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# Governance Principles



## Governance Principles

The following principles have been approved by the board of directors and, along with the charters 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 shareholders. The board of directors is elected by the shareholders to oversee management and to assure that the long-term interests of the shareholders are being served. Both the board of directors and management recognize that the long-term interests of shareholders 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 typically has six 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 meetings, meetings of the committees on which they serve and the Annual Meeting of Shareholders. 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 leadership experience, the highest personal and professional ethics, integrity and values, a passion for learning, a sense of priorities and balance, talent development experience and be committed to representing the long-term interests of the shareholders. They must also have an inquisitive and objective perspective, practical wisdom and mature judgment. We endeavor to have a diverse 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, as well as diversity with respect to attributes including, but not limited to, race, ethnicity, gender and cultural background.

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 executives of public companies should not serve on more than one board of a public company in addition to the GE board and other directors should not serve on more than three other boards of public companies in addition to the GE board, absent special circumstances, such as a period of transition. Service by a director on the board of a public company for which he or she serves as an executive, together with service on the board of any public company subsidiary or public affiliates as part of the director's executive responsibilities shall count as one board for purposes of this limit.



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 governance and public affairs committee. The governance and public affairs committee will recommend to the board the action, if any, to be taken with respect to the resignation.

The board does not believe that directors should expect to be renominated annually. The board self-evaluation process described below will be an important determinant for board tenure. All directors, other than the Company's CEO, will have a term limit of 15 years. Additionally, directors will not be nominated for election to the board after their 75th birthday. The full board may nominate candidates who have served past their term limit or who are over the age limit 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 non-management directors will be independent. GE seeks to have a minimum of seven 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.

- 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, an immediate family member is a current partner of 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 shareholders at the Annual Meeting of Shareholders. Shareholders may propose nominees for consideration by the governance and public affairs committee by submitting the names and supporting information to: Secretary, General Electric Company, 5 Necco Street, Boston, MA 02210. The board proposes a slate of nominees to the shareholders for election to the board. The board also determines the number of directors on the board provided that there are at least seven. Between annual shareholder meetings, the board may elect directors to serve until the next annual meeting. In addition to considering candidates suggested by shareholders, the governance and public affairs committee considers potential candidates recommended by current directors, Company officers, employees and others. The committee considers all potential candidates in the same manner regardless of the source of the recommendation.

## **6. Board Committees**

The board has established the following committees to assist the board in discharging its responsibilities: (i) audit; (ii) governance and public affairs; and (iii) management development and compensation. The charters of these committees are published on the GE website, and will be mailed to shareholders 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.

## **7. Independent Risk Oversight**

The board provides independent risk oversight with a focus on the most significant risks facing the Company, including significant risks that relate to strategic, operational, financial, legal and compliance, as well as sustainability, climate change and reputational matters. It has also delegated specific risk oversight responsibility to the committees of the board as follows: the audit committee oversees risk relating to the financial statements, financial systems, financial reporting processes, cybersecurity, enterprise risk management, regulatory, compliance and litigation risks and auditing; the management development and compensation committee oversees risk relating to senior officer compensation; and the governance and public affairs committee oversees risk relating to corporate governance, public policy initiatives and environmental, health and safety matters.

## **8. 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 (SEC) 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 for GE or a GE subsidiary. Under NYSE rules, in determining the independence of management development and compensation committee members, the board also will consider their source of compensation, including any consulting, advisory or other compensatory fee paid directly or indirectly by GE or any of its subsidiaries. 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 governance and public affairs 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.

### **9. Meetings of Independent Directors**

The board will have at least three regularly scheduled meetings a year for the independent directors without any management directors or employees present. The lead director will preside at such meetings. The independent directors may meet without management present at such other times as determined by the lead director.

### **10. Board Leadership**

The CEO generally serves as the chairman of the board, other than in times of leadership transition, and an independent director serves as the lead director. The independent directors have appointed the chairman of the management development and compensation committee to serve as the lead director. If, at any time, this individual is unable to serve as the lead director, the chairman of the governance and public affairs committee shall serve as the lead director unless and until the independent directors determine otherwise.

The lead director leads meetings of the independent directors and regularly meets with the chairman/CEO for discussion of matters arising from these meetings, calls additional meetings of the independent directors or the entire board as deemed appropriate, serves as a liaison on board-related issues between the chairman/CEO and the independent directors, and performs such other functions as the board may direct, including (1) advising the governance and public affairs 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/CEO to propose an annual schedule of major discussion items for the board's approval, (4) guiding the board's governance processes, including the annual board self-evaluation, succession planning and other governance-related matters, (5) leading the annual chairman/CEO evaluation, and (6) providing leadership to the board if circumstances arise in which the role of the chairman/CEO may be, or may be perceived to be, in conflict, and otherwise act as chairman of board meetings when the chairman/CEO is not in attendance. The lead director oversees the board's periodic review of the GE board leadership structure to evaluate whether it remains appropriate for the Company. The lead director is also available for engagement, consultation and direct communication with the Company's major shareholders. In light of the demands placed on the lead director, absent special circumstances, the lead director shall not serve as the lead director, chairman or CEO of another public company.

### **11. Self-Evaluation**

The board and each of the committees will perform an annual self-evaluation. The governance and public affairs committee will oversee the self-evaluation process, which will be used by the board and by each committee of the board to determine their effectiveness and opportunities for improvement. Each year, each director will be asked to provide his or her assessment of the effectiveness of the board and its committees, as well as director performance and board dynamics. At least annually, the lead independent director or an outside expert in corporate governance will contact each director soliciting comments with respect to both the full board and any committee on which the director serves, as well as director performance and board dynamics. Solicited comments may include how the board can improve its key functions of overseeing personnel development, financials, other major issues of strategy, risk, integrity, reputation and governance. In particular, for both the board and the relevant committee, the process will solicit ideas from directors about:

- a. improving prioritization of issues;
- b. improving quality of written, chart and oral presentations from management;
- c. improving quality of board or committee discussions on these key matters;
- d. identifying how specific issues in the past year could have been handled better;
- e. identifying specific issues which should be discussed in the future; and



- f. identifying any other matter of importance to board functioning.

The lead director or outside expert in corporate governance will then work with the committee chairs to organize the comments received around options for changes at either board or committee level. At a subsequent board and committee meeting, time will be allocated to a discussion of — and decisions relating to — the actionable items.

## **12. Setting Board Agenda**

The board shall be responsible for its agenda. The chairman of the board and the lead director will periodically review with the board the key issues of strategy, risk and integrity to be scheduled and discussed at upcoming meetings. Prior to each board meeting, the chairman of the board will discuss specific agenda items for the meeting with the lead director, who shall have authority to approve the agenda for the meeting. The chairman of the board and the lead 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 lead director, or appropriate committee chair at any time.

## **13. Ethics and Conflicts of Interest**

The board expects GE directors, as well as all 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. No independent 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.

- a. If an actual or potential conflict of interest arises for a director, the director shall promptly inform the chairman/CEO and the lead director. The governance and public affairs 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.
- b. The governance and public affairs 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.

## **14. Approval of Certain Related Party Transactions.**

The governance and public affairs committee shall review and approve or ratify any transaction in which the Company is a participant and a related person has a direct or indirect material interest and which is required to be disclosed under the rules of the SEC. For purposes of this practice the terms "transaction" and "related person" have the meaning contained in Item 404 of Regulation S-K. In the course of its review and approval or ratification of a transaction, the committee shall consider:

- a. the nature of the related person's interest in the transaction;
- b. the material terms of the transaction, including without limitation, the amount and type of transaction;
- c. the importance of the transaction to the related person;
- d. the importance of the transaction to the Company;
- e. whether the transaction would impair the judgment of a director or executive officer to act in the best interest of the Company; and
- f. any other matters the committee deems appropriate, including any third-party fairness opinions or other expert review obtained by the Company in connection with the transaction.

Any committee member who is a related person with respect to a transaction under review may not participate in the deliberations or vote respecting such approval or ratification, provided, however, that such director may be counted in determining the presence of a quorum at a meeting of the committee which considers the transaction.



## 15. Hiring Guidelines for Independent Auditor Employees

The audit committee has adopted the following practices regarding the hiring by the Company of any partner, director, manager, staff, advising member of the department of professional practice, reviewing actuary, reviewing tax professional and any other persons having responsibility for providing audit assurance to the Company's independent auditor on any aspect of their certification of the Company's financial statements. "Audit assurance" includes all work that results in the expression of an opinion on financial statements, including audits of statutory accounts.

- a. No member of the audit team that is auditing a GE business can be hired into that GE business or into a position to which that business reports for a period of two years following association with that audit.
- b. No former employee of the independent auditor may sign a GE or GE affiliate's SEC filing for five years following employment with the independent auditor.
- c. No former employee of the independent auditor may be named a GE or major affiliate officer for three years following employment by the independent auditor.
- d. GE's CFO must approve all executive-band and higher hires from the independent auditor.
- e. To the extent there is any hiring, GE's CFO shall report to the audit committee the profile of the preceding year's hires from the independent auditor.

## 16. Reporting of Concerns to Independent Directors or the Audit Committee

The audit committee and the independent 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, auditing matters or federal securities laws matters, to communicate that concern directly to the lead 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.

- a. Comments, complaints and concerns are initially processed by the GE Corporate Ombudsperson's Office, which acknowledges receipt to the person submitting the communication.
- b. The audit committee has established the following procedures for: (1) the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, auditing matters or federal securities laws matters; and (2) the confidential, anonymous submission by GE employees of concerns regarding questionable accounting or auditing matters:
  - i. GE has established and published on its website special mail and e-mail addresses and a toll-free telephone number for receiving complaints regarding accounting, internal accounting controls, or auditing matters.
  - ii. All such complaints that could materially affect financial reporting or controls or that relate to federal securities law matters will be sent directly to the chair of the audit committee.
  - iii. All such complaints will be tracked on a separate board of directors' ombuds docket, but handled by the Company's ombuds, finance and legal staffs in the normal manner, except as the audit committee may request.
  - iv. The status of such complaints will be reported to the chair of the audit committee and if he or she so directs, to the committee or the full board.
  - v. The audit committee chair may request special treatment, including the retention of outside counsel or other advisors, for any complaint addressed to him or her.
- c. 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.

- d. With respect to all other communications, the Corporate Ombudsperson's Office provides regular reports to the audit committee and GE's lead director. 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 lead 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.

## 17. Compensation of the Board

The governance and public affairs committee shall have the responsibility for recommending to the board compensation and benefits for non-employee 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 shareholders; and the structure of the compensation should be simple, transparent and easy for shareholders to understand. In implementing these goals, the committee will adhere to the following practices, with specific compensation amounts to be determined following the review by the board, based on the recommendation of the committee:

- a. **Board Compensation.** Annual compensation will be paid to non-employee directors at the end of each quarter of service, 40% in cash and 60% in deferred stock units (DSUs). Each DSU will be equal in value to a share of GE common stock and is fully vested upon grant, but will not have voting rights. DSUs will accumulate quarterly dividend equivalent payments, which shall be reinvested into additional DSUs. In the event of an extraordinary dividend (whether paid in cash or shares), the DSUs shall be adjusted to reflect the value of that dividend. The DSUs will be paid out in cash to independent directors beginning one year after they leave the board. Directors may elect to take their DSU payments as a lump sum or in payments spread out for up to ten years. Therefore, for their tenure on the board and for one year following board service, 60% of the non-employee directors' annual compensation will be aligned with the long-term interests of GE shareholders because the value of their DSUs will increase or decrease in line with changes in the price of GE shares. There are no meeting fees because attendance is expected at all scheduled board and committee meetings, and at the Annual Meeting of Shareholders, absent exceptional cause.
- b. **Lead Director and Committee Compensation.** The lead independent director and members of certain or all committees may be eligible for additional compensation, as recommended by the governance and public affairs committee and approved by the board, which will generally be paid 40% in cash and 60% in DSUs.
- c. **Deferral of Cash Fees.** If they wish, non-employee directors may defer some or all of their annual cash compensation in DSUs.
- d. **Benefits.** The governance and public affairs committee will review and recommend for approval to the board the terms of any other benefits for which the non-employee directors may be eligible.

## 18. 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.

## 19. 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 other officers at the senior vice president level and above. 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 officers at the senior vice president level and above and determine their compensation, based on initial recommendations from the CEO.

## **20. Access to Senior Management**

Independent directors are encouraged to contact senior managers of the Company without senior corporate management present. To facilitate such contact, independent directors are encouraged to visit GE businesses each year, typically without corporate management being present.

## **21. 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.

## **22. Director Education**

New directors participate in an orientation program provided by the general counsel and the chief financial officer. Each new director shall 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."

## **23. Policy on Poison Pills**

The term "poison pill" refers to the type of shareholder 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. However, if GE were ever to adopt a poison pill, the board would seek prior shareholder 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 shareholders to adopt a poison pill before obtaining shareholder approval. If the GE board of directors were ever to adopt a poison pill without prior shareholder approval, the board would either submit the poison pill to shareholders for ratification, or would cause the poison pill to expire, without being renewed or replaced, within one year.

## **24. Majority Vote Standard**

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 governance and public affairs 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 SEC.

## **25. Executive Stock Ownership and Retention Requirements**

We require our senior officers to own significant amounts of GE stock. The number of shares of GE stock that must be held depends upon the senior officer's base salary effective upon his or her promotion to a senior officer position, as follows:



Position	Multiple	Time to Attain
CEO	10X	5 years
Vice Chair	5X	5 years
Senior VPs	4X	5 years

Individual and joint holdings of GE stock with immediate family members, including those shares held in the Company's 401(k) plan and any deferred compensation accounts, count toward the guidelines. Until the senior officer holds the requisite number of shares under the applicable ownership requirement, he or she may not sell shares of GE stock received from the vesting of RSUs or PSUs. However, prior to meeting the requirement, senior officers are permitted to sell GE stock that is acquired from the exercise of options if that stock has been held for at least one year (as described below), and they are also permitted to sell GE stock they have purchased.

**One-Year Retention Requirement for Option Shares.** In addition to the stock ownership requirements specified above, regardless of whether the senior officer has satisfied his or her stock ownership requirement, senior officers are required to hold for at least one year any net shares of GE stock that they receive through the exercise of stock options. For this purpose, "net shares" means the number of shares obtained by exercising the option, less the number of shares the executive sells to pay the exercise price, withholding taxes and any applicable brokerage commissions.

**Director Stock Ownership Requirement.** All independent directors are required to hold at least five times the cash portion of their annual retainer worth of Company stock and/or DSUs while serving as a director of GE. Directors have five years to attain this ownership threshold.

## 26. Other Share Ownership and Equity Grant Policies

- a. **Prohibition on Stock Option repricing.** The board and the Company have a long-standing policy prohibiting the repricing of stock options, including by amendments to outstanding options to lower their exercise price, cash buyouts or the cancellation of outstanding options and replacing them with new options, absent shareholder approval.
- b. **Accrual of Dividend Equivalents.** For RSU and PSU grants to executive officers, GE accumulates dividends on each RSU or PSU equal to the quarterly dividends on one share of GE stock, and the executive officer is entitled to receive those dividend equivalents (without interest) only on shares of GE stock that the executive officer actually receives at the end of the vesting period (RSUs) or performance period (PSUs). Dividend equivalent accruals are forfeited if the executive officer leaves GE prior to the end of such period.
- c. **Prohibition on Hedging and Pledging.** We believe our executive officers and directors should not speculate or hedge their interests in our stock. We therefore prohibit them from entering into any derivative transactions in GE stock, including any short sale, forward, equity swap, option or collar that is based on GE's stock price. We also prohibit executive officers and directors from pledging GE stock.

## 27. Shareholder Approval of Severance and Death Benefits

If the board were to agree to pay severance benefits to any of the officers named in the summary compensation table in the Company's proxy statement (the "named executive officers"), the Company would seek shareholder 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 shareholder 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.

## **28. 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) seeking reimbursement of performance-based or incentive compensation paid or awarded to the executive (collectively, “incentive compensation”) as provided below. The board shall have the discretion to seek reimbursement of any portion of incentive compensation in connection with an executive officer’s fraudulent or illegal misconduct, or if an executive officer’s conduct resulted in a material inaccuracy in the Company’s financial statements or in performance metrics affecting the executive officer’s compensation. If the board determines that an executive officer engaged in fraudulent or illegal misconduct that resulted in a material inaccuracy in the Company’s financial statements or in performance metrics affecting the executive officer’s compensation, the board will seek reimbursement of any portion of 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. These remedies would be in addition to, and not in lieu of, any actions imposed by law enforcement agencies, regulators or other authorities.