

Building Trust

LEADING CEOs SPEAK OUT:
HOW THEY CREATE IT,
STRENGTHEN IT, AND SUSTAIN IT.



Michael H. Jordan

CHAIRMAN AND CHIEF EXECUTIVE OFFICER
EDS CORPORATION

*“We want to be our clients’ most trusted ally.
We are in business to serve our clients.
We have no success without client success.”*

– Michael H. Jordan

PUTTING THE CLIENT FIRST

I came out of retirement to become chairman and CEO of EDS. Before EDS, I spent more than 30 years with companies such as PepsiCo, Frito-Lay and CBS Corporation.

EDS is a company with talented people and clients representing companies and governments around the world. It's a company that invented the outsourcing services industry more than 40 years ago and is now well-positioned to reinvent it. Our people, given the right leadership and direction for the times, are the ones who will make it happen.

Countless studies have been conducted on leadership over the years. Results typically reflect behavioral characteristics such as “you have to be aggressive” or “you have to present well.” My point of view is that the only characteristic you need is honesty. Everything that’s important springs from honesty.

At EDS, we understand the importance of being open and honest with ourselves, our clients and our shareholders. We are taking a candid view of our business and of our future. Integrity, character and common sense guided EDS to the forefront of the industry it founded. These same characteristics are leading us through our transformation.

As the new chairman and CEO, I want to share with you my experience to date, still in the early stages of our transformational journey. Let me start with a brief history of EDS. EDS began in 1962 with one man, one \$1,000 check and one extraordinary vision. By the end of the 1960s it had grown to approximately 500 people with revenues of more than \$16 million. Today, EDS has more than 130,000 employees. We’re a \$21.5 billion-plus company, with operations in 60 countries. The growth we have achieved since our founding would not have been possible without our strong commitment to integrity.

EDS was born from a core set of values centered on our people, our clients and our business. These values were an integral part of the company’s early success, and they remain our moral compass today. The key is keeping them real, translating them into terms that are meaningful, and providing an environment in which people accept the company’s values as their own and incorporate them into everyday thoughts and actions.

OUR PEOPLE

EDS is a services company. Our people are our lifeblood. Great service doesn't happen without them. We understand that when you treat people with respect and dignity, you get results.

We believe leaders model the behavior they want. They personally demonstrate how they want business issues and people to be addressed. You can shout out the words, but until you live by them, no one believes you. When I arrived at EDS, I received an outpouring of suggestions and comments—50 e-mails a day. Our people had lived through a difficult 12–18 months. They wanted me to know how they felt. They wanted to share their deeply held ideas to make their company better. It's a testament to their indomitable spirit. Over time, benefits had changed and compensation and severance programs had been reduced. We had issues to address.

We've put in place a number of significant human-resources changes. We started with an improved U.S. severance plan effective on the first day that I came onboard. We upped the funding of base salary budgets to provide salary increases to more employees. We increased project and performance bonus budgets. We also improved personal leave options, giving employees the much-needed flexibility to balance work with their private lives. Now, we're modifying incentive plans to better align them with expected business and individual performance. More changes are in the works.

It all makes a difference. When our employees feel respected and valued, they convey that confidence to our clients through outstanding service and pride in their work.

OUR CLIENTS

EDS founder Ross Perot said, “An outstanding leader always puts others first, puts his company first and puts the customer absolutely first in line.”

One of the things I admire about EDS is its service culture and work ethic. We deliver for our clients. We out-execute our competitors time and again. By way of example, in my early meetings I met with a client who was in bankruptcy. The chief executive wanted to renegotiate our contract but couldn't get our attention. So, he stopped paying us for two months. He got our attention all right, but he noted the service his company received never wavered. The EDS team continued to deliver 100-plus percent. The lasting impression made on that client strikes at the heart of our philosophy: Put the client first.

When I first came here, clients saw the people of EDS as both committed and dedicated. That hasn't changed. Clients, however, also thought we got in our own way at times. They told us: EDS had too many client touchpoints and an overly complicated organizational structure. We heard them loud and clear, and we moved to change that dynamic.

Our goal is to ensure our clients get what they need from us when they want it—easily. We want to be our clients' most trusted ally. We are in business to serve our clients. We have no success without client success. Understanding that special relationship—and being able to deliver on it globally—is what sets us apart in the marketplace. To do that we must, as Arthur Page suggested long ago, listen to what they say.

Just as we aim to make our clients' businesses more competitive, we, too, must become more competitive. Our transformation is designed to do just that. One of the most challenging aspects is overhauling our operating model. The new model makes it easy to do business with—and in—EDS.

We are driving hard to increase sales, reduce costs, invest in our future and focus on sectors where we can win business.

OUR BUSINESS

Many of you have asked: "With increased criticism and skepticism of corporations across America, what is EDS doing to increase its corporate responsibility and accountability?"

Corporate responsibility and accountability is an area the EDS leadership team is particularly in tune with, and we are committed to the measures we are incorporating to address the issues confronting Corporate America today. We are attending to corporate governance, executive compensation and succession planning—top-of-mind issues for employees, clients and investors.

The EDS board has been focused on corporate governance for years. EDS had committees composed entirely of outside directors with written charters—long before Sarbanes-Oxley and the New York Stock Exchange (NYSE) rule proposals made them mandatory. These included a committee focusing on governance issues, an audit committee with a financial expert as chairman, and a committee required to review and approve the compensation of all senior officers. There also were such measures as an annual CEO evaluation, regular board evaluations, an annual review of the independence of directors and

board oversight of charitable contributions. These governance practices were described for our shareholders in our public filings and communications every year. As the new rules under Sarbanes-Oxley and NYSE governance standards were added, EDS moved to comply before it was required. The board adopted written governance guidelines, incorporating many of its practices that go beyond what the rules require. Together with the amended charters of its committees, EDS posted these guidelines on our Web site (www.eds.com) for our shareholders. EDS posted reports on stock trades by EDS executives on the site before mandated as well.

Our transformation also provides an opportunity for us to size compensation in terms of new company direction. The EDS board initiated a review of all compensation and benefits programs. Executive pay is based on realistic, market-based pay packages, starting with me. Our incentive design for 2004 will continue to evolve to emphasize collaboration and accountability. The board is heavily involved in shaping our compensation and benefits strategy, with robust discussions around how our policies align with EDS' business direction and how to identify the right programs for success.

We've engaged our board members in a continuing education program to ensure they remain highly knowledgeable about our business and the rapid changes characteristic of our industry. The primary focus of the program is to provide our directors with improved information regarding our client-facing activities, competitive positioning and business priorities. As a result, they will be able to more effectively guide our strategy and goals as they continue to evolve.

In line with our transformation, we decided we needed to add some fresh perspectives to EDS' executive talent and to build a deep bench of talent. A thorough selection method and a development program linked to company strategy help us plan beyond the CXO level. Upgrading our succession planning process is a priority because we recognize having the right people with the right skills in key positions is a source of competitive advantage. It is an essential component of an effective transformation. We are developing a more focused approach aligned to our strategic transformation. In fact, the first phase is well under way.

Good succession planning not only leads to promotion from within, but also to some buy decisions. We intend to use succession planning as an integral part of instituting quick change—bringing people in from the outside can be an effective, strategic approach. At EDS, we seek a blend of perspectives in our organization. As a services organization, it is extremely important to invest in our people's development—it's instrumental to EDS' success. Whatever we do in terms of people care, developing our people is still the most important objective in our minds.

At EDS, running our business is dependent upon how we conduct ourselves. EDS has a long-established Code of Business Conduct (*see Appendix*). New employees, as well as existing employees, must certify annually that they have read and understood the Code, which has been translated into twelve languages for our global community. With the increased focus on corporate responsibility, that Code also has been

posted on our Web site for our shareholders and others to see. We have enhanced our Code by strengthening our existing processes for receiving, investigating and reporting to our leadership and board any allegations of impropriety. Finally, by engaging the board in our annual review of the Code, we ensure the highest level of oversight. Beyond a piece of paper that details what ethical behavior entails, what it really comes down to is the way the leader behaves with his/her people and the signals he/she sends about acceptable behavior. Personal role modeling is essential—and I am a believer that CEO behavior sets the tone. At EDS, we simply don't tolerate game-playing.

At EDS:

- We want to get the job done and get it done well.
- We care about people.
- We stick together and support each other.
- We set and keep high standards of business and personal ethics.
- And above all, we deliver on our word. We do what we say we will do.

Solid business practices and sound business values—in equal measure—are essential to any organization's success. As such, corporate ethics are an indispensable pillar in rebuilding Corporate America. It requires that the chairman and CEO, board of directors, and senior executives accept the responsibility and the accountability of being role models for all to follow.

Michael H. Jordan
EDS

Michael H. Jordan, chairman of the board and CEO, joined EDS in March 2003.

Jordan is the retired chairman and chief executive officer of CBS Corporation (formerly Westinghouse Electric Corporation). Before joining Westinghouse, he was a partner with Clayton, Dubilier and Rice. During 18 years with PepsiCo, Inc., he served in numerous senior executive positions, including CFO of PepsiCo, Inc. and president and CEO of PepsiCo WorldWide Foods, which includes Frito-Lay. From 1964 to 1974, he was a consultant and principal with McKinsey & Company.

Jordan is an angel investor as well as a member of several private equity firms. He is also a partner of Beta Capital Group, LLC of Dallas, Texas. He currently serves as chairman of eOriginal Inc., an electronic commerce company. Previously, he was a general partner of Global Asset Capital, LLC, a venture capital firm. From 1999 to 2001, he was chairman of Luminant Worldwide Corporation.

In addition, Jordan is chairman of the National Foreign Trade Council, trustee of The Brookings Institution, member and former chairman of the U.S.-Japan Business Council, chairman of the United Negro College Fund, and a member of The Business Council. He also serves on the boards of Aetna Inc., WPP Group plc and several privately held companies.

Jordan received his B.S. in chemical engineering from Yale University and a master of science degree from Princeton University. He subsequently served a four-year tour of duty with the U.S. Navy. Jordan is married to Hilary Cecil of New York City.

ELECTRONIC DATA SYSTEMS CORPORATION
EDS

Founded in 1962, EDS invented the outsourcing services industry more than 40 years ago and continues to reinvent it every day. As the world's most experienced outsourcing services company, EDS delivers superior returns to 35,000 clients through its cost-effective, high-value services model. EDS works hard to be its clients' most trusted ally, developing business solutions for companies and governments in 60 countries.

EDS' core business is outsourcing services. Its portfolio of open solutions spans infrastructure outsourcing, business process outsourcing, applications outsourcing, and consulting. EDS' two complementary subsidiary businesses are A.T. Kearney, one of the world's leading high-value management consultancies, and UGS PLM Solutions, a leader in product data management, collaboration and product design software.

EDS' deep industry knowledge—including health care, manufacturing and financial services—enables it to help clients solve issues specific to their businesses. The company's unmatched global network provides the capacity and capability to serve our clients well.

Through the company's open technology platform and consortium approach, clients receive best-of-thought EDS solutions combined with best-of-breed technologies from like-minded hardware and software providers.

With 2002 revenue of \$21.5 billion and \$24.4 billion in total contract signings, EDS is ranked 80th on the *Fortune* 500. EDS is headquartered in Plano, Texas, and employs more than 130,000 people.

For more information, visit: www.eds.com.

Stock Symbol: EDS