social and environmental responsibility report
innovation, community, sustainability
table of contents

letter from Carly Fiorina .................................................. 1
about this report ............................................................. 2
hp at a glance ............................................................... 3

invention that makes a difference ................................. 4
a commitment to leadership by example .......................... 7
our business: enhancing human potential ...................... 8
our aspirations ............................................................ 9

workplace, values & community .................................... 10
valuing our people .......................................................... 12
promoting inclusion ...................................................... 12
working safely, staying healthy ....................................... 15
providing ‘total rewards’ .................................................. 16
helping employees to stretch and grow ......................... 16
protecting employee privacy .......................................... 17
investing in society ....................................................... 18
e-inclusion: investing in emerging markets ..................... 20
portraits of e-inclusion .................................................... 21
investing in education through technology ...................... 27
integrating technology and learning ............................. 27
building paths to high-tech careers .............................. 27
helping communities apply technology .......................... 27
responding to needs ...................................................... 28
giving time and talents ................................................... 28
september 11th relief efforts ........................................... 28
India earthquake .......................................................... 28
moving forward ........................................................... 29

environment: conserving our natural capital .................. 30
greening our products ................................................... 34
energy efficiency: conserving resources and saving money 36
materials innovation: more value, less environmental impact 38
recycling and product end of life management ................ 41
creating innovative solutions ........................................ 48
greening our operations ................................................ 49
environmental management systems ............................ 49
audits and compliance .................................................. 50
energy efficiency: using less, saving more ....................... 52
reducing waste: improved efficiencies and reduced costs 54
telecommuting and employee travel ............................ 57
greening our supply chain ............................................. 59
working with suppliers ................................................. 59
supplier expectations .................................................... 59
moving forward ........................................................... 61

moving sustainably into the future ............................... 62
glossary of terms .......................................................... 66

GRI index
1
3, 2.10, 2.12
2, 6.37
4, 5.1
5.7
6.72
6.66, 6.67
6.53
6.53
5.7
6.28
6.1, 6.3
6.7, 6.10
6.3
6.17
5.7
6.36
6.1, 6.3, 6.5, 6.14
6.9, 6.12, 6.1522
5.9
The past year has been one of many transitions for HP and the global community. We completed our merger with Compaq and dramatically increased our ability to meet the information technology needs of our customers around the world. But in the midst of all this change, one thing has remained constant – our commitment to social and environmental responsibility.

The new HP is focused on the same mission that our founders articulated years ago: “to make a contribution, to improve the welfare of humanity, to advance the frontiers of science.” The examples you will see throughout this report bring these words to life in the actions of our company and its employees – actions that support our roles as a global business, corporate citizen and environmental steward. We believe strongly that we have an obligation not only to create value for our shareholders and customers but to invest in social and environmental solutions that will improve the lives of people throughout the world.

Our commitment goes much deeper than just providing financial support, or philanthropy. We provide technology and human resources as well. We build partnerships with customers and partners, local communities and government organizations at all levels. We stay involved, and we are rigorous in our assessments of what works and what doesn’t. As a result, social and environmental responsibility become embedded in almost everything we do.

As a company of business leaders and inventors, our direction is clear. Our industry has brought prosperity to millions of people, but millions more live in poverty without access to technology and the economic opportunity it can provide. Our goal is to ensure that emerging economies are included in the information technology revolution in ways that enhance their quality of life, promote economic development and minimize HP’s ecological footprint. As a company of passionate people, our direction is clear. The employees of HP will continue to give of their time, talent and personal resources to help those in need. We will extend our values of social and environmental responsibility into all of our relationships and engagements. We will create new opportunities for our employees to give back to the communities that have helped HP become so successful. And, in the process, we will lead the worldwide information technology sector in corporate citizenship and sustainability.

As a company of scientists and engineers, our direction is clear. Environmental protection is a complex undertaking, but the laws of nature are simple. We will provide leadership on the journey to an environmentally sustainable future, with efficient products and creative recycling systems. Our inventiveness and our success will inspire our customers and partners.

I am proud to present HP’s first Corporate Social Responsibility Report. In developing this report, we followed many of the industry reporting guidelines, but we also decided to capture some of the unique perspectives from our employees and partners. This report is only the starting point of our long-term commitment to our social and environmental programs. We recognize that these are continuing challenges that we must meet everyday. There are no simple solutions. At HP, we welcome the challenge to make the world a better place for all.

Carleton S. Fiorina
Chairman and Chief Executive Officer

letter from Carly Fiorina
about this report

This report tells the story of HP’s longstanding commitment to social and environmental responsibility. If there’s a central message, it is this: corporate citizenship is the foundation of HP’s heritage and integral to who we are, what we do – and how we expect to be profitable in the future.

We begin this report with the people who work for us and who live in the communities we serve. Next, we describe our environmental commitments and achievements – the impacts of our products and operations, and those of our suppliers and customers; what we are doing currently to minimize them; and how we are inventing new products and services that will bring new capabilities to our customers while reducing both their, and our, environmental impacts. Finally, we discuss our plans for extending our leadership in corporate social and environmental responsibility across our industry and around the world.

Here are some things we’d like you to know before reading further:

• a pre-merger report – This report is a snapshot in time, focused on the year 2001. Most of the data presented span the three years between the spin-off of our electronic instruments business into Agilent Technologies in June of 2000 and our merger with Compaq Computer Corporation in 2002.

• This report describes HP’s own performance. Our business model includes the extensive use of suppliers and while we have begun to gather comprehensive information on their operations, that task is not yet complete. In addition, we have only begun to quantify the environmental impacts from the use of our products. We will expand the scope of HP’s and our suppliers’ performance reporting on these fronts over the coming years.

• We value transparency and have carefully weighed how much and what type of information to report. These are tough questions, ones that every company faces. We believe transparency is important for HP – and all companies.

• We have been guided, in creating this report, by the emerging framework set forth by the Global Reporting Initiative (GRI), a multi-stakeholder organization that has developed globally applicable guidelines for companies reporting on economic, environmental, and social performance. You will find a guide on the Table of Contents that cross-references portions of this report to the GRI framework.

Our objective as a world-class company is to provide no less than a world-class report.

We look forward to your inquiries and comments on this report. Please use the response form at http://www.hp.com/go/report.

“Global reach is a huge responsibility. And it’s one that we at Hewlett-Packard take very seriously.”

Jean-Claude Vanderstraeten, Asia Pacific Environmental Manager
hp at a glance

founded 1939
headquarters Palo Alto, California, USA
sales (2001) US$ 45.8 billion

Revenue by Business Unit

principal businesses:

imaging and printing systems
• printer hardware
• supplies
• imaging products
• related professional and consulting services

computing systems
• commercial personal computers
• home PCs
• desktops, workstations and appliances
• UNIX(R) servers
• PC servers
• storage and software solutions

IT services
• customer support
• consulting
• outsourcing
• technology financing
• third-party products delivered with the sales of HP solutions
invention that makes a difference
invention that makes a difference

HP has long been a leader in making the world a better place, by serving customers with great products and services, guided by deep commitments to our customers, employees, shareowners, communities and the environment.

We are first and foremost a company that is committed to creating products, solutions and services that enable our customers to achieve success at every level.

Our company was founded more than 60 years ago when two young inventors, Bill Hewlett and Dave Packard, joined forces. Their entrepreneurial spirit created not just a company, but a global industry.

Their spirit also created a value system that forms the cornerstone of our culture. We take pride in being a leader in serving our customers while maintaining commitments to improving people’s lives, supporting education, strengthening communities, and preserving the environment. We have long believed that doing so will lead to both a better world and a more successful, more profitable company.

It has become commonplace for companies to say they are committed to being good corporate citizens. At Hewlett-Packard, this is more than a slogan; it has been at the heart and soul of our global operations for 60 years. We strive every day to ensure that our business practices and products reflect our values, and to invent new ways to align corporate citizenship with the success of our customers, our employees, our shareowners, and the world around us.
With a new century and new challenges facing our world, HP is as committed as ever to building a company whose profitability rests firmly on the foundation of community, environmental, and social responsibility.

**hp values: the foundation of our work**

Beginning in 1939 HP people established a way to work together and a core set of values: Respect for the individual. Contribution to the customer and the community. Integrity. Teamwork. Innovation. These formed the foundation for how HP worked, treated its people, and approached the art of invention. It became known as the HP Way, a much-emulated model for success that has always distinguished HP from its competition.

- We were early adopters of an inclusive and diverse workplace, dedicated to aligning company and employee success. Our commitment is validated by our repeated recognition as one of the best places to work.

- We have a long history of providing money, talent, products, and services around the world. Our employees lead the effort, contributing their time and money to the communities in which they live and work.

- We have supported education at all levels since our earliest days, investing millions of dollars in cash and equipment to support learning institutions around the world.

- We are longtime leaders in environmental responsibility and innovation, and in making environmental quality an integral element of product quality.

These HP values remain core to our culture and amplify the expected behaviors that drive our success and competitiveness. These values create an environment where people’s hearts and minds are fully engaged, and where great aspirations are powered by the people’s desires to do something worthwhile.
a commitment to leadership by example

HP has always believed in the intrinsic and strategic value of corporate citizenship, driving HP to lead by example in both the IT industry and in national and international policy forums.

As one of the largest information technology firms in the world, we strive to lead by example and, in turn, help our customers and partners as well as challenge competitors to find new ways to align citizenship with profitability. We do this by openly sharing our values and successes to contribute to the development of responsible practices and public policy.

- Our senior executives participate actively in a wide range of public forums, addressing issues as wide-ranging as Internet privacy, product take-back laws and tariffs and trade.
- We partner with governments, nonprofit groups, and private enterprises to contribute to the development of responsible industry practices and public policy.
- We participate in standard-setting bodies and other collaborative efforts to address our industry’s collective challenges.
- Our passionate employees bring HP’s values to life throughout the organization and in our communities.

corporate citizenship: the new reality of business

“I honestly believe that the winning companies of this century will be those who prove with their actions that they can be profitable and increase social value – companies that both do well and do good. In fact, business leaders will no longer view doing well and doing good as separate pursuits, but one unified pursuit. And increasingly, shareowners, customers, partners and employees are going to vote with their feet – rewarding those companies that fuel social change through business…. This is simply the new reality of business – one that we should and must embrace.”

Carly Fiorina, Chairman and CEO of Hewlett-Packard,
Asia Pacific Economic Cooperation CEO Summit, Shanghai, China
our business: enhancing human potential

HP’s products and services enable digital infrastructures that can be productively – and affordably – used by an ever-growing proportion of the world’s population.

HP’s products and services enhance human potential by enabling people, businesses, governments, and institutions around the world to productively and affordably connect with the digital world. We offer a growing and uniquely complementary set of end-to-end solutions appropriate to varied settings, from global enterprises to remote rural villages. They enable people to use intelligent connected devices and environments to access an always-on Internet infrastructure, and to participate in a new generation of applications delivered as e-services.

We were a pioneer in architectures based on open standards, providing platforms that enable innovation, customization, and integration – inventions that help other inventors invent.

Our “e-government” services enable us to make a unique contribution to increasing citizenship participation and government transparency around the world, especially in developing countries. From Johannesburg to Jakarta, and even in remote villages, our solutions are helping governments make public benefits and services – and public participation in government itself – accessible to individuals as never before.

the business value of corporate citizenship

“The business value of corporate social and environmental responsibility is clear. Our customers increasingly demand equipment with eco-labels such as ENERGY STAR® and Blue Angel, end-of-life equipment take-back, and other indicators of strong environmental and social performance.

In a market where the technology is the same across competitors, excellence in corporate social and environmental responsibility gives customers the reassurance they are buying from a responsible company. It’s clearly a differentiator in a competitive marketplace.”

Zoe McMahon, Environmental Strategies and Solutions European Manager
As proud as we are of our heritage, we’re even more excited about the future. The values that have made us the company we are today encourage us to find ways to combine technological innovation with corporate responsibility – and to prosper by doing so.

• We are among the leaders setting the technological and citizenship standard for this industry – and setting it high – by working with customers, communities, governments, industry groups, and others in the spirit of cooperation, collaboration, and openness to address challenging issues affecting our industry and society.

• We are combining our business strategy and our longstanding commitment to communities, education, and diversity through our “e-Inclusion” programs by creating profitable products and services that extend the benefits of information and communications technology across the digital divide.

• We continue to address the physical barriers that prevent some people from taking full advantage of the information revolution. Our accessibility commitment drives us to design, produce, and market products and services that can be used by everyone, including people with disabilities.

• We are committed to improve customer value by designing products, services, and operations that help reduce our material and energy “footprints”. In addition we continually improve customer value and environmental responsibility of our operations worldwide.

• By extending our values and expectations up and down the value chain we are working diligently to ensure that everything carrying the HP brand embodies our values and commitments.

A dedicated Corporate Social and Environmental Responsibility team was launched in the second half of 2001 in our Corporate Affairs organization to focus and coordinate HP’s many activities in this arena. Operating councils across the company are charged with transforming goals into specific strategies, programs, and metrics in each of their areas of responsibility. Those that already exist are described in this report. Others, still in development, will be presented in next year’s report.

“Now is the time for HP to renew and manifest our core values by engaging and collaborating with communities globally to invent sustainable, value-creating information access solutions that are both useful and significant.”

Debra Dunn, Senior Vice President, Corporate Affairs
workplace, values & community
workplace, values & community

Our people and our values are key sources of our competitive advantage. This stems from our heritage of caring about people, communities, and society in general – and about harnessing technology to improve lives.

Choose a country, talk with an HP employee at any level of responsibility, and chances are you’ll hear as much about relationships, inclusion, and making a difference as about products, services, hardware, and software. You’ll hear about creating and contributing, not just sales and revenues.

Make no mistake: Our people love to invent and sell great technology, make money, and prosper. That’s as important here as anywhere else. For most of us, working at HP is an extension of our values. It’s an opportunity to envision what is possible, and what is important, and to make it happen.

We value that. It is who we are – and one of the things that sets us apart. It is key to where we are going and to fulfilling our aspirations to continue to be a great, global company.
valuing our people

We create competitive advantage with a workplace that promotes creativity, learning, diversity, independence, balance, and fulfillment. We strive to create a workforce as diverse as the world in which we do business.

promoting inclusion

Inclusion is a core business focus for HP. We create products and services that provide new opportunities to individuals and institutions around the world by bridging communities, cultures, and continents. To accomplish this, we strive to create a workforce as diverse as the world in which we do business.

A diverse workforce – composed of people from different nations, cultures, ethnic groups, generations, backgrounds, orientations, and skills – is a business necessity in serving an increasingly diverse global marketplace. Many of the ideas, talent, and markets of the future – the ones that will drive our future business success – will come from outside the “developed” world. Embracing diversity – of thinking, as well as of background – is key to our competitiveness, now and in the future.

We want all our employees to work in an environment that respects who they are so they can contribute their best to HP’s success. We strive to create a work environment where everyone has an opportunity to fully participate in achieving business success and is valued for their distinctive skills, experiences, and perspectives.

Creating such an environment is the responsibility of every HP employee and, especially, every manager in the company. We support this with a diversity learning portfolio that includes:

- a set of web-based and classroom-delivered modules focusing on cross-cultural diversity and preventing harassment in the workplace;
- “eSpace,” a virtual, real-time gathering place for the exploration of new ideas and possibilities for invention, and for building new levels of understanding across cultures; and
- a diversity “toolshed,” an online resource for employees and managers, offering downloadable materials to facilitate employees’ knowledge and skills of HP’s policies and diversity goals, objectives, measures, and guiding beliefs.
Our policy of inclusion extends to employees’ domestic partners of the same or opposite sex, who are eligible for many HP benefits. A domestic partner’s dependent children also may be eligible to enroll in most HP-sponsored health plans. Domestic partner benefits are available throughout our U.S. and European operations and other countries.

**select procurement awards, 2001**

- Top 50 Corporations for Minority Business Opportunities, Diversity.com
- Minority Business Hall of Fame, Northern California Supplier Development Council
- Minority Business Advocacy Award, Northern California Supplier Development Council

**multicultural procurement, 2001**

U.S. Purchasing from Minority- and Women-Owned Firms Exceeded Goals

<table>
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<tr>
<th>fy01 goals</th>
<th>fy01 results</th>
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<tr>
<td>• Award US$1.7 billion of US purchases to US-based small businesses</td>
<td>US$2.03 billion</td>
</tr>
<tr>
<td>• Award US$430 million of US purchases to US-based small minority-owned businesses</td>
<td>US$549 million</td>
</tr>
<tr>
<td>• Award US$129 million of US purchases to US-based small women-owned businesses</td>
<td>US$141 million</td>
</tr>
<tr>
<td>• Report all awards to US-based minority-owned and women-owned businesses, large and small</td>
<td>US$668 million</td>
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hp’s harassment policy

We strive to maintain a work environment free from harassment, and to insist that HP employees be treated with dignity, respect, and courtesy. Any comments or conduct relating to a person’s race, gender, religion, disability, age, sexual orientation, or ethnic background that fail to respect the dignity and feeling of the individual are unacceptable. Any employee believing that he or she has been harassed is encouraged to use HP’s Open Door policy and report any such incident to his or her manager. If the manager is the cause of the problem or unwilling to resolve the issue, the employee should contact the next level of management.

hp – one of the best places to work

In 2002, for the first time ever, HP was not included in Fortune Magazine’s list of the “100 Best Companies to Work For.” This was disappointing, but it wasn’t because we’ve lost our competitive edge. Fortune writers Robert Levering and Milton Moskowitz, who compile the list, attributed the absence of “stalwart” HP to our merger: “Hewlett-Packard, on the list from the start, had to sit out because of its planned merger with Compaq. (This ‘sitting out’ requirement of the Fortune list applies to mergers adding more than 25% to a company’s work force.)

We recognize that the merger integration process may challenge our workforce, and perceptions of our workplace, in many ways. But we are committed to retaining the unique corporate values that have made HP a uniquely desirable place to work around the world. And we are confident that we will maintain our status as a “best company to work for” in the eyes of our employees, job seekers – and Fortune Magazine.

“Diversity drives innovation and creativity. We focus on fostering an environment that values the differences of our employees, creating a workplace where cross-cultural understanding helps HP win in the global marketplaces, workplaces, and communities of the world.”

Emily Duncan, Vice President Global Inclusion and Diversity
working safely, staying healthy

Providing a safe and healthy work environment for our employees is an integral commitment at HP. Our goal is simple: to enable our employees to work injury-free.

To achieve this goal, we have established an Occupational Health and Safety Policy and implemented an Environmental, Health, and Safety Management System. All managers and employees are required to support implementation of our policy in accordance with their roles and responsibilities under the management system.

Risk reduction, together with workforce education and involvement, are our tools of choice. We proactively identify and reduce occupational health and safety risks in our facilities, processes, and work practices, and provide all employees with an effective and continuous program of health and safety information and training. For example, our workplace ergonomics program educates employees on the importance of healthy work practices and proper adjustment of their equipment and work area.

We have made great strides toward our goal of an occupational injury-free workplace. The improvement is the result of such programs as workplace ergonomics and employee risk reduction. We continue to seek even greater improvements.

These charts show a generally improving health and safety record worldwide, with some significant regional variations. Our improvements are primarily the result of a proactive ergonomics program that began worldwide in 1995.

“HP has a reputation for its quality of management and workplace. We’ve been named one of the ‘best places to work’ in Asia/Pacific. Our reputation helps with recruiting and retention – it makes it possible to compete on more than just a salary basis. Our commitment to an injury-free workplace and to the communities in which we operate are core to that reputation.”

Paul Chin, Environment, Health, Safety and Security Manager, Asia-Pacific Region
providing ‘total rewards’

We support our employees in a variety of ways, including competitive wages and benefits, and programs to help them grow and prosper.

We strive to provide employee compensation that is competitive everywhere we operate. Toward that goal, HP offers a performance management and rewards system to align employee incentives with company goals, Total Rewards.

Total Rewards inspires and rewards superior performance by individuals, business organizations, and the entire company. The Total Rewards package is based on personal as well as organizational performance. The package as a whole is intended to be on par with our leading competitors.

helping employees to stretch and grow

We provide tools, resources, and a supportive environment for employees, so that they can develop the skills and make the choices to help them successfully navigate their professional and personal lives. Examples include:

- **LEAD (Leadership Effectiveness and Development)**, a global program to identify and develop high-potential talent for management positions while supporting HP’s diversity goals.
- **LifeWorks**, a program offering U.S. employees (as well as spouses and domestic partners) access to expert counseling, reference materials, and customized referrals to help them manage work and personal life issues.
- **Diversity employee network groups**, a forum for employees with similar interests have existed for over 20 years. These groups foster an inclusive work environment by helping to attract and retain a diverse workforce, provide development opportunities for members, and help all employees understand the value of diversity. The types of groups vary by region but include many dimensions of diversity, such as women, race or national origin, sexual orientation and disabilities, and even a sustainability network.
- **Employee Volunteer Opportunities**, at the heart of our commitment to helping communities around the world, foster employee donations of time and money. Each U.S. employee gets four paid hours per month to help in local schools or nonprofit organizations.

select workplace awards, 2001

- Best Companies to Work For, Fortune
- 50 Best Companies to Work For, The Sunday Times (London)
- Top 25 Companies for Executive Women, Executive Female
- Top 100 Best Employers for Working Mothers, Working Mother (Best in Class: Flexibility)
- Best Employer Award, HP India
- The Best Employers in South Korea, Far Eastern Economic Review/Wall Street Journal
- Ireland National Board for Rehabilitation, HP Ireland, for inclusive employment practices for people with disabilities
- Virtual Vision Award, Sensory Access Foundation
- Most gay-friendly companies in the United States, Gay Financial Network
- Singapore H.E.A.L.T.H. (Helping Employees Achieve Life-Time Health) Gold Medal, President’s Council, Singapore

“We have employees who have passion about wanting to make a difference. We have the opportunity to align HP’s activities with that employee energy and have a significant impact in the world.”

Susan Bowick, Senior Vice President, Human Resources
the reality of workforce reductions

During 2001 we reduced our workforce. It was a painful experience for all involved. And as our merger with Compaq unfolds, other layoffs will be forthcoming over a two-year period and will include normal attrition, a voluntary enhanced early retirement program, and targeted job cuts.

In a December 2001 interview, Susan Bowick, vice president, Human Resources, acknowledged that she has “wrestled long and hard” with the issue of layoffs. Bowick said that the company will not be successful if it cannot continue to make “the right business decisions using a tough head but implementing them with a warm heart.”

Consistent with our dedication to our employees and the communities in which we operate, we will handle the reductions with as much sensitivity as possible, and strive to soften the impact of job losses through programs and policies that represent the most responsible and compassionate possible approach to downsizing. Our severance program includes extension of pay benefits. (The specific package in each country will be determined by their laws and regulations.)

protecting employee privacy

We protect our employees’ privacy by having strong policies about the collection, use and disclosure of employee information. These policies cover job applications, personnel files, performance evaluations, medical records, and other documents. The HP Global Employee Data Privacy Policy reflects our participation in the U.S. Department of Commerce – E.U. Safe Harbor Agreement for data privacy.

To protect employee privacy, HP adheres at a minimum to the full extent of the law in each country where it operates. However, we foster a high value of respect for the individual that extends our interest in privacy protection for employees beyond legal requirements.

hp sustainability network

HP’s Sustainability Network is a grass-roots network of HP employees worldwide. Its mission includes helping to integrate the concepts of sustainability into HP’s business and financial goals to make HP more profitable and competitive, and to recruit and support HP employees dedicated to sustainability.

The group coalesced in 1998 when HP Labs sponsored a conference on “New Business Opportunities for HP in Sustainable Development.” The network is now as diverse as HP’s employee population. Members in Asia-Pacific, Europe, and North America occupy jobs from executive to clerical, and functions that include marketing, infrastructure, and research. Dick Lampman, Senior Vice President of Research and Director of HP Labs, is the network’s executive sponsor.

The network focuses on educating HP employees about the concepts of sustainability, particularly as they relate to HP’s business objectives. Plans include Earth Day events at various HP sites, a speaker series, networking events, a bimonthly newsletter, a tour of HP’s product refurbishing and recycling center in Roseville, and ongoing improvements to the network’s intranet Web site. In addition, the group hopes to partner closely with HP’s corporate social and environmental responsibility function in order to help move forward their shared vision for HP.
investing in society

Our commitment to society is both a business and philanthropy platform from which we enable others, design innovative products and services, and extend our presence through contributions of technology, money, and expertise.

HP is a leader in corporate philanthropy among global corporations. In 2001, we contributed more than US$54.1 million in cash and resources to advance the ability of students, teachers, community residents, and nonprofits to use technology to solve some of their most fundamental challenges.

Our efforts extend beyond traditional philanthropy to developing and supporting initiatives that harness technology to promote education and opportunity.

Our commitment to bridging the “digital divide” – the gap between those with ready access to information technology and the four billion people who lack such access – is a key driver of our emerging markets and philanthropic activities, and an extension of our long standing commitment to making technology accessible to all.

accessibility for all

Until recently, people with disabilities were unable to fully benefit from the information revolution because many products presented accessibility barriers. There are an estimated 54 million Americans with disabilities, with many more people with disabilities around the world, and this number will continue to increase as the population ages. With the heavy reliance on technology today, it is critical to develop workable solutions to address the issues faced by people with disabilities.

HP is committed to providing products and services that can be used effectively by everyone. Toward that end, we have instituted a company-wide policy that establishes key objectives and guides company actions in the area of accessibility. We have established a program office, HP Accessibility Solutions, to accelerate our efforts and coordinate efforts across the company.

Our commitment has delivered results for HP customers, including:

- Incorporating considerations into the product design phase to ensure that new HP products have enhanced accessibility design features and functionality.
- Making our company website more accessible based on standards established by the World Wide Web Consortium.
- Expanding HP customer service to support tele­typewriters users and assist all customers with inquiries about product accessibility.
- Establishing an online resource center to provide information regarding our commitment, product and services accessibility, and additional resources.

To learn more about HP’s accessibility efforts, visit http://www.hp.com/accessibility.

“HP believes in the power of transparency. In corporations and governments, we have seen that increased transparency improves information-sharing and accountability, grows businesses and promotes democracy. And through HP’s e-government and e-Inclusion programs, as well as our public policy, we are advocating transparency in the both the public and private sectors.”

Gary Fazzino, Vice President, Government and Public Affairs

“HP has a long-standing commitment to people with disabilities, and we believe that accessibility is an important part of fulfilling our promise to connect everyone to the power of technology.”

Denice Gant, Director, HP Accessibility Solutions
select philanthropy awards, 2001

- 1st among computer companies in giving to organizations serving ethnic minorities, National Committee for Responsive Philanthropy
- 2nd among U.S. companies in percentage of total giving outside the U.S., The Chronicle of Philanthropy
- 2nd Annual Award Ceremony Recognizing the Best in Entrepreneurial Social Awareness, CEMEFI, Mexican Center for Philanthropy
- 5th among top-rated companies for social responsibility, Harris Interactive/Reputation Institute survey
- 14th in total worldwide giving, The Conference Board

Our philanthropic efforts have remained strong while the mix of giving has shifted in response to our e-Inclusion strategy and to relief efforts following the September 11th attacks on the U.S.

“We’re focusing our philanthropy more on reaching under-served communities and schools – giving them access and training to integrate and advance IT capabilities to address their most pressing challenges.”

Bess Stephens, Vice President, Philanthropy and Education
e-inclusion: investing in emerging markets

We help communities and organizations integrate technology to work collaboratively and inclusively to improve their quality of life. Our mission is to close the gap globally between the technology-empowered communities and the technology-excluded communities while making it profitable to do so.

Our e-Inclusion program is an ambitious effort conceived by a group of visionary employees to merge our business strategy with our commitment to communities, education, and diversity. Our mission is to close the gap between technology-empowered communities and technology-excluded communities while making it profitable to do so.

Our e-Inclusion program is an ambitious effort conceived by a group of visionary employees to merge our business strategy with our commitment to communities, education, and diversity. Our mission is to close the gap between technology-empowered communities and technology-excluded communities while making it profitable to do so.

Our e-Inclusion program is a combination of philanthropy and business initiatives that strive toward building capacity in the world in which we want to live and do business, where the power of technology is available to everyone. A world in which the underserved can improve their lives by tapping into the enabling potential of technology, the Internet, and e-services. A world in which emerging countries can use technologies to bring all of their citizens the access and services they deserve.

e-Inclusion joins with our longtime support of education at all levels as a core commitment of HP worldwide, carried forward by our Corporate Affairs organization. We strongly believe that our investments in e-Inclusion and education represent an important foundation for our future growth and profitability – and the future prosperity of our customers.

The e-Inclusion Mission

Our mission is to enable all the world’s people to access the social and economic opportunities of the digital age. Our goal is to provide innovative information-technology solutions to foster growth in technologically underserved communities in ways that are economically, environmentally, and culturally sustainable. We will:

- Invent, pilot, and evolve useful and significant information-technology solutions and innovative business models that create value in these markets (as defined by the customer).
- Invent new business systems and technologies that make these opportunities affordable to ever-larger segments of the human family.
- Leverage the full range of HP’s technology, scale, local presence, and brand assets to achieve our goals.
- Catalyze all members of the value chain to penetrate and serve these markets, including forging unprecedented public/private partnerships and working with governments, nonprofits, the World Bank, and international funders.
portraits of e-inclusion

Our e-Inclusion strategy encompasses dozens of diverse efforts and partnerships with schools, communities, governments, nonprofit organizations, and companies who align with our program objectives. We choose each project based on the likelihood of creating a lasting impact in the community. A few of these initiatives are described here.

South Africa: the peopleconnect program

Since the end of apartheid in 1994, South Africa has faced a legacy of inequality and poverty. In response, companies and governments have developed programs to deliver essential services and eradicate disparities. However, a lack of coordination means that efforts are duplicated and resources squandered. To change this means bringing South Africa into the digital age. HP is working with other technology companies to help South Africa’s government become more computer-literate. The PeopleConnect program makes access to technology more affordable by offering government employees and their families computer equipment, Internet access, online banking, training, and technical support for a modest monthly payment. Some 50,000 technology bundles are being distributed.

“As a result of HP’s efforts to close the digital divide in South Africa, HP’s position as a leader has gained awareness. We are about to close a major deal that we wouldn’t have gotten without our e-Inclusion efforts. The South African government feel HP is serious about helping our country and moving it forward.”

Maureen Conway, Vice President, e-Inclusion and Emerging Markets
India: i-community

Hewlett-Packard and the southern India state government of Andhra Pradesh have launched a three-year alliance to accelerate socioeconomic development of a rural area. Expected offerings include e-government services for land records, birth and death registration, and bill payments; connectivity to local schools, colleges, and hospitals; youth educational services and vocational training through direct and distance learning; and health and agriculture services.

The i-Community is part of Andhra Pradesh’s drive for technology-based development and will establish a replicable model for economic growth, in part through partnerships with the private and public sectors as well as with the community.

“This alliance will accelerate our mission to reap the immense opportunities of the information age,” says Chandrababu Naidu, the state’s chief minister. “We hope to replicate the HP i-Community project across several districts in Andhra Pradesh.”

“e-Inclusion is about us thoroughly understanding others peoples’ reality and having them collaborate and co-invent with us. In that light, several of the HP people involved with e-Inclusion have said, ‘I think we’re going to get more out of this than we’re going to give, in terms of really understanding the world.’”

Barbara Waugh, Ph.D., HP Labs
**new horizons for pennies a day**

HP has joined a small but growing number of companies that are finding profitable business opportunities from developing products and services to the underserved – the 3-4 billion people whose per-capita income is less than US$1 a day. In the past, these people were largely ignored by most companies. But that’s changing.

As an example, Dr. Srinivasan Ramani, director of HP’s new research laboratory in India, tells the story of Hindustan Lever, the Indian subsidiary of Unilever. Recognizing that it wasn’t possible to sell a US$1 bottle of soap to someone making US$1 a day, the company began selling soap in plastic sachets in rural India for just two cents each – and is making a profit.

Dr. Ramani sees similar potential for HP. In India, for example, HP is helping local villages set up Internet kiosks that include a PC, a printer, and a digital camera. People pay 40 cents an hour to use the kiosk; students pay only 20 cents. “We asked one young lady what she was getting for 60 cents a day,” says Ramani. “She told us that she communicated with her fiancé in Malaysia.”

HP Labs and emerging market solution teams are working together on innovative and replicable technology solutions that are specifically designed for India and other emerging markets.

“We are inspired by e-Inclusion. Practically all IT expenditures in India are done by the top 1% of the population. We are not so concerned with this 1%; they are taken care of already. HP’s social responsibility focuses on us including the other 99%. We expect them to prosper and constitute an emerging market. We look to them as partners in innovation and growth.”

Dr. Srinivasan Ramani, Research Director, HP Labs India
United States – hp digital village

The HP Digital Village program helps selected under-served communities harness technology in collaboration with partners – including schools, colleges/universities, local government, and non-profit organizations and small businesses – to develop sustainable solutions that address their most pressing social and economic needs.

East Palo Alto digital village – In 2000, East Palo Alto, a low-income area in the heart of Silicon Valley, was named the kick-off site for program. Since its launch, the community moved its plan for creating a technological infrastructure for access, learning, collaboration and outreach, and economic development to implementing four signature initiatives and several smaller projects, including the following:

• A one-to-one e-learning school project which provided laptops for nearly 400 4th through 8th grade students

• A small business development initiative assisting seventy local small businesses in using the web to manage and market their businesses

• A community portal and network for collaboration and e-commerce – (www.epa.net)

• Support for development and expansion of community technology centers and training academies.

tribal digital village – The Southern California tribal community, selected in 2001, consists of 18 Indian tribes geographically dispersed across 150 miles. The community jointly developed an artifact that depicts their vision with five focus areas: infrastructure, culture, education, community and economy. Beginning with the extension of a high-speed, wireless backbone, the TDV is extending connectivity to tribal offices, community and education centers, schools and individual homes.

Each tribe began with a HP equipment grant to provide basic Internet access in their community and to build awareness and motivation for more ambitious initiatives. A new community portal – www.sctdv.net – represents a milestone in the TDV’s vision for creating a distributed digital community. The TDV is also planning for sustainability by involving community youth and adults in the execution of the plan to ensure a transfer of technical knowledge and expertise.

Baltimore’s digital village – The vision created for East Baltimore’s Empowerment Zone is an “e-living” community with a goal of connecting, engaging and growing individuals, organizations and institutions in all parts of the city. Since its launch in June 2001, the BDV has focused on education, workforce/economic development, community/housing development and infrastructure and government policy. Teams of community members continue to explore ways of integrating technology to meet their goals.

“If you can provide innovative tools and training, and design a market-based system where individuals can earn a living delivering information services that people need, the results are amazing and powerful.”

Scott Bossinger, Tribal Digital Village Program Manager
hp digital village – international projects

In October 2001, the HP Digital Village Program expanded beyond the U.S. into three underserved communities in Africa and Europe. The Kwame Nkrumah University of Science and Technology in Ghana, Dikhotale in South Africa and a community project north of Paris led by the Villetaneuse University of Technology.

Kumasi digital village in Kumasi, Ghana’s Ashanti Kingdom is a joint project spearheaded by Kwame Nkrumah University of Science and Technology (KNUST) in Kumasi, Ghana’s second-largest city, and the University of Pennsylvania. It includes the participation of Ghana Telecom and local information-technology companies. The project’s goal is to create a comprehensive IT infrastructure and use the Internet for educational, agricultural and economic development to benefit the 4 million people in the Ashanti kingdom and Ghana’s eastern regions.

Dikhotale digital village is located in Gauteng, South Africa. One of the most neglected townships in the East Rand, Leondale has a population of 8,000, of whom 30 percent are unemployed. The Dikhotale Digital Village project includes a partnership with World ORT and ORT South Africa to implement education programs aimed at reducing unemployment. ORT is a nonprofit vocational and technology training organization focused on providing services to disadvantaged people in Africa.

Villetaneuse digital village in Seine-Saint Denis, France includes the four cities of Blanc Mesnil, Bobigny, Roissy and Villetaneuse in a suburb north of Paris. It covers a population of about 90,000 facing social problems, particularly among its youth. The Villetaneuse University of Technology is leading the project’s efforts to build technology centers in each of the cities. Aimed at widening the job opportunities of community youth, the centers will offer technology training and award official diplomas – necessary for job applications in France – upon course completion.

Through the Digital Village Program, HP is expanding its efforts beyond strategic philanthropy to venture philanthropy and is setting a new standard for how companies contribute to communities. The program is providing valuable lessons for other HP e-Inclusion initiatives and for HP businesses.

“HP and the Digital Villages have unleashed a new model of private-public partnership – a model that has received global recognition for addressing the digital divide in a holistic, sustainable way.”

Janiece Evans-Page, e-Inclusion Executive, East Palo Alto Digital Village
Senegal: the joko project

The Joko Project, named for the Wolof word for “link,” was born of a partnership among HP, a local telecommunications provider, and world-renowned musician Youssou N’Dour. This effort will connect Senegal with the world by providing affordable Internet access across the country and in expatriate communities worldwide.

Joko will also foster e-businesses that enable overseas Senegalese to transmit funds to relatives in their homeland, as well as provide more education and training, current weather reports and crop prices for farmers, vocational training and e-jobs, counseling and financing for microenterprises, plus health services and telemedicine.

N’Dour thinks of HP as a kindred spirit. “The HP way of doing things is very much like ours,” says N’Dour. “HP is not just another big company looking only at the bottom line. HP looks to the future, they invest in development, they have an inquiring spirit that asks questions and they’re not afraid of creating a new dynamic.”

Ghana: busyinternet

HP is working with local partner BusyInternet to create Africa’s largest Internet development center, in Accra, Ghana.

BusyInternet’s founder, Mark Davies, envisions a network of centers operating across Africa, helping to expand local businesses into e-commerce and other online activities. Partners in each city will enjoy majority ownership as BusyInternet provides management services and nurtures global affiliate programs of entrepreneurs, organizations, and investors. Ghana was the logical starting point, since the country boasts one of the continent’s most advanced information-technology infrastructures.

Each center will consist of a 60-seat learning center for workshops and seminars, a public Internet access area with 100 flat-screen HP computer systems, and 4,000 square feet of office space for small businesses and organizations to develop Internet-related offerings. In association with local and international agencies, BusyInternet also is developing workshops that will provide Web-based learning for schools and individuals.
investing in education through technology

HP strives to transform teaching and learning through the integration of technology, to enable higher levels of student achievement, and to create opportunities for all individuals to learn and to contribute to their full potential. Education is the starting point – for expanding markets, for transforming society.

Our investments in education are focused on creating opportunities for people to harness technology to learn and to contribute to their full potential. We have several strategies for addressing these investments.

integrating technology and learning

While some communities around the world continue to struggle with basic access to technology in schools, others face challenges of effectively integrating technology into the classroom experience. HP is investing in programs that have a positive impact on students at all levels of education and from various income levels.

We are researching the most productive intersections of technology and learning by helping educators use new teaching methods and advances in technology. And we are partnering with institutions that serve low-income communities to forward our goal of achieving greater equity among all students.

In 2001, for example, HP helped to create three “e-Learning” model schools in Shaanxi Province, one of China’s most disadvantaged communities. This initiative aims to improve professional training by giving students access to online education resources. HP hopes the schools will play a leading role in driving regional economic development. Additional schools have been equipped with HP computing systems in Beijing and Guangdong Provinces.

building paths to high-tech careers

We believe that students who are adept in math, science, and technical fields are key to extending the benefits of technology to all people. In 2001, we funded programs to increase the numbers of students who gain employment in engineering and computer science, and partnered with nonprofit organizations on science education reform.

For example, HP has partnered with the Institute for Women and Technology to create Virtual Development Centers that encourage women’s entry into technical careers. The centers, located at colleges and universities across the United States, provide settings in which technically inexperienced girls and women from local communities can join with female students and professors in inventing useful new technologies. In 2000 and 2001, we funded eight centers.

HP supports its employees’ efforts to meet educational institutions’ financial and technology needs through HP’s product gift matching program. During 2001, more than 250 institutions received US$1.3 million worth of HP equipment. In addition, HP employees contributed more than US$800,000 in cash to schools, colleges, and universities; when matched by HP, the donations totaled more than US$1.54 million.

HP philanthropy also supports targeted initiatives for the development and deployment of advanced technology infrastructure and e-services at leading minority institutions and selected research universities.

helping communities apply technology

HP technology is helping transform community institutions, particularly museums, to enhance informal learning. For example, HP donated equipment valued at more than US$120,000 for a new exhibition area – “Man and Biotechnology” – at the Experimentarium in Copenhagen, Denmark, a public, hands-on science museum that attracts more than 100,000 school children annually.

“We really hope to transform the way we interact with the community. Rather than simply providing money as charity, our intent is to forge mutually constructive and beneficial relationships that evolve over time”

Robert Bouzon, Director of Partnership Programs, University Relations
responding to needs

HP people – building on the company’s long history of community service –
give their time, talents, and personal resources to help those in need.

HP employees build on the company’s long history of community service to help those in need. In 2001 they shined brightly, providing money, assistance, and personal support to those affected by major events around the world. Here are a few of the many examples:

**giving time and talents**

Thousands of HP people joined in our annual Week of Caring by participating in volunteer activities, donating their own time to support hundreds of community nonprofit organizations. For example, a team of HP employees conducted a “Become an Inventor” project for a fifth grade class at Belle Haven School as part of the East Palo Alto Digital Village. In Greeley, Colorado, a group of 50 HP volunteers helped build a house for an underprivileged family in conjunction with Habitat for Humanity. The Community Activities Open Day at HP Bristol, England, brought in more than 20 school programs and nonprofit organizations, which demonstrated their programs and opportunities to employees.

**september 11th relief efforts**

In the wake of the September 2001 terrorist attacks on the United States, HP employees worldwide responded to the company’s first global disaster-relief campaign with an outpouring of support to the American Red Cross Liberty Fund and the United Way of America’s September 11th Fund.

Within the first 24 hours of our campaign, more than 2,400 employees contributed approximately US$300,000. Donations by more than 7,000 employees and a matching contribution by HP eventually totaled nearly US$2 million to help rebuild impacted communities and to provide emergency assistance and health services. Prior to the matching campaign, HP had contributed more than US$3 million to relief efforts.

Since September, charitable organizations have faced acute needs stemming from the tragedy and the economic downturn. HP has encouraged employees to join the company in supporting these local safety nets, and HP employees have responded wholeheartedly.

**India earthquake**

HP employees also supported relief efforts for the Gujarat, India, earthquake in January 2001, which killed thousands of people and left countless others homeless. Employees from HP’s India Software Operations in Bangalore coordinated a grassroots effort to mobilize funds for Gujarat earthquake relief.

Though no HP employees or facilities were harmed, HP India employees contributed more than US$100,000 to government relief efforts. The campaign was started by “Making A Difference at HP” (MAD@HP), a volunteer group at the Bangalore site formed to address local poverty and labor issues. In addition, the Hewlett-Packard Company Foundation donated US$25,000 to the American Red Cross India quake relief fund.
moving forward

We will continue to leverage HP’s commitment to communities, customers, and potential customers by developing our Emerging Markets strategy and applying our expertise as a driver for policy innovation and market development. By harnessing our philanthropy, business strategy, and the innovation and commitment of our entire company, we will create product and service solutions that increase our presence, contribution, and revenue in emerging markets, and we will apply insights from those markets to serve all our customers and markets more effectively.

brokering surplus goods using hp’s e-services

HPSupplyLink, one of our eServices, helps charitable organizations acquire needed goods from companies with surplus inventory that can contribute to the basic needs of communities.

Each year, businesses have billions of dollars worth of surplus food, building supplies, and other products that cannot be sold because of overruns, minor damage, returns, or other quality-control issues. Charities are in constant need of these resources, but often don’t know when and where surplus products are available or how to get them transported.

HPSupplyLink’s logistics software and services match product availability with information on community needs. It aggregates information about donated products; automates the identification-notification-delivery process; and enhances supply-chain planning, forecasting, and inventory management, thereby accelerating donations to charitable organizations.

The result: food, building supplies, and other products that would have gone unused or to waste become valuable commodities. It’s a classic win-win-win – for businesses, communities, and the environment.
environment: conserving our natural capital
environment: conserving our natural capital

Environmental concerns challenge all companies to invent better ways to serve customers, to deliver better performance with less environmental impact.

Our commitment to protecting natural resources is deeply rooted. We recognize that our environmental impacts can be felt everywhere in the world that HP products are made, used, and discarded. Our environmental footprint extends upstream from our own operations to those of our suppliers and downstream to our customers and beyond.

We are working hard on the design, manufacture, delivery, and operating efficiency of our products to ensure that each product is safe for people and the planet and does not become waste at the end of its useful life. We are committed to reducing our use of energy and materials. And while we have made real progress, we – like everyone in our industry – have more work to do to ensure that we not only meet but exceed our own standards and guiding principles, and those of our stakeholders.

Environmental responsibility at HP is more than simply reducing emissions and waste. We view our environmental impacts as opportunities to invent better ways to serve our customers, delivering better performance along the way. We believe there are nearly limitless new business opportunities to be derived from creating environmental solutions: inventing products, e-services, and systems that enable our customers to increase productivity while reducing their environmental impacts, or that bring technology to new markets in an environmentally responsible manner. For more information see http://www.hp.com/environment.

Our corporate vision is clear and unyielding: to be the recognized worldwide leader in delivering environmentally sustainable solutions for the common good.
hp environmental policy

Our environmental goals are to provide products and services that are environmentally sound throughout their life-cycles and to conduct our operations worldwide in an environmentally responsible manner. To achieve these goals, the company has established the following Environmental Policy. All HP managers and employees are expected to support implementation of this policy in accordance with their roles and responsibilities in the organization.

**product stewardship** – Design our products and services to be safe to use, to minimize use of hazardous materials, energy and other resources, and to enable recycling or reuse.

**pollution prevention** – Conduct our operations in a manner that prevents pollution, conserves resources, and proactively addresses past environmental contamination.

**continual improvement** – Integrate environmental management into our business and decision-making processes, regularly measure our performance, and practice continual improvement.

**legal compliance** – Ensure our products and operations comply with applicable environmental regulations and requirements.

**stakeholder involvement**

- Provide clear and candid environmental information about our products, services, and operations to customers, shareowners, employees, government agencies, and the public.
- Inform suppliers of our environmental requirements and encourage them to adopt sound environmental management practices.
- Foster environmental responsibility among our employees.
- Contribute constructively to environmental public policy.

*Carly Fiorina*, Chairman and CEO of Hewlett-Packard
## Environmental Performance Measures

<table>
<thead>
<tr>
<th>Issue</th>
<th>Metric</th>
<th>Units</th>
<th>Geographic Scope</th>
<th>HP Sites Covered</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Energy</strong></td>
<td>Electricity Use</td>
<td>• Million kWh used</td>
<td>Worldwide (Europe and Asia-Pacific 00/01 only)</td>
<td>Manufacturing and field operations</td>
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<td></td>
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<td>• Metric tons CO₂ emissions</td>
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<td></td>
<td>Natural Gas Use</td>
<td>• Million therms used</td>
<td>Americas</td>
<td>Manufacturing and field operations</td>
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<td>• Metric tons CO₂ emissions</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Waste</strong></td>
<td>Hazardous Waste Generation and Disposal</td>
<td>• Metric tons, by disposal method</td>
<td>Worldwide</td>
<td>Manufacturing and large office campuses</td>
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<td></td>
<td></td>
<td>• Metric tons, by geography</td>
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<td></td>
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<td></td>
<td></td>
<td>• Landfill diversion rate</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>Non-hazardous Waste</td>
<td>• Landfill diversion rate</td>
<td>Worldwide</td>
<td>Manufacturing and large office campuses</td>
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<tr>
<td></td>
<td></td>
<td>• Metric tons, by disposal method</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Chemicals</strong></td>
<td>Chemical emissions and transfers to offsite facilities (Toxic Release Inventory)</td>
<td>• Metric tons, by media</td>
<td>Worldwide</td>
<td>Manufacturing with significant chemical use only (6 sites)</td>
</tr>
<tr>
<td><strong>Compliance</strong></td>
<td>Violations resulting in monetary penalties</td>
<td>• Total penalties, US$</td>
<td>Worldwide</td>
<td>Manufacturing and field operations</td>
</tr>
</tbody>
</table>
greening our products

We view these challenges as an opportunity for our Design for Environment (DfE) efforts to create products, services and systems that provide increasing value to our customers while reducing their, and our, environmental impacts.

The cumulative environmental impacts of the millions of HP products in the world are as significant as our facility’s operations. While we are working on both, we believe our products offer the biggest opportunities for innovation and environmental improvement.

We believe technology can have a positive impact on people and society without causing a negative impact on the Earth. Toward that end, we are working to make our products beneficial to both our customers and the environment. In many cases, this requires rethinking our products’ design, operation, and distribution – all while continuing to deliver the high level of functionality, quality, and innovation for our customers that is the foundation for our success. It requires inventing new technologies that will change how we use materials and how we think about computing, as well as new business models that meet the needs of the emerging global economy.

We view these challenges as an opportunity for the Design for Environment (DfE) efforts we began 10 years ago to create products, services, and systems that provide increasing value to our customers while reducing their, and our, environmental impacts. We have assigned “product stewards” in our business units to work with our product designers and solution creators to identify, prioritize, and recommend environmental innovations throughout all HP product lines.

Our company-wide Environmental Strategies and Sustainability (ESS) organization seeks innovative opportunities to design environmentally preferable products and services that meet our customers’ current and future needs. ESS focuses on three strategic initiatives:

- **energy efficiency** – Reduce the amount of energy needed to manufacture and use our products.
- **dematerialization** – Do more with less, by decreasing material use, reducing hazardous materials, and reducing packaging.
- **recycling/product end of life** – Significantly expand HP’s recycling program while designing new products that can be recycled easily at the end of their useful lives.
“HP Labs is where we invent the technologies that will provide the next big breakthrough. For Labs to have real impact, we have to understand how our technologies will be made into products that are useful in the real world – and we have to understand the benefits and impacts across the entire life cycle.”

Dick Lampman, Senior Vice President of Research and Director of HP Labs
energy efficiency: conserving resources and saving money

We’ve been reducing our products’ energy footprint as an integral part of improving their performance, with attendant benefits to customers and the environment.

Energy concerns us, our customers, and our partners in many ways: its direct cost, reliability of supply, pollution from energy generation, and influence on global climate change. Our objective is to build our competitive advantage through performance and leadership in energy efficiency. This includes the performance of our products, the efficiency of our operation, and the invention of new, more energy efficient products.

energy-efficient products

HP has a variety of efforts underway to design products that will help customers save energy. Among them:

• We actively participate in the U.S. EPA’s ENERGY STAR® program and more than 300 of our products are ENERGY STAR qualified. (See [http://www.hp.com/hpinfo/community/environment/productinfo/energyeff.htm](http://www.hp.com/hpinfo/community/environment/productinfo/energyeff.htm)) In addition, we have efficiency improvement goals for products not yet covered by the ENERGY STAR standards, such as servers and storage devices.

• HP has been a pioneer in using “Instant-On” fusing technology that allows many HP LaserJet printer models to save energy by immediately shifting from active printing to a power-saving “sleep mode” without sacrificing printer reliability or the time needed to begin the next print job.

• Since the early 1990s, HP printer speed and quality have increased substantially while energy consumption has decreased. For example, a printer introduced in 1993 printed four pages per minute (ppm) and consumed 15 watts in sleep mode, while a comparable model introduced in 2001 has an output of 18 ppm and consumed only 10 watts of power in sleep mode.

continued innovation in efficiency

Future improvements in the energy efficiency of HP products will involve even greater innovation:

• HP Labs, our research and innovation center, is exploring the use of alternative energy sources, such as fuel cells, in our products and facilities.

• We are working to reduce the heat generation and energy consumption of server farms (facilities that house hundreds of computers that “serve” data to companies, computer networks, or web sites).

• We are developing creative service-based business models that reduce customers’ energy requirements.

• We are exploring the use of renewable energy sources for our operations.

“Our Product Stewardship program drives Design for Environment (DFE) criteria, including energy efficient performance, for all of our product lines. This has resulted, for example, in virtually all of our LaserJet and inkjet printers being EPA ENERGY STAR® qualified.”

Steve Pollack, Product Stewardship Program Manager, Imaging and Printing Products
multi-function products

HP All-in-Ones combine printers, copiers, faxes, and scanners into single units. These integrated devices use at least 40% less material, energy, and packaging than the sum of the comparable standalones.
materials innovation: more value, less environmental impact

Active dematerialization efforts – delivering better performance with less material in both product and packaging – will reduce costs to HP and to our customers.

Materials use has increased throughout the industrialized and developing worlds, reaching consumption levels that many experts believe are not sustainable.

Dematerialization – doing more with less – is a fundamental aspect of HP’s environmental strategy for its products. Dematerialization can decrease costs for HP and its customers; help us meet customer expectations for smaller, resource-efficient technologies such as handheld devices, laptops, and digital cameras; and decrease end of life recycling and disposal costs.

HP is committed to leading the industry in dematerialization. Toward this end, we are taking the following steps:

• We are tracking the types and quantities of materials used in our products, services, and operations, and categorizing those materials based on their environmental impacts.

• We are establishing specific reduction targets for materials with the most significant environmental impacts, and are integrating those targets into our design guidelines.

high standards for our customers… and our planet

We build our products to meet our customers’ needs and expectations, while meeting the voluntary standards of eco-labeling and certification programs around the world. For example:

• We participate in the Nordic Information Technology Organisation’s (NITO) Eco Declaration system, a voluntary standard certifying that products meet the legal and and customer requirements (for example, international and/or industry standards, de facto standards, or market requirements) in Denmark, Norway, and Sweden. HP has issued NITO declarations for more than 220 HP products; these declarations are available at http://www.hp.se/environment.

• HP is an original partner in the U.S. EPA’s ENERGY STAR® program, a voluntary program to design and promote energy-efficient products. More than 300 models of HP office products are ENERGY STAR qualified, including computers, monitors, printers, scanners, and multifunction devices. All HP printers undergo emissions testing and meet all accepted standards for indoor air quality, occupational exposure limits, etc. Nearly all eligible LaserJet products meet and carry the German Blue Angel eco-label, which includes emissions/air quality criteria. (See http://www.hp.com/hpinfo/community/environment/pdf/blueangelcert.pdf) The vast majority of our printers already meet the more stringent indoor air quality testing and standards demanded by emerging certifications such as GreenGuard.

• HP has the first Blue Angel certified inkjet printers in the world, meeting Blue Angel’s rigorous requirement that inkjet printers consume less than two watts of electricity in off mode.
Dematerialization is occurring throughout HP, as innovative product designs decrease materials use. Here are a few examples:

- **multi-function products** – HP All-in-Ones combine printers, copiers, faxes, and scanners into single units. These integrated devices use at least 40% less material, energy, and packaging than the sum of the comparable standalones.

- **e-pc** – We introduced the resource-efficient e-pc in 2000. This product line saved more than 2,300 tons of product mass, reduced packaging by 420 tons, and cut electricity consumption by 8,200 megawatt-hours in 2001, compared to standard desktop PCs, while providing equivalent or superior performance.

- **LCD monitors** – Flat-screen liquid crystal displays cut electricity use by 50% or more compared to conventional cathode ray tube monitors, and save nearly 20% in total life-cycle materials.

- **printer component redesign** – Decreasing the diameter of the carriage rod (which the ink cartridge slides across) on two models of inkjet printers will save an estimated 1,200 tons of steel a year without affecting performance and will reduce HP’s costs for that part by 44%. The packaged weight of a future DeskJet printer line will be at least 60% less than that of recent DeskJet models.

- **dematerializing packaging** – By using bulk shipping for product transportation in North America, we have reduced packaging materials, transportation fuel, and costs.

**hp labs continues materials innovation**

HP Labs is inventing technologies with the potential to reduce materials use even further. Nanotechnology microchips are one example. Based on molecular electronic switches one-thousandth the width of the smallest available today, these chips will have the potential to be millions of times as powerful and efficient as today’s chips, perhaps running on ambient energy alone. Applications for these nanochips, in addition to using them in computing devices, may include infusing digital “tags” into materials, to enable more efficient recycling.

Other HP Labs innovations include digital commercial-scale printers that consume dramatically fewer materials per page printed. These technologies will bring new value and capabilities to HP’s customers while enabling us to honor our environmental commitments in the coming years.

"Handheld and portable computers are revolutionizing our industry and benefiting the environment through lower material use and lower energy use. Through research and intelligent design, we intend to keep HP at the forefront of this revolution."

Lisa Lindsley, Enterprise Systems Product Stewardship Program Manager
improving our packaging

We have made great strides over the past year to reduce packaging and improve its recyclability by through redesign, bulk packing of parts, and eliminating cartridge packaging and inserts. And we have saved money along the way. Some examples, both large and small:

• We reduced the size of the clear plastic outer “clamshell” packaging for inkjet cartridges (required by many retailers for ease of display and theft prevention) by roughly 20% and its thickness by 17%. This optimized space in a way that allowed us to eliminate one label. Further redesign eliminated the varnish finish and reduced the number of printed colors. HP packaging engineers intend to replace the polyvinyl chloride (PVC) plastic in the clamshells with a material that is both made from recycled material and that will be more easily recycled at the end of their life.

• We modified our scanner assembly operation to save packaging and costs. Historically, the scanner cover supplier attached hinges to the cover, making the cover awkward to package. By shipping hinges to the distribution centers separately for attachment just before the scanners are shipped to customers, document covers can be more densely bulk-packed. This led to a 50% savings in difficult-to-recycle polystyrene foam packaging – more than 70,000 cubic feet (roughly 2,000 cubic meters) a year.

• Cartridges included with most new inkjet printers now come in pouches, eliminating the cardboard boxes used in retail merchandising. This saves material cost for hp and eliminates the need for about 2.1 million pounds of cardboard, 15,000 gallons of water, 109,000 gallons of hazardous materials, and 126,000 BTUs of energy consumption annually. We also combined two informational inserts in the printer box.

• Changing the grade of paper used for printed inserts in inkjet cartridge packages saves material cost for products shipped in both North and South America. We now print inserts on elemental chlorine-free paper made from 20% post-consumer waste, which meets our standards for brightness, opacity, and print quality. In addition, instructions were simplified to fit on one page instead of two.

These and other changes are significantly reducing packaging material and chemical use – saving us more than US$2 million a year while reducing waste for our customers and their communities.

“We’re always thinking about how to increase the value to our customers and decrease product footprint. That includes reducing packaging mass and using recyclable packaging, while ensuring adequate product protection.”

Paul Russell, Packaging Process Manager
recycling and product end of life management

We are pioneering several end-of-life initiatives to reduce the environmental impacts of our (and our competitors’) products by capturing their intrinsic value through reuse and recycling.

Electronic waste, or “E-waste,” is a growing environmental concern. By designing more recyclable products and increasing our recycling programs, we intend to remain a global industry leader in reducing e-waste and its impacts.

hardware

HP has long been a leader in e-waste recycling. Our Planet Partners program offers end-of-life return programs for HP and other manufacturers’ hardware in Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Japan, Netherlands, Norway, Spain, Sweden, Switzerland, the United Kingdom, and the United States. Our goal is to offer hardware recycling wherever we sell our products worldwide.

We reuse, refurbish, or recycle returned products and work to create the new technologies and public policies needed to support more complete recycling. Each month, HP’s recycling centers around the world process roughly 4 million pounds (about 1.8 million kilograms) of computer-related hardware.

HP has developed, with its strategic partners and selected vendors, state-of-the-art processes to ensure economical and environmentally sound management of e-waste. (See page 42, “How HP Recycles Computers.”) This enables us to reduce natural resource consumption by turning unwanted technology into materials for producing high-quality new products.

For more information on hardware recycling, or to find out how to recycle equipment in your region, visit: http://www.hp.com/recycle.

“Clearly, we maintain our capability to refurbish, recycle, and dispose of our products in an environmentally responsible manner by working with our customers through the full life cycle of our products. How we handle product disposal is often a differentiator to our customers.”

Ann Livermore, Executive Vice President, HP Services
“Our customers asked us to take computer products back with a zero landfill policy. In addition, we made a decision not to ship e-waste to Asia from the U.S. So we were forced to invent some new ways of recycling. HP created a unique return and recycling program in the industry. Customers want us to deal with recycling responsibly – and we do.”

Renée St. Denis, Product Recycling Solutions Manager

how hp recycles computers

HP is a leader in developing ways to recycle used equipment. Our two state-of-the-art U.S. facilities – in Roseville, California and LaVergne, Tennessee – systematically reclaim and recycle usable parts and materials from computers, monitors, printers, servers, and other equipment, including products made by our competitors. The facilities are a partnership between HP and Micrometallurgy, a subsidiary of Noranda, the Canadian mining company. Rather than mine the earth for metals, Micrometallurgy “mines” discarded electronic equipment for gold, silver, platinum, palladium, and copper.

This makes financial and environmental sense. Computers contain a much higher concentration of metals than the typical rock from which these metals are mined. For example, most copper ore contains 1% to 2% of copper. But a typical printed circuit board contains as much as 15% copper.

Here’s how the recycling works:

• When a product comes into the facility, it is evaluated for donation to charities.

• If it is not worthy of donation, reusable parts are removed by hand; quality parts are sold, refurbished and reused, or donated.

• What’s left over goes into a series of powerful shredding machines that grind the equipment into pieces about 1 inch (2.5 centimeters) in diameter.

• Screens, magnets, electrical currents, and other techniques sort the material, which travels down separate conveyor belts and into bins at the end of the line.

• Metals go to Noranda facilities for refining; the other materials are recycled according to their highest and best use.

• As part of HP’s environmental commitment, we have requirements in place to ensure that no e-waste received for processing by HP at our Roseville and LaVergne facilities in the U.S. is shipped overseas.

The benefits extend beyond the environment. In Roseville, for example, we work with a local organization called Pride Industries, which helps create jobs for people with disabilities, to provide sorting, disassembling, and salvaging jobs for recycling computers.

Electronics recycling also is available in Europe and Japan. We have established strategic partnerships with leading recycling companies in Finland, France, Germany, Italy, Japan, The Netherlands, Spain, Sweden, and the UK to provide us with high-standard, systematic materials reclaiming and environmentally sound disposal.

We will continue to expand and improve our ability to capture, reuse, and recycle e-waste. Our goal is to offer recycling services wherever we do business, and to continue to increase the volume of computer hardware returned to HP.

Customers wishing to recycle their equipment can contact us through our Web site at http://www.hp.com/recycle.
printer supplies

LaserJet cartridges

For more than a decade, every HP LaserJet print cartridge package has included instructions on returning used cartridges to HP’s Planet Partners returns and recycling program. HP offers this program throughout the Americas, Europe, and Asia-Pacific, which together comprise nearly 90% of the global market for LaserJet supplies. Programs are in place in seventeen countries today; our goal is to provide the service worldwide.

About 18% of HP LaserJet toner cartridges sold currently are recycled by HP – a rate that we have maintained while cartridge sales have doubled over six years, and as we’ve extended the program worldwide. Our next challenge is to encourage more of our customers to take advantage of our recycling program.

Toward this end, we are working to increase the recyclability of HP LaserJet print cartridge packaging. For example, the cartridges’ end caps, which protect them if dropped, are molded from 100% post-consumer recycled paper-pulp. In a minority of products, polystyrene end caps are used, which can be recycled anywhere that polystyrene recycling is available. Metallicized bags, which protect the LaserJet cartridges from moisture damage, have been replaced with recyclable polyethylene bags.

In addition, we are reducing the number and variety of parts and materials used in HP LaserJet cartridges and are marking parts greater than 25 grams in weight (just under one ounce) with internationally recognized ISO symbols to speed material identification during recycling.

For more information on HP LaserJet printer supplies recycling, visit http://www.hp.com/recycle.

![HP LaserJet Toner Cartridges Recycled](image1)

![HP LaserJet Cartridges Recycled as Percentage of Sales](image2)

We are steadily increasing the number of HP cartridges that the Planet Partners program recycles – nearly eight times the volume over the past decade.
“HP’s inkjet cartridge recycling program is the only recycling program of its kind in the inkjet manufacturing industry.”

Helen Higgins, Printer Supplies Environmental and Regulatory Manager

hp’s print cartridge return and recycling program

This diagram depicts a generic flowchart of the recycling processes HP uses to recover materials from toner and inkjet print cartridges.
inkjet cartridges

We are rolling out a recycling process that turns seven different inkjet cartridge types back into raw materials, including ferrous metals, precious metals, ink, and plastic. This program currently is offered in France, Germany, Puerto Rico, Singapore, and the United States, and is being piloted in Japan and the U.K. Efforts are being made to implement similar programs in Austria, Italy, Netherlands, Scandinavia, and Switzerland. We recently made an investment in new inkjet cartridge recycling facilities in Germany and the U.S. that provides leading-edge recycling and material recovery. Our goal is to offer inkjet supplies recycling programs worldwide.

HP can recycle up to 72% by weight of an HP inkjet print cartridge, depending on the model. The recycled materials are used to manufacture a wide variety of new products, such as automobile parts, microchip fabrication process trays, copper wire, steel plates, and the precious metals used in electronics and electrical equipment. Parts that cannot currently be recycled (such as residual ink, foam, and composite parts) are disposed of in an environmentally responsible manner.

The cartridges produce a number of material streams that may be useful in other applications. For example, we are exploring ways to recycle PET (polyethylene terephthalate - the plastic commonly used for beverage containers) into printer parts; this could increase demand for this plastic, thus increasing its recyclability. We are also evaluating the feasibility of closed loop recycling recovered plastic put into the printing supply.

Our goal, as with HP LaserJet cartridges, is to continue to expand the availability of HP’s Planet Partners inkjet recycling programs worldwide.

For more information on inkjet printer supplies recycling, visit http://www.hp.com/recycle.

ink for reuse feasibility project

Our manufacturing sites generate approximately one million liters (about 264,000 gallons) of waste ink each year, at an average cost of US$0.65 per liter. To reduce this waste and cost, we launched an Ink For Reuse (IFR) project in 2001.

Our goal is to find ways to segregate used ink from production lines and recycling operations in a concentration high enough for reuse in non-thermal inkjet printing applications, such as printing on paper bags and cardboard boxes.

Our IFR team completed a feasibility assessment in November 2001 and recommended pilot projects at our Ireland and Puerto Rico manufacturing sites. The project involved assessing current waste stream generation, evaluating reuse options, reviewing waste and transportation regulations affecting used ink, modeling costs, screening and selecting business partners, and organizing transportation and logistics.

We have identified opportunities to capture and reuse our ink waste, and are now working with manufacturers and suppliers to make the IFR project a success.
inkjet cartridge design for recycling

Ongoing improvements in our inkjet design have enabled us to build a better cartridge while reducing costs and waste.

For example, we redesigned our cartridges to eliminate a need for an adhesive. When heated to high temperatures, this adhesive forms an extremely strong bond between component parts. But the strong bond made it difficult to recycle the cartridges. So, HP design and manufacturing engineers created product components that snapped together mechanically.

Eliminating this adhesive increased the cartridges’ recyclability by approximately 25%. It also saved HP US$2.4 million over four years, due to reduced manufacturing, capital equipment, and operations and maintenance costs.

At HP, we look at the entire product lifecycle, starting with the design, to look for ways to reduce our environmental footprint. In addition to meeting our regulatory obligations, we want to invent solutions that use fewer materials, maximize overall value for the customer, and are designed to ensure responsible disposal and recycling of our printing supplies.

Frank Cloutier,
Chief Technology Officer,
Imaging and Printing Group

Our inkjet cartridge recycling program is much newer than our LaserJet cartridge recycling program. As we move out of the pilot phase and scale up our operations, we expect the rate of recovery to increase. Our plan for the HP inkjet printer supplies recycling program is to expand the accessibility of the current program in the U.S., Puerto Rico, France, Germany, and Singapore. Eventually, our plan is to offer the inkjet cartridge recycling program worldwide.
greening our paper consumption... and our paper

Paper and paper products make up the largest percentage of the solid waste streams from our operations. We also believe our products and services can help customers significantly reduce their paper use and improve their efficiency.

In our own operations, we are working to use paper more efficiently and to increase our use of recycled paper products. Among the many actions we have taken:

- HP is a board member – along with Bank of America, Chevron, and other companies – of the Recycled Paper Coalition (http://www.papercoalition.org). Working through the Recycled Paper Coalition, member companies agree to pool their purchasing power to help “make the market” for recycled paper.

- Since joining the Recycled Paper Coalition, HP stationery, business cards, and manuals have been printed primarily on paper containing 5% to 10% recycled content.

- We participate in several other U.S. voluntary programs aimed at helping companies maximize their recycling efforts, including the National Office Paper Recycling Project and the U.S. EPA’s WasteWi$e programs.

- We continue to reduce the size and weight of manuals and other literature, print on both sides of the paper, use addenda and revisions for updating manuals rather than reprinting, and maximize the use of post-consumer recycled content paper.

- In 1999, we pledged to restrict purchases of paper made from old-growth forests.

- We market and use our own brand of recycled content office paper containing 30% post-consumer recycled content.

- HP offices worldwide collect used paper for recycling.

We recently adopted environmental purchasing criteria for office printing and copying paper. These criteria include:

- no endangered, ancient or old growth forest content;

- no chlorine-based processing; and

- a minimum 30% post-consumer waste content.

HP sells its own brand of paper, available through our sales representatives as well as through select retail channels. All HP-branded paper products include criteria that they must not be derived from old-growth forests, and be manufactured using elemental chlorine-free processing. We have one paper product that contains 30% post-consumer recycled content, HP Office Recycled.
creating innovative solutions

We are creating new products, services, and business models that deliver more customer satisfaction with less resource use.

Our new product-based printing service model delivers the value of HP products without every customer needing to purchase the product. This enables us to optimize the customer’s hardware mix, while reducing costs and environmental impact.

While HP has traditionally invented and sold physical products, we understand that what our customers really want are the solutions and benefits those products provide. This recognition provides us the opportunity to offer innovative “product-based services.” This increases our incentives to design more efficient products, optimize their use, and reclaim them to close the loop. This increases customer value and satisfaction; has less environmental impact; reduces the ecological footprint by saving energy, and raw materials; and yields greater profit.

One example is HP Managed Print Services (MPS), which redesigns and manages a customer’s entire printing operation, reducing their total printing costs by as much as 30%. In one recent case, MPS replaced 3,600 older printers with 1,400 state-of-the-art devices, cutting customer costs and energy use and reducing hardware mass by an estimated 92 tons.

Another example is @HP portal, an online solution that provides a wide range of personnel resources to HP employees. @HP allows our employees to find information, answer questions, and better manage their work lives by providing greater access to employee resources. Along the way, the portal has eliminated the need for 370,000 time cards, 25,000 tax forms, 13,700 address changes, and other forms and paperwork. We are exploring opportunities to design similar productivity-enhancing services to help our customers reduce their costs and impacts.

select environmental awards, 2000-2001

- Corporate Environmental Leadership Award, Global Green USA, 2001
- Commuter Choice Leadership Initiative, U.S. Environmental Protection Agency, 2001
- Ecohitech 2001 Product Award, Italian Ecoqual’It Consortium, 2001
- Waste Reduction and Recycling Award, City of San Diego, 2000 and 2001
- Golden Oak Award, Wokingham District Council, UK, 2001

“One area where we are differentiating ourselves is with our take-back systems, not only those required by law such as packaging, hardware and batteries, but voluntary systems as well.”

Klaus Hieronymi, General Manager Environmental Businesses Europe
greening our operations

We are steadily improving the efficiency of our own operations to benefit our people, the environment, and our profitability.

Manufacturing high-tech products requires paying the same high level of attention to environmental issues – including energy and water use, hazardous materials, and wastes – that we give to product design. Accordingly, we have implemented systems and programs to improve the efficiency and environmental profile of our facilities and operations.

environmental management systems

Comprehensive use of environmental management systems and ISO 14001 certification has enhanced our identification of opportunities and management of initiatives to improve our effectiveness and our resource efficiency. HP’s environmental management system provides the framework for HP operations to make better decisions, achieve continuous improvement, and meet both legal obligations and our company-wide environmental standards.

Our global environment, health, and safety organization identifies HP’s significant environmental impacts, recommends improvement objectives to management, establishes company-wide standards for environmental practices, and manages audit and assurance procedures that verify how well we conform to the standards and implement the management system. Our operating sites use local resources and procedures to ensure regulatory compliance and to implement improvement plans, operational controls, performance monitoring, audits and reviews, and corrective and preventive actions.

“The fundamental practices that have been in the company since Bill and Dave – citizenship, respect for the environment, respect for the individual, being an asset in the communities where we operate – were put in place many years ago and are reinforced by HP on a daily basis. So most of this is not new or something we now have to think about putting into place. Over many years, the principles, values, and practices which define HP have been consistent and enduring.”

Laine Meyer, Vice President, Real Estate and Workplace Services
ISO 14001 certification

HP is one of the first global businesses to achieve company-wide certification of its worldwide manufacturing operations to ISO 14001, the voluntary international standard for environmental management systems. Issued by Bureau Veritas Quality International, an accredited registrar, this certification validates that HP policies, procedures, and organization for managing the environmental aspects of our manufacturing operations around the world conform to the requirements of ISO 14001.

In addition to ISO 14001, all of our operating sites — manufacturing and non-manufacturing alike — have been subject to our own environmental management system and standards since the early 1980s.

audits and compliance

Compliance with all applicable laws and regulations is a fundamental HP operating principle. Compliance assurance is integral to our environment, health, and safety management system, so preventive measures are taken to identify and correct potential instances of noncompliance. Where violations are alleged — either through self-reporting or regulatory agency inspections — HP takes immediate steps to identify the cause and work with the regulatory agencies as needed to ensure resolution.

In 2001, HP received no environmental citations that resulted in monetary penalties. In 2000, environmental fines for worldwide operations totaled US$6,374; in 1999, the total was US$405. HP has received no citations of occupational health and safety regulations during the last three years.

why ISO 14001?

Developed by the International Organization for Standardization, ISO 14001 is a voluntary international standard that defines the system elements an organization needs to effectively manage its impact on the environment. Key components include a company-wide environmental policy; a systematic approach to planning, implementation, and operations management; checking and corrective action processes; and regular management reviews.

ISO 14001 certification demonstrates HP’s responsiveness to rising customer and shareowner environmental expectations and further demonstrates our commitment to rigorously managing our environmental impacts.

“What’s good for us is going to be good for our customers and for our environment.”

Ken Sutherland, Environmental Program Manager
In settlement of an administrative complaint filed in 1998 that alleged violations of the Toxic Substances Control Act, we entered into a Consent Agreement with the U.S. Environmental Protection Agency in November 1999. Under that agreement, HP paid a civil penalty of US$112,500 and agreed to an independent third-party audit of specified operations and to pay civil penalties in stipulated amounts for violations discovered in that audit. The audit was completed in 2001. In May 2001 HP and Agilent Technologies, HP’s former subsidiary, paid stipulated penalties of $600,000 in full satisfaction of any claims under the Agreement against either company.

**operational efficiencies**

We continue to invest, as we have for decades, in the reduction of energy and the prevention of emissions and waste, reducing the impact of our operations on the environment while often improving our financial performance. HP sets goals and reports performance results for the significant environmental aspects of our operations.

One of our key environmental policy goals is to “conduct our operations worldwide in an environmentally responsible manner.” To do so, we apply the principles of pollution prevention, resource conservation, legal compliance, performance measurement, and continual improvement to minimize the environmental impacts of our operations.

Our operations’ significant environmental impacts are energy use, waste generation (both hazardous and non-hazardous), and chemical emissions. We set improvement goals and implement programs and operational controls to reduce each of these impacts, then measure our progress by monitoring key indicators of performance. Our global environmental standards ensure that procedures and performance expectations are the same for all of our worldwide operations.

Like many companies with a lengthy manufacturing history, HP is involved with environmental soil and groundwater remediations resulting from past operations. In most cases, HP no longer owns or has operations at these sites; however, HP continues to proactively manage the respective environmental risks, working closely with current tenants, local communities and regulators. Activities at these sites range from periodic groundwater monitoring and reporting to advanced groundwater remediation activities. HP is also involved with clean up activities at some third party waste management sites we have utilized in the past. In an effort to prevent this type of liability in the future, HP has implemented a waste vendor audit program to ensure that materials from our operations are sent to reliable third party waste management vendors.
Energy efficiency: using less, saving more

Energy use is a major operating cost and a significant part of our overall environmental impact. The measures we are taking to reduce energy use at our facilities globally are achieving significant energy and cost reductions. (See page 36 for description of our efforts to improve product energy efficiency.) This is not a new activity for HP, but we are giving it a renewed emphasis.

For example, in California, where we are headquartered and where we maintain a major presence, we have achieved a 7% reduction in energy use over the past year. Many individual facilities did even better: our San Diego site cut electricity usage 21% over the prior 12-month period, while our Roseville site achieved a 12% reduction.

Our Roseville technology campus provides a good example of the type of successes we hope to achieve in all our operations. Thanks to the efforts of our employees, the percentage of computers left on after working hours dropped from 33% to only 8% in just one year. Our employees’ efforts also helped both the company and the local utility manage energy during critical energy shortages. The City of Roseville electric utility recognized HP as one of the top five users to voluntarily use less electricity to help avoid rolling blackouts throughout the region.

We have implemented energy-efficiency measures at many other facilities, including:

- installing automated and centralized control systems in our buildings to minimize their energy consumption and maximize their efficiency;
- establishing new temperature set-points and improving monitoring and controls throughout our facilities;
- reducing lighting on a selective basis;
- encouraging employees to turn off computers, monitors, and printers when not in use; and
- educating employees on energy conservation ideas through a web site and other means.

Over the past decade we’ve retrofitted existing facilities to improve their energy efficiency; upgraded to more efficient lighting; optimized heating and cooling systems; and upgraded to more efficient cooling systems. We encourage employees to increase energy conservation in their homes as well.

Thanks to these efforts, our energy use in some locations has declined even as our business has grown. For example, our Cupertino, California, campus has reduced annual energy use by 7% over the past decade despite growing the campus by nearly 19% during that period.

Our plans to deliver additional energy-efficiency gains in the future include:

- meeting ENERGY STAR BUILDING® or similar criteria for new construction and building upgrades;
- engaging actively in the Clean Cargo and Clean Freight programs hosted by Business for Social Responsibility to improve the environmental performance of the partners that transport our products by trucks and cargo ships; and
- collecting and reporting energy use and related carbon dioxide emissions data in all of our operating regions worldwide, and evaluating further specific energy-reduction goals.
Our natural gas use worldwide has remained relatively flat. These charts do not include our European operations, as the data are not yet available. We continue to evaluate measures to reduce our gas use, and improve our tracking systems.

Energy use is declining in our US facilities due to a variety of conservation programs, such as adjusting lighting levels to match work patterns and changing thermostat set points to better control building heating and cooling. Data for our European and Asia/Pacific facilities are not as comprehensive, so we aren’t yet able to adequately track the results of our efforts there. We intend to extend our energy-efficiency initiatives worldwide while we improve our tracking systems in order to better identify trends and further opportunities for efficiency and savings.
waste generation and disposal goals

Solid (non-hazardous) waste disposal to landfill:
- In 2003, increase HP’s Landfill Diversion Rate (LDR) above current levels.
- In 2003, adopt future global or regional waste reduction goals (in addition to LDR).

Hazardous (regulated) wastes:
- Reduce ink waste by 5% in 2003 by implementing reuse programs for concentrated waste ink.
- Implement programs to reduce the disposal of HP’s largest-quantity process solvent:
  - reduce per-wafer use
  - eliminate certain uses
  - continue with closed-loop recycling and reuse (no disposal)
- Maximize the use of recycling and other non-landfill disposal options for regulated wastes. Ongoing goal.

reducing waste: improved efficiencies and reduced costs

Our primary waste-management strategy is to avoid generating waste in the first place. When wastes are unavoidable, we apply the hierarchy of “reduce, reuse, recycle, treat, and dispose.” We evaluate and select waste service suppliers by their ability to adhere to this hierarchy and to safely ensure the proper disposition of wastes.

We have implemented aggressive waste-reduction programs to reduce disposal of both hazardous and non-hazardous waste. We have greatly reduced landfilling of hazardous waste, diverting 96.5% of wastes worldwide in 2001, up from 89% in 2000. HP’s landfill-diversion rate for non-hazardous waste dropped to 78% in 2001; our goal is to reverse this trend and also improve our systems for tracking and measuring waste.

HP promotes the reduction, reuse, and recycling of non-hazardous wastes – such as paper, cardboard, plastic, glass, metals, wood, and electronic scrap – from all business operations, including manufacturing, research and development, offices, and distribution centers. Our goal is to avoid landfill disposal wherever feasible.

Since 1987, HP has submitted annual Toxic Release Inventory reports to the U.S. Environmental Protection Agency, reporting the quantities of certain chemicals emitted into the air and water, or sent to recycling, treatment, or disposal facilities. (See charts on page 56.) Initially performed as a regulatory obligation, we have voluntarily expanded our measurement and tracking of these chemical emissions to our major manufacturing plants elsewhere in the world, even when not required by the local governments.

Our waste-reduction efforts benefit the bottom line as well as the environment. Two examples:
- By implementing a recycling program for a process solvent, one HP manufacturing site saved more than US$800,000 over three years from waste disposal and shipping costs, as well as in reduced materials purchases.
- By standardizing and requiring the reuse of shipping pallets carrying inbound parts and materials, one HP facility reduced pallet use by 50%, saving nearly US$25,000 in disposal costs.

Our solid waste management programs have two goals: to reduce solid waste overall, and increase the percentage of waste kept out of landfill (“landfill diversion rate”). Though total solid waste generated is declining, we have fallen behind on the diversion rate goal; we are working to reverse that trend.
Most hazardous waste are by-products of manufacturing processes. Even though not all of these by-products are considered reportable hazardous waste, we have included them in the charts above and address these materials as part of our waste management reduction processes.
Toxic release inventory (TRI) figures have risen, largely because waste flows sent to recycling and energy recovery are considered “reportable” emissions. However, most of the recycling/energy recovery flow is a process solvent that we send to a recycler, then reused in our manufacturing process. This closed-loop recycling prevents waste and saves operating costs.

Excluding recycling and energy recovery, reportable emissions are more level, and are trending down when normalized to revenue.

HP’s TRI-reportable air emissions (“Air”) and wastewater discharges to local sewage treatment plants (“Water”) have declined, continuing a trend of the past 10 years.

Note: These charts represent “TRI releases” worldwide, though the regulatory requirement applies only to our U.S. operations. Data for 2001 not available at time of publication.
telecommuting and employee travel

Virtual teams and telecommuting enable us to bring the best global talent to serve customers, minimizing fuel use and transcending traditional geographic barriers.

Employee commuting represents another significant part of HP’s environmental impact. To reduce the impact on the environment, as well as on our employees and local communities, we have implemented progressive telecommuting programs, including allowing many employees to work from home. Telecommuting cuts energy and materials use and offers sizable financial benefits for HP and its employees, including:

• Reduced driving impacts, such as gasoline and oil use, vehicle wear and tear, highway congestion, and exhaust emissions.

• Reduced demand for facilities resources, including office space, energy use, and land needed for parking spaces.

• Workplace benefits, including increased convenience and productivity, reduced absenteeism, and strengthened employee commitment.

During 2001, HP’s telecommuting program saved an estimated 1.3 million round-trip commutes, equivalent to 35.8 million miles not driven and more than 16,800 tons of carbon monoxide not emitted into the atmosphere. The program also saved HP employees approximately 1.1 million hours of commute time and US$10.7 million in automotive costs.

Commuting to work is only one type of employee travel that we are examining. As we have extended our analysis of HP’s “carbon footprint,” we have learned that air travel by HP employees contributes a surprisingly large portion of HP’s CO₂ emissions. Though our air travel dropped significantly last year, we will continue to pursue strategies, including telephone and web conferencing, to reduce the impact of employee travel.
climate change and other global concerns

Our deep commitment to environmentally responsible business practices extends from local, facility-based concerns to large, global issues. This is not new for us. For example, in 1993 we eliminated manufacturing uses and emissions of Class 1 ozone-depleting substances (ODSs), which have been associated with the thinning of the earth’s protective ozone layer. We are also driving this practice through our supply chain. Our goal is to phase out Class 1 ODSs from HP’s facility heating, ventilation, and air conditioning systems by 2007.

Another important issue for HP is climate change. We believe there is a need for companies, countries, governments, and people around the world to take action to address global climate change. While others debate these issues, we see opportunities to improve our products and performance, decrease our costs, and reduce our environmental impacts.

For example, the ongoing energy-efficiency improvements in our products and worldwide operations reduce our greenhouse gas emissions.

As an initial goal, in the coming year we will more fully characterize HP’s “carbon footprint” – the CO₂ emissions associated with our operations, products, services – to provide a sound basis for determining future priorities and opportunities in our pursuit of sustainability.

We also are working to reduce chemical emissions of another category of greenhouse gas known as perfluorinated compounds or PFCs, highly specialized chemicals used in the manufacture of semiconductor devices. HP is participating in the “PFC Emissions Reduction Partnership,” a voluntary partnership to reduce emissions of PFCs by 10% from 1995 levels by the end of 2010. However, our more ambitious company wide goal is to reduce PFCs to this level by 2005. HP will continue to minimize our impact on climate change.
greening our supply chain

By extending our environmental commitments and our concerns for labor and human rights practices upstream, we are better able to achieve business, social and product performance goals.

HP has been a recognized leader in environmental management and practices since the 1970s, a time when we manufactured all of our own products. Today, we build most of our products through alliances and partnerships. Other companies manufacture many of our products for us, and the expectations we set for our major suppliers are a key aspect of our environmental and social performance. By extending HP’s environmental commitments and concerns for labor and human rights practices and by giving preference to proactive suppliers, we are better able to achieve business, social, environmental, and product performance goals.

working with suppliers

As we have outsourced more of our production, we have worked to develop, monitor, and guide our suppliers’ practices to be consistent with HP’s environmental goals. In the early 1990s, we formally added environmental performance criteria to our supplier qualification and management processes. This was a significant milestone and placed us among the leaders in procurement practices and supply-chain environmental management. In the late 1990s we published an environmental procurement policy and guidelines and conducted a survey of all major suppliers. In 2001, we began auditing our internal supplier management practices as part of our product stewardship environmental compliance process.

For additional details, visit http://www.hp.com/go/supplierE.

supplier expectations

We expect our suppliers to comply with all applicable laws and regulations as well as basic international principles relating to labor standards, occupational health and safety requirements, and environmental protection.

HP’s standards incorporate basic regulatory requirements, best management practices, and the experience of HP’s worldwide environment, health, and safety experts. We encourage our suppliers to pursue a policy of continuous improvement and to be forthright about sharing relevant information with us. At a minimum, we ask that they:

• Develop and adhere to an environmental improvement policy.
• Create an implementation plan with defined metrics.
• Eliminate ozone-depleting substances from their manufacturing processes.
• Complete the HP Supplier Environmental Performance Review Questionnaire.

As part of our ongoing supplier review process, we further require that our suppliers meet specifications through our purchasing contracts and product requirements. We examine our major suppliers’ policies and plans, as well as the progress they have made in meeting the goals they have set for themselves. Besides giving preference to suppliers that are proactively addressing their environmental impacts, we are dedicated to investigating questionable practices and taking corrective actions when necessary and appropriate.
We suggest suppliers’ environmental policies cover:

- **manufacturing processes** – We encourage suppliers to scrutinize their manufacturing processes, identify potential environmental hazards, and take steps to eliminate them. In addition, we require suppliers to dispose of all waste materials and substances generated during manufacturing in compliance with local waste disposal regulations.

- **power consumption reduction** – We encourage suppliers to improve the energy efficiency of their manufacturing operations and to design energy efficiency into the products they furnish us.

- **information and labeling** – We require suppliers that sell us products containing regulated substances to provide labeling according to applicable regulations and to share that information with us directly.

- **packaging** – We ask suppliers to use the minimum packaging needed to fulfill functional requirements. We urge suppliers to consider refillable containers or reusable packaging when they ship products or materials to us, and that all packaging materials be recycled and recyclable.

- **product recycling and reuse** – We ask suppliers to design their products to facilitate recycling, and that they select and clearly identify recyclable materials whenever possible. We recommend that they design products for disassembly using compatible materials and adhesives, and we encourage them to work with us to research recycling solutions for procured materials.

**supply chain next steps**

To ensure that we minimize the environmental and social impact of our worldwide design, manufacturing, and operational practices, we are currently completing a Supply Chain Corporate Social Responsibility Policy and Supplier Code of Conduct, which will cover labor and human rights issues as well as environment, health, and safety. Our supply chain initiative includes four key elements:

- A clearly defined vision and direction, supported by upper-level management.
- Ongoing development and distribution of our policies, standards, and code of conduct.
- Compliance monitoring.
- Reporting, both to HP and to external stakeholders.

During 2002-2003, we intend to work with our top 40 suppliers, who represent approximately 80% of our product content purchases, to gain their cooperation in establishing common expectations, including continual improvement and innovation in their products, practices, and programs.

In the future, we expect our suppliers to have policies governing worker health and safety and labor and human rights, to establish measurable performance targets, and to develop a plan for meeting those targets. We encourage them to adopt sound management practices including – but not limited to – working hours, working conditions, wages and benefits, minimum age and equal employment opportunities.

Based on a 2001 external benchmarking survey conducted by Business for Social Responsibility, we believe our supplier initiatives make HP a leader in the electronics industry in aggressively pursuing substantive improvements in suppliers’ social and environmental responsibility.
moving forward

We will continue innovating with an eye toward improving customers’ experiences and our profitability by proactively addressing key environmental challenges.

We have accomplished a great deal but continue to be humbled by how much more we must do. We have set high standards for our environmental performance and have integrated environmental management systems into our core operations to help us achieve them. Among our commitments:

• **efficiencies** – We will design and market new products that demonstrate dramatic improvements in energy and material efficiency, including working to “close the loop” through recycling, reuse, and product take-back systems.

• **partnerships** – We will work with suppliers, competitors, governments, and nonprofit organizational partners to extend our product and operational improvements, and the processes for driving them, across the entire product life-cycle and industry value chain. Our goal is to identify opportunities to leverage environmental initiatives to provide our customers with increased capabilities and value.

“All stakeholders are taken into account when we say ‘corporate responsibility’. Our responsibility is to our customers, business partners, employees, and shareholders. The communities that we operate in, the government, and the environment of which we’re a part are a special focus – this is not a question of being nice, but of good business. Large corporations need to thrive over the long term. Social responsibility earns a company the respect that feeds back to its long-term success.”

Ann Livermore, Executive Vice President, HP Services
moving sustainably into the future
Climate change, energy supply/demand tensions and socio-economic development issues – including the digital divide – have emerged as critical challenges for society and, as public awareness and concern increases, society will demand that companies take a leadership role in addressing them.

HP has big challenges ahead – among them, completing our integration with Compaq, maintaining global leadership in the information technology industry, and addressing the many business, environmental, and social issues discussed in this report. We welcome these challenges, and we look forward to our future contributions we will make as an innovative, responsible, and profitable global business leader.

We will work, both on our own and with our partners, to minimize the impacts of our products and operations through socially responsible initiatives. As one of the world’s largest information technology companies we have both a great desire and a great opportunity to address and improve our impacts throughout the value and supply chain – from cradle to cradle.
In the coming months and years, we will focus on three key leverage points:

- **corporate social responsibility leadership** – We will continue to develop and refine our vision, goals, strategies, tactics, and measurement systems to maintain global leadership on critical social and environmental issues. We will set higher aspirations, communicate our goals and performance more explicitly, and be more accountable to both ourselves and our stakeholders.

- **goals and metrics** – Our long record of innovation and engineering excellence has come through quiet leadership and implicit goals. Now we need to communicate HP’s leadership more powerfully to the world. To do so, we will challenge our organization with aggressive goals, and improve our ability to measure, track, and report our environmental and social impacts globally.

  So this year we are declaring high-level aspirational goals, reporting specific goals and accomplishments, and initiating a process to articulate specific – and challenging – quantitative goals for every aspect of our work. In our future reports, we will share these emerging goals, and our performance against them. With the enthusiasm and hard work of our employees and business partners, we intend to deliver substantial progress over the coming years.

- **innovative solutions** – We will continue our long tradition of inventing and providing innovative solutions that meet customer needs while increasing financial, social, and environmental value.

In the longer term, we have set our sights even higher in our continuing efforts to leverage our strengths as a company and a leader in corporate social and environmental responsibility. Our goal is to drive beneficial change while ensuring our lasting competitive advantage in three ways:

- **raising the bar** – We will introduce responsible products, business models, and practices of such compelling value that our industry will seek to replicate them. What will begin as a source of competitive advantage will become the standard – and we’ll then raise the bar again. And again.

- **changing the game** – We will, both alone and in collaboration with our industry partners, promote and implement paradigm-shifting operational models – such as carbon-neutral operations, zero-waste manufacturing, and closed-loop product takeback systems – that benefit customers, society, and the environment.

- **closing the digital divide** – We will work with other technology companies to leverage our abilities and our reach to close the digital divide around the world, thereby extending the benefits of information and communications technology, and the power and profitability of HP’s innovation.
defining roles, solving problems

“We’re working to define the role companies can and should play working in collaboration with other sectors to solve some of the fundamental problems in the world. My aspiration is that HP be viewed as a real leader in this space. A leader in the dialogue. A leader in forging new kinds of relationships with nonprofit organizations and governments. And I believe products and services will come out of that.”

Debra Dunn, Senior Vice President, Corporate Affairs
glossary of terms

Like many companies, we use a variety of terms in our efforts in the corporate social and environmental arena. While these terms deserve longer definitions than we provide here, here are brief descriptions of what they mean to us:

**Blue Angel** – German eco-label, the first national ecotagging program.

**Carbon Neutral** – the point at which the carbon dioxide produced by a particular activity is 100% ‘offset’ – for example, absorbed by forestry or balanced by the CO₂ emissions saved through technology improvement.

**Closed-Loop** – products and manufacturing systems in which surplus or unwanted products and materials are recaptured and put to productive use, so that nothing goes to waste.

**CO₂** – Carbon dioxide – a gas, the by-product of energy generation and/or energy use associated with fossil fuels, believed to be the most significant contributor to global climate change.

**Dematerialization** – Providing the same or an increased level of service with smaller and lighter products.

**Digital Village** – HP program to help underserved communities fulfill their aspirations for participation in the digital age.

**Eco-label** – Product certification, typically provided by independent NGO or government agency, to verify that a product or service meets specified environmental (and in some cases consumer protection) performance standards.

**Ecological Footprint** – the amount of the earth’s productive capacity encumbered (to provide resources or process wastes) by specific human activities, measured as a percentage of productive land area.

**EHS** – Environment, Health and Safety – the department of the company charged with maintaining workplace safety, compliance with applicable regulations, and facility environmental performance.

**Emerging Markets** – Countries making an effort to change and improve their economies with the goal of raising performance to that of the world’s more advanced nations. (http://www.emdirectory.com)

**Environmental Management System (EMS)** – The portion of the company’s business management system – including policies, procedures and organizational structure – the company uses to manage its environmental affairs.

**ENERGY STAR®** – eco-label developed by the U.S. Environmental Protection Agency products and services that meet specified energy efficiency criteria.

**Footprint** – the ecological impact of human activity.

(see: Ecological Footprint)

**GREENGUARD** – eco-label registry for indoor air quality of products – for example, printer VOC emissions.

**Global Reporting Initiative (GRI)** – project developing standards on corporate environmental and sustainability reporting and maintained by the Coalition for Environmentally Responsible Economies.


**Landfill diversion rate** – percentage of waste that does not go to landfill, i.e. is reused, recycled, used for energy recovery, and/or incinerated.

**Natural Capital** – the natural resources and ecosystem services that make possible all economic activity. Examples include such natural “services” as purifying water and air, growing and reproducing food plants, controlling pests, and heating and cooling through solar energy.

**NITO Eco Declaration** – The Nordic Information Technology Organization initiative to make the environmental properties of copy machines, multifunctional devices and telecom products transparent.

**Ozone depleting substances (ODS)** – Chemicals that damage the atmospheric ozone layer which blocks out ultraviolet radiation.

**Renewable energy or resources** – Energy or resources that can be replenished at rates equal to their rate of use by society.

**Server Farms** – Facilities that house dozens or hundreds of computers that manage data for companies, computer networks, and web sites.

**Sustainability** – The ability to meet the needs of present generations without compromising the ability of future generations to meet their needs.

**VOC** – Volatile Organic Compounds

**Zero Waste** – Elimination of waste released to the environment. Achieved through extensive design, dematerialization, reuse, and recycling.
editorial: Natural Logic Inc.
design: Celery Design Collaborative
printing: 100% post-consumer recycled paper using soy-based inks