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Introduction

General Electric's (GE) public statements on its greenhouse gas emissions exposure misleads investors by utilizing calculations that materially reduce the company's total Scope 3 emissions. GE has a similar global turbine market share to Siemens (see below), however, Siemens' disclosed Scope 3 emissions are four times higher than GE's (Exhibit D, p. 3). This suggests that GE could be undercounting the company's total Scope 3 emissions by over 300% - thereby misrepresenting GE's progress towards meeting the global net zero emissions by 2050 goal.

We are filing this TCR to draw attention to the apparent violation of Section 10(b) of the *Securities Exchange Act*; Rules 10b-5 and 12b-20 promulgated thereunder; and Rule 408 promulgated under the Securities Act of 1932 by GE, which misled US investors by publishing misleading information and omitting key details in relation to its carbon emissions disclosure.

In its 2022 Sustainability Report and Appendices (Exhibit A, p. 13), GE discloses the Scope 3 carbon emissions from its Vernova business (**320 million metric tons CO2e)**, which are the emissions from the use of its sold products. As a turbine manufacturer for coal and gas power projects, this category houses GE's most significant emissions. In 2022, gas and coal power accounted for 55% of GE's total energy business revenue (Exhibit E, GE, 2022 Annual Report, p. 6).

While GE's disclosed Scope 3 emissions are already significant (by comparison, total emissions from the UK in 2022 were 427 million metric tons CO2e), the company is downplaying its Scope 3 emissions profile by using some creative practices in its methodology, contrary to international standards that GE claims to follow.

This misrepresentation is material as it provides the appearance that GE is emitting less carbon, and therefore is better managing its climate risk, and is more appealing to "green" investors. It is also material as GE is spinning off its power business into a new entity, GE Vernova, and investors need details about the significant climate-related financial risks concerning this new company, detailed below.

GE's conduct therefore appears to violate Section 10(b) of the *Securities Exchange Act*; Rules 10b-5 and 12b-20 promulgated thereunder; and Rule 408 promulgated under the Securities Act of 1932, which collectively prohibit issuers from making statements that are materially false and misleading.

Jurisdiction

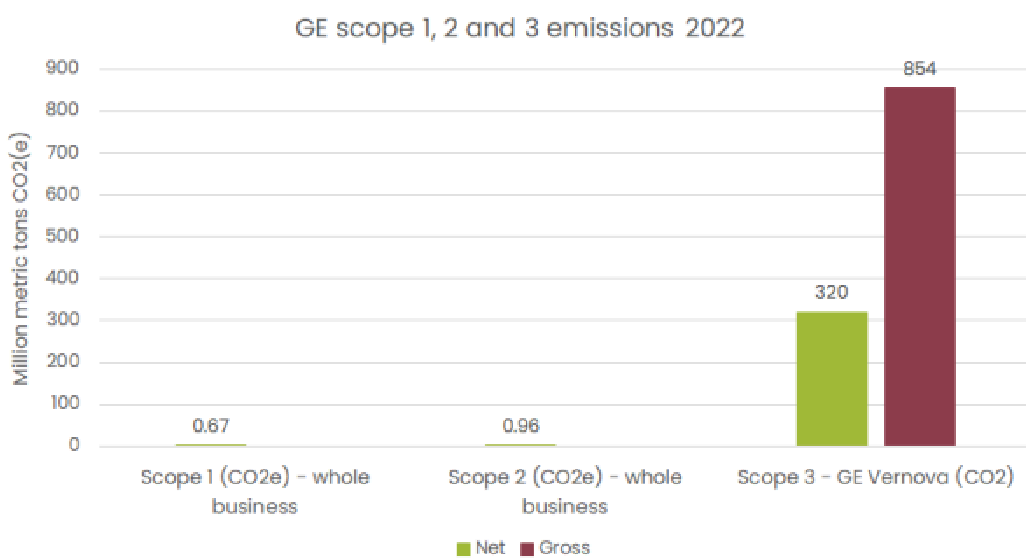
GE is listed and raises capital on the New York Stock Exchange, and as such the SEC has jurisdiction under the *Securities Exchange Act* to investigate the issuer.

GE has misrepresented its Scope 3 emissions

GE's Scope 3 methodology excludes key assumptions that highlight the transition and reputational risks to the business, which would be material to investors.

1. **Using a calculation on net emissions is misleading and contrary to industry standard and peer practice**

GE focuses on what it terms 'net' Scope 3 emissions and sets its Net Zero Ambition target based on its Scope 3 calculation (Exhibit A, 2022 Sustainability Report, p. 32 - 35), whereby the company applies a discount on the use-phase emissions of its coal and gas turbines based on its share of the total cost of the power plants where they are installed (CapEx). With coal-fired steam turbines, the average allocation factor GE applies is 6%, meaning **GE does not take responsibility for 94% of emissions from coal power plants it has facilitated**. This is not an acceptable approach - this is like a child knocking over the first domino and claiming no responsibility for the fallout.



Source: GE, 2022 Sustainability Report Appendices (p. 8) and 2022 Sustainability Report (p. 12).

This is against the industry standard Greenhouse Gas (GHG) Protocol (see our explanation at Exhibit B). As a result, GE's reported Scope 3 emissions (320 million metric tons of CO_2e) are significantly lower than MHI (Exhibit C, p. 59) and Siemens (Exhibit D, p. 3), which are 1,231 million and 1,323 million metric tons CO_2e respectively, despite these companies' market share being roughly the same. For example, reports indicate that GE leads in steam (coal and gas) turbine market share (approximately 25%) followed by Siemens and Mitsubishi Hitachi Power Systems (owned by MHI). MHI, Siemens and GE's global gas turbine market share in 2022 is 33%, 26% and 25% respectively.

2. **GE differentiates in its own reporting on coal and gas, omitting information on gas**

GE does not provide the allocation factor it uses to calculate Scope 3 emissions from its gas turbines at all, unlike disclosure on its coal turbines. This is a major unexplained omission that obscures the full emissions impact of GE's gas power business. This is particularly concerning given GE's gas power business represents 16% of GE's total revenue, while its steam power business represents 4% (Exhibit E, GE, 2022 Annual Report, Form 10-K, p. 8 and 12)

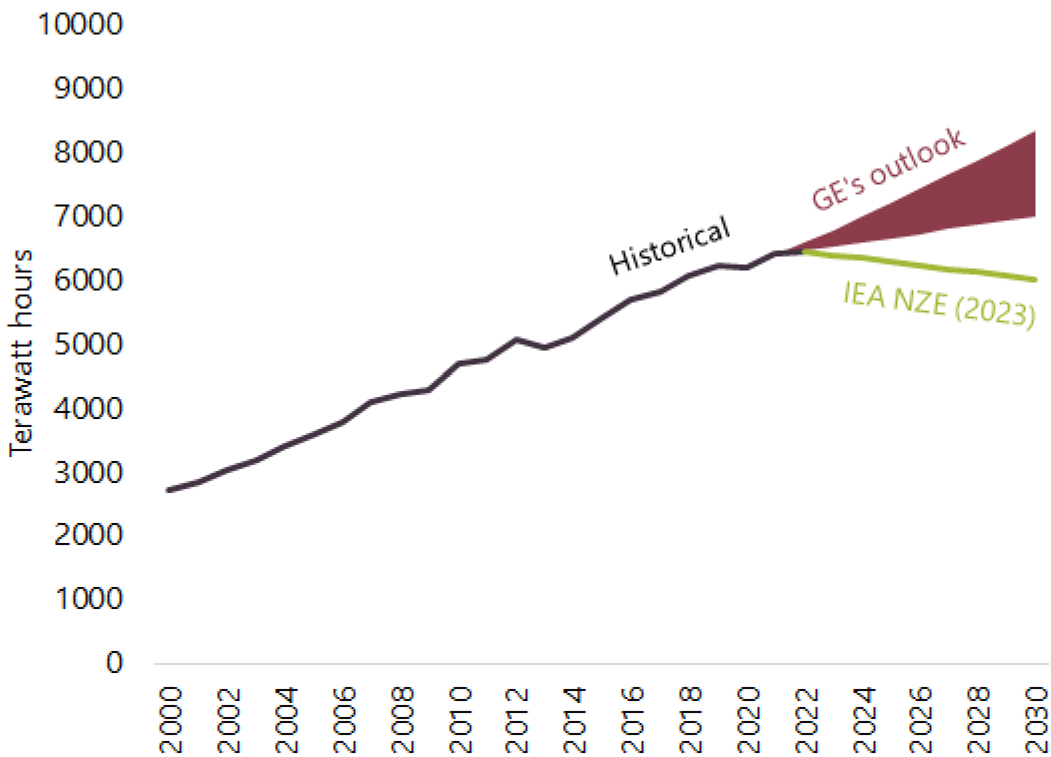
Regardless of the proportion of emissions GE chooses to "allocate" to its activities, governments will be seeking to reduce 100% of emissions from power plants (not a proportion based on CapEx), demonstrating a major risk to GE's revenue from gas turbine sales and servicing contracts.

GE's emissions calculations assume the capacity (utilization) rates of its gas turbines will decrease over time, largely thanks to increasing displacement by renewables. However, GE does not disclose the actual capacity factors used in its calculations. By not disclosing the capacity factors, GE may be concealing its true expectation as to the pace and scale of gas power phase down.

3. **GE appears to be using one set of assumptions in its emissions reporting and other in its management discussion and analysis**

GE has recently stated in its 2022 Annual Report that it expects "the gas market to remain stable over the next decade with gas generation continuing to grow low-single-digits" (Exhibit E, GE, 2022 Annual Report, Form 10-K, pg. 12). This is severely misaligned with the International Energy Agency's (IEA) outlook for gas in its latest Net Zero Emissions by 2050 scenario (Exhibit F), and GE's own commitment to achieving net zero emissions by 2050 (Exhibit A).

Global gas power generation - Historical, IEA NZE and GE outlook



"GE's outlook" is an estimate based on the company's stated expectation of "low-single-digits" growth in gas generation over the next decade, which we have interpreted as 1-3% per annum. Source: Ember, IEA, GE

It also appears to directly contradict GE's own assumption that gas turbine utilization will progressively decrease due to renewables penetration, which form the basis of the calculation of its emissions (as discussed in point 2 above).

Based on this, we are concerned GE may be using one set of assumptions in its Management Discussion & Analysis and another for its emissions reporting.

These misrepresentations are material to shareholders

Climate-related risks are often material financial risks that an issuer should disclose, as the SEC recognized in its climate guidance to issuers, published in 2010 (Exhibit G). The SEC has also released a proposal in 2022 on new rules to standardize and enhance climate related disclosures (Exhibit H). More recently, California is requiring Scope 3 emissions disclosure under the Climate Corporate Data Accountability Act (Exhibit I).

So, it is unquestioned that the Commission views truthful and complete disclosure of issuers' climate-related risk and **accurate** Scope 3 emissions disclosures as non-negotiable if those companies are to comply with their obligation to provide “such further material information, if any, as may be necessary to make the required statements, in light of the circumstances under which they are made, not misleading.”

Moreover, the materiality also arises from GE’s own commitment to achieving net zero emissions by 2050 (Exhibit A) which would include its Scope 3 emissions. GE specifically boasts about its Scope 3 emissions being on track toward its net zero by 2050 goal, stating "We are also progressing on our ambition to be net zero by 2050, including for the Scope 3 emissions associated with the use of our sold products." (Exhibit A, 2022 Sustainability Report, p. 10).

Investors also expect accurate Scope 3 emissions and targets:

- Investor Group on Climate Change’s (IGCC) Corporate Climate Transition Guide states “Material Scope 3 emissions should be included in net zero commitments” (Exhibit J).
- Science Based Targets initiative’s (SBTi) Corporate Net-Zero Standard states that for companies to make credible net zero claims, “a Scope 3 target is needed whenever Scope 3 represents more than 40% of a company’s total emissions” (Exhibit K) This recommendation would include a company like GE, which has significant Scope 3 emissions as a turbine manufacturer.
- Climate Action 100+ Net Zero Company Benchmark includes an expectation that companies set an emission reduction target that “covers at least 95% of Scope 1 & 2 emissions and the most relevant Scope emissions (where applicable)” (Exhibit L).

Given GE’s target to reduce 20-45% of its carbon emissions relative to 2019 levels and its 2050 Scope 3 Net Zero Ambition (Exhibit A, 2022 Sustainability Report, p. 32 - 35), and investors’ needs to measure their own emission and climate risk exposures, GE’s misstatements about its Scope 3 emissions are highly material.

GE has used ‘creative’ accounting choices to mislead investors in the past, with disastrous results for shareholder value. Accounting adjustments won’t address the actual transition risks associated with GE Vernova’s coal and gas turbines.

Demand for thermal turbines and servicing will need to fall in order to reduce power sector emissions in line with a net zero emissions by 2050 pathway (Exhibit F). By not being transparent about the reality of its Scope 3 emissions, GE is not demonstrating that it is adequately managing the material financial and reputational risks posed to the business and its investors by the transition away from fossil fuels required to meet global climate goals.

Conclusion

The misstatement detailed in this TCR would be a material concern to owners of GE’s shares. We urge the SEC to investigate these issues as soon as possible, and to impose on GE appropriate sanctions for its material misrepresentations.

List of Exhibits:

Exhibit A - GE 2022 Sustainability Report and Appendices

Exhibit B - Explanation of contradictions with industry standard Greenhouse Gas (GHG) Protocol (enclosed)

Exhibit C - MHI Sustainability Report

Exhibit D - Siemens Energy Sustainability Report

Exhibit E - GE 2022 Annual Report

Exhibit F - International Energy Agency Net Zero Emissions by 2050 scenario

Exhibit G - Securities and Exchange Commission Guidance Regarding Disclosure Related to Climate Change

Exhibit H - Press release on Securities and Exchange Commission Proposed Rules to Enhance and Standardize Climate-Related Disclosures for Investors

Exhibit I - Climate Corporate Data Accountability Act, SB-253, California

Exhibit J - Investor Group on Climate Change's (IGCC) Corporate Climate Transition Guide

Exhibit K - Science Based Targets initiative's (SBTi) Corporate Net-Zero Standard

Exhibit L - Climate Action 100+ Net Zero Company Benchmark