

BEST PRACTICES IN EMERGENCY CEO SUCCESSION PLANNING



EMERGENCY SUCCESSION Resource Checklist

- Document emergency succession plan and related procedures
- Prepare checklist of tasks as specified in the emergency succession plan
- Prepare Communication Response Templates
 - Prepared media statements to handle inquiries received before first official statement is released
 - Initial release to employees
 - Public press releases for full distribution covering a range of scenarios, including death / major illness, resignation, and dismissal
 - Script for new CEO's communication to employees, to the extent possible
 - Statement to the company's shareholders
- Develop communications protocol for individuals responsible for communicating with:
 - Board of directors
 - Executive Leadership Team
 - All employees
 - Media
 - Investors
- Designate emergency CEO candidates, updated annually
 - Identify executive talent bench strength in case of other promotions where necessary
- Establish and codify team to lead the transition with a list of contact information
- Pre-prepare regulatory filings and notifications to appropriate regulatory authorities, updated annually



BEST PRACTICES

Actions for Readiness

- ✓ Pre-outline timeline, activities to complete, and response strategies for different emergency scenarios (e.g., death, termination, sudden resignation)
- ✓ Build an emergency succession executive response team
 - » Members may include: CHRO, General Counsel (GC), Public Relations (PR), CFO, Investor Relations, and/or Corporate Secretary
- ✓ Board maintains and annually updates a designated successor and/or a short list of emergency CEO options from current company executives and/or board members
- ✓ Maintain prepared press-releases and regulatory filings which are updated annually to address
 - » The company has a plan and is working to resolve issue and ensure continuity
 - » The cause of the emergency succession: death, termination, unplanned resignation, etc.
 - » Potential answers to common questions about the process;

these are unique to each company, but designed to imbue confidence in investors and other interested third parties

- ✓ All first day press statements are handled by head of PR; the emergency CEO does not yet speak with the press

Potential Pitfalls

- × Unclear expectations for team members and their roles, including the potential for a lack of leadership while in crisis
- × Board is not up to speed regarding current readiness of candidates, leading to slow response, selection of wrong inside option, or instills an outside interim when internal candidates may be ready
- × External outlets (e.g. media) release news before the company is prepared to make a statement
- × Statements are hastily prepared and use language which does not yield confidence in the firm's or new CEO's ability to respond to the situation or lead the organization



The Center for Executive Succession Advisory Board is comprised of Chief Human Resources Officers from the following companies:

- | | | |
|--------------------|---------------------------|------------------------|
| ■ AbbVie | ■ Home Depot | ■ Suffolk Construction |
| ■ Boeing | ■ Lincoln Financial Group | ■ Trane Technologies |
| ■ CIT Group | ■ Manulife | ■ Verizon |
| ■ Duke Energy | ■ Medtronic | ■ VF Corporation |
| ■ DuPont | ■ Prudential Financial | |
| ■ General Electric | | |



EMERGENCY SUCCESSION

Response Timeline

Day 0: Before the Event

- Press releases are pre-prepared and updated annually; separate press releases for death / serious illness, termination, or resignation scenarios
- The team responsible for guiding the transition is established and both the overall process and their roles within the process are reviewed annually
- Board of directors either has an interim designee (preferable) or a short list of two to three potential candidates to hold the temporary position; these may include both executives and board members

Day 1: Day of Event

- CHRO or responsible leader conveys meeting of response team after notification of need for emergency succession:
 - » Corporate secretary contacts directors for an emergency board meeting
- In case of resignation or dismissal, board chair or lead director meet with CHRO and GC to discuss contractual obligations
 - » Board chair, potentially along with CHRO and/or GC, meet with outgoing CEO to discuss or negotiate compensation package
- Board meets to discuss the situation and select new leadership:
 - » Approve selection of emergency CEO and determine whether to be done on an interim or permanent basis
 - » New senior management to replace promoted executive, if necessary
 - » If CEO was board chair, interim chairperson of the board is elected (likely the lead director)
 - » Identify how the board will support the new CEO in the transition
 - » In the case of an interim, establish the formal authority that the interim CEO will have in operating the business
- CHRO, GC, and Chairperson of Board of Directors notify the interim CEO of their new role
- Board chair or CHRO personally notifies other members of the executive leadership team of leadership changes
- New CEO prepares and hosts leadership meeting:
 - » Presents leaders with up-to-date information about the transition
 - » GC informs leadership team about the new CEO's responsibilities and the new operating procedure
 - » Board chair may lead the meeting
- CHRO and CEO's administrative assistant reschedules or cancels appointments as needed
- GC prepares and files appropriate regulatory filings
- The Stock Exchange is notified
- PR finalizes press releases with the transition team's approval and prepares Q&A
- PR sends statements to press, as well as putting the releases on the company's website and relevant social media pages

Day 2: Day after Event

- New CEO issues statement (written or video) to the company's employees
- PR, CHRO, GC and new CEO review previous day's media releases and respond accordingly
- New CEO, along with board chair, contacts major investors, when necessary, to discuss the transition and sharing of responsibilities
- Company returns to work as normal and follows the new operating procedure

Week to Month: Following Event

- CHRO and new CEO meet with family of the previous CEO, in case of death/major illness
- If selecting an interim, board evaluates whether the interim position requires additional pay/benefits, as well as whether to start open search for new CEO or to promote the interim CEO permanently
- Board must ensure expectations for the new CEO and the related criteria for evaluation have been identified and communicated



COMMUNICATIONS

Response Protocol

- Use prepared, as-needed press response to handle potential inquiries from media
- Ensure responses are timely and accurate to set the tone of media coverage
- Once approved by the board, release prepared internal statement to employees
- Set communication plan for announcing new CEO to leaders of the company, typically by the board chair, CHRO, or GC
- Board and new CEO approve press release, which is distributed to the press, posted on corporate website, published through appropriate wire services, and shared on social media
- Head of PR handles media inquiries and questions, relying on press release and prepared information from leadership team
- On day two, new CEO releases written or video statement to employees
- Media response to previous release is monitored and addressed on the following day, if needed
- Communication plan to speak with major investors is established and appropriate conference calls are scheduled with the new CEO, board chair, CFO, and other members of executive leadership team



The Center for Executive Succession serves as an independent, objective source of knowledge regarding C-suite succession practices. The center provides a forum for corporate leaders to shape the future direction of succession practices, which are increasingly one of the board's top governance priorities. Our partners have the opportunity to contribute to cutting edge research that challenges the status quo and is empirically driven to further success in C-suite succession planning. For more information or to inquire about potential membership, please visit our website below.