BlackRock

Investment Stewardship

Vote Bulletin: General Electric Company

Company	**General Electric Company (NYSE: GE)**
Market and Sector	United States/Industrials
Meeting Date	4 May 2021
Key Resolutions[1]	**Item 1a**: Elect Director Sebastien Bazin **Item 1d**: Elect Director Francisco D'Souza **Item 1e**: Elect Director Edward Garden **Item 1f**: Elect Director Thomas Horton **Item 2**: Advisory Vote to Ratify Named Executive Officers' Compensation **Item 5**: Require More Director Nominations Than Open Seats (Shareholder proposal) **Item 6**: Require Independent Board Chair (Shareholder proposal) **Item 7**: Report on Meeting the Criteria of the Net Zero Indicator (Shareholder proposal)
Key Topics	Executive compensation, board quality and effectiveness, climate risk
Board Recommendation	The Board recommended voting FOR the management Items listed above (1a, 1d, 1e, 1f, and 2) as well as Item 7, and AGAINST the remaining shareholder proposals (Items 6 and 7)
BlackRock Vote	BlackRock voted AGAINST Items 1a, 1d, 1e, 1f, 2, 5 and 6, and FOR Item 7

Overview

General Electric Company (GE) is a multinational industrial conglomerate. The company operates in segments such as aviation, healthcare, power, renewable energy, digital industry, additive manufacturing, and data analytics.

BlackRock Investment Stewardship (BIS) has engaged with the company for several years to discuss corporate governance and sustainability issues that we believe drive long-term shareholder value, including the management and board oversight of climate-related risks, sustainability disclosures, board quality and effectiveness, and executive compensation.

The company has undergone significant changes to its management, board, and portfolio since 2017. Under Chairman and CEO Larry Culp, the company has made strides towards enhanced governance and strategic and operational improvements. However, over the last year, COVID-19 significantly impacted the company's aerospace and health care businesses.

[1] General Electric, "2021 Notice of Annual Meeting and Proxy Statement".

Rationale for BlackRock's Vote

Items 1a-1f: Elect Compensation Committee members Sebastien Bazin, Francisco D'Souza, Edward Garden, Thomas Horton (AGAINST)

Item 2: Advisory Vote to Ratify Named Executive Officers' Compensation (AGAINST)

BIS voted against the election of relevant directors on the Compensation Committee and the proposal to approve executive compensation given the misalignment of pay and performance.

When Larry Culp joined GE as CEO in 2018, the Compensation Committee constructed a four-year pay package aimed at doubling the stock price, with a $57 million initial grant. The compensation package was repriced in 2020 when GE's stock hit a 20-year low as a result of COVID-19 impacts[2]. The revised package maintained a focus on stock price increase, but the goals were re-set, based on the lower stock price in 2020. We acknowledge the Compensation Committee's point that Larry Culp declined his regular salary through much of last year. However, if the new stock price hurdles are maintained, he stands to earn $124 million at target payout and $232.5 million at maximum.[3]

While the amended compensation plan has been the primary focus of shareholders and the media, the Compensation Committee also used discretion for 2020 bonus payments. Although the corporate financial thresholds in the annual incentive program were met, the committee used its discretion to fund the bonus pool at 80% of target. As discussed in our commentary on our approach to Incentives aligned with value creation, where a Compensation Committee has used its discretion in determining the outcome of any compensation structure, we expect transparency with respect to how and why discretion was used, which we felt was lacking in this instance.

Based on a pay and performance misalignment, as well as a mid-cycle adjustment to the plan based on short term stock declines, BIS voted against the ratification of Named Executive Officers' compensation and the election of relevant directors on the Compensation Committee.

Item 5: Require More Director Nominations Than Open Seats (AGAINST)

BIS voted against this proposal because this is not a normal course practice for uncontested meetings.

This proposal requested that the Board present at a minimum two candidates for each available board seat.[4] BIS does not advocate for this approach for uncontested meetings, and it is not standard practice in the U.S.

Item 6: Require an Independent Board Chair (AGAINST)

BIS voted against this proposal because the company has a designated Lead Independent Director with sufficient responsibilities and authority.

As discussed in our market-level voting guidelines for U.S. securities and Global Principles, we believe that independent leadership is important in the boardroom, and that the Board is effectively able to fulfill its fiduciary duty when there is an independent, senior non-executive board chair or, where the chairman is also the CEO (or is otherwise not independent), a strong Lead Independent Director. BIS will look to support the Board in the structure of its choice, so long as we have confidence that the Lead Independent Director is appropriately challenging management and demonstrating independence.

GE currently has a combined CEO/Chairman role, as well as a Lead Independent Director. The decision for the separation of the Chair and CEO is on a case by case basis, rather than via policy. We do not currently have

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[2] General Electric, "GE releases its 2Q 2020 Results".

[3] General Electric, "2021 Notice of Annual Meeting and Proxy Statement", page 36.

[4] General Electric, "2021 Notice of Annual Meeting and Proxy Statement".

concerns with this board structure and believe that the Lead Independent Director has sufficient authority to challenge management and has demonstrated independence.

Item 7: Report on Meeting the Criteria of the Net Zero Indicator (FOR)

BIS supported this proposal because we believe it may accelerate the company's progress on climate risk management.

The proposal requested that the company report on its progress towards achieving a target of net zero greenhouse gas (GHG) emissions by 2050.[5] The Board recommends that shareholders support this proposal.

GE has a goal to achieve carbon neutrality for its operations by 2030 and plans to exit the new build coal power market in favor of increased deployment of renewables.[6] The company plans to align its reporting to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and the sector-specific standards of the Sustainability Accounting Standards Board (SASB) in its summer 2021 sustainability report. Currently, GE also provides a detailed update on the progress of its ESG goals in a consolidated scorecard for benchmarking, "Environmental, Social, and Governance Results."[7]

We recognize and support the efforts that GE has made to date on the management and oversight of climate risk. We supported the proposal as we believe a report on meeting the criteria of the Net Zero Indicator may help to accelerate its progress. This is consistent with our view that effective disclosure of climate-related risks and GHG emissions data is critical to investors' understanding of a company's ability to deliver sustainable, long-term shareholder value. It also reflects our updated approach to shareholder proposals under which we may support proposals if we believe that doing so would support or accelerate a company's progress on a material governance or sustainability issue.

[5] See previous footnote.

[6] General Electric, "GE to pursue exit from new build coal power market".

[7] General Electric, "2019 Environmental, Social, and Governance Results".

About BlackRock Investment Stewardship (BIS)

BlackRock Investment Stewardship (BIS) plays a key role in our fiduciary approach. As an essential component of our responsibility to our clients, we engage with companies to advocate for the sound corporate governance and business practices that drive the sustainable, long-term financial returns that enable our clients to meet their investing goals.

Our approach is from the perspective of long-term, minority shareholders in public companies on behalf of our clients. We look to boards and executive management to serve the interests of long-term shareholders and other stakeholders. Our active and ongoing dialogue with the leaders of these companies gives us a valuable perspective on their long-term strategies, financial performance, and the business challenges they face.

As stewards of our clients' assets we have a responsibility to make sure companies are adequately managing and disclosing environmental, social and governance (ESG) risks and opportunities that can impact their ability to generate long-term financial performance — and to hold them accountable if they are not. Engaging with companies is how BIS builds an understanding of a company's approach to governance and sustainable business practices, how we communicate our views, and how we ensure companies understand our expectations. If a company falls short of our expectations and we have been given the authority to vote the company's shares, we would hold them accountable by voting in the best long-term economic interests of those clients that have given us proxy voting authority. As detailed in our Global Principles, proxy voting involves logistical issues which can affect BlackRock's ability to vote such proxies, as well as the desirability of voting such proxies. As a consequence, BlackRock votes proxies on a "best-efforts" basis.

We are committed to transparency in our stewardship practices. Our vote bulletins provide detailed explanations of key votes relating to a range of business issues including ESG matters that we consider, based on our Global Principles, market-level voting guidelines, and engagement priorities, material to a company's sustainable long-term financial performance. We publish select vote bulletins after the shareholder meeting to provide transparency for clients and other stakeholders into our approach to the votes that we believe require more detailed explanation.

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