The Management Development and Compensation Committee Key Practices

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KEY PRACTICES

The Management Development and Compensation Committee has adopted the following key practices to assist it in undertaking the functions and responsibilities set forth in its charter:

1. Meetings. The committee will meet at least eight times a year.

2. Compensation Principles. The committee individually reviews the performance of the senior executive officers — the CEO, the vice chairmen and the senior vice presidents — and establishes or approves every compensation action for them. The committee believes that its principal responsibility in compensating the Company's senior executive officers is to design and implement compensation programs to reward those officers for sustained financial and operating performance and leadership excellence, to align their interests with those of our shareowners and to encourage them to remain with the Company for long and productive careers. The committee also reviews all compensation actions for other Company officers and regularly evaluates the effectiveness of the different elements of the Company's overall executive compensation program. The elements of our executive compensation program are described immediately below.

The committee relies upon its judgment in making compensation decisions, after reviewing the performance of the Company and carefully evaluating an executive's performance during the year against established goals, leadership qualities, operational performance, business responsibilities, career with the Company, current compensation arrangements and long-term potential to enhance shareowner value.

The committee does not adhere to rigid formulas or necessarily react to short-term changes in business performance in determining the amount and mix of compensation elements.

Each year, the Company reports the compensation paid to its CEO, its CFO and its three most highly compensated senior executive officers in the proxy statement. The committee provides a report that is included in the proxy statement with respect to the Compensation Discussion and Analysis.

3. Elements of Executive Compensation Program. Each element of the Company's executive compensation program serves a somewhat different purpose, as described below:

a. **Base Salary.** Base salaries for the senior executive officers depend on the scope of their responsibilities, their leadership skills and values, their performance, and length of service and accumulated experience.

b. **Annual Bonus.** Annual bonuses for the current year and the percent change from the prior year's bonus for senior executive officers are determined after an evaluation of the overall performance of the Company, the performance of the business or function that the officer leads and an assessment of each officer's performance against stated goals and objectives, which were established at the beginning of the year. The bonuses also reflect (and are proportionate to) the annual financial results of the Company.

c. **Stock Options and Restricted Stock Units (RSUs).** The Company's equity incentive compensation program is designed to recognize scope of responsibilities, reward and incent superior performance and leadership, align the interests of the executives with our shareowners' and retain the officers through the term of the awards. The committee considers the grant size and the appropriate combination of stock options and RSUs when making award decisions. When determining the appropriate combination of stock options and RSUs, the committee's goal is to weigh the cost of these grants with their potential benefits as a compensation tool. Existing ownership levels are not a factor in award determination.

d. **Contingent Long-Term Performance Awards.** The committee also periodically grants contingent long-term performance incentive awards to senior executive officers. These awards provide a strong incentive for achieving specified financial performance goals that the Company considers to be important contributors to long-term shareowner value.

e. **Performance Share Units (PSUs).** Since 2003, we have compensated the CEO of GE with PSUs in lieu of any other equity incentive compensation because the committee and the CEO believe that the CEO's equity incentive compensation should be fully at risk and based on key performance measures that are aligned with shareowners' interests. The PSUs will convert into shares of GE stock at the end of the five-year performance period only if the specified performance objectives have been achieved. If the performance objectives are not met, the PSUs will be cancelled. Beginning with PSUs granted in September 2006, GE accumulates dividends on each PSU equal to the quarterly dividends on one share of GE stock, and the CEO is entitled to receive those dividend equivalents (without interest) only on shares of GE stock that the CEO actually earns at the end of the performance period based upon satisfaction of the performance objectives. The PSUs and dividend accruals are forfeited if the CEO leaves GE prior to the end of the performance period.

All of the awards described above are granted in accordance with the terms of the Company's long-term incentive plans.

4. Stock Ownership Guidelines. We require our senior executive officers to own significant amounts of GE stock. The number of shares of GE stock that must be held is set at a multiple of the officer's base salary rate as of September 2002, when the board of directors adopted this requirement. For senior executive officers elected after September 2002, the number of shares depends upon their base salary effective with their promotion to a senior executive officer position, as follows:

Position	Multiple	Time to Attain
CEO	6X	3 years
Vice Chair	5X	4 years
Senior VPs	4X	5 years

Individual and joint holdings of GE stock with immediate family members as specified by the committee, including those shares held in the Company's 401(k) plan and any deferred compensation accounts, count toward the guidelines.

5. Stock Option Holding Period and Trading Restrictions. Senior executive 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. The committee prohibits short sales on GE stock by these officers, or the purchase or sale of options, puts, calls, straddles, equity swaps or other derivatives securities that are directly linked to GE stock.

6. Prohibit Stock Option Repricing. The committee reaffirms the board's long-standing policy prohibiting the repricing of stock options, including by amendments to outstanding options to lower their exercise price, and the cancellation of outstanding options and replacing them with new options.

7. Deferred Compensation. The Company has offered periodically both a deferred salary plan and an annual deferred bonus plan, with only the deferred salary plan providing the payment of an "above-market" rate of interest as defined by the U.S. Securities and Exchange Commission. These plans are intended to promote retention by providing a long-term savings opportunity on a tax-efficient basis. A deferred salary plan is viewed as a strong retention tool for the Company's eligible executives because they generally must remain with the Company for at least five years from the time of deferral to receive any interest on deferred balances.

8. Pension Plans. The Company provides annual retirement benefits under the GE Pension Plan, the GE Supplementary Pension Plan and the GE Excess Benefit Plan. The Supplementary Pension Plan is a strong retention tool because executives are generally not eligible for such benefits if they leave the Company prior to reaching age 60.

9. Other Compensation. The Company provides executives with other benefits that it and the committee believes are reasonable, competitive and consistent with the Company's overall executive compensation program.

10. Compensation Consultants. The committee does not have any contractual arrangement with any compensation consultant who has a role in determining or recommending the amount or form of senior executive or director compensation.

11. Executive Misconduct. Under the Company's policy, 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 on the wrongdoers 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) if the conduct resulted in a material inaccuracy in the Company's financial statements or performance metrics, which affect the executive officer's compensation, seeking reimbursement of any portion of performance-based or 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; provided that if the board determines that an executive engaged in fraudulent misconduct it will seek such reimbursement. These remedies would be in addition to, and not in lieu of, any actions imposed by law enforcement agencies, regulators or other authorities.

12. Succession Planning. The committee: 1) develops criteria for the CEO position that reflects the Company's business strategy; 2) routinely reviews and discusses succession planning; 3) assists the board in identifying and developing potential internal successors for the CEO; and 4) periodically reviews the emergency succession plan.