

November 1, 2022

H. Lawrence Culp, Jr.  
General Electric Company Executive Offices  
5 Necco Street,  
Boston, MA 02210

Dear Mr. Culp

We are writing to express concern that, as GE prepares for a transformational series of restructurings and spin-offs, neither the company nor the board has made clear to investors whether the planned successor companies will share the sustainability commitments and practices that GE has made. In its 2021 Sustainability Report, GE expresses well-earned pride in its track record as a leader in corporate sustainability reporting and practices. As the report describes, GE has for over two decades made clear commitments to investors on a range of sustainability matters, including diversity and inclusion, environmental impact, and human rights.<sup>1</sup> Nevertheless, we are unable to find any public statement by yourself, other board members, or from company representatives either committing the planned spin-off companies to maintain GE's sustainability commitments, or explaining why those commitments will not either transfer or be readopted at the time of separation. As you know, corporate sustainability commitments are a subject of great concern to investors, as can be seen in multiple successful engagements between investors and issuers that have led to the performance of racial equity and/or civil rights audits; the adoption of Paris-aligned reporting and emissions reductions; and explicit commitments to respect the freedom of association and collective bargaining.<sup>2</sup>

Now that the board of GE Healthcare has been announced with you as non-executive Chairman, we believe it is an opportune time for GE to avoid any misunderstanding and make clear that the sustainability commitments and practices of which the company is justifiably proud, will continue on at its successor companies.<sup>3</sup> In particular, we urge the GE board of directors to specifically commit each spin-off company to retain and as appropriate update GE's existing sustainability goals, particularly with respect to:

- Diversity and inclusion.
- Paris-aligned climate emissions reduction.
- Freedom of association and collective bargaining.

While we are confident that you understand the importance of these goals, we will briefly describe why each is particularly important to investors currently, and why a clear statement of GE's commitments with respect to the post-separation companies should be forthcoming promptly.

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<sup>1</sup> *GE 2021 Sustainability Report*, pgs. 1-3

<sup>2</sup> Orrick, *ESG-Related Shareholder Proposals – Takeaways from the First Half of 2022*, July 25, 2022 available at <https://www.orrick.com/en/Insights/2022/07/ESG-Related-Shareholder-Proposals-Takeaways-From-the-First-Half-of-2022#:~:text=Number%2C%20Source%2C%20and%20Type%20of,128%20for%20all%20of%202021.>

<sup>3</sup> Press Release, "GE Announces Board of Directors for Future Independent GE HealthCare; Confirms Target Spin-Off Timing of First Week of January 2023," September 12, 2022

The SOC Investment Group works with pension funds sponsored by unions affiliated with the Strategic Organizing Center, a coalition of unions representing millions of members, to enhance long term shareholder value through active ownership. These funds have over \$250 billion in assets under management and are also substantial GE shareholders.

### **Diversity and Inclusion**

Investors have long recognized the importance of effective internal programs to encourage greater diversity and inclusion at the board, senior management, and other levels of a company. In the past, arguments for an increased focus on diversity stemmed mainly from concerns over reputational harm, litigation, and adverse regulatory enforcement actions. Over the past decade, financial research has additionally found that diversity and inclusion improves company performance directly through mechanisms including improved decision-making, increased discovery and recognition of talent, and reduced turnover and burnout.<sup>4</sup> Following the murder of George Floyd in 2020, concerns over diversity and inclusion reached a new peak, with voting majorities at multiple major companies in support of racial equity/civil rights audits or assessments.<sup>5</sup>

In its 2021 Sustainability Report, GE describes itself as being “nearly two years into our reinvigorated strategy to generate long-term, sustainable progress on diversity and inclusion,” which includes the appointment of a new Chief Diversity Officer, new self-reporting based categories for veterans and disabilities, and a commitment to achieve “100% pay equity in each of our businesses.”<sup>6</sup>

### **Climate Emissions Reductions**

The mounting climate emergency has galvanized public and private action particularly since the Paris Climate Agreement was reached seven years ago. Investors expect – and in an increasing number of jurisdictions regulators require – companies to set goals for climate emissions reductions compatible with the Paris Agreement’s goal of limiting global average temperature growth to well below 2 degrees Celsius. In 2022 alone, at least 215 climate-related proposals were filed at U.S. companies, while over 100 of these resulted in an implementation agreement.<sup>7</sup> In 2020, GE committed to carbon neutrality for Scope 1 and 2 emissions (own operations and purchased energy), and in 2021 added a commitment to reach carbon neutrality for Scope 3 (whole value chain) emissions by 2050.<sup>8</sup> While GE has plainly stated that it intends each of the three successor companies following the spin-offs to contribute to addressing the climate emergency through their products and services, it is unclear how the spin-offs will affect these emissions reductions targets, and if each of the three successor companies will be committed to reaching the goals GE identified for the exiting company. Additionally, GE has made commitments to ensuring that its lobby and legislative activities are compatible with its climate emission commitments.<sup>9</sup> We believe investors would also benefit from a clear statement that these commitments will be taken up by the successor companies post-spin off.

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<sup>4</sup> UN PRI, *Diversity, equity & inclusion: Key action areas for investors*, February 7, 2022

<sup>5</sup> Ron S. Berenblat and Elizabeth R. Gonzalez-Sussman, “Racial Equity Audits: A New ESG Initiative,” *Harvard Law School Forum on Corporate Governance*, October 30, 2021.

<sup>6</sup> *GE 2021 Sustainability Report*, pgs. 80-83.

<sup>7</sup> Press Release, “As 2022 proxy season begins, record numbers of climate resolutions and agreements bode well for action,” *climateaction100.org*, April 27, 2022.

<sup>8</sup> *GE 2021 Sustainability Report*, pg. 91.

<sup>9</sup> *GE 2021 Sustainability Report*, pgs. 96-103.

## Freedom of Association and Collective Bargaining

Particularly in light of the Covid-19 pandemic and the inequalities in working conditions that it magnified, many investors have become concerned to ensure that companies in their portfolio have a fulsome commitment to recognizing and respecting the rights of free association and collective bargaining.<sup>10</sup> Parallel to this development, investors over the past decade have increasingly focused on human capital management as an underrecognized source of value and opportunity. Even before the SEC introduced changes to Regulation S-K that require companies to discuss their approach to human capital management, it was increasingly common for shareholders to inquire into various aspects of workplace management and workers' rights, including those related to forced arbitration, sexual harassment, and gender and racial pay equity.<sup>11</sup> Over the past year, we have seen growing interest among shareholders globally in understanding how their portfolio companies implement their commitment to free association and collective bargaining and how they assess the effectiveness of their approach, as well as calling on companies that have not made such a commitment explicitly to do so.

In its 2021 Sustainability Report, GE states that “[respect] for freedom of association is one of GE’s core commitments to all employees,” and notes that in the U.S. the company has 21 collective bargaining agreements covering approximately 5,700 employees.<sup>12</sup> Moreover, GE published its first Human Rights Report this year, which describes the history of GE’s human rights commitments dating back to 2006, as well as the results of the 2020 global human rights assessment GE commissioned from a leading human rights advisory firm.<sup>13</sup> This assessment identified worker welfare as a salient risk area for the company, and further identified freedom of association and collective bargaining as one of seven priority rights relevant to this risk area.<sup>14</sup> Given the prominence that this third-party assessment attached to freedom of association and collective bargaining, we believe investors would benefit from a clear statement that GE’s existing human rights commitments will continue at the successor companies following the spin-offs.

GE has a laudable history as an early leader in corporate sustainability reporting and commitments. As it moves closer to the planned separation into three companies, investors will appreciate clarity concerning the continuation of these commitments and practices in the successor companies. We urge the GE board to provide investors with such a reassurance promptly. If you have any questions or would like to discuss this topic directly, please contact our Research Director Richard Clayton at [rclayton@socinvestmentgroup.com](mailto:rclayton@socinvestmentgroup.com).

Sincerely,



Dieter Waizenegger  
Executive Director

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<sup>10</sup> <https://share.ca/blog/iss-recommends-shareholder-proposal-on-freedom-of-association-at-tesla/>

<sup>11</sup> Merel Spierings and Paul Washington, 2022 proxy season preview and shareholder voting trends 2018-2022: Human capital management proposals,” *The Conference Board*, 2022.

<sup>12</sup> *GE 2021 Sustainability Report*, pg. 115.

<sup>13</sup> *GE 2021 Human Rights Report*, pg. 9.

<sup>14</sup> *Ibid.*, pg. 10.