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# EDITED TRANSCRIPT

General Electric Co Annual Shareholders Meeting

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## CORPORATE PARTICIPANTS

**H. Lawrence Culp** *General Electric Company - Chairman & CEO*

**Michael J. Holston** *General Electric Company - Senior VP, General Counsel & Secretary*

**Thomas W. Horton** *General Electric Company - Lead Director*

## CONFERENCE CALL PARTICIPANTS

**Michael Barbera** *Inspector of Elections*

**Martin Harangozo**

**Michael Varner**

**Alex Brown**

## PRESENTATION

### Operator

Good morning, and welcome to GE's 2022 Annual Shareholder Meeting. (Operator Instructions) Please refer to the GE Investor Relations website at [www.ge.com/proxy](http://www.ge.com/proxy) for updates. The polls are open. To vote, click on the vote here button at the bottom right corner of the webcast screen. The polls will remain open until the conclusion of the balloting portion of the meeting.

With that, I will turn it over to GE to begin the meeting.

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### **Michael J. Holston** *General Electric Company - Senior VP, General Counsel & Secretary*

Thank you to all our shareholders and guests for joining us today. My name is Mike Holston. I'm GE's General Counsel and Secretary.

Before we begin, I'd like to note that during the meeting today, we may make forward-looking statements about our expectations or predictions about the future. Because these statements are based on current assumptions and factors that involve risks and uncertainties, GE's actual performance and results may differ materially from what is said here today. Please refer to our 2021 annual report on Form 10-K, the first quarter 10-Q, and other filings the company makes with the SEC for a detailed discussion of the principal risks and uncertainties that could cause such differences.

The agenda for today's meeting is shown on the screen and is also available for download from the meeting website. The rules of conduct, the GE proxy statement, and our annual report are also available for download from the bottom of the screen for the webcast. Our rules of conduct are designed to ensure that we have a fair and orderly meeting. We'll start with an update on company operations from our Chairman and CEO, Larry Culp. Following Larry's presentation, we'll move to the formal part of the meeting, including voting on the management and shareholder proposals that are set in the proxy that was distributed to shareholders and is also available on the meeting website.

Next, we will conduct balloting and hear from the inspectors of election with the preliminary vote tallies. Following the formal portion of the meeting, we will proceed to answer shareholder questions that comply with the meeting rules of conduct. Questions can be submitted in writing in the lower left-hand corner of the webcast screen.

Now I'd like to welcome Larry to get us started with an update on the company.

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### **H. Lawrence Culp** *General Electric Company - Chairman & CEO*

Mike, thank you, and thanks to everyone joining us today. I'm happy to welcome everyone to the 2022 GE Annual Shareholders Meeting. I'd like to start by thanking you, our shareholders. Your support for GE allows us to continue realizing our purpose of building a world that works. And to our employees, delivering for our customers and supporting them through their greatest challenges has required your dedication and focus. I continue to be grateful for your extraordinary commitment.

2021 was a year of historic change for our company. We made important strategic and operational progress and further strengthened our financial position. A significant marker was the combination of GECAS with AerCap. This move provided us with more than \$30 billion, accelerating our debt reduction efforts, which have now totaled more than \$87 billion over just the last 3 years. This progress is enabling

GE to play more offense like never before, through a new exciting chapter in our now 130-year history.

Last fall, we announced that we planned to form 3 independent investment-grade industry leaders. Healthcare is on track with a plan to spin first early next year. Renewable Energy, Power and Digital plan to combine into one business, and we'll launch them in 2024. And then following these 2 spins, GE will be an aviation-focused company. Importantly, all 3 planned companies will go forward true to our purpose today of building a world that works, setting us up to take advantage of the massive opportunities ahead in all 3 markets.

Taking a closer look at strong innovative franchises in 3 growing sectors, each is positioned to drive sustained value creation as independent companies. Our aviation business is defining and leading the future of flight. As the industry recovers from COVID-19, we're focused on delivering innovative solutions that improve fuel efficiency and advance net zero initiatives, whether it be sustainable aviation fuels that can reduce carbon emissions up to 80% compared to petroleum or the next generation of engines that could lead to another 20% less fuel usage and CO2 emissions.

In Healthcare, we are the leading precision health, delivering efficient and highly personalized care solutions for patients and providers. This means integrating clinical data, the patient journey, and the devices so that each patient is treated in a way that best meets their needs, leading to improved outcomes.

Our Power and Renewable Energy businesses are playing a critical role in solving for the trilemma of affordable, reliable, and sustainable energy to meet increasing global energy demand, which is expected to grow by 50% over the next 20 years, and support customers in achieving their net zero ambitions. This includes breakthrough technologies such as carbon capture, utilization and sequestration, low and zero carbon fuels, as well as equipment and software that builds a more efficient and resilient grid.

And all of our businesses are truly global, providing essential services through growing installed bases and our close customer relationships. Now, we've done tremendous work to ensure that we're running these businesses better. Over the past year, we've continued to embed Lean across GE, which is all about focusing on the customer, eliminating waste, and prioritizing ruthlessly to deliver more value to the customer. At scale, GE is leading to sustainable, impactful improvements in safety, quality, delivery, cost, and cash management.

Take Gas Power, where our team is dramatically improving the 7F turbine outage experience for our North American customers. By standardizing crews, optimizing material flow, and digitizing frontline field procedures, we reduced outage cycle time by 30%, which ultimately decreases customer downtime. And we're scaling these learnings to more regions. And while this is but one example, there are countless others across your company.

Our maniacal focus on Lean has also helped us shift the center of gravity to our nearly 30 P&Ls, driving greater accountability and decision-making closer to the customer. Together, Lean and decentralization are driving cultural change. Our team is acting with humility, leading with transparency, and delivering with focus at every turn. And we're driving better results. In 2021, free cash flow, profit margins, and earnings per share all improved markedly and exceeded our full year outlook.

Let me talk a little bit more about our next chapter. This move is a natural evolution of our transformation. Just as we have been working to create a simpler and more focused GE, each planned standalone company will enjoy greater focus and flexibility to better serve their customers, respond to their respective industry dynamics, and build deeper expertise within those industries. And as independent companies, they will be able to leverage stronger accountability and alignment to drive a more tailored capital allocation framework.

Overall, the feedback to our announcement so far has really been quite positive. Customers are excited to see how we're able to bring our technological expertise and global reach to bear in an even more focused manner. Our employees are incredibly motivated by the expanded business and the industry-oriented career opportunities and incentives that will take shape. We've also spent a great deal of time with you, our shareholders, who also are supportive of the path forward, and how it will unlock and create long-term value.

The planning work to prepare for the spin-off is well underway. We have a dedicated separation management office overseeing all of the work streams. At our recent Investor Day, we laid out some of the initial milestones for the planned Healthcare spin, including the

expected timing for the operational separation, brand, and corporate governance. We have more than 1,000 people today engaged in this work moving forward with purpose in important areas. We're progressing on carve-out audits, and we finalized the IT infrastructure and legal entity plans.

But at the same time, the majority of the GE team remains focused on serving our customers, fully dedicated to running the businesses and driving Lean improvements to further strengthen our foundation ahead of the spins. While this may be the last Annual Shareholder Meeting for GE as it's currently composed, the DNA of GE will be at the core of each of these 3 businesses and central to their sustained value creation. These are businesses that will take our 130-year legacy of industry-defining innovation to exciting new heights, guided by a Lean approach to continuous improvement and a single-minded focus on customer success.

In closing, I hope you will see what I see. Today, GE is a stronger, more customer-centric company. We're building a culture that puts Lean at the center of all that we do. This clarity of mission provides compelling opportunities for our businesses to define the trajectory of their industries. We shape the future of flight. We advance precision health, and we lead the energy transition. And we do it by getting better every single day.

With that, I'd like to go ahead and start the official business for the meeting by introducing my colleagues on the Board of Directors, and we have the Board on the line today. Our directors are: Steve Angel, Chairman and former CEO of Linde, a director since March of this year; Sebastien Bazin, Chairman and CEO of Accor Hotels, a director since 2016; Ash Carter, Director of the Belfer Center for Science and International Affairs at the Harvard Kennedy School and a former U.S. Secretary of Defense, a director since 2020.

Frank D'Souza, Co-Founder and Managing Partner of Recognize and former CEO of Cognizant Technology Solutions, a director since 2013; Ed Garden, Chief Investment Officer and Co-Founder of Trian Fund Management, a director since 2017; Bella Goren, former CFO of American Airlines and AMR Corporation, a director since March of this year; Tom Horton, a partner at Global Infrastructure Partners and the former Chairman and CEO of American Airlines, a director since 2018. Tom is also our Lead Director and Chair of the Management Development and Compensation Committee.

Risa Lavizzo-Mourey, Professor Emeritus at the University of Pennsylvania and the former President and CEO of the Robert Wood Johnson Foundation, a director since 2017. Risa is Chair of the Governance and Public Affairs Committee. Cathie Lesjak, former CFO of HP, a director since 2019; Tom Mihaljevic, President and CEO of the Cleveland Clinic, a director since April of this year; Paula Rosput Reynolds, President and CEO, PreferWest, and the former Chairman and CEO of AGL Resources and Safeco Insurance Company, a director since 2018. And Leslie Seidman, former Chairman of the Financial Accounting Standards Board, a director since 2018. Leslie is Chair of the Audit Committee.

I'd also like to take a moment to say thank you to Jim Tisch, who served as a director on the GE Board from 2010 until today's meeting, at which he is not standing for reelection. Jim, on behalf of the company and the Board, thank you again for your service and dedication to GE.

With that, I'll now hand it back to Mike to walk us through the formal part of the meeting and the voting matters that are set forth in the proxy. Mike?

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**Michael J. Holston *General Electric Company - Senior VP, General Counsel & Secretary***

Thanks, Larry. I'm advised that this meeting is properly convened, that we have a quorum and that the proposed resolutions presented in the proxy statement are filed as part of these proceedings. We have received proxies representing a majority of the outstanding shares eligible to vote, and the management Proxy Committee has voted those shares in accordance with shareholder wishes.

As the operator noted at the beginning of the meeting, the polls are open. If you have not already voted your shares or if you wish to change your vote, you may do so by clicking on the vote here button at the bottom right corner of the webcast screen. The polls will remain open until the conclusion of the balloting portion of the meeting.

The independent inspectors of Election are representatives of First Coast Results, and the inspectors have taken the oath of office

required by law. We'll take up the election of directors and the management proposals first. Then we'll turn to the shareholder proposals. After presentation of the management and shareholder proposals, we will address questions that are specific to those topics. There will also be time later in the meeting for questions on other business matters. But first, we'll address the items in the proxy statement.

First up is the election of directors. I place before the meeting to serve as directors for the coming year the 13 individuals who were introduced by Larry at the start of the meeting and whose backgrounds and qualifications are described in more detail in the proxy statement. Your Board of Directors recommends a vote for each of the director nominees.

The next item is the proposal to approve our named executives' compensation. Your Board of Directors recommends a vote for the approval of our named executives' compensation.

The next item is ratification of Deloitte as independent auditors for 2022. We have with us on the line today, John Rhodes, Deloitte's lead audit partner for the GE Audit; and Joe Ucuzoglu, CEO of Deloitte. Your Board recommends a vote for the ratification of Deloitte as independent auditors for 2022.

Last up for the management proposals is approval for the 2022 long-term incentive plan. Your Board of Directors also recommends a vote for this proposal.

As I said earlier, we will address any questions on these management proposals in a few minutes after we hear the shareholder proposals and before the conclusion of balloting.

So now let's turn to consider the shareholder proposals listed in the agenda. I understand that Martin Harangozo is online today to present the shareholder proposal on the cessation of stock option and bonus programs.

Operator, please open up the line for Mr. Harangozo.

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### **Martin Harangozo**

Thank you. Good morning. My name is Martin Harangozo. I'm grateful to be a shareholder. I love this company, people and products. I've been a shareholder more than 30 years, most of my life. I've been an employee more than 20 years, most of my career. My retirement savings and quality of life rely in part on the success of this company. I want only the very best for this company for short and long term. I care enough to raise my hand to stand and to speak. I do not know of a more honorable shareholder or intention.

In 1998, a GE recruiter asked me to explain a situation where I had a disagreement with the boss. I had much to say and gave an example of how I presented a new idea that was eventually accepted and performed better than what was on the table. GE was then looking for people that would raise their hand, bring fresh ideas and drive change. I was hired on the spot. I joined GE on the prestigious manufacturing management program. I worked on real projects. I made real money. Received raises, promotions, stock options and awards. I was encouraged to raise my hand.

The Board and Chairman has sufficient confidence in the company that their leadership would routinely split the stock shares as they near the \$100 level. The stock went up tenfold, former CEO, Jack Welch, embraced my shareholder meeting comments and televised them. I was the happiest engineer in the country. GE became the most valuable U.S. company as well as the most valuable Dow company.

Reading the annual reports from 1990 to 2000 could cause one to believe GE has important businesses with large entry moats led by 8 players who were Six Sigma Black Belt certified that would bring value to the customers to outperform competitors, what could possibly go wrong? The current pay structure incentivized a few leaders at the top to manipulate the stock price to make them rich, collapsing the company.

General Electric the same company that televised my shareholder comments under Welch is now paying an inordinate amount of money to prevent my comments at shareholder meetings but are unsuccessful. Clearly, we need a new pay structure to incentivize on the

sustainable performance and growth. This example is in front of us, while Larry Culp cries with never ending excuses, Berkshire Hathaway sets new stock price records even after having grown eightfold since 2000.

To fix the General Electric Company, shareholders need to copy what works well and abandon those practices that failed GE. At Berkshire Hathaway, the CEO earns \$100,000 per year. It should be more than enough for our CEO, let him or her take ownership in the company and perform to receive higher compensation. Jeffrey Immelt laughed at me when I brought the slogan to, "GE works for me, debt free." Larry Culp wants hundreds of millions in pay to check our debt or effectively do what I recommended at the 2012 Shareholder Meeting 10 years ago.

It would be indifferent, negligent and remiss to see GE's collapse firsthand and not say anything. To emphasize the manipulation mentioned, GE printed in the published proxy statement of 2013 that paid fines to the SEC for cooking the books. 2011 appliance company sourcing boss, Matthew Johnson stated, "We do not necessarily want to do it as we need to tee it up as a possibility where you can recognize income versus cash, depends on which is more important to the business at the time." Counting income for 1 year for parts not projected to be sold until well into the following year is inconsistent with SEC accounting rules.

I urge all shareholders to vote for a cessation of stock options and bonus programs, shareholder proposal #1.

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**Michael J. Holston *General Electric Company - Senior VP, General Counsel & Secretary***

Thank you, Mr. Harangozo. The Board recommends against this proposal for the reasons that are set forth on Page 59 of the proxy.

Next up, I believe Michael Varner from SOC Investment Group is on the line today to present the shareholder proposal on ratification of Termination Pay.

Operator, please open up the line for Mr. Varner.

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**Michael Varner**

Thank you. My name is Michael Varner, and I'm the Director of Executive Compensation Research at SOC Investment Group. I hereby move Proposal 2, ratification termination pay. While we are only proposing that this policy cover new and renewed executive severance approvals, we note that shareholders overwhelmingly rejected GE's say-on-pay proposal at the last annual meeting after the Board, in August 2020, significantly lowered goals for its CEO, Larry Culp's Leadership Performance Share Award that was awarded when he joined the company. This award was contingent on at least 50% increase in stock price, at which time the award would have been worth \$46.5 million.

It's in the best interest of GE shareholders to be protected from potential windfall payments that can arise from, among other things, lowering goals and subsequently receiving unduly large payouts upon a termination without cause, which is a very real possibility at GE, particularly considering the recently announced spin-off of its Healthcare and Renewable Energy and Power businesses. Such spin-offs can be accompanied by executive terminations. We believe adoption of this policy would benefit long-term shareholders' interests. Thank you.

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**Michael J. Holston *General Electric Company - Senior VP, General Counsel & Secretary***

Thank you, Mr. Varner. The Board recommends against this proposal for the reasons set forth on Page 61 of the proxy.

Alex Brown is presenting the shareholder proposal regarding an employee representative Director. Please go ahead, Ms. Brown.

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**Alex Brown**

Fellow shareholders, my name is Alex Brown. I'm a GE retiree from the Lynn, Mass plant. For 38 years, I cut parts, assembled jet engines and worked hard to make high-quality products. I'm also a shareholder and deeply invested in the long-term viability of this company.

Today, I ask for your vote in favor of a nonexecutive employee on the Board of Directors because workers create essential value for GE. Our knowledge, skill, and care make good products. GE needs somebody on the Board that cares about the products, knows what it

takes to make them and is invested in the long-term success of the company.

I'm disappointed that the current leadership dismissed the qualifications of GE employees to serve on the Board. We are not a faction, but rather some of the most loyal members of the GE community. Ours is the voice that is missing on the Board. For years, GE has pursued a strategy of risky acquisitions rather than focusing on the sustainability of its core business, has hollowed out its workforce in the U.S. by relying on taxpayer dollars to subsidize its bottom line.

In 1989, GE had 277,000 U.S. workers. By 2020, just 56,000 remained. GE should protect and strengthen its workforce to make our company stronger. Enhanced domestic production avoids the recent supply chain bottlenecks that have crippled business. Instead, GE builds up its financial arm of disastrous results on display during the 2008 financial crash. It continues to extract short-term profits at the expense of long-term investment in workers' equipment and innovation, with those that built the company paying the price in continued cuts to our jobs, pay, benefits and pensions.

A worker on the Board brings the knowledge and investment in the long-term viability of the company. A worker Director will have interest more aligned with long-term shareholders over a director whose career has been focused on short-term value extraction. This perspective is especially needed as GE seeks to spend \$2.5 billion to split up the company. Corporations led by Boards that are unaware or hostile to their workforce are less likely to exhibit the necessary independence that their fiduciary role requires.

Adding an employee director would provide diversity that the current Board lacks and an invaluable ear to the ground. Please vote for shareholder Proposal #7 on your ballot. Thank you.

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**Michael J. Holston** *General Electric Company - Senior VP, General Counsel & Secretary*

Thank you, Ms. Brown. The Board recommends a vote against this proposal for the reasons set forth on Page 62 of the proxy.

Those are the management and shareholder proposals. So if you'd like to ask a question about any of those, please enter it in the portal now. Please recall, there will be an opportunity for more general Q&A on matters that are unrelated to the shareholder proposals after the formal agenda items. We will answer questions that do not directly relate to the proposal at that time.

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## QUESTIONS AND ANSWERS

**Michael J. Holston** *General Electric Company - Senior VP, General Counsel & Secretary*

We have received some questions relating to voting items in the proxy that we will address here. In addition, in advance of the meeting, we received statements from retiree shareholders, Melody Jackson and Bill Freeda, related to these proposals and other matters. Those statements are reprinted in full and can be accessed by clicking on the link in the Meeting Materials section of the website.

First off, there are some questions related to executive compensation matters, the advisory vote to approve our named executives' pay and shareholder proposal #1 and 2 in the proxy. These included questions about how compensation for named executives is set as well as how pay is aligned with performance. We have also had numerous discussions with shareholders about the results of our say-on-pay vote last year and GE's actions in response. We've shared these questions with Tom Horton, our Lead Independent Director and the Chair of the Board's Management Development and Compensation Committee. Tom is with us on the line, and I'll turn it over to him now to address those questions. Tom?

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**Thomas W. Horton** *General Electric Company - Lead Director*

Thanks, Mike. I'd like to start by thanking the many shareholders the GE team has had a chance to meet with as we've sought feedback during this past year on our compensation program in action. We've held meetings with shareholders representing over half of GE's outstanding shares. And as Lead Director and Chairman of the Management Development and Compensation Committee, I've had a chance to participate in many of those meetings directly.

As it relates to last year's say-on-pay vote, I want to express on behalf of the Board that we greatly value the engagement and dialogue with our shareholders. We've listened to the feedback and considered it in our decisions as a Board. GE's compensation programs are

designed to focus the company's leadership on key business priorities and align management with shareholders. And over the past few years, we've made a number of enhancements to the GE compensation program, many of those in direct response to shareholder feedback we received.

In response to the question about how we seek to align pay with performance, I would say that GE's compensation program is designed to incentivize and hold management accountable for executing on the business strategy. For the past several years, that strategy has involved a monumental turnaround effort to focus and de-risk the GE portfolio, stabilize the balance sheet and to improve operations across the businesses. The company's leadership has made considerable progress on all of these fronts. And that strong performance has been foundational to putting GE in a position to create three industry-leading, global public companies in the aviation, healthcare, and energy sectors.

In addition, the compensation program and pay have, in many respects, reflected where the company's performance has not been as strong as we'd like. As one example, the annual performance equity grants in 2018 and 2019 fell short of their targets and resulted in no payout. Or in the case of our annual bonus program for 2021, the Renewable Energy business, consistent with many of the themes Larry and Carolina discussed during the earnings call last week, had a challenging year and missed its performance metrics, resulting in no bonus payments at that business. While these are not the performance outcomes we'd like to see for the company or our businesses, they do reflect a compensation program that has been directly linked to performance.

With that, Mike, thanks for sharing the question that were submitted on this topic, and thank you again to the shareholders for the engagement and support of GE.

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## PRESENTATION

### **Michael J. Holston *General Electric Company - Senior VP, General Counsel & Secretary***

Thank you, Tom. I do not see any other questions on the management and shareholder proposals. So we're going to move on to balloting and the results of the voting.

So turning now to agenda item #3, balloting. For any shareholders who are online and who have not yet voted, the polls are closing momentarily. If you already submitted a vote, there's no need to enter it again. Any votes submitted during the meeting will be reflected in the final vote results, which we will report after the meeting.

This concludes the review of the matters to be voted on. The polls are now closed. I believe the inspectors of election are ready to announce the outcome of the voting. So let's go to the inspectors' report. Michael Barbera of First Coast Results is on the line to present the report of the inspectors. Mr. Barbera, do you have a report for us?

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### **Michael Barbera *Inspector of Elections***

Mr. Chairman, the Inspectors of Election has completed an initial count of the votes cast at this meeting in person or by proxy. Proxies representing approximately 882 million shares or 80.13% of the total shares eligible to vote were received. Other shares have been voted at this meeting by ballot or by proxy.

On the basis of our initial count, the Inspectors of Election announces the following results:

All directors have received a majority of the votes cast, and all nominees have been re-elected.

The advisory approval of our named executives' compensation, for 65.47% of shares voted, against [34.52%](corrected by company after the call).

The ratification of Deloitte as independent auditor, for 99.54% of shares voted, against [0.45%](corrected by company after the call).

The approval of the 2022 long-term incentive plan, for 92.74% of shares voted, against [7.25%](corrected by company after the call).

The shareholder proposal requiring the cessation of stock option and bonus programs, for 1.90% of shares voted, against [98.09%] (corrected by company after the call).

The required shareholder ratification of termination pay, for 36.24% of shares voted, against [63.75%] (corrected by company after the call).

To require the Board nominate an employee representative Director, for is 4.67% of shares voted, against, [95.32%] (corrected by company after the call).

Mr. Chairman, this initial tally is subject to verification, and the final tabulation may reflect small changes in the vote I have announced. The final tabulation will be set forth in the formal report of the Inspectors of Election to the Secretary of the Company, which will be made after the count has been verified. This concludes our report.

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## QUESTIONS AND ANSWERS

### **Michael J. Holston *General Electric Company - Senior VP, General Counsel & Secretary***

Thank you, Mr. Barbera. That concludes the formal portion of the meeting.

So now we will turn to agenda item #5 and proceed to answer questions that have been submitted in accordance with the rules of conduct. As noted earlier, we solicited questions from shareholders in advance of the meeting, and many of you responded. We are also receiving questions live during today's meeting. I'll read the questions for Larry to answer, and he will address as many as we have time for this morning.

First up, Larry, we have a few questions about the Aviation business. Shareholder Edward Mackiewicz asked, how is the Aviation business doing since airlines are back to pre-COVID levels and Boeing is planning to up the production rate of the 737 MAX?

Also related to GE Aviation, shareholder Kevin Myers asked, what percentage of the business do you see connected to the defense industry in the next 10 years?

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### **H. Lawrence Culp *General Electric Company - Chairman & CEO***

Mike, thanks, and thanks to both of you for those questions. As you probably know, given the nature of those questions, Aviation, which with our partners powers two-thirds of the world's commercial departures really is on the cusp of a significant industry recovery. Right now, we're seeing continued recovery in commercial markets as demand remains quite strong. You may have seen just last week, we reported that our first quarter orders were up 32% and services up 36%. So we're confident in our ability to meet our engine ramp, which is already incorporated into the total year outlook for this year.

With sustainable demand and readiness across the entire system, we're aligned with both Airbus and Boeing and are ready to support our airline customers as well. Additionally, we continue to expect to see global air traffic back to pre-COVID levels in early '23 for the narrow-body market and by early '24 for widebodies. We remain confident in this recovery, while at the same time, actively managing the impact of industry-wide material and labor availability challenges. Supply chain issues and COVID restrictions in China will be key watch items for us as we progress through 2022, but we still expect improvement across the business as deliveries and shop visits ramp.

Regarding the specific question on Boeing's 737 MAX, we'll continue to have close coordination with Boeing and our airline customers on aircraft deliveries, return to service of the existing fleet and future production schedules.

We're certainly proud of our military business, and although smaller than our commercial business, the team is constantly looking at ways to further grow in that space. As commercial recovers, we expect our military business to remain a similar portion of the total aviation portfolio as it has been historically, in the low double-digit range.

**Michael J. Holston** *General Electric Company - Senior VP, General Counsel & Secretary*

Thanks, Larry. We also received some questions about GE's role in the energy transition and in protecting the environment. Shareholder, Frank Mackay asked, can you provide any details on how GE is utilizing new forms of energy in future products, for example, alternative fuels, new battery power, solar, et cetera?

And shareholder Linda Swift, asked, what is GE doing to protect the environment and biodiversity on this, our only planet?

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**H. Lawrence Culp** *General Electric Company - Chairman & CEO*

Critical questions. We spent a good bit of time yesterday. I was in Los Angeles at the Milken Conference talking about what we are doing and will do going forward with respect to meeting the climate challenge. Clearly, climate change is a global priority. As a company, GE's equipment helps generate one-third of the world's electricity -- again, we help generate one-third of the world's electricity. We believe technology is going to be crucial to solving the challenge of decarbonization, while meeting the rising global demand for affordable, reliable and sustainable energy.

Our portfolio positions us to lead in the energy transition with some of the most innovative onshore and offshore wind turbines, the most efficient gas turbines as well as advanced technology to modernize and digitize electrical grids. And we continue to invest in the future of energy with breakthrough technologies, including carbon capture, utilization, and sequestration, low and zero carbon fuels like hydrogen for new and existing gas plants, and small modular nuclear reactors.

Our gas turbines have already accumulated more than eight million hours running on blends of hydrogen and similar fuels. For example, Long Ridge Energy Terminal's power plant out in Hannibal, Ohio just became the first GE HA power plant to generate power with a hydrogen fuel blend and could help pave the way for the industry to decarbonize. Fuels such as clean hydrogen could help avoid millions of tons of CO2 emissions to the atmosphere by the end of this decade, and we are proud of the role that GE will play in that.

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**Michael J. Holston** *General Electric Company - Senior VP, General Counsel & Secretary*

Thanks, Larry. We had several shareholders ask questions about our plan to spin off the Healthcare and the Energy businesses and to create three stand-alone companies. Shareholder, Trushar Patel, asked, what is the timing of the business split?

And Eric Soder asked, what will happen to our common GE shares after the company splits into 3 individual companies, Healthcare, Aviation, Energy? Is there a plan to divide shares evenly according to market caps, etc.?

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**H. Lawrence Culp** *General Electric Company - Chairman & CEO*

Let me take those in order. We're currently on track with our plans to spin Healthcare first in early 2023, and then combine Renewable Energy, Power and Digital into one business to spin in 2024, with GE becoming an aviation-focused company on a go-forward basis. At the time of each spin-off, each GE shareholder will receive shares in the newly independent company. So for example, when Healthcare spins off, each holder of GE stock will also receive shares in the new Healthcare company.

The number of shares received will be based on a distribution ratio that will be determined closer to the spin date. I would also add that for GE employees, this compensation contains long-term incentives like restricted stock and stock options. We are still working on the way those instruments will be handled as part of the spin-off, and we expect to have answers on those questions in the coming months.

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**Michael J. Holston** *General Electric Company - Senior VP, General Counsel & Secretary*

We also received a few questions from retirees related to our plans to form three companies. Retiree shareholder, Ronald Kriete asked, with the company splitting into 3 companies, who will be responsible for our pension?

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**H. Lawrence Culp** *General Electric Company - Chairman & CEO*

Ronald, we currently anticipate that the existing GE pension plan benefits are likely to be allocated among plans maintained by each of the three companies. We're still working through the details, and we'll be communicating to eligible participants more when we have more to share.

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**Michael J. Holston** *General Electric Company - Senior VP, General Counsel & Secretary*

Okay. Next up, we have a question from shareholder Peter Bernardi who asked, whether the GE logo is going with Aviation after the company is split up?

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**H. Lawrence Culp** *General Electric Company - Chairman & CEO*

Well, there's a lot of work underway with respect to answering that question. All branding options are on the table for all three of the proposed companies, including, but not limited to Aviation. We are mindful of the global value of the GE brand, recently estimated to be worth nearly \$20 billion. And we're undertaking a thoughtful, fact-based approach to the branding process, with no predetermined conclusions. We're working closely with our businesses and gathering input from all of our stakeholders, including customers, employees, and investors, who have been such an important part of making the GE brand what it is today. So we'll announce official plans and answer your question more directly in the third quarter.

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**Michael J. Holston** *General Electric Company - Senior VP, General Counsel & Secretary*

Okay. Next one is from shareholder Benjamin Morrow who asked why hold Baker Hughes and AerCap stock when the funds could be used to retire debt and buy back GE stock?

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**H. Lawrence Culp** *General Electric Company - Chairman & CEO*

Benjamin, we regularly assess our overall capital allocation options based on the financial and strategic impact to help the company position for the future, particularly with the spins in mind. The Board is looking carefully at our capital allocation framework to drive value for each of the three future businesses. And as you may have seen last week, we shared that we're starting to opportunistically execute on buying back some GE stock under the authorization our Board provided back in March.

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**Michael J. Holston** *General Electric Company - Senior VP, General Counsel & Secretary*

Next, a question from retiree shareholder Robert Widen about the reduction of our GE Capital business. His question asked about how GE plans to provide financing for sales of its equipment in the future, and how will product financing work for the three independent companies going forward?

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**H. Lawrence Culp** *General Electric Company - Chairman & CEO*

Robert, we'll have capital markets-based teams in capital, Energy Financial Services, or EFS, and Healthcare that will continue to arrange financing when it's needed for each of the stand-alone businesses.

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**Michael J. Holston** *General Electric Company - Senior VP, General Counsel & Secretary*

Thanks, Larry. We got some questions about manufacturing and globalization. I'll take a couple of those next. We had a few questions about our manufacturing in the United States and around the world, and how we think about off-shoring. And Richard Mulholland asks, what's your plan to bring manufacturing back to the United States?

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**H. Lawrence Culp** *General Electric Company - Chairman & CEO*

Well, as we noted earlier, we're proud to be one of the largest manufacturers in America. Today, employing more than 55,000 U.S. workers. We have 270 discrete facilities across the country that we've invested more than \$1 billion in since 2016, and we continue those investments.

We're also a global company with presence in 175 countries, and it's important for GE to operate where our customers are. A company like ours must build a local presence and operations to succeed, making it necessary to have, if you will, a multi-local strategy. Our global presence also provides markets for goods we make in the U.S. and export abroad. So when we play and win globally, we believe we all win.

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**Michael J. Holston** *General Electric Company - Senior VP, General Counsel & Secretary*

We have another one on the globalization topic, Larry. Shareholder, Jay Johnson had some questions about GE's operations as a global company. He asks, what is GE doing to protect the intellectual property from being stolen around the world? And what GE protocols are in place for ethical and moral procurement activities in GE's global supply chain?

**H. Lawrence Culp *General Electric Company - Chairman & CEO***

Jay, I would say that GE's unyielding commitment to integrity is foundational to everything that we do. This includes our intellectual property protection practices and our global supply chain programs. So I start with IP or intellectual property. We know that strong IP protection is critical to our ability to succeed over the long term, and we aggressively protect and defend our IP with strict processes in place for identifying issues and when necessary, partnering with law enforcement.

GE also has a robust well-respected ethical supply chain program and is committed to promoting human rights, diversity and ethical practices within our operations and across our supply chain. We have zero tolerance for forced labor violations, and we require all of our suppliers to apply the same standards in turn to their suppliers. Despite COVID, we conducted approximately 1,200 audits globally last year to ensure compliance with those same policies.

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**Michael J. Holston *General Electric Company - Senior VP, General Counsel & Secretary***

Larry, we got some questions about the dividend. A few shareholders, including Brent Newton, asked, what are the plans regarding an increased dividend?

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**H. Lawrence Culp *General Electric Company - Chairman & CEO***

Brent, the primary focus today is, again, standing up three investment-grade public companies. With that said, we are considering a number of potential capital allocation alternatives on a regular basis based on their financial and strategic impact. The competitive dividend that you're asking about is one of the alternatives that we will consider.

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**Michael J. Holston *General Electric Company - Senior VP, General Counsel & Secretary***

Larry, next, we have a question about a retiree matter. Similar to prior years, we had a number of questions from retiree shareholders. And a few asked whether there was a plan to provide a cost-of-living adjustment for retiree pensions?

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**H. Lawrence Culp *General Electric Company - Chairman & CEO***

Our focus continues to be on making GE a stronger, more profitable company, which we believe is in the best interest of all shareholders and our retirees. Making certain that our pension plans are well funded has been a priority for the Board for the past several years, and I think we've made tremendous progress here. We'll certainly stay focused on this as we execute the spins, but at this time, we don't have plans to increase the pension payments to retirees.

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**Michael J. Holston *General Electric Company - Senior VP, General Counsel & Secretary***

Thanks, Larry. A few shareholders asked about the composition of our Board. And Daniel Curren asked, why do we need 13 members on the Board of Directors?

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**H. Lawrence Culp *General Electric Company - Chairman & CEO***

Daniel, GPAC, or our Governance and Public Affairs Committee, takes a fresh look at this question of Board size every year. As you're noting, we added new directors this year in connection with the plan to form three independent companies, each of which will need their own independent Board, and to bring more domain expertise for the sectors where our go-forward businesses are going to be focused.

We also believe our Board benefits from a mix of newer directors who bring in fresh perspectives and seasoned directors who bring continuity and a deep understanding of our complex business. That said, we anticipate maintaining a smaller size going forward.

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**Michael J. Holston *General Electric Company - Senior VP, General Counsel & Secretary***

Larry, we also got some questions about the conflict in Ukraine, and shareholder David Hindin asked, how do you propose to get business out of Russia and leverage the lost business? How do you leverage losses in the Ukraine? And how will the war affect our overall growth in the next 5 years?

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**H. Lawrence Culp *General Electric Company - Chairman & CEO***

David, thank you. We said in Greenville back in March at our investor meeting that we stand proudly with the people of Ukraine, where these unrelenting attacks are just devastating. I know many of us, myself included, have been inspired by the more than 50 GE

employees in the surrounding regions who've opened the doors of their home to Ukrainian refugees and have volunteered their time to help with these refugee efforts.

As a company, we've made a \$4.5 million contribution through medical equipment and humanitarian aid to support the Ukrainians. We've also suspended our operations in Russia, with the exception of providing essential medical equipment and existing power services to the people in the region, and continue to work closely with the proper authorities to ensure compliance with sanctions as well as all laws and regulations.

We have limited direct exposure with a relatively small footprint in Russia, between 1% and 2% of total revenue and fewer than 1,000 employees. But as you know, this continues to be a very fluid situation that we assess regularly to determine the impact.

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**Michael J. Holston *General Electric Company - Senior VP, General Counsel & Secretary***

Next up, we had a longer question from Dennis Rocheleau, who wrote in, and I will read Dennis' question as he submitted it. "Why, in light of the growing trend to near normalcy in our societal gatherings, including the recent final 4 tournament that was conducted in person and indoors, did GE again opt for a virtual annual meeting? And when do you expect the Company to return to the in-person format with, of course, appropriate safeguards? That type of meeting, in my experience, permits and encourages a more free-flowing interactive dialogue, including very valuable face time with Board members and key executives. The in-person sessions, which would clearly indicate in the invitation to attend that the shareowners are accepting the assumption of any risks, could also be enhanced by those virtual elements that the company extols in the proxy, making good governance even better."

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**H. Lawrence Culp *General Electric Company - Chairman & CEO***

Dennis, thanks, and it's good to hear from you. The Final 4 reference hurts. My Heels almost had a championship there. But when we were making the decision several months ago to hold our annual meeting virtually again this year, recall we did that amidst the backdrop of another COVID surge with the Omicron variant, and in part with the safety of our shareholders and all of our meeting participants in mind.

Fortunately, as we sit here today, we are enjoying some return to normalcy, at least here in the U.S. So we'll keep an open mind for the format for next year's meeting. But there are advantages to the virtual meeting format we've had the last few years. The main one, as we see it, is that it opens up participation to a broader swath of the shareholder base, including people who are not able or who wouldn't make the trip to attend an in-person meeting, and they can submit their questions and feedback. What we have found is that we get a broad range of questions with this current format of virtual meeting. And it's been a good way for us to address a range of issues that are on shareholders' minds.

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**Michael J. Holston *General Electric Company - Senior VP, General Counsel & Secretary***

Thanks, Larry. We are getting some in live. Let me take one more here, and then I'm going to pop over and read a few live questions that have just come in. Larry, shareholder Michael Heyward, asks about diversity at GE. He wrote, what are we doing to diversify? I can only hope that we are proactive in developing a company that would reflect the fabric of this nation. I am longing to see the day when everyone has a fair seat at the table. I really do not believe that there is such a thing as equality. I do believe there is a science of fairness in this world. I am a very small investor, but nonetheless, I have to say this. I would love to help any way that I can with this endeavor. Go team GE, keep pushing humanity forward.

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**H. Lawrence Culp *General Electric Company - Chairman & CEO***

Michael, thank you, and thank you for saying that. I want to assure you that diversity is a priority for your company. We believe in the value of each person's unique identity background and experiences and are committed to fostering an inclusive culture where everyone feels empowered to do their best work. We also believe inclusion and diversity make us more competitive and help create value for our customers, shareholders and employees. So we're committed to building a more diverse workforce and a more inclusive workplace. It's something that we consider in the GE Board level, seeking Directors from different backgrounds and with a range of experiences and viewpoints.

Within the business, driving meaningful change starts with exceptional leadership. Our company-wide Chief Diversity Officer, Brandi

Thomas, and each business's CDOs, or Chief Diversity Officers, are focused on keeping our company accountable to our diversity initiatives by integrating these efforts in their business operation in a similar way to how we measure, own and improve upon other operating priorities like safety and equality.

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**Michael J. Holston** *General Electric Company - Senior VP, General Counsel & Secretary*

Okay. Thanks, Larry. Like I said, and as we said at the start of the meeting, we were welcoming questions that were coming in during the meeting. And we've got a few here. So why don't I take a couple of the ones that have come in here this morning. Shareholder Danny Allen asks, with focus on aviation, healthcare and energy business sectors, what are GE's specific areas of innovation leadership for each?

We've talked Larry this morning a little bit already about the Aviation and Energy businesses, but maybe there's a chance to talk a little bit about Healthcare in particular.

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**H. Lawrence Culp** *General Electric Company - Chairman & CEO*

Mike, thanks. Danny, thanks for that question. It happens all too often, frankly. We don't talk enough about our outstanding Healthcare business. So I appreciate you raising that and giving me an opportunity to do that. As you may know, Healthcare is really driving innovation and precision health to address these critical patient and clinical challenges we hear about the world over. So our focus is really on enabling more integrated, more efficient and highly personalized care.

And I think we've made a lot of progress over the past year in this space with a lot more to come. But let me give you a couple of quick examples. When you think about advancing precision health, this recent acquisition that we made in BK Medical, they bring advanced surgical visualization that helps clinicians see inside the patient's body in real time during surgery. So this is an advancement that really helps enable better care, faster surgeries and reduce complications.

Another example I would just highlight, Danny, is that with our Vscan handheld technology, we make an ultrasound exam mobile so doctors can deliver care to more people, including those in rural settings. And our latest version, the Vscan Air, beams the ultrasound image right into a smartphone application.

And our AIR Recon DL artificial intelligence solution makes it possible to take an older MRI scanner and bring it up to the state-of-the-art image quality with faster scans. So we're really using software to update the installed base of hardware in ways that really matter for clinicians.

So when you step back, this is all part of the innovation strategy that's going to be vital to not only addressing the critical challenges that patients and providers have, but I think part of the value creation story for GE Healthcare going forward. And I just couldn't be more proud of the leadership that our company is exhibiting in the precision health arena.

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**Michael J. Holston** *General Electric Company - Senior VP, General Counsel & Secretary*

Great. We got another one in here this morning from shareholder Jim Marek. He sent the following question, thank you for the virtual meeting. What are you seeing in GE's business with regard to inflation? Is it slowing, about the same or increasing?

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**H. Lawrence Culp** *General Electric Company - Chairman & CEO*

Jim, well, we're certainly seeing it. And I think we see it across the businesses in material, labor, logistics. Given the macro environment, probably has been more acute in Healthcare, our shorter-cycle business, but there's really no corner of the GE world that has been immune to the macro pressures. I think that we're all seeing it.

That said, what we're focused on, first and foremost, are the actions that we can take across every business, both on the cost side within our own operations and with our suppliers as well as on the pricing front. So this ranges from price increases to just the contractual escalation clauses we have with a good bit of our service business.

So going forward, what we're planning for is inflation to continue. Hopefully, it will settle in here. We all want it to abate. But that's not within our control. What's within our control are the actions and the process improvements I referenced a moment ago, and that's where we're going to be focused and our focus here in the second quarter as we work through the second half of this year.

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**Michael J. Holston** *General Electric Company - Senior VP, General Counsel & Secretary*

Okay. Let's take a couple more here. Larry, we got a question from a shareholder, John Winslow, who sent in the following question, where do we stand on the use of alternative fuels in aircraft engines?

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**H. Lawrence Culp** *General Electric Company - Chairman & CEO*

John, this is a critical question with respect to how we, in Aviation, continue to lead the industry on a go-forward basis as sustainability has become a more critical priority for our air framers and our carrier customers the world over. I'd say that fundamentally, we're supporting pretty much all the industry initiatives to approve and adopt 100% SAF, or sustainable aviation fuel. And we're also investigating hydrogen as a potential zero carbon fuel future.

So SAF, as you may know, has the potential to reduce life cycle carbon emissions by up to 80%. And that's going to be key to helping the overall industry reach its 2050 net zero goals. All of the GE engines, the CFM International and the Engine Alliance engines that we manufacture and service today can operate with approved SAF. So the industry actually has a lot of experience here. Nearly 400,000 commercial flights worldwide have used SAF over the last decade.

So I think we're building momentum here at GE, certainly the industry as well. We were pleased to partner with United Airlines last year, where we had the first passenger flight with 100% drop in SAF, albeit on one engine. And we've got agreements in place with Emirates and Etihad Airways to test 100% SAF-powered flights.

But as you think, John, beyond SAF, we are continuing to work on developing next-generation engine technology that offer the potential to achieve at least a 20% additional improvement in fuel efficiency compared to today's state-of-the-art single-aisle aircraft engines. So we're awfully proud of the work that the GE Aviation team is doing to help shape the future of flight while helping our customers reduce their carbon footprints.

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**Michael J. Holston** *General Electric Company - Senior VP, General Counsel & Secretary*

Larry, we've got several shareholders who asked about GE's recent stock performance, and maybe this is a good place to take a last question. Shareholder Younus Khan, who says he's been an investor in GE for a long time asks, when should I expect some improvement and return to glory?

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**H. Lawrence Culp** *General Electric Company - Chairman & CEO*

Younis, well, thank you for staying with us. I understand that the road here hasn't always been a straight one. But let me explain why I'm confident in GE's path ahead. This really starts with GE having what I believe is a capable and resilient team of passionate employees, all of whom are keen to seize the opportunities in front of us. And as I mentioned earlier, we're committed to our purpose of building a world that works, advancing the future of flight in Aviation, precision health we talked about a moment ago in Healthcare, and clearly, with the energy transition.

When you combine that team with the leadership positions that we enjoy in these markets, I think we have a strong path ahead. In Aviation, we're partnering to power two-thirds of the world's commercial departures. Every two seconds, an aircraft we've touched takes off somewhere in the world. In Healthcare, we touch one billion patients a year through close to two billion patient exams. And in Energy, our equipment helps generate one-third of the world's electricity. We are also helping to deliver more sustainable, affordable, and reliable energy that the world needs.

The balance sheet is becoming a source of strength and positions us to pursue the capital allocation alternatives we discussed earlier and to make decisions that can have both financial and strategic impact for GE and for you, our shareholders. Lean is now at the center of how we run our businesses, deepening our customer focus while we eliminate waste, driving both better results and a better operating culture.

The announcement to create three outstanding companies off these strengths will, I think, bring the full heritage of today's GE forward, and that's something we're just incredibly excited about. Each of these three businesses are going to have strong growth opportunities ahead, especially at this moment as the aviation industry recovers, the healthcare industry accelerates post-pandemic and energy rises to meet the challenges and the opportunities of the energy transition.

So I hope you're beginning to see and share in the excitement that we have about our future. Personally, I've never had more confidence or conviction in the GE than I do today. GE is a company that matters to all of us and matters to the world. I appreciate you raising the question.

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**Michael J. Holston** *General Electric Company - Senior VP, General Counsel & Secretary*

Thanks, Larry. There are some remaining questions on topics that we have not addressed during the meeting. We will follow up with responses to those, and we'll post them on our Investor Relations website as described in the meeting's rules of conduct.

With that, Larry, I'll turn it back over to you to close things out.

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**H. Lawrence Culp** *General Electric Company - Chairman & CEO*

Mike, thank you, and thanks to everyone who submitted a question ahead of the meeting or here during the live session and to all of you for joining us today. The Board and I remain dedicated towards working to protect and grow your investment in GE, and we do deeply appreciate your confidence in us. And speaking personally, it's a privilege and an honor to serve as your Chairman and CEO. Thank you.

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**Operator**

This now concludes the meeting. Thank you for joining, and have a pleasant day.

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