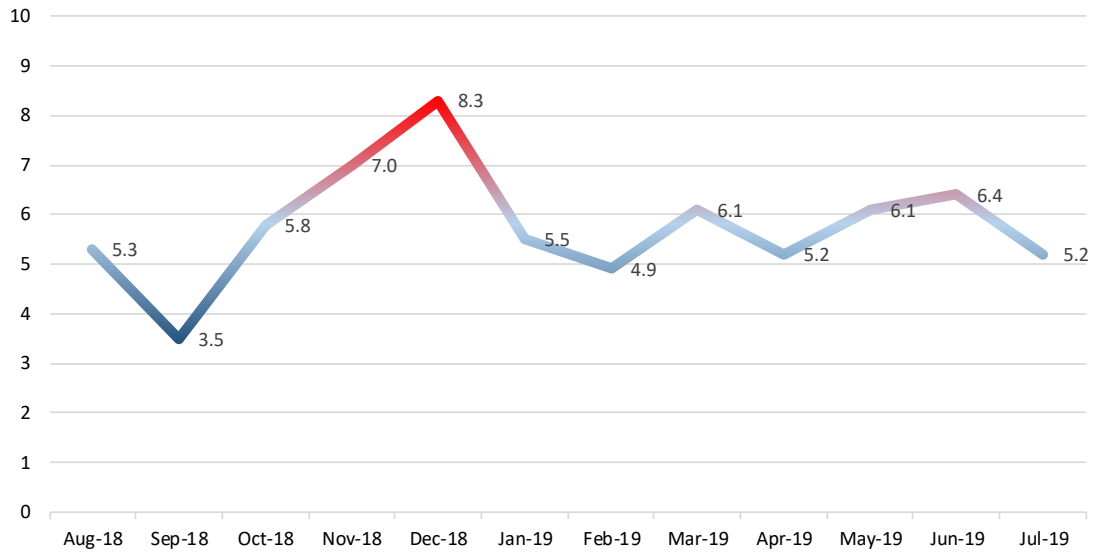
<b>Dimension</b>	<b>Selected factors</b>
Form	Dedicated press release (yes or no) Placement (top of release or buried in other news, such as earnings release) Length of disclosure (e.g., excessively short or long, omissions)
Language	Tone of announcement (warm, neutral, cold) Language used in quotations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

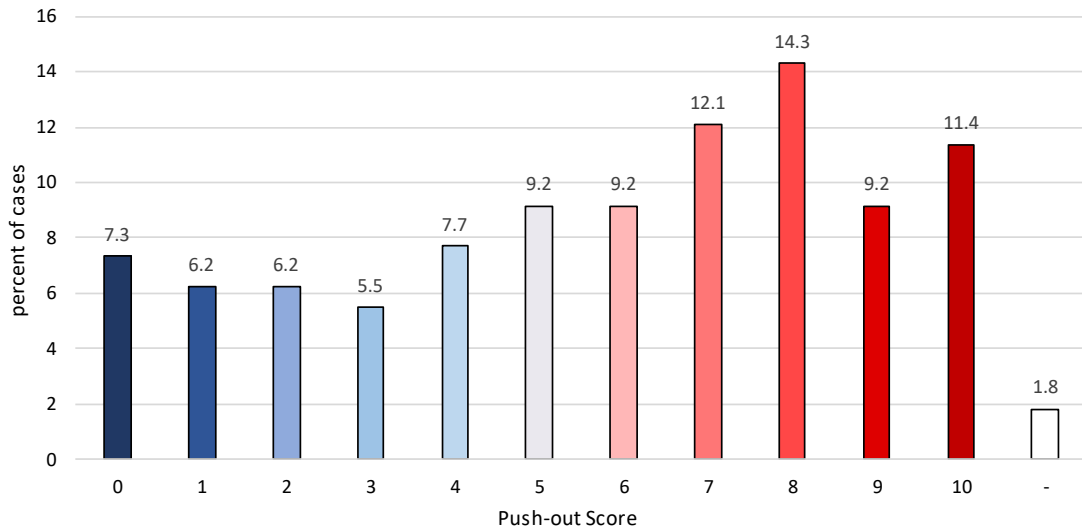


Legend: The Push-out Score on a scale of 0 to 10 is a measure of the pressure on the departing CEO. Values above 5 suggest strong pressure. Sample includes 273 observations. Source: exchange

Exhibit 4

### How the pressure on CEOs is distributed

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

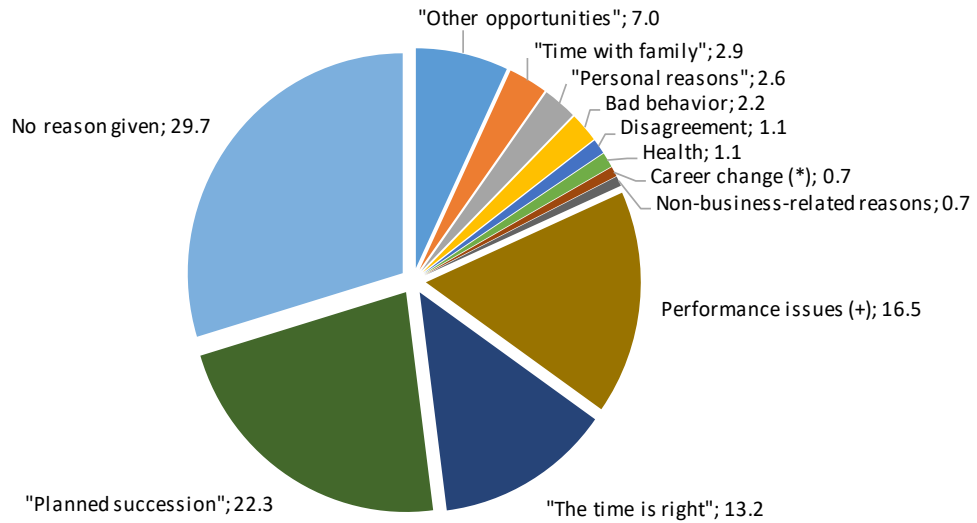


Legend: Around 7 percent of the CEOs received a Push-out Score of 0. Cases in which a score is not determined (e.g., death) are summarized under '-'. Sample includes 273 observations. Figures may not total to 100 due to rounding. Source: exexchange

Exhibit 5

### Why they leave: CEO departure reasons

Percentage distribution of departure reasons in corporate announcements in the 12-month period from August 1, 2018 to July 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 273 observations. Figures may not total to 100 due to rounding. Source: exchange

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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.

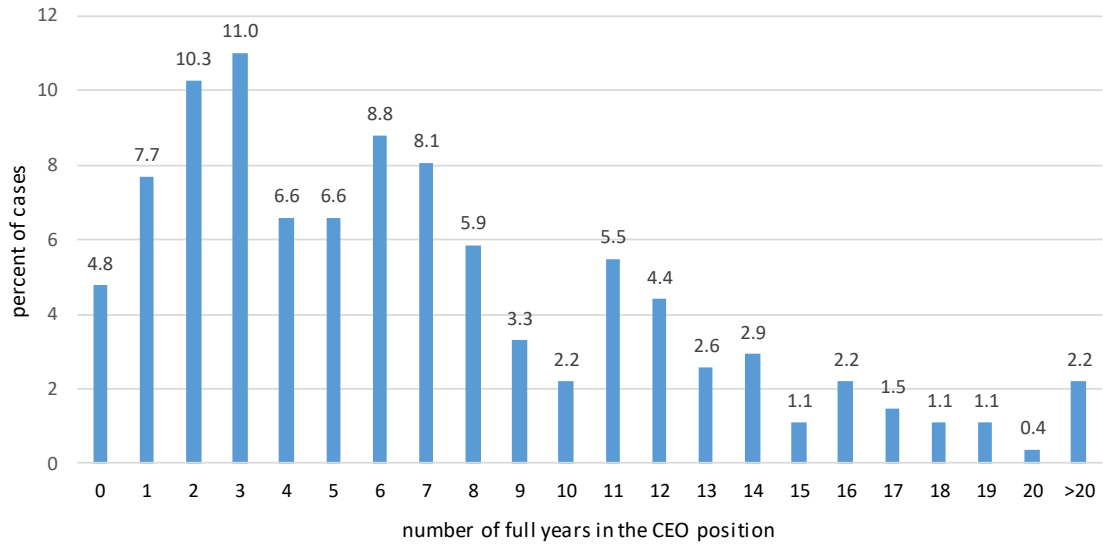
While statements must not be misleading, companies sometimes give vague reasons for a CEO's departure. This approach may be sensible because an investigation has not yet been completed, due to privacy concerns for the CEO, in order to prevent a defamation action by the departing CEO against the company, 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 August 1, 2018 to July 31, 2019 in the U.S. stock index Russell 3000

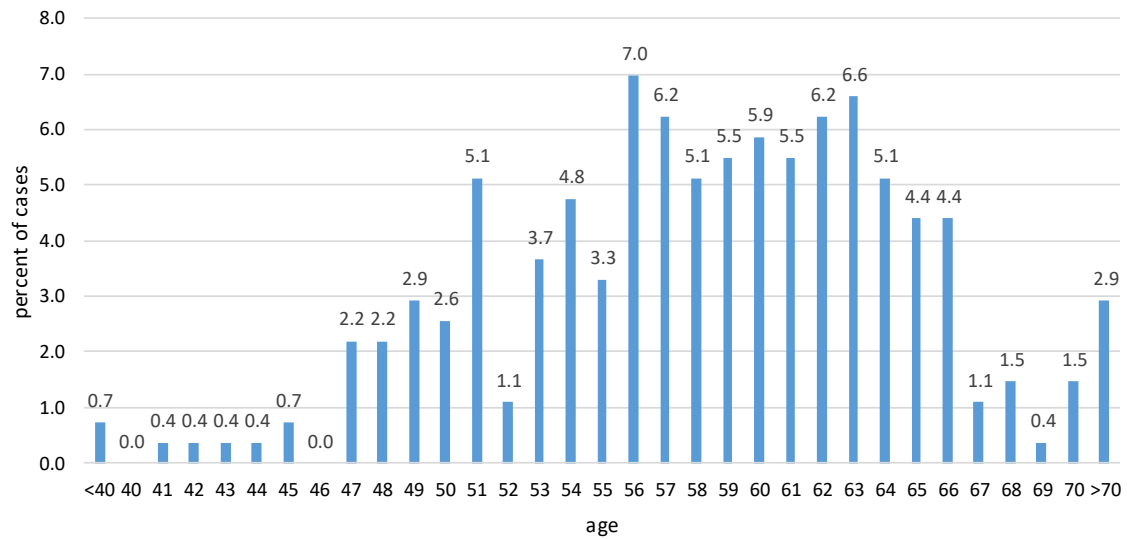


Legend: Around 8 percent of the CEOs who announced their departure within the above mentioned period left their post after 1 full year in the position. Sample includes 273 observations. Figures may not total to 100 due to rounding. Source: exchange

Exhibit 8

### When they go: CEO departure age

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

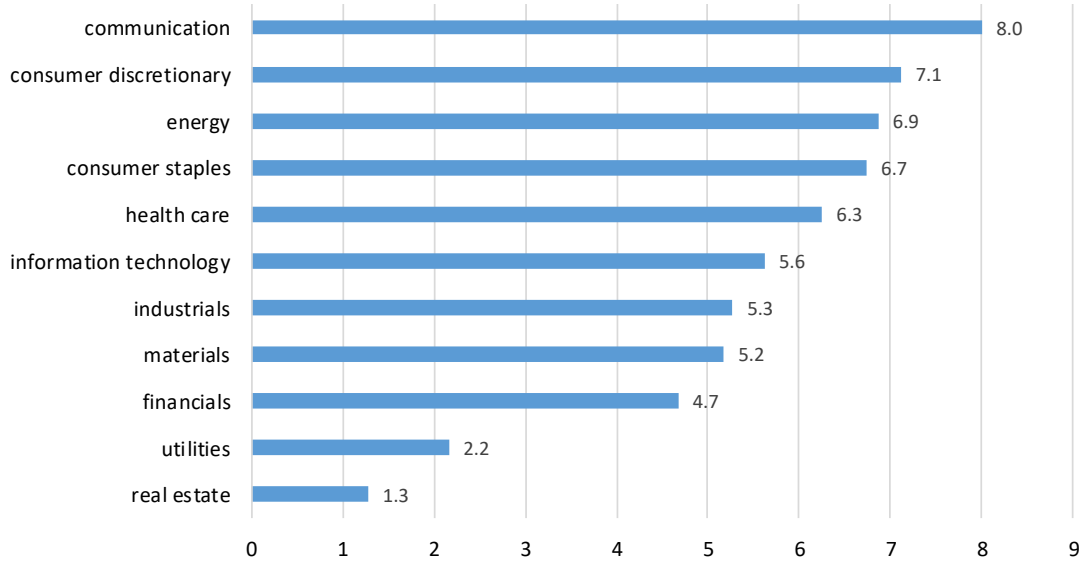


Legend: Around 5 percent of the CEOs who announced their departure within the above mentioned period were 64 years old. Sample includes 273 observations. Figures may not total to 100 due to rounding. Source: exchange

Exhibit 9

### Where the pressure on CEOs is high

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



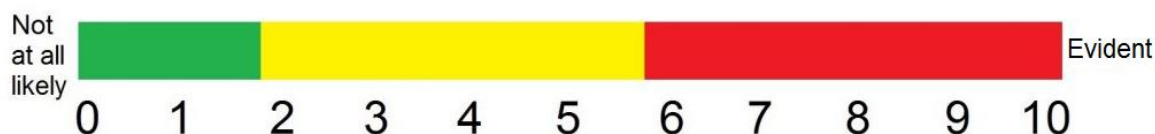
Legend: The Push-out Score on a scale of 0 to 10 is a measure of the pressure on the departing CEO. Values above 5 suggest strong pressure. Sample includes 273 observations. Source: exchange

## **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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