



Carl Kennebrew

President

At the General Electric (NYSE: GE) Annual Meeting on May 4th, 2022 please vote FOR Shareholder Proposal No.3 — Employee Representative Director requesting the nomination of an employee representative director.

Dear General Electric Shareholders:

We urge you to vote FOR Shareholder Proposal No.3 requesting the Board include a non-executive employee representative on GE's slate of director candidates next year. The proposal intends to bring on-the-ground insights of an employee into GE's boardroom, allowing the Board to ensure that it balances short-term demands for cash returns to shareholders with the investment necessary to generate sustainable, long-term growth at GE, and its surviving entities. We believe increasing board diversity in this way is an imperative given the restructuring challenges that each of GE's business divisions are facing as the company pursues a multistage spin-off. Specifically:

- Despite a clear need to invest in each of its businesses, and the importance of attracting and retaining in-demand, highly-trained and experienced employees in managerial and in manufacturing positions, GE's board has allowed GE management to embark on a risky and expensive restructuring that could fatally undermine the company's core industrial capabilities.
- The decision by GE to spend nearly \$2.5 billionⁱ to facilitate two spin-offs has been applauded by Trian, a hedge fund whose returns strategy, we believe, is misaligned with the long-term interest of shareholders who depend on a successful GE.
- Having bought \$2.5 billion at \$23 per share in 2015ⁱⁱ, Trian sold 1/3 of its position when the stock reached \$32 per share in 2016. The stock value quickly slid from its 2016 highs never to recover. Trian's founder Nelson Peltz said *"that was our big mistake ... we should have sold three thirds of our position."*ⁱⁱⁱ Trian has been looking for a profitable way out of its investment since.
- As Forbes noted, Trian had come in supporting CEO Jeffrey Immelt's strategic reorientation of the Company in 2015, and then "Trian was an important player in expediting his ouster and both reconfiguring and simplifying GE's board of directors."^{iv}
- In 2017 Trian installed Nelson Peltz's son-in-law Ed Garden on the Board, where he sits on the Management Development and Compensation Committee.^v *"We got rid of CEOs,"* Peltz said about the changes at GE, adding that *"the board is, except for one person, is 100% changed."*^{vi} In April 2018 Larry Culp was nominated as a director onto GE's new board and by October 2018^{vii} he was elevated to the position of Chief Executive Officer and Chairman of the Board.^{viii}
- Since Trian Partners took a minority stake and an active role in the company in 2015^{ix}, GE has spent tens of billions of dollars on share buybacks, sold off entire business divisions, and cut tens of thousands of employees.^x Nevertheless, since Trian's entry, GE's stock price has dropped more than 53%.^{xi}

Given these conditions, it is disappointing that the GE board does not embrace needed governance reforms like this one. The board's opposition statement to an employee director claims that the Governance Committee seeks director nominees who will "*serve the interests of all of our stakeholders rather than just one constituency or faction*," yet the board has granted Trian what we view as undue influence through its one affiliated director.

As many institutional investors, including BlackRock CEO Larry Fink, have noted, it is increasingly clear that public company CEOs have become too focused on short-term returns, and that the influence of alternative investment fund managers, such as activist hedge funds, has spurred an imbalanced approach to managing companies.^{xii} A non-executive employee director would have interests that are more aligned with that of a long-term shareholder than a director whose career has been focused on short-term value extraction.^{xiii}

Corporations led by boards that are indifferent, unaware or hostile to their workforce are more likely to become captive of management, rather than exhibiting the necessary independence that their fiduciary role requires of them. Adding a shareholder-elected, non-executive employee director would provide valuable diversity that the current board lacks, and an invaluable ear to the ground.

For further background, we refer you to our website to view: "IUE-CWA Corporate Governance Considerations on the Added Value of Workers Voice to General Electric's Board of Directors – in Support of Shareholder Proposal No.3 for Employee Director" in which we review additional considerations that pertain to GE's business strategy, the evolving US and trans-Atlantic corporate governance framework, and overall improvements that shareholders and the corporation as a going concern can derive from greater worker voice on Corporate Board of Directors.

Sincerely,



Carl Kennebrew
President
IUE-CWA

IUE-CWA is the Industrial Division of CWA, we represent a force of 150,000 active and retired workers in a number of manufacturing industries, including thousands of GE employees, united collectively to seek dignity on the job and a secure future, and are part of CWA, the Communications Workers of America.

ⁱ <https://www.ge.com/news/press-releases/ge-plans-to-form-three-public-companies-focused-on-growth-sectors-of-aviation>

ⁱⁱ <https://www.reuters.com/article/us-general-electric-stake/nelson-peltz-trian-takes-2-5-billion-stake-in-general-electric-idUSKCN0RZ0HY20151005>

ⁱⁱⁱ <https://www.cnbc.com/2019/09/19/nelson-peltz-on-general-electric-trian-made-big-mistake-on-ge-stake.html>

^{iv} <https://www.forbes.com/sites/antoinegara/2018/11/16/how-jeff-immelts-courtship-of-an-activist-investor-backfired-for-ge-shareholders/?sh=2c1b739175b9>

^v <https://www.ge.com/news/press-releases/ge-elects-ed-garden-trian-partners-board-directors>

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- vi <https://www.cnn.com/2019/09/19/nelson-peltz-on-general-electric-trian-made-big-mistake-on-ge-stake.html>
- vii <https://www.ge.com/about-us/leadership/profiles/lawrence-culp>
- viii <https://www.forbes.com/sites/antoinegara/2018/11/16/how-jeff-immelts-courtship-of-an-activist-investor-backfired-for-ge-shareholders/?sh=2c1b739175b9>
- ix [Nelson Peltz's Trian Sells a Chunk of GE Stock. Here's Why. | Barron's \(barrons.com\)](#)
- x <https://money.cnn.com/2018/03/23/investing/ge-share-buybacks-immelt/index.html>
- xi GE Daily Price Data, close price for (NYSE:GE) stock: Oct.5, 2015 (\$206.31) to April 1, 2022 (\$92.49) as reviewed on Yahoo Finance data on historical prices, as repriced following Summer 2021 8:1 reverse stock split. See: <https://finance.yahoo.com/quote/GE/history?period1=-252374400&period2=1648944000&interval=1d&filter=history&frequency=1d&includeAdjustedClose=true>
- xii <https://www.businessinsider.com/blackrock-ceo-larry-fink-letter-to-sp-500-ceos-2016-2>
- xiii Lazonick, William, and Jang-Sup Shin. 2020. *Predatory Value Extraction*. Oxford University Press.