



Governance Principles



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The following principles have been approved by the board of directors and, along with the charters and key practices of the board committees, provide the framework for the governance of GE. The board recognizes that there is an ongoing and energetic debate about corporate governance, and it will review these principles and other aspects of GE governance annually or more often if deemed necessary.

1. Role of Board and Management

GE's business is conducted by its employees, managers and officers, under the direction of the chief executive officer (CEO) and the oversight of the board, to enhance the long-term value of the Company for its shareowners. The board of directors is elected by the shareowners to oversee management and to assure that the long-term interests of the shareowners are being served. Both the board of directors and management recognize that the long-term interests of shareowners are advanced by responsibly addressing the concerns of other stakeholders and interested parties including employees, recruits, customers, suppliers, GE communities, government officials and the public at large.

2. Functions of Board

The board of directors has eight scheduled meetings a year at which it reviews and discusses the performance of the Company, its plans and prospects, as well as immediate issues facing the Company. Directors are expected to attend all scheduled board and committee meetings. In addition to its general oversight of management, the board also performs a number of specific functions, including:

- a. selecting, evaluating and compensating the CEO and overseeing CEO succession planning;
- b. providing counsel and oversight on the selection, evaluation, development and compensation of senior management;
- c. reviewing, monitoring and, where appropriate, approving fundamental financial and business strategies and major corporate actions;
- d. assessing major risks facing the Company — and reviewing options for their mitigation; and
- e. ensuring processes are in place for maintaining the integrity of the Company - the integrity of the financial statements, the integrity of compliance with law and ethics, the integrity of relationships with customers and suppliers, and the integrity of relationships with other stakeholders.

3. Qualifications

Directors should possess the highest personal and professional ethics, integrity and values, and be committed to representing the long-term interests of the shareowners. They must also have an inquisitive and objective perspective, practical wisdom and mature judgment. We endeavor to have a board representing a range of experience at policy-making levels in business, government, education and technology, and in areas that are relevant to the Company's global activities.

Directors must be willing to devote sufficient time to carrying out their duties and responsibilities effectively, and should be committed to serve on the board for an extended period of time.

Directors who also serve as CEOs or in equivalent positions should not serve on more than two boards of public companies in addition to the GE board, and other directors should not serve on more than four other boards of public companies in addition to the GE board. Positions held as of November 2002 in excess of these limits may be maintained unless the board determines that doing so would impair the director's service on the GE board.

When a director's principal occupation or job responsibilities change significantly during his or her tenure as a director, that director shall tender his or her resignation for consideration by the nominating and corporate governance committee. The nominating and corporate governance committee will recommend to the board the action, if any, to be taken with respect to the resignation.

The board does not believe that arbitrary term limits on directors' service are appropriate, nor does it believe that directors should expect to be renominated annually until they reach the mandatory retirement age. The board self-evaluation process described below will be an important determinant for board tenure. Directors will not be nominated for election to the board after their 73rd birthday, although the full board may nominate candidates over 73 in special circumstances.

4. Independence of Directors

A majority of the directors will be independent directors, as independence is determined by the board, based on the guidelines set forth below.

All future non-management directors will be independent. GE seeks to have a minimum of ten independent directors at all times, as independence is determined by the board based on the guidelines set forth below, and it is the board's goal that at least two-thirds of the directors will be independent. Directors who do not satisfy GE's independence guidelines also make valuable contributions to the board and to the Company by reason of their experience and wisdom.

For a director to be considered independent, the board must determine that the director does not have any direct or indirect material relationship with GE. The board has established guidelines to assist it in determining director independence, which conform to, or are more exacting than, the independence requirements in the New York Stock Exchange listing requirements (NYSE rules). In addition to applying these guidelines, the board will consider all relevant facts and circumstances in making an independence determination.

The board will make and publicly disclose its independence determination for each director when the director is first elected to the board and annually thereafter for all nominees for election as directors. If the board determines that a director who satisfies the NYSE rules is independent even though he or she does not satisfy all of GE's independence guidelines, this determination will be disclosed and explained in the next proxy statement.

In accordance with NYSE rules, independence determinations under the guidelines in section (a) below will be based upon a director's relationships with GE during the 36 months preceding the determination. Similarly, independence determinations under the guidelines in section (b) below will be based upon the extent of commercial relationships during the three completed fiscal years preceding the determination.

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- a. A director will not be independent if:
- i. the director is employed by GE, or an immediate family member is an executive officer of GE;
 - ii. the director receives any direct compensation from GE, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service);
 - iii. an immediate family member receives more than \$120,000 per year in direct compensation from GE;
 - iv. the director is affiliated with or employed by GE's independent auditor, or an immediate family member is affiliated with or employed by GE's independent auditor and such immediate family member personally works or worked on GE's audit; or
 - v. a GE executive officer is on the compensation committee of the board of directors of a company which employs the GE director or an immediate family member as an executive officer.
- b. A director will not be independent if, at the time of the independence determination, the director is an executive officer or employee, or if an immediate family member is an executive officer, of another company that does business with GE and the sales by that company to GE or purchases by that company from GE, in any single fiscal year during the evaluation period, are more than the greater of two percent of the annual revenues of that company or \$1 million.
- c. A director will not be independent if, at the time of the independence determination, the director is an executive officer or employee, or an immediate family member is an executive officer, of another company which is indebted to GE, or to which GE is indebted, and the total amount of either company's indebtedness to the other at the end of the last completed fiscal year is more than two percent of the other company's total consolidated assets.
- d. A director will not be independent if, at the time of the independence determination, the director serves as an executive officer, director or trustee of a charitable organization, and GE's discretionary charitable contributions to the organization are the greater of \$200,000 or one percent of that organization's annual consolidated gross revenues during its last completed fiscal year. (GE's automatic matching of employee charitable contributions will not be included in the amount of GE's contributions for this purpose.)

5. Size of Board and Selection Process

The directors are elected each year by the shareowners at the annual meeting of shareowners. Shareowners may propose nominees for consideration by the nominating and corporate governance committee by submitting the names and supporting information to: Secretary, General Electric Company, 3135 Easton Turnpike, Fairfield, CT 06828. The board proposes a slate of nominees to the shareowners for election to the board. The board also determines the number of directors on the board provided that there are at least 10. Between annual shareowner meetings, the board may elect directors to serve until the next annual meeting. The board believes that, given the size and breadth of GE and the need for diversity of board views, the size of the board should be in the range of 13 to 17 directors.

6. Board Committees

The board has established the following committees to assist the board in discharging its responsibilities: (i) audit; (ii) management development and compensation; (iii) nominating and corporate governance; (iv) risk; and (v) public responsibilities. The current charters and key practices of these committees are published on the GE website, and will be mailed to shareowners on written request. The committee chairs report the highlights of their meetings to the full board following each meeting of the respective committees. The committees occasionally hold meetings in conjunction with the full board. For example, it is the practice of the audit committee to meet in conjunction with the full board in February so that all directors may participate in the review of the annual financial statements and Management's Discussion and Analysis of Financial Condition and Results of Operations for the prior year and financial plans for the current year. The board reserves oversight of the major risks, including strategic, operational and reputational risks, facing the Company and has delegated risk oversight responsibility to committees of the board as follows: the risk committee oversees the Company's and GE Capital Services's material risks, including strategic, operational, market, liquidity, funding, credit and product risk and the guidelines, policies and processes for monitoring and mitigating all such risks; the audit committee oversees risk relating to the financial statements, financial systems, the financial reporting process, compliance and auditing of the Company and GE Capital Services; the public responsibilities committee oversees risks relating to public policy initiatives, the environment and similar matters; the management development and compensation committee oversees risk related to senior executive compensation; and the nominating and corporate governance committee oversees risk related to corporate governance. All committees assist the board in overseeing reputational risks.

7. Independence of Committee Members

In addition to the requirement that a majority of the board satisfy the independence standards discussed in section 4 above, members of the audit committee must also satisfy an additional Securities and Exchange Commission independence requirement. Specifically, they may not accept directly or indirectly any consulting, advisory or other compensatory fee from GE or any of its subsidiaries other than their directors' compensation. As a matter of policy, the board will also apply a separate and heightened independence standard to members of both the management development and compensation committee and the nominating and corporate governance committee. No member of either committee may be a partner, member or principal of a law firm, accounting firm or investment banking firm that accepts consulting or advisory fees from GE or any of its subsidiaries.

8. Meetings of Non-Management Directors

The board will have at least three regularly scheduled meetings a year for the non-management directors without any management directors or employees present. The chairman of the management development and compensation committee will preside at such meetings. The non-management directors may meet without management present at such other times as determined by the presiding director.

9. Board Leadership

The CEO serves as the chairman of the board. The independent directors have appointed the chairman of the management development and compensation committee to serve as the presiding director. The presiding director leads meetings of the non-management directors, calls additional meetings of the non-management directors as deemed appropriate, serves as a liaison on board-related issues between the chairman and the non-management directors, and performs such other functions as the board may direct, including (1) advising the nominating and corporate governance committee on the selection of committee chairs, (2) approving the agenda, schedule and information sent to the directors for board meetings, (3) working with the chairman of the board to propose an annual schedule of major discussion items for the board's

approval and (4) providing leadership to the board if circumstances arise in which the role of the chairman may be, or may be perceived to be, in conflict, and otherwise act as chairman of board meetings when the chairman is not in attendance. The presiding director also makes himself available for consultation and direct communication with the Company's major shareowners. The board periodically reviews the GE board leadership structure to evaluate whether it remains appropriate for the Company.

10. Self-Evaluation

As described more fully in the key practices of the nominating and corporate governance committee, the board and each of the committees will perform an annual self-evaluation. Each November, each director will provide to an independent governance expert his or her assessment of the effectiveness of the board and its committees, as well as director performance and board dynamics. The individual assessments will be organized and summarized by this independent governance expert for discussion with the board and the committees in December.

11. Setting Board Agenda

The board shall be responsible for its agenda. At the December board meeting, the chairman of the board and the presiding director will propose for the board's approval key issues of strategy, risk and integrity to be scheduled and discussed during the course of the next calendar year. Before that meeting, the board will be invited to offer its suggestions. As a result of this process, a schedule of major discussion items for the following year will be established, including discussion of key material risks. Prior to each board meeting, the chairman of the board will discuss the other specific agenda items for the meeting with the presiding director, who shall have authority to approve the agenda for the meeting. The chairman of the board and the presiding director, or committee chair as appropriate, shall determine the nature and extent of information that shall be provided regularly to the directors before each scheduled board or committee meeting. Directors are urged to make suggestions for agenda items, or additional pre-meeting materials, to the chairman of the board, the presiding director, or appropriate committee chair at any time.

12. Ethics and Conflicts of Interest

The board expects GE directors, as well as officers and employees, to act ethically at all times and to acknowledge their adherence to the policies comprising GE's code of conduct set forth in the Company's integrity manual, "The Spirit & The Letter". GE will not make any personal loans or extensions of credit to directors or executive officers, other than consumer loans or credit card services on terms offered to the general public. No non-management director may provide personal services for compensation to GE, other than in connection with serving as a GE director. The board will not permit any waiver of any ethics policy for any director or executive officer. If an actual or potential conflict of interest arises for a director, the director shall promptly inform the CEO and the presiding director. The nominating and corporate governance committee shall resolve any such conflicts. If a significant conflict exists and cannot be resolved, the director should resign. All directors will recuse themselves from any discussion or decision affecting their personal, business or professional interests. The nominating and corporate governance committee shall resolve any conflict of interest question involving the CEO, a vice chairman or a senior vice president, and the CEO shall resolve any conflict of interest issue involving any other officer of the Company.

13. Reporting of Concerns to Non-Management Directors or the Audit Committee

The audit committee and the non-management directors have established the following procedures to enable anyone

who has a concern about GE's conduct, or any employee who has a concern about the Company's accounting, internal accounting controls or auditing matters, to communicate that concern directly to the presiding director or to the audit committee. Such communications may be confidential or anonymous, and may be e-mailed, submitted in writing or reported by phone to special addresses and a toll-free phone number that are published on the Company's website. Comments, complaints and concerns are initially processed by the GE Corporate Ombudsperson's Office, which acknowledges receipt to the person submitting the communication. The Corporate Ombudsperson's Office supplies any such communication that relates to accounting, internal accounting controls or auditing matters (or a summary) directly to the audit committee chair. Depending on the nature of the issues or concerns raised, the Corporate Ombudsperson's Office also regularly provides copies or summaries of other comments, complaints and concerns directly to directors.

With respect to all other communications, the Corporate Ombudsperson's Office provides regular reports to the audit committee and GE's presiding director at least four times a year. These reports summarize the communications by subject matter and frequency, and break out significant concerns. The reports also include a summary of the status of significant matters that are under review or investigation in response to a concern. This approach ensures that concerns are raised to the directors in an effective manner that accurately informs them of the nature and frequency of the concerns. The presiding director or the audit committee chair may direct that certain matters be presented to the audit committee or the full board and may direct special treatment, including the retention of outside advisors or counsel, for any concern addressed to them. The Company's integrity manual prohibits any employee from retaliating or taking any adverse action against anyone for raising or helping to resolve an integrity concern.

14. Compensation of the Board

The nominating and corporate governance committee shall have the responsibility for recommending to the board compensation and benefits for non-management directors. In discharging this duty, the committee shall be guided by the following goals: compensation should fairly pay directors for work required in a company of GE's size and scope; compensation should align directors' interests with the long-term interests of shareowners; and the structure of the compensation should be simple, transparent and easy for shareowners to understand. As discussed more fully in the key practices of the nominating and corporate governance committee, the committee believes these goals will be served by providing 40% of non-management director compensation in cash and 60% in deferred stock units. Each year, the nominating and corporate governance committee shall review non-management director compensation and benefits.

15. Succession Plan

The board shall approve and maintain a succession plan for the CEO and senior executives, based upon recommendations from the management development and compensation committee. The board views CEO selection and management succession as one of its most important responsibilities. In coordination with the management development and compensation committee, the board: (1) develops criteria for the CEO position that reflects GE's business strategy; (2) routinely reviews and discusses succession planning; and (3) identifies potential internal successors for the CEO. The board also maintains an emergency succession plan that is reviewed periodically.

16. Annual Compensation Review of Senior Management

The management development and compensation committee has primary responsibility for assisting the board in developing and evaluating potential candidates for executive positions, including the CEO, and for overseeing the

development of executive succession plans. As part of this responsibility, the committee oversees the design, development and implementation of the compensation program for the CEO and the other executive officers. The committee evaluates the performance of the CEO and determines CEO compensation in light of the goals and objectives of the compensation program. The CEO and the committee together assess the performance of the other executive officers and determine their compensation, based on initial recommendations from the CEO.

17. Access to Senior Management

Non-management directors are encouraged to contact senior managers of the Company without senior corporate management present. To facilitate such contact, non-management directors are expected to make two regularly scheduled visits to GE businesses a year without corporate management being present.

18. Access to Independent Advisors

The board and its committees shall have the right at any time to retain independent outside accounting, financial, legal or other advisors, and the Company shall provide appropriate funding, as determined by the board or any committee, to compensate such independent outside advisors, as well as to cover the ordinary administrative expenses incurred by the board and its committees in carrying out their duties.

19. Director Education

New directors participate in an orientation program provided by the general counsel and the chief financial officer. Each new director shall, within three months of election to the board, spend a day at corporate headquarters for personal briefing by senior management on the Company's strategic plans, its financial statements, and its key policies and practices. In addition, directors shall be provided with continuing education on subjects that would assist them in discharging their duties, including regular programs on GE's financial planning and analysis, compliance and corporate governance developments; business-specific learning opportunities through site visits and board meetings; and briefing sessions on topics that present special risks and opportunities to the Company. The Company will also provide the directors with access to outside educational programs pertaining to the directors' responsibilities, such as "directors' colleges."

20. Policy on Poison Pills

The term "poison pill" refers to the type of shareowner rights plan that some companies adopt to make a hostile takeover of the company more difficult. GE does not have a poison pill and has no intention of adopting a poison pill because a hostile takeover of a company of our size is impractical and unrealistic. However, if GE were ever to adopt a poison pill, the board would seek prior shareowner approval unless, due to timing constraints or other reasons, a committee consisting solely of independent directors determines that it would be in the best interests of shareowners to adopt a poison pill before obtaining shareowner approval. If the GE board of directors were ever to adopt a poison pill without prior shareowner approval, the board would either submit the poison pill to shareowners for ratification, or would cause the poison pill to expire, without being renewed or replaced, within one year.

21. Majority Vote Standard

Section 6 of the Certificate of Incorporation and Article II, Section C of the By-Laws set forth the Company's majority vote standard for the election of directors, as follows: The vote required for election of a director by the shareholders shall, except in a contested election, be the affirmative vote of a majority of the votes cast in favor of or against the election of a

director nominee at a meeting of shareholders. In a contested election, directors shall be elected by a plurality of the votes cast at a meeting of shareholders by the holders of shares entitled to vote in the election. An election shall be considered contested if as of the record date there are more nominees for election than positions on the board of directors to be filled by election at the meeting. In any non-contested election of directors, any incumbent director nominee who receives a greater number of votes cast against his or her election than in favor of his or her election shall immediately tender his or her resignation, and the board of directors will decide, through a process managed by the nominating and corporate governance committee and excluding the nominee in question, whether to accept the resignation at its next regularly scheduled board meeting. The board's explanation of its decision shall be promptly disclosed on Form 8-K filed with the Securities and Exchange Commission.

22. Stock Ownership Requirements

All non-management directors are required to hold at least \$500,000 worth of GE stock and/or deferred stock units while serving as a director of GE. Directors will have five years to attain this ownership threshold. The non-management directors are required to hold for at least one year the net shares obtained from exercising stock options after selling sufficient shares to cover the exercise price, taxes and broker commissions. In addition, as described more fully in the key practices of the management development and compensation committee, our senior executive officers are required to own specified amounts of GE stock, set at a multiple of the officers' base salary rates.

23. Shareowner Approval of Severance and Death Benefits

If the board were to agree to pay severance benefits to any of the senior executive officers named in the summary compensation table in the Company's proxy statement (the "named executive officers"), the Company would seek shareowner approval of such benefits if: (i) the executive's employment was terminated prior to retirement for performance reasons; and (ii) the value of the proposed severance benefits would exceed 2.99 times the sum of the executive's base salary and bonus. For this purpose, severance benefits would not include: (a) any payments based on accrued pension benefits; (b) any payments of salary or bonus amounts that had accrued at the time of termination; (c) any restricted stock units paid to an executive who was terminated within two years prior to age 60; (d) any stock-based incentive awards that had vested or would otherwise have vested within two years following the executive's termination; and (e) any retiree health, life or other welfare benefits. The Board will also seek shareowner approval for any future agreement or policy that would require the Company to make payments, grants or awards of unearned amounts following the death of any of its named executive officers. This policy does not apply to payments, grants or awards of the sort that are offered to other Company employees. For this purpose, "future agreement" includes the modification or amendment of any existing agreement.

24. Potential Impact on Compensation from Executive Misconduct

If the board determines that an executive officer has engaged in conduct detrimental to the Company, the board may take a range of actions to remedy the conduct, prevent its recurrence, and impose such discipline as would be appropriate. Discipline would vary depending on the facts and circumstances, and may include, without limit, (1) termination of employment, (2) initiating an action for breach of fiduciary duty, and (3) if the conduct resulted in a material inaccuracy in the Company's financial statements or performance metrics, which affect the executive officer's compensation, seeking reimbursement of any portion of performance-based or incentive compensation paid or awarded to the executive that is greater than would have been paid or awarded if calculated based on the accurate financial statements or performance

metrics; provided that if the board determines that an executive engaged in fraudulent misconduct it will seek such reimbursement. These remedies would be in addition to, and not in lieu of, any actions imposed by law enforcement agencies, regulators or other authorities.