*News Release*

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## Global study on CEO trends indicates a significant uptick in CEOs forced out of office for ethical lapses: PwC's Strategy&

**London, UK, 15 May, 2017 —** The share of CEOs forced out of office for ethical lapses has been on the rise, according to the 2016 CEO Success study released today by Strategy&, PwC's strategy consulting business. The study, which analyzed CEO successions at the world's largest 2,500 public companies over the past 10 years, reports that forced turnovers due to ethical lapses rose from 3.9 percent of all successions in 2007–11 to 5.3 percent in 2012–16 — a 36 percent increase, due in large part to increased public scrutiny and accountability of executives.

The increase was more dramatic at companies in the U.S. and Canada. Forced turnovers for ethical lapses at these companies increased from 1.6 percent of all successions in 2007–11 to 3.3 percent in 2012–16 — a 102 percent increase. In Western Europe, the share of CEOs forced out for ethical lapses increased to 5.9 percent from 4.2 percent, and in the BRIC countries, to 8.8 percent from 3.6 percent.

"Our data cannot show — and perhaps no data could — whether there's more wrongdoing at large corporations today than in the past. However, we doubt that's the case, based on our own experience working with hundreds of companies over many years," says Per-Ola Karlsson, partner and leader of Strategy&'s organization and leadership practice for PwC Middle East. "Over the last 15 years, five trends have resulted in boards of directors, investors, governments, customers, and the media holding CEOs to a far higher level of accountability for ethical lapses than in the past."

### The Five Trends Shaping CEO Accountability

- **Public opinion**: Since the financial crisis of 2007–08 and the Great Recession that it ignited, confidence and trust in large corporations and CEOs has been declining; the public has become more suspicious, more critical, and less forgiving of corporate misbehavior.

- **Governance and regulation**: The rise of public criticism of executives and corporations has translated directly into regulatory and legislative action, and companies in the U.S. and many other countries have moved to a zero-tolerance approach toward bad behavior in the C-suite.

- **Business operating environment**: Companies increasingly are (1) pursuing growth in emerging markets where ethical risks, such as the possibility of bribery and corruption, are heightened, and (2) relying on extended global supply chains that increase counterparty risks.

- **Digital communications**: The use of email, text messaging, and social media has created new risks for ethical lapses. A company's digital communications can provide irrefutable evidence of misconduct, and their existence increases the likelihood that a CEO will be held accountable.

- **The 24/7 news cycle**: Unlike in the mid- to late 20th century, when most executives and companies could maintain a low public profile, today the lightning-fast flow of Web-based financial news and data ensures that negative information travels quickly and widely.

Despite the global increase in forced turnovers for ethical lapses, companies in the U.S. and Canada have the lowest incidence of such dismissals — 3.3 percent in 2012–16 compared to 5.9 percent in Western Europe and 8.8 percent in the BRIC countries. More stringent governance regulation is one likely reason. Both the legislative requirements for codes of conduct and anti-bribery statutes have been tightened significantly in the United States.

**Bigger Company, Bigger Target**

The study also found that at the largest companies (those in the top quartile by market capitalization) in the U.S. and Canada and Western Europe, the overall share of CEOs forced out of office was significantly greater than the share forced out in the other market-cap quartiles.

"The fact that forced turnovers for ethical lapses were even higher at companies in the top quartile by market capitalization in these regions supports our hypothesis, since the largest companies are the most affected by the five trends and are subject to the greatest scrutiny," says Kristin Rivera, partner and global forensics clients and markets leader with PwC US.

"The increasing incidence of CEOs being forced out of office for ethical lapses may have a positive effect on public opinion over time by demonstrating that bad behavior is in fact being detected and punished," says DeAnne Aguirre, global leader of Strategy&'s Katzenbach Center of Innovation for Culture and Leadership, principal with PwC US. "In the meantime, CEOs need to lead by example on a personal and organizational level and strive to build and maintain a true culture of integrity."

**More Facts from the 2016 CEO Success study**

- **CEO turnover:** CEO turnover at the world's largest 2,500 companies decreased from its record high of 16.6 percent in 2015 to 14.9 percent in 2016, due largely to the drop in merger and acquisition activity. CEO turnover was highest in Brazil, Russia, and India, at 17.2 percent, followed by Japan (15.5 percent) and Western Europe (15.3 percent) and China (15.2 percent). CEO turnover fell in every region we studied except for the U.S. and Canada.

- **Women CEOs:** There were 12 women globally appointed to the role of CEOs in 2016 — 3.6 percent of the incoming class. This marks a return of the slow trend toward greater diversity that had been in place over the last several years, and a recovery from the previous year's low point of 2.8 percent. The share of incoming female CEOs was highest in the U.S. and Canada, rebounding to 5.7 percent after falling for the previous three years. Five industries — healthcare, industrials, information technology, consumer staples, and telecom services — did not have a single incoming female CEO in 2016.

**About the 2016 CEO Success Study**
Over the course of the past 17 years, Strategy& has been tracking continuous data on CEO successions. The 2016 study analyzed CEO successions at the world's 2,500 largest (by market capitalization) public companies over the last 10 years. For the purposes of this study, we define an ethical lapse as a scandal or improper conduct by the CEO or other employees; examples include fraud, bribery, insider trading, environmental disasters, inflated resumes, and sexual indiscretions.

**Ends**
To learn more about the 2016 CEO Success study, visit www.strategyand.pwc.com/ceosuccess. A copy of the global study, including findings by geography and industry, is available from the media contact. Multimedia content, including infographics and video, is also available.

**About Strategy&**
Strategy& is a global team of practical strategists committed to helping you seize essential advantage. We do that by working alongside you to solve your toughest problems and helping you capture your greatest opportunities. We bring 100 years of strategy consulting experience and the unrivaled industry and functional capabilities of the PwC network to the task. We are part of the PwC network of firms in 157 countries, with more than 223,000 people committed to delivering quality in assurance, tax, and advisory services.

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1. For more information, visit www.strategyand.pwc.com/ceosuccess.
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