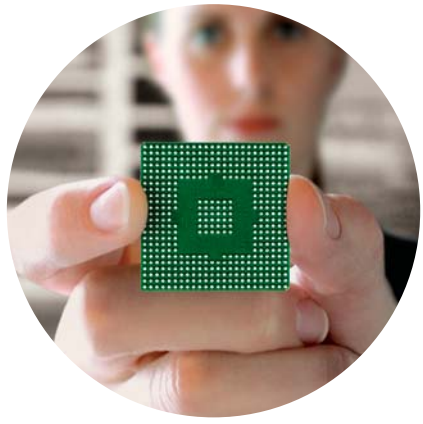

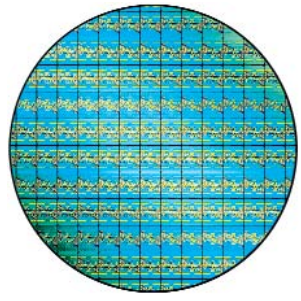

Continuity and Commitment

Global Citizenship Report 2004

intel.com/go/responsibility

Report Scope and Profile

This report, addressing Intel's worldwide operations and facilities, was published in May 2005. The report contains data from 2002 through 2004. Throughout the report, we discuss the management systems used to monitor and collect our data and indicators. Environmental, health and safety (EHS) data include widely accepted parameters and units. Principles and policies apply to all officers and employees of Intel and its subsidiaries. Financial data is presented in U.S. dollars.

The printed report and supplemental web-based content are published in accordance with the Global Reporting Initiative* (GRI) 2002 Sustainability Reporting Guidelines. A GRI content table is provided as a cross-reference to the report content. An expanded GRI content table is included in the web version of this report, which is located on the Internet at **www.intel.com/intel/finance/gcr04**. The previous report was published in May 2004.

A full discussion of the company's operations and financial statements is included in our Form 10-K filing with the Securities and Exchange Commission, available on our Investor Relations web site at **www.intc.com**. Questions, comments or feedback on this report are encouraged. Please contact Dave Stangis, Director of Corporate Responsibility, or Tracy Koon, Director of Corporate Affairs, via mail or e-mail at **Responsibility@Intel.com**, Intel Corporation, 5000 W. Chandler Blvd., CH7-301, Chandler, Arizona 85226, USA.

GRI Content Table

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Terry McManus
1948–2005

This report is dedicated to the memory of Terry McManus, Intel Fellow and friend of the environment. Terry joined Intel in 1983 and spent his entire career at Intel working in the field of environment, health and safety (EHS). He played a key role in building Intel's global reputation as a leader in EHS, and he managed Intel's corporate environmental affairs function for 14 years.

Contents and Highlights

Executive Summary

4 Continuity and Progress

CEO Craig Barrett discusses how Intel is working to improve an understanding of Intel Values and culture among employees at a time of transition—and continuity.

Corporate Performance

6 Organizational Profile
Intel employs approximately 85,000 people in more than 45 countries.

8 Stakeholder Relationships
Effective stakeholder relations are vital to our long-term success.

10 Performance Summary
Track Intel's progress in key areas of EHS and social performance.

11 Goals and Targets
Review Intel's corporate responsibility objectives for the years to come.

12 Governance and Management Systems
Guided by Intel Values, the company seeks to embed responsibility throughout the organization, from supply chain to global sites.

13 Economic Performance
In 2004, Intel saw record annual revenue and robust demand for Intel® architecture products across all geographies.

Environment, Health and Safety

14 Challenge and Opportunity

Intel's EHS director summarizes EHS performance for 2004 and explains the dynamics involved in maintaining continued excellence in the future.

16 Resource Sustainability
Our engineers continue to drive water conservation measures and reinforce our energy reduction goals.

17 EHS and the Workplace
Intel continues to set the industry benchmark for world-class safety performance.

18 Product Ecology
In 2004, we announced that Intel will be eliminating approximately 95% of the lead used in our processors and chipsets.

20 EHS in the Community
Our sites around the world continued their engagement with local communities in relevant EHS efforts.

21 Inspections and Compliance

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Social Programs and Performance

24 Responsiveness and Responsibility

Intel President and COO Paul Otellini discusses how our new platform approach to business also applies to the way we help employees create and innovate in the workplace.

26 Workplace Environment
We are committed to providing what our employees need in order to thrive.

29 Employees Speak Up
Using a process known as Organization Health, we gain valuable perspectives on employees and the workplace.

31 Diversity
Our Corporate Diversity team developed a retention and training strategy to create sustained leadership throughout Intel.

33 Education
Intel's education initiative set and met aggressive targets for success, and faced challenges related to creating scalable programs that address the needs of educators worldwide.

35 Technology in Society
Intel technology is being applied in our communities to improve communications and address societal needs.

37 Community Involvement
In 2004, Intel's Foundation and employee giving provided close to $107 million to communities worldwide.

39 External Recognition
In 2004, Intel received recognition and awards at the corporate, regional and local level.

Continuity and Progress

Craig R. Barrett

2004 was a year of ups and downs for Intel and our industry. We had many successes, but also some fairly public product challenges. We took the time and effort in 2004 to refocus on our long-standing Intel Values and how they relate to our company's operational excellence.

I held a lot of frank conversations with our employees, and they engaged in our Intel practice of constructive confrontation by communicating very directly with me.

We took a hard look at ourselves through a formal self-assessment process and determined that we needed to take several steps. We must improve our understanding of what Intel Values and culture mean, and all of our employees must clearly understand the company's priorities and expectations. To accomplish this, we developed a new Managing for Excellence program to foster both upward and downward communication.

Intel business groups will be using this self-assessment as part of our quality management program. I believe that this will result in faster and more accurate information flow throughout the company, a better understanding of priorities among all employees and timely decision-making. These changes are not a "one-time thing"; they will be a permanent part of Intel's business processes, now and in the future.

Comprehensive view of corporate responsibility

One thing hasn't changed: our goal to model corporate responsibility in all of our actions and communications. As our competitors, stakeholders and employees continually raise the bar for performance, achieving excellence in corporate responsibility means more than publishing a report once a year.

Our vision and strategy are to drive increasing sustainability, taking into account not only economic but also environmental, community and workplace performance. Corporate responsibility is simply good management; it's not extra or superfluous. It needs to be embedded in the way we do business—in human resources; public affairs; purchasing; quality; investor relations; legal; environment, health and safety; and every other aspect of our corporate life. Corporate responsibility is firmly anchored in Intel Values and is integrated into our Corporate Business Principles.

Intel Values are the constant

2005 will be both a year of transition and a year of continuity. In addition to the business transitions I've mentioned, we will see some significant leadership transitions. As of May, I will move from CEO to Chairman of the Board. Andy Grove will no longer serve on our Board, but will assume the role of senior advisor to the Board and to senior management. Paul Otellini will move into the role of CEO.

These types of transitions at Intel are executed with forethought and planning. Among the three of us, we have nearly 100 years of experience at this company. In times of transition, we look to our values as the bedrock of our decision-making. Our stakeholders see the external signs of transition: growth in emerging markets and product transitions. But they should also see the continuity and constancy of our focus on corporate responsibility, which is illustrated by the content of this global corporate citizenship report.

A company's social responsibility profile would require an endless list of ingredients. To make our reporting more useful to our readers, we try to prioritize content based on the impact that these issues have on our society and the communities in which we operate.

Carrying our focus forward

We continue to focus our energies on improving our environmental and safety performance. While we have achieved notable successes in water use, waste recycling, employee

Intel employees apply their education, skills and experience to develop the next generation of technologies.

We work to improve educational opportunities and increase access to technology worldwide.

safety and wellness, and building waste reduction goals into new manufacturing technologies, challenges remain in reducing air emissions and energy use.

We have brought our passion, technical savvy and experience to the task of improving education and fostering relationships worldwide with educators, governments and communities. Our education programs are now available in more than 50 countries, and in 2005, we will expand that reach by beginning initiatives in several new places around the world.

Our employees have tapped their knowledge and energy by getting involved, helping to solve problems and bringing benefits to the communities where they live and work.

On the policy and governance front, we have worked with several other technology companies to create and endorse a code of conduct for the electronics industry supply chain.

Perhaps most importantly, we've established accountability for corporate responsibility performance and reporting at the Board of Directors. We will discuss these subjects and more in this report.

We also face challenges. Upholding our culture, principles and expectations as we continue to serve growing markets in emerging economies takes diligent focus. Environmental and workplace safety performance is never just "good enough." Intel stakeholders insist that we do more than mind our own operations. They want us to help improve their communities, enhance their competitiveness and share our strengths to help them be more productive.

Many of the issues we work through with our stakeholders are complex and require continued focus year after year. For example, in 2004, we were involved in dialogues on topics ranging from supplier performance and lobbying strategy to energy and water use. I'm confident that during my transition to Intel's Chairman of the Board and Paul's transition to CEO, our commitment to excellence in corporate responsibility will remain. I've enjoyed the opportunity to see this discipline mature, and will continue to monitor our performance in my new role as Chairman.

This is Intel's fourth Global Citizenship Report. In what follows, we attempt to offer a balanced and reasonable presentation of our organization's economic, environmental and social performance in 2004, and outline our priorities for the future. We continue to publish this report in accordance with the Global Reporting Initiative* (GRI) 2002 Sustainability Reporting Guidelines, and will do so in the future.

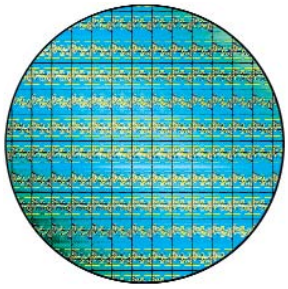
In these pages, you will find a summary of our actions, initiatives, focus areas and performance data for 2004—an annual account of our performance as a global corporate citizen. I hope you will also sense a progression: building on past successes but always finding new challenges to work on as we go forward. 2004 had its high points and its challenges. The final week of the year brought tragedy to the Indian Ocean countries unlike anything witnessed previously. We can't predict everything we will face in 2005, but we do know that by staying true to our Intel Values, we will tackle those challenges as we have in the past—with an eye on the future.

I am proud of the way our employees have focused on helping Intel rebound during this trying year, and helping their communities become better places to live and work. We are prepared for the challenges ahead.

Craig R. Barrett
Chief Executive Officer

Organizational Profile

Intel is the world's largest silicon chip maker and a leading innovator of technologies that power today's computing and communications industries. Our mission is to be the preeminent building block supplier to the worldwide digital economy.



The dual-core Intel® Itanium® processor, code-named "Montecito," is the first billion-transistor processor.

Our products reside at the core of innovative desktop and wireless notebook computers, Internet servers, factory equipment, cell phones, automobiles and thousands of other devices that are transforming our everyday lives. Since its founding in 1968, Intel continues to help empower people to do more, enhance their knowledge, strengthen their connections and change the world.

Major products and customers

Our products include microprocessors; chipsets; motherboards; flash memory; communications infrastructure components, including network and embedded processors; wired and wireless connectivity products; products for networked storage; application processors; and cellular baseband chipsets.

Our customers include:

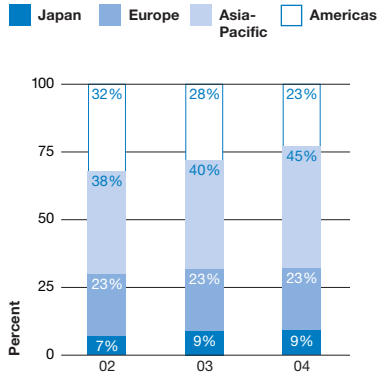
Original equipment manufacturers (OEMs) and original design manufacturers (ODMs) who make computer systems, cellular handsets and handheld computing devices, and telecommunications and networking communications equipment.

PC and network communications products users (including individuals, large and small businesses, and service providers) who buy PC components and board-level products, as well as Intel's networking and communications products, through distributor, reseller, retail and OEM channels throughout the world.

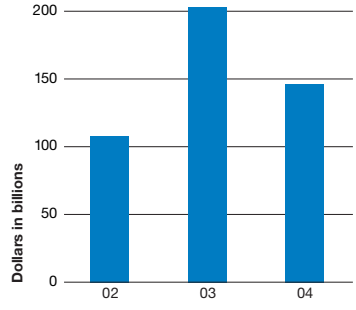
Other manufacturers, including makers of a wide range of industrial and communications equipment.

➡ **www.intel.com/products/a_z**

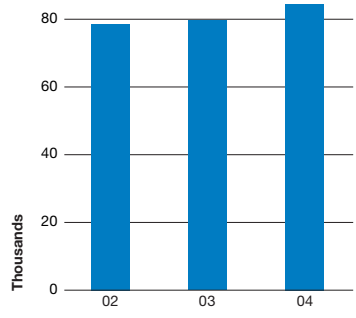
Geographic Breakdown of Revenue



Market Capitalization—Year End



Employees Worldwide—Year End



Download a spreadsheet of the data in this report at ➡ **www.intel.com/intel/finance/gcr04**

Intel Values

• Customer Orientation • Discipline • Quality • Risk Taking • Great Place To Work • Results Orientation

➡ **www.intel.com/jobs/workplace/values.htm**

Global operations

Employees. Intel's workforce is made up of approximately 85,000 people in more than 45 countries. Approximately 60% are located in the U.S.

Manufacturing. At year-end 2004, nearly 70% of our wafer manufacturing, including microprocessor, chipset, flash memory and networking silicon fabrication, was conducted in the U.S. at our facilities in Arizona, California, Colorado, Massachusetts, New Mexico and Oregon. Outside the U.S., more than 30% of our wafer manufacturing, including microprocessor, chipset, flash memory and networking silicon fabrication, was conducted at our facilities in Ireland and Israel.

Assembly and test. We perform a substantial majority of our components assembly and testing at facilities in Costa Rica, China, Malaysia and the Philippines. We also manufacture microprocessor- and networking-related board-level products, primarily in Malaysia.

Subcontractors. We primarily use subcontractors to manufacture board-level products and systems, and we purchase certain communications networking products from external vendors, primarily in the Asia-Pacific region. To augment capacity in the U.S. and internationally, we use subcontractors (foundries) to manufacture wafers for certain components, including networking and communications products. We also use subcontractors to perform the assembly of certain products, primarily flash memory, chipsets, and networking and communications products.

Intel's expectations for business integrity, ethics, EHS compliance and employment practices are the same for all suppliers and contractors worldwide.

Organization. Intel is organized into five major product groups in line with the company's strategy to drive development of complete technology platforms based on Intel ingredients.

The *Mobility Group* develops platforms for notebook PCs and handheld computing and communications devices, and is aimed at making the growing numbers of different mobile devices work together more reliably and conveniently.

The *Digital Enterprise Group* develops computing and communications infrastructure platforms for end-to-end business solutions.

The *Digital Home Group* develops computing and communications platforms for use by consumers in the emerging digital home, with emphasis on living room entertainment applications and consumer electronics devices.

The *Digital Health Group* develops products and explores business opportunities for Intel architecture products in healthcare research, diagnostics and productivity, as well as personal healthcare.

The *Channel Platforms Group* expands on Intel's success in global markets by focusing on developing and selling Intel products to meet the unique needs of local markets worldwide.

Worldwide Locations†

Locations	Activities	Employees
Belgium	OS, SM	90
Brazil	OS, SM	110
China		
Beijing	R, SD, SM	400
Chengdu	A	130
Hong Kong	OS, SM	210
Pudong/Shanghai	A, C, SD, SM	3,600
Shenzhen	SM	200
Taiwan	OS, SM	350
Costa Rica	A	2,090
Denmark	A, C	110
France	C, OS, SM	110
Germany		
Braunschweig	C	90
Munich	SD, SM	220
India	OS, R, SD, SM	2,440
Ireland	F, OS, SD, SM	3,710
Israel		
Haifa	C, OS, R, SD	1,700
Jerusalem	F	740
Lachish	F	2,000
Petach-Tikva	C	500
Japan		
Tokyo	SD, SM	300
Tsukuba	R, SM	160
Korea	OS, SM	120
Malaysia		
Kulim	A, L, SM, SY	2,500
Penang	A, L, R	6,200
Mexico	C, OS, SM	150
Netherlands	L	150
Philippines	A, C, L, R, SM	5,090
Poland	OS, SM	220
Russia		
Moscow	R, SD, SM	330
Nizhny-Novgorod	R, SD	300
Novosibirsk	SD	190
Sarov	SD	100
St. Petersburg	SD	60
Singapore	OS, SM	240
United Kingdom	R, SM	950
United States		
Arizona	A, F, OS, R, SM	8,990
California		
Folsom	C, OS, R, SD, SM	6,000
Fremont	C, R	350
Irvine	C, R	80
San Diego	C, R, SM	440
Santa Clara	C, F, OS, R, SM	6,080
Colorado	F, R	960
Illinois	R, SD	50
Massachusetts	C, F, R, SD	2,080
New Hampshire	SD	70
New Jersey	C	640
New Mexico	F, OS, R	5,120
New York	C	70
North Carolina	C, R	50
Oregon	C, F, L, OS, R, SD, SM	15,300
South Carolina	C, R	160
Texas	C, R	540
Utah	OS	260
Virginia	OS	60
Washington	OS, R, SD	1,140

†Intel sites with more than 50 employees.

Key: **A** Assembly & test **C** Communications **F** Fabrication **L** Logistics **OS** Other support **R** Research & development **SD** Software design **SM** Sales & marketing **SY** Systems manufacturing

➡ www.intel.com/community ➡ www.intel.com/jobs/sites

Stakeholder Relationships

We derive value from our diverse stakeholders and maintain formal management systems to engage with, monitor and learn from them. Our culture of direct communication also helps foster strong issue- and policy-based relationships.

Stakeholder Engagement

Stakeholders	Tools and Processes	Benefits
Employees	Wide-ranging mechanisms for employees worldwide, including *Circuit News,* Letters to the Editor, Business Update Meetings, Executive Open Forums, Write To Know anonymous Q&A, Open Door process and employee support groups	Multiple processes support direct communication up and down the organization and promote an environment of diversity and inclusion.
Customers	Customer Excellence Program	Objective customer feedback drives improvement and empowers employees to have a positive impact on customers and receive an additional day of pay twice a year based on customer satisfaction.
Suppliers	Supplier communications hub ➡ **https://supplier.intel.com** Annual Supplier Days Supplier newsletter	Consistent expectations, positive interactions regarding new priorities and improved tracking tools for Intel suppliers. Improved interaction with stakeholders in development of Supplier Code of Conduct.
Communities	Community Advisory Panels and Perception Surveys Community web pages with feedback options Extensive working relationships with educators and educational institutions worldwide ➡ **www.intel.com/community**	Framework for community relations programs worldwide. Align tools and evaluation methods with community priorities. Provide local communities with a broad range of resources.
Investors	Proactive meetings with social-oriented fund managers and analysts Timely interaction with investors and research firms	Feedback and benchmark data from firms drive improved performance. Detailed, firsthand investor insight on emerging issues.
Governments and Policy Makers	Active engagement in policy and legislative efforts worldwide Intel Government Affairs and Public Affairs work together to build Intel's credibility and win the trust of policy makers	Fosters credible and trustworthy relationships. Strengthens regard for Intel as a valued corporate citizen. Creates a supportive public policy environment.
Non-governmental Organizations	Issues meetings, formal dialogues and projects, and multi-sector efforts	Promote mutual understanding on critical issues. Discussions in 2004 included resource use, supplier expectations, globalization, executive compensation and more.

Community engagement

Intel and the Community—New Mexico. In 2004, the Corrales Air Quality Study came to a conclusion after two years of work. The study sought to determine whether an air quality problem existed in the Corrales area adjacent to the Intel plant, whether any problems could be attributed to Intel operations, and finally, whether air pollution could be contributing to health problems. The study task force included the New Mexico Environmental Department, the New Mexico Department of Health, local residents, citizen activists, Intel and local business owners. The results were published and briefly concluded: "This health risk assessment did not find evidence that any of the modeled or measured chemicals are associated with increased acute or chronic health risks…. However, uncertainties associated with the limited nature of available monitoring and modeling data do exist."

The full study, results and conclusions can be found at ➡ **www.nmenv.state.nm.us/aqb/projects/Corrales/index.html**

The final report included recommendations from various stakeholders on the task force, including Intel. Task force members unanimously supported 12 recommendations, including the establishment of a forum to focus on environmental improvements at Intel, more communication about site operations and continued improvement in regulatory oversight of the facility.

Following the study, Intel reconstituted the site's Community Advisory Panel (CAP) with advice collected from a formal community survey. We purposely invited the strongest citizen activist organizations to be members of our CAP. Although some activists and critics are participating, two of Intel's strongest critics have declined the standing invitation.

Following the recommendations of the task force study, a Community Environmental Working Group was established. We invited the same citizen organizations to become members of this group as well. The Working Group's meetings are held monthly and are open to the public. Meeting summaries are published in local newspapers.

John Barlitt, chair of New Mexico Citizens for Clean Air & Water and acting chair of the Community Environmental Working Group, gave us his assessment of the group's first months of activity, and of how Intel can improve its environmental standing in New Mexico in 2005:

"In the first five monthly meetings, a new means of public interaction uncovered four new possibilities to help ease Intel's air emissions. In late summer 2004, the Working Group took to the task of environmental improvement. The Working Group includes long-time 'green' activists, local critics of Intel, other community voices and two from Intel. A green activist acts as chair. The hope is to replace the old ways of interacting with new ones that yield continuously better results for all concerned, a mindset that Intel uses well for improving chips. The Working Group's 'principles of progress' include:

- Focus on any chance to make environmental gains, not on judging health effects or whose position is more perfect.
- Regularly measure, record and publicly report on trends, as in air emissions.
- Publicly report in new ways that cut the 'spin'; all sides use too much spin on public issues.
- Give credit for improvement everywhere it is due: critic, regulator, Intel engineer or fiscal officer.

Intel can do two things to maintain credibility in these forums: 1) give credit when due to local stakeholders; and 2) disclose research and report progress on implementing new wafer cleaning technologies, such as super-critical CO^2."

Government affairs

Respected and credible voice. Intel operates a worldwide Government Affairs organization to foster and maintain relationships with government leaders. We strive to be helpful as governments develop public policy in areas where we have competence. Additionally, we work to promote collaboration in the marketplace by hosting government officials from around the world at our sites. In compliance with applicable lobbying laws, we participate in lobbying in many of our site communities on issues that are important to our company and our industry. State lobbying expenditure reports are available within each state's appropriate oversight organization. Intel files reports detailing federal lobbying expenditures and activities at

➡ **http://query.nictusa.com/cgi-bin/dcdev/forms/C00125641**

Public policy priorities. Intel engages with governments on wide-ranging policies that affect our business, our employees and our customers around the world. A summary of our key positions follows.

Free trade. Intel works with governments around the world to reduce barriers to trade and encourage the flow of goods and services across borders. We advocate multilateral, regional and bilateral trade agreements to accomplish these goals.

Wired and wireless broadband deployment. We believe that broadband services are key to growth in the technology sector and will play an important role in economic expansion. Information access can be a major catalyst for the economy, bringing the social benefits of technology to healthcare and education, and providing accessible government to rural and developing areas around the world.

Digital rights management. Intel respects intellectual property rights and opposes piracy. We continue to work with content owners to help protect their property, while allowing consumers to enjoy digital content. Intel believes that combating piracy requires a combination of technical solutions, new business models, enforcement of existing laws and consumer education.

Education. We believe that education plays a vital role in the growth of a global, knowledge-based economy. We support initiatives that promote math, science and engineering; increased investment in education that demonstrates positive results; and the development and support of high-quality teachers.

Environment. We take a proactive approach to working with government agencies worldwide, helping to craft environmental policy that advances sustainability while preserving our ability to innovate and operate.

In response to government initiatives worldwide, high-tech companies are now addressing the elimination of lead from electronic products. Intel's approach has been to invest in developing lead-free technologies while working closely with governments to address applications for which lead-free technology is not yet available. We support harmonization to ensure that these requirements are implemented in a consistent manner globally.

Political contributions. *Intel Political Action Committee (IPAC).* IPAC was created in 1980 to allow employees to support candidates whose legislative goals coincide with Intel's public policy priorities. An IPAC Steering Committee meets periodically to review and evaluate candidate requests.

U.S. Congressional and State legislative candidates are eligible to receive IPAC contributions. Candidates are evaluated according to their voting record on Intel's public policy priorities, support and concern for Intel Values, and presence and engagement in Intel communities. The committee also considers individual Intel employee recommendations.

IPAC does not contribute to presidential campaigns, past campaign debt or political parties. Intel discloses IPAC contributions made and received in reports filed with the U.S. Federal Election Commission at

➡ **http://query.nictusa.com/cgi-bin/dcdev/forms/C00125641**

Intel corporate contributions. Intel does not contribute corporate funds to federal candidates or political parties. Our operating sites in the U.S. contribute to local candidates and issues as permitted by law and to political action committees of organizations with which we share interests. At this time, we do not centrally track these site-based contributions.

Performance Summary

2004 Goals	2004 Performance
Environment	
Recycle 50% of chemical waste generated worldwide.	Recycled 63% of chemical waste generated worldwide.
Recycle 70% of solid waste generated worldwide.	Recycled 73% of solid waste generated worldwide.
Develop a worldwide goal for reducing chemical waste generation.	Waste minimization goal designed into new manufacturing technologies.
Achieve a 10% absolute reduction in perfluorocompound (PFC) emissions from 1995 levels by 2010.	Reduced 19% absolute PFC emissions from 2003 levels—remain on track to meet 2010 goal.
Continue to purchase 30% recycled-content paper for all copiers and printers in the U.S.	A late 2004 supplier shortage of 30% recycled content paper and corresponding price rise led us to suspend the mandate to purchase recycled paper, and as a result we missed this goal. We continue our transition to a digital/paperless company and have set long-term reduction goals on overall use.
Reduce worldwide energy use 4% per year through 2010 on a production-normalized basis.†	Energy use increased slightly in 2004, but we are confident about meeting our long-term goal of an approximate 30% reduction by 2010.
Hold seven U.S. events as part of the U.S. EPA's Plug-In to eCycling program, which recycles old computers, TVs and cell phones.	Held seven U.S. events in 2004, with more than 357,000 pounds collected—a 49% increase from 2003.
Develop and release public design guidelines for driving the use of energy-efficient power supplies in desktop PCs.	Publicly released design guidelines in 2004 at industry conferences.
Health and Safety	
Be the world-class benchmark for employee health and safety performance.	Maintained world-class safety performance, with a year-end recordable rate of 0.29.
Education	
Expand Intel® Teach to the Future professional development to an additional 700,000 teachers, with a special focus on emerging markets such as China, India, Mexico, the Middle East and Russia.	Successfully trained 850,000 additional teachers worldwide, bringing the total to more than 2.3 million teachers trained in more than 30 countries. Trained 190,344 additional teachers in China; 139,922 in India; 110,254 in Mexico; 20,168 in Jordan; and 81,741 in Russia.
Support science learning worldwide by increasing opportunities for students to participate in more than 80 affiliated fairs that feed the Intel International Science and Engineering Fair (Intel ISEF).	Attracted a record number of participants (1,400) from 42 countries and territories at Intel ISEF 2004 in Oregon. Reached more than 100 educators from 28 countries through the Intel Educator Academy.
Community	
Employ active stakeholder engagement tools, data collection and feedback at 100% of our manufacturing and assembly/test sites.	100% of Intel manufacturing and assembly/test sites now employ stakeholder engagement tools. The 2005 goal focuses on integrating stakeholder inputs.
Promote and manage the Intel Involved volunteer program to achieve 30% employee participation worldwide.	Achieved 30% worldwide volunteer rate in Intel Involved program.
Human Resources and Diversity	
Sustain existing relationships and develop two new relationships with key national organizations that support the retention and development of women and under-represented minorities.	Maintained and strengthened existing relationships. Established new relationships with the Anita Borg Foundation and the National Council of La Raza.
Increase representation of women and under-represented minorities in technical positions.	Made slight progress in under-represented minorities.
Build and hire a diverse pool of interns and recent college graduates equal to or higher than availability.	Met goals for under-represented minorities.
Continue to develop and strengthen partnerships between Intel and Historically Black Colleges and Universities. Provide support via donations, retention, enrollment grants and hiring goals.	Donated wireless technology equipment and installations valued at $195,000 to Tuskegee, Morehouse, Spelman and North Carolina A&T State. Developed an Intel/UNCF Scholarship Program providing $250,000 in assistance, plus end-of-life Intel products valued at $60,000 to 16 schools.
Increase spending with diversity suppliers by 30% from 2003 levels. Strive for 100% inclusion of historically underutilized businesses in all bidding opportunities.	Exceeded spending growth goal. Achieved 97% inclusion rates in all bidding opportunities. Improved expenditure tracking capabilities with second-tier suppliers.
Install 14 new Intel® Computer Clubhouses in 2004, increasing presence outside the U.S. from 33% to 37%.	Installed 13 new Clubhouses (93% of goal), in Brazil, Jordan, Mexico, Panama, U.S. (Arizona, California, Colorado, New Mexico, Pennsylvania, Virginia). Total number of Clubhouses as of December 2004 was 95, with 32% in locations outside the U.S.

†This goal was not clearly communicated last year. The goal is to reduce our annual normalized energy consumption by *an average* of 4% each year through 2010, starting from the baseline year of 2002. If we hit this target, our annual normalized energy usage will have decreased approximately 30% over the eight-year time frame (2002–2010).

Goals and Targets

2005 Goals and Targets

Environment
Continue to recycle 50% of the chemical waste generated from our worldwide facilities.
Continue to recycle 70% of the solid waste generated from our worldwide facilities.
Continue to offset at least 30% of our total incoming fresh water supply needs with reclaimed water and more efficient systems.
Reduce normalized energy consumption by an average of 4% per year from 2002 through 2010.
Continue progress to achieve a 10% absolute reduction in perfluorocompound (PFC) emissions from 1995 levels by 2010.
Establish waste minimization goals for future manufacturing technologies to reduce chemical waste generation per unit of production over time.
Reduce office paper consumption 50% per employee from 2004 levels by 2010.
Conduct at least seven U.S. and two international electronics waste collection events. Increase the number of Rethink members/solutions.
Health and Safety
Continue to lead the world in employee health and safety performance.
Maintain contractor health and safety performance at world-class levels.
Education
Build on the worldwide success of the Intel Teach to the Future program by expanding reach to an additional 500,000 teachers in existing countries as well as two additional countries.
Successfully expand the new Intel® Learn program to four additional countries with the goal of reaching 75,000 learners.
Community
Develop a system to track stakeholder feedback in community relations planning and/or programs, and demonstrate incorporation of feedback into planning at 50% of Intel sites worldwide.
Achieve 33% worldwide volunteer rate in Intel Involved program.
Human Resources and Diversity
Install 12 new Intel Computer Clubhouses in 2005, exceeding the original goal of 100 Clubhouses worldwide.
Develop a strategy for broader implementation of the Intel Computer Clubhouse Network.
Continue to develop and strengthen partnerships between Intel and Historically Black Colleges and Universities through cash and equipment donations and student scholarships.
Sustain existing relationships and develop one new relationship with key national organizations that support the retention and development of women and under-represented minorities.
Get 35% closer to parity in hiring under-represented minorities and women.
Supplier Diversity
Achieve a level of 12% of total eligible spends with diversity suppliers.

Governance and Management Systems

Our standing as a socially responsible corporate citizen is important to us, and we employ systems and processes to manage it. To that end, we direct our corporate responsibility efforts across a global network of Intel organizations, and we exercise discipline, a core Intel Value, in doing so.

Well-managed transitions provide stability for the corporation.

We strive to conduct ourselves with uncompromising integrity and professionalism. Whether in customer interactions, oversight of contractor safety or stakeholder engagement in our local communities, we ask "how?" no less than "why?"

Intel's Corporate Business Principles (CBPs) serve as the backbone for guiding our employees, including corporate officers, as they conduct their business. Additional guidelines, such as our Principles for Responsible Business, complement the CBPs. We believe that these policies should be transparent and publicly available. We have compiled an Intel Policy Set to fulfill this commitment as well as meet the goals of the Global Reporting Initiative.

➡ **http://download.intel.com/pressroom/archive/backgrnd/Policy_Manual_2004_GCR.pdf**

Overall, Intel's Board of Directors has undergone few changes since our last report; however, one important change involves our Corporate Governance and Nominating Committee. This committee is charged with reviewing and reporting to the Board regarding our corporate responsibility performance. The committee reports on environmental-, workplace- and stakeholder-related corporate responsibility issues as well as the company's public reporting on these topics. The expanded committee's efforts are already being put to use.

Electronics Industry Code of Conduct

Intel, in conjunction with Cisco Systems, HP, Microsoft, SAP, Seagate and Sony, formed a new supply chain working group to develop integrated, harmonized leadership expectations for supplier conduct. By the end of 2004, most members of this group had endorsed the Electronics Industry Code of Conduct (EICC).

The EICC was developed to promote unified industry expectations for socially responsible practices across the electronics industry's global supply chain. The EICC outlines a consistent approach for supplier performance in many areas, including labor and employment practices, health and safety, ethics and protection of the environment. The working group, facilitated by Business for Social Responsibility (BSR), will change its focus in 2005 to develop common mechanisms for enabling compliance with the EICC and build capacity in the supply chain.

Intel is committed to working to clarify the best ways to implement these mechanisms. We are working with other electronics companies to develop surveys, assessments and reporting tools to enhance supplier capabilities. In addition, we maintain open channels with other stakeholders to ensure that we learn their views.

Intel Israel: implementing CSR locally

Intel Israel used 2004 to adapt the Intel-wide Corporate Social Responsibility (CSR) framework to a site-based CSR program and strategy. The existing corporate program provided scalable examples for a site-based framework. Key steps in the effort included:

- Joining a regional CSR network. In this case, the site joined MAALA, the Business for Social Responsibility (BSR) affiliate in Israel.
- Stakeholder engagement and updating Intel Israel's external CSR profiles.
- Combining EHS, workplace and community initiatives under a single CSR framework.
- Implementing a cross-disciplinary team to implement CSR strategy, including Public Affairs, EHS, Legal, Human Resources and Finance.
- Incorporating CSR concepts into site communications as well as translating key CSR messages into Hebrew for more effective regional use.

Most importantly, the site established leadership accountability by creating a management review committee, chaired by the site manager.

Continuous improvement in compliance and ethics

Building on the expanded role of Intel's Ethics and Compliance Oversight Committee (ECOC) and Business Practice Excellence (BPX) Training Program, we initiated a new BPX effort to focus primarily on the communication and training of the BPX principles. We also established a new annual training requirement for all employees; the new class in 2005 will use case studies to help employees use ethics-based decision-making to resolve business questions. The ECOC continues to keep up with the latest changes in laws and regulations such as those in the U.S. Federal Sentencing Guidelines, which promote ethical conduct and full compliance with all applicable laws and regulations.

Economic Performance

In 2004, we saw record annual revenue and robust demand for Intel architecture products across all geographies. Our investments in manufacturing capacity as well as innovative new products enabled us to post double-digit gains in both revenue and profits.

$34.2
billion annual revenue in 2004

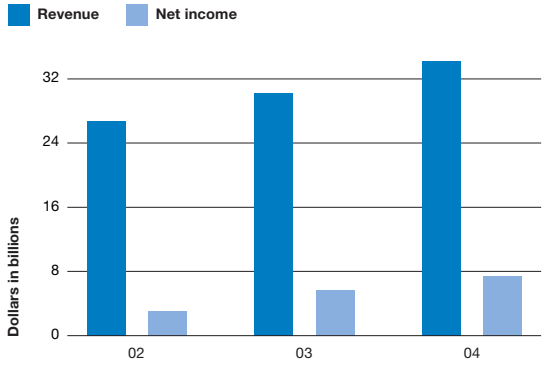
Annual revenue increased 13.5% from 2003.

Annual revenue for 2004 was $34.2 billion, up 13.5% from 2003. Net income of $7.5 billion was up 33% from $5.6 billion in 2003. Earnings per share were $1.16, up 36% from $0.85 in 2003. Despite some unfortunate fits and starts, gross margin ended the full year a point higher than in 2003, at 58%, and gross margin dollars increased by 16%. Operating and net income were each up by more than 30%. Intel paid out $1 billion in cash dividends in 2004, announced two doublings of the cash dividend and used a record $7.5 billion to repurchase 301 million shares of common stock.

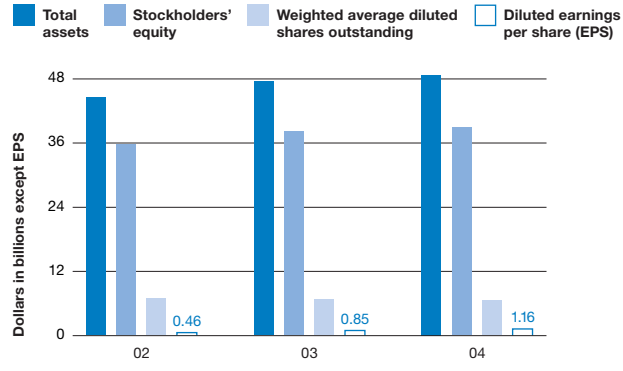
Intel spent almost $4.8 billion in research and development as well as $3.8 billion on capital assets. The geographic breakdown of our revenue continued to shift. At the end of the year, 23% of our revenue came from the Americas versus 28% at the end of 2003. In the Asia-Pacific region, share of revenue increased from 40% at the end of 2003 to 45% at the end of 2004. The Asia-Pacific region benefited from growth in consumer and business sales, with particular strength in China (26% increase for the year) and India (47% increase for the year).

The high-profile product problems we experienced in 2004 prompted us to take a close look at our internal operations. As a result, we streamlined our product road map and revamped our planning methodology. In 2005, we look forward to continued growth as we ramp our 65-nanometer process technology and introduce our first dual-core microprocessors across a range of new platforms.

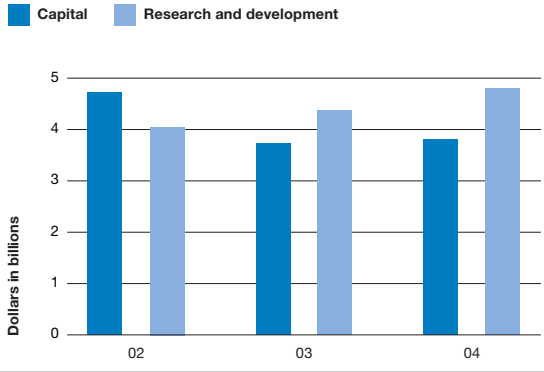
Revenue and Net Income



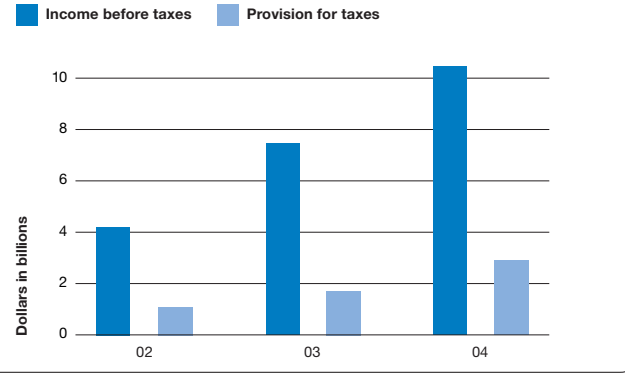
Assets and Capitalization



Capital and R&D Expenditures



Income before Taxes and Provision for Taxes



Download a spreadsheet of the data in this report at ➧ **www.intel.com/intel/finance/gcr04**

Challenge and Opportunity

Sophisticated systems are part of all of our factories.

Intel's 2004 EHS performance included key successes and opportunities for improvement. Our successes entailed reducing our global water consumption and PFC emissions (global warming gases), recycling more than half of our solid and chemical wastes, introducing a chemical waste reduction goal for new technologies and maintaining world-class safety performance.

As with most years, there were also a few areas that needed improvement. In 2004, we experienced slight increases in our global energy usage, volatile organic compound (VOC) emissions and hazardous air pollutant (HAP) emissions. Although disappointing, these increases can be attributed to ramping our newest manufacturing processes.

As we look to the future, we are faced with some difficult challenges. We remain committed to excellence in operational performance even though costs continue to rise. During the past decade, our continuous improvement efforts have delivered significant environmental benefits. However, in the future, even with continued investment, those benefits will diminish while the scope and complexity of emerging issues such as materials restrictions and nanotechnology will increase.

In response to these challenges, we will continue to focus our resources where we can produce the greatest positive impact. In some cases, that means working in new areas and with new stakeholders.

The world is changing and expectations are rising. As always, our team will meet new challenges directly and make decisions that will continue to benefit our stockholders and the environment.

Lew Scarpace
Director, Environment, Health and Safety

Intel Involved volunteers improve a zoological park in India.

Intel employees in Israel work to make their local communities better.

Electronics recycling events collected 350,000 pounds for recycling and proper disposal.

Improvements in ultra-pure water production are integrated into our newest factories.

"Intel volunteers are an indication of the company's commitment to appreciation and awareness of nature."

S. Karthikeyan
State Director, World Wide Fund for Nature, India

EHS in emerging markets

The world's emerging markets, including Africa, Asia, Eastern Europe, Latin America and the Middle East, represent a growing business opportunity for Intel. They are the fastest growing regions for our technologies, and our presence there is expanding. In fact, today more than 70% of our revenue comes from outside the U.S. For all the opportunity these markets offer, however, they also present unique challenges from an EHS perspective.

Intel expects the same level of EHS performance from our operations in emerging markets as we do of our operations in the U.S. Therein lies the challenge: how do we meet this expectation in light of cultures and attitudes that may differ among the geographies? Similarly, we are challenged by nascent infrastructure and a relative shortage of employees with relevant EHS experience.

We strive to meet these challenges through a number of approaches, including transferring our corporate "EHS culture" by seeding locations with experienced Intel EHS staff. Similarly, we conduct training at our mature sites to expose staff from our emerging market locations to our operations, practices and EHS ethos in place in mature markets. We also work with local governments and regulatory agencies by sharing our EHS expertise to help promote best practices and drive infrastructure improvements. Our recent work in China provides some examples:

- Working with the Shanghai Environmental Protection Bureau on semiconductor-specific air and water regulations.
- Presenting to key conferences, such as the China Eco Design Conference and the Ministry of Information Industry (MII) Conference.
- Working with MII to implement a feasible lead ban affecting electronic products.
- Working with China's State Environmental Protection Administration to develop air emission, water discharge and waste management regulations for electronics manufacturing.

Nanotechnology standards

As Intel continues to become aware of the potential benefits of nanotechnology, we are committed to engaging with multiple stakeholders to define, characterize and manage its EHS implications in the semiconductor industry. To this end, we support scientific research, risk assessment and the development of industry standards to promote the safe use of technology.

Intel is a founding member of the International Center on Nanotechnology at Rice University, which is working with industry, non-governmental organizations and governments to address EHS-related nanotechnology research and stewardship. Intel is also a member of the American National Standards Institute committee that is working to establish nanotechnology operating standards and definitions.

Resource Sustainability

Intel utilizes process design, safeguards and established procedures to achieve improved resource management. New goals and initiatives are set to drive future improvements.

Intel grants in Massachusetts promote water reuse and conservation projects.

Driving water conservation into new factories

Intel engineers are always searching for potential water conservation opportunities. Our Arizona site has identified opportunities to build on past operation successes as operations grow. The use of technologies such as reverse osmosis (RO) and advanced evaporation allows the site's new Fab 22 Ultra Pure Water (UPW) system to operate as one of our most efficient treatment facilities, producing approximately 0.85 gallon of UPW for every gallon of fresh city water. These technologies have also resulted in more than 2 billion gallons of purified water returned to the aquifer by Intel, in support of a key City of Chandler effort to assure enough water to meet the needs of its citizens and businesses for years to come.

Looking forward, we are planning new initiatives to share the knowledge we have gained in water conservation with our local communities. To sustain this resource in the face of rapid urbanization, it has become clear that our internal conservation efforts must be supplemented by robust community engagement.

Water conservation in our communities

In 2004, Intel Massachusetts awarded more than $220,000 in grants to four model projects with the potential to recharge more than 40 million gallons of water to local aquifers that replenish the Assabet River and its tributaries. The $1.5 million Intel Assabet River Aquifer Recharge Fund remains in place to award grants to support such projects.

For the 11th year in a row, Intel Ireland funded a comprehensive limnological survey of the nearby Rye, a tributary of the River Liffy and an important salmon spawning ground.

Extensive ecological information is now available, enabling individuals to study even minute changes in the river's long-term health.

Energy reduction and climate change

Intel set a new Energy Reduction Goal in 2003: to reduce worldwide consumption by an average 4% per year on a normalized (to production) basis. In 2004, we took several steps to further existing efforts and build on past efforts. We applied more than $4 million to energy conservation projects, resulting in projected annual savings of $2.1 million and five-year cost savings projected at $7.4 million. These projects will yield reductions each year of 25.5 million kWh of electricity, 1.9 million therms of natural gas and 226.6 cubic meters of water use. Three additional efforts, focused on optimizing air compression and conditioning systems in Intel offices and factories around the world, have resulted in savings each year of approximately 20 million kWh of electricity and more than $3 million in operating costs. We have continued our purchases of renewable energy at our sites in New Mexico, Oregon and Texas.

In 2004, Intel continued its support of Conservation International's Climate, Community and Biodiversity Alliance (CCBA) as one of eight alliance members. CCBA is a corporate/non-governmental (NGO) partnership with a mission to design voluntary standards to identify land management projects that simultaneously minimize climate change, support sustainable development and combat the loss of biodiversity. In 2004, these standards were completed and released for public comment. In addition, field testing of the standards began in Madagascar and Tanzania.

➡ **www.climate-standards.org**

Air-Handler Optimization

Makeup air handlers (MAH) serving fabrication facility cleanrooms are the single largest consumers of energy among systems at Intel facilities. In 2004, we established a MAH optimization project team to focus on savings in this area. The team succeeded in saving $600,000 in 2004 by optimizing air-handler operations, decreasing power use by 4 million kWh of electricity, and saving 90 million cubic feet of natural gas in our Oregon fabs alone.

Recycling that hits the bottom line

Intel business groups continue to apply the concept of "reduce, reuse and recycle" not only to optimize business processes but also to save costs. As tools become obsolete in one process, they can be harvested for reuse, resale or donation to another. Savings from these initiatives amounted to more than $7.5 million in 2004.

Intel computing, lab and test equipment can be donated and reclaimed through our Corporate Investment Recovery intranet site, CIRMarketplace. This virtual marketplace operates like a web-based auction and is designed to give employees access to valuable equipment. CIRMarketplace handled more than 27,000 items for resale, donation and scrap in 2004. Through tool reuse initiatives alone, we hope to achieve savings of more than $700 million through 2007.

EHS and the Workplace

Ongoing focus on workplace practices and programs drove continuous improvement and attracted additional recognition in this area.

EHS excellence relies on the experience of our employees and contractors.

Intel tops U.S. EPA list of Best Workplaces for Commuters

In 2004, Intel Corporation was named the top company on the U.S. Environmental Protection Agency (EPA)–sponsored list "Best Workplaces for Commuters from the Fortune 500 Companies." Issued for the first time, the list ranks companies that provide transit or vanpool passes, telework programs, bike lockers and showers, as well as other commuter benefits.

In the U.S., commuting to and from work consumes 5.7 billion gallons of fuel and 3.5 billion hours in lost productivity each year, costing the nation an estimated $63.2 billion. According to the EPA, the top 20 companies on the list reduced an estimated 250 million miles of driving, saving more than 12 million gallons of gasoline and preventing more than 186,000 tons of global warming pollution.

➡ **www.bwc.gov/campaign/f500_sub.htm**

Employee safety performance

We continue to set the industry benchmark for world-class safety performance and have a goal to achieve zero injuries. In 2004, we maintained our historically low injury rate, achieving a U.S. Occupational Safety and Health Administration (OSHA) recordable injury rate of 0.29. Additionally, Intel's construction contractor workforce established a new benchmark in project and construction safety with a global recordable injury rate of 0.37.

Intel New Mexico: health and safety recognition
OSHA's Voluntary Protection Program (VPP) Star is the highest recognition in the United States of work sites with comprehensive, successful safety and health management systems. Our New Mexico site is the first Intel site in the U.S. to receive a VPP award. The review team consisted of state and federal experts, including safety officers, industrial hygienists and an ergonomist.

Health and productivity
Intel is working toward further improving the well-being of our employees and their families through a new health and productivity initiative. The initiative features a collection of programs supported by a comprehensive online health risk assessment. In 2004, approximately 5,800 employees and family members in the U.S. completed this confidential assessment. Participants receive an individual profile containing detailed information about reducing their health risks and achieving or maintaining optimal health.

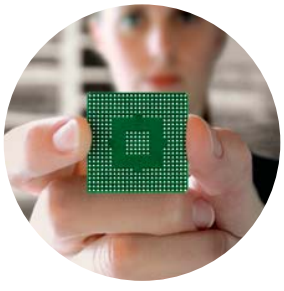
ISO 14001
Each year, as part of our corporate-wide ISO 14001 registration, Intel undergoes independent third-party environmental audits of our manufacturing facilities. As we enter our third year of ISO 14001 registration, we are proud never to have received a "major finding." We believe that such results reflect our operational discipline and commitment to environmental excellence.

Update on SIA worker health study
In March 2004, the Semiconductor Industry Association (SIA) announced that it would proceed with a retrospective epidemiological study to investigate whether fabrication workers in the U.S. chip industry experienced higher rates of cancer than non-fabrication workers over a period of more than three decades. The SIA sought proposals from independent investigators to conduct the study and plans to select a research team in 2005. Intel, a proponent of the study from the beginning, is funding it along with other SIA member companies. Regularly updated information is available at
➧ **www.sia-online.org/iss_whs.cfm**

Contractor fatality
Intel is saddened to report that in 2004 an electrical technician was fatally injured while performing work on a lighting system in our Costa Rica plant. An extensive investigation was conducted into the specific incident and all related work worldwide. This tragic incident further strengthens our resolve to make our workplace incident- and injury-free. To refocus the entire company on this goal, a high-level task force consisting of facility directors, EHS staff and construction personnel is reviewing safety performance companywide.

Product Ecology

Highlighting a comprehensive focus on environmentally sensitive product and packaging design, Intel shipped an increasingly lead-free product lineup in 2004.



In 2004, Intel shipped millions of products in compliance with new lead-free regulations.

Progress on lead-free products
In 2004, Intel announced that we will be eliminating approximately 95% of the lead used in our processors and chipsets. We are taking steps to make our products more environmentally friendly, meet the needs of our customers, and meet and exceed new materials regulations.

Shipping its first lead-free memory chips in 2003, Intel added microprocessors, chipsets and embedded processors to the company's lead-free product lineup in 2004. Intel's transition to lead-free will continue as our customers and product manufacturers are able to handle additional lead-free components. New packages use lead-free solder balls, about the size of salt crystals, and replace the majority of lead previously used in our microprocessor packaging. Intel is working with the industry to find a reliable solution for the tiny amount of lead still needed inside the processor packaging to connect the actual silicon "core" to the package.

To perfect flip-chip packages as well as printed circuit-board assembly, we used our assembly development lines in Arizona, Oregon and Malaysia. This gave customers a reference point from which to start redesigning their own printed circuit-board assembly processes and bring them into alignment with Intel's lead-free solution.

The transition to lead-free is a massive industry-wide effort with many technological, logistical and economic challenges. Since 2000, Intel has been working with industry consortia and the European Union's Restriction of Hazardous Substances (RoHS) legislation committee to promote a solution that can be used worldwide.

Strides in product packaging
Intel's Packaging Engineering team continues to look for opportunities to improve year-over-year performance in the amount and type of packaging the company uses. With over

70 specific projects completed, the team closed 2004 with more than $1.5 million in cost savings. These savings represent the elimination of more than 250,000 pounds of paper; 2,000 pounds of plastic; close to 34,000 pounds of wood; and more than 47,000 pounds of non-recyclable packaging.

Converting the existing packaging system for the Intel® PRO/Wireless 2915ABG Network Connection into individual clam-shells made of plastic and cardboard rather than non-recyclable bags saved an estimated 250,000 pounds of paper and 46,300 pounds of non-recyclable materials in over 21 million shipped units. The solution also allows Intel to move 66% more product per shipment, further reducing fuel consumption and emissions during transportation.

EPEAT performance

Intel played a key role in establishing a new tool, called EPEAT (for Electronic Product Environmental Assessment Tool), to help U.S. federal purchasers gauge the overall environmental performance of computers, laptops and displays. EPEAT represents the outcome of a multi-stakeholder process with the goal of promoting improved environmental design and practices. EPEAT stakeholders strongly believe that the tool will provide purchasers with a simple and verifiable program for promoting environmentally sustainable technologies and practices.

➡ **www.epeat.net**

Rethinking PC end-of-life

As the technology industry continues to develop new and exciting products, industry, government, businesses and consumers will need to work together to dispose of old equipment responsibly. In early 2005, eBay and Intel launched an initiative called Rethink that creates a new, innovative means of dealing with old electronics on the world's largest e-commerce site. With Rethink, consumers can assess the value of their old equipment and choose the best options for reuse or recycling. We believe that this market-based approach with appropriate controls is the best way to cope with e-waste. Intel worked with eBay and other key stakeholders from business and non-governmental organizations (NGOs) in the early stages of the program and continues to participate as a key partner in the Rethink initiative.

The focal point of the initiative is an online Rethink hub, intended to educate consumers about responsible product disposition solutions and the resources available to them. The hub features:

- Educational resources for consumers
- Pathways, tools and resources for recycling and reuse solutions on and off eBay
- An invitation to industry, government and NGO stakeholders to become involved

In addition to Intel, the EPA, National Cristina Foundation, International Association of Electronics Recyclers, Earth 911 and Silicon Valley Toxics Coalition support the Rethink initiative. In 2005, Rethink will continue to grow in terms of electronics products and geographies covered.

➡ **http://pages.ebay.com/rethink**

Community electronics recycling

In 2004, Intel conducted community PC collection events at seven of our U.S. site locations. We collected more than 357,000 pounds of electronics, mainly PCs, associated equipment and TVs from approximately 3,000 local participants. Although the number of collection events remained constant from 2003, the total material collected increased 49% in 2004. Our collection initiatives over the last two years have diverted more than 500,000 pounds of e-waste from landfills.

With only 650 employees, our site in New Jersey attracted 276 cars, trucks and even buses from neighboring school districts to its electronics collection event. Participants brought 84,826 pounds of electronics, including more than 1,000 computer monitors.

In addition to the U.S. events, Intel Ireland, in conjunction with the Kildare County Council, held three Electronics Recycling collections, in Leixlip, Maynooth and Celbridge. These highly successful events collected more than 1,000 computers, printers, monitors and related electronics, diverting them from landfills or improper disposal.

Designing for power efficiency

Intel was one of the first companies to anticipate the trends and clarify the scope of the power challenge faced by the computing and communications industry. We are leading the industry in innovative design solutions and are working with other companies and organizations that have joined the challenge of designing for power efficiency.

Intel engineers examine every aspect of the design, manufacture and use of computing devices, looking for variables that could influence the power equation. We are exploring new process technologies, breakthrough transistor materials and structures, innovative circuit and microarchitecture designs, novel packaging materials and techniques, improvements to system components, and software optimization techniques that provide comprehensive power-efficient solutions.

The next decade will see a number of architectural changes at every level—from transistor structure to the integration of entire systems—that will continue to drive to a key goal: to maximize power efficiency at every phase of design.

➡ **http://download.intel.com/technology/silicon/power/download/design4power05.pdf**

EHS in the Community

Intel and our employees worldwide feel a responsibility to the local environment. Contributing time, effort, knowledge and passion, we deliver tangible benefits to our communities and promote biodiversity through online learning tools.

Local Efforts Worldwide

Conservation International Hotspots Revisited, supported by Intel.

A winner from the Intel Wild photography competition in Ireland.

A winner from the Oregon Ronler Acres Wetlands photo contest.

Noted naturalists celebrate National Tree Week at Intel Ireland.

Collaborating with Conservation International. Recognizing the critical roles that education and research play in fulfilling our mission to protect biodiversity on earth, Intel joined with Conservation International to update the original Biodiversity Hotspot web site that we helped create in 2003. Updates include biodiversity goals for all 25 hotspots as well as access to supporting species databases.
➡ **www.biodiversityhotspots.org/xp/Hotspots**

Supporting The Nature Conservancy (TNC). Intel continued its active support of The Nature Conservancy's online field guide in 2004. The guide now profiles 86 conservation projects around the globe. It is an online resource for anyone interested in learning how and where TNC works. Members, educators, students, researchers and the general public can learn about many of the "Last Great Places" and what can be done to preserve these unique ecosystems for generations to come.
➡ **http://nature.org/wherewework/fieldguide**

Ireland: Celebrating National Tree Week. To mark National Tree Week, Intel Ireland launched the Intel Native Tree Arboretum on the grounds of its site. The arboretum, which features all 28 species of native Irish trees planted in one location, is the only one of its kind at a business site and one of only a handful in the Dublin/Kildare area. The arboretum's 84 trees range from cherry and holly to juniper and yew. In addition to simple enjoyment, plans call for using the arboretum in educational programs.

Intel Ireland has more than 127,000 trees, primarily oak and beech, planted on the 360-acre site.

Ireland: Unveiling the Intel Wild Collection. In May 2004, Intel Ireland unveiled the Intel Wild Collection photography exhibit and their site environmental report to the local community. The photographs are of wildlife and nature taken on and near the Intel site. The environmental report was compiled by noted naturalists and broadcasters Eanna Ní Lamhna and Richard Collins, who visited the Intel site regularly for a year to collect details about the plants and wildlife there. The report catalogs habitats and wildlife found on the site during the year. It concludes that our operations have not impacted the abundant wildlife that share the land around our site.

At the unveiling of the Intel Wild Collection, Lamhna, said, "Typically an industry moving into an area can disrupt or even damage habitats; however, this report shows that Intel has enhanced the environment for plant and animal life on its site."

New Mexico, USA: Workers' Comp safety manual. EHS staff assisted with a major revision of the State of New Mexico's Workers' Compensation employer safety manual, *How to Build a Safety Program.* The content was enhanced with Intel core incident and injury-free culture strategies and techniques, and the manual is being reviewed by state officials for future publication.

Oregon, USA: Wildlife photo contest. In 2004, Intel Oregon employees competed in a Best Picture contest for wildlife, flora and other categories at the semiannual Ronler Acres Wetlands Fall Photo Contest. The 446-acre Ronler Acres campus, unique in its natural beauty, includes 22 acres of wetlands, which is almost unheard of for an industrial facility. The wetlands provide a habitat for wildlife, retention of storm-water runoff and improvement in water quality. The photo contest allows Intel employees to express the importance of the wetlands to their community.

Inspections and Compliance

Regulatory Inspections

	2002	2003	2004
Safety Inspections	28	15	12
Environmental Inspections	63	46	70
Total Inspections	**91**	**61**	**82**
Citations	3	4	1

Compliance Record 2004

Location	Type	Violation	Fine	Intel's Corrective Action
Oregon	Environmental	Improper labeling of hazardous waste—2 instances	No fines or penalties	Corrected labeling, inspection log and procedures
California	Environmental	Failure to file annual chemical use exemption; no violation issued	No fines or penalties	Exemption issued by agency August 2, 2004
California	Environmental	Deficiencies in hazardous waste storage area and treatment systems; no violation issued	No fines or penalties	Corrected deficiencies within 30-day time frame allowed by fire department
California	Environmental	Cooling tower pump failure and discharge to storm drain; no violation issued	No fines or penalties	Conducted audit of related areas, repaired containment structures and shared improvements companywide

Incident Response

The testing of our air abatement system in Oregon in May 2004 showed that its efficiency was 93.6% compared to a permit-required 95%. After a thorough analysis, the site decided to install additional abatement systems to ensure compliance.

In April 2004, Intel discovered two unrelated leaks in underground treated industrial wastewater lines. The first leak, at our Shanghai, China, manufacturing facility, occurred during construction activities. After conferring with regulatory agencies, we constructed a temporary discharge line, confirmed the extent of the damage and replaced all damaged pipes. The second leak occurred at our Jerusalem, Israel, manufacturing facility. In addition to repairing the pipe and conducting studies to confirm that there was no impact to the environment, Intel initiated a program to inventory and assess the condition of underground pipelines at our facilities worldwide.

Environmental Proceedings

Approximately 20 years ago, Intel was named to the California and U.S. Superfund lists for three of our sites. Along with two other companies, Intel has completed a Remedial Investigation/Feasibility study with the U.S. Environmental Protection Agency (EPA) to evaluate the groundwater in areas adjacent to one of our former sites. The EPA has issued a Record of Decision with respect to a groundwater cleanup plan at that site, including expected costs of completion. Under the California and U.S. Superfund statutes, liability for cleanup of this site and the adjacent area is joint and several. Intel, however, has reached agreement with those same two companies that significantly limits our company's liabilities under the proposed cleanup plan. Also, Intel has completed extensive studies at our other sites and is engaged in cleanup at several of those sites. In the opinion of management, the potential losses to the company in excess of amounts already accrued arising out of these matters would not have a material adverse effect on the company's financial position or overall trends in results of operations, even if joint and several liability were to be assessed. The estimate of the potential impact on the financial position or overall results of operations for the above legal and environmental proceedings could change in the future.

Performance Indicators

Every quarter we review EHS performance indicators with our senior executives. We have done this for more than 15 years, and we continue today, because these indicators are critical for managing our business.

19%
reduction in carbon equivalents from PFC emissions

5,000
estimated injuries prevented

$0
in environmental fines

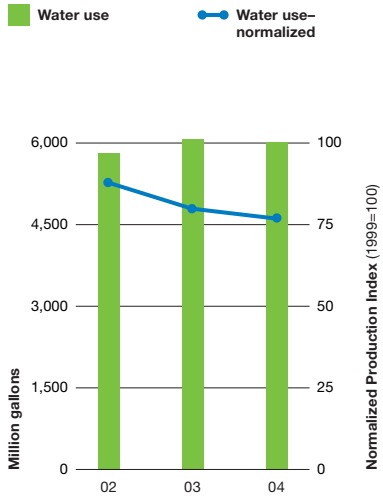
18
billion gallons of water saved since 1998

Normalized Production Index

The following graphs show some of the key indicators we use to manage EHS performance. In 2003, we instituted a new factor to demonstrate Intel's performance per unit of production for most of our environmental indicators: the Normalized Production Index (NPI). The NPI is derived directly from our worldwide silicon wafer production and is indexed to a reference or baseline year of 1999. (NPI = 100 for baseline year 1999.)

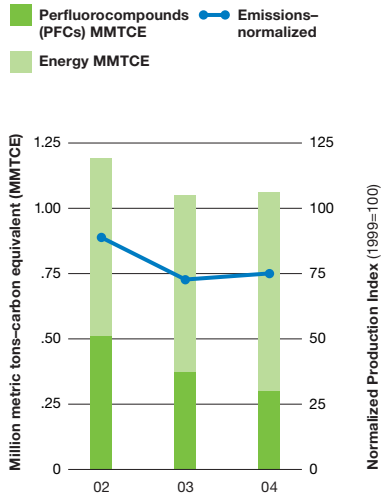
With this direct correlation to Intel's global manufacturing levels, the NPI enables more accurate year-to-year comparisons and easier analysis of overall environmental performance. The index also supports trending comparisons across semiconductor manufacturers using similar normalization methods.

Water Use



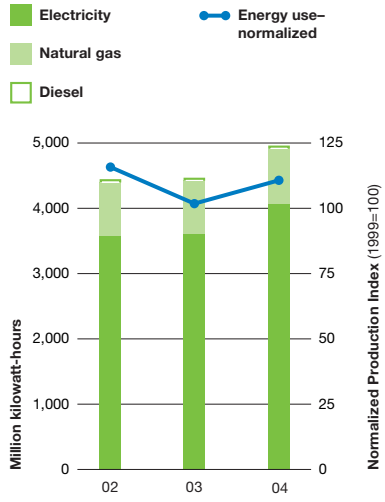
Water use decreased 1% on an absolute basis and 4% on a normalized production basis through comprehensive reuse, recycling and reduction programs. Since 1998, Intel has saved approximately 18 billion gallons of water worldwide through these programs. In 2002, we established an internal goal to offset at least 25% of our incoming fresh water supply needs through the use of reclaimed water and more efficient systems. We exceeded the goal again in 2004 by achieving a 32% savings in the fresh water used at our worldwide facilities.

Global Warming Emissions



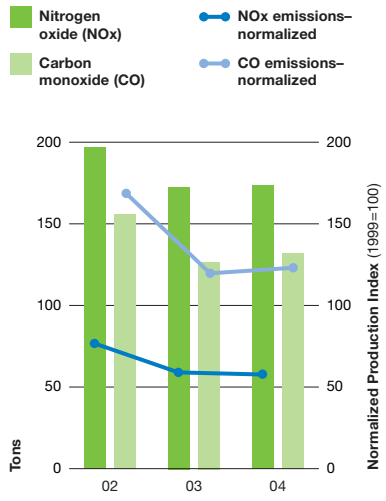
Intel's total global warming emissions from PFCs have declined in each of the last four years. We expect that new technologies will lead the way in achieving future reductions. Intel is participating in the World Semiconductor Council's voluntary agreement to reduce absolute greenhouse gas emissions from PFCs to 10% below 1995 levels by 2010. In an effort to reduce our overall global warming impact, Intel also has a goal to reduce normalized energy consumption by an average of 4% per year from 2002 through 2010. Numerous energy reduction projects have been completed in recent years, and we will continue to explore opportunities to further improve energy efficiency.

Energy Use



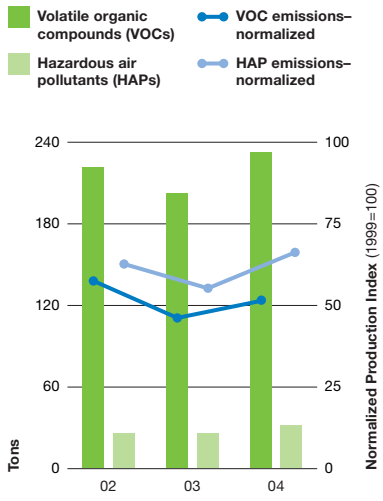
Total and normalized energy use increased slightly in 2004 due to the addition of new facilities. Intel continues to implement energy reduction projects and remains on track to reduce normalized energy consumption by an average of 4% per year from 2002 through 2010. It is expected that normalized energy use will decline in future years as the new facilities become fully utilized and we continue to drive our aggressive energy reduction program.

NOx and CO Emissions



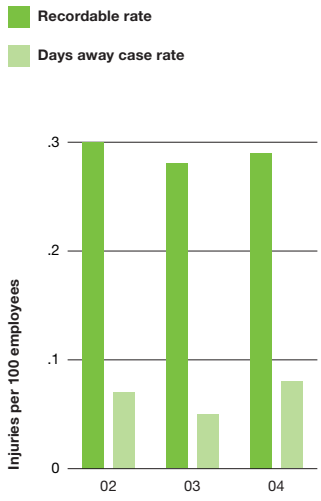
NOx and CO emissions were relatively flat in 2004. NOx and CO are combustion by-products from natural gas–fired boilers used for controlling building temperature, as emergency standby power generators and as thermal oxidizers that reduce VOC emissions. No Intel factories are considered major sources of NOx or CO emissions as defined by the U.S. EPA.

VOC and HAP Emissions



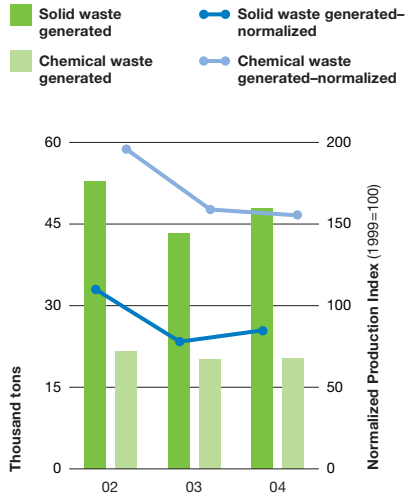
VOC and HAP emissions increased in 2004, driven by two factors: the addition of new facilities and increases in emissions on some new manufacturing processes. We are currently implementing several projects to reduce emissions from the new processes and expect future VOC emissions to remain flat and HAP emissions to return to 2003 levels over the next two years. All of our manufacturing facilities will remain minor sources of HAP emissions, as defined by the U.S. EPA.

Recordable & Days Away Injury Rates



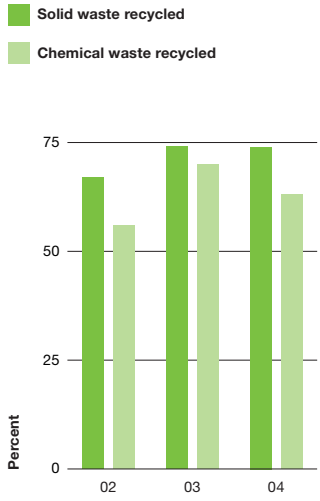
Intel's Recordable Case and Days Away Case rates for injury and illness in the workplace rose in 2004. Overall, safety performance continues to be world-class, but fluctuation in rates over the last five years is an area of focus. Intel and its employees believe that all workplace injuries are preventable, and we are striving to reduce them.

Waste Generated



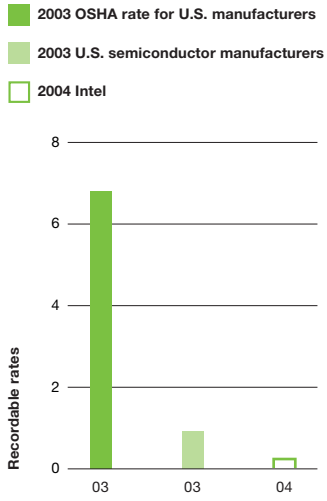
In 2004, the amount of chemical waste generated worldwide on a normalized basis decreased by 2%. Significant increases in construction activities worldwide contributed to a 7% increase in the amount of solid waste generated on a normalized basis. We continue to implement new waste minimization projects for new technologies through our Design for EHS program.

Waste Recycled



By maximizing our recycling efforts, we promote sustainable production practices and reduce land-fill disposal. In 2004, Intel recycled 74% of the solid waste generated and 63% of the chemical waste generated at our facilities worldwide.

Recordable Case Rate Benchmarks



Each year Intel compares the company's health and safety performance with existing benchmarks. Relative to the latest data available for all U.S. manufacturers and the leading U.S. semiconductor companies as represented by the Semiconductor Industry Association (SIA), the safety performance of Intel employees continues to be world-class.

View Intel's Environmental, Health & Safety Report, including additional performance indicators, at ➡ **www.intel.com/go/ehs**
Download a spreadsheet of the data in this report at ➡ **www.intel.com/intel/finance/gcr04**

Responsiveness and Responsibility

Paul S. Otellini

At Intel, we know that agility can provide competitive advantage and help us meet the needs of our customers around the world. Recently, we made a significant change by reorganizing Intel as a platform company, focusing the entire organization on the customer and the market. It is a move that changes the way we do business, a move that will keep us at the forefront of our industry.

We believe it is our obligation to provide our employees with challenging work that encourages them to create and innovate. Creation might take the form of a product that improves people's lives, a process that produces an even cleaner environment in our manufacturing plants or a project that brings one of our employees into a local classroom to inspire a child to become an engineer.

Providing what employees need in order to thrive

We can also apply platform thinking to our employee base. We now have approximately 85,000 employees, spread more widely around the world than ever before. Creating a workplace that provides employees with what they need in order to thrive is a complex challenge. In the same way that our new organization will seek to define what the customer wants and needs before we create it, we will continue to take our employees' pulse regularly to learn what they need and want, like and don't like, in the workplace. (See, for example, the discussion of our corporate-wide Organization Health survey process in this section.) Once we've seen the data, we can proceed with sound, meaningful improvements in what we make available to employees.

In return for the excellent work that our employees do for Intel customers and stockholders, we offer highly competitive compensation and cutting-edge benefits. For example, Intel was one of the first companies to offer a consumer-driven health plan, allowing employees to manage their own healthcare expenses. Our employees have given high marks to this program.

Building a responsible culture one employee at a time

Programs such as the consumer-driven health plan work because employees take responsibility for their own destiny. The theme of responsibility is strong at Intel. We encourage employee responsibility for self: employees "own their own

Craig Barrett meets an Intel Computer Clubhouse member in Mexico.

Eager young helpers kick off the Intel Learn program in Israel.

Intel employees volunteer at schools around the world.

A happy panda greets visitors at China's Wolong Nature Reserve.

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“Intel’s culture is key to making our diverse global workforce—and our company—successful and productive.”

Patty Murray
Senior Vice President, Human Resources

employability." We also encourage employees to take responsibility in their local communities: they volunteer in large numbers in local schools and for local nonprofit organizations. And we encourage responsibility for the human community at large: Intel employees gave in record numbers to help the victims of the Asian tsunami.

Responsibility is also required of the company's leaders. It is our job to identify and promote new leaders to ensure Intel's continued success. Over the past couple of years, I am proud to say that we have graduated more than 1,000 managers from Intel's own leadership training programs.

In the following pages, you'll learn about our employees in greater detail. You will see the kind of workplace we try to nurture, one that encourages smart people to focus on creating products that bring value to the world and to the communities in which they live and work. You'll also read about Intel's role in helping students and teachers learn and grow through our external education programs.

I hope you'll see in these pages a reflection of Intel's unique, hard-driving culture—and understand the dedication and enthusiasm of our employees as they play their part in helping to advance the digital revolution.

Paul S. Otellini
President and Chief Operating Officer

Workplace Environment

Intel has always been a company that shares its success with its employees—and a company that recognizes the critical role that employees play in that success.

Exercise facilities at many sites keep employees healthy and relieve stress.

Everyone benefits

Consistent with the company's strong financial results and overall performance in 2004, Intel employees enjoyed a better-than-market total compensation and benefits package.

Intel's T-Comp—or Total Compensation—approach aligns company, employee and stockholder interests, and provides employees with an incentive to focus on meeting and exceeding business objectives.

Our bonus and profit-sharing programs are a cornerstone of the company's T-Comp philosophy, which links employees' compensation directly to Intel's performance. The Employee Bonus and the Employee Cash Bonus Program are based on company and group performance. Combined with the Intel Sheltered Employee Retirement Program (SERP) profit sharing, which amounted to 8% of annual base pay again in 2004, these programs illustrate Intel's pay-for-performance philosophy.

In 2004, incentive pay and bonus programs paid out more than $850 million, an 11% increase over 2003. Since 1997, Intel has offered a broad-based stock program, with over 90% of employees participating annually. In 2004, Intel granted 115 million options to employees, with more than 98% of options granted to employees outside Intel's top six most highly compensated executives.

To recognize employees for their teamwork, perseverance and dedication over the past few years, Intel rewarded employees with a special, one-time "thank you" bonus ranging between $300 and $1,000, depending on local labor rates.

We are committed to ensuring that our employees can exercise choice to get the most for their benefit dollars. In 2004, we significantly expanded our U.S. 401(k) plan investment options to provide more choices and lower cost options. New investment choices included core asset class funds with very low investment expenses, life stage funds and a broad mutual fund window for investors who are comfortable designing their own portfolios. In addition, we added a bond fund and an equity fund geared toward socially responsible investing.

In the United States, we expanded our consumer-driven healthcare options for 2005, making us early adopters of an innovative new program enabled by recent legislation: a High Deductible Health Plan with a Health Savings Account. This plan allows our employees to take personal control of their healthcare management. The plan is available to employees and their dependents at no monthly premium cost.

In 2004, we introduced programs that allow our employees in Ireland and Israel to take advantage of local country legislation to lower their personal tax liability for stock option income. In Ireland, our employees can now enjoy a tax rate reduction of 20% to 50%, and in some cases up to 100%. In Israel, the new process allows employees to pay a 25% tax rate for option gains instead of a marginal tax of up to 60%.

During 2004, Intel also continued to provide core benefits, including employee sabbaticals, health and wellness programs, direct online access to employee services and flexible work/life benefit programs.

Balancing work and life

Intel is committed to fostering a culture that reduces barriers to work/life effectiveness. We look for ways to promote flexible work schedules and locations, including telecommuting and alternative work schedules. We also provide supportive care resources, including childcare, on-site services, and consider-

ations such as remote connectivity and global team practices that help employees work more effectively.

Parents around the globe face special challenges in balancing the demands of work and family. When school holidays and caregiver absences caused parents to scramble for alternative childcare solutions, Intel stepped in to provide more than 3,500 free days of backup care for U.S. employees in 2004. In Ireland and Israel, Intel-sponsored camps helped to meet the childcare needs of Intel families during the summer holidays. A growing number of our business groups offer unique work schedule options for parents returning from family leave and for employees working on teams in various time zones.

To further assist families, Intel provides employee discount programs that helped employees save more than $3 million worldwide in 2004. We continue to offer free virtual and on-site seminars covering a variety of topics, including identity theft, financial planning, education, retirement, stock benefits, parenting and healthy lifestyles. More than 10,400 employees attended 660 sessions during the year.

Intel extended its eldercare program in 2004. We redesigned our eldercare intranet site and expanded online resources for employees. We added eldercare and other care-giving topics to our Work/Life seminar series. During National Work and Family Month in October 2004, we hosted Work/Life Fairs at all major U.S. sites. We also piloted new programs at our Oregon site, including on-site training for employees and family members caring for an elder or a disabled child.

Intel Compensation and Benefits At a Glance

In 2004, the value of Intel's Employee Cash Bonus Program (ECBP) equaled 16.9 days of pay, or 6.5% of increased compensation for all employees. ECBP was down slightly from 2003 because the company missed its goal in the Customer Excellence Program (CEP). The customer survey goal was 75% "delighted"; the final score came in at 71%.

During this same period, the corporate average Employee Bonus (EB) plan multiplier was 2.88, up approximately 13% compared to 2003.

In 2004, our incentive payouts totaled $850 million for both EB and ECBP, up 11% from 2003. The following table shows ECBP payouts for the last five years.

Year	Days	Percentage
2000	29.5	11.3%
2001	10.8	4.2%
2002	11.8	4.5%
2003	18.4	7.1%
2004	16.9	6.5%

In 2004, our six most highly compensated executives received 1.1% of all stock options granted.

As of February 25, 2005, Intel's executive officers, directors and director emeritus as a group owned 3.5% of Intel's outstanding common stock.

More than 70% of our employees participate in Intel's Stock Purchase Plan.

Total spending on retiree benefits in 2004 was $4.56 million.

Total spending on healthcare benefits in 2004 was $403 million.

Medical coverage amounts to approximately $540 a month, or $6,480 annually, in an average employee's total compensation package. Results may vary depending on the type of coverage selected and the frequency of doctor visits.

2004 Pay-for-Performance by Grade

Grade†	Employee Bonus (EB) Target as % of Base Salary	EB Actual as % of Base Salary + EB††
Non-Exempt–Grade 6	1%	3%
7	2%–5%	5%–11%
8	4%–7%	10%–16%
9	6%–12%	15%–25%
10	11%–17%	24%–32%
11	16%–22%	32%–39%
12	25%–36%	42%–51%
13	35%–52%	50%–60%

†Covers employees from entry-level non-exempt to vice president/executive.
††Assumes 2004 corporate average EB multiplier.

Keeping employees informed

Circuit, Intel's primary employee communications intranet site, provides a 24/7 news and information service as well as an array of service information and resources for employees worldwide. In 2004, *Circuit News* posted nearly 700 stories, an average of three new stories per workday. At least once a week in the U.S., 97% of our employees access *Circuit*.

Senior leaders kept employees informed in a variety of ways during 2004:

Earnings reports in real time. To provide immediate context and insight into Intel's financial performance, Craig Barrett regularly spoke to employees at their desks via webcast after our public earnings announcements.

ExecConnect. Open forums with senior leaders, webcast executive Q&A sessions and other employee updates hosted by Craig Barrett and Paul Otellini help to maintain an open dialogue with the entire company. During the year, our leaders also regularly post content on *Circuit News*. In 2004, we held 33 Executive Forums and ExecConnect events, including 14 open forums, four earnings day updates, 12 Q&A webcasts, two executive lunches and one open forum for managers.

Keeping up with the business. In 2004, *Circuit News* launched an aggressive effort to align global 24/7 internal news coverage with major corporate business strategies. We set out to increase our employees' understanding of technology, the business environment, competition and more. We now frequently offer streaming video to support these stories. We also continued our long-term practice of providing regular, detailed updates on Intel business and products to employees. During 2004, senior managers delivered approximately 1,200 Business Update Meetings, or about 300 per quarter. Some 70% of Intel employees attended.

Employees give feedback. Encouraged to respond to stories on the *Circuit News* site, employees shared more than

100,000 of their personal views in 2004. A new online reader satisfaction survey enabled employees to rate the clarity and quality of content on the site. In both cases, *Circuit News* received positive reviews from more than 90% of those providing feedback. An industry-leading feature in *Circuit News,* Letters to the Editor, posted more than 1,200 letters from employees, both critical and favorable.

Write To Know. This long-standing program allows our employees to ask questions anonymously and get prompt, confidential responses from the appropriate senior manager. During 2004, Write To Know received 2,047 questions and provided 2,127 answers (including those held over at year-end 2003).

Keep learning, keep growing

Given the speed at which our technology and business change, Intel maintains a keen focus on continuous learning. Employees report that Intel's focus on growth and learning is one of the things they like best about the company. We have a robust employee development program that allows individuals to choose from a range of internal classes as well as outside development and degree programs.

The *Sales and Marketing Rotation Program* (SMRP) provides rotation opportunities to employees in the U.S. as well as some countries in Europe, Latin America and the Asia-Pacific region. The program has helped to improve employee recruitment, retention and quality.

The *Travelers' Teaching & Culture Exchange Program* takes advantage of regularly scheduled instructor travel in emerging markets to provide standard employee integration courses. This program is an efficient extension of Intel's 10,000-strong volunteer instructor base, which has been in place for more than 30 years. This novel approach helps ensure accuracy in content as well as consistency in Intel Values and culture.

Intercultural Training, initiated in the 1980s, has been in high demand for years. Language courses including Mandarin, English and Japanese are available in the U.S. and Malaysia. To meet critical business needs, we have developed a new course called "Cross-Cultural Influencing," an online English tool called "Global English" and a virtual language tutor. All are currently under review for global deployment. A total of 2,955 employees participated in 153 intercultural training sessions during 2004.

Intel Workforce Facts 2004

35† Average age of employees worldwide	**34†** Average age of employees outside the U.S.	**39†** Average age of U.S. employees	**45%** Percentage of worldwide employee population <5 years at Intel	**49.8%** Percentage of worldwide employee population 5–20 years at Intel	**31%** Percentage of new hires referred by current employees
5.2% Percentage of worldwide employee population >20 years at Intel	**25%** Percentage of employees who work a compressed schedule	**12%** Percentage of employees who telecommute at least one day a week	**44%** Percentage of employees who connect remotely on a regular basis	**4,056** Intel employees who started or completed their sabbatical in 2004	

†Does not include interns or contract employees.

Intel University 2004

In 2004, Intel invested $321.9 million in employee training and development. Based on a 2004 high-end headcount of 87,394, Intel invested almost $3,700 per employee in development programs.

Courses offered	10,277 at 131 sites	Students who attended classroom sessions	584,595
Sessions delivered	41,872	Students who attended e-Learning classes†	398,663
Total number of students who attended	983,258	Percentage of training delivered via e-Learning (based on number of students who attended)	40% overall
Total training hours delivered	3,640,778	Average number of training hours per employee	38††
Training hours for exempt employees	2,128,534 hours = 58% of total hours	Number of employee volunteer instructors	10,763
Training hours for non-exempt employees	1,221,360 hours = 34% of total hours	Total cost of training in 2004 Cost per student for training session delivery	$321,846,000 $16.18
Training hours for management employees	273,934 hours = 8% of total hours	Tuition reimbursement (U.S.)	$24,566,000 to 4,134 employees (U.S.)

† e-Learning is defined as any non-classroom training, such as online and computer-delivered training.
†† Training delivered to non-Intel employees is excluded from this calculation.

Recognizing achievement

Recognition of individuals and teams at Intel ranges from spontaneous "goody drawer" awards to the highest awards, the Intel Quality Award (IQA) and the Intel Achievement Award (IAA).

Intel Quality Award. The focus of the IQA is to recognize the achievements of Intel business groups that are role models for their peers. Applicants recognize that they are doing more than applying for an award—they are embarking on a quality improvement journey. In fact, the experience, which focuses on moving teams from reactive problem-solving to proactive continuous improvement, is a little like boot camp. In 2004, three teams won the coveted award:

Corporate Services. Managing security, EHS, public affairs, real estate and facility operations at more than 100 sites worldwide, Corporate Services also works with major external stakeholders in our communities: neighbors, media, government, regulatory agencies and lobbying groups.

Fab 18, Israel. A 200mm, high-volume fabrication facility, Fab 18 has the lowest wafer and unit costs of any Intel factory. With a "one goal, one team" philosophy, leaders engaged employees in an "excellence mindset," changing a "quality or output" dilemma to a new model: "quality output."

P860 Virtual Factory. When four fabs in four different states in the U.S. were linked using the "copy exactly" methodology, they achieved reduced wafer costs and excursions, increased product introduction capability to speed launches, and improved employee relations.

Intel Achievement Award. The IAA was established in 1980 to honor employees who achieved exceptional results while demonstrating excellence in performance to Intel Values. The number of recipients represents less than 1% of Intel's employee base. The honorees receive formal recognition at an annual banquet celebration as well as a cash award and a trophy. In 2004, Intel recognized 296 employees and 34 teams with the Intel Achievement Award.

A Step Toward Resolution

Intel looks for qualified contractors who can perform services in a safe, efficient, lawful, quality and cost-effective manner. We regularly review the cost and effectiveness of our supplier contracts and make changes as demanded by current and future business needs. This process includes putting our contracts for custodial services out for bid on a regular basis. After evaluating our custodial supply contracts, we transitioned from Pride Industries to Somers Building Maintenance (SBM) at some of our U.S. sites.

During the first half of 2004, the Service Employees International Union (SEIU) focused a corporate campaign at SBM and several of its customers, including Intel, as part of its efforts to organize SBM's custodial employees. Our senior management received letters and phone calls from the SEIU in several states, and we experienced limited picketing, primarily in Arizona. Intel representatives advised the SEIU that we were not the employer of the custodians and simply a customer. We explained that the SEIU needed to communicate directly with SBM as the employer of the custodians to resolve any differences. Ultimately, the union did so.

Embracing EEOC mediation

Intel has long had a strong partnership with the U.S. Equal Employment Opportunity Commission (EEOC) to ensure a discrimination-free workplace. In 2004, we built on this partnership by joining the EEOC's national mediation program to help resolve employment disputes as early and fairly as possible. Intel signed a National Universal Agreement to Mediate to resolve workplace disputes through Alternative Dispute Resolution prior to an investigation or potential litigation by the EEOC. Intel was the first Silicon Valley company to recognize and embrace EEOC mediation. The agreement covers Intel workplaces throughout the United States.

Employees Speak Up

We routinely survey our employees to learn what they think about our workplace. In 2004, we used the Organization Health process to help collect valuable insights.

***Circuit* keeps us informed and gives us a forum for exchanging ideas.**

The survey process—which we call "Org Health" for short—helped us to identify strengths and areas for improvement in our business groups and geographies, and to provide data for planning and continuous improvement.

In 2004, an improved Org Health process allowed us to compare group scores on a standard set of issues and review group-specific results. One of our largest business groups, the Technology and Manufacturing Group, is still standardizing the schedule and corporate-wide question set, which will be implemented in 2005.

The core set of items includes 27 multiple-choice questions as well as additional open-ended questions. Of those questions, 12 could be benchmarked externally, which helped us understand the results in a larger context. Each business unit could also add supplemental items to directly address any issues not raised in the core survey.

Out of Intel's 14 business groups, 13 implemented the Org Health process in 2004. A total of 54,575 employees, or about two-thirds, participated. From this process, we learned that we are doing well on role-modeling Intel Values, improving

productivity, and treating each other with respect and trust. Employees also responded that they understand how their work links to the company's strategic objectives; that they have clear goals and objectives; that they are empowered to make the decisions necessary to do their jobs; that management is open to hearing their ideas and suggestions; that they feel free to take risks; and that they are encouraged to find new and better ways of doing things.

Results also pointed to areas for improvement. While employee input varied from group to group, some of the top issues were performance appraisal and feedback, retention, "great place to work" and work/life balance.

We are using the wealth of data from these employee surveys to help improve satisfaction and retention. One specific outcome of the Org Health process in 2004 is a new Managing for Excellence program, which helps to ensure that employees have clear goals and priorities, and holds managers accountable for their performance *as managers.*

As part of the Managing for Excellence initiative, all business groups and individual employees will be using a reinvigorated Intel Management by Objectives process. This annual and quarterly planning process helps improve individual and business results. It also sets priorities to be reviewed and tracked during the year.

Employee Data Year-End 2004

Type	Category	Americas	APAC	EMEA	U.S.	Total
Contract/ Intern	Exempt Full Time	26	302	149	154	**631**
	Exempt Part Time	0	17	865	23	**905**
	Total	**26**	**319**	**1,014**	**177**	**1,536**
	Non-Exempt Full Time	14	682	208	234	**1,138**
	Non-Exempt Part Time	0	9	27	29	**65**
	Total	**14**	**691**	**235**	**263**	**1,203**
	Contract/Intern Total	**40**	**1,010**	**1,249**	**440**	**2,739**
Regular	Exempt Full Time	1,119	11,342	7,974	34,074	**54,509**
	Exempt Part Time	4	2	124	172	**302**
	Total	**1,123**	**11,344**	**8,098**	**34,246**	**54,811**
	Non-Exempt Full Time	1,328	10,118	3,550	14,718	**29,714**
	Non-Exempt Part Time	0	2	51	51	**104**
	Total	**1,328**	**10,120**	**3,601**	**14,769**	**29,818**
	Regular Total	**2,451**	**21,464**	**11,699**	**49,015**	**84,629**
	Grand Total	**2,491**	**22,474**	**12,948**	**49,455**	**87,368†**

APAC = Asia-Pacific EMEA = Europe, Middle East and Africa
† Number of employees at year-end 2004, including interns and contractors.

Turnover by Region†

Region	Year-End Headcount 2004	Turnover 2004	Turnover % 2004	Turnover % 2003
Greater Americas	2,451	204	7.7%	5.6%
Greater Asia	21,464	1,413	6.2%	5.6%
Greater Europe	11,699	721	5.8%	4.7%
United States	49,015	2,035	4.0%	3.5%
Total	**84,629**	**4,373**	**4.9%**	**4.2%**

† Regular employees only; does not include terminations due to divestiture, retirement, redeployment or Voluntary Separation Program.

Other Turnover 2004†

Reason for Termination	Count
Voluntary Separation Program	31
Redeployment††	284
Divestiture	3
Retired	172

† Regular employees only, including those whose jobs were eliminated (who received no comparable offer or who rejected an internal job offer), as well as those whose jobs were eliminated and who left voluntarily or involuntarily.
†† Some 650 employees were impacted by redeployment during 2004. Of these, 51% (~332) found other jobs in the company.

Diversity

Every day, we put our dedication to diversity and multiculturalism into practice in a global workforce of nearly 85,000 employees in more than 45 nations.

Dancers entertain employees at a Diversity Day celebration.

Leadership and challenges

Intel has achieved a leadership position in a number of key areas, including recognition as a workplace of choice for Asian Americans; support and funding for employee affinity groups; policies in support of gay, lesbian, bisexual and transgender employees; and multicultural and global training programs. We also recognize that we have more work to do in specific areas of race and gender to make Intel a leader in the areas of employee hiring, retention, development and promotion.

In 2004, Intel's Diversity team developed a multifaceted retention and training strategy to create sustained leadership throughout Intel. A new network of diversity teams around the company helped us expand programs such as mentoring, leadership forums focused specifically on women and under-represented minorities, manager training, employee reintegration and other flexibility programs. Our 2004 Diversity Report, downloaded by nearly 20,000 employees by year end, clearly communicated Intel's diversity policies and vision. We also delivered an innovative new training program to nearly 3,000 employees at eight sites, with a 98% satisfaction level. That program is being expanded at our sites worldwide in 2005.

Community outreach

In 2004, the Intel Computer Clubhouse Network, dedicated to meeting the needs of underserved youth and their communities, continued to grow. The largest global program of its kind, the Network received extensive recognition from community leaders and the media.

During 2004, Intel opened 13 new Computer Clubhouses around the world. We were honored to host dignitaries such as Her Majesty Queen Rania Al-Abdullah at the opening of the Jordan Clubhouse; Marc Morial, President of the National Urban League, and Janet Napolitano, Governor of Arizona, at the opening of the Tucson, Arizona Clubhouse; and Yankees pitcher Mariano Rivera at the opening of two Clubhouses in Panama. In addition to new openings, Intel sponsored attendance for 20 college-bound Clubhouse youth at the 11th Annual Spring Black College Tour.

Our Clubhouse to College vision became a reality in 2004 as the first group of Clubhouse youth started college programs at Duke University, Arizona State University and Spelman College. By year end, the Intel Computer Clubhouse Network had grown to some 95 facilities in 20 countries.

In 2005, we will exceed our original commitment to build 100 Clubhouses and will concentrate further on ensuring the long-term capability of the Network to provide young people in underserved communities with the skills and self-confidence they need to be successful in the future. Internally, we will focus on implementing breakthrough retention and training initiatives for women and under-represented minorities.

In 2004, we strengthened our commitment to Historically Black Colleges and Universities by working with the United Negro College Fund (UNCF) to donate and install wireless technology at Tuskegee University, Morehouse College, Spelman College, and North Carolina Agricultural and Technical State University. We also set up a $250,000 Intel/UNCF Scholarship program, donated Intel networking equipment, and created a U.S.-wide UNCF Awareness Campaign under the auspices of Intel Corporate Diversity and our African American Employee Group.

Focusing on our supplier base

In 2004, Intel implemented several new programs aimed at developing under-represented businesses that are interested in working with Intel. Intel also launched the She-Business initiative, a combination of training, consulting, development and support services aimed at helping women entrepreneurs understand the e-business environment and develop their own e-commerce online presence. The program uses technology to support the development of viable, sustainable and scalable woman-owned businesses by providing tailored consulting, business insight and concrete business-specific support.

Intel Computer Clubhouse Opens in Jordan

Her Majesty Queen Rania Al-Abdullah inaugurated Jordan's first Intel Computer Clubhouse in November 2004. The Clubhouse was established in collaboration with the International Youth Foundation (IYF) and the Jordanian Hashemite Fund for Human Development. Located at the Queen Zein Al Sharaf Institute for Development in Hashmi Al Shamali, the Clubhouse serves young people aged 10–18, providing them with access to high-tech equipment, professional software and volunteer mentors to help them develop the self-confidence and enthusiasm for learning that they will need in order to be successful in the future.

The Clubhouse staff expects to welcome as many as 60 youth a day, who can experiment with technology as a tool for learning and creative expression, and develop creative technology skills such as graphic design, music production, and audiovisual artwork and editing.

"Thanks to the dynamic and proactive combination of the International Youth Foundation and Intel, we now have a state-of-the-art Computer Clubhouse for Jordan's youth," said Queen Rania. "Enabling and encouraging our young to access the vast opportunities in the world of information technology is one of the greatest gifts we can give them." The Queen, who serves on the IYF Board, toured the Clubhouse and discussed with students the opportunities it provides and the skills they can learn using the state-of-the-art equipment.

Social Programs and Performance

Senior Management and Corporate Governance Bodies 2004

		Male					Female				
	Total	Caucasian	African American	Hispanic	Asian/ Pacific Islander	Native American/ Alaskan	Caucasian	African American	Hispanic	Asian/ Pacific Islander	Native American/ Alaskan
Board of Directors	11	9	0	0	0	0	2	0	0	0	0
		82%					18%				
Corporate Officers	35†	20	0	0	9	0	4	0	0	0	0
		57%			26%		11%				
Top 50 in Total Comp	50††	32	0	0	11	0	6	0	0	0	0
		64%			22%		12%				

†Two males refused to identify.
††One male refused to identify.

U.S. Workforce 2004

	African American	Asian/Pacific Islander	Caucasian	Hispanic	Native American	Refused to Identify	Total
Female	354	2,528	7,197	1,136	115	431	11,761
Female %	3%	21%	61%	10%	1%	4%	100%
Male	1,100	7,744	22,874	2,958	256	1,962	36,894
Male %	3%	21%	62%	8%	1%	5%	100%
Grand Total	1,454	10,272	30,071	4,094	371	2,393	48,655

U.S. Officials and Managers 2004

	African American	Asian/Pacific Islander	Caucasian	Hispanic	Native American	Refused to Identify	Total
Female	25	150	957	62	4	26	1,224
Female %	2%	12%	78%	5%	0.3%	2%	100%
Male	90	621	3,519	227	14	175	4,646
Male %	2%	13%	76%	5%	0.3%	4%	100%
Grand Total	115	771	4,476	289	18	201	5,870

U.S. Data 2004

Year	Total Number of Employees Hired	Minorities as Percentage of U.S. Hires†	Females as Percentage of U.S. Hires
2002	1,700	43%	19%
2003	854	39%	22%
2004	2,852	38% (1,072 of 2,852 hires)	30% (843 of 2,852 hires)

†"Minorities" includes Asian/Pacific Islanders.

Worldwide Workforce by Gender 2004

	Female	Male	Total
U.S. Workforce	11,761	36,894	48,655
	24%	76%	
Non-U.S. Workforce	13,279	22,646	35,925
	37%	63%	
Worldwide Total	25,040	59,540	84,580
Average Worldwide	30%	70%	

The slight discrepancy in totals with the employee table on page 30 is due to the use of different data systems.

Education

Knowledge drives our global economy. That means students everywhere need to be prepared to think and reason at a high level and work in a team. They must know how to harness technology to solve complex problems.

Students at the Intel ISEF inspect their work.

Intel Innovation in Education

Intel® Innovation in Education is a worldwide initiative, in collaboration with educators and government leaders, to inspire innovation in teaching and learning and help students develop the 21st century skills needed to succeed in the global economy. The initiative offers free programs and resources serving the entire spectrum of educational needs, from elementary, secondary and community-based education to higher education.

In 2004, the initiative set and met aggressive targets for success, and faced challenges related to creating scalable programs that address the needs of educators worldwide.

➧ **www.intel.com/education**

Elementary and secondary education: Intel Teach to the Future

Intel Teach to the Future, the company's flagship professional development program, reached a milestone in 2004. More than 850,000 teachers were trained during the year, against a goal of 750,000, for a total of 2.3 million teachers trained since the program's introduction in January 2000.

The program also met its goal to expand into key new countries where government demand is high and where Intel maintains strategic business alliances. Strong, continued government support in Jordan helped us ramp up quickly, training 35% of Jordan's teachers in the first year. In Asia, we surpassed the 1 million teachers trained mark. In Chile, government endorsement led to a successful program introduction.

Evaluations conducted by the U.S.-based Education Development Center (EDC) and evaluators in some other countries indicate that teachers remain highly supportive of the program. According to the most recent impact survey, 82.3% of respondents worldwide have implemented new technology activities since completing the training—in many cases, more than once a month.

Participants also consistently express an interest in attending more Intel teacher training. New online tools on the Intel Innovation in Education web site provide teachers with interactive models to help students think through complex problems. In 2005, these tools will be adapted for a worldwide audience and launched in Costa Rica, India and Israel. A series of workshops based on the tools is available for teachers in the U.S. In Germany, an online, collaborative version of Intel Teach to the Future is providing a scalable model for professional development. In the U.S., a new Leadership Forum engages school and district leaders to explore their role in technology integration and helps them develop action plans that they can take back to their districts.

Elementary and secondary education: recognizing educational excellence

Intel sponsors several programs that recognize and reward student achievement in science and mathematics, as well as overall achievement at the school and district level. The Intel Science Talent Search builds on a six-decade history by celebrating the achievements of some of the most promising young scientists in the U.S. and providing $1.25 million each year to students and their schools.

In 2004, the Intel International Science and Engineering Fair (Intel ISEF), held in Portland, Oregon, provided an opportunity for several hundred Intel employee volunteers to host more than 1,400 students from around the globe. Intel ISEF also introduced a revamped Middle School Outreach program, which provided a foundation for increasing minority student participation. Some 12,000 students are already participating in after-school programs in anticipation of the 2005 fair, to be held in Arizona. The Educator Academy associated with Intel ISEF brings together teachers from around the world to provide assistance in organizing local student research programs and affiliated fairs worldwide. In 2004, more than 100 educators from 28 countries and nine U.S. states attended.

In 2004, Intel and education leader Scholastic, Inc. developed the Schools of Distinction Award, which honors schools for innovative and replicable programs that support positive educational outcomes. The program highlights successes in a variety of categories, including the innovative use of technology, the benefits of strong teamwork, community involvement, academic excellence and superior classroom teaching practices.

In the first year of the program, more than 1,200 schools applied. Twenty were recognized as finalists. Two $10,000 winners were named in each of nine categories, and the two "Best of the Best" honors winners, Houston County High School (Warner Robins, Georgia) and MacArthur High School (Irving, Texas), each won $25,000 for excellence across all categories. In addition, the 20 winning schools received technology, software and prizes valued at more than $120,000 per school, bringing total cash and the value of prizes to $2.3 million.

Intel sites around the world work to bring science fair opportunities to more students. Programs in Brazil, China,

What They Said About Intel Learn

"I learned that planning is very important. The experience I gained will help me face future challenges confidently." **Wang, student, age 11, China**

"My son is speaking English in school. He is taking the initiative to teach his younger brothers in their studies, and he is also helping me at home. I believe that he will succeed in his career." **Hafsath, mother of participant, India**

"You really feel a revolution everywhere—a complete and immediate transformation. The pupils are learning computer skills." **Miriam Dekel, elementary school principal, Israel**

"There is no other program that promotes the development of intelligence, teamwork, and the sharing of tools, knowledge and experiences while building relationships." **Guadalupe Aguilar Ibarra, senior trainer, Mexico**

Costa Rica, Ireland and the United States have significantly increased the number of Intel ISEF–affiliated fairs as well as the number of student projects submitted. Intel's leadership has helped drive government support of science fairs. For example, the Israel Ministry of Education adopted a 14-week Intel-supported course for teachers, and an Oregon (U.S.) school district now invests $300,000 in local fairs.

Community education: extending learning to all

The Intel Learn program is bringing the future within reach for tens of thousands of young people in communities around the world. This new program teaches them valuable technical skills through hands-on learning in a community technology center. The 60+ hour curriculum is designed to teach technology literacy, critical thinking, problem solving and teamwork.

Designed as an informal, after-school curriculum, Intel Learn is intended for young people aged 8–16. In particular, it is targeted to communities with limited access to technology in homes and schools. The program teaches by engaging learners in activities related to their own communities. For example, they might create community surveys and then share their findings with parents through a multimedia presentation. As they use computers to develop these projects, young people learn that technology is a useful tool for gathering information, solving problems, communicating ideas—and even helping their communities.

Piloted in China, India, Israel and Mexico, the program launched with visits by CEO Craig Barrett. By the end of 2004, Intel Learn was reaching approximately 55,000 learners. In 2005, we plan to expand the program in its current locations and launch in four new countries.

The Intel International Mathematics Collaborative, in place at 13 Intel communities, focuses on improving student achievement by providing professional development to both administrators and educators. The Collaborative also facilitates International Mathematics Summits at which teams of community leaders come together to develop systemic math reform. Improvements in student achievement have already been realized, and by 2006 the program is expected to reach 3,000 administrators and educators. Results to date have been promising. Massachusetts teachers increased their math content knowledge by 32%; San Diego students outperformed the state average improvement by three times; and the Chandler, Arizona school district increased their math instructional time by 63%.

Higher education: advancing innovation

The Intel® Higher Education Program focuses on advancing innovation in key technology areas and developing a pipeline of world-class technical talent. Intel collaborates with top universities around the world to expand curricula, engage in focused research and encourage students to pursue technical study and research.

Intel has successfully implemented initiatives to address curriculum gaps. Under the aegis of the Intel Higher Education Curriculum Forum, leading faculty have developed curricula for VLSI Design, Intel® Network Processor/Intel® IXA (Intel® Internet Exchange Architecture), Embedded Computing (Intel XScale® microarchitecture) and Wireless, with Packaging Technology to release in 2005. Key universities around the world are now adopting these curricula.

In 2004, Intel also supported several student research contests worldwide. For example, the Premio Intel Por un México Competitivo contest in Mexico combined entrepreneurial objectives with technical research and skills. Winners of this business plan development contest received grants as well as incubation services from the Technical University of Monterrey. Winning projects included a Voice over Internet Protocol (VoIP) product, biometric identity verification hardware and a process to securely seal mail for government bids.

Intel in education: in perspective

For Intel's education initiatives, 2004 was an exciting year of growth. We look forward to even greater accomplishments as the initiative's programs expand to meet increasing demand. In 2005, we will conduct analyses to help determine the best strategies for transitioning programs to reach a wider audience. We will also look at new ways, such as WiFi and WiMAX, to address an ongoing concern about the divergent range of connectivity in the classroom, which hampers the use of Internet-based tools in many countries.

Technology in Society

Inspired by the opportunities around them, individuals, organizations and communities use Intel technology in myriad ways to improve society.

Paul Burgess and Dr. Ken Owens, Jr., 2004 winners of the Intel Environment Award.

Intel and CICT roll out People's PC program

It sounds like an unattainable challenge: to make affordable, high-quality PCs available to every citizen of a populous developing nation. Yet that is precisely the aim of the People's PC program. The first personal computer ownership program in the Philippines launched in September 2004. It is a joint effort of Intel Philippines and the Philippine government's Commission of Information and Communications Technology (CICT) to lower the cost of PC purchase utilizing local assembly and fulfillment.

CICT Chair Virgilio L. Peña said, "By making it more affordable for government and the general public to own PCs, we will come closer to bridging the digital divide and providing our citizens with access to information to uplift the quality of their education and livelihood."

Work with the World Economic Forum

As part of an international team established in 2004, Intel works with the World Economic Forum (WEF) to study the technical challenges of providing IT access to people in emerging markets. The research project IT Access for Everyone (ITAE) will help medical practitioners use computers to look up medical information, maintain records and access professional organizations online. It will also help teachers use computers to raise the standard of education in the classroom and promote citizen access to government services online. The Intel ITAE team looks for opportunities to apply the capabilities around the globe. They are currently focusing on developing a business framework that will develop and deliver solutions to the Brazilian marketplace.

Through the IT Innovation Centre in Ireland and the company's education program, Intel is working on another WEF program, the Jordan Education Initiative (JEI). Begun in 2003, the program is equipping schools and training teachers; establishing broadband and wireless networks; and developing teaching and learning management resources in math, science and other subjects.

Intel Community Solutions

Launched in 2003, Intel's Community Solutions program identifies opportunities to develop and implement new technology usage models to meet the social needs of communities worldwide.

Italy. Intel designed solutions for the use of wireless technology in healthcare delivery. A new "wireless hospital" in Milan has become a model for the Italian government in its efforts to enhance the use of technology in medical facilities nationwide.

Malaysia. A "wireless university" initiative at the University of Science of Malaysia has become a model for educational technology enhancement throughout the region.

Arizona, USA. The Intel Tech Center at the Chandler Chamber of Commerce is exploring ways to improve how small businesses use technology to enhance their competitiveness and profitability.

By connecting Intel's technology acumen with leaders and organizations eager to solve unique social problems, we are helping to develop new solutions that expand the role and benefits of information technology in improving government, education and healthcare.

The Community Solutions effort isn't without challenges. After years of trying to bridge the gap between the computing technology haves and have-nots, we have learned that the digital divide goes beyond computers and Internet access. Technology alone cannot create meaningful, lasting solutions—people create them. As a result, communities need to be fully involved in determining how technology will be used to make a difference.

Progress with sensor motes

Several years ago, Intel embarked on a project using Intel remote sensors to optimize winemaking while saving water and minimizing pesticide use. Work on new and innovative applications of this remote sensor technology continues.

In April 2004, an Intel team assembled such a system by strapping 120 plastic-encased motes to the trunks and limbs of redwoods at a grove near Sonoma in Northern California. The goal is to build a detailed picture of how the microclimate enveloping such trees changes and how the trees shape the local environment through their shade, respiration and water transport.

Intel Environment Award at Tech Museum Awards

The Intel Environment Award highlights innovators and their achievements, illustrating Intel's commitment to improving the environment. Intel has supported The Tech Museum Awards, which recognize individuals and organizations working to solve global challenges by creating and using simple and complex technology, since the inception of the Intel Environment Award in 2001.

In 2004, the Intel award went to Dr. Ken Owens, Jr. and

Paul Burgess of Humboldt State University, who designed a more precise, safer method for clearing landmines from the world's war-torn regions. Owens and Burgess equipped a mine-clearing robot with centimeter-accurate Global Positioning System receivers and a navigation system. The U.S. Army is already considering the technology for use in its de-mining vehicles. The researchers see WiFi technology as a possible next step, with the establishment of a local area network to control the robot via a handheld device.

➧ www.techawards.org

Intel Technology Around the World

Students collaborate as part of the Intel Learn

Intel technology helps panda researchers at China's Wolong Nature Reserve.

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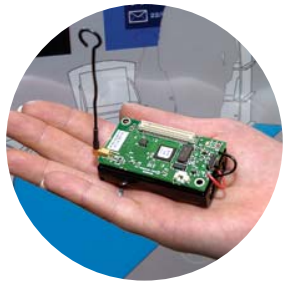

In a sensor network, tiny computers, or "motes," sense, compute and communicate.

Students in Malaysia learn to assemble a computer.

China. In 2004, Intel initiated the "Volunteer Go Rural Area" program in conjunction with the Shanghai Association of Science and Technology in the rural Song Jiang district. Intel's site in Pudong, China donated desktop PCs to each of seven rural area science departments. As part of the program, Intel volunteers deliver science lectures, consultations, road shows and surveys in these areas.

China. To aid researchers in the study, care and preservation of the endangered giant panda, Intel deployed a campus-wide broadband and wireless communications network within China's Wolong Nature Reserve. In addition to significantly improving the communications network at Wolong, Intel collaborated with GLOBIO, an international nonprofit educational organization, to create the Intel Children's Learning Lab within the Wolong Giant Panda Museum of China. Partnered with labs in Portland, Oregon, USA, the Wolong lab enables children around the world to collaborate, study and interact in creative new ways. In addition, using GLOBIO's online education platform, students from China's Sha Wan and Oregon's Woodstock elementary schools will interact with each other while learning about the diversity of their respective local environments.

India. Intel is working with the Ministry of Communications and IT (MoCIT) in three areas of focus: bringing IT to the general population, investing for technology competitiveness, and education. Intel will form a consortium to design a low-cost computing platform for rural kiosks. The collaboration will include joint initiatives to make broadband wireless technology a viable option for the delivery of rural services. In the area of education, Intel will proliferate the Intel Learn program across the country and work with educational institutions on curriculum design, faculty development workshops and research collaborations.

Malaysia. Intel Malaysia opened the first Intel Wireless Community Computer Center, adjacent to the Georgetown Library. Intel employees also volunteer as mentors at the center as part of the Intel Involved program. The center is accessible to more than 60,000 registered members of the Georgetown Library and to non-registered library users as well.

Nigeria. Intel equipped the Bola Ige Information Technology Center in Abuja with high-end computers powered by Intel® Pentium® processors. The center provides adaptive technology, which is used to teach blind or visually impaired people how to use computers. Minister for Women's Affairs, Obong Rita Akpan, described the training "as an opportunity to publicize the talents and contributions of the blind, build the capacity of young men and women, and strengthen youth networks to influence governance processes at all levels."

Peru. The Center of Competitiveness and Development (CCD) in Lima provides computer training and jobs to visually impaired Peruvians, enhancing their competitiveness in the academic and business worlds. Working with the center, Intel helped transform a concept cyber café into a one-of-a-kind professional enterprise for the visually impaired. The CCD is an innovative solution for promoting training, business opportunities and personal independence to Peruvians with disabilities. We plan to replicate this successful model at 10 additional centers in Latin America.

Philippines. Intel and the United States Agency for International Development (USAID) launched an effort to improve computer literacy and Internet access, provide teacher training in the use of computers and the Internet, and expand access to global information for teachers and students in schools located in the Autonomous Region in Muslim Mindanao (ARMM).

Philippines. Intel Philippines installed a wireless network at Malacañang, the official residence of the Philippine head of state. The project is viewed as the first step toward electronically linking government institutions and public officials for more proactive and dynamic governance.

"Our corporate social responsibility initiatives include enhancing the technological capabilities of Philippine government institutions so they can cope with the challenges of today's ICT [information and communications technology]-based global economy," noted Intel Philippines General Manager Peter Iredale.

Saudi Arabia. Intel supplied high-end processors to Saudi Arabia's "PCs for Homes" initiative, which will make affordable PC ownership a reality for a wider population and increase IT awareness. The aim is to promote social and economic development by accelerating the transition to the digital economy and spreading the computer and Internet culture across Saudi society.

Community Involvement

A core Intel commitment, practiced by our employees every day of the year, is to be an asset to our communities worldwide.

Intel Involved volunteers work to improve communities worldwide.

On-site Public Affairs

We know that we need direct, meaningful relationships with our local stakeholders to make a positive impact in our site communities. From enabling the Intel Computer Clubhouse Network to sponsoring an initiative such as the Big Brothers, Big Sisters Mentoring program, Intel strives to reinforce our commitment to our local stakeholders by tailoring approaches to the local landscape and community needs. Public Affairs professionals at all major sites reinforce this commitment by managing ongoing dialogues and strategic collaborations with community leaders.

Strategic philanthropy

We know that we cannot be all things to all people. We apply the concept of strategic philanthropy in our approach to community investments to maximize the value of our monetary contributions and human resources. Our focus areas for investment—which include education, environmental stewardship and safety, diversity and community capacity building—provide the best opportunities to align Intel business with the needs of our communities and the expertise of our employees.

Intel Connected to Schools

In 2002, a staggering 20% of K–12 schools in Arizona were underperforming academically. Intel Arizona looked for a way to apply the energy and resources of the Intel Involved program to remedy the situation. The Intel Connected to Schools (ICS) program packaged education, diversity and volunteer programs together to achieve significant results. In less than a year, Intel selected two Phoenix, Arizona area urban schools, trained 89% of the faculty in the Intel Teach to the Future program and helped both schools receive computer labs valued at $50,000 each. The schools have now moved off the state's underperforming list, and students show an average of 25% to 29% improvement on the state's proficiency exams. The program won the National Business and Schools Partnership award from the U.S. Department of Education in 2004. Based on the program's success, we are exploring ways to expand ICS to other schools in Arizona and other states.

The Intel Foundation

Formed in 1988, the Intel Foundation is funded solely through donations from Intel Corporation. Its four-member board of directors is made up of corporate senior managers and is chaired by Intel CEO Craig Barrett. The Intel Foundation's mission is

- To strengthen engineering and computer science education and increase participation in these fields by women and under-represented minorities
- To improve mathematics and science education for elementary and secondary students
- To foster the effective use of computer technology in education

In addition, the Foundation supports the communities in which Intel has a major presence with donations for the United Way and disaster relief. In 2004, the Intel Foundation provided disaster-relief funding for victims of earthquakes in Bam, Iran, and came to the aid of communities in Turkey, Korea, Pakistan and other areas stricken by natural disasters. The Foundation's largest effort involved support for victims of the Asian tsunami.

A Concerted Tsunami Relief Effort

The last week of the year is traditionally a quiet time inside Intel offices. The last week of 2004 was tragically different, however. The Indian Ocean tsunami that triggered disaster on an almost unimaginable scale had the effect of transforming what is normally a skeleton crew of Intel employees into a small army of emergency response workers.

Almost immediately, an impromptu worldwide taskforce came together to help affected employees and assist with relief efforts. Intel Foundation President Wendy Hawkins, on holiday break when the disaster hit, began organizing the Foundation's efforts to contribute money for emergency assistance.

At Intel sites all over the world, thousands of employees collected money to help the millions of survivors in desperate and sudden need of clean water, medicine, food, clothing and shelter. In hard-hit Pulau Betong, Malaysia, hundreds of Intel Involved volunteers helped with cleanup efforts and personally contributed food, such as rice and sugar.

The Foundation agreed to send $1 million to help with relief efforts and pledged to match employee contributions dollar-for-dollar. By the end of the giving period, more than 12,600 employees and retirees from around the world had donated over $1.77 million, resulting in a total Intel financial contribution of more than $4.5 million to tsunami relief.

Intel support was not limited to money and food. The company also worked with the Red Cross and Mercy Corps to provide laptop computers and servers to help manage the surge of online communications and donations.

Giving support every day

At Intel, charitable giving is a year-round effort. For example, the Intel Community Giving Campaign is a standing initiative that allows U.S. employees to maximize their contributions to nonprofit organizations with an Intel Foundation match to the United Way in their community.

In 2004, the Intel Community Giving Campaign team set a goal to raise $5 million in employee donations. When the last pledge was counted, donations totaled $6,274,378. Matched with Intel Foundation funds, more than $12.2 million went to local Intel site communities, an increase of 25% over 2003.

Volunteering for impact

We measure our commitment to our communities not only in dollars but also in hard work. We role-model Intel Values as we support local organizations through service on non-profit boards, oversight of strategic partnerships and participation in volunteer initiatives. In 2004, for the first time, an average of 30% of Intel employees from our major sites engaged in volunteer service through the Intel Involved program.

The Intel Volunteer Matching Grant Program matches employee volunteer time to local schools with monetary donations. In the 2003–2004 school year, 8,382 employees volunteered 188,514 hours (or 23,564 days), raising about $1.84 million for local schools in communities across the U.S. Based on this success, we will expand the program outside the U.S. in 2005.

Corporate giving

In 2004, our corporate, Foundation and employee giving provided $97,806,785 to communities around the globe. Employee donations for the Intel Community Giving Campaign totaled $6,274,378, and employee donations with Matching Gifts to Education totaled $2,910,084, for a grand contributions total of almost $107,000,000.

Employees worldwide celebrate Global Earth Day

To honor Global Earth Day 2004, Intel Involved organized our first Intel worldwide celebration. Employees from 27 Intel sites participated in a total of 41 Earth-enhancing projects, including community cleanups and education initiatives, park renovations, community gardens, recycling programs and more.

In New Mexico, for example, employees and their families provided maintenance for a trail leading to a Native American archaeological dig. In Costa Rica, employees taught students about waste management and sponsored an "ecological creativity" contest. In DuPont, Washington, volunteers returned to a watershed where they had planted more than 1,600 trees the previous fall to tend to vegetation that will prevent storm water run-off and help prevent flooding.

Sponsoring a "Better Bannerghatta"

The Bannerghatta Biological Park (BBP) in India breeds local endangered species, develops programs for conservation awareness and maintains a rescue center for wild animals. To create environmentally friendly areas and promote sensitivity among the local community, Intel collaborated with the World Wildlife Fund (WWF) for Nature in India and the BBP. Through its year-long "Intel for a Better Bannerghatta" campaign, Intel India contributed funds and volunteers to bring the park up to global standards. BBP is now recognized as a prime tourist attraction and educational destination for youth.

Corporate Giving Summary

	Total cash gifts (including direct & Intel Foundation) U.S.	Cost value of total in-kind giving (products & services) U.S.	Value of cash gifts to programs or organizations that primarily benefit minorities U.S.	Cost to company of in-kind giving (products & services) to programs or organizations that primarily benefit minorities U.S.	Value of cash gifts to programs or organizations that primarily benefit women U.S.	Cost to company of in-kind giving (products & services) to programs or organizations that primarily benefit women U.S.
2002	$44,720,739	$21,721,326	$5,031,319	$980,239	$1,332,172	$36,572
2003	$48,292,372	$13,254,726	$5,339,819	$536,301	$1,251,805	$21,000
2004	**$46,330,472**	**$16,211,487**	**$6,689,987**	**$863,284**	**$667,540**	**$7,915**
	Total cash donations outside U.S.	**Total equipment grants outside U.S.**				
2002	$22,317,539	$2,755,837				
2003	$19,807,468	$1,726,645				
2004	**$25,755,227**	**$1,280,873**				
Total 2003	$68,099,840	$14,981,371	$5,339,819	$536,301	$1,251,805	$21,000
Total 2004	**$72,085,699**	**$17,492,360**	**$6,689,987**	**$863,284**	**$667,540**	**$7,915**

2004 total corporate gifts U.S.	2004 total corporate gifts outside U.S.†	2004 employee gifts to community and education†	2004 grand total donations
$80,314,425	**$17,492,360**	**$9,184,462**	**$106,991,247**

† Gifts for Asian tsunami relief are not included in 2004 donations.

External Recognition

Awards and Other Recognition 2004

Corporate

Business Ethics Magazine, number 3 on 2004 list of "100 Best Corporate Citizens." Intel was one of only 29 companies to make the list all five years.

***BusinessWeek*/Interbrand,** number 5 on list of "100 Best Global Brands."

Forbes, "A" grades in environment and community in "Benchmarking Benevolence" survey.

Fortune, "Blue Ribbon" company for appearing on six lists, including Fortune 500, Global 500, Best Companies to Work For, America's Most Admired Companies, Global Most Admired Companies and MBA's Top 50 Employers.

Training Magazine, number 17 in 2004 "Training Top 100" list of organizations that excel at human capital development.

Brigham Young University, first corporate award for "Distinguished Contributions to Accessibility" for Intel's work to accommodate disabled employees and develop products to improve the lives of the disabled.

Concern Worldwide U.S., "Seeds of Hope" award to Craig Barrett for Intel's outstanding efforts in education and corporate responsibility.

Dow Jones Sustainability Index, Technology Market Sector leader fourth year in a row; included in the Index since its inception.

Issue Management Council Award, for extraordinary innovation in developing issue management tools, processes and teaming.

Patents. Intel moved to number 7 in number of company U.S. patents in 2004, with more than 1,600 issued. Intel inventors in 92 countries received patents in 22 countries.

Diversity and Education

Working Mother Magazine, one of "100 Best Companies for Working Mothers."

Human Rights Campaign's Corporate Equality Index, perfect score of 100% third year in a row (since inception).

U.S. Department of Education, National Business and Schools Partnership award for Intel Connected to Schools program.

University of Massachusetts, College of Engineering, recognition for diversity development.

World Summit, Best Western European e-Learning web site for Intel Ireland's skoool.ie program.

Environment, Health and Safety

U.S. Environmental Protection Agency, number 1 on list of "Best Workplaces for Commuters from the Fortune 500 Companies."

Consumer Electronics Show, recognized by U.S. EPA for ecology-related programs Plug-In to eCycling and Million Monitor Drive.

Energy Star* Award, recognized by U.S. EPA program for developing new power-supply guideline encouraging energy-efficient designs.

Community

Intel Argentina. Awards for Social Responsibility from Inter-American Agency for Cooperation and Development of OAS and Organization of States and American Chamber of Commerce for work in education.

Intel Brazil. Intel Computer Clubhouse was one of three finalists for TOP IT 2004 Award, in social responsibility, promoted by IT Midia/S/A.

Intel China. Recognized by Ministry of Education for Outstanding Contribution to Education.

Intel Costa Rica. Premio Global Preventico Award for fifth consecutive year for EHS excellence; recognized by Ministries of Education and Science and Technology for leadership in science fairs and education.

Intel Germany. Initiative D21, Germany's largest public-private partnership, recognized Intel for Intel Teach to the Future Online and Collaborative program.

Intel India. Skoch Challenger award for Social Impact at annual Skoch summit in Delhi; one of "Top 10 Employers" in India on 2004 lists of Hewitt Associates and CNBC.

Intel Ireland. Company of the Year by *Business Finance* magazine; recognized by Chamber of Commerce Ireland for work in community and environmental programs.

Intel Israel. Four Intel facilities in Israel won Yoseftal Award, the most prestigious honor in the field of occupational safety and hygiene, by Ministry of Industry Trade and Labor, Israel Institute for Occupational Safety and Hygiene, and Israel's Manufacturers Association.

Intel Jordan. Recognized by World Economic Forum for leadership of Jordan Education Initiative.

Intel Malaysia. National Caring Employer Award 2004 from Malaysian Ministry of Human Resources.

Intel Mexico. Runner-up in Partnership for Prosperity Good Partner Award, which recognizes socially responsible companies whose activities and corporate programs contribute to Mexico's development and competitiveness.

Intel Philippines. Recognized by Philippine Export Zone Authority (PEZA) for community relations, workplace and environmental performance; Philippines National Award for Outstanding Volunteer Organization.

Intel Shanghai/Pudong. Shanghai Association Quality Management Award for corporate social responsibility initiatives, systematic strategic objective deployment, information management, organization, communications, and performance management systems.

Intel Taiwan. Advancing Science Education award from Taiwan Minister of Education.

USA:

Intel Arizona. Corporate Philanthropist of the Year from Arizona Association of Fundraising Professionals.

Intel Colorado. Celebrate Technology 2004 Corporate Citizenship Award; Outstanding Large Business Award at NAACP Freedom Fund Gala.

Intel Folsom. 2004 Workplace Excellence Leader Award for human resources practices from Sacramento Area Human Resource Association.

Intel Massachusetts. Seventh Annual Gould Education and Workforce Development Award from Associated Industries of Massachusetts.

Intel New Mexico. VPP Star, U.S. OSHA highest health and safety designation.

Intel Oregon. Corporate Partner of the Year from Oregon Mentors program.

Intel Santa Clara. Number 2 on *San Francisco Business Times* "2004 Corporate Philanthropy" list; number 1 on *Silicon Valley/San Jose Business Journal* "2004 Executive Philanthropy" list.

Intel Utah. Hearts and Hands award for outstanding contributions to education from Utah State University College of Engineering on behalf of Utah Nonprofits Association.

Intel Washington. Outstanding Philanthropic Corporation from Association of Fundraising Professionals.

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