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PROXY SEASON

Tips for Preparing Director Bios for the Proxy Statement & Web Site

By Susan Ellen Wolf

Gone are the days when one of the easiest parts of proxy drafting was the director biography. It used to be that you could update ages and changes in employment from the prior year. The Web bio was simply a link to the proxy statement bio. In today's environment, if that is all you do, you are letting your board down.

Many audiences—including investors, regulators, employees, activists, media, and plaintiff litigation counsel—closely scrutinize all public information about the board. Your goal is for the substance and format of the director bios to best position each director with

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every key audience. That requires considering whether changes in the company, the industry, or the audience's perspectives merit a change in the type, detail, and format of information provided.

This article describes a robust process for drafting the director bios to accomplish the goal of best positioning each director with every key audience. The steps are not difficult, but they require advance planning and more manpower than was needed in past years.

Step One: Identify Key Audiences

You want a list of each key audience who may consult your director bios.

First on the list are your company's institutional investors. Understand the investors' priorities for a strong board, but they will not be the same for each investor. Having a year-round engagement with top institutional investors is helpful in this regard. So is specifically asking questions about your investor's perceptions of your company board's strengths and challenges.

Second on the list are the key financial analysts (buy and sell side) for your industry. If you are not familiar with the analysts, ask the company's investor relations executive or chief financial officer. Note the analysts' views on the strengths and challenges for your board and competitor boards.

Third on the list are your company's employees. A company with a large percentage of unionized workers will want to show the labor force expertise of directors. A company in an innovation industry (technology or medical research, *e.g.*) with a large percentage of professional workers will want to show board members who understand the innovation process.

Fourth, think about the regulatory and litigation environment for your industry. A pharmaceutical company might want to highlight the experience of its board in product safety, efficacy, and new drug approvals. An automobile company might highlight the experience of its board with quality processes, automotive safety, environmental issues, and consumer protection matters. Ask your litigators whether regulatory settlements for other companies in your industry have included adding board expertise in a particular discipline.

Fifth, consider activists that are involved with your company, other companies in your industry, and other companies of a similar size and circumstance. What skills do the activists tout when seeking to add nominees to a board? What attributes of sitting directors do they attack?

Sixth, think about the proxy advisory firms that will report on your proxy materials and recommend how investors should vote. For most US listed companies these include ISS and Glass Lewis. Whether your own board agrees with the attributes these firms list as important in a given year, it will pay to highlight your best match with their priorities in your director bios.

Last, you might feel you don't need to consider the media, because your company might not be in the media spotlight today. However, any company is only one incident away from a media firestorm. Once the media coverage begins, it is too late for action if something in a director's bio is not worded optimally. It pays to ask for input from your company's media relations experts early in the proxy statement drafting process.

Step Two: Identify Strategic Direction & What Board Skills Match the Company's Current Circumstance

Think about where your company is heading and what investors are hoping to see. Is your company in a turnaround situation, experiencing high growth, adding or shedding business lines, or changing its geographic footprint? You will want to highlight different board strengths and skills, depending upon the unique circumstances in a given year. As a result, using a prior bio, or the same bio used by another company that the director also serves, may not highlight the skills that are most relevant to your current audience.

For example, consider Director A, who is a partner at Major Recruiting Firm. She is on two boards, Consumer Products Company and Medical Device Company. Her work at Major Recruiting Firm is described differently in each company's proxy statement, based on the differences in the circumstances at each company.

Consumer Products Company is a well-established global player that is under attack from activists who would like to see the company split into three companies. Director A's bio in Consumer Product Company's proxy statement reads:

> Director A has enjoyed a 20-year career at Major Recruiting Firm. She led the recruiting practice for large cap consumer products companies at Major Recruiting Firm for a decade. She now leads Major Recruiting Firm's board leadership center and assists with CEO and Board Chair succession. Her expertise in global staffing and leadership development provides valuable insights to the board, including:
>
> - On the nominating committee, helping assure the board includes members with expertise in each of the company's major product lines; and
> - At the full board, contributing to the process for executive development and succession planning, adding knowledge of workforce cost management and evaluating executive performance.

Medical Device Company is a high growth company only five years past its initial public offering. It started in Europe. Its business is expanding rapidly, particular in the United States, Japan, and China. Director A's bio in Medical Device Company's proxy statement reads:

> Director A has enjoyed a 20-year career at Major Recruiting Firm. She opened the office of Major Recruiting Firm in China, which provided services to all industries, including medical devices. She now leads Major Recruiting Firm's board leadership center and assists clients with CEO and Board Chair succession. Her expertise in global staffing and leadership development provides valuable insights to the board, including:
>
> - On the compensation committee, assisting in structuring compensation to attract and retain top scientific talent; and
> - At the full board, contributing her knowledge of the markets and human resource practices. Her deep knowledge of the markets and human resources practices in China is of particular value, because China is a critical market in the company's strategic expansion plan.

Step Three: Provide Detail about the Information You Want to Convey

It can be frustrating when investors seem to ignore information that is included in the proxy statement. To avoid this, make the information clear, and do not assume the reader is starting with any foundational knowledge. Doing so often requires that you provide enough detail to make sure no one misses information, as shown in the following example.

Too Concise: Director A is a retired partner of Big Four Accounting Firm and is an accounting and financial expert.

Better: Director A is a retired partner of Big Four Accounting Firm. He led the US audit practice for our industry. As a result, he has first-hand knowledge of the accounting and auditing best practices and trends for our industry, as well as expertise in accounting and auditing.

Best: Director A retired as a partner of Big Four Accounting Firm after a 30-year career there. He led the firm's US audit practice for our industry and served as vice chairman of the firm's mergers and acquisition services team. This substantial experience allows him to add auditing, accounting, financial, business, and leadership expertise to our board. In particular:

— Knowledge of audit and accounting best practices and trends in our industry informs his work on our audit committee;

— Knowledge of capital structures and capital markets transactions in our industry informs his work on our finance committee;

— Experience in mergers and acquisitions due diligence and integration informs our board's work to evaluate and oversee major transactions;

— Knowledge of our industry informs his contributions to the board's work on strategy and business development; and

— Work with many different client boards and committees informs his contributions on leadership and governance practices.

Step Four: Design and Format Are Important. Do Not Skimp on Design Services

Jamming everything about directors into one long paragraph will guarantee that few people will read it. There are excellent design companies that can help ensure your proxy statement will be as easy to read as possible and that important information is easy to locate. The design that is best for one company may not lend itself to the information another needs to convey.

Following are some general guidelines to help make your director disclosure as easy to use as possible:

(1) Do include pictures with proxy statement and web bios.

(2) Do customize the web bios so the design is easy to see on the screen. Consider adding a video with each director speaking. Videos are appreciated as a way for interested parties to become better acquainted with directors.

(3) Don't include only the information required under Securities and Exchange Commission (SEC) rules. Also, tie the information about each director's strengths to your company's strategic goals.

(4) Don't be afraid to repeat information. The SEC staff recently has encouraged companies to make their proxy statements shorter, but it is a mistake to skimp on information about the strength of your board to save a page or two. I saw one powerful example that repeated certain information about directors in three places. First, the director's main areas of expertise were listed under the director's picture. Next, expanded information on how the director's expertise applied to the board's work was included in the bio. Finally, a spreadsheet showed the main areas of expertise that were most important to the company. The spreadsheet listed those directors with experience or expertise in each area of expertise.

(5) Draft for the reader with the least knowledge, not just for securities lawyers familiar with the SEC rules. Write in plain English (the SEC's *Plain English Handbook* is an excellent guide). A college student working part-time at ISS may do a first analysis of your proxy statement. A clerk at an investor may screen your proxy statement for certain issues. Make it easy for every reader to find and understand both the information that is of interest to them and the most important messages you want them to take away.

(6) It is helpful to have a variety of readers give you candid feedback on early drafts of the bios. Don't just ask them to rate it as excellent, average, or poor. Spend time asking if they took away your key messages from what they read.

Step Five: Take Care When Including Information about Hot Topics in Bios

Companies sometimes stretch to show their board composition addresses every current issue. Cybersecurity is a good example. While it is an issue of general concern today, if you are going to include it, show the reader how it relates to your company's business. Don't include it unless it is a major issue for your company and your industry. Moreover, don't stretch to make it seem as if a director is an expert in an area in which his knowledge is only cursory.

Example. Director A is a retired senior official from the US Department of Homeland Security. He is on the board of two companies, Pharmaceutical Company and Utility Company. Here are the differences in thorough proxy disclosures about Director A's contributions to board work on cybersecurity at each company.

Pharmaceutical Company

Director A's work at the Department of Homeland Security allows him to contribute to:

- The science and technology committee's oversight of many issues, including protocols for governments stockpiling our products for various potential national and global responses to biological or chemical warfare, particularly treatment for Anthrax; and

- The full board's oversight of enterprise risk management, particularly protection of intellectual property from misappropriation and safeguards against product counterfeiting.

Utility Company

Director A's expertise in terrorism threats based on his work at the Department of Homeland Security adds unique expertise to our board's work, including oversight of:

- Preparedness for a physical attack on our nuclear generating facilities;

- Systems for preventing the theft of nuclear fuel; and

- Systems for preventing a cyber-attack to overtake controls at our nuclear facility or the computer systems that govern our delivery of power across the grid in XYZ State, which includes two significant metropolitan areas.

In conclusion, take the time and resources to describe in detail your board's strengths and expertise as they relate to your company's business and strategic goals. Doing so will allow others to appreciate your board as the strategic asset that it is. Doing so will also prepare you for the inevitable scrutiny that is part of today's environment for all publicly traded companies.

Next-Level Cybersecurity Incident Response Trends 2016

By Paul A. Ferrillo and Christophe Veltsos

From a cybersecurity perspective, 2016 is off to a rather turbulent start. High-profile Distributed Denial of Service (DDoS) attacks have disrupted large financial institutions. Significant ransomware attacks have paralyzed healthcare organizations. Major malvertising campaigns have been orchestrated against ostensibly "trusted" Web sites, spreading malware to unsuspecting visitors' computers. One saving grace, perhaps, is that critical infrastructure, such as electrical grids or water supplies, has not yet been hit in 2016, though obviously it is imperative to proactively monitor and protect those systems.

Encouragingly, however, U.S. companies have taken some actions to improve their cybersecurity posture. As noted in the most recent FireEye M-Trends 2016 report (covering calendar year 2015), there has been an overall improvement in the time it takes for an organization to determine it has been breached.[1] In 2015, this period was 146 days—a drop of 59 days from calendar year 2014, and a drop of 83 days from calendar year 2013. Just as importantly, companies are detecting a larger volume of breaches through internal monitoring efforts, which accounted for 50 percent of breaches in calendar year 2015. By contrast, in calendar year 2014, in almost 66 percent of breaches, companies were first notified externally (*e.g.*, by law enforcement agencies such as the FBI or U.S. Secret Service) that they were breached.

Despite this marked improvement in detection time, it still leaves more than enough for a skilled attacker, who might need only three days, upon penetrating a network, to gain administrative credentials. Such credentials would allow the attacker to move laterally around a network and cause significant financial, structural, and reputational damage. Taken to the extreme, as we saw from the Hollywood Presbyterian Medical Center case, a sophisticated ransomware attack can actually have life or death consequences.

This bleak picture in no way implies that companies should give up the ghost. As we noted in our book, *Navigating the Cybersecurity Storm: A Guide for Directors and Officers,* companies should adopt some next-level concepts to improve breach detection/response time to the point that companies might be able to kick attackers off their network before bad things happen.[2]

The Importance of Process: the NIST Cybersecurity Framework

The National Institute of Standards and Technology's Cybersecurity Framework helps address an issue many companies face: a lack of communication, or at the very least a disconnect in the flow of communication between the company's IT professionals and the company's directors and officers.[3] The Framework distills complex cybersecurity terms into a common, understandable language that enables and encourages executives to participate in cybersecurity discussions. For the organization just beginning to grapple with cybersecurity concepts, the Framework is a starting point. For a more advanced organization, use of the Framework serves to demonstrate that the organization adheres to best practices, "has its act together," and continuously reviews and seeks to improve its response to new cyber-threats.

The Framework centers upon five core principles: Identify, Protect, Detect, Respond, and Recover. In this article, we focus on the "Protect" and "Detect" elements, easily summed up in two questions:

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— What are organizations doing to protect their most critical IP or customer data?

— What mechanisms are in place to detect a network incursion seeking to steal such data?

It is important to note that there are no "silver bullets" when it comes to protection, other than perhaps encryption, which is not widely used today. Protection via network segmentation and micro-segmentation is more widely used, for example, through next-generation firewalls. However, this is not enough.

Most recently, many corporations have turned to non-signature-based intrusion detection and prevention hardware. This hardware attempts to detect malware based on network anomalies (*e.g.*, spikes in network activity or abnormal access attempts), which might signal that something other than "standard operations" are occurring. An alert would then pop up for the company's incident response team (IRT) to investigate. Whether the IRT can intervene in time, disrupt the attack, and prevent the attacker from gaining a foothold in the network, is then the million dollar question.

Although the Framework itself isn't an advanced technological solution, when used regularly and continuously (*e.g.*, quarterly, as we advise clients to do) to stimulate thorough and engaging discussions on cyber-threats, it is "next level" in the truest sense of the term. Without involvement and guidance from all levels of a company, incident response feels more like "seat of the pants" cybersecurity: a high-wire act performed without a safety net. We think the Framework is a great safety net for both large and small companies.

The Importance of Cybersecurity Assessments

Cybersecurity assessments are much like your annual healthcare checkup. You might not like it. You might not like the 12-hour fast the night before you report for bloodwork. But ultimately you are glad you did it.

There are two general types of cybersecurity assessments: vulnerability assessments and penetration testing. Vulnerability assessments are general assessments of a network designed to find flaws in the network, network applications, or the environment in which the network rests. Vulnerability assessments are useful, but they are not the be-all and end-all because they are most often aimed at "known" problems, such as missing software patches. If a problem is not yet known, it will never be detected by such an assessment. Yet, this as-yet-unknown vulnerability could be the major hole by which an attacker gains a foothold to disrupt, if not wipe out, a network.

In a penetration test, the tester tries to take advantage of known vulnerabilities in a particular network system or application that can later be leveraged to accomplish something else. A penetration test might be aimed at employees (*e.g.*, using social engineering) or aimed at a particular system or device. It can be difficult to distinguish between assessments. Think of the penetration test as a pre-planned test of a known problem to see whether your network could potentially be hacked. It is like knowing the train is coming down the tracks, and you are waiting at the crossing gates for it to come.

Taking It to the Next Level: Red Teaming Your Incident Response Teams

Today, more sophisticated organizations are "red-teaming" their IRTs and their security operation centers. What is the difference between a penetration test and red-teaming? Unlike the penetration test, with red-teaming, you do not know whether the train is coming down the tracks. The red-team—a team of highly skilled cyber forensic consultants—attacks your network, using every trick in the book, for several days and possibly weeks.

The red-team drill is as realistic as possible, and is designed to test every skill of your IRT by mimicking the abilities of the most highly skilled attacker. The red team is likely to win the first few rounds, but over time, the goal is for a company's IRT to learn from its mistakes (or omissions) and ultimately detect and repel the attackers. While there is an expense involved to red-team drills, great value can be gained from them: Red-team drills allow a company to see how all aspects of its incident response plan (from hardware, technology employed, and people employed) work together; and most importantly, a well-trained IRT can hunt down potential lethal incursions before they do damage.

'Next Level' Stuff: Security Automation and Orchestration

Today, a major issue faced by even well-trained incident responders is the vast amounts of information and alerts they have to sift through, the result of technological solutions that are often not properly integrated with each other by different vendors. While large multinational companies or investment banks may have the financial and human resource means to hire enough responders, for other companies, that is not the case. For the average company, resources are finite, both in terms of hardware and people. As the trickle-down theory of the cyber-crime economy continues to bring more cyber-attackers to the table, the result is likely even more chatter, more alerts, more incursions, and potentially more breaches generated by intruders.

Fortunately, here comes the cavalry: Security Automation and Orchestration (SAO). SAO is a tool that brings all your other hardware information streams together (like your firewall, intrusion detection systems, and threat intelligence feeds) and processes them at network speed, sifting through thousands of alerts to find the more actionable, threatening ones. SAO then responds to the more threatening ones in two ways:

(1) By taking corrective action itself (*e.g.*, sealing off a port or diverting traffic), and

(2) By directing incident response personnel to respond to the actionable alert.

SAO does not replace the human responder. It helps the human responder deal with a large volume of alerts and hopefully provides more time to focus on the "higher impact" alerts. It gives the responder time to process what is going on, and hopefully react quickly enough so that the IRT can kick the attacker off the network before harm is done. SAO is now state-of-the-art, and there are several well-known companies offering this service.

In today's cyber ecosystem, it is important to be a student of history, and in cybersecurity, history is not measured in years, but in months. In the many months since the Target breach, history has taught us that every second counts in incident response. Take advantage of the next-level trends we discussed in order to gain back the seconds you need to successfully defend your network.

Notes

1. *http://www.dandodiary.com/2016/03/articles/cyber-liability/guest-post-next-level-cybersecurity-incident-response-trends-2016/#_edn1*, last accessed March 23, 2016.

2. Ferrillo, Paul, *Navigating the Cybersecurity Storm: A Guide for Directors and Officers,* (Advisen, 2015); *https://corpgov.law.harvard.edu/2015/11/25/navigating-the-cybersecurity-storm-in-2016/,* last accessed March 23, 2016.

3. *http://www.nist.gov/cyberframework/upload/cybersecurity-framework-021214.pdf*, last accessed March 23, 2016.

Study: Short- and Long-Term Incentive Design Criterion among Top 200 Companies

By James F. Reda, David M. Schmidt, and Kimberly A. Glass

This article is based on our study that provides a behind-the-scenes look at the way incentives are being structured to connect pay and performance. Because incentive compensation comprises the bulk of executive pay packages at publicly traded companies, boards of directors and senior management are continually searching for the right performance measures to balance rewards with financial, stock price, and operational performance as well as nonfinancial and individual performance.

There are four broad issues for publicly traded companies relating to performance-based compensation:

- Selection of short- and long-term performance measures that have been approved by shareholders (*i.e.*, contained in incentive and equity plans);
- Adequate disclosure of performance goals (measures and levels) in the proxy filing;
- Review of the risks associated with performance plans and appropriate proxy disclosure; and
- Clawback of incentive payouts if financial statements have been restated, causing the performance goals to not be met (included in Dodd-Frank; regulations issued but final rules pending).

The data used for this study was collected from Securities and Exchange Commission (SEC) filings (in most cases from proxy statements) based on information provided in the Compensation Discussion and Analysis (CD&A) and related tables. The data was disclosed by companies in a variety of ways, including tables, descriptive text, and footnotes.

Performance Measures Overview

Performance can be measured against a fixed goal (such as an earnings target) or a relative goal (as compared against a peer group of companies or industry index). Long-term incentive plans (LTIPs) often use relative measures that can be disclosed without revealing strategically important information. Companies using measures expressed as levels or percent changes

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might not always disclose the goal values, claiming disclosure could cause competitive harm.

Ideally, a balanced incentive program (including short- and long-term incentives) should include financial goals and stock-appreciation goals as well as absolute goals and relative goals. Thus, if the company does well against its business plan but underperforms in its industry, the incentive payout will fairly reflect overall performance. On the flip side, if a company does not hit its internal goals but outperforms its peers or the broader stock market, then some level of payout may be warranted.

Pay-for-Performance Formula Overview

Performance-based compensation is used by almost all companies to balance executive pay with corporate and individual performance. A fair balance can be struck between the goals of shareholders and senior management under the oversight of the board of directors, but it is not a simple task. The selection of performance measures and corresponding performance levels can be one of the most difficult aspects of designing an incentive compensation program.

The SEC's proposed pay-for-performance rules will result in a new disclosure that will include a measure of five-year pay-for-performance. Under the proposed rules, companies will need to disclose five years of annual compensation paid to the CEO and the average annual compensation paid to the other named executive officers relative to total shareholder return. In addition, companies will be required to show the relationship between company total shareholder return (TSR) and the TSR of the company's peer group. Our research found that just 14 percent of the Top 200 companies provide some type of pay versus TSR performance disclosure.

Umbrella Plans

Of the 200 companies reviewed, 60 percent of companies with short-term incentive plans (STIPs) indicated the use of umbrella STIP plans (also referred to as "inside/outside" plans or a "plan within a plan"), which is the highest usage in the past four years. Companies with these types of plans often disclose fewer performance metrics than companies without these plans, in part due to the inclusion of more qualitative rather than quantitative measures. Similar to other performance-based programs, umbrella plans must follow specific guidelines in order to qualify as performance-based compensation that is in compliance with Internal Revenue Code Section 162(m) and thus tax deductible.

Two somewhat different plan design approaches are evident: pool and hurdle.

Pool Approach

The plan design found most often involves creating a bonus pool usually based on a percentage of an income measure (outside plan). Almost 60 percent of umbrella plans use this approach. The pool amount represents the maximum bonus payments that may be payable. Each named executive officer has a maximum amount that is payable to which negative discretion can be applied to determine the actual bonus. In other cases, each executive covered under this plan is allocated a percentage of the pool, which represents the maximum allowable payout to each person. In both cases, the actual payouts are based on an "inside plan," which often includes a combination of financial and formulaic performance measures with corresponding threshold, target and maximum levels, and qualitative individual or discretionary goals. Because the outside plan is based on a financial measure that is approved by shareholders and meets the other Section 162(m) requirements, these individual or discretionary amounts are considered performance-based and therefore are tax deductible.

Hurdle Approach

The second plan type used by 40 percent of companies with umbrella plans involves establishing a financial hurdle or hurdles that must be achieved before bonus payments can be made. These hurdles are designed to cover the amounts necessary to pay bonuses to the top executives. The actual bonus pool is usually a multiple of salaries of those executives participating in the plan. Maximum individual payouts are established in the incentive plan. As described previously, performance and individual goals can be created for determining the actual payment amounts. Because there is an overarching financial hurdle or threshold, and payment limits established for the executives, this type of plan would qualify for Section 162(m) tax deductibility.

Individual Objectives in STIPs and Use of Discretion in Non-Umbrella Plans

Discretion (*i.e.*, judgment) exercised by the compensation committee comes in many forms, such as overall adjustment of the bonus pool or bonuses based on a variety of factors, such as individual or personalized performance (with a focus on the CEO). An umbrella plan allows the compensation committee to exercise positive discretion while preserving the deductibility of such compensation.

Discretion can reflect individual performance or overall company performance relative to the industry, recognize special contributions, or be based on other factors that the compensation committee deems valuable to the company. The use of discretion is not necessarily related to the use of individual objectives, although these practices can overlap.

Thirty-four percent of companies use individual performance measures in their STIPs by including individual, specific objectives for one or more named executive officers (NEOs). Individual objectives may be based on a combination of financial and nonfinancial measures. Of the executives that had individual objectives in 2014, 36 percent had a separate weighting for individual objectives ranging from 10 percent to 50 percent. In other cases, the final award was based on an adjustment to a calculated, formulaic amount using discretion, or a predetermined plus and minus range.

Discretion, excluding negative discretion related to umbrella plans, was used at 61 percent of companies with STIPs in 2014 to determine at least a portion of the bonuses paid to executives.

Setting STIP Performance Targets

The median year-over-year increase in target goals (target over prior year target) for 2014 was 4 percent, matching 2013 but down from 6 percent in 2012 and 9 percent in 2011. This may mean that company growth is slowing down or that goals are easier to achieve. Thirty-seven percent of target performance goals were set at levels that were lower than the prior year actual results and 30 percent of goals were below the prior year target value. (See Figure 1)

It appears that more companies are focusing on actual results in setting performance goals rather than prior year targets. This reliance on prior year actual results is demonstrated by the decrease in the range of target to prior year target goals (25th to 75th percentile) over the three-year period, but a relatively flat range of target goals to actual payout.

The difference between the 25th percentile to 75th percentile target change decreased from 35 percent in 2011 to a difference of 16 percentage points (-2 percent to 14 percent) in 2014. The change in target goals to prior year actual payouts only changed modestly from a difference of 16 percent in 2011 to 13 percent in 2012, 2013, and 2014. This change may be explained by the reduction in forecasting errors as companies use formulaic annual bonus plans and associated targets.

Pay-for-Performance

An *examination* of 2014 STIP payouts relative to target indicates that in 2014, 63 percent of NEOs were paid at or above target levels, which is comparable to the payouts in 2012 and 2013 but below 2011 (72 percent).

Of the companies that disclosed long-term incentive performance and payout information, the percentage of NEOs that were paid at or above target was 60 percent in 2014, similar to the results in prior years.

We also reviewed how STIP target levels were set relative to the prior year target to see whether decreasing the target value resulted in companies more able to exceed target. As expected, we found that companies with reduced targets from the prior year achieved above target performance at a higher rate than did companies that increased performance targets (63 percent vs. 58 percent).

Stock Option Grants Continue to Recede

The shift away from appreciation awards (stock options or stock appreciation rights (SARs)) and toward performance awards that are earned based on achieving performance goals continued in 2014. We attribute the steep shift from appreciation awards to performance awards to the impact of Say-on-Pay (SOP) and the influence of ISS, particularly its classification of time-based stock options as non-performance-based grants. See Figure 2 for further details.

In addition to the decrease in prevalence of appreciation awards, the value provided in the form of stock options or SARs is also declining. In 2008, approximately 40 percent of the total LTI value was provided in the form of appreciation awards and also in performance-based awards (with 20 percent in time-based restricted stock/units).

By 2014, performance-based awards increased to 57 percent of the total LTI value with a corresponding decrease in stock options or SARs (with time-based restricted stock/units remaining flat). See Figure 3.

Figure 1: Strength of Annual (STIP) Performance Targets

	2014		2013		2012		2011	
Percentile	Target Relative to Prior Year Target (%)	Target Relative to Prior Year Results (%)	Target Relative to Prior Year Target (%)	Target Relative to Prior Year Results (%)	Target Relative to Prior Year Target (%)	Target Relative to Prior Year Results (%)	Target Relative to Prior Year Target (%)	Target Relative to Prior Year Results (%)
25th	–2%	–6%	–3%	–4%	–2%	–4%	–1%	–1%
Median	4%	3%	4%	4%	6%	4%	9%	6%
75th	14%	7%	11%	9%	18%	9%	34%	15%

Figure 2: Prevalence of LTI Award Types

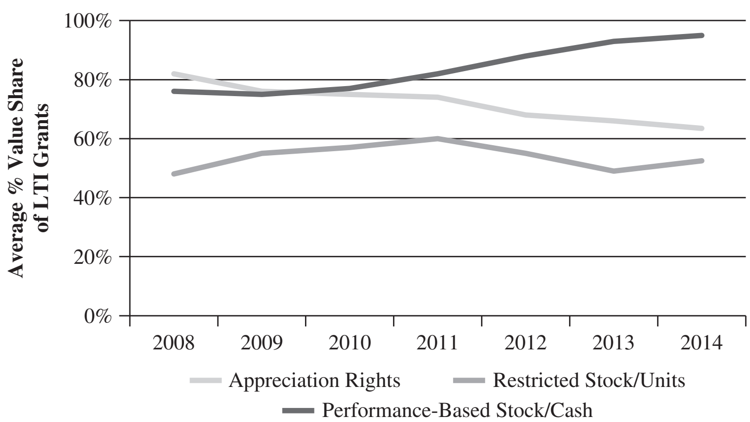


Figure 3: Average LTI Mix

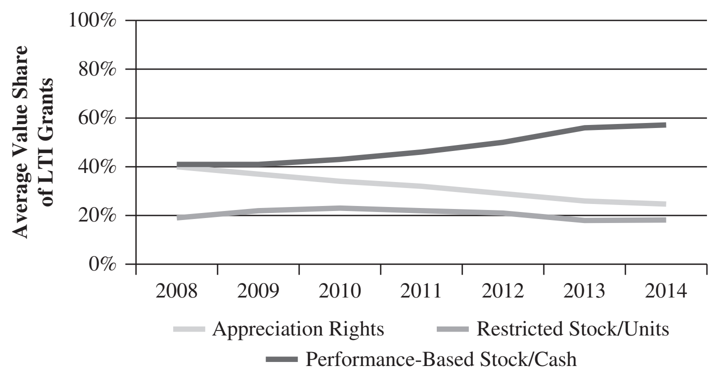


Figure 4: Prevalence of Long-Term Incentives

	Percent of Companies Making Grants*						
Grant Type	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**
Appreciation Awards	63%	66%	68%	74%	75%	76%	82%
Stock Options	*60%*	*62%*	*64%*	*71%*	*71%*	*71%*	*76%*
SARs	*3%*	*4%*	*4%*	*3%*	*4%*	*5%*	*6%*
Restricted Stock/Units	52%	49%	55%	60%	57%	55%	48%
All Performance-Based Awards	95%	93%	88%	82%	77%	75%	76%
Performance Shares/ Units	*82%*	*80%*	*72%*	*65%*	*60%*	*54%*	*55%*
Performance Restricted Stock/Units (performance hurdles)	*15%*	*13%*	*13%*	*15%*	*11%*	*13%*	*11%*
Performance/Premium Stock Options	*3%*	*4%*	*3%*	*2%*	*2%*	*3%*	*3%*
Long-Term Cash	*15%*	*16%*	*16%*	*17%*	*18%*	*20%*	*20%*

* All 200 companies made equity and/or long-term cash grants to one or more top executives during 2014.

Long-Term Incentive Mix (Prevalence and Value)

One of the primary design criteria for a long-term incentive program is what types of vehicles should be used. To answer this question, we reviewed proxy statements to determine the most prevalent LTI mixes. Eighty-one percent of companies granting long-term incentives in 2014 used more than one type of LTI vehicle. For purposes of this study, long-term incentive grants were categorized into one of five groups:

(1) **AA:** Appreciation Awards (plain vanilla stock options and stock appreciation rights)

(2) **RS:** Restricted stock and restricted stock units (time based)

Performance-based awards–PB (includes the following three categories shown below):

(3) **PRS:** Performance restricted stock and performance restricted stock units (hurdle goal)

(4) **PS:** Performance shares, performance share units, premium/performance stock options

(5) **LTI CASH:** Long-term cash-based plans

Figure 4 shows the continued trend away from stock options in favor of performance-based awards based on how many companies are providing each type of award to their top executives.

In terms of value delivered, performance-based incentives first averaged 50 percent of LTI grant value in 2012 with momentum continuing in 2013 and 2014 with the average value of performance-vested equity and cash reaching 57 percent of the LTI mix in 2014. As performance-based awards have increased in both frequency of use and the LTI value mix, both appreciation awards and restricted stock/units have declined although 2014 changed only slightly from 2013. This suggests that these trends might be leveling off. See Figures 3 and 4 for further details.

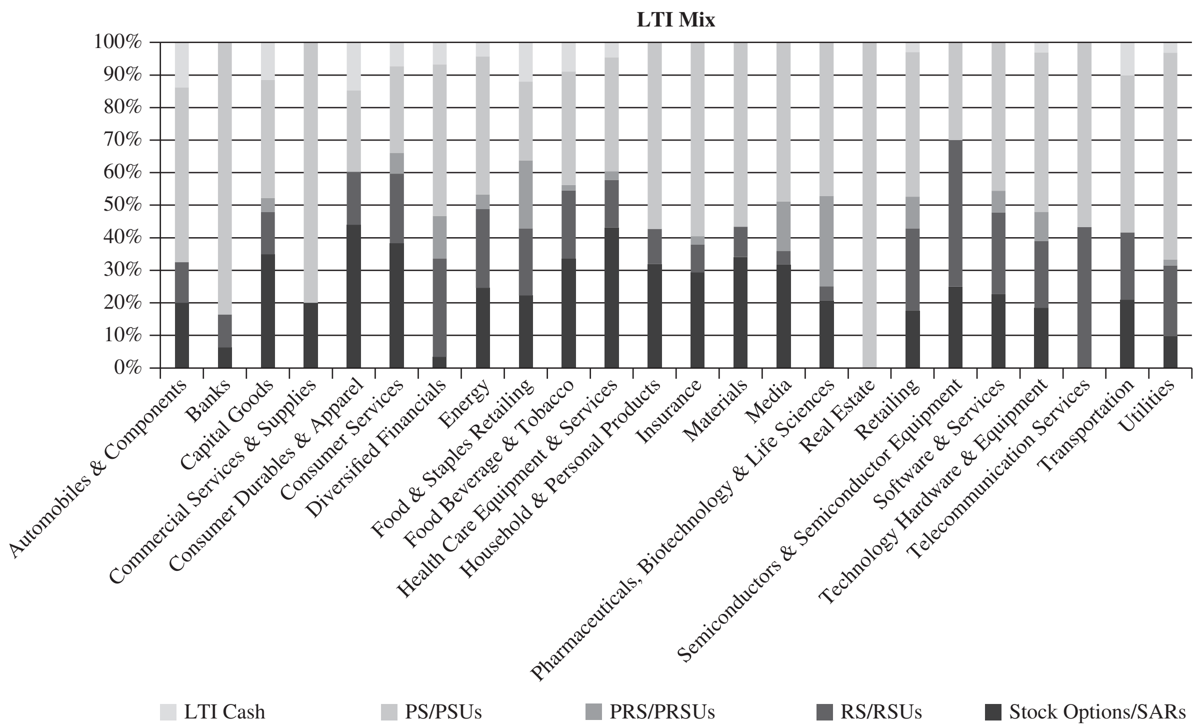
Figure 5 shows the prevalence of various combinations of equity vehicles. The most common

Figure 5: LTI Mix Prevalence

LTI Mix	2014	2013	2012	2011
Appreciation Awards/Performance-Based (PB)*	34%	34%	31%	28%
Appreciation Awards/Restricted Stock/Performance-Based (PB)*	28%	29%	31%	32%
Performance-Based (PB) Only*	12%	15%	11%	10%
Restricted Stock/Performance-Based (PB)*	20%	14%	14%	11%
Appreciation Award Only	11%	3%	3%	3%
Appreciation Awards/Restricted Stock	2%	3%	5%	11%
Restricted Stock Only	3%	3%	5%	5%

* Performance-based includes performance shares, performance stock units, performance or premium stock options, performance restricted stock/units, and long-term incentive cash.

Figure 6: LTI Award Mix by Industry



combinations are a mix of stock options and performance-based awards (34 percent) followed by a blend of stock options, time-vested stock, and performance-based awards (28 percent).

LTI mix varies by industry as shown in Figure 6. However, it is clear that most industries in the top 200 are using performance-vested grants as the predominant type of long-term incentive.

Vesting

Stock options, time-vested restricted stock/units, and performance-based awards generally have different vesting conditions as follows:

- Appreciation Awards (SARs and Stock Options):
  - Annual vesting (86 percent of companies) beginning at the first anniversary of the award.
  - Typically over three years (60 percent) or four years (32 percent) with a ten- (88 percent) or seven-year term (10 percent).
- Restricted stock/units:
  - Annual vesting (53 percent of companies) beginning at the first anniversary
    - Typically over three- (63 percent) or four-years (26 percent).
  - Cliff vesting (41 percent of companies).
    - Typically over three years (81 percent) or four years (11 percent).
- Performance-based awards:
  - Performance period typically spans from one to three years:
    - Cliff vesting over a three-year performance period is most common (68 percent of companies with LTIPs)
    - Twenty-four percent use a one-year performance period
    - The remaining 8 percent have performance periods of two, four, or five years (other than one and three years).
  - Forty-percent of those companies with more than one-year performance periods (76 percent) set annual goals at the beginning of each year. Thus, 46 percent of companies have a three-year performance period where the performance goals are set at the beginning of the three-year period.
  - Twenty-seven percent include additional time vesting requirements (up from 18 percent in 2013).

Performance Measures Used in STIPs

Findings include the following:

- EPS was the most common single measure used by the companies in the study that disclosed their performance measures. Forty percent of companies with non-discretionary STIPs used EPS in 2014, which has remained fairly consistent since 2009.
- Ninety-three percent disclosing specific measures used at least one type of income-based measure in 2014 (slightly higher than in prior years), which includes EPS, net income, operating income, Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA), etc.
- Other common measures used in 2014 include revenue (42 percent), cash flow (34 percent), and capital efficiency ratios (24 percent).
- TSR, the most commonly used measure in a LTIP, is not often used in a STIP. In fact, only 2 percent of companies with STIPs used TSR in 2014.
- For companies disclosing measures, the use of non-financial measures (such as customer

satisfaction, production goals, and new business market share) were disclosed at 51 percent of companies.

- Thirty-seven percent of companies with STIPs and LTIPs used one or more of the same measures in both incentive programs, which is similar to prior years.

Performance Awards and Long-Term Incentive Plans

Findings include the following:

- TSR is the most commonly used performance measure in LTIPs, with 57 percent of LTIP plans using TSR in 2014. This measure has steadily increased in use over the past few years, from 46 percent in 2011, to 51 percent in 2012 and 55 percent in 2013.
    - TSR is usually used as a relative measure that compares company performance to a peer group (57 percent) or composite index (43 percent). Eight percent of companies used both a composite index and a peer group for measuring comparative performance.
    - Thirty-three percent of companies using TSR used the S&P 500 index as a benchmark.
    - Nine percent (17 companies) used a TSR-based modifier to adjust the final performance result, with nine of these 17 companies using the S&P 500 index as the relative measure.
- Similar to STIPs, some type of income measure is commonly used in LTIPs. Forty-nine percent of companies with LTIPs used at least one measure of income in 2014, which was slightly less than the 53 percent prevalence in 2013. Of the income measures, EPS is still used most often (57 percent of companies include an income-type measure) but has been receding somewhat.
- Twenty percent used a revenue measure in 2014, which has been relatively constant over the past 5 years.
- The vast majority of LTIPs (86 percent of companies with LTIPs) include the common design of threshold/target/maximum performance and payout levels. The remaining 14 percent of companies used a performance hurdle that has no upside potential.
- Sixty-eight percent of performance periods reported were three years in length. which has been relatively consistent since 2010. Twenty-seven percent used one-year performance periods with many adding two or more additional vesting years. Of these companies using one-year performance periods, over half (54 percent) of them set performance goals annually over a three-year period.

Figure 7: By Company (% of STI/LTI plans, Non-Discretionary)*

	2014		2013		2012		2011	
Performance Measure	**STI**	**LTI**	**STI**	**LTI**	**STI**	**LTI**	**STI**	**LTI**
Income: EPS, net income, EBIT/EBITDA, operating income, pretax income	93%	49%	91%	53%	90%	52%	90%	50%
Total Shareholder Return: Stock price appreciation plus dividends (relative and absolute), stock price	2%	57%	5%	55%	3%	51%	2%	46%
Capital Efficiency: Return on equity, return on assets, return on investment, return on capital, economic value added	24%	46%	24%	44%	25%	40%	26%	36%
Revenue: Revenue, revenue growth	42%	20%	40%	18%	35%	20%	31%	21%
Cash Flow: Cash flow, cash flow growth	34%	12%	33%	13%	29%	12%	28%	14%

*The sum of percentages is greater than 100 percent because most companies use more than one measure.

This performance measure data is summarized in Figure 7.

In the case of STIPs, this chart does not include individual discretionary performance plans (26 companies in 2014). Also, one company did not disclose a STIP in 2014.

Absolute vs. Relative Measures

All companies with a STIP used at least one absolute measure to evaluate performance. Only 8 percent of STIPs included a relative measure in 2014, which is about the same as the last three years.

Of the 190 companies with LTIPs, 65 percent used at least one relative measure in their 2014 LTIP design, moderately higher than last year's 61 percent. This is the highest percentage we have seen in the past seven years, and we attribute it to the attempt by companies to more directly link long-term pay with performance. In 2014, 77 percent of these companies used TSR as the relative measure, lower than last year's 81 percent prevalence.

Seventy-nine percent of companies included at least one absolute measure in their LTIP. In addition, 44 percent used a combination of absolute and relative measures.

When all performance measures are aggregated, we found that 81 percent of all LTIP measures were based on absolute goals and 19 percent were based on relative performance.

TSR Modifier

One such combination of absolute and relative performance measures, used by 17 of 102 companies that use relative TSR, is the introduction of a TSR modifier applied to the results generated by an absolute performance goal.

Why Hiring the Right Compensation Consulting Firm Can Make a Difference

By Steve Seelig and Richard Luss

Compensation committees have a tough job setting executive pay in today's fishbowl environment. A key part of the committee's role is selecting the compensation consultant best suited to the company's circumstances. In our experience, these decisions tend to be qualifications-based, with a focus on the consultant's experience, industry knowledge, prior and current working relationships, reputation, time availability, and fee arrangements. But is that line of inquiry most conducive to getting customized advice that's best tailored to a company's particular business strategy? While having an experienced consultant who's done dozens of similar jobs is important, if you were hiring an architect to design your home, wouldn't you want a professional who thoughtfully customizes his or her approach for each client?

In the current executive pay environment, we've seen a trend toward greater homogeneity of compensation programs, perhaps as a direct result of say-on-pay voting and the role of proxy advisors. The sheer number of pay programs that need to be reviewed each proxy season has moved proxy advisors and some institutional investors to employ normative models for pay design that have influenced compensation committee thinking. It's tempting for compensation consultants' advice to trend toward those same normative models as the safest course.

Recent research by Susanna Gallani, an assistant professor at the Harvard Business School, raised the same questions about why CEO pay practices seemed to be so homogenous despite the large variability in company characteristics and goals.[1] The research found that pay practices are more homogenous than would be expected, even when controlling for similarities related to industry affiliation or peer group. The study examined whether something else was influencing companies to adopt "popular models of compensation" that fail to provide a "better fit with the strategic objectives of the organization, thus distorting managerial incentives and reducing shareholder value."

Gallani's research tested the hypotheses that personal or business relationships are more likely to influence common ways of thinking through these "network connections." With regard to executive pay design, the study looked at the effects of board interlocks or the use of a common pay advisor on the similarity of pay programs between different companies. To assess pay homogeneity, the study was fairly sophisticated and measured both the selection and weighting of performance measures as well as the mix between fixed and incentive-based pay components.

As would be expected in view of the role of directors in setting executive pay, the study found that the greater the number of board interlocks, the more likely a company's compensation programs would be similar to those of other companies. Not surprisingly, the likelihood of compensation program similarity is even higher when those directors serve together on the compensation committees of two or more companies.

The more interesting and actionable finding offers compensation committees more insight into how to think about the best fit for each company's circumstances. The study found that when a company shares a compensation consultant with a peer company, this tends to lead to greater similarity in the structure of pay mix (relative weights assigned to fixed pay and

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forms of incentive pay). Thus, choosing this consultant may be a good choice for compensation committees that have seen the consultant's work before and want to replicate the resulting pay structures for their company.

However, this may not be the ideal approach. As the study notes, "the demand for compensation consulting services with respect to designing a performance measures mix appears to be directed towards more personalized solutions, as opposed to the adoption of 'one-size-fits-all' compensation structures." For compensation committees seeking a more customized solution, the study finds that "compensation consultants with a larger, more sophisticated customer base and more experience design more customized compensation solutions."

The study provides an empirical rating of consulting firms that are best positioned to provide more customized advice based on the number and types of clients they have, and Willis Towers Watson was rated the highest by a fairly wide margin. Said differently, on the strength of the wide range and quality of companies that employ Willis Towers Watson, our executive compensation consultants were found to be more likely to be able to give clients highly tailored advice on how to choose their performance metrics and structure their pay mix differently in order to support their strategic objectives.

The study suggests that larger consulting firms like Willis Towers Watson provide more individualized advice for two reasons:

- Our access to proprietary market data enables our consultants to leverage their professional expertise and tailor the design of compensation contracts to the needs of individual clients, in line with contracting theory predictions.
- Developing individualized solutions for each client entails higher costs and requires greater resources, which may not be equally available in smaller consulting firms.

Of course, we're pleased with these findings and heartened that an independent study confirms the benefits of hiring Willis Towers Watson for executive compensation advice. More importantly for those hiring compensation consultants, this study should encourage compensation committees to reconsider the notion that full-service consulting firms should be disqualified from the selection process due to concerns about their "independence" under exchange listing guidelines or the potential for fee disclosure under Securities and Exchange Commission regulations for other services provided to management.

For more on the consultant independence issue, see "Myths and Realities of the New SEC 'Independence' Rules: Some Frequently Asked Questions (Part One)."[2]

Notes

1. Susanna Gallani, *Through the Grapevine: Network Effects on the Design of Executive Compensation Contracts,* Harvard Business School Accounting and Management Unit Working Paper No. 16-019; available at *http://ssrn.com/abstract=2642924*, last accessed March 21, 2016.

2. *Executive Pay Matters*, September 2012 at *https://www.towerswatson.com/en/Insights/Newsletters/Global/executive-pay-matters/2012/Myths-and-Realities-of-the-New-SEC-Independence-Rules-Some-Frequently-Asked-Questions-Part-1*, last accessed March 21, 2016.

Study: Does CEO Succession Planning Disclosure Matter?

By Annalisa Barrett

Shareowners and corporate directors agree that CEO succession planning is one of the most important responsibilities of the board. A failed CEO transition can create challenges for the company and all involved. Even successful CEO changes can be costly and distracting for the company. In order to understand how boards are addressing this important issue, many shareowners have called on corporate boards to provide disclosure about the CEO succession-planning process.

Several institutional investors call for companies to provide robust disclosure regarding CEO succession planning in their corporate governance policies and proxy voting guidelines. In fact, the Council of Institutional Investors' Corporate Governance Policies state that the "board should approve and maintain a detailed CEO succession plan and publicly disclose the essential features in the proxy statement."[1]

Changes in Succession Planning Disclosure

The Securities and Exchange Commission's (SEC) Proxy Disclosure Enhancements, which were effective in 2010, increased the information companies must provide in their proxy statements regarding many topics that relate to succession planning. However, they did not specifically mandate any particular type of succession-planning disclosures.[2]

Another change came when the SEC changed its stance on shareholder proposals regarding CEO succession planning. A number of shareowners had submitted proxy proposals calling for more disclosure regarding CEO succession planning in the years leading up to 2009. According to the SEC's *Staff Bulletin* dated October 27, 2009, "[t]hese proposals generally requested that the companies adopt and disclose written and detailed CEO succession planning policies with specified features, including that the board develop criteria for the CEO position, identify and develop internal candidates, and use a formal assessment process to evaluate candidates."[3]

Many companies submitted requests to be allowed to exclude these proposals because they addressed ordinary business operations, and the SEC had granted those requests. However, the SEC changed its stance with the issuance of the October 2009 bulletin, stating: "We now recognize that CEO succession planning raises a significant policy issue regarding the governance of the corporation that transcends the day-to-day business matter of managing the workforce. As such, we have reviewed our position on CEO succession planning proposals and have determined to modify our treatment of such proposals."[4]

Research on CEO Succession-Planning Disclosure

Although these changes presumably led to companies disclosing more regarding their CEO succession plans, there had not been a study of the effectiveness of this disclosure. That is, until the release of a recent study conducted by Board Governance Research and sponsored by the IRRC Institute, which examines corporate disclosure regarding CEO succession planning made by the Russell 3000 companies that had a CEO transition[5] during the 2012 calendar year. Changes that took place in 2012 were reviewed in order to be able to assess the results of the CEO transition for the two years afterward. The results of the study allow investors to draw

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meaningful conclusions about the patterns of disclosure and their correlation to successful CEO transitions.

Surprisingly, nearly one-quarter (24 percent) of the companies studied did not provide any discussion regarding succession planning in any of the proxy statements filed in the years prior to the CEO change or in the year of the change (*i.e.*, the 2010, 2011, and 2012 calendar years). Even among the companies that did provide information about CEO succession planning, none provided a truly comprehensive description of the CEO succession plan in their proxy statements during the timeframe studied. However, some companies did address some of the key features of CEO succession plans:

Role of the Full Board: Nearly one in six (16 percent) of the companies studied provided a description of the role the entire board plays in the CEO succession-planning process. Ultimately, even if the oversight of the plan is delegated to a board committee, the entire board is responsible for the CEO transition, so it is important that all directors are knowledgeable about, and supportive of, the plan.

Frequency with which the CEO Succession Plan is Reviewed: Only one in 10 (10 percent) of the companies studied disclosed how frequently the board reviews the CEO succession plan. Although some boards report that they review the plan annually, most of these boards used more general language, such as "regularly," to describe the frequency of reviews.

Emergency CEO Succession Plan: Fewer than one in ten (8 percent) of the companies studied mentioned the existence of a plan addressing what to do if there is an unexpected immediate need for a new CEO (*e.g.*, in the case of the incapacitation or death of the sitting CEO).

Process Used to Identify Candidates: Few companies (2 percent) described the process used by the board to identify CEO candidates. Similarly, only 2 percent of companies studied discussed how the directors are exposed to senior leaders and high-potential executives within the company.

Does CEO Succession-Planning Disclosure Correlate with the Quality of the Transition?

There are differing opinions regarding what a successful CEO transition looks like; therefore, one commonly accepted definition has yet to be established. For purposes of the study, the following criteria were set to evaluate the success of the CEO transition which took place at the study companies in 2012:

- **The departure of the outgoing CEO departure is announced before the effective date of his or her departure:** In order to avoid surprise or concern among the company's employees and shareowners, communication from the company regarding the upcoming CEO transition should be clear and timely. According to The Conference Board, "The development of an external communications plan" is "a fundamental aspect of the CEO succession planning process."[6]

- **The board named a permanent, not interim, CEO:** Many experts feel that naming an interim CEO can be an indication of a lack of succession planning (*e.g.*, consultants at *Strategy&* say that the naming of an interim CEO "suggests indecisiveness and creates uncertainty."[7])

- **The new CEO is named within three months of the announcement regarding the outgoing CEO's departure:** In a model CEO succession, the incoming CEO would be announced to the public at the same time that the outgoing CEO's departure is announced.

- **The new CEO was an internal executive candidate prior to being promoted to CEO, rather than being an external hire or a member of the board:** Many studies have shown the benefits of hiring an internal candidate to replace an outgoing CEO. A commonly cited benefit is the notion that an internal candidate brings "institutional knowledge and an understanding of the company's culture."[8] Additionally, some experts view the naming of a board member as a permanent CEO problematic and evidence of a lack of proper succession planning. One concern with this approach is that if there is any expectation that a board seat is a path to the CEO's office, the director serving with that path in mind may not act in an unbiased manner when it comes to matters regarding the evaluation of the current CEO's performance.

- **The new CEO stayed in the CEO role for more than two years:** Any CEO departure is costly to the company, therefore one goal of a CEO transition must be to avoid having to go through another transition in the near future.

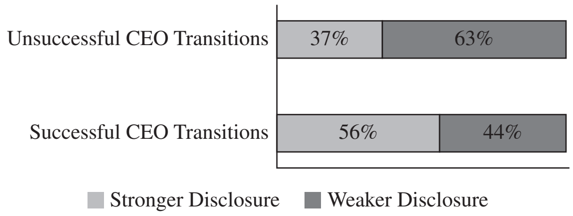
As previously discussed, succession-planning disclosure is inconsistent and frequently totally lacking. Therefore, a relative ranking system was established to judge the disclosure of one company against the disclosure of the other companies in the cohort of companies with CEO transitions in 2012. A company's disclosure was deemed to be "stronger" if it mentioned CEO succession planning in its proxy statements filed in at least one of the three years studied and if the mention of the topic falls into at least two of the four categories discussed previously: the role of the full board, frequency of CEO succession-plan review, emergency CEO succession, and the process used to identify candidates. If a company does not mention succession planning, or if it only mentions the topic in relation to one of the topics listed previously, the disclosure is considered "weaker."

Successful CEO Transitions

Fifty of the CEO transitions studied were categorized as "successful" based on the criteria above. Specifically, in these 50 transitions, the Form 8-K announcing the transition was filed before the effective date, and the new CEO was an internal candidate who was still serving as CEO as of the most recent proxy.

As you can see in Figure 1, 56 percent of these companies had stronger disclosure regarding CEO succession planning and 44 percent had weaker disclosure. This finding indicates

Figure 1: Disclosure Comparison



that is was more likely for a company that had a successful CEO transition in 2012 to have provided more disclosure about their CEO succession plan in the years prior to the transition.

Unsuccessful CEO Transitions

CEO transitions were deemed to be "unsuccessful" if any combination (*i.e.*, more than one) of the following apply:

- The Form 8-K naming the new CEO was filed more than three months after the announcement of the departure of the outgoing CEO;
- An interim CEO was named;
- A board member or an external candidate was named CEO; or
- The CEO was no longer serving as of the most recent proxy.

This analysis led to the identification of 41 unsuccessful CEO transitions.

Among those companies, only 37 percent had stronger disclosure regarding succession planning, and 63 percent had weaker disclosure. This pattern indicates that it was less likely that a company that had an unsuccessful CEO transition had provided stronger succession planning disclosure in the years leading up to the leadership change.

Conclusion

Figure 1 shows the clear difference between the levels of disclosure regarding CEO succession planning by companies that had successful CEO transitions and those that had unsuccessful CEO transitions. It cannot be concluded that a company that provides sufficient disclosure regarding CEO succession planning will have a successful CEO transition in the future; however, it does appear that there is a correlation between companies that have successful transitions and more fulsome disclosure. Although causation is virtually impossible to prove, absent unfettered access to boardrooms, it seems plausible to speculate that the level of disclosure is indicative of the level of attention paid by the board to succession planning, and that stronger disclosure practices can be a sign that the board is focused on succession planning.

Notes

1. Council of Institutional Investors, Corporate Governance Policies, Section 2.9, updated April 1, 2015.

2. Securities and Exchange Commission, Release No. 33-9089: Proxy Disclosure Enhancements, Dec. 16, 2009.

3. Securities and Exchange Commission, Division of Corporate Finance, Staff Legal Bulletin No. 14E (CF), Oct. 27, 2009.

4. Securities and Exchange Commission, Division of Corporate Finance, Staff Legal Bulletin No. 14E (CF), Oct. 27, 2009.

5. Only companies headquartered in the US that had a change in CEO due to a departure of the CEO for reasons such as resignation, termination, retirement, and medical reasons were included. Departures that were the result of a merger or acquisition transaction, or a change in control of any type, were not included.

6. Jason D. Schloetzer, Matteo Tonello and Melissa Aguilar, CEO Succession Practices 2013 Edition, The Conference Board, page 30.

7. Ken Favaro, Per-Ola Karlsson, & Gary L. Neilson, Strategy&, The $112 Billion CEO Succession Problem, s+b, Summer 2015.

8. Annalisa Barrett, Equilar Inc., *CEO Turnover: Findings from a study of CEO departures at S&P 1500 companies between 2007 and 2010*, 2011.

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