2004 Global Citizenship Report

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*References to the Global Reporting Initiative (GRI) indicators. See http://www.globalreporting.org/guidelines/2002.asp Some are fully reported, some partially. For a comprehensive list, see http://www.hp.com/go/report.

Key:
EC – economic indicator
EN – environmental
LA – labor practices
HR – human rights
SO – society
PR – product responsibility

HP's global citizenship priorities
Addressing electronic waste.
Raising standards in HP's global supply chain.
Increasing access to information technology.

Global citizenship at HP encompasses a wide range of issues, reflected in the contents of this report. Nonetheless, we have focused on a few priorities to accelerate progress. Our program reflects stakeholder priorities and HP's ability to have a positive impact. During 2003, we focused on the following:

Addressing electronic waste. Customers, governments and the public are paying increasing attention to issues surrounding the disposal of electronic waste. HP addresses these issues in an integrated fashion. HP's efforts to design for recyclability create products that are easier to upgrade and recycle. The HP Planet Partners™ take-back program covers the return and recycling of computer hardware and HP print cartridges at the end of those products' useful lives. Finally, HP's company-wide program to reduce the number of substances and the amount of potentially hazardous materials in our products has progressed significantly. This reduction in turn facilitates recycling and may increase the value of reclaimed materials. For more information, including performance targets, see pages 13-16 and 20-23.

Raising standards in HP's global supply chain. With one of the largest supply chains in the information technology (IT) industry, we have significant opportunities – and a responsibility – to proactively extend standards throughout our product supply chain. Since we work with thousands of suppliers, we take a strategic approach to the issue. In introducing our Supplier Code of Conduct, we focused on the 50 suppliers that represent 70% of our expenditures for product materials. We work collaboratively with our suppliers to build continuous learning and improvement into manufacturing facilities throughout our industry. For more information, including performance targets, see pages 36-39.

Increasing access to information technology. Less than 10% of the world's population can afford to purchase a computer. Access to information and communications technology (ICT) can play a role in addressing social and economic inequality in underserved communities and developing countries. In 2003, we had more than 25 projects underway across five continents, touching hundreds of communities that would otherwise be excluded from the benefits of the information revolution. Together with key partners from the government and community, ICT solutions have been deployed to assist individuals in areas including education, healthcare, job creation and small business development. For more information, including specific project accomplishments, see pages 60-69.

Letter from Carly Fiorina

HP is well known for its role in the creation of Silicon Valley as well as the role we have played through the years in pioneering many of the practices that have come to define corporate and social responsibility. HP was among the first companies to provide profit sharing, to match employee charitable contributions, to offer flex-time and to create a corporate code of conduct. As far back as the 1950s, HP was one of the first companies to provide employees with paid time off for community service, and later one of the first to make recycling a fundamental part of our operations. We even helped invent casual Fridays.

In part, we've tried to take a larger role in the world because we have always believed that great organizations are defined not simply by their capabilities, but by their character. HP has built a global organization loaded with talent and innovative capability. We believe that it should be used not only for making a profit, but making a difference as well.

We've learned a lot through the years about the role corporations can play. We've learned that integrating environmentally smart practices across the life of a product – from design to end-of-life – can save money while helping to save the Earth. We've learned that financial capital alone is not the greatest asset that companies like HP bring to the developing world today. Rather, it's human capital – our knowledge and experience, and our ability to collaborate with a wide range of partners to maximize our impact. Above all, we have learned the power of technology to unlock the great potential of individuals and communities.

We think of global citizenship broadly, as you'll see in this report. At the same time, we recognize the importance of establishing clear priorities to focus our efforts. Our priorities reflect pressing challenges facing the information technology industry: addressing electronic waste, raising global social and environmental supply chain standards and increasing access to information technology.

We made progress in 2003 in each of these areas. We recycled more than 100 million pounds of electronic products and supplies in 2003, raising our total to a half billion pounds since 1987. Our goal is to double that to 1 billion pounds by 2007. This year, we worked with our largest 50 suppliers to improve social and environmental conditions in their manufacturing facilities. We plan to engage a total of 500 suppliers by 2006. We increased access to technology in 20 countries across five continents through our e-inclusion projects. In this coming year, we will build on what we've learned to touch even more people around the world.

We don't have all the answers, but we do understand that addressing these challenges requires new approaches and collaboration – across the industry and with multilateral organizations, governments and NGOs. Together, we will continue to define global citizenship and the role of corporations in the 21st century.

Sincerely,

Carleton S. Fiorina
Chairman and Chief Executive Officer

HP profile

Chairman and CEO:
Carly Fiorina

Employees:
Approximately 142,000

Ownership:
HP is incorporated in Delaware, US. The company is listed on the Nasdaq, New York and Pacific stock exchanges, with the ticker symbol HPQ. As of October 31, 2003, there were approximately 154,800 shareholders of record

Countries of operation:
More than 170

Headquarters:
Palo Alto, California, US

Regional Headquarters:
• Americas: Houston, Texas, US
• Europe/Middle East/Africa: Geneva, Switzerland
• Asia Pacific: Hong Kong

HP is a technology solutions provider to consumers, businesses and institutions globally. Millions of people around the world use HP technology every day. HP's global reach, presence, leadership and its uniquely rich technology portfolio make it a company unlike any other. HP is the world's largest consumer information technology (IT) company, the largest small and medium-size business (SMB) IT company and a leading enterprise IT company. The company's offerings span IT infrastructure, personal computing and access devices, global services and imaging and printing products.

HP's core values

HP's values have shaped the company's history and will continue to define what HP aspires to achieve in the future. They are central and enduring, having only been modified three times since 1961. HP's values are a reminder that *how* we do things is as important as *what* we do.

HP's core values are:

• We are passionate about customers

• We have trust and respect for individuals

• We perform at a high level of achievement and contribution

• We achieve our results through teamwork

• We act with speed and agility

• We deliver meaningful innovation

• We conduct our business with uncompromising integrity

Corporate objectives

HP's corporate objectives were adopted in 1957, and the inclusion of global citizenship was an innovation at the time. Together with our core values, HP's corporate objectives were written to serve as a day-to-day guide for management decisions and have remained essentially unchanged for more than 45 years.

Customer loyalty. To provide products, services and solutions of the highest quality and the greatest possible value to our customers, thereby gaining and holding their respect and loyalty.

Profit. To achieve sufficient profit to finance company growth, create value for our shareholders and provide the resources we need to achieve our other corporate objectives.

Market leadership. To grow by continually providing useful and significant products, services and solutions to markets we already serve and to expand into new areas that build on our technologies, competencies and customer interests.

Growth. To view change in the market as an opportunity to grow, and to use our profits and our ability to develop and produce innovative products, services and solutions that satisfy emerging customer needs.

Employee commitment. To help HP employees share in the company's success that they make possible, we provide people with employment opportunities based on performance. We create with them a safe, exciting and inclusive work environment that values diversity and recognizes individual contributions.

Leadership capability. To develop leaders at every level who are accountable for achieving business results and exemplifying our values.

Global citizenship. Good citizenship is good business. We live up to our responsibility to society by being an economic, intellectual and social asset to each country and community in which we do business.

HP strategy

HP's goal is to be the leading information technology company in the world. We are focused on helping people apply information technology in meaningful ways to their businesses, personal lives and communities. HP's strategy is to offer a portfolio of products, services and solutions that are high tech, low cost and deliver the best customer experience.

Revenue and earnings (loss) from operations by segment (as reported in the 2003 Annual Report) [Million $US]

— Earnings (loss) from operations

	2002[1,2] (Combined Company)		2003	
	Net revenue	**Earnings (loss) from operations**	**Net revenue**	**Earnings (loss) from operations**
Imaging and Printing Group	$20,447	$3,345	$22,623	$3,570
Personal Systems Group	21,895	(372)	21,228	19
Enterprise Systems Group	16,194	(664)	15,379	(54)
HP Services	12,326	1,369	12,305	1,372
Financing	2,088	(128)	1,921	79
Corporate Investments	284	(232)	345	(161)
Total segments	**73,234**	**3,318**	**73,801**	**4,825**
Elimination of intersegment net revenue and other	(888)	–	(740)	–
Corporate and unallocated costs, non-operating income and expense and eliminations	–	(4,372)	–	(1,937)
Total HP consolidated	**$72,346**	**($1,054)**	**$73,061**	**$2,888**

12 months ended October 31,

Revenue overview by region [Billion $US, for fiscal year 2003]

▪ United States	29.2
▪ Americas (excluding US)	4.3
▪ Europe/Middle East/ Africa	28.5
▪ Asia Pacific (excluding Japan)	8.0
▪ Japan	3.1

Additional financial data, fiscal year 2003 [Million $US, except per share amount]

Reinvested in HP
Investment in property, plant and equipment: $1,995
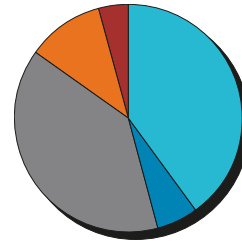Research and development: $3,652

Shareholders
Cash dividends declared per share: $0.32

Supply chain
Supplier spend (approximate): $52,000
US small, minority- and women-owned businesses: see page 42

Governments
Provision for taxes: $349

Communities
Philanthropy: $62.4

[1]Certain reclassifications have been made to prior-period amounts in order to conform to the current-year presentation.

[2]The combined company results of HP and each of HP's segments for the 12 months ended October 31, 2002 include the results of Compaq as if the merger had taken place as of the beginning of the period presented. Due to different fiscal period ends for HP and Compaq, the results for the 12 months ended October 31, 2002 combine the results of HP for the 12 months ended October 31, 2002 and the historical quarterly results of Compaq for the six-month period ended March 31, 2002 and for the period May 3, 2002 (the acquisition date) to October 31, 2002.

This strategy takes advantage of our unique market position and portfolio to differentiate us from our competition.

High tech. HP has been a leading innovator for nearly seven decades. We invest almost $4.0 billion annually in Research and Development (R&D). In addition, we leverage more than $10 billion of our partners' R&D investments.

Low cost. HP's size and scale enable us to offer customers competitively priced products and a lower total cost of ownership over a solution's lifecycle. Our $52 billion supply chain – the largest in the technology industry – allows us to achieve world-class cost structures and to pass on savings to customers.

Best customer experience. Because HP has a unique view of a wide range of customers, we are in a great position to understand their needs. We are focused on improving how we interact with customers at every touch point – from how they learn about HP and purchase our products, services and solutions, to how they use, manage and discard or upgrade them.

Operational structure
HP's business groups, corporate functions and research and development implement our strategy to achieve our objectives.

As of May 2004, HP's business groups are as follows:

• Customer Solutions Group

• Imaging and Printing Group

• Personal Systems Group

• Technology Solutions Group

HP corporate functions include Finance & Administration, Legal, Human Resources, Global Operations & Information Technology, Global Marketing, Office of Corporate Strategy & Technology, and Corporate Affairs.

Research and innovation
HP has a long history of invention and innovation. Our overall goal in 2003 was to ensure that our technology and business strategies are completely interlinked; invention must serve distinct business goals, differentiate HP from competitors and create value for our customers.

We invest in areas where we believe we can make a unique contribution and establish leadership; we partner for the rest. Specifically, HP R&D is now focused on four growth areas: management software, rich digital media, mobility and security. These span the breadth of our offerings to benefit a wide spectrum of customers. This year, HP's Executive Council launched a cross-company initiative on environmental sustainability. This initiative will be driven initially by R&D, and will focus on reducing energy use and investigating new materials.

HP invested $3.7 billion on R&D in fiscal year 2003. We launched more than 660 new products and closed the year with 21,000 patents in force worldwide, up from 17,000 in fiscal year 2002. This equates to approximately 11 new patents per day, double the rate of fiscal year 2002.

Global citizenship

Letter from Debra Dunn

At HP, we think of our global citizenship objective both in terms of maintaining standards and making a contribution. We invest significant resources in setting and adhering to appropriate standards in areas such as ethical conduct, privacy, environmental sustainability and employment practices, both for our organization and increasingly for our key supply chain partners. As a global leader in the information technology industry, and a company that was recognized for social and environmental responsibility long before it became popular, we aspire to contribute leadership in helping to tackle some of the world's toughest challenges, including economic development, environmental sustainability and poverty alleviation. We can most effectively deliver on this aspiration by aligning our business strategy and our global citizenship strategy.

In bringing all the assets of our company to bear on these challenges, we become a stronger global competitor while increasing our social impact. Our commitment to e-inclusion over the past four years exemplifies this fusion of our business and global citizenship strategies. The e-inclusion initiative seeks to close the economic and social divide by using information technology to empower individuals previously excluded from the benefits of the information revolution.

Although these challenges are far from solved, the last 12 months have provided some rays of hope that information technology can be part of the solution. Our leadership of the United Nations Information and Communication Technologies Task Force working group on business enterprise and entrepreneurship has resulted in a technology solution to increase access to financial services for the world's urban and rural poor. This solution is currently being piloted in Uganda with three microfinance institutions to bring financing to more than 4,500 people.

Our i-community projects in Kuppam, India and Mogalakwena, South Africa have provided a critical foundation of basic information, communication and technology infrastructure. More than 620,000 citizens in these two communities are now experiencing the power of information technology for the first time. For a pregnant woman living below the poverty line, this means learning she is eligible for government benefits she never knew existed. For ten aspiring female entrepreneurs in Kuppam, this means doubling their family income by starting new mobile photography businesses based on HP's Mobile Photo Studio. For more than 1,000 young people and adult learners in Mogalakwena, this means acquiring skills that will help them find jobs in the technology sector as web developers, PC refurbishers or call-center professionals. For the Native American communities of San Diego County in California, this means preserving a culture and creating new technology-based businesses.

While this progress in a few communities is heartening, we realize how tiny our efforts are in comparison to the need, and we are focusing on creating scalable solutions to broaden our impact.

Now, more than ever, HP remains committed to the potential of information technology to accelerate economic development in underserved communities and developing countries.

Sincerely,

Debra Dunn
Senior Vice President of Corporate Affairs and
Global Citizenship

1939 HP founded

1940 HP records its first charitable donation: $5 to local charities

1955 Matching gift program started for cash donations by employees to four-year colleges and universities. HP matched employee amount up to $2,000 per year, per school

1958 Citizenship objective established by William Hewlett and David Packard

The Hewlett-Packard Company Foundation is founded

1959 Bill Hewlett and local community business and labor leaders create the Santa Clara County United Fund

1961 HP Core Values established

1976 HP starts company-sponsored vanpool program

1979 Launch of HP Standards of Business Conduct

1987 Product recycling launched internally

1991 HP Planet Partners™ LaserJet print cartridge return and recycling program started

First environmental report published

1992 Launch of Design for Environment program

1993 Domestic partner benefits introduced

1994 First packaging management system created

Telecommuting policies are formalized, making HP one of the first companies to encourage telecommuting around the world

1995 Employee Privacy Policy updated

1997 HP Planet Partners™ inkjet print cartridge return and recycling programs launched

1998 First online privacy statement published

1999 Accessibility Program Office created

Better Business Bureau OnLine's Privacy Seal Program initiated, with HP as a founding sponsor

2000 Accessibility Policy published

2001 HP self-certified to EU Safe Harbor Privacy Principles

Global citizenship at HP

As our operations and customers have expanded to over 170 countries worldwide, we recognize that with global reach comes global responsibility. We are deeply aware that we live in a world where half the population lives on $2 a day, where 1 billion people cannot read or write, where less than 10% of the world has access to information technology and where 52 of the largest 100 economies in the world are corporations. As a global corporation, we have the responsibility to use our economic power and reach to have a net positive impact on the world.

As we pursue customer loyalty, profit, market leadership and growth, we are equally focused on dedication to our people, our standards and values, and the reach and depth of our commitment to global citizenship.

HP delivers on our commitment to global citizenship by:

- Conducting business with uncompromising integrity

- Engaging with a variety of external stakeholders – from local communities to the United Nations

- Contributing our resources to addressing inequities around the globe regarding access to information technology and education

- Developing environmentally sustainable products and services

- Protecting the privacy of our customers, partners and employees

A corporate objective

HP's goal is to connect our corporate commitment to being a good global citizen to the day-to-day running of the HP business. Our strategy is to choose areas where we can make a valuable contribution and support those commitments not only with money, but more importantly, with our people and our products.

To make these connections clear to our employees, we developed a global citizenship framework to guide our strategic planning and priority setting.

Core. At the core of our approach is our commitment to operate our business with uncompromising integrity and to

Global citizenship framework

engage with a variety of communities. These range from local communities where we live and work, to our supply chain, to external stakeholders trying to improve social and economic conditions around the globe. The HP Standards of Business Conduct and Supplier Code of Conduct were created to ensure that our business practices and those of our suppliers are consistent with our values. These documents embody the fundamental principles that govern HP employee and supplier obligations to the company.

Strategic initiatives. HP has chosen to focus our global citizenship agenda on environment, privacy, and e-inclusion and education. We selected these areas based on their strategic importance to our business, the information technology sector and society. Each strategic initiative has specific priorities, objectives and programs that teams across HP execute every day.

Enablers. Philanthropy, public policy and communication play a critical role in supporting and enabling the success of our strategic initiatives.

As our understanding of global citizenship is constantly evolving, based on engagement with stakeholders regarding the role of corporations in society, our framework keeps our company focused on key priorities to ensure progress is made.

2000   2004   2010

2002 First combined HP Social and Environmental Responsibility Report published

Supply Chain Code of Conduct released

UN Global Compact endorsed

2003 Master Privacy Policy published

Standards of Business Conduct updated

Environmental, Health and Safety Policy revised

HP recycled plastic included in first hardware product

2003 First integrated HP Global Citizenship Report published

Supply Chain SER Program rolled out to top 50 suppliers

Human Rights and Labor Policy adopted

Global Citizenship Policy adopted

70 million HP LaserJet print cartridges recycled since inception of program

Half a billion pounds of electronic products and supplies recycled

HP goals:

2004 Complete social and environmental responsibility (SER) assessments with 100 high priority suppliers

Develop a 5-10 year greenhouse gas (GHG) reduction goal

Reduce electricity consumption by 25% of 2002 total estimated usage

Divert 80% of solid waste from landfill globally

2005 Reduce emissions of specified PFCs by 10% from 1995 levels

Add Supplier Code of Conduct to all product materials supplier contracts

Eliminate lead, mercury, cadmium and hexavalent chromium in 50% of electronic products sold worldwide, as defined by the EU's RoHS Directive

Complete SER assessments with 250 high priority suppliers

2006 Collaborate with industry and suppliers to establish an industry standard supplier code of conduct

Eliminate lead, mercury, cadmium and hexavalent chromium in 100% of electronic products sold worldwide, as defined by the EU's RoHS Directive

Complete SER assessments with 500 high priority suppliers

2007 Achieve a 500% increase in high-end server energy efficiency, relative to 2002

Recycle 1 billion pounds of electronic products and supplies

HP values our relationships with SRI funds. They provide critical third-party evaluation and feedback, help to educate investors on HP's social and environmental performance, and identify emerging issues. With this in mind, in October 2003 a small HP team including representatives of HP Investor Relations met with 15 SRI firms based in New York, Boston and London.

The discussions covered a wide range of topics including: HP's financial position, overall global citizenship programs and current issue management in the areas of environmental reporting, diversity and supply chain. The analysts described key emerging issues and provided

valuable insights to our team. The issues that were raised varied, largely because the firms we visited have different fields of interest and expertise. This dialogue helped all parties gain a better understanding of reporting needs and challenges as well as opportunities to work more closely to promote social investing.

Stakeholder perspective

My-Linh Ngo, SRI Analyst, Henderson Global Investors

How is HP doing?
Our research identified HP as among the leading companies in its management of risks and opportunities flowing from the challenge of socially responsible and sustainable development. We welcome HP's strong commitment to corporate responsibility and its willingness to engage with stakeholders and to address the issue of transparency on business ethics performance.

How would you like to see HP improve in this area?
We encourage HP to continue in its corporate responsibility efforts. Management of working standards in its supply chain is an area where we will look for progress. On environment and e-waste specifically, we would like to see HP take a more opportunities-driven approach in terms of product innovation and process management. We believe a key aspect of true corporate responsibility leadership is the degree to which companies will advocate enhancements in the regulatory framework to explicitly reward responsible behaviour.

Economic value

Time-tested formulas enable analysts and accountants independently to arrive at similar figures for a company's financial value. No such formulas exist for measuring a company's overall economic contribution to society. Thus the data listed in the HP profile offer only part of the story. Other dimensions of HP's economic impact include:

- Community investment – HP's presence adds to the capacity of local communities through philanthropic investments, public policy dialogue and employee volunteerism. HP employees bring unique skills and interests to bear, helping solve issues facing communities.

- Job creation – Job creation extends beyond the number of people a company employs directly. For example, the Sacramento (California) Regional Research Institute determined that 2.3 jobs are created for every HP job based in the Sacramento region. However, there is no formal mechanism to measure the total impact on employment linked to HP jobs in other regions or countries.

- Taxes – Companies help fund essential government services through taxes. In many jurisdictions, HP pays direct taxes on its income, payrolls and properties, and on goods purchased in the course of business. HP's suppliers, employees and the many businesses that support the employees in their daily lives pay taxes as well. These indirect taxes can often exceed the taxes HP pays directly, increasing our economic impact significantly.

Socially responsible investing

Socially responsible investors (SRI) consider the social, environmental and ethical impacts of a company's practices and products. These funds are growing in size and influence. SRI-managed assets grew from $529 billion in 1997 to $2.15 trillion in 2003, according to the Social Investment Forum.

HP continues to engage with SRI funds and meet the criteria of many such investors including Domini Social Investments, Henderson Global Investors Limited, ISIS Asset Management, Storebrand Investments, Trillium Asset Management and others. In 2003, HP's performance was recognized by the following SRI indices:

- The Dow Jones Sustainability Index (DJSI) added HP to its list of indexed companies in 2003. The DJSI assesses the sustainability performance of the largest 2,500 companies in the world and selects the top 10% for inclusion in the index. Because the DJSI standards for sustainability are constantly increasing, staying on the list requires continuous improvement. The DJSI ranked HP as the leading technology hardware and equipment company.

- The FTSE4Good Index listed HP on all four of its market series (US, Global, UK and Europe). FTSE, a leading index provider, uses these indices to rate the performance of companies that meet globally recognized corporate responsibility standards and to facilitate investment in those companies.

In addition, Innovest Strategic Value Advisors, Inc., a leading independent research firm for the social investment community, ranked HP first of 10 companies in the computer and peripherals industry for reporting of intangible value analysis – including governance, human capital and emerging market issues. HP was ranked fifth for reporting on environmental issues.

HP dedicates a significant portion of our company's annual report to global citizenship topics. We see global citizenship as central to HP and as important to our future success. We recognize the need to educate mainstream investors about global citizenship and the value it may bring to a company.
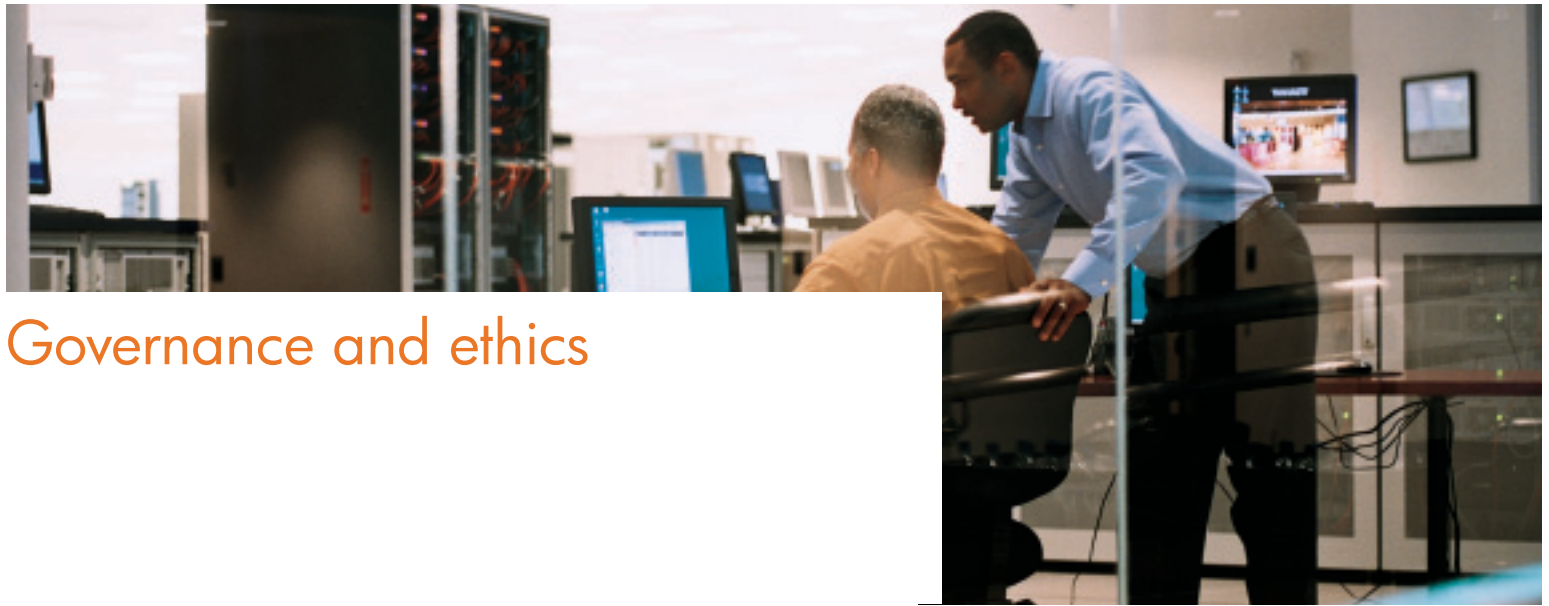
Governance and ethics

Oversight and management

Board of Directors

The Board's role is to govern HP to benefit its shareowners and other stakeholders, including employees, customers, suppliers and the communities in which we work and live. Strong corporate governance and ethics are essential to business success.

Our corporate governance standards as well as our ethics and compliance programs are set at the highest level, starting with the Board of Directors.

HP's Board of Directors has nine members, with HP's CEO, Carly Fiorina, serving as the Chairman of the Board. The Board of Directors has determined that the remaining eight members have no material relationship with HP under HP's director independence standards, which incorporate the director independence standards established by the U.S. Securities & Exchange Commission, as well as those of the New York Stock Exchange and NASDAQ, on whose exchanges HP's shares are traded.

Board committees, each led by an independent director, are responsible for review and oversight of company strategy and practices. These include: Audit Committee, Human Resources and Compensation Committee, Nominating and Governance Committee, Technology Committee and Acquisitions Committee.

In early 2004, HP established a mechanism for all stakeholders to directly communicate with the Board via email (bod@hp.com), should they have a concern they would like directors to address.

Ethics Committee

The Ethics Committee consists of Senior and Executive Vice Presidents from Human Resources, Legal, Finance, and Corporate Affairs and Global Citizenship. It reports to the Audit Committee and is charged with overseeing the development and enforcement of the company's ethical guidelines, known as the Standards of Business Conduct (SBC), and reviewing major allegations of violations of the Standards of Business Conduct.

Executive Team

Our executive team consists of 18 company officers. They include Senior and Executive Vice Presidents from our business divisions and the heads of Corporate Affairs and Global Citizenship, Finance, Global Brand and Communications, HP Labs, Human Resources and Workforce Development, Investor Relations, Global Operations and IT, Legal, Global Marketing, and the Office of Strategy and Technology. The Executive Team has the responsibility to ensure that HP's culture of ethics and compliance is encouraged across the company.

Internal Audit

Internal Audit provides regular reports to the Audit Committee of the Board. Internal Audit's primary role is to assess risks throughout the company and to evaluate, monitor and improve the effectiveness of controls and governance processes in support of corporate objectives. Internal Audit performs financial and operational reviews across the company and, where appropriate, of third parties doing business with HP. Audits are conducted in all regions where HP operates. In 2003, audits included aspects of the Standards of Business Conduct and ethical business practices.

Business ethics

HP has historically emphasized ethics and uncompromising integrity, keeping them integral to the way we conduct business.

Consistency in implementation will always be a challenge, given the global scope of our company. In 2003, HP worked to promote greater awareness of the Standards of Business Conduct, as well as specific ethical business practices. In 2004, we are providing guidance tools to employees to enable them to work through various ethical business decisions. These are reflective of the different cultural interpretations of certain terms and values.

At HP, promoting an open culture in which employees feel free to raise concerns without the fear of retaliation is essential. This open culture is vital to ensuring employees understand that no one acting on HP's behalf may use bribes, kickbacks or other corrupt practices in conducting HP's business – even if the practice is assumed to be culturally appropriate.

Standards of Business Conduct

HP's Standards of Business Conduct (key elements shown in box on page 9) guide us in our actions, behaviors and decisions. The Standards apply globally and are translated into more than 12 languages. They were enhanced in early 2003 to reflect changing perspectives on ethical behavior.

Additional policies and guidelines, including, for example, our Personnel Policies and Guidelines, complement the Standards of Business Conduct.

Implementing our standards

Training and resources
Regular ethics training is designed to ensure employees understand and comply with our Standards of Business Conduct.

All employees and managers have access to interactive, web-based training and are required to take business ethics training classes. Managers are expected to conduct regular discussions about the Standards of Business Conduct with their teams, while Vice Presidents are provided ethical leadership training and materials to engage in dialogue with staff.

HP conducts focus groups and audit surveys with employees to determine their awareness of ethics resources. These activities, and analysis of alleged ethics infractions, help to shape future ethics program direction.

Reporting and seeking guidance
Employees have several mechanisms to raise ethical concerns. HP encourages use of the Open Door Policy (see page 46), for employees to talk with their manager or their manager's management. Alternatively, employees can submit concerns to compliance experts or SBC Liaisons (see section on Monitoring, page 9).

There are formal, structured communications channels, managed by HP's Office of Business Practices, for employees and other stakeholders to confidentially and anonymously report potential violations of law, company policy or the Standards of Business Conduct. Additionally, in January 2004, HP's Audit Committee finalized its policy and procedures for complaints of questionable accounting, internal accounting controls and auditing matters, as required by Section 301 of the Sarbanes-Oxley Act of 2002 and Regulation 10A-3(b)(3) of the Securities Exchange Act of 1934. If the employee requests, issues submitted via any of these mechanisms may be addressed directly to the Board.

These formal vehicles include:

Telephone. A free and confidential 24-hour resource line, called The GuideLine, is available globally. In the US, contact 1-800-424-2965.

E-mail. Corporate.compliance@hp.com

Items reported to the Office of Business Practices[1], 2003
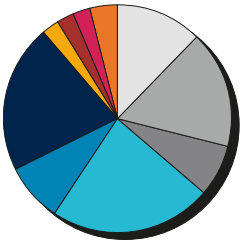
Outside activities, employment	12%
Employee relations	17%
Discrimination, harassment	7%
Misuse of company resources	23%
Contract compliance	8%
Customer/supplier relations	21%
Gifts & entertainment	2%
Handling sensitive information	2%
Antitrust	2%
Other	4%
Total number of items	**204**

[1]Note: these numbers only include inquiries and allegations received through the Office of Business Practices via the formal reporting mechanisms. Items raised to other compliance functions or the Board are not included. Total is less than 100% due to rounding.

Standards of Business Conduct – key elements

Embodying HP standards. Every member of the HP community (including directors, executives, managers, employees and business partners) must adhere to the highest standards of business ethics and comply with all applicable laws.

Conducting HP business. While working for the best interests of HP, we must be ethical and lawful in our dealings with customers, partners, suppliers, competitors and fellow employees.

Serving HP customers. We must deal fairly and truthfully with our customers.

Working with channel partners. We select and manage channel partners in accordance with the law and HP channel policies.

Relating to our competitors. Our interactions with HP competitors must be fair and respect the law.

Dealing with suppliers. When buying products and services, we interact with suppliers fairly and in compliance with applicable laws and HP policies.

Avoiding conflict of interest. Employees must avoid situations in which their interests conflict with HP's.

Handling sensitive information. HP safeguards its business and technical information, and that of others, and uses it exclusively for HP business purposes.

Safeguarding HP assets. We must use HP assets, tangible and intangible, only for legitimate business purposes and protect those assets from loss and unlawful, improper or unauthorized use. This includes behavior regarding expense recognition, political contributions and use of assets for personal gain.

Respecting HP colleagues and the community. HP is committed to creating and maintaining a diverse and inclusive work environment based on respect for the individual and to being a leading corporate citizen everywhere we conduct business.

Postal mail.
HP Office of Business Practices
PO Box 692015
Houston, TX 77269-2015
United States

In 2003, 204 separate inquiry and allegation items were reported through the formal reporting mechanisms managed by the Office of Business Practices (see pie chart, page 8). All items raised are actively reviewed and addressed. HP is committed to promptly and properly investigating all allegations related to SBC violations and ensuring that they are concluded with the appropriate actions taken.

Monitoring

In 2003, HP established a Standards of Business Conduct Compliance Team, comprised of senior representatives of the compliance functions, to independently and objectively coordinate and perform investigations into major concerns or complaints. A primary concern of this team is to evaluate proactive measures to fix systemic issues that may arise from these investigations. The team is charged with ensuring that remedial actions are consistently and appropriately applied across HP.

We have specifically identified senior individuals, known as Standards of Business Conduct Liaisons, in each of the business groups and regions to champion the SBC and provide another interface to employees on SBC-related issues. SBC Liaisons help identify and monitor key concerns, allegations or complaints. They engage directly with senior region and business management teams to improve communication and interface with compliance functions to ensure that localized issues are surfaced and addressed.

Awards

China. HP was named among the top 20 'Most Respected Companies in China,' according to a survey by the Management Case Center of Peking University and the Economic Observer.

Mexico. HP Mexico received the award 'Ethics and Values in the Industry' from the President of Mexico, Vicente Fox. (Confederation of Industrial Chambers of the Mexican United States [CONCAMIN])

US. American Business Ethics Award from the Society of Financial Service Professionals.

US. Ranked #6 on Business Ethics magazine's list of 100 Best Corporate Citizens.

Web links

HP Audit Committee Policy for Rule 10A-3(b)(3)
http://www.hp.com/hpinfo/investor/rule10a-3.pdf

HP Business Ethics
http://www.hp.com/hpinfo/globalcitizenship/csr/ethics.html

HP Standards of Business Conduct
http://www.hp.com/hpinfo/investor/sbc.html

Product environmental impacts

As one of the world's largest consumer IT companies, a leading IT supplier to small and medium-size businesses and a leader in enterprise computing, HP's largest impact on the environment is through its products.

Environmental impacts occur at every stage of the product lifecycle: from raw materials extraction and processing, through manufacturing and product transport, to use by customers and, finally, disposal at the end of a product's life.

Minimizing these impacts is a complex challenge as well as an opportunity. HP is applying its design expertise to create innovative products and services with reduced environmental impact. This aligns with our customers' expectations of highest product performance at the lowest cost and with minimum environmental impact, and provides a potential source of competitive advantage.

Innovative product designs and technological advances are helping reduce the environmental impact of products. For example, materials-efficient and energy-efficient laptops are replacing desktop PCs for many customers, and the transition to flat panel displays is helping to reduce energy consumption. Environmental design must always be balanced with other product requirements such as quality, reliability and price.

Customers - governmental, business and consumer - are demanding environmentally sound IT equipment. They are interested in many product aspects, including packaging, material content, energy efficiency and recyclability.

Emerging legislation worldwide is another factor influencing environmental innovation in product design. Examples include the European Union's Restriction of Hazardous Substances (RoHS) and Waste Electrical and Electronic Equipment (WEEE)[1] Directives and China's Management Methods. Similar legislation is being debated in other countries. Complying with these regulations in advance of their deadlines is essential to ensure market access and

meet customer expectations. Our global approach to the material content of our products means that HP complies with many regional product content requirements on a worldwide basis. For example, HP's goal is to meet the requirements of the EU's RoHS for our products worldwide. This will result in a significant reduction in the use of lead, in particular, in our products over the next two years.

HP is committed to providing products and services that are environmentally sound throughout their lifecycles. This chapter describes our efforts in product design, packaging and recycling.

Design for Environment

The environmental impact of a product is largely determined at the design stage. Through innovative design we can reduce the environmental impact of our products and that of our customers.

HP's Environmental, Health and Safety policy commits us to provide products and services that are environmentally sound throughout their lifecycle. It states that we will "seek to design our products to be safe to use, to minimize their use of energy and natural resources, and to enable their end-of-life recycling" (for full policy, see Web links, page 17).

To accomplish this objective, HP established its Design for Environment (DfE) program in 1992. It has three priorities:

- Energy efficiency – reduce the energy needed to manufacture and use our products

- Materials innovation – reduce the amount of materials used in our products and develop materials that have less environmental impact and more value at end-of-life

- Design for recyclability – design equipment that is easier to upgrade and/or recycle

[1] RoHS and WEEE were published on February 13, 2003.

Product stewards are essential to our approach. We have product stewards who work as part of the design and development teams to identify, prioritize and recommend environmental innovations. Design for Environment requirements and guidelines are reviewed as products move through design stages.

HP has a number of company-wide initiatives to address product-related environmental issues. These include Closed-Loop and End-of-Life teams that address recycling issues and a RoHS Team, focusing upon reducing lead and other substances in our products (see Lead-free at HP, page 15). HP's Executive Council recently identified Design for Environment as a strategic cross-company initiative. The focus, initially, will be on reducing energy use and investigating new materials.

Energy efficiency

HP is developing products that use energy more efficiently. These products help customers save money while reducing emissions of CO_2, a greenhouse gas that is believed to contribute to climate change.

ENERGY STAR®

HP participates in the US Environmental Protection Agency's ENERGY STAR® voluntary energy efficiency program. More than 1,000 HP products are ENERGY STAR® qualified. One hundred percent of eligible products from our Personal Systems Group and 98.5% of eligible products from our Imaging and Printing Group meet ENERGY STAR® criteria.

HP's new laptops are more energy efficient than their predecessors. They automatically reduce power consumption after a designated period of inactivity. When in low power mode, the laptops use less than one watt of power, well below the 15 watt level required by the ENERGY STAR® program. Qualifying notebook PC external power supplies

are compliant with the EU Code of Conduct for energy efficiency using less than 0.75 watts when in no-load power state.

Servers and energy use

Servers are increasingly important as internet use grows. Improvements in server design have increased the number of transactions that can be processed per unit of energy consumed. HP's server energy efficiency has improved by more than 150% since 1998.

In 2003, HP high-end server energy efficiency increased by more than 35%, relative to 2002 (see chart). We are on track to meet our target to increase efficiency (measured in transactions per minute per watt) by 200% by the end of 2005, and by 500% by 2007, compared to 2002. This will help customers make more efficient use of resources.

Energy efficiency for high-end servers, 1998-2003

	1998	1999	2000	2001	2002	2003
Transactions per unit power, normalized to 1	1.0	1.1	0.9	2.1	1.9	2.6
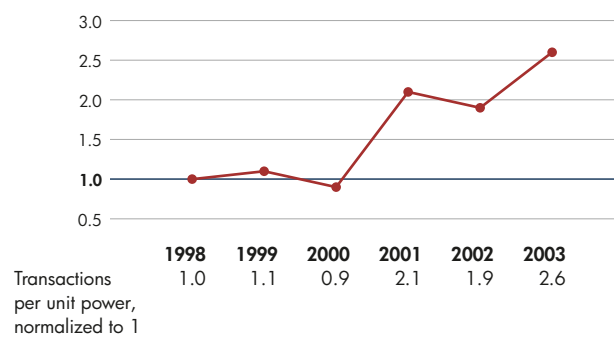
Portable, handheld devices such as pocket computers are one of HP's fastest growing product categories. These devices are now used instead of laptop computers for many tasks.

Handheld devices are usually switched on at all times or for long periods. While these devices use much less power than their notebook counterparts, the size and weight requirements have put considerable design constraints on battery life. HP handheld devices utilize energy saving features such as screen savers, variable screen brightness and auto-off features after a period of inactivity, but more can be done.

To further differentiate HP products, save energy and extend battery life, HP Labs is researching technologies that reduce energy consumption so that customers can extend the time between recharging.

Researchers are working on a new approach: server-controlled power management for wireless portable devices. This technology uses workload data from the server to more efficiently drive the data transmissions to clients over the wireless channel.

Initial results indicate energy savings of more than a factor of three for streaming media with no performance loss. When direct management of the client from the server side is not possible, HP Labs is testing a client-based power management algorithm that is capable of extending battery life by as much as 50%.

A related example is the P-Switch, a communication switching hub introduced in 2003. It uses 5% less power (watts) than the Switch 3, its predecessor from the prior year, but achieves double the performance.

Our Blade PCs use a new low voltage processor that is ten times more energy efficient than a typical desktop PC. Blade PCs are used in our Consolidated Client Infrastructure (CCI) solution which enables customers to link to a central, highly secure data storage center rather than storing data on a desktop PC. The ultra-low voltage blade device resembles a very small conventional PC, does not need a cooling fan and is virtually silent as it contains no moving parts.

HP's Imaging and Printing Services use resources efficiently

For many years, HP's customers have purchased our high quality printers to meet their imaging and printing needs. Our customers now have the option to simply have HP deliver a printing and imaging service. Pay Per Use solutions include financing, HP printers, print cartridges, maintenance and support. This enables customers to control and reduce costs, avoid concerns with product maintenance and benefit from HP's expertise in assessing how to meet their document imaging and printing needs with the least expense, energy and resources.

Pay Per Use services can help customers make more efficient use of products and often reduce environmental impacts. For example, by replacing several slower printers with one faster, more efficient model, customers can save energy and materials. HP maintains ownership of the products and ensures responsible recycling at the end of customer use. HP will also provide management of printing supplies, such as ink and paper.

Examples of customers using our Imaging and Printing services include:

- HP Managed Print Services redesigned and managed a customer's entire printing operation, reducing their total printing costs. One customer realized an 11% cost reduction per page and reduced energy use by replacing 267 older printers with 165 state-of-the-art devices

- HP provided an all-in-one copy, network and desktop printing service for a large customer's retail and business operations. The result was a 300% faster printer fleet with 73% fewer devices, projected customer savings of 37%, and reduced hardware, materials and energy use

Materials innovation

HP product developers work to reduce the amount of materials used in our products and increase the use of recycled materials. Materials reduction is key to our product environmental priorities. It can cut costs, decrease the environmental footprint for customers, manufacturers and HP, meet demands for smaller and more efficient products, and reduce recycling and disposal costs.

The amount of computing power drawn from each unit of material in our products has progressively improved. For example, HP NonStop servers have become significantly more materials efficient since 1989, delivering 82 times the performance per unit of mass.

Innovative product designs and technological advances are helping to reduce materials use. HP All-in-One products that combine printers, scanners, copiers and fax machines in a single unit can reduce materials use by up to 40% compared to standalone devices.

Alternative designs for desktop PCs can produce significant materials savings. For example, transitioning from the traditional commercial desktop 'minitower' to 'small form factor' and 'ultra-small form factor' products can save more than 50% in materials as measured by weight.

Materials innovation includes the reduction of hazardous materials in HP products. HP prohibits or restricts the use of many materials in products through the General Specification for Environment (GSE). The GSE prohibits or restricts certain chemical compounds used in products or in the manufacture of products. The specification, which in many cases exceeds legal requirements, is integrated into our product development process and used by our designers and suppliers. The GSE can be found on our web site (see Web links).

Emerging legislation in various regions requires that we reduce the use of certain heavy metals, flame retardants and other substances, designated as hazardous, in our electrical and electronic products. These requirements are having a dramatic impact on HP and our industry. HP's efforts to meet and exceed this legislation involve employees in every product line and most major functions throughout the company. (See Lead-free at HP, page 15)

Product materials innovation examples

Recycled plastic in HP scanners

In 2003, we met our goal to introduce a hardware product containing recycled material content recovered from end-of-life HP products. Engineers from multiple product lines teamed up with our Planet Partners™ recycling team to develop and qualify a plastics formulation that could replace virgin plastic with material obtained from HP end-of-life products. The team developed a material called recycled polyethylene terephthalate (RPET). RPET is a blended material that contains plastic from HP print cartridges recycled in HP's Planet Partners™ program and post-consumer recycled plastic drinking bottles. RPET is used at full production levels in the carriage cover for two HP scanners, the ScanJet 4500 and 5550. This reduces virgin materials use, and with additional volumes and experience, it could lead to cost savings.

Two additional scanners using the recycled material will be launched in 2004. One of these models is expected to use about 100 tonnes of RPET during the next two years.

Non-mercury lighting in handheld PCs

Mercury is one of the metals restricted by the EU RoHS Directive and will be restricted by China's Management Methods. Although the RoHS Directive does not restrict mercury in lamps, HP is making efforts to reduce or replace mercury in lighting in our products. For example, many HP handheld PCs now use non-mercury lighting from new contact imaging technology (CIS) lamps. In addition, HP is replacing mercury-containing lamps in some scanners with light-emitting diodes (LEDs).

HP paper

HP ensures that all of our virgin wood-based paper products are derived from sustainably managed forests. In 2004, HP introduced two new grades of HP recycled paper: HP Digital Copy Recycled and HP Multipurpose Recycled. Both are made of 30% post-consumer content without compromising quality or printing reliability. Our HP branded office paper is made to work effectively with our printers.

HP is a member of the Paper Working Group, which consists of large-volume paper and paperboard buyers working to identify ways to develop a more predictable and affordable supply of printer paper that contributes to forest conservation, is manufactured in a way that lessens environmental impacts and results in less waste.

Case study: Challenges in procuring high quality recycled plastic

As part of HP's Design for Environment program, we strive to use recycled plastic in HP products. In 2003, HP investigated a recycled polypropylene for potential use in new products. The material met all our technical requirements, was cost competitive with new polypropylene and available in sufficient quantities to support production volumes.

However, the recycled plastic was found to contain low levels of the restricted metals lead, cadmium and chromium. Although the levels of these compounds were below applicable regulatory and HP limits and above the very low levels in virgin plastic, after careful consideration the product designers decided not to use the recycled polypropylene, because of the importance placed on eliminating heavy metal content. We continue to search for sources of recycled plastic that can meet all our requirements.

Goal for 2005

• Eliminate lead, mercury, cadmium and hexavalent chromium in 50% of electronic products sold worldwide, as defined by the EU's RoHS Directive (PBB and PBDE are not used in HP products)

Goal for 2006

• Eliminate lead, mercury, cadmium and hexavalent chromium in 100% of electronic products sold worldwide, as defined by the EU's RoHS Directive

Lead-free at HP

Regulators worldwide are introducing legislation that requires reduction in the use in electrical and electronic products of certain heavy metals, flame retardants and other substances designated as hazardous. HP's effort to reduce the amounts of these substances in our products involves every hardware product line and most major functions, including our in-house design, manufacturing and support teams, as well as partnering with HP's design, manufacturing and repair suppliers.

The European Union Restriction of Hazardous Substances (RoHS) Directive will restrict the presence of certain substances, including lead (Pb), in electrical and electronic products. The Directive applies to all electrical and electronic products, and their component parts, offered for sale into the European Union after July 1, 2006. China is expected to adopt similar legislation with a similar timeline. In addition to lead, these laws restrict the use of mercury, cadmium, hexavalent chromium and two halide-containing flame retardants: PBB (polybrominated biphenyl) and PBDE (polybrominated diphenyl ether).

From July 1, 2006, HP electronic products will be more than 99.9% free of these materials except where it is widely recognized that there is no technically feasible alternative (as indicated by an exemption under the EU RoHS Directive). HP's General Specification for Environment (GSE, see Web links) already prohibits the use of PBB, PBDE and most uses of cadmium, as well as certain uses of lead, mercury and hexavalent chromium, in HP purchased parts, materials and products.
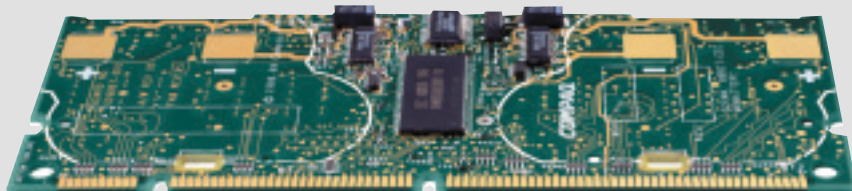
HP's goal is to exceed compliance obligations by meeting the requirements of the EU RoHS Directive on a worldwide basis. Our RoHS Team leads our company-wide transition efforts. This team includes representatives from all of HP's product groups and all affected functional areas. The team manages an overall transition roadmap. We have trained more than 500 employees on common applications of the substances restricted by RoHS and replacement technologies.

Some of our product components already comply with the RoHS Directive and prototype products that meet its standards will be tested during 2004. Most HP products introduced in 2005 will meet the RoHS standards.

After completing extensive development work, in 2003

we began working closely with suppliers to ensure a smooth transition. An HP website assists suppliers in understanding our strategy for replacing the restricted materials and our technical requirements. Information for HP customers is available as well.

We are working as participants in several industry groups to accelerate the industry transition. In addition, we provide input on the specifics of implementation together with other manufacturers to the EU RoHS Technical Adaptation Committee and the China Ministry of Information Industry.

Replacing lead in electronic circuitry

Replacing lead in electronic equipment is one of the biggest challenges in meeting RoHS and similar requirements. Lead has been widely used for decades in electronics. When combined with tin, lead forms the solder used to attach electronic components to circuit boards. Most components on a circuit board, as well as the manufacturing process to assemble them, rely on materials that contain lead.

Finding acceptable substitutes for lead-containing materials and putting them into large-scale commercial use poses a significant industry-wide challenge, so we perform much of our work together with suppliers and other manufacturers through industry groups and standards bodies. For example, HP co-chairs the Pb-Free (Lead-Free) Assembly and Rework Project of the National Electronics Manufacturing Initiative (NEMI). This project is working to establish high quality lead-free manufacturing processes. HP is a strong technical contributor to other NEMI projects focused on reliable lead-free electronics. We are working with other companies, industry associations, academia and the US Environmental Protection Agency (EPA) in a project to complete life cycle assessments (LCA) to determine the environmental impact of lead-free solders.

HP participates in standards-setting activities, including the complex task of updating component, materials and printed circuit assembly specifications to reflect new process and material requirements. In addition to outside collaboration, HP's RoHS Team independently investigates lead alternatives and specific technical issues arising from the transition. HP has published numerous research papers on this topic.

See Web links for more information.

Challenges

• Managing data on restricted materials for components

• Ensuring all suppliers that manufacture components for each product make the transition to RoHS compliance. There can be hundreds of suppliers for each HP product

• Addressing varying and as yet undefined requirements in different parts of the world

Parts and resins in monochrome LaserJet print cartridges, 1992-2002

Y-axis (left): Avg. number of parts — 0, 20, 40, 60, 80, 100, 120

Y-axis (right): Avg. number of resins — 0, 2, 4, 6, 8, 10, 12

X-axis: 1992 1993 1994 1995 1996 1997 1998 1999 2000 2001 2002
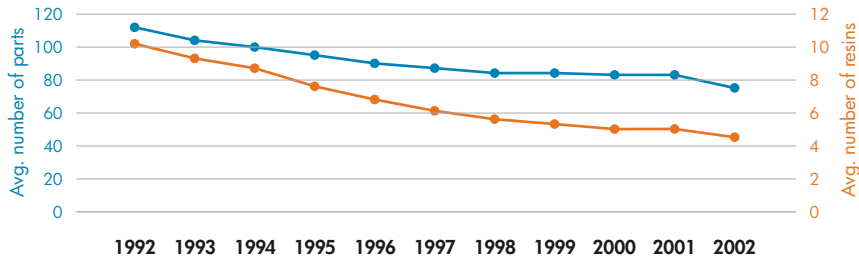
Goal for 2003

• Extend inkjet printers recyclability model to all business units during 2003
Progress: The initial recyclability measurement tool proved complex and difficult to use and is being redesigned for easier use while providing clearer results.

Design for recyclability

Governments, the media and the public are paying increasing attention to the disposal of used computers and other electronic products. Many countries are introducing legislation to encourage electronics recycling.

For its part, HP is working to design products that are easier to upgrade and/or recycle. Many HP products have a modular design so that components can be removed, upgraded or replaced.

Features to improve recyclability include:

• Eliminating glues and adhesives, for example by using snap-in features

• Marking plastic parts weighing more than 25g according to ISO 11469 international standards, to speed up materials identification during recycling

• Reducing the number and types of materials used

• Using single plastic polymers

• Using molded-in colors and finishes instead of paint, coatings or plating

• Relying on modular design for ease of disassembly of dissimilar recyclable materials

HP is developing a tool to help product designers assess the recyclability of new products at the design stage. We expect to make this tool available to our designers in 2004 to enable them to use recyclability as a key product design metric and help them to track product line improvements.

Reducing parts and materials in LaserJet print cartridges

Through ongoing design innovation since 1992, the average number of parts in monochrome HP LaserJet print cartridges has been reduced by 32% and the average number of plastic resins has been reduced by 55%. These improvements simplify the recycling process, thus enhancing recyclability.

Eco-labels and eco self-declarations

Increasingly, customers are including environmental criteria in their purchasing decisions. Eco-labels help customers choose products that meet high environmental standards. Many HP products carry eco-labels (see Web links).

ENERGY STAR®. A voluntary energy efficiency program sponsored by the US Environmental Protection Agency, and adopted by Australia, the European Union, Japan and Korea. More than 1,000 HP products are ENERGY STAR® qualified.

Blue Angel. A German eco-label based on rigorous criteria for product design, energy consumption, chemical emissions, noise, recyclability and take-back programs. More than 30 series of HP printing systems qualify for Blue Angel version March 2002 and three HP PCs were certified in spring 2004.

IT Eco Declaration. A voluntary environmental declaration for products with information on environmentally conscious design, energy efficiency, material usage, emissions, ergonomics and packaging. IT Eco Declarations are available for most new and existing HP products (currently 558).

GREENGUARD™ Environmental Institute. Certification for low-emission products. Eleven printer systems are currently listed.

Taiwan Green Mark. A Taiwanese eco-label to promote recycling, pollution reduction and resource conservation. HP was the first foreign IT company to receive the Green Mark certificate and 117 HP imaging and printing and personal system products qualify for this label.

TCO. A Swedish eco-label for visual displays with criteria on electromagnetic fields, visual ergonomics, energy consumption, recyclability and take-back programs. Thirty-three HP commercial displays are certified against this eco-label.

Environmental Choice. A Canadian eco-label. HP has more than 70 printers that qualify, based on energy efficiency, lack of chlorofluorocarbons (CFC) in manufacturing and low air emissions.

Challenges

The overall effect of environmental improvements in specific products can be offset by the increased use of IT products. We must continue to innovate if we are to further reduce environmental impacts. Specific challenges include:

- Developing cost-effective environmental improvements without sacrificing quality and reliability

- Further reducing the energy use of our products

- Anticipating regulatory and market trends that impact product design

- Predicting what designs will facilitate recycling 5 to 10 years in the future, given changes in recycling technologies

- Establishing meaningful metrics to measure product environmental performance

- Providing input to help ensure that new regulations are technically and scientifically sound to meet their intent, and can be met in a cost-effective manner

- Working to achieve the global standardization of eco-label criteria

Web links

HP Environment, Health and Safety Policy
http://www.hp.com/hpinfo/globalcitizenship/environment/envprogram/envpolicy.html

HP General Specification for Environment
http://www.hp.com/hpinfo/globalcitizenship/environment/supplychain/gen_specifications.html

HP IT Eco Declarations
http://www.hp.se/miljo/index.asp?page=eco&lang=eng

HP Material Safety Data Sheets
http://www.hp.com/go/msds

HP Product Eco-label and Eco Self-declaration Information
http://www.hp.com/hpinfo/globalcitizenship/environment/productdesign/ecolabels.html

HP Product Environmental Profiles
http://www.hp.com/go/msds

HP RoHS Position Statement
http://www.hp.com/hpinfo/globalcitizenship/environment/pdf/leadposition.pdf

National Electronics Manufacturing Initiative (NEMI)
http://www.nemi.org

Packaging

Millions of HP products are transported around the world each year. Packaging is essential to protect these products during transit and ensure they arrive in working order.

The manufacture of HP packaging affects the environment through the use of raw materials and energy. During product distribution the weight and volume of packaging impacts fuel efficiency. When discarded, packaging can add to the burden on waste disposal systems. The main materials we use in our packaging are paper (corrugated and paperboard) and plastic (foam and film).

The HP approach

HP's packaging engineers reduce the environmental impact of packaging by: reducing the amount of product packaging needed, increasing recycled and recyclable materials, and designing packaging that more efficiently uses transportation load space. Many of these innovations also reduce HP's costs, creating momentum for implementation.

HP's Packaging Environmental Advisory Council (PEAC) meets monthly to identify and promote environmental opportunities for HP's worldwide packaging community. HP established annual PEAC awards to recognize innovative packaging solutions and encourage sharing best practices across the company.

HP is working to reduce the overall environmental impact of packaging in the computer and electronics industry. We are working toward a common system for our industry to use in the marking of packaging materials to facilitate various national recycling programs. With the Bren School of Environmental Science and Management at the University of Santa Barbara, California, HP aims to establish an industry-wide environmental guideline and education program for packaging designers.

Packaging innovation examples

Tool for assessing packaging options

Our Inkjet Supplies Business introduced a new software tool that uses Life Cycle Assessment (LCA) methodology to quantify and compare the environmental impact of different packaging options. The tool allows packaging engineers to quickly calculate a score for each packaging design based on materials, weight and recyclability. It helps designers identify opportunities to make changes in materials selection, which can yield significant environmental benefits over the life of a product. The tool has helped the business set environmental targets for its inkjet cartridge packaging, such as increasing recycled content and recyclability over previous designs.

Efficient packaging for server hard drives

HP developed reusable multi-unit packaging for hard drives. The multi-unit package uses 53% less material than standard single-unit packaging, while providing equivalent protection. The packaging may be reused up to 10 times, resulting in a 95% material saving compared to one-way single packs.

In addition, HP has reduced inbound packaging materials for major items we source from suppliers. For example, new bulk packaging for all hard drives supplied to HP around the world reduced packing materials by 180 tonnes per year, and lowered logistics expenses by $1 million per year.

From foam packaging to soft toy stuffing

Foam packaging from components delivered to our PC assembly plant in Arlington, Texas, US is reused by local businesses. Foam is donated and transported to businesses free of charge by delivery trucks on their return from our site. It is used for a range of purposes, such as stuffing for toys and beanbags. This initiative has reduced the amount of foam sent to landfill from the site and saves close to $120,000 a year in disposal costs.

HP guidelines for packaging engineers

Our packaging engineers use the following guidelines – based on the waste hierarchy of reduce, reuse and recycle – to decrease environmental impact of our packaging:

- Design to reduce material use while still ensuring protection for products

- Eliminate the use of heavy metals such as lead, chromium, mercury or cadmium

- Eliminate the use of ozone-depleting substances (ODS) in the production of packaging materials

- Make packaging materials easily separable (for example, avoid gluing foam to paperboard)

- Maximize the use of post-consumer recycled content materials

- Use readily recyclable materials such as paper and corrugated materials

All-in-One packaging for personal inkjet printers

HP packaging engineers worked with product designers and supply chain engineers to develop all-in-one packaging for our personal inkjet printers. This single foam unit holds accessories, such as power cords, inside the printer, reducing the packaging needed for each product. It can be used during transit so less bulk packaging is needed. This has reduced annual foam use by 122 tonnes and paper use by 2,500 tonnes, saving more than $2.7 million in 2003.

Reducing packaging for inkjet print cartridges

In Europe we introduced a one-step packaging process for inkjet print cartridges. The new system adds the blister packaging to ink cartridges without pre-packaging. This reduced material consumption by 50%.

Recycled packaging for personal inkjet printers

New cushioned packaging for one of our lightweight printers uses paper recycled from post-consumer and post-industrial waste. The packaging is thin and stacks together so seven times more packaging can be transported per journey compared with similar polystyrene foam designs. The material can be easily recycled again after use.

From milk carton to plastic packaging

Thermoform plastic cushion packaging has been developed for hard drives in our industry-standard servers. It contains 80% recycled material, including recycled milk cartons, and stacks together so it can be transported more efficiently. The new design saves HP more than $1 million a year in material, transportation and warehousing costs.

New flat packaging

We reduced the materials used in packaging for our ML350 Rack Server by 32% when we switched from vertical boxes to horizontal packages that use less paper material. We expect this change to save more than $800,000 by the end of 2004.

Challenges

- Responding to multiple country regulatory requirements, restrictions and material identification requirements, which can vary significantly

- Acquiring consistent and sufficient streams of recycled content

- Managing the chain of custody of packaging materials throughout the supply chain, from raw materials to finished products
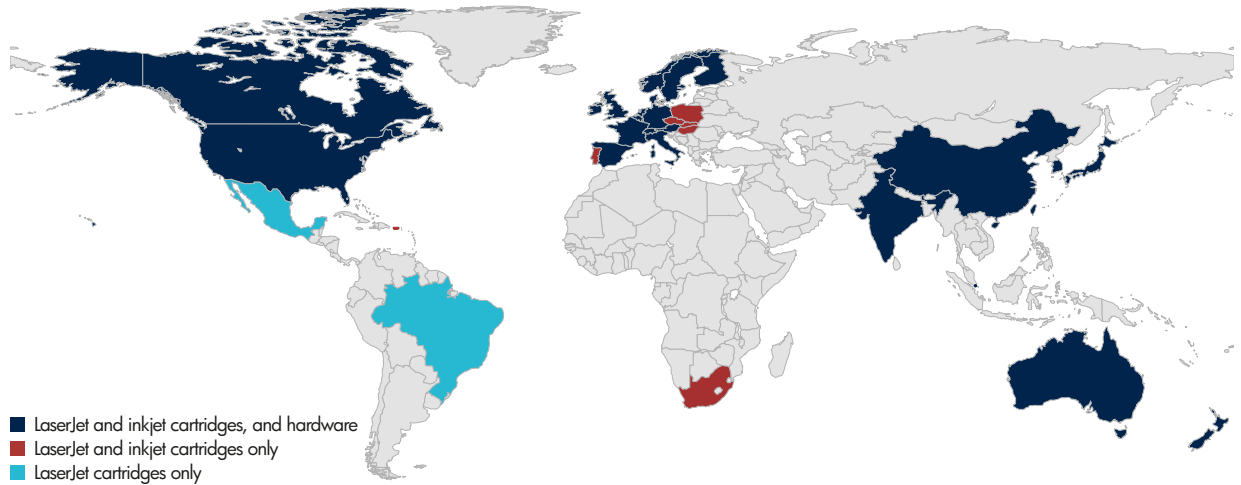
Next steps

- Develop more paper-based cushion systems, which use renewable resources and increase the ease of recycling

- Continue our internal incentive program for new and innovative packaging designs that benefit the environment

Web links

http://www.hp.com/hpinfo/globalcitizenship/environment/productdesign/packaging.html

Availability of HP Planet Partners™

- ■ LaserJet and inkjet cartridges, and hardware
- ■ LaserJet and inkjet cartridges only
- ■ LaserJet cartridges only

Recycling

Governments, customers and the public are paying increasing attention to the proper disposition of used computers and other electronic products at the end of the products' useful lives. Recycling benefits the environment by diverting waste from landfill and recovering materials that may be recycled into other products. Product design plays an important role, since choices made in the design stage impact the ability to recycle used products efficiently and economically.

Many countries are adopting or proposing legislation regarding the recycling of electronic products. In Europe, the Waste Electrical and Electronic Equipment (WEEE) Directive requires that manufacturers take specified actions to assure the recycling of electronic products disposed by customers in the EU. The WEEE Directive is to be implemented in EU member states beginning in 2005. Regulations affecting recycling of waste electronic equipment are emerging around the world, including in the US, Canada, Mexico, China, Taiwan, Korea and Japan. Additionally, the Basel Convention establishes standards regarding the transport of electronic waste across national borders. The variety of these legislative approaches presents a management challenge for HP.

The HP approach

HP's objective is to offer customers around the globe a return and recycling service for HP products. This is integral to our business strategy. Our product end-of-life (EOL) leadership team implements our recycling programs company-wide. Through creative recycling strategies we are setting our sights beyond legal requirements to benefit both HP's business and the environment.

For information about HP's public policy positions regarding electronics recycling, see page 71.

HP establishes recycling standards for end-of-life management

HP has established global recycling standards for management of end-of-life computer hardware products. These standards are intended to provide consistent management of end-of-life materials that HP vendors manage on our behalf, and to set a high expectation regarding how our vendors manage their workforce.

HP's hardware recycling standards require our recycling partners to:

- Reuse, recover or recycle materials and components

- Prohibit export of materials unless approved by HP

- Store and process materials in a way that prevents releases to the environment

- Provide accounting of materials processed

- Conform to HP's Supplier Code of Conduct

- Permit HP to conduct assessments to ensure compliance with recycling standards

We believe it is important to maintain a high recycling standard and to encourage our industry to continuously improve its recycling programs around the world.
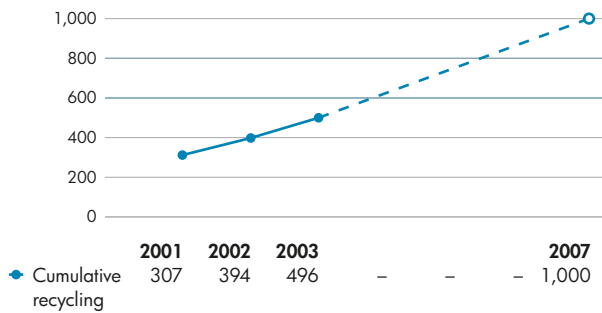
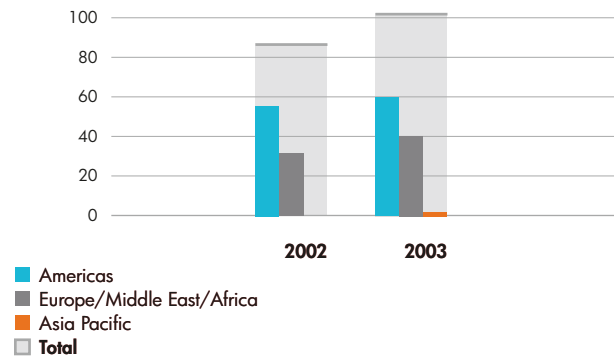Copies of our standards are available on our website (see Web links).

During the last 16 years, HP has recycled a half billion pounds of computer and printer hardware and supplies. Our goal is to reach 1 billion pounds of products recycled in 2007.

Total cumulative recycling
[Million pounds]

	2001	2002	2003				2007
Cumulative recycling	307	394	496	–	–	–	1,000

Total recycling - computer and printer hardware and supplies combined
[Million pounds]

- Americas
- Europe/Middle East/Africa
- Asia Pacific
- Total

Goal for 2007
- Recycle 1 billion pounds of electronic products and supplies by 2007

HP recognizes that there are many options when it comes to handling a product at the end of its useful life. HP offers product trade-in and leasing services, as well as refurbished products, in addition to our recycling services.

Planet Partners™

HP has recycled computer and printer hardware since 1987. Our Planet Partners™ return and recycling program was launched in 1991 to recycle HP LaserJet print cartridges. The program was expanded to include HP inkjet print cartridges in 1997 and computer hardware in 2001. The program's objective is to reduce the environmental footprint of these products, minimize waste going to landfill and provide customers with a convenient and environmentally sound end-of-life solution.

In 2003, Planet Partners™ expanded its hardware and inkjet cartridge recycling programs in Asia Pacific and its consumer inkjet cartridge recycling program in Europe. Globally, the program now operates in more than 30 countries and territories, and collected approximately 46,500 tonnes (more than 100 million pounds) of used products in 2003.

Computer and printer hardware recycling

HP's computer hardware recycling program operates in more than 20 countries and territories. It works through specialist vendors that reclaim and recycle computer products. We helped develop the technology deployed by our North American recycling partner at three locations (two in the US, one in Canada). We work with more than 10 recycling vendors throughout Europe and a pan-Asian recycling partner in Asia Pacific.

During 2003, we estimate 16,500 tonnes of hardware were recycled in Europe and 620 tonnes in Asia on our behalf. We recycled approximately 17,700 tonnes of hardware in the Americas.

European Recycling Platform

In 2003, HP investigated the best approach to cost effectively take back electronic products in Europe. HP, along with other companies, is preparing to formally implement the European Recycling Platform (ERP). This pan-European group of manufacturers will enable member companies to fulfill product take-back obligations at a competitive cost, therefore benefiting customers and the environment (see Web links, page 23).

e-coupon

In early 2003, we launched a US e-coupon pilot program that gives consumers up to $50 (and $100 during the month of April to celebrate Earth Day) toward the purchase of a new HP product when they recycle computer hardware from any manufacturer through HP Planet Partners™. This incentive doubled recycling orders in the US. The program ran throughout the year and has been extended through April 30, 2005.

Case study: Hardware recycling in Asia Pacific

HP hardware products in Asia Pacific are recycled at a state-of-the-art facility in Singapore that optimizes material recovery and achieves recycling rates higher than 90%.

Key to the high recovery rates is a thermal system used to process PC circuit boards. After shredding, the board materials are softened and the volatile organic pollutants are separated. Less than 5% of product mass is lost at this stage. The volatile organic pollutants are then incinerated in a high temperature process with different steps of air treatment, cyclone separation, filtering and multi-stage scrubbers. The air and water treatment systems are equipped with online monitoring and alarm systems. The remaining materials are subject to further recycling, including extraction of precious metals for additional refining.

The recovered materials can be used to make a range of new products including floor tiles, road surface treatments, paving, bricks and jewelry.
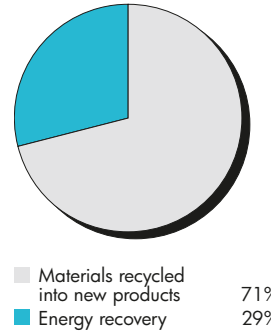
Number of HP LaserJet cartridges returned and recycled worldwide[1], 1992-2003
[Millions]
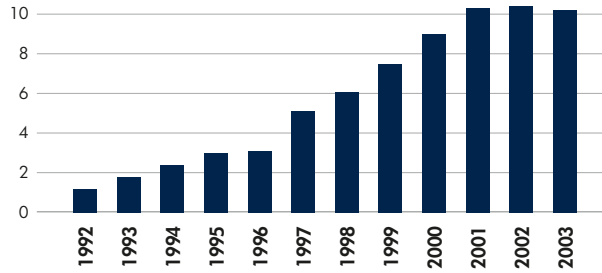
HP LaserJet print cartridge recycling outcomes, 2003

▢ Materials recycled into new products	71%
▣ Energy recovery	29%

[1]Includes cartridges returned by customers and cartridges used internally by HP offices.

Print cartridge recycling

As part of its Planet Partners™ program, HP offers customers free recycling for HP LaserJet and inkjet print cartridges in many countries around the world. Customers can return used HP original print cartridges for recycling by following simple instructions in the packaging, on our website (see www.hp.com/recycle) or by phone. Returned cartridges are sent to recycling facilities located within the same region. Since the program started in 1991, more than 80,000 tonnes of HP LaserJet and inkjet print cartridges have been returned and recycled worldwide.

LaserJet print cartridge recycling

We launched our LaserJet print cartridge return and recycling program in 1991. Today, we offer take-back programs for HP LaserJet cartridges in more than 30 countries and territories in Africa, Asia Pacific, Europe and the Americas, covering 87% of our global market for LaserJet supplies (see map, page 20). Customers can use a range of return methods including our postage-paid labels to return cartridges to Planet Partners™ recycling centers.

Since 1991, more than 70 million HP LaserJet cartridges have been recovered (see chart above). In 2003, 100% of the materials in returned HP LaserJet print cartridges were recycled or recovered for energy, and more than 3,200 tonnes of plastics were recycled into material used to make new products such as trays and wire spools.

Returns in the United States have reached a steady-state. We have implemented programs to increase returns in other regions over the next several years.

Inkjet print cartridge recycling

HP started recycling inkjet print cartridges in 1997 and now provides this service in more than 30 countries and territories in North America, Asia Pacific, Europe and Africa. (See case studies.)

Case study: Germany: HP pioneers inkjet supplies recycling

Since 1997, HP has worked closely with the Bavarian Institute of Applied Environmental Research and Technology (BIfA), to develop a solution for ink cartridge recycling – technology that did not exist before.

In December 2003, HP officially opened a state-of-the-art facility for inkjet supplies recycling in Bavaria, Germany. This specially-developed inkjet cartridge recycling program recycles into new products or recovers for energy up to 90% of a used cartridge.

The cartridges are first sorted and shredded. The shredded materials are then separated into plastics, metals and residuals of ink and foam, and are processed for use as raw materials. Plastics and metals from recycled HP print cartridges have been used to make a range of products including, for example, HP scanner and printer parts, automotive parts, microchip processing trays, serving trays and spools. Any materials that are not used for new products are used to generate energy or are disposed of in an environmentally responsible manner. About 25% of the cartridge material is used as fuel to generate energy. HP continues to work on methods to recover and recycle more of these materials.

Number of inkjet cartridges returned and recycled worldwide[1], 1999-2003 [Millions]
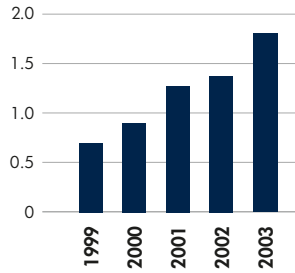
[1]Includes cartridges returned by customers and cartridges used internally by HP offices.
[2]North America recycling data, other regions similar.

HP inkjet print cartridge recycling outcomes, 2003[2]
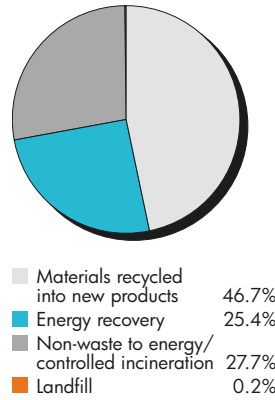
Materials recycled into new products	46.7%
Energy recovery	25.4%
Non-waste to energy/ controlled incineration	27.7%
Landfill	0.2%

In 2003 and early 2004, HP began enclosing pre-paid envelopes in many replacement inkjet cartridge boxes in the US and Europe as a new, more convenient means of recycling. Customers can now easily recycle empty inkjet print cartridges by placing them in postage-paid envelopes and dropping them in the mail. Currently, this program applies to four of our most popular selling cartridges in the US, and two of our most popular cartridges in 13 European countries.

Since the program began in 1997, more than six million HP inkjet print cartridges have been returned and recycled through Planet Partners™. In 2003, less than 1% of residual materials from recycled HP inkjet print cartridges went to landfill. The total number of print cartridges collected increased by 33% compared to 2002. More than 70 tonnes of materials were recycled or used as fuel for energy recovery.

Challenges
- Finding cost-effective ways to comply with the variety of emerging laws on recycling

- Increasing customer awareness and use of HP recycling programs

- Closing the loop on end-of-life IT equipment so that materials are recovered and reused by efficiently integrating our environmental design, reuse and recycling efforts across all product lines

Next steps
- Increase the channels through which customers can return and recycle their computer hardware and HP original printing supplies

- Increase Planet Partners™ program availability and convenience to customers

- Identify new uses for recycled materials

Awards
US. 2003 Environmental Achievement Award for US Region 9 to HP Product Recycling Solutions (PRS) in Roseville, California.

Web links
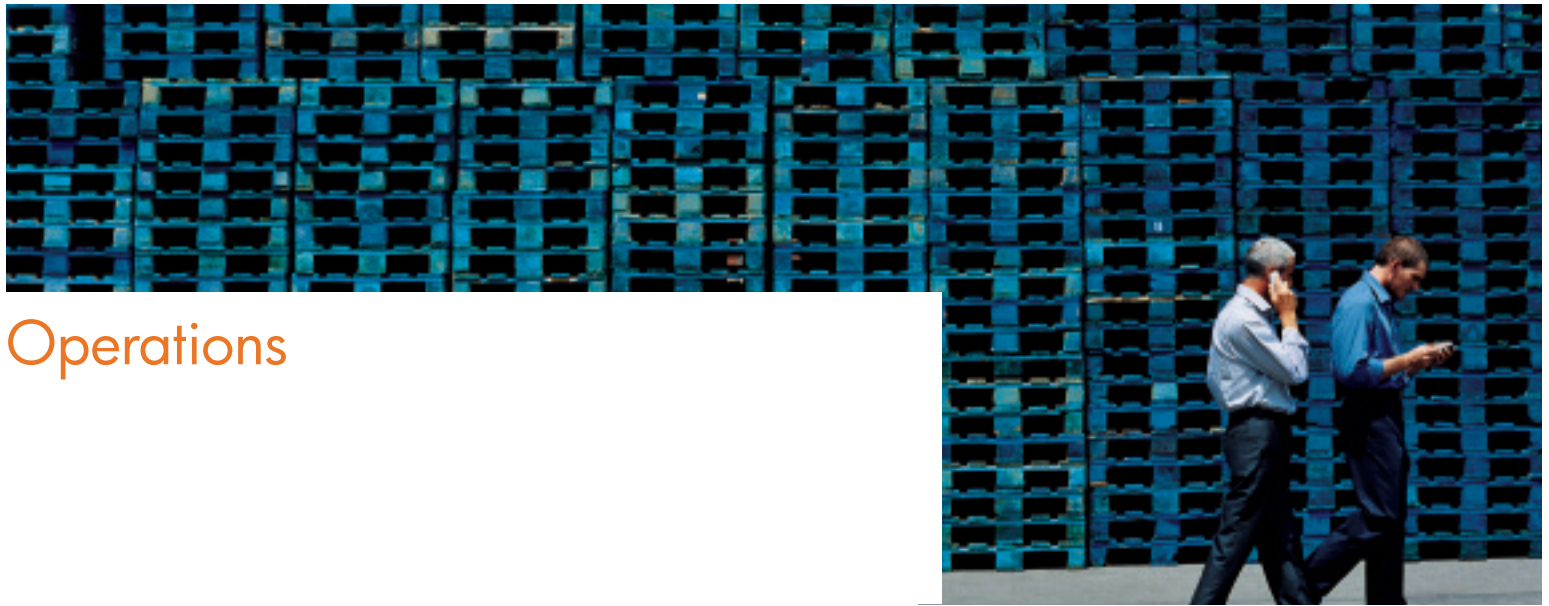
European Recycling Platform (ERP)
http://www.erp-recycling.org

HP Product Recycling
http://www.hp.com/recycle

HP Recycling Standards
http://www.hp.com/hpinfo/globalcitizenship/environment/recycle/finalrecstds.pdf

Operations

[1] In 2003 and the first half of 2004, HP consolidated 1.5 million square meters of underutilized real estate. This reduced estimated electricity consumption by 612 GWh compared to what total estimated consumption in 2003 would have been without consolidation, a figure equal to 25% of 2002 estimated total usage.

HP facilities, including manufacturing sites, distribution centers, data centers and offices, have environmental impacts. We have implemented rigorous environmental, health and safety (EHS) systems for identifying, measuring, managing and reducing potential impacts. These systems are part of HP's overall governance model and an important management responsibility.

Our environmental programs are centered on reducing our climate change impact, improving energy efficiency and reducing waste volumes. These are the areas where our operations have the largest environmental impact. HP operations worldwide are required to meet legal requirements, achieve company standards and pursue continual improvement.

We made progress in 2003, reducing overall energy use by 6.1%, electricity consumption by 25%[1], solid waste volumes by 12% and perfluorocarbon (PFC) emissions by 26%, compared to 2002. We encountered some challenges with hazardous waste management, where volumes increased by 13%, due to increased production. We have implemented initiatives to reduce this waste volume during the coming year.

HP operations are constantly evolving to accommodate rapidly changing business requirements. The frequent introduction of new products and processes poses a challenge for environmental management. HP has built flexibility into its environmental management system so we can continue reducing environmental impacts even as the processes evolve.

We continue to refine data collection systems to give a clearer and more accurate understanding of our environmental performance. We have increased the scope of data collection to the current level covering the majority, 3.9 million square meters, of HP's real estate portfolio (see note on operations data, left). In addition, we extrapolate this data to provide estimates for sites not covered by our data collection systems.

Our goal is to increase employee awareness, involvement and commitment to HP's environmental programs. 'Conserve and Preserve' is our global communication program, introduced in April 2004, to encourage employees to conserve energy and to reduce, reuse and recycle waste.

Managing environmental impacts

Environmental health and safety management system

HP's environmental health and safety management system (EHS MS) is a set of formal, documented processes for controlling environmental impacts and ensuring employee safety at HP facilities.

It provides the framework for all our sites to meet legal obligations and company standards, and achieve continual improvement. The EHS MS reflects HP's overall business and infrastructure model, and it is implemented at the global, regional and local levels.

Our global EHS organization identifies HP's significant environmental impacts and health and safety risks, sets

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HP Environmental, Health and Safety policy
HP is committed to conducting its business in a manner that delivers leading EHS performance.

Our EHS policy commits us to:

- Provide products and services that are environmentally sound throughout their lifecycle

- Conduct our operations in an environmentally responsible manner, by aggressively pursuing pollution prevention, energy conservation and waste reduction

- Create health and safety practices and work environments that enable HP employees to work injury-free

For our full EHS policy, see http://www.hp.com/hpinfo/globalcitizenship/environment/envprogram/envpolicy.html

Map of major operations [Sites larger than 28,000 meter²]

Some dots represent multiple sites.

worldwide EHS standards, manages audit and assurance programs, and partners with the appropriate functions to recommend improvement goals.

The regional EHS organization provides sites with specialist support to implement the EHS MS. Local site operations use the EHS MS to identify site-specific environmental, health and safety issues, and to set goals and implement improvement plans. The EHS MS requires sites to conduct performance monitoring, audits and management reviews, and to implement corrective and preventive actions.

HP was one of the first global businesses to obtain a single, global ISO 14001 certification for our worldwide manufacturing operations. In 2003, HP renewed its worldwide ISO 14001 certification for another three years. Our nonmanufacturing locations implement our EHS MS, but they are not included in our global ISO 14001 certification.

In 2003, we strengthened our performance measurement systems and introduced a web-based data collection system. This system is more convenient for site employees and provides in-depth analysis and program management.

Audits and assurance
HP has long recognized that EHS excellence is built on a strong foundation of corporate governance and company values. The key elements of our approach are clear EHS expectations set by company management, and comprehensive, objective auditing of the organization against those expectations.

Audits of our EHS MS provide assurance that our EHS policies and standards are implemented worldwide. The audit program is based on decades of audit experience and covers approximately 50 of our major sites at least once every three years.

An internal team of qualified professionals conducts audits based on site complexity and performance, and reports the results to senior management. These audits complement annual self-assessments conducted by each site and third-party audits conducted by our ISO 14001 registrar.

Any instance of nonconformance to our policies and standards is analyzed, corrective action is taken and preventive measures are put in place to reduce the likelihood of future nonconformance. This system provides a strong basis for continual improvement.

Standards of Excellence training
In 2003, we added an EHS module to our global HP Standards of Excellence training. It covers topics such as our EHS policy, our Security Policy, and the roles and responsibilities of managers and all employees. More than 60,000 employees completed this training (for more information on Standards of Excellence, see page 48).

Standards and guidance
HP has developed EHS performance standards that apply to all our sites. The standards address EHS management processes such as risk assessment, training and awareness, inspections and auditing, and management responsibilities. Program standards address the specific EHS aspects of HP operations, such as energy management, chemical handling and spill response, waste minimization, fire and life safety, ergonomics and electrical safety.

Emergency response
HP's risk-based emergency response programs are designed to protect people, property, the environment and continuity of business operations. These programs cover planning, prevention, response and recovery. Plans are in place to respond to chemical releases, evacuations, fires, natural disasters, security threats and other emergencies. Response teams are trained and tested in first aid, cardiopulmonary resuscitation, spill response and facility control operations, as appropriate to the local working environment.

Greenhouse gas emissions, 2001-2003
[Metric tonnes carbon equivalent, MTCE]

	2001	2002	2003
■ Site operations	52,000	49,400	45,100
■ Purchased electricity	328,000	312,000	296,000
▢ **Total**	**380,000**	**361,400**	**341,100**
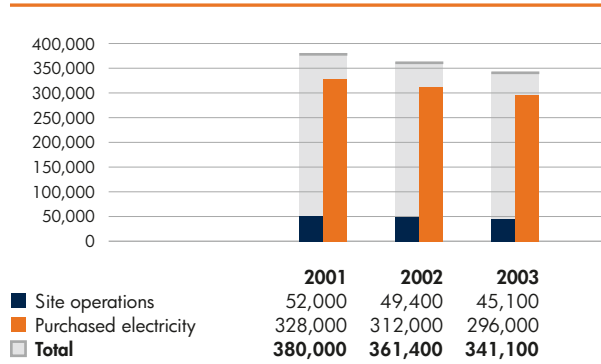
Greenhouse gas emissions per unit of floorspace, 2001-2003
[MTCE per meter^2]

	2001	2002	2003
■ Site operations	0.00791	0.00802	0.00815
■ Purchased electricity	0.0499	0.0507	0.0535
▢ **Total**	**0.05781**	**0.05872**	**0.06165**
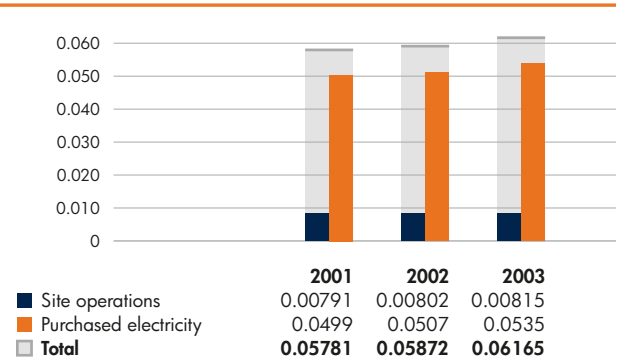
Goal for 2004

- Develop a 5-10 year GHG reduction goal by the end of 2004
Progress: Our primary focus has been third-party verification of our emissions. We will use this verified baseline to assist us in setting a long-range goal.

Stakeholder perspective

Eileen Claussen, President, Pew Center on Global Climate Change

How is HP doing?
As a member of the Business Environmental Leadership Council of the Pew Center on Global Climate Change, HP has committed to take concrete actions to address the greenhouse gas emissions from its facilities and products.

How would you like to see HP improve in this area?
HP should be more transparent about their internal actions to reduce greenhouse gas emissions because in the absence of documented activity, their ability to influence responsible public policy will be limited. HP should be more active in support of responsible public policy to address climate change.

The following pages cover performance data for:

- climate change (greenhouse gas emissions, energy, perfluorocarbons and travel)

- ozone-depleting substances

- water

- waste

- emissions

- compliance and remediation

Climate change

HP believes that companies, countries, governments and people around the world need to cooperate to address climate change. We are working to reduce our greenhouse gas (GHG) emissions from operations. In addition, we are striving to improve the energy efficiency of our products, which helps our customers reduce their GHG emissions (see Products, page 11).

GHG emissions

Carbon dioxide (CO_2) emissions from the combustion of fossil fuels are the main source of manmade GHG emissions. The metrics we use are absolute emissions measured in metric tonnes of carbon equivalent (MTCE)[1] and the same metric normalized to the floor space occupied by our facilities (MTCE per meter^2).

Global Greenhouse Gas Register

In December 2003, the World Economic Forum launched the Global Greenhouse Gas (GHG) Register for companies to report their GHG emissions and reduction targets. HP was one of the first eight companies to commit to the Register, which has signatories accounting for nearly 5% of global GHG emissions.

[1]Some organizations report climate impact in CO_2 equivalent. To convert carbon equivalent to CO_2 equivalent, multiply by 3.67.

Developed in partnership with leading businesses and environmental organizations, the Register is intended to increase transparency and stimulate voluntary corporate action to combat climate change.

The Register provides a consistent framework for GHG emissions to be reported on a standardized basis, enabling investors and other stakeholders to make comparisons between the signatory companies.

As a signatory, HP will report GHG emissions for its global operations annually, via the Register's public website. Independent verification of emissions data is an important element of the initiative, and we are in the process of having our emissions independently verified.

Case study: **Silicon Valley partnership targets greenhouse gas emissions**

On March 29, 2003, HP joined nine other Bay Area, California, US companies, government organizations and environmental groups in a partnership to reduce greenhouse gas emissions. The collaborative, called Sustainable Silicon Valley (SSV), is one of the first regional partnerships set up to reduce emissions. It investigated all potential environmental impacts in the Valley and determined that climate change was the most significant.

The participating organizations have made a commitment to track and submit their annual electricity and natural gas consumption to SSV. The data will be included in a report that shows how the organizations reduce their energy consumption, improving upon the reductions made during the California energy crisis.

Electricity use, 2001-2003
[GWh]
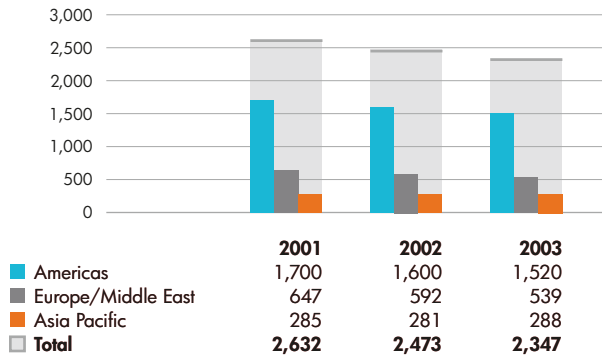
Electricity use per unit of floorspace, 2001-2003
[KWh per meter²]

	2001	2002	2003
■ Americas	1,700	1,600	1,520
■ Europe/Middle East	647	592	539
■ Asia Pacific	285	281	288
■ **Total**	**2,632**	**2,473**	**2,347**

	2001	2002	2003
■ Americas	411	409	447
■ Europe/Middle East	383	389	380
■ Asia Pacific	380	395	414
— **Global rate**	**400**	**402**	**425**

Purchased electricity is by far the biggest source of opera-tional GHG emissions for HP, at 87%. Site emissions, including those from gas consumption and PFC use, account for 13%. Improvements to the scope and accuracy of our data collection system have led us to restate our GHG baseline. As a part of our participation in the WEF GHG Register, we are in the process of having our emissions independently verified.

Overall, our GHG emissions for 2003 are down 5.6% compared with 2002. Emissions per unit of floor space have increased due to business growth and the acquisition of energy-intense operations. In addition, our real estate consolidation program has increased the utilization of the remaining facilities in our portfolio.

Energy

Electricity use accounts for the majority of HP's climate change impact. We have set energy efficiency as a company-wide priority for HP's operations. By focusing on energy we can address inefficiencies and identify opportunities for energy saving technology to reduce consumption, operational costs and climate impact.

Growth and changes in HP's businesses affect our energy baseline and complicate year-over-year energy target setting. For example, energy consumption increases as we assume responsibility for customers' data centers, while our real estate consolidation reduces energy use.

Energy management programs

HP's energy management program minimizes electricity and gas use without adversely affecting business opera-tions. It builds energy efficiency into our facilities and seeks to improve use of lighting, heating, IT, ventilation and cooling systems. We have implemented global standards for temperature settings, lighting levels and operation schedules to maintain optimal conservation levels around the world.

In 2003, HP set a goal to deliver a 50 GWh reduction in annualized electricity use by the end of 2004. We have made excellent progress, identifying potential reductions of 52 GWh, and as of April 2004 we have completed projects delivering over 25 GWh in energy savings.

Projects undertaken include the installation of lighting control systems and upgrades at a number of our US facilities, yielding almost 11 GWh in annual savings. In the UK, several of our facilities are working on similar projects. For example, changes in the lighting and air conditioning at our Erskine, Scotland facility will yield almost 3 GWh in annualized savings.

Our recently introduced global 'Conserve and Preserve' program promotes energy awareness among employees and encourages them to conserve energy by turning off their computers, printers and lights when not in use.

Case study: Printer optimization
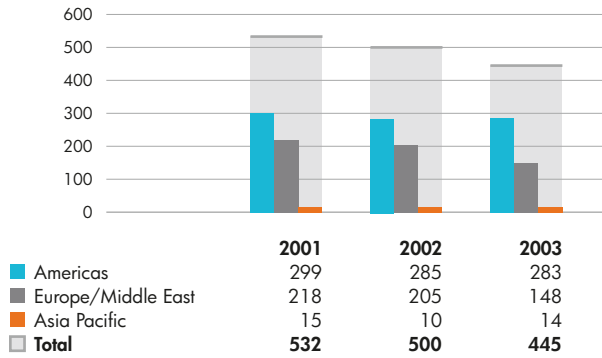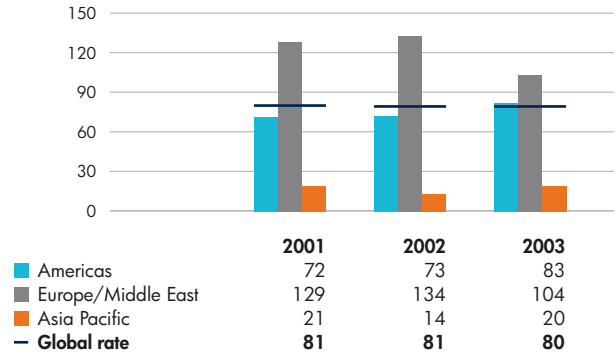
Over the past two years HP has removed 6,150 printers and copiers in our offices and replaced them with 3,022 HP multi-function products that are more energy efficient. This has yielded a 2.7 GWh annual reduction in energy usage.

Natural gas, 2001-2003
[GWh]

	2001	2002	2003
■ Americas	299	285	283
■ Europe/Middle East	218	205	148
■ Asia Pacific	15	10	14
■ **Total**	**532**	**500**	**445**

Natural gas per unit of floorspace, 2001-2003
[KWh per meter^2]

	2001	2002	2003
■ Americas	72	73	83
■ Europe/Middle East	129	134	104
■ Asia Pacific	21	14	20
— **Global rate**	**81**	**81**	**80**

To conserve energy, we have implemented a program to automatically shut off every employee's monitor after 20 minutes of inactivity. This is expected to save 12 GWh annually.

Electricity use

HP measures electricity consumption absolute use (GWh) and use normalized per unit of floor space (KWh per meter^2). Electricity use during 2003 was reduced by 126 GWh compared with 2002, equivalent to 5.1%. We have reduced floor space by 1.5 million square meters, reducing electricity consumption by an estimated 22% compared to 2002 levels, or approximately 612 GWh. While overall electricity use was reduced, consumption per square meter increased in 2003. This reflects growth in our data center business and the increased utilization of our property floor space.

Over the past year we have increased the amount of renewable electricity purchased to approximately 50 GWh worldwide. For example, at 1.6 GWh, HP's site in Corvallis, Oregon, US is the largest buyer of wind power in an electrical utility provider's Pacific Northwest six-state territory. We are evaluating purchasing additional amounts as increased supplies become more readily available.

Gas use

At HP, gas use is a minor source of energy compared to electricity, accounting for 16% of total energy use. From 2002 to 2003, our gas use declined by 55 GWh, or 11%. This was due to conservation projects and consolidation of our real estate portfolio.

PFCs

PFCs are a family of gases widely used in the semiconductor industry for cleaning and etching processes. The global warming potential of PFCs ranges from 6,500 to 23,900 times greater than that of CO_2.

In the US, HP participates in the PFC Reduction Climate Partnership. This is a voluntary initiative with the US Environmental Protection Agency (EPA) to reduce emissions of specified PFCs by 10% from 1995 levels by the end of 2010. HP intends to reach this goal by 2005 in all our operations worldwide.

PFC emissions doubled between 1995 and 2002 due to increased production levels and more complex and demanding product specifications. In 2003, we reversed the trend, cutting emissions by 26% compared to 2002, and we believe we are on track to achieve our global target. The majority of this reduction has been achieved by an HP semiconductor fabrication plant, located in Corvallis, Oregon, US.

Initially, we investigated substitution as a strategy for cutting PFC emissions. Unfortunately, alternative materials with less climate impact did not work in our processes. Our approach is now based on abatement of emissions and a transition to new tools that emit far less PFCs. Technical challenges with the new abatement technology

PFC emissions, 1995-2003
[Index 1995 = 1.00]

	1995	1996	1997	1998	1999	2000	2001	2002	2003
Emissions	1.00	1.44	1.55	1.33	1.24	1.84	2.08	2.00	1.48
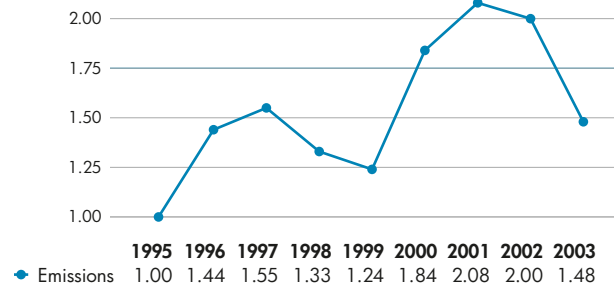
Ozone depletion potential of estimated emissions, 2002-2003
[kg of CFC11 equivalent]

	2002	2003
■ Americas	13,000	4,630
■ Europe/Middle East	91	79
■ Asia Pacific	1,840	2,800
□ Total	**14,931**	**7,509**
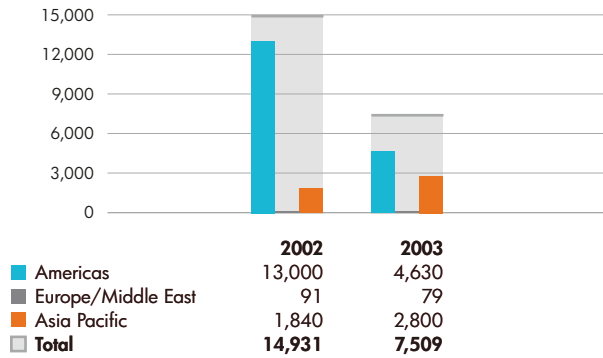
Water use, 2002-2003
[Million liters]

	2002	2003
■ Americas	5,490	5,380
■ Europe/Middle East	1,350	1,630
■ Asia Pacific	1,260	1,300
□ Total	**8,100**	**8,310**

slowed its introduction. In early applications we experienced build-up of particulates that caused the abatement systems to shut down. We have now solved most of the technical challenges and expect to further reduce our emissions.

Travel

Business travel

HP employees are encouraged to use teleconferencing whenever possible to reduce GHG emissions from transportation. Web-based meetings and conference calls are used for training and sharing information in real-time. We provide several web-based systems for this purpose, such as the HP Virtual Classroom.

We have a small aircraft fleet and a fleet of company cars for sales employees. The aircraft fleet has relatively little environmental impact but that of the cars is more significant. To reduce this impact, we plan to start incorporating hybrid fuel vehicles into our auto fleet in 2005.

Employee commuting

Employees consume considerable energy commuting to and from work. While the environmental impact of this travel is not directly within HP's control, we have programs that help reduce these emissions.

Our Telework program can allow employees to work from home, which reduces the environmental impact from commuting. It enables employees to optimize their contribution and productivity.

Based on national studies, we estimate that in 2003 the Telework program saved around 2 million round-trip commutes in the US and Canada, avoiding approximately 52 million miles of road travel and reducing GHG emissions by 6,000 MTCE. This program was recently expanded globally.

Ozone-depleting substances

Since the elimination of most ozone-depleting substances (ODS) from manufacturing in 1993, the only remaining use of these substances at HP facilities is in cooling and air conditioning systems and in data cente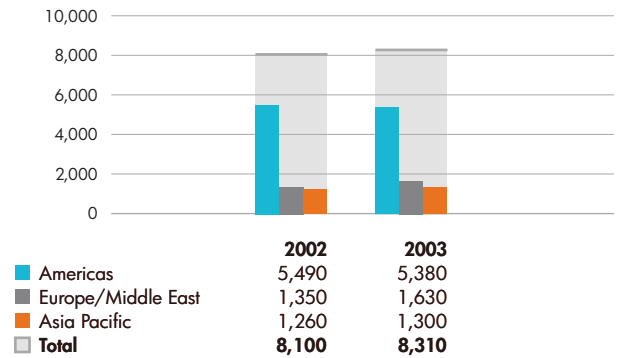r fire suppression systems. These systems are sealed units, but leaks during maintenance can lead to emissions. HP has significantly reduced the ozone-depleting potential of its cooling and air conditioning systems by replacing chlorofluorocarbons (CFCs) with hydrofluorocarbons (HFCs). HFCs do not deplete ozone but are greenhouse gases.

We do not measure emissions of ODS, but use a methodology approved by the US EPA to estimate them. This indicates that 2003 emissions are down 50% compared with 2002. The decrease in reported emissions is largely due to more accurate systems for tracking our ODS inventory.

Water

We began measuring our global water consumption in 2002 and recorded a 2.6% increase in 2003.

HP's largest consumption of water is for cooling. We recognize that water consumption is a growing concern, particularly in water-stressed regions. Many of our sites are working to reduce their water consumption. We are investigating new technologies with the potential to cut the use of cooling water by 50% while reducing the use of biocides and corrosion-controlling additives.

One example of water conservation is a closed loop system installed for deionized water at our Corvallis site. In addition, the site has plans to reduce water use by approximately 2.1 million liters through equipment upgrades.

Hazardous waste, 2001-2003
[Tonnes]

	2001	2002	2003
■ Americas	1,870	2,440	2,630
■ Europe/Middle East	1,090	1,170	1,380
■ Asia Pacific	3,430	2,830	3,270
□ **Total**	**6,390**	**6,440**	**7,280**

Hazardous waste disposition, 2003
[Tonnes]

☐ Incineration	4,090
☐ Treated	1,860
☐ Recycled	947
☐ Fuel blending	281
☐ Landfill	102
Total	**7,280**
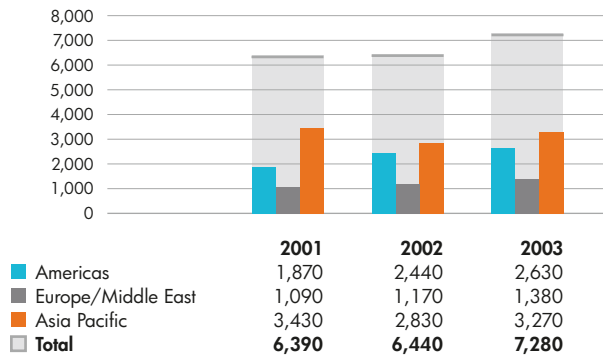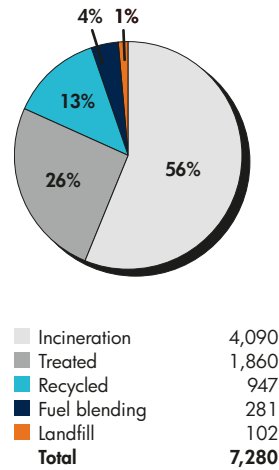
Waste

HP is committed to reducing the quantity of waste generated by its operations. Where possible, waste is eliminated at the source. Where waste elimination is not feasible, we look to effectively divert potential wastes to beneficial uses. Responsible disposal is a last resort when other management options are not reasonably available.

HP has identified its solid waste program as a company-wide priority and allocated additional resources for its management. Reducing solid waste is an important part of our 'Conserve and Preserve' employee communication program.

Traditionally, our manufacturing and distribution operations have achieved higher landfill diversion rates than our office sites. As our business model evolves, offices account for an increasing proportion of our sites. We are focusing on finding processes to manage the different mix of waste generated in offices and to improve their landfill diversion rates.

Hazardous waste

Classification of hazardous waste differs around the world. HP data is based on the strictest classification and therefore includes some wastes that are not considered hazardous in the country in which they occur. In 2003, total hazardous waste increased by 13% compared with 2002. This is due to production increases in our ink manufacturing. We have implemented several initiatives to reduce this waste during the coming year.

For example, HP has installed several systems to recycle the water in dilute ink waste and we expect to see a significant reduction of this waste in 2004 (see case study, page 32).

Non-hazardous waste disposition, 2003
[Tonnes]
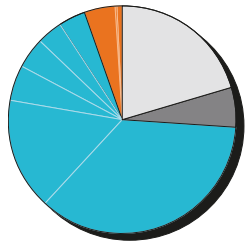
Landfill	22,500	20%
Incineration	6,290	6%
Recycled		
• Paper	40,400	
• Pallets	18,300	
• E-Waste	5,310	69%
• Packaging	4,990	
• Metals	4,070	
• Other	4,330	
Reused		
• Pallets	5,090	
• Packaging	270	5%
• Other	840	
Total	**112,390**	

Non-hazardous waste, 2001-2003
[Tonnes]

	2001	2002	2003
Americas	75,400	81,800	70,300
Europe/Middle East	58,300	22,700	19,600
Asia Pacific	29,100	23,400	22,500
Total	**162,800**	**127,900**	**112,400**
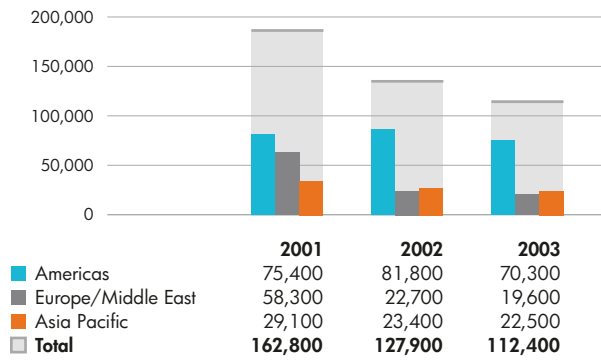
Non-hazardous waste diverted from landfill, 2001-2003
[%]

	2001	2002	2003
Americas	78.5	77.7	83.7
Europe/Middle East	80.3	65.7	72.9
Asia Pacific	67.2	63.5	74.4
— Global rate	**77.1**	**73.0**	**80.0**
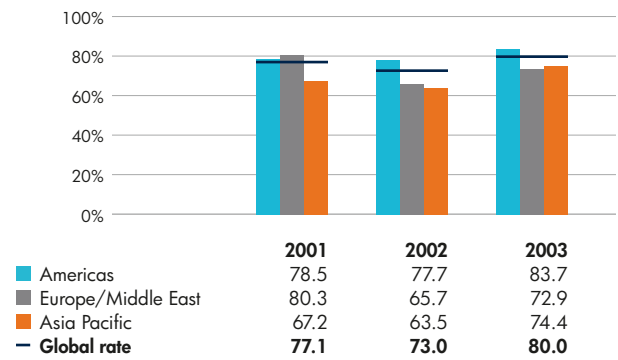
Goal

• Divert 80% of solid (non-hazardous) waste from landfill globally by the end of 2004 **Progress:** Achieved 80% solid waste landfill diversion rate in 2003.

Non-hazardous waste

In 2003, non-hazardous waste volumes decreased by 12% compared with 2002. This change varies by region. In Asia Pacific, the decrease is largely due to consolidation of sites during the past two years. In the Americas and Europe/Middle East, the reduction results from outsourcing manufacturing operations to specialized firms.

Additionally, we are encouraged that our renewed focus on recycling programs has started to show benefits. By focusing on new recycling markets and better segregation of materials at our largest sites, the landfill diversion rate has improved from 73% in 2002 to 80% in 2003 (matching our target of 80% by the end of 2004).

Many individual sites have worked successfully to exceed the diversion target. Of the 75 sites in our reporting system, 34 already exceed an 80% landfill diversion rate. The majority of sites not reporting waste data are offices. Since offices typically have lower diversion rates than manufacturing and distribution sites, the impact of estimating the diversion rate for sites outside our reporting system is to dilute the overall rate.

The pie chart shows the main categories of non-hazardous waste and their end-of-life outcomes. The highest volume waste streams are packaging and paper that are recycled.

Recycling programs

The following are examples of HP recycling programs around the world.

Japan. Our Akishima site reviewed their recycling program in 2003 and found a better way to segregate waste streams. Through an employee communication program, this site increased paper recycling by approximately 400%.

Germany. A recycling program in Herrenberg collects and recycles waste generated from three HP sites. Ninety percent of the waste received is recycled.

US. The volume of waste almost doubled at our Memphis, Tennessee site from 2002 to 2003. To increase recovery rates, HP conducted an extensive waste stream analysis, researched new markets for recycled waste, established segregation methods and increased our reuse programs. As a result, our landfill diversion rate increased from 88% to 97%.

Paper purchase and recycling

Paper and paper products make up the largest percentage of the solid waste streams from HP site operations. We take steps to reduce the impact:

- Our offices use recycled paper when possible to meet everyday paper needs

- We require that office paper waste is recycled; many sites have separate bins for segregating high-grade white paper from mixed paper

For more information, see
http://www.hp.com/hpinfo/globalcitizenship/
environment/operations/usingrecycled.html

Case study: **Award-winning process efficiency at Aguadilla, Puerto Rico**

HP's facility in Aguadilla, Puerto Rico was recognized for its environmental achievements by two national awards in 2003. The facility, which manufactures printed circuit assemblies, LaserJet printers, network servers and inkjet print cartridges, has introduced improvements to cut water and energy consumption and reduce waste sent to landfill.

One process improvement was achieved by installing an evaporator system developed at the site. The new system efficiently removes water from dilute ink waste reducing the volume of this waste by 90% and enabling 1,500 litres of water to be reused on-site each day.

Reusing water from air conditioning units, compressors, dryers and vacuum pumps has further reduced water consumption. In 2002, the site was able to cut water use by 94,600 liters a day.

By increasing recycling, the facility has dramatically reduced the amount of non-hazardous waste sent to landfill. In 2003, 74% of non-hazardous waste was diverted from landfill, up from 54% in 2000. Recycling has proved profitable, with HP Aguadilla generating $12.6 million in 2003 from sales of recyclable materials.

HP Aguadilla was awarded the US EPA's 2003 Environmental Quality Award in the Business and Industry Category in recognition of its work. The facility received a National Environmental Excellence Award for its evaporator system by the US National Association of Environmental Professionals, and was recognized by the Environmental Protection magazine as having one of the top environmental programs in the US.

Disposition by type of TRI material, 2002
[Tonnes]

Chemical	Air	Water (to sewer/off-site treatment facility)	Shipped off-site for recycling/ energy recovery	Shipped off-site for treatment or disposal	Total
NMP	0.6	0.1	685.0	6.8	692.5
Glycol ethers	0.0	0.0	0.0	1.1	1.1
Ethylene glycol	0.1	0.0	0.4	3.2	3.7
Nitrates	0.0	54.0	0.0	0.4	54.4
Hydrofluoric acid	0.1	10.0	0.0	0.0	10.1
Nitric acid	0.2	40.4	0.0	0.0	40.6
Phosphoric acid	0.3	59.3	0.0	5.2	64.8
Copper	0.0	0.0	0.0	0.0	0.0
Lead	0.0	0.0	4.3	0.0	4.3
Mercury	0.0	0.0	0.0	0.0	0.0
Total	**1.3**	**163.8**	**689.7**	**16.7**	**871.5**

Emissions

The Toxics Release Inventory (TRI) is an annual report, required by the US EPA, on releases of specified chemicals. The inventory was established under the Emergency Planning and Community Right-to-Know Act of 1986 (EPCRA). We apply TRI reporting criteria to all HP worldwide manufacturing sites. Data shown is for six manufacturing sites that account for more than 75% of HP's TRI emissions and relates to 2002. TRI reports are due to the US EPA July 1 of each year. Therefore, data from the previous year (2002) are published in this report.

We continually strive to reduce TRI emissions and we achieved a 23% reduction between 2000 and 2002. One recent success is our recycling program for our largest production solvent, n-methyl pyrrolidone (NMP).

We have reduced the amount sent for off-site disposal from 88 tonnes to 6.8 tonnes. Implementing closed-loop recycling processes at our manufacturing facilities achieved most of this reduction. The material that cannot be recycled on-site is sent to an off-site recycling facility and returned to HP.

TRI emissions to wastewater discharge increased by 119% between 2000 and 2002. This was primarily due to the manufacture of a new, more complex generation of microchip, requiring additional cleansing washes.

Emissions of TRI substances, 2000-2002
[Tonnes]

	2000	2001	2002
Disposal	250	20	17
Waste water	75	185	164
Air	2	1	1
Recycle/recovery	803	565	690
Total	**1,130**	**771**	**872**
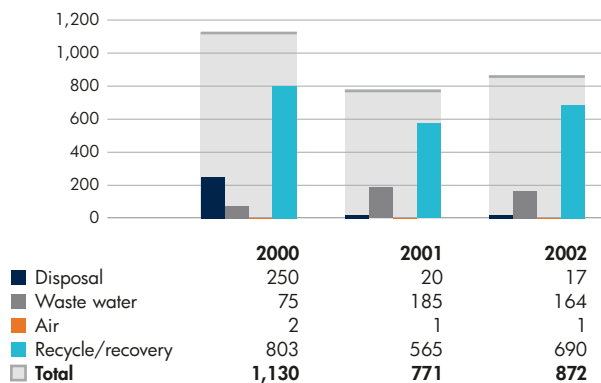
Building design and construction

In addition to energy efficiency initiatives, we continue to look for ways to improve the environmental performance of our buildings. Our real estate organization evaluates and implements sustainable building design and construction practices, including:

- Consideration of green building design capabilities in our architect and engineer selection process

- The use of mechanical, electrical and plumbing (MEP) design standards to ensure maximum energy efficiency and minimize environmental impacts (for example, ensuring provision is made to contain spills in oil and chemical storage areas)

- Designs that accommodate alternative employee transportation such as bicycles

- Specification of drought-tolerant landscaping and efficient irrigation to reduce water consumption

- Evaluation of renewable products and materials (for example, recycled carpeting and bamboo flooring)

- Rigorous testing, continuous measurement and verification of MEP systems and devices to ensure building systems run at peak performance

- Recycling demolition materials when possible

Compliance

Full legal compliance is the minimum requirement within our EHS Management System. Any violations are investigated to determine their root causes and evaluated to prevent reoccurrence.

There were two violations in 2003. The first was a self-reported permit excursion at our Palo Alto, California, US site. The second was the blockage of a storm drain at our Singapore manufacturing facility. Corrective actions have been implemented in both cases.

HP's regulatory compliance program continues to be fully integrated into our operations.

Violations resulting in fines

	2001	2002	2003
Fines [$US]	$412,500[1]	$15,000[2]	$3,120

[1]Note: 2001 data does not include former Compaq operations. Our reporting system was integrated in 2002 to cover the entire company.

In November 1999, in settlement of an administrative complaint filed in 1998 that alleged violations of the Toxic Substances Control Act ('TSCA'), HP entered into a consent agreement with the United States Environmental Protection Agency (the 'Agency') under which HP agreed to pay a civil penalty of $112,500, to have a ten-month post enforcement audit of specified operations conducted by a third party and to pay civil penalties in stipulated amounts for any violations that may be discovered in that audit. As required by the terms of the settlement agreement, the final report of the audit was submitted to the Agency in April 2001.

In May 2001, HP and Agilent Technologies, HP's former subsidiary, paid stipulated penalties in the aggregate amount of $600,000 to the Agency in full satisfaction of any claims under the agreement against either company. A comprehensive audit and compliance program has been integrated into our management system to ensure future compliance with TSCA.

[2]In 2002, HP self-reported a permit violation from our Andover, Massachusetts, US, operation. It was discovered that a back-up emergency generator had been installed without a permit.

Remediation

Historically, HP has had accidental releases of chemicals to soil and groundwater at some of our sites. In most cases, these chemicals are no longer used by HP. Most releases occurred during the 1970s or early 1980s. While HP no longer owns many of these sites, we continue to maintain responsibility for the chemical releases. In addition, some of our waste management contractors have had accidental chemical releases at their sites. In 2003, HP had 33 sites under management for soil and groundwater contamination.

HP is committed to addressing chemical releases resulting from historical site operations. We have conducted due diligence assessments of our facilities to identify soil and groundwater affected by chemicals, which has helped us to identify and address chemical releases requiring remediation. HP's waste vendor management program includes auditing third-party recycling and disposal facilities to help ensure that we use reliable waste management contractors.

We evaluate new remediation technologies and adopt them when they offer advantages compared to traditional methods. We have used innovations such as insitu oxidation, biostimulation, iron filings and high vacuum systems in addition to traditional remedial measures.

Examples of remediation projects

HP has conducted pilot studies of new technologies for removing volatile organic compounds (VOCs). These innovative technologies have the potential to replace traditional 'pump-and-treat' remediation technology

• HP is using potassium permanganate to oxidize and break down VOCs in groundwater at a former manufacturing site in California, US. The potassium permanganate is injected into the groundwater through wells on the site. The initial study was very successful and suggests this is an effective way to reduce VOC levels. A second phase to the study is now underway

• An innovative remediation technology called Enhanced Insitu Bioremediation (EISB) is being used at a former Palo Alto, California, US facility. The EISB technology stimulates naturally occurring microbes in groundwater that break down and destroy VOCs more quickly and cost effectively than conventional methods. The remediation work is being completed in partnership with the State of California's Regional Water Quality Control Board

Challenges

• As we continue to consolidate our real estate portfolio and invest in managed IT services, the energy density of our operations will continue to increase. Reducing consumption and cost will be a challenge

• Changes in HP's business and the frequent introduction of new products and processes affect the composition of our waste streams. As a result, those streams are more diverse and harder to segregate and recycle

Next steps

• Use company data to set long-range, strategic goals during 2004

• Focus on improving the environmental performance of processes with the most significant environmental impact

Awards

• **Belgium.** Brussels 'Ecodynamic Enterprise' Quality Label Award (HP Brussels).

• **UK**. UK National Energy Foundation, HP Erskine, Scotland site re-accredited for achievement in energy efficiency.

• **US.** Boise 'EnviroGuard' Pollution Prevention Award (HP Boise).

• **US.** EPA Commuter Choice Award.

• **US.** EPA Environmental Quality Award for the Business and Industry Category for US EPA Region 2 (HP Puerto Rico).

• **US.** EPA Environmental Quality Award (HP Puerto Rico).

• **US.** EPA Waste Minimization Partnership Recognition Program Award (HP Puerto Rico).

• **US.** Environmental Protection Magazine, Facilities of the Year list for environmental excellence (HP Puerto Rico).

• **US.** NAEP National Environmental Excellence Award, in the 'Best Available Environmental Technology' category (HP Puerto Rico).

• **US.** Perimeter Transportation Coalition (PTC) 2003 Smart Commuting Award (HP Atlanta).

• **US.** Top 10 WRAP Award (HP San Diego).

Web links

HP Environment, Health and Safety Policy
http://www.hp.com/hpinfo/globalcitizenship/environment/envprogram/envpolicy.html

Supply chain

Raising standards in HP's global supply chain.

–HP global citizenship priority

HP spent $52 billion in 2003 on procurement of product materials, components and services from thousands of suppliers worldwide, making our supply chain the largest in the IT industry. Only 48 companies worldwide had revenues in excess of HP's supply chain expenditures in 2003. Consequently, a significant amount of our extended environmental and social impacts occur within the supply chain – outside of HP's walls and direct control.

We can use our influence as a customer to extend HP's global citizenship standards, on the environment, human rights and labor conditions, throughout the supply chain. Our endorsement of the UN Global Compact is a clear public affirmation of HP's commitment.

Extending our standards to our supply chain is a high priority for HP but a complex task. The sheer number and geographic distribution of suppliers makes it a significant challenge to validate every supplier's global citizenship performance. Many suppliers are large multinationals with extensive supply chains of their own, so impacts extend well beyond our direct suppliers to the second and third tiers. There are few agreed-upon standards for measuring environmental and social impacts, so collecting consistent and comparable information across companies is difficult. Legislation surrounding environmental and social issues varies worldwide and is constantly evolving. In many cases HP policy is more demanding than local law.

To address these challenges, HP established its Supply Chain Social and Environmental Responsibility (SER) Policy in 2002. Our strategy is to focus our efforts where they yield the greatest return. Therefore, our initial emphasis is on the 50 suppliers that account for more than 70% of procurement expenditures, and another 100 high priority suppliers.

The approach we use, and our performance up to this point, are described in this chapter.

The HP approach

HP's Supply Chain SER Policy (see opposite) commits us to work with suppliers to ensure they operate in a socially and environmentally responsible manner.

HP's approach to this challenge expands on long-standing supplier requirements as stated in our General Specification for Environment (GSE) as well as in our Supplier Code of Conduct.

Our Supplier Code of Conduct (see page 38) covers environmental, employment, labor, and health and safety practices. When renegotiating or establishing supplier contracts, we ask all suppliers to sign an agreement stating that they understand HP's expectations and that they agree to work with us towards conformity with our Supplier Code of Conduct.

Governance structure

HP's Supply Chain Council, reporting directly to the Executive Council, is responsible for overall implementation of our Supply Chain SER Program. Each HP business is represented on the Council and has appointed delegates to manage the SER program.

The SER program is integrated into our procurement management structure and we are redesigning supplier management criteria and metrics to include SER performance.

HP Supply Chain and Procurement Commodity Managers communicate our SER requirements to suppliers and work with them on compliance issues. In addition, they work with experienced EHS auditors and human resources and legal teams to inspect supplier facilities, measure SER performance and monitor progress. We adopt a collaborative approach. Rather than simply passing or failing suppliers, HP works with them to develop and monitor plans to improve performance.

- Complete supplier audits and develop improvement plans for more than 30 sites

- Complete assessments with 100 high priority suppliers

- Introduce electronic SER management tools to simplify processes for suppliers and commodity managers

- Assess effectiveness of feedback and supplier improvement plans in improving performance

- Continue to benchmark our program with suppliers and other industry groups

- Engage with global NGOs, local nonprofit organizations and suppliers to review and improve our Code of Conduct and assessment and audit approaches

- Train 25% of commodity managers in Supply Chain SER management processes

- Hold quarterly SER review meetings with six top suppliers

Working with suppliers

Given the size of HP's supply chain, it is not possible to work simultaneously with every supplier. Therefore, in 2003 we focused our efforts on the 50 companies that represent 70% of the total amount we spend on product materials.

In 2004, we will contact and assess an additional 100 suppliers in high priority categories. These include companies with chemical or labor-intensive operations, or operations in developing countries.

By the end of 2005, our goal is to add our Supplier Code to all product materials supplier contracts, making compliance with the Code integral to doing business with HP. We are incorporating our SER expectations into our standard supplier management process. Reflecting the importance HP places on this, we are working to ensure that our suppliers make a senior management commitment to the process.

Training

In 2003, we introduced training programs designed to increase supplier SER awareness and improve performance.

Procurement and supplier managers receive training on the SER program, including how to communicate requirements to suppliers and monitor and report their performance. In 2004, we will begin broad-based training that builds on the training initiated during 2003.

Monitoring compliance

Once suppliers have signed on to the SER program they are required to complete annual self-assessments. These are used within a collaborative framework to increase supplier understanding of our expectations and review compliance with the Code.

HP Supply Chain Social and Environmental Responsibility (SER) Policy

HP's commitment to corporate social responsibility extends to our global supply base and we expect all HP suppliers to conduct worldwide operations in a socially and environmentally responsible manner. Our goal is to work collaboratively with our suppliers to ensure compliance with the following principles.

Legal and regulatory compliance
Suppliers will ensure that their operations and the products supplied to HP comply with all national and other applicable laws and regulations.

Continual improvement
Suppliers will integrate environmental, occupational health and safety, and human rights and labor policies into their business processes, and maintain management systems to guarantee improvement.

Information access
Suppliers will provide clear, accurate and appropriate reporting to HP upon request.

Supplier Code of Conduct

Our Code of Conduct sets forth the minimum requirements that all suppliers must meet in doing business with HP. Key elements of the code include the following:

Environment

Suppliers must have environmental policies that cover energy efficiency, hazardous materials, information and labeling, manufacturing, packaging and product recycling and reuse.

The code incorporates our General Specification for Environment (GSE) (see Web links, page 39), which specifies restrictions on materials that may be used in our products.

Health and safety

Suppliers must meet health and safety requirements that include evaluating and controlling exposure to chemical, biological and physical risks, machine safeguards, occupational injury reporting, training and workplace ergonomics.

Human rights and labor practices

Suppliers must treat employees fairly and in accordance with local laws. They must not use forced, bonded, involuntary prison or child labor. They must provide wages and benefits that meet or exceed legal requirements and respect the rights of workers to associate freely, in accordance with local laws and established practice.

Goals for 2005

- Train 50% of commodity managers in Supply Chain SER management processes

- Complete assessments with 250 high priority suppliers

- Develop a supplier training program in cooperation with NGOs in China and Mexico

- Add Supplier Code of Conduct to all product materials supplier contracts

Goals for 2006

- Complete assessments with 500 high priority suppliers

- Collaborate with industry and suppliers to establish an industry standard supplier code of conduct

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We verify the assessments and provide feedback. A breach of compliance requires that our suppliers submit improvement plans and in some cases formal corrective action plans. We work closely with suppliers to achieve compliance in any areas where performance does not meet HP requirements.

HP procurement and auditing professionals conduct supplier audits and site visits to assess whether suppliers have adequately addressed areas of concern and to verify compliance against their self-assessments. In addition, selected questions on SER are included in routine non-SER supplier audits.

Our initial audits suggest there can be inconsistencies between supplier performance and self-assessments. We are exploring ways to help suppliers make accurate self-assessments and are determining the degree of independent auditing that is needed.

More information is on our website, including compliance questionnaires (see Web links, page 39).

Performance in 2003

In 2003, we contacted our 50 major suppliers to request confirmation that they accept our Code.

Our top suppliers completed self-assessments covering more than 175 individual sites.

In addition, we contacted 40 high priority suppliers and received completed documentation from 27. An additional 142 suppliers completed documentation.

We initiated an audit process and have completed 15 audits in Mexico and China to date. A range of issues was identified during the assessments.

Two factors made assessment more difficult than anticipated:

- Complex pay structures that make it harder to assess a supplier's approach to employee pay

- The use of labor brokers and employment agencies by suppliers, which makes it difficult to assess the management systems and processes that govern labor conditions for many employees

The main concerns identified by the audits were lack of management systems and processes to:

- Manage overtime

- Avoid unlawful or inappropriate use of penalties for worker infractions

- Provide appropriate avenues for expression of worker concerns

- Guide implementation of environmental practices such as disposal of solid and industrial waste, and wastewater

- Ensure worker training is current and thorough; for example, for fire protection and safety

- Track implementation of labor, health and safety regulations

- Cascade labor, health, safety and environmental requirements to suppliers

Logistics

HP works to decrease the environmental impact of product transportation throughout our supply chain. Transporting millions of products around the world requires a large amount of energy in the form of fuel for aircraft, trucks and ships. HP makes continual efforts to reduce transport energy consumption by using more space-efficient packaging and more energy-efficient means of transport.

During the last decade, HP has decreased reliance on air cargo while increasing use of ocean freight. This saves considerable amounts of energy, since ocean transport is many times less energy intensive than air transport. By packing products more densely on each shipping pallet, or 'bulk-packing', HP can fit more products into a shipping container, reducing the total number of trips (see Packaging, page 18).

Clean Cargo and Green Freight Groups

HP is a member of the Business for Social Responsibility (BSR) Clean Cargo Group (ocean freight) and Green Freight Group (truck transport) which work with shippers and carriers to jointly establish environmental performance criteria and emissions calculators for their respective industries.

In 2003, the Clean Cargo Group introduced the ocean freight industry's first Environmental Performance Survey (EPS) that includes environmental reporting guidelines. The Green Freight Group will introduce a similar survey for the trucking industry in late 2004.

Stakeholder Perspective

**Katherine Astill,
Private Sector Policy Analyst,
Catholic Agency for Overseas
Development (CAFOD)**

How is HP doing?

In the field of supply chain labour standards, HP has consistently demonstrated high level commitment backed up by systematic action. The company has been a leader in this respect, at a time when the electronics sector as a whole has shown little interest in the working conditions of those who make its products. HP is also commendably open to engagement with the experience in this field of CAFOD and our partners.

How would you like to see HP improve in this area?

As the awareness of all electronics companies to the issues of supply chain labour standards increases, I would like to see HP remaining at the forefront of best practice. In particular, I would like to see the company take a new look at its code of conduct and to align it more closely to the international standards set down by the ILO: particularly in relation to freedom of association and the right to collective bargaining.

Some of the same issues were identified in reports by non-governmental organizations (NGOs). Many of the issues are widespread and will need to be addressed in partnership with other companies, governments and NGOs. We take these issues very seriously and expect our suppliers to do the same.

HP is among the first companies in our industry to set these expectations for our suppliers. ISIS Asset Management recently rated HP a 'race leader' for both labor and environmental management practices in the supply chain (see Web links).

Performance update – to end of first quarter, fiscal year 2004

	Top suppliers	High priority suppliers	Other suppliers	Total	% of expenditures
Engaged	50	40	197	287	70+
Documentation completed	50 [1]	27 [3]	142	213	70+
ISO 14001 certified	42	22	–	64	–
Audited	13 [2]	–	–	–	–

[1] Accounting for more than 175 sites (some companies have multiple sites).
[2] 15 sites were audited.
[3] Accounting for 56 sites.

Challenges

Our main challenges are extending our supply chain SER program to all suppliers and agreeing to a set of industry-wide SER expectations. Industry-wide standardized criteria would help suppliers avoid duplication of effort caused by responding to numerous customer requests.

Web links

HP General Specification for Environment (GSE)
http://www.hp.com/hpinfo/globalcitizenship/environment/pdf/gse.pdf

HP Supplier Code of Conduct
http://www.hp.com/hpinfo/globalcitizenship/environment/pdf/supcode.pdf

HP Supplier Self-assessment Questionnaires
http://www.hp.com/hpinfo/globalcitizenship/environment/supplychain/compliance.html

HP Supply Chain
http://www.hp.com/go/supplierE

HP Supply Chain Social and Environmental Responsibility Policy
http://www.hp.com/hpinfo/globalcitizenship/environment/pdf/suppolicy.pdf

ISIS Asset Management Report
http://www.isisam.com/uploadFiles/SRI_ICT_Report_jan_04.pdf

Human rights

Human rights are the fundamental rights and freedoms to which all people are entitled. The most widely recognized definition is the Universal Declaration of Human Rights, adopted by the United Nations in 1948 (see Web links).

HP is committed to uphold the principles contained in the UN Universal Declaration of Human Rights. We respect our employees' human rights and have global personnel policies and guidelines to ensure we meet high standards (see page 53).

Human rights issues in our supply chain require extra attention, given that many HP products are now manufactured by our suppliers in developing countries where there may be inconsistent standards on human rights.

The HP approach

HP's Human Rights and Labor Policy commits us to support and respect the protection of human rights within our sphere of influence, including employees and suppliers. Our Supplier Code of Conduct reflects this commitment. It specifically requires our suppliers to treat employees fairly and in accordance with national laws. Suppliers must not use forced, bonded, involuntary prison or child labor.

HP is a participant in the UN Global Compact (UNGC), a voluntary initiative for businesses established by Kofi Annan, Secretary General of the UN. Participating companies agree to support nine principles in the areas of human rights, labor and the environment. Basic human and labor rights identified by the Compact include: safe and healthy working conditions; nondiscrimination at work; no forced or child labor; and freedom of association.

We are working to develop a common understanding of human rights issues throughout HP by educating managers, especially those responsible for operations or supply chains in developing countries.

Activities in 2003

HP helped organize the first Global Compact North American Learning Forum in April 2003. It convened 25 companies from the region to discuss the Compact's benefits, challenges and opportunities. The forum identified ways to promote the nine principles in North America.

HP sponsored a case study by the Center for Responsible Business in California, US, which analyzed how HP manages human rights issues and made recommendations for improvement (see case study on page 41).

Challenges
- Developing a practical understanding of human rights in a business context

- Developing metrics to measure performance and methods for assessing compliance with our Human Rights and Labor Policy, and Supply Chain SER Policy

Next steps
- Develop clear education tools for management

- Continue to work with international human rights groups to clarify the role of business in this arena

Web links

UN Global Compact
http://www.unglobalcompact.org

Universal Declaration of Human Rights
http://www.unhchr.ch/udhr

Stakeholder Perspective

**Georg Kell, Executive Head,
UN Global Compact**

How is HP doing?

For years, Hewlett-Packard has demonstrated strong commitment to the vision of the Global Compact. At the 2002 World Summit on Sustainable Development in Johannesburg, Carly Fiorina was one of a select group of corporate leaders who played an active role in discussing how businesses can advance sustainable development by working with other social actors. In April 2003, HP – in partnership with Pfizer – organized and hosted the launch of the Global Compact's North American Learning Forum, a platform to raise awareness of the Global Compact and share good corporate practices in implementing the nine principles.

How would you like to see HP improve in this area?

Moving forward, a significant challenge for multinational companies will be the application of principles throughout global supply chains. Ensuring that existing as well as potential business partners respect fundamental values and principles is of critical importance – from both a moral and a strategic business perspective. Still, practically speaking, this can be a challenging endeavour – with no one-size-fits-all solution. Success will largely hinge on a sustained leadership commitment, based on continuous learning and improvement.

Case study: **External review of HP's human rights strategy**

HP sponsored an assessment of our human rights policy and strategy for the UN Global Compact Learning Forum in 2003.

The review was conducted by two senior members of the academic staff at the University of California, Berkeley who interviewed 12 HP managers at corporate and country levels.

The researchers identified strengths in HP's approach and made suggestions for improvement. Strengths included HP's commitment to the UN Universal Declaration of Human Rights, our Global Citizenship Policy and Supply Chain Social and Environmental Responsibility (SER) Program.

The interviews showed that, while the term 'human rights' is not widely used at HP, issues such as fair treatment and nondiscrimination are managed as part of normal business. This was reflected in examples noted in the study, such as HP Malaysia's decision not to hire workers through local employment agencies. These agencies, used by many competitors, sometimes use information on age and race improperly in hiring decisions.

The authors recommended that HP designate a company-wide Human Rights Manager to ensure a consistent global approach. This is important given inadequate national laws on human rights in many countries. They suggested expanding HP's Supplier Code of Conduct to cover impacts on local communities, management of security guards, and issues relating to operations in countries with a poor record on human rights.

The study concluded that a greater focus on education and guidance for employees and management would embed respect for human rights more deeply in HP's operations.

HP is assessing ways to implement these recommendations. As a first step, we are educating managers on key human rights issues and their importance in the business environment.

[1] Data does not include purchases by former Compaq sites. Data for the combined company will be reported beginning in US Government Year 2004, which runs from October 1, 2003 - September 30, 2004. All data relates to direct (for products) and indirect (for operations) procurement.

[2] All figures are for US purchases from US-based businesses.

[3] Figures are for October 1 of the previous year to September 30 of the year indicated.

Supplier diversity

HP has a policy and program to ensure that we offer US-based small, minority- and women-owned businesses equal opportunities to become HP suppliers, partners and resellers. HP has maintained a Corporate Multicultural Procurement Program Office for more than 30 years, a practice that we are expanding beyond the US into other markets.

Purchases from minority- and women-owned businesses comprised 21.9% of HP's total procurement in the US during 2003. We missed our target for awards to small women-owned businesses because we discontinued two product lines supported by these businesses (HP Jornada handhelds and HP OmniBook laptops). Despite this drop in expenditures, HP increased awards to small women-owned software development and move management firms.

Awards to small minority-owned businesses increased, due to greater use of these businesses for the repair, replacement and warehousing of HP products, and for providing temporary personnel.

Purchasing results [1,2]

Category [Million $US]	2001[3] results	2002[3] results	2003 goal	2003[3] results
Total small businesses	$1,832	$1,672	$1,600	$2,108
Small minority-owned businesses	$548	$480	$400	$601
Small women-owned businesses	$141	$126	$140	$104
Total minority-owned firms	$564	$544	N/A	$688
Total women-owned firms	$148	$161	N/A	$254

Highlights from 2003

Global. HP has expanded its supplier diversity program beyond the US. For example, we are a member of the Canadian Aboriginal and Minority Supplier Council and the European Supplier Diversity Project.

US. Launched our Multicultural Procurement Program (MCP) supplier registration website. The site is a single point of contact for suppliers to market their products and services to HP. Suppliers fill in an online questionnaire so we can evaluate their potential to do business with HP. See http://www.hp.com/go/supplierregister.

US. Hosted multi-city Business Matchmaking Program in partnership with the Small Business Administration and US Chamber of Commerce. This program matches small businesses with government agencies and private companies that are seeking suppliers of products and services.

US. HP led the creation of Concordis Real Estate, the first national minority- and women-owned business group formed to serve the real estate industry. Concordis has won several major real estate contracts in its first year of operations.

Awards and recognition

US. All Alaska North Small Business Conference and Trade Fair Sponsors Award.

US. Certificate of Achievement for Hispanic Business Opportunities, Hispanic Business Award.

US. Certificate of Achievement for 'Outstanding' Small Business Program, Defense Contract Management Agency, US Department of Defense.

US. Minority Business Advocacy Award, Northern California Supplier Development Council.

US. Small Business Champion Award, US Small Business Administration.

US. Strategic Teaming Award from the Houston Minority Business Council.

US. Top 50 Corporations for Minority Business Opportunities, Diversity.com.
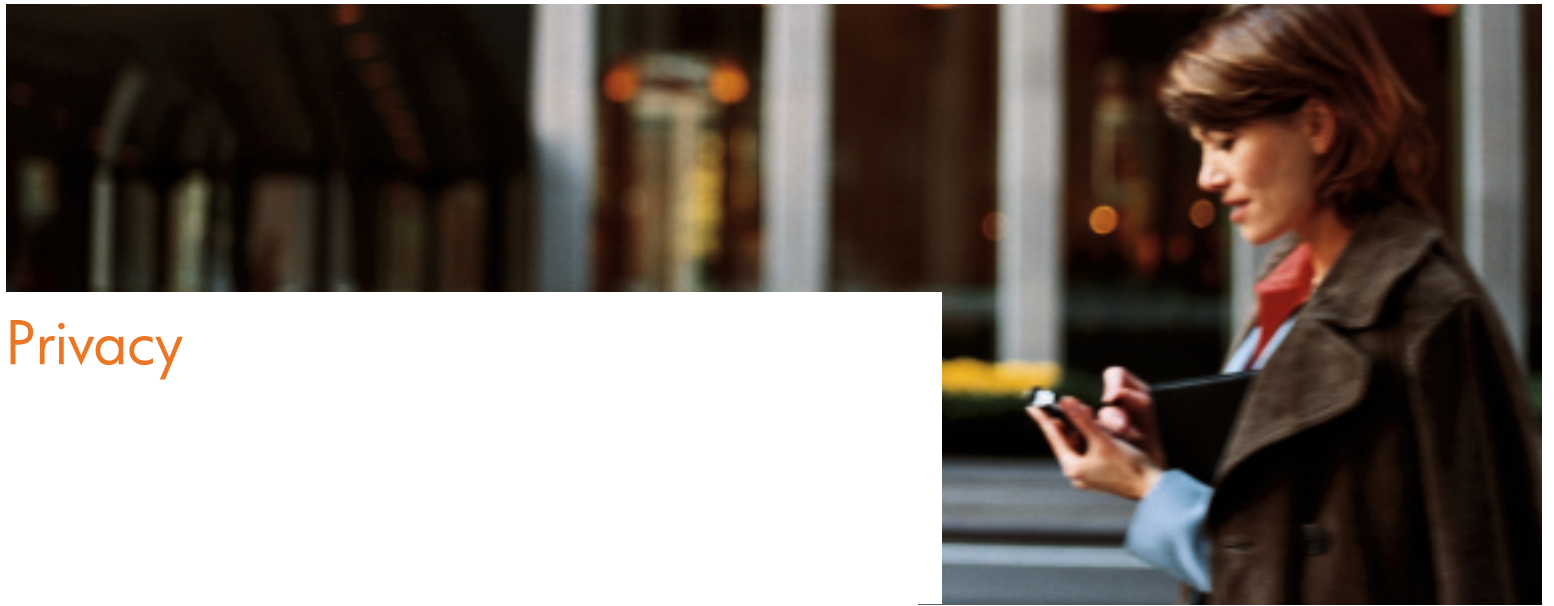
Privacy

- All employees to complete online Standards of Excellence Data Privacy training

- HP Internal Audit tests privacy compliance at two business units per quarter

- Complete impact analysis of emerging privacy regulations in Argentina, Australia, Brazil, India, Japan, Mexico and South Korea

Companies possess important personal information about their customers and employees. Data about customers typically includes their name, address and information on purchasing trends and preferences. Companies analyze this data to understand customer needs and ensure they provide the right products and improved services.

Employee information held by companies may include items such as family data, performance data, medical information and background checks.

Customers and employees require assurance that their privacy is honored and that any personal data is used and shared responsibly. This helps ensure that customer communication preferences are respected and helps prevent problems such as fraud and identity theft. For employees, privacy is an important component of a trusted workplace.

Regulations exist in many countries to ensure individuals are protected from misuse of their data. For example, the EU Data Protection Directive prohibits the transfer of personal data to nations that do not meet European privacy standards. The Safe Harbor framework, an international agreement and self-certification process between the US and the EU, enables US companies to comply with the Directive.

The HP approach

Protecting our employees' and our customers' privacy is a fundamental global citizenship goal. HP respects customer and employee privacy and is committed to high standards in data protection. This is vital to developing and maintaining trusted relationships.

Global Master Privacy Policy

HP's Global Master Privacy Policy governs the collection, storage, transport and use of personal information (see Web links, page 45). It commits us to protecting personal data and allowing customers access to review or correct their information.

HP does not sell, rent or lease customer data and will not share personal information beyond HP and its required suppliers, without customer permission. A range of processes and technologies are applied to protect the security of customers' personal data. Sensitive data, such as credit card numbers, are encrypted.

Our Master Privacy Policy covers data on products returned to HP for refurbishing and recycling. During service drives and disks not returned to the original customer are processed for data destruction.

Our global employee data privacy policy provides further detailed guidance and commits us to protect the personal information we hold on employees, former employees and job applicants.

All suppliers and third-party contractors processing or handling HP data are contractually required to comply with our privacy policy. In countries where there are no national laws governing the use of personal data, we work with suppliers to ensure they meet HP's privacy standards, those of the Safe Harbor program, or more stringent applicable standards such as the EU Model Contract provisions.

External standards

HP self-certifies to the Safe Harbor privacy principles, an international data protection agreement between the US and EU. This ensures our policy is consistent with the EU Data Protection Directive. We are a member of the Better Business Bureau's BBBOnLine Privacy Seal Program.

Design for Privacy

In 2003, HP introduced Design for Privacy, a global initiative to incorporate privacy requirements at the product design and development stage.

A Design for Privacy team identifies technologies and products that require privacy design assessment.

For example, software programs for HP printers that enable faults to be diagnosed remotely or that allows users to track their supplies usage, were evaluated for privacy issues throughout development before release to the market.

Stakeholder perspective

Ari Schwartz
Associate Director, Center for Democracy and Technology

How is HP doing?
HP has been a leader on privacy issues. It has one of the best-organized internal privacy programs. Also, while many in industry have only whispered that baseline federal privacy law would build trust online, HP has actively promoted the idea, in the belief that privacy legislation would be good for both business and consumers.

How would you like to see HP improve in this area?
HP has clearly been improving privacy coordination among its many different units since the merger. However, HP could do a better job explaining to consumer advocacy organizations its vision of the future, so those advocates can understand where the company – and the technology – are heading.

Implementation

The HP Global Privacy Board coordinates integrated privacy programs across the company. The Board, consisting of the Chief Privacy Officer and Privacy Officers for customer and employee data, focuses on policy decisions, training and compliance assessments.

HP's privacy compliance programs specify that employees and contractors comply with our policy and laws governing data protection. Methods to enable compliance include:

• E-mail addresses for customers and employees to submit questions and concerns on data privacy

• Notification of data protection authorities in the EU about computer programs containing employee personal data

• Compulsory training for all employees who have access to confidential and sensitive employee or customer data. This includes a privacy module in HP's Standards of Excellence training

Four company-wide tools facilitate implementation of HP's privacy policy:

Privacy Impact Assessments (PIAs). PIAs help employees implementing new sales and marketing programs assess how to meet legal and HP requirements.

Interactive Rulebook. A web-based tool that lets employees easily search and access privacy rules. Topics include email marketing, market research and marketing to children.

IT Application Development Questionnaire. This set of tools is used by HP system developers to assess privacy compliance for all IT systems used in handling employee data. The results are kept in a compliance tracking database.

Privacy Audits. HP auditors incorporate privacy reviews into the internal audit process worldwide.

Progress in 2003

Privacy study
We commissioned a study to benchmark our performance on data protection against 20 leading companies. This study found that HP performed well regarding privacy policies, data security and internal compliance mechanisms. The study identified areas for future improvement, including third-party compliance, employee training and product and service design. We will focus on these issues during 2004.

Access to data and training
We reassessed the criteria used to determine which employees are given access to employee data and introduced new requirements on job function, business need and location. This reduced the number of employees responsible for handling data by approximately 75%.

During 2003, 16,000 employees with responsibility for handling customer or employee data received privacy training.

International compliance
HP privacy experts worked with HP Digital Global Soft (DGS) and HP Chennai and Bangalore, HP businesses in India, to ensure compliance with our Global Master Privacy Policy, with a focus on EU and Safe Harbor requirements. This is important as there is no comprehensive national privacy law in India. HP conducted privacy impact assessments, developed a privacy policy, assigned an official with responsibility for data privacy and provided training for employees involved in handling personal data.

To enable global consistency, HP intra-company agreements are being amended to include our standard data protection clauses.

Industry leadership

HP engages with groups such as the International Association of Privacy Professionals (IAPP), the Ponemon Institute and the Center for Democracy and Technology (CDT) to discuss privacy issues and help set privacy standards and best practices. We are a contributor to the development of the Asia Pacific Economic Forum (APEC) Privacy Principles.

HP established an award program to recognize organizations that lead in privacy protection. The HP Privacy Innovation Awards were first presented at the US PrivacyCon conference in 2003 in two categories: commercial and government/not-for-profit. The recipients were eBay and The Office of the CIO, Government of Alberta, Canada.

Challenges

• Managing the increasing quantity and complexity of privacy regulations worldwide

• Educating HP managers and employees on rapidly evolving privacy issues

• Managing effective systems to help make privacy respected by all employees worldwide

• Guaranteeing that partners who handle HP employee data abide by our privacy standards

• Assessing the impact of new technologies on privacy, for example, technologies that support the delivery of employee services, increase the productivity of our customers or enable secure access to HP resources

Awards

US. ComputerWorld, named one of the top three Privacy Leaders in the Fortune 100.

US. Customer Respect Group, #1 in Annual Online Trust survey for High Tech companies, second year in a row.

US. Wired magazine, one of the top five companies for workplace privacy.

Web links

BBBOnLine
http://www.bbbonline.org

European Union Data Protection Guidelines
http://europa.eu.int/comm/internal_market/privacy/index.htm

HP Global Master Privacy Policy
http://www.hp.com/hpinfo/globalcitizenship/privacy/masterpolicy.html

HP Online Privacy Statement for Customers
on all pages of http://www.hp.com

Safe Harbor
http://www.export.gov/safeharbor/

US Federal Trade Commission's Fair Information Practices
http://www.ftc.gov/reports/privacy2000/privacy2000.pdf

Employees

HP employs approximately 142,000 people in 67 countries. Our people are among our most important business assets. Their talents, ideas and enthusiasm are crucial to our success.

HP strives to attract and retain the best talent and to work with employees to help them fulfill their potential. We do this by treating them well, offering opportunities for personal development and advancement and providing competitive salaries and a good work-life balance.

Our goal is for HP to be considered among the best places to work. We are embedding this objective in the design and implementation of all our employee programs and communications.

This section summarizes our approach and performance in:

• Labor practices

• Diversity

• Human rights

• Health, safety and wellness

Labor practices

HP provides employment opportunities based on performance, and creates with employees a safe, exciting and inclusive work environment that values diversity and recognizes individual contributions.

Our business performance depends on motivated employees. Their loyalty is essential. We believe that:

• When we trust our employees, they will do the right thing and make a difference

• All employees, regardless of title, level or tenure, make important contributions

• An exciting, stimulating work environment is critical to invention

• A diverse workforce gives us a competitive advantage

• Employees are responsible for lifelong learning

Employment policies

HP's employment policies apply globally. When they differ from local law, HP abides by the more demanding standard. Our policies include:

Best Work Environment Policy

HP introduced a Best Work Environment Policy in 2003. The policy sets out the standards we expect from employees, such as: treating others with dignity, respect and courtesy; exemplifying HP's values in all interactions; and contributing to a positive, productive work environment, free of discrimination, harassment and offensive behavior.

The policy incorporates other HP business policies, including our Standards of Business Conduct, Nondiscrimination Policy, Harassment-Free Work Environment Policy and Misconduct Policy.

Open Door Policy

Our Open Door Policy commits us to create a workplace where everyone's voice is heard, issues are promptly raised and resolved, and communication flows across all levels of the company. All HP employees have the right to seek advice, provide feedback or raise concerns with any HP manager. Managers are responsible for creating a work environment where employees' input is welcomed and issues are addressed early and candidly shared. Any attempt to block access or to sanction employees for raising concerns is against the Open Door Policy and subject to disciplinary action.

Pay and performance evaluation

HP is committed to providing compensation that is competitive with the global and/or local markets, affordable from a business perspective and aligned with individual, business and company performance.

Total Rewards is HP's pay-and-benefits package providing competitive compensation and benefits that enable us to attract and retain a talented and diverse workforce.

Our pay philosophy is to:

• Pay employees based on their sustained performance

• Pay fairly

• Be transparent about how pay is determined

Pay is reviewed for all employees during annual Focal Point Reviews. These reviews typically include:

• Performance evaluation and rating

• Recommendations on base pay and incentives

• Setting performance goals for the current fiscal year

• Development planning for the current year

While benefit programs differ greatly from country to country, in general HP provides its employees benefits that assist them in preparing for their retirement and meeting their health care needs. Wherever feasible, HP also offers its employees participation in share ownership plans.

Voice of the Workforce (VoW)

Regular employee satisfaction surveys provide feedback on company programs and help identify areas for improvement. HP's VoW survey is available online to all employees in 17 languages. In 2003, more than 93,500 employees (65.8% of HP's total workforce) participated in the survey, which found that employees rank HP significantly above industry average in many categories. These include internal communication of business strategy, risk-taking, productivity and performance feedback.

Areas identified by employees for improvement included:

• Communicating more clearly how employees, and the strategies of different HP businesses, contribute to the overall company strategy and goals

• Providing employees with the tools, systems and resources to serve customers more effectively

• Helping employees to manage their workload and make use of flexible work arrangements

We launched a follow-up VoW survey in March 2004. Results will be included in next year's report.

Work-life programs

Pressure to perform can lead to long work hours. Our work-life programs help employees balance their commitments at home and work.

Where feasible in relation to business needs and local law, HP offers flexible work arrangements, including:

• **Flex-time** – in most countries, employees may start an eight-hour workday any time between 6:00am and 8:30am

• **Part-time work** – employees can work a schedule of 20-40 hours a week, with salary and benefits prorated; hours can be clustered in a few days or spread over the week

• **Job sharing** – two or more employees can divide the tasks and responsibilities of one full-time position

• **Telework** – employees can regularly work from home

HP has a range of programs, which vary by country, to help employees deal with life-changing events. Examples include dependent care, education assistance, adoption assistance; new parent, family, personal and medical leave; and a short-term disability plan.

HP supports employees through health and wellness programs (see page 54).

LifeWorks. A confidential phone and web service in the US and Canada offers professional advice and referrals on parenting and child care, education, retirement planning, disabilities, caring for elderly dependents, and basic legal and financial matters.

In 2003, the website received 6,121 requests for help on parenting and childcare, and 3,006 requests for information on care for the elderly.

Maternity and paternity leave. HP provides time off for new parents around the globe. These programs vary; they comply with and sometimes exceed the requirements of national laws. For example, in the US, we offer 12 weeks of unpaid time off to employees who become parents, either through childbirth or adoption, and the opportunity to extend this to one year. In the UK, the HP maternity program offers 18 weeks of fully paid time off.

Employee training programs
Training enables employees to reach their full potential and develop their careers. Regular performance reviews ensure that development plans are created and implemented.

HP invested $258.9 million on in-house training during 2003, equivalent to $1,823 for every employee. During the year, 75% of employees participated in online training sessions.

We expect to spend $2,143 per employee on in-house training in 2004 and have increased our goal for employee participation to 80%. In addition, HP supports employees in pursuing external training opportunities such as continuing education and graduate degrees.

HP invested significant staff time in 2002 on training relating to the merger with Compaq. In 2003, we shifted our emphasis, investing in training to support our company values, corporate objectives and business goals. This includes our Standards of Excellence courses and our leadership training programs.

Standards of Excellence training
Our Standards of Excellence training helps employees implement company policies, meet high standards of conduct in their work and ensure their behavior reflects company values.

The training is available online through a series of one-hour modules, each sponsored by an HP executive. It covers: customer experience management; environment, health and safety; data privacy; information security; and our standards of business and personal conduct.

All HP employees are required to complete the training modules, which are updated annually or bi-annually.

Leadership training
Special development programs identify employees with high potential and assist them to expand their leadership skills. In total, 3,387 employees participated in leadership training programs during 2003.

Our leadership programs include:

Breakaway Leadership. A new leadership training course for managers piloted in January 2004. The course will help managers build the critical skills needed to create strategies and plans, collaborate and influence, lead teams and build decision-making and accountability processes.

Dynamic Leadership. A learning workshop focused on improving communication skills and helping participants get more from their interactions with others. In 2003, 2,800 employees completed this leadership training.

Leading People for Results. Our leadership program for new first-level managers, piloted in 2003. Participants learn the tools, skills and strategies needed to manage others for peak performance. During 2003, 250 new managers completed the training.

Leading Business Systems. A four-month training course to help managers make the transition to leading a business. Ninety employees participated in 2003.

Winning Edge. HP's Winning Edge training programs for more experienced managers were introduced in 2003 to help them refine their executive management skills. In 2003, 147 senior managers and executives participated.

Employee communications

Good internal communications keep employees well-informed and involved in company activities, and provide opportunities for them to give feedback. Communication initiatives include:

• A twice-yearly broadcast from the CEO to all employees

• Employee networks including web discussion forums and newsletters

• Frequent email updates to all employees

• Quarterly business performance review videos

• Regional 'coffee talks' giving employees the chance to question the CEO

• Regular employee satisfaction surveys (see page 47)

• Various regional and local management communications vehicles

Awards and recognition

Belgium. Randstad HR Awards, Best Place to Work, HP rated top IT company.

China. Peking University and the Economic Observer, Most Respected Companies in China.

Czech Republic. Prague ING Bank, Most Admired, HP tops Czech Top 100 list for second consecutive year.

India. Data Quest-IDC Best Employer Survey, voted best employer in India's IT industry.

South Korea. Joblink survey, Most Favored Foreign Firm, 2003.

US. Association of Washington Business, Better Workplace Award for HP's Vancouver site.

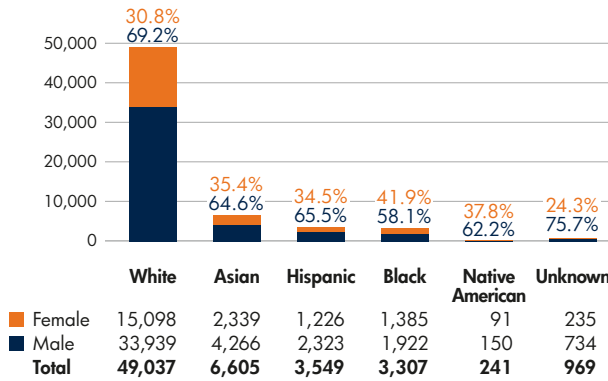**US.** ComputerWorld, 100 Best Places to Work in IT.

US. Fortune Magazine, 50 Most Desirable MBA Employers.
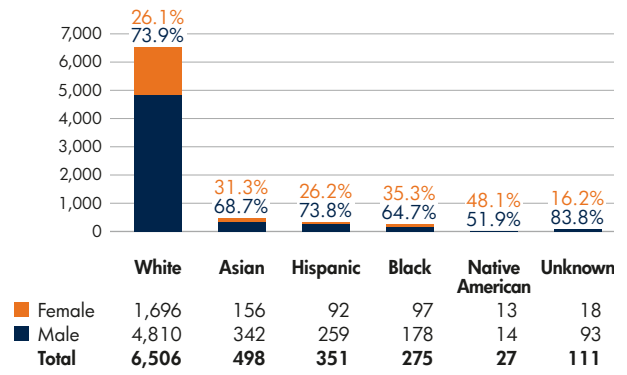
Challenges

Addressing issues identified in our VoW employee survey:

• Providing employees with the tools and resources they need to do their jobs and serve customers

• Helping employees to manage their workload and use of flexible work arrangements to achieve a good work-life balance

US workforce ethnic diversity[1], 2003
[Employees]

	White	Asian	Hispanic	Black	Native American	Unknown
Female %	30.8%	35.4%	34.5%	41.9%	37.8%	24.3%
Male %	69.2%	64.6%	65.5%	58.1%	62.2%	75.7%
Female	15,098	2,339	1,226	1,385	91	235
Male	33,939	4,266	2,323	1,922	150	734
Total	**49,037**	**6,605**	**3,549**	**3,307**	**241**	**969**

US management ethnic diversity[1], 2003
[Officers and managers]

	White	Asian	Hispanic	Black	Native American	Unknown
Female %	26.1%	31.3%	26.2%	35.3%	48.1%	16.2%
Male %	73.9%	68.7%	73.8%	64.7%	51.9%	83.8%
Female	1,696	156	92	97	13	18
Male	4,810	342	259	178	14	93
Total	**6,506**	**498**	**351**	**275**	**27**	**111**

Diversity

A diverse workforce encourages creativity and innovation. It helps build an exciting, stimulating work environment, critical for invention. HP believes that a diverse workforce reflecting our many different markets provides competitive advantage and helps us acquire new business.

HP's Diversity and Inclusion Leadership Committee (DILC), made up of senior business leaders and Diversity Directors from around the world, integrates diversity into the fabric of HP. It oversees company-wide diversity, inclusion and work-life programs.

HP is establishing country, regional and company-wide goals to help increase diversity.

Diversity policies

HP's diversity policies apply globally. When they differ from local law, HP abides by the more demanding standard. Our policies include:

Best Work Environment
Our new Best Work Environment Policy gives all employees responsibility for contributing to a positive, productive work environment, free of discrimination, harassment and offensive behavior (see page 46).

Equal opportunity and nondiscrimination
Our Equal Opportunity Policy states we will not discriminate against any employee or applicant for employment because of gender, color, race, ancestry, religion, national origin, age, physical or mental disability, sexual orientation, gender identity/expression or covered veteran status. As a minimum, it commits us to comply with all nondiscrimination and equal-opportunity laws worldwide.

Harassment-free Work Environment
Harassment is a form of discrimination. It includes offensive verbal, physical or visual behavior directed toward an individual, based on gender, color, race, ancestry, religion, national origin, age, physical or mental disability, sexual orientation, gender identity/expression or covered veteran status.

Our Harassment-free Work Environment Policy represents a strong commitment to ensuring customers, employees, suppliers, business partners, visitors and shareowners are treated with dignity, respect and courtesy.

Complaints
We encourage employees to report any suspected cases of discrimination or harassment, either by using our Open Door Policy or by contacting our Employee Relations organization. Employees can raise concerns with their local human resources manager or use HP's confidential and anonymous global phone line, GuideLine (see page 8). All allegations are investigated promptly and appropriate action is taken.

Diversity programs
We have various programs to promote diversity. These include:

Focus Development Program (FDP). A year-long leadership program to improve diversity among HP senior managers. It prepares high potential individuals to move into senior roles.

Winning Edge. Our new senior leadership development program includes a 'Leveraging Diversity' module to help managers integrate diversity as a key leadership principle contributing to high performance (see page 49).

¹Includes employees on leave or
paid leave; excludes certain
subsidiary employees for which data
is not available.

Gender diversity by region¹, 2003
[Employees]

	Americas	Europe/ Middle East/Africa	Asia Pacific	Worldwide
■ Female	23,137	11,568	7,465	42,170
■ Male	49,941	30,197	18,406	98,544
Total	**73,078**	**41,765**	**25,871**	**140,714**
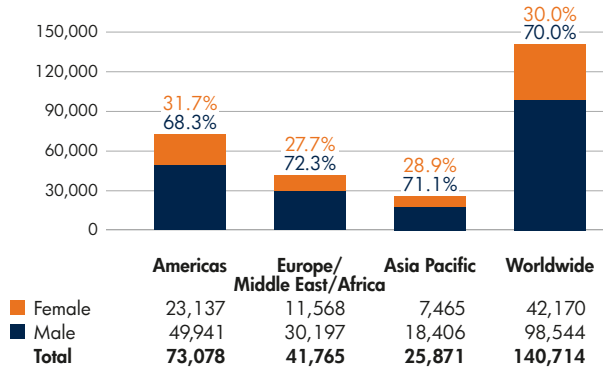
Accelerated Development Program (ADP). Our program to develop future senior leaders and increase the number of women and minority managers. Women accounted for 40% of ADP participants in 2003. Over a two-year period, nearly 80% of ADP participants have been recognized with promotions.

Online diversity training. This global online training helps employees understand diversity policies, guidelines and the importance of diversity at HP. In 2003, 4,872 employees completed the training (3,541 in the Americas, 582 in Asia Pacific, and 749 in Europe, Middle East and Africa).

Network groups. HP supports employee network groups which represent dimensions of diversity, such as gender, race and sexual orientation. Activities include professional development workshops, speakers and panels, leadership training and events to promote cultural awareness.

Benefits for domestic partners. In many countries, our employees' same or opposite sex domestic partners are generally eligible for HP's medical, dental and vision programs and may be eligible for certain other benefits, such as life insurance and accidental, death and dismemberment insurance."

Case study: European Year of People with Disabilities (EYPD)

More than 40 million people in Europe have a permanent disability or impairment. It is anticipated that by 2008, 40% of the workforce will have a physical impairment that limits their abilities.

The European Year of People with Disabilities (EYPD) 2003 was organized by the European Disability Forum and the European Commission, to bring visibility to disability issues, remove obstacles to disabled people joining the labor market and eliminate discrimination.

HP was a major supporter and sponsor of EYPD as part of our commitment to accessibility for all and to promote HP as an employer of choice for disabled people.

We established a year-long EYPD action plan to raise awareness among HP employees, partners and customers of the importance of accessibility and the contribution that people with disabilities bring to HP. A specially designed

EYPD bus toured 15 European countries, demonstrating HP products with accessibility features such as the Tablet PC.

Other HP initiatives included:

• Inclusion of students with disabilities in HP's internship program

• Youth Disability Mentoring Days providing information on HP careers for young people with disabilities

• Country action plans to promote and ensure inclusion of employees with disabilities

• Sponsoring an EYPD Business and Disability seminar, 'Is a lack of awareness disabling your business?'

In 2004, we will continue to host more Disability Mentoring Days, focus on designing accessible products and services, and ensure inclusion of disabled people in HP's workforce.

Employment programs for people with disabilities

Asia Pacific disability programs. In the Asia Pacific region, we have a program to employ people with disabilities. In Japan, our target is for disabled people to constitute 1.8% of our workforce. We will report progress against this target in 2005. HP sponsored Disability Mentoring Days across Asia Pacific during 2003.

European Year of People with Disabilities (EYPD). A 12-month campaign, sponsored by HP, including Disability Mentoring Days to encourage disabled people to learn about career opportunities at HP (see case study, page 51).

Performance in 2003

We track gender diversity globally and ethnic diversity in our US workforce. The charts on pages 50 and 51 illustrate ethnic diversity in the total US workforce and in management, and gender and age diversity by region.

Although diversity is a high priority across management levels at HP, we won't be satisfied until our workforce demographics mirror the marketplaces we serve. In particular, we're focused on using recruiting, succession planning, leadership development and retention programs to increase representation of women in Europe/Middle East/Africa and Asia Pacific consistent with local law and to increase representation of minorities in the US consistent with Affirmative Action requirements.

Awards and recognition

Singapore. Business Times, HP among most family-friendly firms.

US. Fortune Magazine, 50 Most Powerful Women in Business.

US. Human Rights Campaign (HRC) Corporate Equality Index. HP received a 100% rating for its records toward lesbian, gay, bisexual and transgender employees, consumers and investors.

US. National Association for Female Executives, Number 1 IT company for Women.

US. Professional Business Women of California, Pacesetter Award for advancement of women in the workplace.

Human rights

Human rights are the standards of treatment to which all people are entitled. The most widely recognized definition is the Universal Declaration of Human Rights, adopted by the United Nations in 1948.

Our Global Citizenship Policy states our commitment to the Universal Declaration of Human Rights and includes a specific policy on Human Rights and Labor.

HP Human Rights and Labor Policy

HP supports and respects the protection of international human rights within the sphere of our influence, and ensures that we are not complicit in human rights abuses.

Our Human Rights and Labor Policy covers the following areas:

• Freely-chosen employment

• No child labor

• Minimum wages

• Working hours

• No discrimination

• No harsh or inhumane treatment

• Freedom of association

(For a full description of this Policy, see page 40).

The policy commits us to respect our employees' human rights and to ensure fair treatment for all employees in every country where we operate.

HP Managers are responsible for ensuring adherence to our global personnel policies and guidelines. We will abide by our policies or local law, whichever sets higher standards.

Our biggest challenge is to apply our Human Rights Policy in our supply chain, where we do not have direct control (see page 40).

Lost workday case rate, 2001-2003
[Worldwide]

	2001	2002	2003
Lost workday case rate[1]	0.23	0.20	0.15
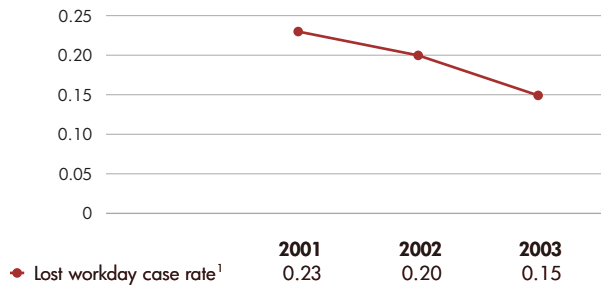
[1]Lost workday case rate is the number of work-related injuries that result in time away from work per 100 employees working a full year.

Select health and safety metrics, 2001-2003
[Worldwide]

	2001	2002	2003
Average number of workdays lost (AWDL)[2]	–	–	34.85
Percentage of employees completing the WorkWell ergonomics program[3]	–	–	10%
Work-related fatalities	0	0	0

[2]For employees that had a work-related injury resulting in time away from work, the average number of days they were away from work. Metric calculation method was changed for 2003 to meet global reporting standards.

[3]This metric was introduced in 2003.

Goals for 2003

- Decrease lost workday case rate
  Progress: Lost workday case rate decreased from 0.20 to 0.15 between 2002 and 2003.

- Decrease average number of lost workdays
  Progress: Average number of lost workdays was reduced by 10% in 2003. Metric calculation method was changed for 2003 to meet global reporting standards.

- Increase percentage of HP staff completing the ergonomic assessment and training program
  Progress: WorkWell was implemented globally in ten languages and achieved a 10% employee participation rate in 2003.

Goals for 2004

- Achieve a year-to-year reduction in global lost workday rate

- Achieve a year-to-year reduction in average number of lost workdays

- Increase participation in WorkWell to 35% of HP employees by the end of 2004

Health, safety and wellness

HP is committed to conducting its business in a manner that delivers leading Environmental, Health and Safety (EHS) performance. This is consistent with our commitment to global citizenship. We meet or exceed all applicable EHS regulatory requirements.

We believe that injuries are preventable. Our goal is to create practices and work environments that allow employees to work injury-free. We will accomplish this by reducing occupational injury and illness risks while promoting employee health and well-being. This commitment is articulated in our EHS Policy.

Environmental, Health and Safety Management System (EHS MS)

HP implements our Health, Safety and Wellness (HSW) programs as part of a comprehensive Environmental, Health and Safety Management System (EHS MS). Our EHS MS provides the management structure, risk management, measurement and assurance required to meet our goals (see page 24). The management system encompasses HP business operations and is used by HP's management team to identify issues, set goals and implement improvement plans.

Managers and employees work together to implement the EHS MS. In many locations, joint EHS committees monitor performance, review program status and implement new initiatives.

HP's EHS MS meets or exceeds regulatory requirements globally. It is structured in accordance with the International Labor Organization's (ILO) Guidelines on Occupational Safety and Health Management Systems. Injuries are recorded and investigated using an automated system designed in accordance with the ILO Code of Practice on Recording and Notification of Occupational Accidents and Diseases.

Several HP sites are currently registered to the Occupational Health and Safety Management Systems (OHSAS) 18001 standard. Our HSW programs are evaluated as part of our EHS MS Audit and Assurance process (see page 25).

Health and wellness

HP's global health and wellness strategy is designed to optimize health, quality of life and productivity for our employees and their families. The strategy is implemented through initiatives to raise awareness and encourage employees to manage their health and adopt a healthy lifestyle.

In addition, we have health programs to identify, manage and reduce risk factors associated with specific health needs. These include immunization and screening, health risk assessments, stress management, smoking cessation, travel health and nutritional counseling. Onsite fitness and recreational facilities are available at our larger sites.

Online resources include web-based health risk, nutrition and fitness assessments, education and prevention strategies for specific health issues such as HIV/AIDS and SARS, and nutrition information.

Ergonomics

Although our injury rates are among the lowest in our industry, we continue to seek new ways to reduce work-related employee injuries. Musculoskeletal injuries are the most common type of employee workplace injury at HP. In 2003, we introduced WorkWell, a one-hour online ergonomics program, to help reduce the frequency and severity of these injuries.

WorkWell is HP's global ergonomics self-assessment, training and action program. Available in ten languages, it helps employees reduce the ergonomic risks associated with their jobs. Using the processes which WorkWell provides, we can identify the highest ergonomic risk factors and focus our efforts on reducing them. In 2003, 10% of HP employees completed the program and in subsequent surveys 91% stated that they had changed the way they work. We plan to increase participation to 35% of employees in 2004 with a global marketing campaign and management endorsement.

Employee awareness and training

HSW training is provided for all employees, in their local language, to help them reduce and manage workplace risks. Information on our HSW program is part of orientation training for all new employees and is regularly refreshed, for example through a Standards of Excellence (see page 48) training module, employee websites and HSW communications.

Performance in 2003

We standardized global work-related employee injury reporting in 2003 and selected three measures to track our progress globally. We use two 'lagging' indicators, lost workday case rate and average number of lost workdays, which describe past performance. To describe HP's efforts to improve future performance, we use a 'leading' indicator, which is the percentage of HP staff completing the WorkWell ergonomics program.

HP's global injury trends show a continued decrease in lost workday case rate in 2003, with a 25% reduction compared to 2002, thus achieving our goal for 2003. The most common types of injuries continue to be musculoskeletal injuries and injuries caused by manual materials handling.

HP developed a contingency plan to respond effectively to the outbreak of Severe Acute Respiratory Syndrome (SARS) during the year. The plan was implemented when travel to and from SARS-affected countries was restricted and three HP employees were identified as suspected SARS cases. It enabled us to protect employee health and ensure business continuity.

Awards and recognition

Mexico. Occupational Health and Safety Continuous Improvement Program, Level Two.

Scotland. Gold Award for Occupational Health Excellence from the Health at Work (SHAW) Agency.

Singapore. Singapore President's Council, Gold H.E.A.L.T.H. Award.

Web links

HP Environmental, Health and Safety Policy
http://www.hp.com/hpinfo/globalcitizenship/environment/envprogram/envpolicy.html

Customer engagement

HP serves a wide range of customers by providing the information technology (IT) products and services they need, whether at work, at home or on the move. Everything we do as a company, including our global citizenship efforts, must focus on providing the best customer experience. Global citizenship issues such as accessibility and environmental performance are often important factors in customer purchasing decisions.

We serve four distinct sets of customers:

Enterprise customers. We partner with large customers to help them build an Adaptive Enterprise. It's an approach that leverages our customers' investments in people, process and technology to better run IT as a business, while applying a consistent set of design principles and architecture to deliver more simplicity, agility and value across their enterprise.

Small and medium-size businesses (SMBs). Working with local reseller partners, we provide expertise and a complete portfolio of products, solutions and services for a better ownership experience. Our goal: let them focus on their business rather than on technology.

Consumers. HP is the leading consumer IT company. We serve millions of consumers with products and solutions through 110,000 retail outlets in 170 countries. By making our products and services comprehensive, integrated and fully compatible, we simplify and enhance the customer experience.

Public sector customers. HP provides a comprehensive set of business solutions, services and technologies to enable governments, educational institutions, healthcare organizations and others working in the public interest to lower their costs, function more efficiently and serve their citizens, students and customers better. HP's public sector organization includes a deep vertical focus on the following areas: Defense and Security, Government Services and Administration, Education, and Healthcare and Wellness.

Our business depends on meeting the needs and expectations of all these customers with the same level of commitment. This section covers the following areas:

- Customer experience management – how we integrate global citizenship into customer experience

- Accessibility – how we help people with disabilities use our products

Case study: Sweden: Major customer win for accessible and environmentally friendly products

Accessibility and environmental features in HP products helped HP win contracts worth €450 million (approximately $540 million) in 2003, to supply the Swedish government, local councils, universities and other public institutions. HP printers, faxes, copiers and all-in-one products meet the tough accessibility standards set by the Swedish government that require products to be suitable for users with limited mobility and impaired vision.

Environmental requirements played a key role as well, with all the products meeting ENERGY STAR® energy efficiency standards. HP is providing a national system for product collection and recycling as part of the contract.

Customer experience management

HP has a goal to earn and keep our customers' trust and loyalty and to enable them to successfully apply technology to meet their business and personal needs. To help us meet our loyalty objectives, we have established and implemented a total customer experience and quality (TCE&Q) leadership framework.

The leadership framework is used by our employees and businesses around the world to implement our TCE&Q policy: "to provide products, services and solutions of the highest quality and greatest possible value to our customers, thereby gaining and holding their respect and loyalty."

HP's global citizenship values play an important role in TCE&Q. We believe customers should not have to choose between high citizenship standards and leading product performance and customer service.

Customer Experience Standards

HP interacts with customers in many ways: through our products, retail channels, marketing materials and websites as well as call centers, sales teams, support and even recycling services. At each of these touch points we focus on improving the customer experience.

The TCE&Q framework includes Customer Experience Standards, developed in 2003/04, that govern how employees should interact with customers. Examples include:

- "We learn and remember customer needs and preferences. We are responsible stewards of their information and always respect their privacy."

- "We are environmentally and socially responsible, and are creative in helping our customers achieve their environmental and citizenship goals through technology."

The Standards have been approved by HP's Executive Committee and will be launched to all employees globally by September 2004 through a 60-minute online training course.

Customer inquiries

HP monitors and responds to customer inquiries, comments and complaints to ensure we provide the best possible service and information. We receive several hundred customer inquiries each month on global citizenship issues such as product recycling, environmental specifications, packaging and human rights. As well as responding to inquiries, we provide clear and consistent product labeling in line with our Product Description Policy (updated in 2003). Information on environmental specifications for many HP products is provided through our website.

Our Environmental Business Management Team in Europe, Middle East and Africa works with customers to address questions on the environmental performance of HP products and to ensure that HP fully understands customer needs and expectations.

We have implemented an internal global reporting tool to track customer inquiries on global citizenship issues. This helps us better understand customer priorities and the importance of environmental and social issues in the marketplace. The data informs company strategy and can help product developers adapt products to meet customer needs.

Market research and surveys

Equally important are market research and customer satisfaction surveys that assess how customers perceive HP. We are adding global citizenship questions to these surveys so that beginning in late 2004, we can assess perceptions of HP's performance in this area.

Accessibility

Using IT equipment and accessing the internet can be difficult for people with disabilities – a large and growing portion of the population.

More than 50% of working-age computer users in the US are affected by mild to severe visual, hearing, dexterity, speech or cognitive impairments that limit their abilities.

Accessibility features, such as buttons that can be identified by touch, switches positioned within easy reach and large displays, help increase access for these users. In addition, specialized 'assistive technology' devices have been developed for disabled users, such as screen readers that use a synthesized voice to read information from the PC screen. It is important that mainstream IT products are compatible with these devices.

In the US, Europe and Japan, regulations require government agencies to purchase accessible IT equipment and ensure that their websites are accessible to people with disabilities. Products that meet high accessibility standards can help secure public sector procurement contracts.

The HP approach

HP is committed to developing products, services and information that are accessible to everyone, including people with disabilities.

The HP Accessibility Program Office coordinates accessibility initiatives and facilitates implementation of our accessibility policy. This policy was updated in 2003 and commits us to:

- Develop and implement accessibility guidelines for products and services

- Raise awareness of accessibility issues within our company

- Document accessibility features and make information about our products and services publicly available in an accessible form

- Support and contribute to industry accessibility standards and guidelines

- Establish relationships with leading suppliers of 'assistive technology,' that is, products that help people with disabilities use IT

- Involve people with disabilities in developing accessibility requirements, and in designing and testing products and services

- Support assistive technology research

Product accessibility

HP's goal is to integrate accessibility into our corporate product development processes to improve the accessibility of our products to people with disabilities. We document the accessibility features for HP computer and imaging and printing products that we sell to the US public sector. This information is publicly available through an online database, and helps US public sector customers comply with the requirements of Section 508 of the US Rehabilitation Act.

In 2003, the database included accessibility information for 75% of applicable HP products. Accessibility features on HP's products include:

- Desktop PCs that support special keystrokes, color and contrast settings, assistive technology devices and Microsoft Windows Accessibility features

- Inkjet printers that have large, well-spaced buttons that can be identified by persons with impaired vision by touch alone, and some models with concave buttons for easier use with mouth sticks

Assistive technology companies (ATVs) can use HP technologies and products to develop solutions for disabled users.

The HP iPAQ Pocket PC is used as a platform for many of these solutions, benefiting people with significant sight and speech disabilities.

Products and projects that use the HP iPAQ include:

• Palmtop Impact – Technology developed by Enkidu Research/Dynavox Systems, Inc., that enables users to touch letters, words, phrases or picture symbols on their HP iPAQ touchscreen, which are then converted into clearly spoken English

• Trekker – VisuAide's travel tool for the blind that uses global positioning system (GPS) talking digital maps and talking menus to provide real-time information on surroundings and user location. Trekker operates on the HP iPAQ Pocket PC

• LaserJet printers that have on/off switches at the front or side of the printer, within reach of wheelchair users

• Notebook computers that employ easy-to-use singlehanded operation and support Microsoft Windows Accessibility features

HP has a web-based Accessibility Toolkit for product designers that provides information on accessibility requirements, legislation and best practices.

We partner with assistive technology vendors (ATVs) to ensure HP products are compatible with specialized AT products for people with disabilities. Through free membership of HP's Developer and Solution Partner Program, ATVs can use HP technologies and products to create innovative solutions for people with disabilities. In addition, the program offers technical, sales and marketing support.

Information accessibility

Our website is designed so that all users can easily access information on HP and our products. It complies with the Worldwide Web Consortium (W3C) Guidelines and support Section 508 web standards.

The US National Federation for the Blind certified HP as an e-business leader for web accessibility in May 2003. Its Nonvisual Accessibility (NVA) Web Application Certification recognizes websites that can be used equally well by the blind as by the sighted.

Europe: Sponsor for 2003 European Year of People with Disabilities
HP sponsored the European Year of People with Disabilities (EYPD) and ran a number of awareness initiatives on accessibility issues and the contribution that people with disabilities bring to HP (see page 51).

Challenges

• Integrating accessibility into business and product development processes

• Continuing to educate and train our workforce to integrate accessibility into disciplines across HP

• Responding to emerging legislation and regulation

Awards

US. National Federation of the Blind Non-visual Accessibility (NVA) Web Application Certification.

Web links

European Year of People with Disabilities
http://www.eypd2003.org/eypd/about/hp.jsp

HP Accessibility
http://www.hp.com/accessibility

HP Database of Product Accessibility Features
http://www23.compaq.com/508/index_hp.asp

Section 508
http://www.section508.gov

Web Accessibility Initiative
http://www.w3.org/WAI

Social investment

Increasing access to information technology.

– HP global citizenship priority

HP has moved beyond traditional philanthropy and has strengthened the link between our philanthropic investments and our long-term business objectives. We are finding ways to use our products, services and skills – not just philanthropic cash contributions – to address social challenges such as poverty and inequality. Social investment is a term used to describe this broad activity.

HP makes social investments in three primary program areas:

• e-inclusion

• Education

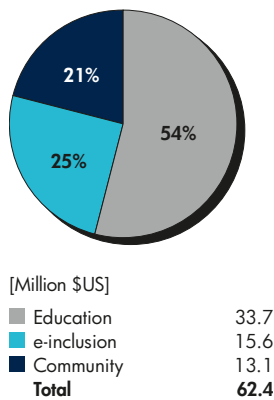• Community engagement and employee giving

Each program uses HP technologies and capabilities to help schools, local communities and technology-excluded communities around the globe, while identifying new business opportunities for HP.

HP's approach is to engage closely with the school or community, just as we engage with our customers, to understand the specific needs and issues they would like technology to help solve. We encourage our employees to contribute financially to the nonprofit or university of their choice and to be active volunteers with nonprofit organizations and educational institutions in their communities.

HP makes donations in the form of cash, products, services and time. In 2003, HP donated approximately $62.4 million in cash and equipment worldwide, representing approximately 2% of our pre-tax profits. Of this, more than $33 million went to schools – from kindergartens through universities. Approximately 33% of total investment was given to organizations based outside the US.

While we increasingly measure the impact and effectiveness of these social investments on the targeted communities, we are still refining our metrics to measure their business value to HP.

Worldwide giving by category, 2003

[Million $US]

Education	33.7
e-inclusion	15.6
Community	13.1
Total	**62.4**

Worldwide giving by region, 2003

[Million $US]

US	41.6
Europe/Middle East/Africa	12.6
Asia Pacific	3.9
Canada	1.6
Latin America	2.7
Total	**62.4**
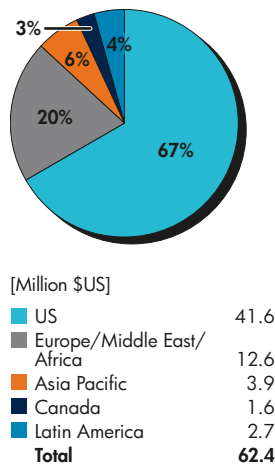
Worldwide giving by type, 2003

[Million $US]

Cash	21.9
Products and services[1]	40.5
Total	**62.4**
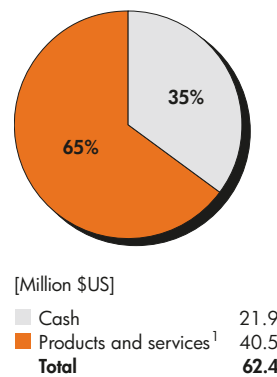
[1] HP equipment granted by HP Philanthropy and Education is offered at Internet List Price (ILP) value at the time the grant is processed. ILP is the price that an end customer would pay if purchasing through the HP Direct sales channel on the internet. While product prices may vary on different HP websites, in retail stores and in the reseller channel depending on specials, targeted promotions or discounts, HP granted equipment is not subject to these promotions and/or discounts and will always reflect the ILP value at the time the grant is processed.

Partial list of HP social investments during fiscal year 2003

● e-inclusion
● Education

Note: Some dots represent multiple sites.
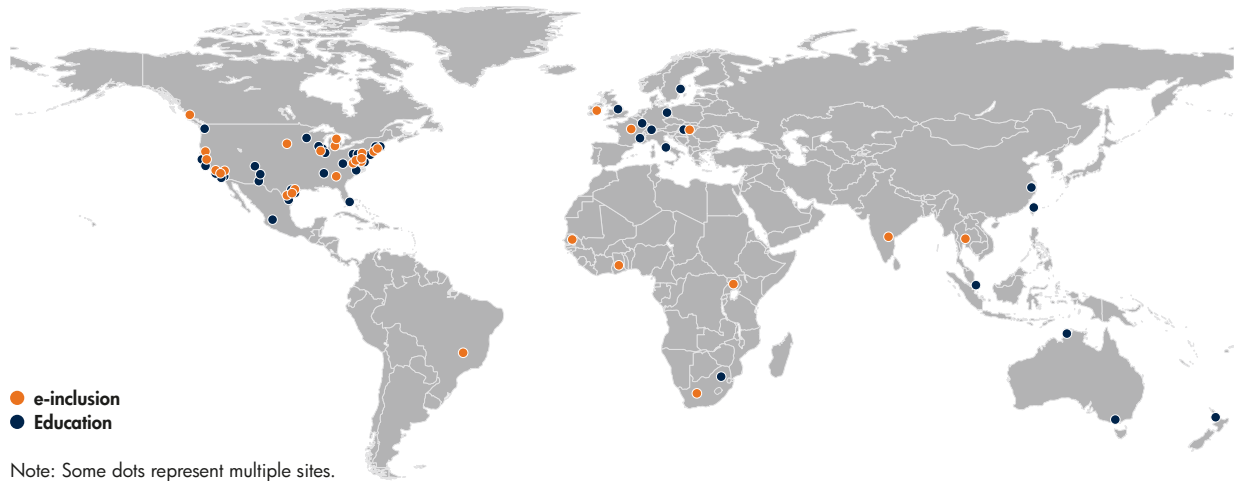
e-inclusion

Today less than 10% of people in the world have access to a personal computer and the benefits associated with access to the internet. This gap, commonly referred to as the 'digital divide', is present in every region of the world. Lack of access prevents the many benefits of information and communications technology (ICT) from reaching more than 4 billion people who cannot afford computers. Looking ahead to the next decade, many of HP's new markets and customers will come from the 90% of people currently excluded.

'e-inclusion' is HP's vision of a future in which all people have access to the social and economic opportunities of the 21st century, and can use technology as a means to learn, work and thrive. Our efforts in e-inclusion seek to create new market opportunities, for ourselves and for the communities with which we engage. We do this by forging new kinds of partnerships with private and public entities to close the gap between technology-empowered and technology-excluded communities. We currently have more than 25 projects underway in approximately 20 countries on five continents.

Through our e-inclusion efforts worldwide and by investing in sustainable development in developing countries, HP is inventing products and solutions that we may never have imagined otherwise. HP's technology is empowering citizens and influencing the development of new entrepreneurial businesses. We are educating future employees and cultivating relationships with new customers and partners where the returns are real and significant.

HP has three types of initiatives through which we engage with the broader development community, governments and local communities to increase access to relevant technology and solutions.

Deep engagements – testbeds for inventing new solutions and partnership models

To unleash the potential of technology to transform a community and accelerate economic development, we chose to work deeply with a few communities previously excluded from the benefits of technology. HP applies a myriad of business techniques to understand the critical issues within the community and gain agreement across multiple constituencies to prioritize and develop solutions to meet those needs. These engagements last at least three years, allowing HP to listen, experiment and learn. They provide the foundation of knowledge that will be leveraged to assist additional communities around the world to enjoy the benefits of technology.

US Digital Villages were our first major e-inclusion projects and were designed to help underserved communities in the US to use technology for learning, working and playing, and to make links within the community and beyond. In each case, the communities worked with HP to develop and implement a Community Technology Partnership Plan with a shared vision and strategy to meet those needs, including a plan for sustainability of the program at the end of our three-year funding.

In the US there are three projects: the Baltimore, Maryland Digital Village, the East Palo Alto, California Digital Village, and the Southern California Tribal Digital Village (see case study). To date, more than 5,000 residents in Baltimore have used community technology centers to learn computer skills and receive job training. The East Palo Alto Digital Village delivered technology to more than 70 small businesses and entrepreneurship training to another 100 businesses. This has generated $2.75 million in revenue for these businesses and 157 new jobs since the project's launch in 2001.

More than 7,600 Native Americans live on reservations in isolated, rural communities in San Diego County, California, US. Nearly 30% of these tribal residents live in poverty, and 50% are unemployed.

The Southern California Tribal Digital Village, launched in 2001, led to the establishment of a wireless wide area network (WAN) linking these isolated communities. Cultural and education-based websites were created to allow tribal members to preserve their rich history and traditions and connect to surrounding school districts, health agencies and academic institutions.

In October 2003, the tribes reached an economic development milestone by opening a for-profit printing business, Hi-Rez Digital Solutions. The business relies on the advanced HP Indigo 3000 series digital printing press to bypass more expensive and time-consuming offset printing processes.

"With no basic economy, many of the young people have to leave the tribe to work. Now they can stay," said Jack Ward, Executive Director of the Tribal Digital Village. "With technology support, the tribes can become a true sovereign nation."

Hi-Rez Digital Solutions can be reached at http://www.hirezdigital.com and the Southern California Tribal Digital Village can be visited at http://www.sctdv.net.

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i-communities are development initiatives located in emerging markets and executed in partnership with local government, non-governmental and community organizations. i-communities use technology to promote sustainable social and economic development. Specific solutions focus on increasing literacy, raising income levels through entrepreneurship and job creation, and providing access to government, healthcare and education services. As targeted communities benefit and grow, HP learns how to compete in these markets. Based upon this knowledge, HP introduced a multi-user desktop solution that enables educators to maximize limited budgets while integrating technology into the classroom.

We currently have i-communities in Kuppam, (Andhra Pradesh state) India, Mogalakwena, (Limpopo Province) South Africa (see case study), and Houston, (Texas) US.

The Kuppam i-community celebrated its first anniversary in February 2003 with the launch of a mobile information unit that reaches more than 12,000 people in 150 outlying villages each month. The project has provided ICT infrastructure that gives communities expanded access to government-to-citizen services as well as agricultural information and services such as soil testing to improve crop yield. HP's pilot solar-powered mobile photography studio has enabled women from local self-help groups to become entrepreneurs and double their family income. These solutions are designed to become economically self-sustaining.

In May 2003, HP and the Fifth Ward Community Redevelopment Corporation in Houston, Texas held a community visioning session, to develop a plan of action and prepare for the launch of projects, including a workforce training and learning center planned for 2004-2005.

Community information access and capacity-building

HP also engages in targeted outreach to bring basic access to technology and community development programs to additional communities globally. These capacity-building projects are designed to catalyze economic and social development in underserved communities through investments in organizational infrastructure and learning environments. Entrepreneurship and education are our priorities for these projects and leadership development and individual skills building are integral components. These focused engagements allow HP to leverage and/or replicate key learnings from the Digital Villages and i-communities and apply them to local communities around the globe with similar needs.

Non-US Digital Villages and Digital Community Centers are philanthropic initiatives in which HP invests ICT products and skills in underserved communities. A Digital Community Center in Dikhatole, South Africa, serves young people, teachers, entrepreneurs, government officials and the general public. The Kumasi Digital Village in Ghana provides internet technology to local citizens. It focuses on improving education, supporting job creation and improving living standards in the community.

HP and the Villetaneuse University Institute of Technology in Paris operate multimedia centers equipped with HP PCs, servers and peripherals in four French towns with high youth unemployment. Digital Community Centers in Dublin, Ireland and Miskolc, Hungary provide online training and services.

Magic Johnson/HP Inventor Centers are the result of a partnership between HP and the Magic Johnson Foundation to offer training, skills development and access to online services. The centers are based at nonprofit organizations and housing developments in urban communities across the US. In 2003, the 11th center was opened at the Black

Child and Family Institute in Lansing, Michigan, bringing HP's total investment in the Inventor Centers to more than $1.3 million. The centers rely on HP servers, desktop and notebook PCs, printers, scanners and digital cameras that are used by staff and clients to promote individual and community growth.

HP's Microenterprise Development Program supports nonprofit microenterprise development agencies in low-income US communities to stimulate economic growth. These agencies provide training, technical assistance and small loans to microenterprises. This HP initiative seeks to help nonprofit microenterprise development organizations contribute to local economies by:

- Assisting the agencies to increase their productivity, efficiency and effectiveness through the integration of technology into their operations and core services

- Enabling the agencies to provide technology access to microenterprise clients

In 2003, HP awarded nine grants of HP equipment and cash for software and services valued between $150,000 and $300,000. By investing more than $2.6 million in the program, HP allowed the organizations to become more efficient and to provide new and improved course offerings to clients.

The Digital Garage in São Paulo, Brazil, merges technology and music to help underprivileged young people develop creativity, tolerance, work skills and a sense of responsibility through technology. In a space equipped with computers, servers, printers, scanners and software, local youths – accompanied by a team of teachers, a sound engineer, webmaster, video-maker, psychologist and volunteer workers – develop their own projects.

Global development initiatives

These programs are the result of our engagement with the global development community and the United Nations ICT Task Force in seeking to use technology to help improve the effectiveness and impact of economic development efforts globally. Thus far, these projects have focused on facilitating entrepreneurship, small and medium sized enterprise development and social entrepreneurship through the application of technology, technical assistance and education. Although projects often start with a pilot in one country, implementation plans are staged for global expansion.

Microfinance provides small loans, as low as $25, to enable low-income people to invest in entrepreneurial activities such as purchasing farm implements or buying livestock. These people have traditionally not been served by commercial banks, but experience has shown they pose no higher credit risk than other borrowers.

Aid programs run by nonprofit organizations or governments provide the loan capital. Up to 50 million people now have access to microfinance. According to the World Bank, this could reach 500 million if the microfinance industry overcomes barriers such as inadequate infrastructure and increased access to capital.

In 2003, HP worked with seven other public and private organizations, known as the Microdevelopment Finance Team (MFT), to develop a pilot program in Uganda. This program highlights the global importance of small loans and tests a technology solution designed to improve the accessibility and efficiency of microfinance. Beginning in January 2004, the project is testing a Remote Transaction System, developed with the help of HP Labs, that collects in-the-field data and helps distribute small grants. The MFT has received more than $2.3 million in grants, direct funding and in-kind support until the end of 2004. The US Agency for International Development, a key partner in the effort, is providing $1.2 million.

Case study: The Mogalakwena HP i-community

Mogalakwena, South Africa is home to 360,000 citizens across three towns and 117 villages. This community, despite great potential, is facing massive challenges. Sixty-five percent of residents live below the South African poverty line, more than half are unemployed and literacy is well below the national average.

The Mogalakwena i-community focuses on improving ICT infrastructure, increasing capacity building and technology training, ensuring cultural preservation and boosting economic development.

The program is creating jobs and helping local people establish their own businesses. During 2003, more than 1,000 citizens, government officials, and educators received PC literacy and computer training. Communities benefited from the establishment of a PC refurbishment center and technology support call-center staffed by members of the community.

South Africa's first multilingual municipal and community web site (http://www.hpicommunity.org.za) was deployed here, and more than 23 access points have been opened in post offices, schools, health clinics and libraries. An internet-based radio station and web-design Cultural AV center has helped preserve the region's rich cultural heritage.

Our i-community program in Mogalakwena has enabled HP to better understand the unique needs of this type of community and to develop a newly commercialized solution targeted specifically at the education sector within this market.

For HP's i-community work in Mogalakwena during 2003, HP was awarded a 'World Business Award for Corporate Support of the Millennium Development Goals' by the International Chamber of Commerce and United Nations Development Program.

"The Mogalakwena HP i-community project serves as a practical intervention to address critically important matters such as education, sustainable economic development, good governance and health, and strives to ensure the success of our efforts to push back the frontiers of poverty and provide enhanced access to a better life for all." Thabo Mbeki, South African President

Stakeholder perspective

Bill Edwards, Executive Director, Association for Enterprise Opportunity (AEO)

How is HP doing?
HP has demonstrated its commitment to sustainable development by investing more than $5.5 million in U.S microenterprise nonprofits working with low- and moderate-income entrepreneurs. HP has been an excellent corporate benefactor, demonstrating understanding and respect for the nonprofits by working with them to develop appropriate technology solutions.

How would you like to see HP improve in this area?
To achieve the impact needed in our industry, this initiative needs a longer-term commitment beyond the present two years. We have several hundred organizations that really need this assistance.

Enablis: In 2002, as members of the G8 Digital Opportunities Task Force[1], HP, Accenture, and Telesystem proposed the creation of Enablis, which was subsequently launched through a CAN$10 million grant from the Government of Canada.

Enablis is a commercial, nonprofit organization created to drive measurable economic development and to build self-sustaining small and medium sized enterprises (SMEs). The organization is based on the belief that the intelligent application of ICT enables entrepreneurs to develop stronger, more sustainable business models that have a disproportionately beneficial impact on the local economy.

Enablis provides solutions to hasten the adoption of ICT and realize SMEs' ICT-based business models. It provides loan financing, business and technical support and policy advisory services directly or through a network that includes large corporations, governments, non-governmental organizations, financial institutions, enterprise support organizations, development experts and other entrepreneurs.

HP, Accenture, and Telesystem continue to provide resources, skills and guidance to Enablis, and after successfully piloting Enablis in South Africa, we hope to expand its work to other countries.

[1]The work of the G8 Digital Opportunities Task (DOT) Force was merged into the United Nations Information and Communication Technologies (ICT) Task Force.

GlobalGiving: Over the past few years, HP has provided seed money and support to a small start-up company dedicated to transforming the business of global development. Their goal is to utilize the internet to connect resources in countries like the US with needs in the developing world by creating what has been referred to in the press as the "eBay of Development."

Today, the GlobalGiving solution enables individuals, companies and other groups to find and support high quality grassroots social and economic development projects around the world. In two years, more than 1,200 donations have been made to 225 projects and provided over $305,000 in funding to social entrepreneurs in developing countries.

Web links

HP e-inclusion
http://www.hp.com/e-inclusion

HP Labs India
http://www.hpl.hp.com/india

Education

Information and Communications Technology (ICT) has great potential to improve education, by increasing access to information and improving communication.

Good education is essential to the advancement of ICT, since it requires people skilled in computer science and electrical engineering. In some regions of the world not enough people are being trained in these areas to keep up with the pace of change. In other regions there is a lack of diversity in the high-tech field, which can restrict creativity and innovation. ICT companies can use resources and expertise to enhance education, which in turn helps secure a vital workforce.

Many of our educational grants are targeted at institutions serving low-income and ethnically diverse students in the US. We donate equipment, technical support and services to schools and universities worldwide.

These investments can help ensure a diverse pool of qualified ICT employees for HP and for other technology companies.

Overall in 2003, HP provided more than $33 million to support educational institutions through a wide range of HP programs. In this section, we describe a small sampling of our program areas.

In 2003, HP invested in partnerships with national or large regional nonprofit organizations to bring additional resources and competencies, and to increase the overall success and sustainability of the organization's programs. Examples include:

US: Math, Engineering, Science Achievement (MESA).
HP has supported MESA for more than 30 years. Working with HP to assist underserved engineering students on community college campuses, MESA held its second MESA/HP Summit for Community College Pre-Engineering/Computer Science Grant recipients in 2003. The summit is aligned with HP's desire to provide grant recipients the opportunities to share best practices, network and learn from each other.

US: National Science Resources Center (NSRC).
Since 2001, HP grants have sent 20 low-income school district science education reform teams to strategic planning institutes held by the NSRC and the Association of Science Materials Centers.

US: International Society for Technology in Education (ISTE).
In March 2003, we launched a partnership with ISTE to help kindergarten through 12th grade educators and students succeed through innovative and effective uses of technology in education. An HP grant of nearly $1.5 million was used to develop the 'ISTE Institute: Leading with NETS,' a professional development program for educators based on ISTE's National Education Technology Standards.

Highlights in 2003

Canada. Schulich School of Business. HP committed $2 million over several years to assist the school in establishing the HP Chair of Corporate Social Responsibility. HP chose Schulich because it is a leader in integrating programs and coursework focused on social responsibility with its strong curriculum in business fundamentals. The grant supports teaching, research and public communications efforts.

China. 'e-learning' Model School Project. HP and China's Ministry of Education have partnered to bring technology-based education resources, distance learning and improved teacher training to middle schools in Beijing, Guandong, Sichuan, Shanxi, Hubei, Xinjiang, Hunan and Jiangxi. HP donates computing equipment, including servers, PCs and peripherals.

Eastern Europe. Grid Computing Access. HP partnered with UNESCO to provide grid computing access to Eastern European universities. The joint project improves scientific research in Croatia, Bosnia Herzegovina and Serbia-Montenegro. The initiative, which will be implemented over a two-year period, will help enable the universities to harness the power of grid computing.

Global. Education with Mobile Technology. HP's Technology for Teaching program accelerates the adoption of mobile technologies in higher-education learning environments in ways that improve student achievement. In 2003, we supported 20 universities in the US, Europe, Latin America, Mexico and Asia Pacific with grants that included computer equipment and funding for student research projects. Projects operating in 2003 include:

- **Australia. University of Melbourne.** Medical students are using HP's Tablet PCs to quickly capture and store confidential patient information at the point of care. This provides a reference point for follow-up discussions with their clinical instructors and gives their instructors the opportunity to provide immediate feedback

- **Italy. University of Rome, Campus Bio-Medico.** More than 160 healthcare students are testing the impact of a simulated wireless hospital information system that allows for better recording and access to patient treatment data

- **Mexico. University of Guadalajara.** Mobile Technology grants are helping create distance-learning computing services for many students who live in small towns and villages where there may be no access to internet services, library facilities or computers

- **US. California State University, Monterey Bay.** A student team is using HP iPAQs and notebook PCs to map seafloors in the geographically challenging areas of Monterey Bay, California

UK. Tithe Barn Primary School "Brain Forest". HP provided 16 PCs to Tithe Barn Primary School to establish IT infrastructure for its "Brain Forest". This enables students to make digital connections with partner schools on six continents. Students communicate using email, digital imaging and photo essays. A group of ten students and their teachers from Khensani School in South Africa hope to visit Tithe Barn this summer.

Awards

US. El Paso-Southern New Mexico chapter of the Association of Fundraising Professionals, 'Most Outstanding Corporation'.

US. MESA (Mathematics, Engineering, Science Achievement), Corporate Partner of the Year.

Web links

2003 HP Philanthropy & Education Annual Report
http://grants.hp.com/us/reports/hp_2003_pe_report.pdf

HP Philanthropy Website
http://grants.hp.com

Community engagement and employee giving

HP has a long history of commitment to being an intellectual, social and economic asset in communities where we operate. We continue with that commitment by providing technical assistance, products and financial support in communities around the world. We sponsor and participate in events that benefit our nonprofit partners and we encourage our employees to contribute time, talent, HP products and personal resources.

Employee giving

Our US-wide Employee Giving Programs match employee giving with company funds to qualified US charities and schools. HP matches employee charitable gifts to colleges and universities up to $20,000 in cash per employee per year, and up to $1,000 per employee per year to qualified charities and schools. The company promotes employee technology donations by matching product gifts three to one. We have similar programs in Canada where employees gave $220,000 plus dollar-for-dollar HP matching to the United Way, and in Singapore where employees have contributed over $120,000 (plus $100,000 HP match) to the National Council for Social Services.

In 2003, US employees pledged gifts to thousands of community organizations. Employees may give directly to any qualified charity or school but our campaign highlights five federated charities: America's Charities, Community Health Charities, Earth Share, GlobalGiving, and United Way.

Despite economic uncertainty in many communities, HP employees again embraced the opportunity to give back to their communities. In 2003, more than 10,200 employees participated, an increase of 8% over 2002. They pledged more than $5.7 million in cash donations, an increase of 27%, with an average donation of $550. HP pledged resources to match employee gifts for a total HP campaign of $10.6 million.

Through our US Product Gift Matching Program, employees can donate HP products to schools or qualified nonprofit organizations. In November 2003, we enhanced this program so that HP now donates 75% of the list price of the product (compared with 50% in previous years) and the employee contributes 25% – up to $20,000 of list-value product. Groups of employees can pool contributions to increase impact. As a result, the participation rate grew by six times, with $1.9 million in products donated through this program in the first month.

Employee giving globally

GlobalGiving works to increase donations from individuals, companies and multilateral aid agencies to social entrepreneurs and community projects in developing countries (see page 65 for more detail).

Donors may invest directly in projects of their own choice, ranging from bilingual teachers for indigenous school children in Peru, to waste treatment facilities in Mali and ICT education in Nepal.

In 2003, US HP employees had over 250 different international projects from which to choose to fund. Four hundred sixty-nine US HP employees pledged approximately $63,000 and HP matched $58,000 for a total donation of more than $121,000 to international projects.

HP Code Wars pulls together teams of the best and brightest high school minds from Texas, US, for a full day of computing challenges. This program engages and supports students with exceptional programming skills in a team environment.

HP engineers provide each three-member student team ten problems to solve of varying difficulty. The team can use only one computer to complete the task. The challenge is formidable: no team has ever solved all ten problems. At the seventh annual competition, held in March 2004 at the HP Houston campus, 115 teams participated from cities across Texas. One problem described a planet with different tax laws than our own, listed the personal allowances given to each alien and alien child, and chal-

lenged students to write a program to compute income tax on the alien world. Another problem asked students to design a chess program. A third had students develop software for a pizza ordering system.

Students enjoy pushing their limits in this competitive atmosphere. After the competitions, HP awards trophies to the top competitors in different classifications and distributes prizes to the high schools. Prizes include computers, scanners, printers, software and accessories.

HP Code Wars is organized and staffed by numerous HP employee volunteers, many of whom inspire, and are inspired by the next generation of programmers.

Goals for 2003

- Develop a structured approach to employee volunteering; measure employee volunteering hours and establish an effectiveness tracking system
  Progress: HP is currently evaluating an online tracking system.

- Increase community grant impact by boosting employee engagement
  Progress: Fall Volunteer Days program participation increased by 14%, compared to 2002.

- Establish a website that matches employees with local and worldwide volunteering opportunities
  Progress: HP is evaluating vendors for an online system that will match employees to projects by geography and interest, and track the volunteering hours reported by employees.

HP employees outside the US are involved in giving as well. In 2003, HP was an official sponsor of Teletón, an annual philanthropic event in Mexico that benefits disabled children. HP employees raised approximately $50,000 for donation to the Teletón Support Fund.

In Singapore, HP staff raised nearly $295,000 for charity in 2003 and received a SHARE Gold Award from the Community Chest of Singapore for employee participation exceeding 50%. One event was Gladiathon, a fundraiser in support of the President's Challenge 2003. Leading by example was the Managing Director from HP Asia Pacific, who wore a gladiator costume and competed with other IT industry leaders in the battle for charity. HP was the largest corporate donor of this event, raising a total of $121,000.

Employee volunteering

HP supports employees' volunteering activities in K-12 schools for up to four hours per month of paid company time in the US. Volunteer programs operate throughout HP, although we do not formally collect data on the participation level.

Additionally, HP actively encourages volunteerism in the community through structured programs such as the annual 'Volunteer Days', business and function team projects, and other HP-sponsored activities. Volunteer Days offers employees structured, site-based community volunteer activities. At some sites, we team up with an organization that is coordinating activities for the entire community, as the United Way does in Boise, Idaho, US. At other sites, we partner with community groups to identify specific projects for HP employees. In the US in 2003, these activities stretched over eight weeks and involved more than 4,000 HP employees.

The following are examples of the many Days of Caring projects:

- HP employees and family members partnered with City Year, joining 4,000 residents for a day of community service in Boston, Massachusetts, US

- HP employees collected litter and debris along the Oregon coastline during the 20th anniversary of the Fall Beach Clean Up in Newport, Oregon, US

- More than 500 HP Boise employees were recognized by the United Way with its 'Outstanding Volunteer Teams' Award for projects including home improvement in the community

In the UK, HP makes grants of up to £250 to charities supported by HP employees through the Money Match for Charity Scheme. This program encourages employee involvement in personal health and well-being oriented charity events; for example, fundraising runs, walks and bike rides.

Web links

HP Community Engagement
http://www.hp.com/hpinfo/globalcitizenship/community

HP US Community Programs
http://grants.hp.com/us/local

Public engagement

An important component of global citizenship is participating in open dialogue in countries and communities where we operate. In this section, we describe how we participate in public policy development and the ways we engage with stakeholders. The two are closely linked.

Public policy

HP's global Government and Public Affairs team builds relationships with key officials, influences legislation and regulation, and advances HP's objectives in government and public affairs worldwide. We work in compliance with relevant laws and HP's Standards of Business Conduct.

We are members of national and regional trade and industry associations in virtually every country where we have a significant presence. HP's position on a public policy issue is often expressed through these associations. Some of the major associations we belong to include: the American Chamber of Commerce in China, the Business Software Alliance, Clean Cargo, the Computer Systems Policy Project, CII (Confederation of Indian Industry), EICTA (European Information, Communications and Consumer Electronics Technology Industry Association), GBDe (Global Business Dialogue on electronic commerce), the Information Technology Industry Council, the US–ASEAN (Association of Southeast Asian Nations) Business Council and the US Business Roundtable.

Policy initiatives

The Government and Public Affairs team works to shape a broad array of policies on the digital economy worldwide. What follows is a summary of our policy positions on four major issues:

- Access to markets

- e-commerce and digital rights management

- Electronics recycling

- Growth and innovation

More information is available on our Government and Public Affairs website (see Web links, page 73).

Access to markets

With operations in 176 countries and approximately 60% of company revenue resulting from sales outside the US, open trade policies are vital to HP's growth and success. We support continued efforts to lower trade barriers and rationalize tariffs.

Free Trade Agreements (FTAs). HP supported the approval of FTAs between the US and both Singapore and Chile. We continue to support other FTAs and the evolution of Regional Free Trade Zones like ASEAN and SAARC (South Asian Association for Regional Cooperation). We encourage bilateral, regional and multilateral agreements worldwide that feature such principles as fair procurement practices and elimination of tariffs.

HP supports the successful conclusion of the World Trade Organization Doha Development Round. The provisions of the Round will benefit both developed and developing countries by supporting the free flow of technology-based products across boundaries.

Export controls. HP is committed to the development of an effective computer export control system that balances national security needs and nonproliferation interests with those of computer industry competitiveness. Currently in the US, many performance advances require a 60-day congressional review, which can place US producers at a significant disadvantage. A first step will be the repeal of this National Defense Authorization Act provision. As HP seeks further increases in the performance threshold to keep pace with technological change, we will pursue our objectives both in the US and through international consensus in accord with the Wassenaar Arrangement on export controls.

e-commerce and digital rights management

Internet taxation. While HP recognizes that internet transactions cannot be tax-free permanently, we believe internet tax policy should be guided by the principles of simplicity and neutrality. Discriminatory internet taxes and internet access taxes will deter some users from conducting online transactions, stifling the growth of e-commerce. In the US, the most recent internet tax moratorium expired in November 2003. We support an extension of the moratorium to facilitate the development of more uniform policies across a broad range of jurisdictions. Globally, we are members of organizations such as the eEurope Steering Group, which advises the European Commission on the implementation of the eEurope Action Plan. The plan was designed to build a competitive, knowledge-based economy throughout Europe.

Digital rights management. New technologies and services have given rise to concerns that copyrighted works, such as music and movies, may be obtained and distributed without copyright protection.

HP is committed to helping solve piracy problems. We seek a balance between protecting digital content and ensuring the best customer experience while avoiding unnecessary mandates on high-tech products.

In 2003, HP influenced the digital rights debate in both the US and Europe by collaborating with the film and recording industries. We played an active role in shaping the US Federal Communications Commission's broadcast flag rule, which protects the redistribution of digital TV broadcasts.

In the EU, Canada and Mexico, we promote digital rights management (DRM) as a better model for addressing copyrights in the digital environment, instead of compensating copyright owners through private copying levies. In Europe, HP is taking an active part in a DRM high-level group organized by the European Commission to develop a transition model to move away from the application of copyright levies on digital devices to a DRM-based model.

Electronics recycling

HP is committed to designing environmentally sound products and implementing efficient and safe recycling programs.

Governments, the media and the public are paying increasing attention to the disposal of used computers and other electronic products. As a result, governments are adopting and proposing legislation to address the issue.

Some proposed legislation holds manufacturers solely responsible for collection and recycling costs, while other measures impose a fee on new product sales. We believe these approaches can be inefficient and unfair, and are not the best way to promote recycling and resource conservation.

HP encourages recycling policies based on:

• Shared responsibility between manufacturers, municipal organizations and customers

• Flexible implementation to encourage increased efficiency and innovation

• Reform of existing laws or regulations that can discourage recycling

HP prefers harmonized regional or national recycling approaches, as opposed to varying provincial or state requirements that can result in inconsistent and inefficient recycling systems. In any jurisdiction that pursues legislative approaches to electronics recycling, HP advocates the following principles:

- Shared responsibility for collecting, transporting and recycling products

- Individual manufacturer responsibility for funding company take-back programs to encourage ecologically sound product development

- No prescriptive design mandates, such as material bans or special labeling requirements

- Flexible implementation and reasonable administration

- Sensible recycling standards to assure environmentally sound management of used products

In Europe, HP worked on the Waste Electrical and Electronic Equipment (WEEE) Directive and the Restriction of Hazardous Substances (RoHS) Directive, which became effective in February 2003. For more information about HP's efforts regarding WEEE and RoHS, see pages 20 and 15. China is now facing proactive efforts to echo the European Directives, and HP will participate in this work. In the US, HP participated in the National Electronics Product Stewardship Initiative (NEPSI), a collaboration of manufacturers, government agencies, environmental groups, recyclers and other stakeholders.

Growth and innovation

HP has long been a global company, and today most of our revenue comes from outside the US. We plan to continue growing through our operations in both the US and in other countries. As we strive to meet our customers' needs around the world, we seek out top talent wherever it may reside.

HP advocates public-private partnerships of government, the business community, academia and others, to invest in continued global growth. We support the following three-point plan:

- Fuel the growth of the global economy by investing in innovative R&D, developing the skills of the global work-force and ensuring the stability of the underlying infrastructure (telecommunications, utilities, legal bodies, etc.) required in a global marketplace. HP will focus on increasing investment in education, with an emphasis on math and the physical sciences. We must help develop next-generation industries and talent in fields like biotechnology, nanotechnology and digital media distribution. HP has a long-standing commitment to education; our support of educational programs represents a substantial portion of our philanthropic giving worldwide

- Continue to promote a culture of innovation. In a world where every process is becoming digital, mobile and virtual, HP must apply technology to solve the most pressing challenges facing governments, enterprises and individuals. We advocate open architectures to promote the exchange of relevant solutions for the greatest number of people worldwide

- Engage in responsible business practices to improve the quality of life for communities around the world. HP stresses environmentally sustainable development, access to information and communications technology for all and the protection of privacy as a civil and human right

In addition, HP remains committed to the continued vibrancy and leadership of the United States. To that end, we believe that the US must avoid economic isolationism and endeavor to work with other countries for greater economic growth and prosperity. In the US, government and the private sector must work together to address the

inevitable dislocations caused by increasing productivity and improve programs to offer training and life-long learning opportunities to our nation's workforce. We support efforts to reform transition assistance to include IT workers.

Other key issues

HP addresses numerous additional public policy issues, including:

Accessibility. HP supports government efforts to make mainstream technology accessible to people with disabilities.

Education reform. HP supports raising global educational standards, strengthening teacher training and student knowledge of science and math, investing in education and reforms that place an emphasis on integrating technology into the curricula, and promoting skills for success in the high-tech economy.

e-inclusion. HP is committed to providing access to greater social and economic opportunities by closing the gap between technology-empowered and technology-excluded communities.

Employment nondiscrimination and affirmative action. In the US, at both the federal and state levels, HP supports legislation banning discrimination in private employment based on sexual orientation and gender identity/expression. In 2003, HP signed a friend-of-the-court brief in support of affirmative action policies at the University of Michigan Law School. The US Supreme Court upheld the University's policies.

Internet privacy. Consumer confidence remains a key issue as more people around the world conduct transactions via the internet. HP believes that consumers' rights to privacy must be respected and enforced. There remains a delicate balance between this right (an essential civil liberty) and ongoing international efforts to fight terrorism.

HP is leading the work of the Global Business Dialogue on Electronic Commerce (GBDe) on the promotion of alternative dispute resolution guidelines.

For more information on these issues, please see Web links.

Political donations

HP's policy is not to make political contributions outside the US.

In the US, political giving is one way we support political speech that advances HP's points of view on public policy. Most states allow corporate contributions to state and local candidates. HP makes limited political contributions to candidates and ballot measure campaigns, consistent with our policy agenda. In 2003, we contributed $237,700.

US law prohibits corporate donations to federal political candidates. However, our eligible employees can make individual donations to the HP Political Action Committee (HP PAC), which contributes on a bipartisan basis to the campaigns of congressional candidates who share our public policy views. Contributions to fund the HP PAC, a separate legal entity, are voluntary. In 2003, the HP PAC contributed $63,100.

These figures represent roughly half of our 2002 contribution. The decline reflects the biennial elections held in the US in even-numbered years.

Web links

HP Government and Public Affairs
http://www.hp.com/hpinfo/abouthp/government/

Stakeholder engagement

As a global citizen, HP interacts with a wide range of communities and stakeholders that affect, and are affected by, our products and operations. These stakeholders include our customers, employees, investors and suppliers, as well as community groups, the media, non-governmental organizations and regulators. Stakeholder engagement is an important part of our global citizenship activity.

Regular dialogue is mutually beneficial. It enables stakeholders to influence corporate policy and helps us interpret social expectations, improve our reputation, better understand our markets and develop our overall global citizenship approach. Throughout this report, opinion leaders provide views on our global citizenship performance in 'Stakeholder perspectives'.

Evaluations of stakeholder engagement at HP

In 2003, we reviewed our stakeholder engagement processes regarding global citizenship to assess their scope and effectiveness. We interviewed both internal and external stakeholders and benchmarked our performance against other companies. We concluded that:

• We are not consistent in the approaches used by different HP functions

• We can improve our follow-through from engagements by communicating better internally and documenting the outputs

• There is potential to create business opportunities by extending our engagement with customers and investors

• We should seek opportunities to engage with human rights groups

• Some customers are unaware of HP's global citizenship work

• We can do more to educate our own employees on the value of stakeholder engagement

Our main stakeholder groups and how we engage

Group	How we engage	Page
Communities	• e-inclusion programs • Employee volunteering • Philanthropy • Tours of facilities	60-69
Customers	• Surveys/Customer experience management • Commercial contacts • Request for quote expectations/questions	56-57
Employees	• @hp web portal • Employee surveys • Networking groups • Open door policy • Briefings, meetings and appraisals	46-49
Investors	• Statutory and other disclosures and reporting • Annual general meeting • Regular meetings and briefings	6
Legislators/regulators	• Public engagement program • Regular meetings and briefings • Membership in trade associations and business organizations	70-73
Non-governmental organizations	• Meetings and conferences • Partnerships • Direct engagement on topics of interest	26, 41-42, 45, 59, 61-65
Suppliers	• Supply Chain Social and Environmental Responsibility Program • Supplier Management Process	36-42

"I get a sense that HP is a company that is trying its very best to do the right thing."

"I liked that the management systems, policies, core values and stakeholders really came out clearly; it showed a systems approach."

"It is good that they consider the side issues [such as human rights and e-inclusion] for which the impact is not yet understood."

"In the CEO statement one of the points that really struck me was going beyond doing no harm, taking on an obligation 'to use our experience to collaborate.' That is a huge promise, but I didn't see as much information as I would expect on the results of that commitment."

"A little more negative reporting would have been helpful; it looks more like a marketing tool sometimes."

Feedback on HP's 2003 Global Citizenship Report

In 2003, HP engaged SustainAbility, a consultancy based in the UK, to gather and analyze feedback on HP's 2003 Global Citizenship Report from a diverse range of external stakeholders. The goal was to help ensure that future reports provide high value to readers.

In all, the analysis team interviewed 28 stakeholders from five continents. The interviewees included customers, non-governmental organizations, multilateral organizations, investors and academics. To encourage frank and honest feedback, interviewees were offered anonymity; most asked that any direct quotes passed on to HP be done so without attribution (see quotes at left).

The feedback from stakeholders was helpful in organizing materials for this version of our Global Citizenship Report. For example, because feedback suggested that last year's report lacked clear, in-depth discussions of HP's global citizenship challenges, we have tried to be more open about some of the difficulties we face in defining and addressing these issues.

Membership in external organizations

We belong to several organizations that address global citizenship issues. Among these are the following:

- Association for Sustainable and Responsible Investment in Asia (ASrIA)

- Business for Social Responsibility (BSR)

- Business Leader's Initiative in Human Rights

- Center for Corporate Citizenship at Boston College

- CSR Europe

- Ethics Officer Association

- Global Business Coalition on HIV/AIDS

- Global Environmental Management Initiative

- National Association for Environmental Management (NAEM)

- SustainAbility Engaging Stakeholders

- United Nations Information and Communication Technologies (UN ICT) Task Force

- United Nations Global Compact

- World Business Council for Sustainable Development

- World Economic Forum

An invitation to readers

HP takes feedback from stakeholders very seriously. We are grateful to receive it, regardless of whether it is positive or negative. We invite all readers to offer feedback on this report and on HP's global citizenship activities. Please send comments to **hp.globalcitizenship@hp.com**
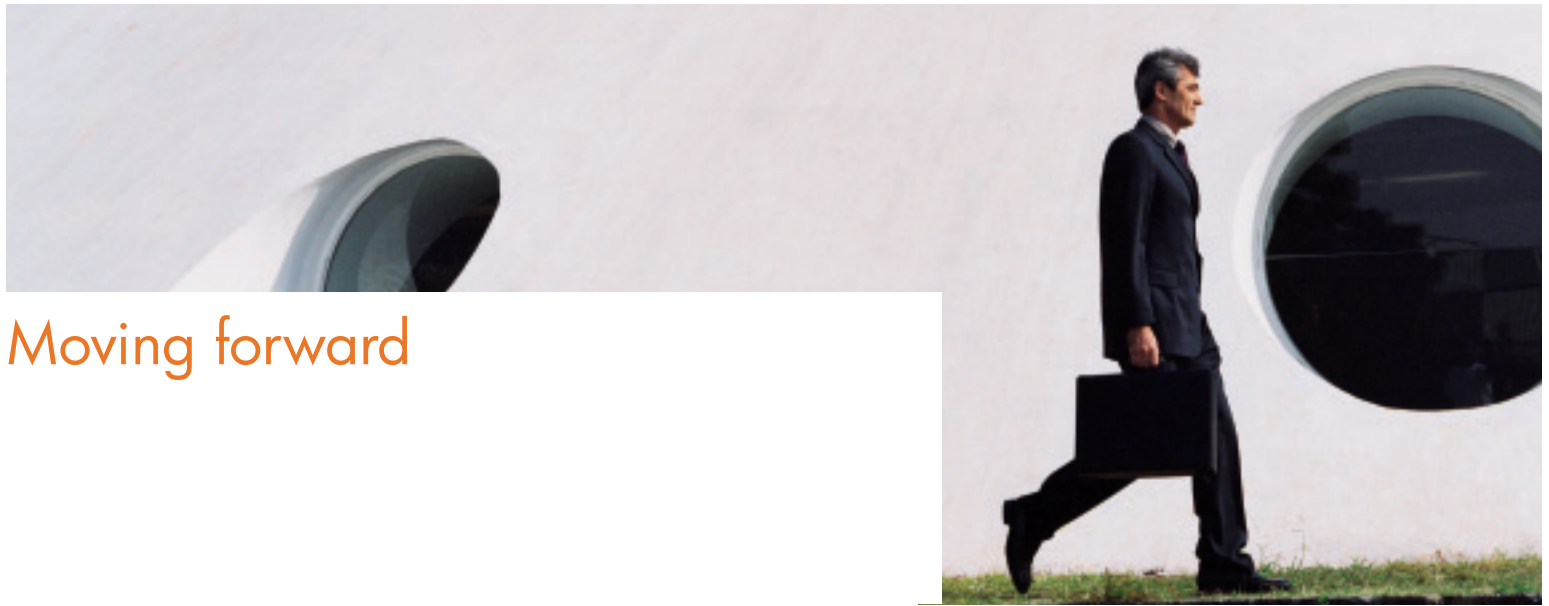
Moving forward

Global citizenship is a journey, not a destination. The world's economic, social and environmental problems are so great that it is certain challenges will remain for the foreseeable future. Our philosophy is to continually increase the beneficial impact of our business through our global citizenship work, to be flexible in responding to changing needs and to seek areas where our investment is most effective.

We are focused on three challenges for the coming 3-5 years: addressing electronic waste, raising standards in HP's global supply chain and increasing access to information technology. These are critical issues facing our industry, and we are committed to making a positive contribution. Although we are pleased with progress to date, much remains to be done.

Focus	Moving forward	
Addressing **electronic waste** through intelligent product design, materials innovation and leading-edge recycling systems	HP addresses electronic waste in an integrated fashion, recognizing that the issue has dimensions across the entire product lifecycle. The following goals map HP's course: • Eliminate lead, mercury, cadmium and hexavalent	chromium in 50% of electronic products sold worldwide by 2005, and 100% by 2006 as defined by the EU's RoHS Directive • Recycle 1 billion pounds of electronic products and supplies by 2007
Raising standards in HP's global **supply chain**, and developing systems to measure and assess supplier performance	HP's commitment is to expand our Supply Chain Social and Environmental Responsibility (SER) program further throughout our supply chain. Our objective is to build continuous learning and improvement into global manufacturing facilities throughout our industry. Goals include: • Complete supplier audits and develop improvement plans for more than 30 sites in 2004	• Complete assessments with 100 high priority suppliers in 2004, 250 in 2005 and 500 in 2006 • Add Supplier Code of Conduct to all product materials supplier contracts by 2005 • Collaborate with industry and suppliers to establish an industry standard supplier code of conduct by 2006
Increasing access to information technology	HP's efforts to improve global social and economic equality through the use of information and communications technology (ICT) are at an inflection point. During the past few years our engagements with diverse global communities through our Digital Village and i-community projects have demonstrated how ICT can accelerate economic development and improve pressing social	conditions in underserved communities and developing countries. Our challenge for 2004 is to identify solutions from our Digital Villages and i-community projects that can be cost-effectively scaled and replicated to parlay our learnings into broader economic and social impact around the globe.

Glossary

The following are definitions of terms as used in this report.

Accessibility – Provision of products and information for people with disabilities.

ADR – Alternative Dispute Resolution. A nonjudicial process for resolving disputes.

AT – Assisted Technology. Computer equipment and software designed to be accessible by people with disabilities.

Climate change – A change of climate attributed directly or indirectly to human activity that alters the composition of the global atmosphere, beyond natural climate variability observed over comparable time periods.

Corporate governance – Structures and standards designed to promote fairness and transparency in the conduct of corporate activities.

CFCs – Chlorofluorocarbons. Gases formed of chlorine, fluorine and carbon. A group of ozone-depleting gases (see Ozone-depleting substances).

CO2 – Carbon dioxide. A greenhouse gas, emitted when fossil fuels such as coal, oil and gas are burned.

Conserve and Preserve – HP's communication program to encourage employees to save energy and reduce, reuse and recycle waste.

Data center – A building that houses a collection of servers to host websites and process network information. Some data centers may have hundreds of individual servers.

DfE – Design for Environment. Specific design features to address product environmental impact. Includes energy efficiency, materials innovations and design for recyclability.

Digital divide – Inequality in access to information and communications technology (ICT).

Digital Village – An HP initiative in which HP invests IT products and skills in selected underserved communities, to increase economic and social development.

Diversity – Representation within an organization of people of different backgrounds, including gender, color, race, ancestry, religion, national origin, age, physical or mental disability, sexual orientation, gender identity/expression or covered veteran status.

Eco-label – A standardized symbol or logo used to indicate that the product on which it appears meets certain pre-defined environmental criteria.

e-commerce – Buying and selling products and services over the internet.

EHS – Environment, Health and Safety. HP has a global EHS organization that identifies significant environmental impacts, sets standards, manages audit and assurance programs and recommends targets to management.

EHS MS – Environment, Health and Safety Management System. The HP EHS MS provides the framework for all sites to meet legal obligations and company standards and to achieve continual improvement.

e-inclusion – HP term for increasing access to IT in underserved communities.

Emerging markets – Relatively fast-growing economies, primarily among developing countries.

Energy Star® – The US Environmental Protection Agency's voluntary program that sets energy efficiency criteria for IT products.

EPA – The US Environmental Protection Agency.

Equal opportunity – Providing opportunity based on merit, without discriminating on grounds of gender, color, race, ancestry, religion, national origin, age, physical or mental disability, sexual orientation, gender identity/expression or covered veteran status.

Ergonomics – The science of matching jobs and work demands to the capabilities of people.

ESG – Enterprise Systems Group. One of four HP business groups. ESG provides IT infrastructure for businesses.

FWA – Flexible Work Arrangement. Includes flex-time, part-time and teleworking.

Global citizenship – Companies' efforts to make a positive contribution to the global community beyond their commercial role as a business.

Global warming – The gradual rise of the earth's surface temperature.

Greenhouse gas (GHG) – A gas that contributes to the natural greenhouse effect. Greenhouse gases that can be produced by human activities include: carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride.

GSE – General Specification for Environment. HP product specification detailing certain substances prohibited or restricted from HP products for environmental reasons.

GRI – Global Reporting Initiative. A multi-stakeholder process and institution that is developing guidelines for corporate reporting on economic, environmental and social issues.

GuideLine – An ethics telephone resource line where employees and others can anonymously and confidentially report issues and address concerns regarding the integrity of HP's business practices.

GWh – Gigawatt hour. One million kilowatt-hours, a measure of energy consumption.

GWP – Global Warming Potential. Measure of the reactive potency of greenhouse gases in the atmosphere relative to carbon dioxide.

HCFCs – Hydrochlorofluorocarbons. Gases formed of hydrogen, chlorine, fluorine and carbon. A group of ozone-depleting gases considered less damaging to the ozone layer than CFCs.

HFCs – Hydrofluorocarbons. Gases formed of hydrogen, fluorine and carbon. A group of gases used to replace ozone-depleting gases. They do not deplete the ozone layer.

HP Labs – HP research and innovation division.

HPS – HP Services. One of four HP business groups. HPS is our global IT services team.

Human rights – Basic human needs seen as essential in a variety of international declarations such as the Universal Declaration of Human Rights, adopted by the United Nations in 1948.

i-community – An HP initiative that uses information and communications technology to promote economic and social development while providing a platform for testing solution innovation for emerging markets.

ICT – Information and communications technology.

IPG – Imaging and Printing Group. One of four HP business groups. IPG provides printing and imaging products and solutions for businesses and consumers.

IT – Information technology.

ISO 11469 – The International Standards Organization's standard for identifying and marking plastic products.

ISO 14001 – The International Standards Organization's standard for environmental management systems.

Landfill diversion rate – A term used in this report to refer to the percentage of waste that does not go to landfill (for example, that is reused, recycled or incinerated).

Lost workday case rate – The number of employee work-related injuries or illnesses resulting in time away from work for every 100 employees working a full year.

Microenterprise – A very small business.

Microfinance – The provision of small loans (from $25) to low-income clients.

MTCE – Metric Tonnes of Carbon Equivalent. Measure used to quantify greenhouse gas emissions.

NGO – Non-governmental organization.

Non-renewable resources – Natural resources that are depleted with use, including fossil fuels such as coal, oil and gas.

Ozone layer – A layer of gases in the atmosphere that protects the earth from the sun's harmful ultraviolet radiation.

Ozone-depleting substances – Manmade chemicals that deplete the ozone layer.

PAC – Political Action Committee. A group or committee formed to support candidates for elective office in the United States.

PBB and PBDE - Polybrominated Flame Retardants that have been used to reduce flammability in electronics products.

PFCs – Perfluorocarbons. A group of solvents used in the semiconductor industry for cleaning and etching.

Planet Partners™ – HP's product recycling program.

Product stewardship – Monitoring and minimizing product environmental impact throughout the lifecycle, from design to disposal.

PSG – Personal Systems Group. One of four HP business groups. PSG provides personal computing solutions and devices for home and business use.

Rehabilitation Act (Section 508) – US legislation requiring federal agencies to make electronic and information technology accessible to people with disabilities.

Remediation – Restoring contaminated land to a usable condition.

Renewable resources – Natural resources that are not depleted when used because they are naturally replenished. These include wind, solar and geothermal power and biomass.

RoHS Directive – Restriction of Hazardous Substances Directive. A European Union directive that will restrict the presence of certain substances in electrical and electronic products placed on the market in the European Union from July 2006 and beyond.

Safe Harbor – As used in this report, an agreement between the US Department of Commerce and the European Commission that allows companies to self-certify to a set of privacy principles based on European standards.

Small, minority- and women-owned business procurement – Policies and practices to ensure small, minority- and women-owned businesses have equal opportunities to be suppliers and resellers.

Social investment – A company's contribution to social goals, including philanthropy, community engagement and business models that combine profit making with social goals.

SRI – Socially Responsible Investment. SRI investors include social, environmental and ethical criteria in their investment decisions.

Stakeholders – Individuals or groups that affect or are affected by the activities of a company.

Standards of Excellence – Online training to help HP employees comply with company policies and meet high standards of conduct in their work.

Sustainability – The ability to meet the needs of present generations without compromising the ability of future generations to meet their own needs.

Telework – The use of information technology to work at home or otherwise away from a traditional office environment.

TRI – Toxic Release Inventory. An annual report required by the US EPA on releases of specified chemicals.

VOCs – Volatile Organic Compounds. VOCs are used as solvents in manufacturing.

VoW – Voice of the Workforce. HP's regular employee satisfaction survey.

WEEE Directive – Waste Electronic and Electrical Equipment Directive. A European Union directive that will place certain responsibilities for recycling end-of-life electronics products on producers (manufacturers, sellers, distributors).

WorkWell – HP's global ergonomics self-assessment and training program to help employees reduce musculoskeletal injuries at work.

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