

Building Trust

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



Rick Wagoner

CHAIRMAN AND CHIEF EXECUTIVE OFFICER
GENERAL MOTORS CORPORATION

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It’s not something we can impose but it is something
we can influence and monitor...”*

– Rick Wagoner

DRIVING INTEGRITY

In recent years, in fields ranging from business to sports and from government to religion, we've been reminded time and again of the serious consequences that can result from lapses in personal integrity. In the world of business, careers have been tarnished and entire companies have been jeopardized because of poor choices.

Regardless of where we work or what we do, we cannot ignore the fact that how we act as individuals has a profound effect on whether the organizations we represent achieve their full potential. Integrity has a direct impact on both the bottom line and the long-term viability of every company.

Integrity transcends borders, language and culture. It's not something we can impose, but it is something we can influence and monitor by creating an environment that supports and requires proper business and personal conduct.

At General Motors, we certainly don't have all the answers to promoting personal integrity inside our company. But, we do enjoy a long tradition of strong corporate governance, rigorous accounting practices and accurate financial reports that I believe have helped us conduct our business in a fair, honest and open manner for many years. For this, we owe a great debt of gratitude to those who preceded us at GM. They set the tone for a high standard of integrity and conduct at GM, and I am personally committed to continuing that legacy in the years to come.

In the following essay, I will review some of the actions and programs that we at GM have undertaken which—directly or indirectly—foster, protect and promote integrity with our board of directors, employees, business partners, and customers.

A SIMPLE TEST

From time to time, I have the opportunity to speak with young people about integrity and character development. When I do, I like to tell them about a good and simple test that they can use, in any situation, to determine whether they are acting with integrity. I ask them to ask themselves a simple question: If the way they are handling a situation were reported on the front page of a prominent national newspaper tomorrow, how would their family, friends and fellow students or co-workers feel about it?

I tell them that if they'd be proud, that's terrific—their moral compass is pointing them in the right direction. If not, they better step back and reconsider what they're doing. Bottom line: How they get things done is just as important as getting them done.

A simple test, for sure—but one that I find works just as well for 50-year-olds as it does for fifth graders. At GM, we try to promote integrity by making it as straightforward and clear as this simple test. We have made integrity one of GM's core values, and we expect our employees, top to bottom, to act with integrity every day.

START AT THE TOP

At GM, we have a tradition of responsible and proactive board governance. Our board of directors was one of the first, in 1994, to formally adopt corporate-governance guidelines ensuring its independence and effectiveness.

Prior to that, GM became the first major U.S. corporation to have an African-American board member when the Reverend Leon H. Sullivan joined the GM Board in 1971. In 1977, still as a member of the GM Board, Reverend Sullivan established his landmark “Sullivan Principles,” and with them a powerful tool for helping end apartheid in the Republic of South Africa. GM was the first company to adopt the Sullivan Principles 26 years ago. In 1999, GM was among the first companies to endorse the “Global Sullivan Principles,” which emphasize the common goals of human rights, social justice and economic opportunity, and which now serve as the aspirational framework for our corporate responsibility initiatives.

Today, the vast majority of GM's board members—9 out of 10, presently—are independent outside directors. All of our key board

committees—audit, compensation and director affairs—are composed only of outside directors. Independent auditors answer to the independent Audit Committee of the board. We do not give loans to our directors or executives, and our CEO and Chief Financial Officer have taken personal written responsibility, in our annual reports, for the company’s consolidated financial statements for more than 20 years.

Of course, we realize that we cannot rest on our reputation and existing policies alone. Acting with integrity is an ongoing process, not a destination, and we have to continue promoting good corporate governance and behavior if we are to be a leader in this area.

In 2002, in response to growing public concern about the actions of Corporate America, GM took several steps to ensure just that.

- We promptly complied with the new requirements established by the Securities and Exchange Commission (SEC) for key officers to certify company financial results;
- We endorsed the new “Corporate Accountability and Listing Standards” approved by the New York Stock Exchange (NYSE);
- We adopted a new policy to expense stock options granted to employees beginning in January 2003;
- We formally supported the Sarbanes-Oxley corporate-governance legislation signed into law by President George W. Bush.

WINNING WITH INTEGRITY

At GM, we believe that our company can only realize its full potential by doing things the right way, all around the globe. To that end, we have well-established business and personnel practices, which are articulated in a set of guiding principles we call “Winning with

Integrity” (*see Appendix for summary*). These integrity principles are shared with all new employees at orientation, and they are reviewed regularly by all of our current employees. They serve as the foundation for employee conduct everywhere we do business.

Winning with Integrity is based on GM’s core values. It sets out the policies and legal obligations that help guide our business conduct around the world. In the end, of course, integrity comes down to personal responsibility, and Winning with Integrity reminds every member of the GM enterprise that they are personally accountable.

Winning with Integrity requires a commitment to personal integrity by everyone at GM: first, to exemplify our core values in their own conduct and comply with GM policies, and second, to raise concerns when they believe fellow employees are acting contrary to existing policies.

Collectively, it is the employees of GM who make up our company, and the actions of one individual can damage the reputation of all. Through Winning With Integrity, we work to foster an environment that supports and promotes proper business conduct. All GM employees know that they have both the opportunity, and the obligation, to promote integrity by demonstrating good judgment and setting strong personal examples every day.

A TRADITION OF TRANSPARENCY

At GM, we place a high value on communicating clear, consistent and accurate information about our performance. Our business processes, internal controls and reporting systems are structured to ensure that any potential issues are promptly highlighted. Our board of directors

provides robust oversight—and believe me, they ask a lot of tough, probing questions!

At GM, our goal is simple: to build great cars and trucks that improve people’s lives, and to do so the right way, the way that GM stakeholders expect. We understand that upholding this commitment is much more than a one-time exercise—it’s a way of doing business.

To help us get there, we set annual targets for our economic, environmental and social progress, and measure our performance against those targets. We then publicly report our results in an annual Corporate Responsibility and Sustainability Report, using the standardized reporting guidelines set forth by the Global Reporting Initiative. This allows our stakeholders to evaluate our performance in a consistent and open manner. GM has been issuing this report since 1994, and was the first automaker in the world to do so.

To further underscore our commitment to transparency and open communication, we developed our “GMability” Web site in 2000. In today’s Internet age, we realize that our Annual Report and our Corporate Responsibility and Sustainability Report may not reach everyone interested in our activities. GMability allows us to use the Internet to help bridge geographic and cultural boundaries.

In addition to these annual reports, GMability provides detailed information about many of our initiatives, including those in the areas of environment, safety, philanthropy and diversity. Visitors to GMability can learn about our work in advanced technology, including fuel cells; find detailed information on the GM plants in their communities; compare our fuel economy to that of our competitors; discover more about safe-driving initiatives, such as the donation of

child safety seats to low-income families and at-risk children; and even contribute online to disaster relief efforts through GM Global Aid.

At GM, we want to be held accountable for our actions, and we believe our actions can be best understood when we highlight key business issues, provide key metrics to measure our performance, and communicate information that allows others to judge our progress.

TEACHING OUR OWN

Of course, there is more to integrity than simply adhering to the letter of the law. Adlai Stevenson once said, “It is often easier to fight for a principle than to live up to it.” In the end, I believe the companies that succeed will be the ones that live up to the principles of integrity that they instill in their business practices.

At GM, we try to increase the odds that our employees will “live up to it” by teaching them how to act with integrity—teaching them in a formal sense, at our GM University (GMU), a virtual enterprise consisting of a number of “colleges” that represent the functional areas within our company. GMU’s charter is to increase the skills and capabilities of the workforce, and create a more performance-driven culture to achieve better business results.

Two of the many courses taught at GMU are “GM Corporate Citizen Overview” and “GM Corporate Citizen Conflict of Interest.” The former is designed to promote good corporate citizenship by teaching GM employees from around the globe about GM’s vision, core values, cultural priorities and guidelines for employee conduct in real-life situations. The latter is designed to help GM maintain its reputation as a company that conducts business with the utmost integrity. It is based on the premise that GM is committed to taking all the appropriate

precautions to avoid a conflict of interest, or even its appearance. The purpose of the course is to provide guidelines for addressing conflicts in various situations, including relationships with suppliers, activities with charities, outside board memberships, interests in other businesses, employment of relatives and outside employment.

In addition, the importance of integrity to our business practices is incorporated into the entire GMU curriculum. This is particularly true in the GMU Leadership College’s “high potential program,” which prepares the next generation of leaders at General Motors.

The Leadership College consists of three sessions over the course of nine months. I personally teach twice in every course targeted to GM’s high potential talent, and most of my direct reports also serve as Leadership College instructors. A “leaders as teachers” philosophy has been instilled throughout GM leadership. In addition to the Leadership College, senior executives are highly encouraged to offer their expertise through teaching in a variety of courses at GMU. The topic of integrity is central in all my courses and presentations, and the same goes for the GM senior leadership team.

DEEDS, NOT WORDS

To sum up, we at GM believe that in these times of corporate turbulence, every company must do its part to help restore investor and consumer confidence in our free-enterprise system. At GM, we try to do that by running our business, day in and day out, with accountability, transparency and integrity—the way that GM tradition expects and demands.

We strive to back up our approach with tangible, measurable actions, because we believe that, in the end, a company's reputation is determined much more by what it does, than what it says. In the words of Jack Smith, our recently retired Chairman, we rely on "deeds, not words." At GM, we'll continue to behave as if our company's current and future success hinges on our every action—because, in truth, it does.

Rick Wagoner

CHAIRMAN AND CHIEF EXECUTIVE OFFICER
GENERAL MOTORS CORPORATION

Rick Wagoner was elected chairman and chief executive officer of General Motors on May 1, 2003. He had been president and chief executive officer since June 2000. He is a member of the boards of directors of Hughes Electronics Corporation and General Motors Acceptance Corporation, both GM subsidiaries.

Wagoner was elected president and chief operating officer in 1998 and had been executive vice president of GM and president of North American Operations since 1994. He served as executive vice president and chief financial officer from 1992 to 1994 and also had responsibility for worldwide purchasing from 1993 to 1994.

Wagoner was president and managing director of General Motors do Brasil (GMB) in 1991 and 1992. Prior to that, he was vice president in charge of finance for General Motors Europe based in Zurich, Switzerland, in 1989 and 1990.

Born in Wilmington, Delaware, and raised in Richmond, Virginia., Wagoner received a bachelor's degree in economics from Duke University in 1975 and a master's degree in business administration from Harvard University in 1977.

Wagoner began his GM career as an analyst in the Treasurer's Office in New York in 1977. After several promotions there, in 1981 he became treasurer of GMB in São Paulo. In 1984, he became executive director of finance for GMB. He moved to GM of Canada Limited in 1987 as vice president and finance manager. In October 1988, he became group director, strategic business planning, for the former Chevrolet-Pontiac-GM of Canada Group.

Wagoner is a member of the boards of trustees of Duke University and Detroit Country Day School and the Board of Dean's Advisors of the Harvard Business School. He is chairman of the Society of Automotive Engineers and A World in Motion Executive Committee, and is a member of The Business Council and The Business Roundtable.

GENERAL MOTORS CORPORATION

General Motors Corp., the world's largest vehicle manufacturer, employs 341,000 people globally in its core automotive business and subsidiaries. Founded in 1908, GM has been the global automotive sales leader since 1931. GM today has manufacturing operations in 32 countries, and its vehicles are sold in more than 190 countries. GM's global headquarters is in Detroit, Michigan.

GM's automotive brands are Buick, Cadillac, Chevrolet, GMC, Holden, HUMMER, Oldsmobile, Opel, Pontiac, Saab, Saturn and Vauxhall. In some countries, the GM Group distribution network also markets vehicles manufactured by GM Daewoo, Isuzu, Subaru and Suzuki.

GM parts and accessories are sold under the GM, GM Goodwrench and ACDelco brands through GM Service and Parts Operations. GM vehicle engines and transmissions are marketed through GM Powertrain.

GM operates one of the world's leading financial services companies, GMAC Financial Services, which offers automotive and commercial financing along with an array of mortgage and insurance products. GM's OnStar is the industry leader in vehicle safety, security and information services. GM's other major businesses are Hughes Electronics Corp. (NYSE: GMH), which provides digital television entertainment and satellite-based services, and GM Electro-Motive Division, which manufactures diesel-electric locomotives and commercial diesel engines.

In 2002, GM set industry sales records in the United States, its largest market, for total trucks and sport utility vehicles. GM became the first manufacturer to sell more than 2.7 million trucks in a calendar year and the first to sell more than 1.2 million SUVs.

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

Stock Symbol: GM