Building Global Responsibility

Intel 2006 Corporate Responsibility Report

Contents

This printable (PDF) version of the complete Intel 2006 Corporate Responsibility Report was published in May 2007.

www.intel.com/go/responsibility

Overview

Building responsibility into our operations around the world.

Building Global Responsibility

At Intel, corporate responsibility means achieving business success while acting with uncompromising integrity in everything we do. It means listening to, learning from, and communicating openly with our various global stakeholders. We believe that corporate responsibility is good management, and we are proud to be recognized as a role model for how corporations should operate. Read on to learn about Intel's economic, environmental, and social performance in 2006 and our priorities for the future.

Report Scope and Profile

This Corporate Responsibility Report, addressing Intel's worldwide operations and facilities, was published in May 2007. It covers global programs and performance data from 2004 through 2006. Throughout the report, we discuss the management systems used to monitor and collect our data and indicators. Environmental, health, and safety 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.

In 2006, Intel implemented a broad restructuring effort aimed at cutting costs and improving operational efficiency. To sharpen our focus on our core businesses, we divested several smaller operations, including certain assets of our communications and application processor business. We believe that these actions make Intel a more agile, competitive company for the long term, but they do not affect the primary focus areas of this report.

Content for this report is informed through discussions with Intel stakeholders worldwide, company executives, and leading thinkers, and through feedback received throughout the year on our various communications. These inputs help define topics of materiality for our Corporate Responsibility Report. This year, it is divided into six main sections: Corporate Profile including stakeholder relations and governance, Workplace, Environment, Education, Community, and Supply Chain Management.

Assurance

Second-year MBA students Stephanie Schlecht, Hanes Roberts, and Chris Zintel, from the Thunderbird School of Global Management, reviewed our 2006 Corporate Responsibility Report against the AccountAbility AA1000 Assurance Standard on materiality, completeness, and responsiveness. The students provide independent, unbiased feedback that eliminates potential conflict-of-interest pitfalls of using paid auditors. For more information, view or download their unedited assurance statement.

Reporting Guidelines and Report Feedback

This report is published in accordance with the Global Reporting Initiative* (GRI) 2002 Sustainability Reporting Guidelines. A GRI Index is provided as a cross-reference to the report content. The previous report was published in May 2006.

A full discussion of Intel's operations and financial statements is included in our 2006 Annual Report and Form 10-K.

Send questions, comments, or feedback on this report to Dave Stangis, Director of Corporate Responsibility, Intel Corporation, 5000 W. Chandler Blvd., CH7-301, Chandler, AZ 85226. Or use our web-based feedback form to contact our corporate responsibility team members, who will research your request and respond promptly.

Executive Perspective

I am writing to you from the vantage point of a company that is approaching 40 years of existence in the often turbulent and always exciting world of technology. The world has changed greatly in the past four decades, and if you look closely at those changes, you will often find Intel's flagship product, the microprocessor, at the center. That one innovation has expanded human possibilities and helped make our world a better place to live.

For proof, look no further than our most recent business success, the Intel® Core™2 Duo processor. It and more than 40 recently introduced microprocessors based on a new Intel architecture offer record-breaking performance while consuming less energy. The Intel Core 2 Duo processor is an example of an Intel win-win situation—we do well while we do good.

In the same vein, we continue to strive for excellence in our operations. In our factories, we have reduced normalized energy consumption by more than 20% over the last three years and are on track to meet our goal of reducing normalized climate change emissions by 50% by 2010 compared to our 2002 baseline. In many communities around the world, we open our doors to our neighbors so they know that they live near a safe manufacturing facility that is creating cutting-edge technology.

We've learned that success in our industry can be enhanced by sharing many of our best practices with our customers and suppliers. We expect our many suppliers to maintain high standards when it comes to safe, lawful, and environmentally progressive operations. Intel established formal expectations for suppliers in 1998, and in 2004 we adopted the Electronics Industry Code of Conduct, which outlines a consistent approach for supplier performance in many areas.

Our community efforts focus on projects that combine Intel's technical expertise, employee energy, and business acumen to help make communities stronger and bring technology access to under-served populations. Intel employees volunteer hundreds of thousands of hours each year in places like Intel Computer Clubhouses, the Intel International Science and Engineering Fair, and local schools.

In this report, you will see the full scope of our corporate responsibility efforts, from employee development and diversity to governance, ethics, and stakeholder engagement. We attempt to offer a balanced presentation of our organization's economic, environmental, and social performance in 2006, and outline our priorities for the future. We continue to publish the report in accordance with the Global Reporting Initiative* (GRI) 2002 Sustainability Reporting Guidelines.

Intel is always in motion, fueling an industry that never rests. In 2006, we implemented our most comprehensive restructuring in over 20 years, resulting in a stronger, more competitive company. The skills and dedication of our employees to our mission and values have brought us nearly four decades of success. Continuing our commitment to the highest performance in all we do—from product innovation to corporate responsibility—is good business. By honoring our ethical values and demonstrating respect for people and the environment, we achieve financial success, provide great opportunities, and attract good people to work with us. We look forward to another successful and responsible year.
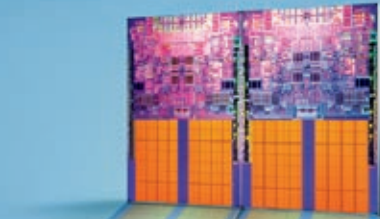
Paul S. Otellini
President and Chief Executive Officer

Continuing our commitment to the highest performance in all we do— from product innovation to corporate responsibility—is good business.

Corporate Profile

Accountable to our customers, employees, and stockholders.

Intel is the world's largest semiconductor chip maker based on revenue and a leading innovator of advanced digital technology platforms and components, primarily integrated circuits, for the computing and communications industries. Our goal is to be the preeminent provider of semiconductor chips and platform solutions to the worldwide digital economy. A common mission directs our efforts: to delight our customers, employees, and stockholders by relentlessly delivering the platform and technology advancements that become essential to the way people work and live.

Organizational Profile

Intel. Leap ahead.™ This tagline represents our focus at Intel. Our job is to find and drive the next leap—in technology, education, culture, social responsibility, manufacturing, and more—to encourage customers, partners, consumers, and businesses to join us as we continue to take exciting leaps forward. In the end, it's not just about making technology faster, smarter, and cheaper—it's about using that technology to make life better.

Products

Our products include chips, boards, and other semiconductor products that are the building blocks integral to computers, servers, handheld devices, and networking and communications products. Our component-level products consist of integrated circuits, used to process information, including microprocessors, chipsets, and flash memory. We offer products at various levels of integration, allowing our customers flexibility to create advanced computing and communications systems and products.

In 2006, we introduced the Intel® Core™ microarchitecture, the foundation for new Intel® architecture-based desktop, mobile, and mainstream server multi-core processors. Compared to processors with only one core, those with two or more cores are designed to deliver higher system throughput and simultaneous management of activities, while balancing power requirements. The Intel Core microarchitecture delivers a number of innovative features designed to boost energy efficiency and enhance user experience through higher system performance and more responsive multitasking.

2006 Highlights

- Reported our 20th consecutive year of profitability.

- Paid record cash dividends of $2.3 billion.

- Launched more than 40 microprocessors, including those based on the new Intel® Core™ microarchitecture, during the second half of the year.

- Named to the Dow Jones Sustainability Index for the eighth consecutive year (since the index's inception), and named the Supersector Leader for Technology for the sixth consecutive year.

- Named to the Corporate Knights/Innovest list of the "100 Most Sustainable Corporations in the World" for the third consecutive year.

- Amended our bylaws to adopt a majority-vote standard, recognized as a gold standard of governance.

- Trained 95% of our employees worldwide in Intel's business ethics expectations.

- Adopted a policy on political contributions and accountability.

We have a broad focus on growth opportunities presented through platforms—advanced solutions that integrate Intel microprocessors and other technologies such as complementary chipsets and communications chips—all optimized to work together to address the differing needs of consumers, business owners, and information technology (IT) professionals. In 2006, we launched three major platforms:

- Intel® Centrino® Duo mobile technology platform, designed to give notebook PCs high performance, power-saving features to improve battery life, small form factors, and a flexible wireless network connection.

- Intel® vPro™ technology platform, the first PC platform optimized exclusively for business and IT customers, offering increased security and manageability, energy-efficient performance, and lower cost of ownership.

- Intel® Viiv™ technology platform, which enhances the entertainment experience for people in the digital home by making it easier to download, manage, and share the growing amount of digital programming available worldwide, and view that programming on a choice of TVs, PCs, or handheld products.

Customers

Our customers include:

- **Original equipment manufacturers (OEMs) and original design manufacturers (ODMs)** who make computer systems, handheld 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 our networking, communications, and storage products, through distributor, reseller, retail, and OEM channels throughout the world; and

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

Operating Segments

Intel is organized into the following operating segments, which focus on developing platforms and microprocessors for core market segments where we believe large growth opportunities exist:

- **Digital Enterprise Group.** Delivers products that are incorporated into desktop computers, enterprise computing servers, workstations, and the infrastructure for the Internet.

- **Mobility Group.** Designs and delivers platforms for notebook PCs and other mobile devices. Products include microprocessors and related chipsets designed for the notebook market segment and wireless connectivity.

- **Flash Memory Group.** Provides advanced flash memory products for a variety of digital devices, including memory cards, cellular phones, digital audio players, and embedded form factors such as set-top boxes, networking products, DVD players, and DSL and cable modems.

- **Digital Home Group.** Offers products for PCs, digital TVs, and networked media devices to enable consumers to enjoy digital content through linked digital devices within the home. The Digital Home Group also offers products for embedded consumer electronics applications such as digital video recorders and set-top boxes.

- **Digital Health Group.** Focuses on digital hospital and consumer/home health products, exploring opportunities in healthcare information technology, research, diagnostics, and productivity, as well as personal healthcare.

- **Channel Platforms Group.** Tailors mainstream platforms to meet local market requirements, and develops and enables unique solutions to meet the needs of users in the developing world.

Manufacturing and Assembly and Test

As of year-end 2006, 68% of our wafer manufacturing, including microprocessor, chipset, NOR flash memory, and communications silicon fabrication, was conducted within the U.S. at our facilities in Arizona, California, Colorado[1], Massachusetts, New Mexico, and Oregon. Outside the U.S., 32% of our manufacturing was conducted at our facilities in Ireland and Israel. As of December 2006, we primarily manufactured our products in the wafer fabrication facilities described in the table below.

As of year-end 2006, the majority of our microprocessors were manufactured on 300mm wafers using our 65-nanometer process technology. In 2007, we expect to begin manufacturing microprocessors on our 45-nanometer process technology. Each new generation of process technology allows us to build products that cost less to manufacture, have improved performance and energy efficiency, and offer more capabilities.

To augment capacity, we use third-party manufacturing companies (foundries) to manufacture wafers for certain components, including chipset, networking, and communications products. We primarily use subcontractors to manufacture board-level products and systems, and purchase certain communications networking products from external vendors, primarily in the Asia-Pacific region. We also manufacture microprocessor- and networking-related board-level products, primarily in Malaysia.

Following the manufacturing process, the majority of our components are subject to assembly in several types of packages and then testing. We perform a substantial majority of our components assembly and test at facilities in China, Costa Rica, Malaysia, and the Philippines. To augment capacity, we use subcontractors to perform assembly of certain products, primarily flash memory, chipsets, and networking and communications products.

For all of our suppliers, we set expectations of performance related to business integrity; ethics; and environmental, health, and safety compliance. We communicate those expectations regularly, reinforcing them with periodic assessments and working with our suppliers to implement any necessary improvements. Our performance expectations are the same, regardless of where our supplier and subcontractor operations are based. At a minimum, our employment practices are consistent with, and we expect our suppliers and subcontractors to abide by, local country law. In addition, we impose a minimum employee age requirement regardless of local law.

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Wafer Fabrication Facilities			
Products	**Wafer Size**	**Process Technology**	**Locations**
Microprocessors	300mm	65nm	Arizona, Ireland, Oregon
Microprocessors, chipsets, and communications infrastructure	300mm	90nm	Ireland, New Mexico
NOR flash memory	200mm	65nm	California, Israel
NOR flash memory and communications infrastructure	200mm	90nm	California, Israel
Chipsets, NOR flash memory, and other products	200mm	130nm	Arizona, Colorado[1], Ireland, Massachusetts, New Mexico, Oregon
Chipsets and other products	200mm	180nm and above	Ireland, Israel

[1] As a result of divestiture of assets in 2006 and a subsequent assessment of Intel's worldwide manufacturing capacity operations, management placed for sale our fabrication facility in Colorado.

Intel Sites with More Than 50 Employees as of December 2006

Locations	Activities	Employees
Argentina	SM	51
Australia	SM	52
Belgium	OS, SM	86
Brazil	OS, SM	140
Canada	OS, SM	90
China		
Beijing	R, SD, SM	578
Chengdu	A	1,200
Hong Kong	OS, SM	224
Pudong/Shanghai	A, C, SD, SM	4,907
Shenzhen	SM	234
Costa Rica	A	3,239
Denmark	A, C	66
France	C, OS, SM	138
Germany		
Braunschweig	C	106
Munich	SD, SM	314
India	OS, R, SD, SM	2,644
Ireland		
Leixlip	F, OS, SD, SM	4,237
Shannon	SD	137
Israel		
Haifa	C, OS, R, SD	2,455
Jerusalem	F	948
Lachish	F	2,475
Petach-Tikva	C	373
Italy	SM	53
Japan		
Tokyo	SD, SM	306
Tsukuba	R, SM	267
Malaysia		
Cyberjaya	A, R	106
Kulim	A, L, SM, SY	3,143
Penang	A, L, R	7,033
Mexico	C, OS, SM	289
Netherlands	L	204

Locations	Activities	Employees
Philippines	A, C, L, R, SM	5,154
Poland	OS, SM	355
Russia		
Moscow	R, SD, SM	500
Nizhny Novgorod	R, SD	438
Novosibirsk	SD	197
Sarov	SD	120
St. Petersburg	SD	101
Singapore	OS, SM	211
South Korea	SD, SM	170
Spain	SM	68
Taiwan	OS, SM	451
United States		
Arizona	A, F, OS, R, SM	10,181
California		
Folsom	C, OS, R, SD, SM	6,244
Fremont	C, R	274
Irvine	C, R	87
Sacramento	C, R, SM	169
Santa Clara	C, F, OS, R, SM	6,032
Colorado	F, R	1,391
Illinois	R, SD	75
Massachusetts	C, F, R, SD	2,249
New Hampshire	SD	57
New Jersey	C	265
New Mexico	F, OS, R	4,877
Oregon	C, F, L, OS, R, SD, SM	16,096
South Carolina	C, R	198
Texas	C, R	595
Utah	OS	239
Washington	OS, R, SD	1,159

Key:

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

Research and Development

We continue to be committed to investing in world-class technology development, particularly in the design and manufacture of integrated circuits. Research and development (R&D) expenditures in 2006 amounted to $5.9 billion ($5.1 billion in fiscal 2005 and $4.8 billion in fiscal 2004).

We focus our R&D efforts on advanced computing, communications, and wireless technologies by developing new microarchitectures, advancing our silicon manufacturing process technology, delivering the next generation of microprocessors and chipsets, improving our platform initiatives, and developing software solutions and tools to support our technologies.

In 2006, we made public an innovative process for sustained technology leadership in microprocessors wherein we plan to introduce a new microarchitecture approximately every two years and ramp the next generation of silicon process technology in the intervening years, giving us a roadmap for continuous improvement in our major product lines.

Employees

In 2006, we implemented a restructuring plan that included headcount reductions, primarily through workforce reductions, attrition, and targeted divestitures. As of December 30, 2006, we had approximately 94,100 employees worldwide, with more than 50% of these employees located in the U.S. This total included an overall decline in headcount of 8,400 from mid-2006 to the end of the year.

2006 Economic Performance

We faced increasing competition in 2006, and our revenue declined due to greater than normal pricing pressure. Although we ended the year on a strong note and reported our 20th consecutive year of profitability, our 2006 revenue of $35.4 billion was down 9% and our operating profit of $5.7 billion was down 53% compared to 2005. Net income for 2006 was $5 billion compared to $8.7 billion in 2005.

We paid record cash dividends of $2.3 billion, and our Board of Directors authorized a 12.5% increase in our quarterly cash dividend, to $0.1125, beginning in the first quarter of 2007. We also used $4.6 billion to repurchase 226 million shares of common stock.

We responded to competitive challenges during the year by launching a comprehensive structure and efficiency review, and by implementing a broad restructuring effort aimed at cutting costs and creating a more nimble, customer-oriented Intel. We also accelerated the introduction of new products, leading the industry into an era of energy-efficient, multi-core computing and ending the year with one of the strongest product lineups in our history.

Our restructuring process includes cutting non-essential programs, reducing headcount, and improving organizational breadth and depth. To sharpen our focus on our core businesses, we also divested several operations, including certain assets of our communications and application processor business. This action impacted the future utilization of our wafer fabrication facility in Colorado, which has been put up for sale. We expect that these combined actions will improve our competitive position significantly over the next decade, and will save Intel approximately $2 billion in 2007 and about $3 billion annually beginning in 2008.

During the second half of the year, we launched more than 40 new microprocessors, including those based on the Intel Core microarchitecture. This new microarchitecture raises the bar for energy-efficient performance across dual- and quad-core desktop, mobile, and server products. According to multiple independent review organizations, these new processors broke performance records and surpassed competitive offerings, while consuming less power, in many industry-standard benchmarks. With our new products, we have reestablished Intel as a performance leader in essentially all categories of computing.

Several trends bode well for our future, including the increasing popularity of ultra-mobile devices that demand higher performance, full access to the Internet, significantly lower power consumption, and smaller form factors. In addition, new operating systems, more lifelike games, and online high-definition video all drive the need for processing power.

For more information, review Intel's 2006 Annual Report and Form 10-K.

Income Before Taxes and Provision for Taxes

Dollars in billions

	04	05	06

● Income before taxes   ● Provision for taxes
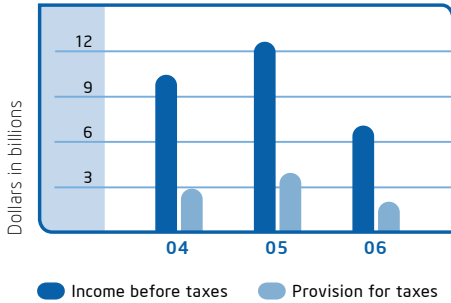
Capital and R&D Expenditures

Dollars in billions

	04	05	06

● Capital   ● Research and development (R&D)
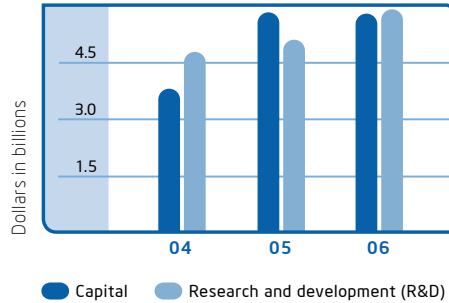
Assets and Capitalization—Year End

Dollars in billions except EPS

	04	05	06
	1.16	1.40	0.86

● Total assets   ● Stockholders' equity
● Weighted average diluted shares outstanding
● Diluted earnings per share
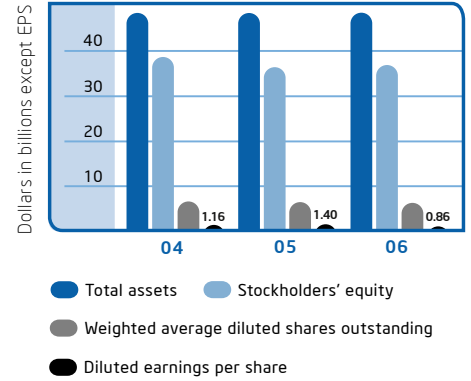
Employees Worldwide—Year End

Thousands

	04	05	06
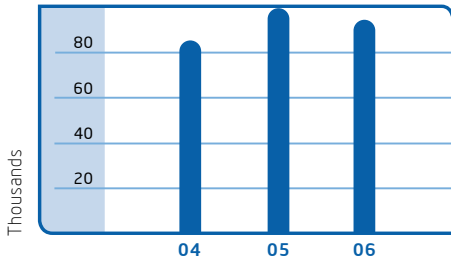
Market Capitalization—Year End

Dollars in billions

	04	05	06

Revenue and Net Income

Dollars in billions

	04	05	06
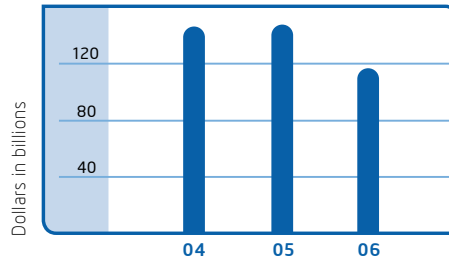
● Revenue   ● Net income
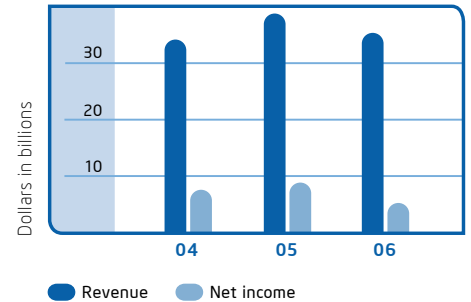
Geographic Breakdown of Revenue

Percent

	04	05	06
Americas	23	19	21
Asia-Pacific	45	50	49
Europe	23	21	19
Japan	9	10	11

● Japan   ● Europe
● Asia-Pacific   ● Americas
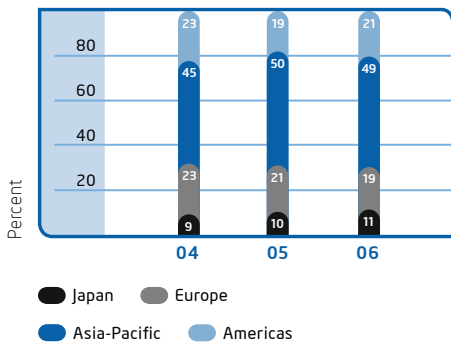
Governance and Ethics

For many years, Intel has had a Code of Conduct that has guided employees, officers, and non-employee directors. Our Code of Conduct includes business principles and guidelines designed to promote honest and ethical conduct and deter wrongdoing, as well as support compliance with applicable laws and regulations. The principles embodied in this code also express our policies regarding environment, health and safety, nondiscrimination, bribery and anti-corruption, conflicts of interest, privacy, and protection of company assets and reputation.

The full text of our Code of Conduct, as well as our Principles for Responsible Business, Corporate Governance Guidelines, Community and Workplace information, Board of Director membership, Board committee charters, and executive compensation data are available on our Corporate Responsibility web site.

Corporate Governance

Corporate governance is typically defined as the system that allocates duties and authority among a company's stockholders, board of directors, and management. The stockholders elect the board and vote on extraordinary matters. The board is the company's governing body, responsible for hiring, overseeing, and evaluating management, particularly the chief executive officer (CEO). Management runs the company's day-to-day operations. Effective collaboration among these groups should result in a well-run, efficient company that identifies and deals with its problems in a timely manner, creates value for its stockholders, and meets its legal and ethical responsibilities.

At Intel, we take corporate governance seriously and view it as an area for continuous improvement. Nine of our 11 directors are independent from the company except for their service on the Board. They are not employees and do not have other business or consulting engagements with the company. We rely on these independent directors to bring us diverse knowledge, personal perspectives, and solid business judgment.

We expect our directors to engage with us both inside and outside of Board and committee meetings. They meet with senior management on an individual basis, and attend and participate in employee forums. Unaccompanied by senior management, individual directors visit Intel sites around the world, offering them an excellent opportunity to assess local issues directly. These activities help keep the Board better informed, and make its oversight and input more valuable.

Our independent directors also regularly meet as a group, led by an elected Lead Independent Director who conducts and reports on the meetings. The Lead Independent Director also chairs the Board's Executive Committee and chairs the Corporate Governance and Nominating Committee. The Board's Audit, Compensation, Corporate Governance and Nominating, and Finance committees consist solely of independent directors, with the expectation that this independence will assist them in objectively overseeing the company's management.

Our Corporate Governance and Nominating Committee is charged with reviewing and reporting to the Board regarding our corporate responsibility performance. The committee reviews environmental, workplace, and stakeholder-related corporate responsibility issues as well as the company's public reporting on these topics. The committee receives regular updates on performance as well as emerging issues in external corporate responsibility trends.

"I salute Intel for developing and applying a comprehensive ethics program for the company, and for serving as a role model of excellence for other organizations in Israel." — Dalia Dorner, Honorable Supreme Court Judge (retired), Israel

Intel's Board of Directors evaluated governance measures for approval and implementation in 2007. The following actions were taken by the Board:

▪ Adopted a policy that directors annually submit advance, irrevocable contingent resignations that only become effective upon failing to receive a majority of votes cast at the annual meeting.

▪ Added "claw-back" provisions to our 2006 Equity Incentive Plan and proposed 2007 Executive Officer Incentive Plan, which would allow the Board to reclaim compensation from executive officers in the case of a financial restatement under certain circumstances.

▪ Eliminated the position of director emeritus from the Corporate Governance Guidelines.

Overseeing Compliance

The Audit Committee of the Board of Directors has chartered the Ethics and Compliance Oversight Committee (ECOC) with ensuring that adequate systems exist for reporting legal and ethical compliance information to the Board. Committee membership from business units includes Intel's Corporate Controller and representatives from Supplier Management, Environmental Health and Safety, Corporate Responsibility, Human Resources, Legal, Security, Internal Audit, and others.

Each quarter, the ECOC selects various organizations within Intel for review. Each organization undertakes a compliance self-assessment that covers four major areas for its business: legal and regulatory risk areas and supporting compliance programs; ethics and code of conduct activities and tone; controls environment and activities; and business continuity planning and preparedness. Legal and regulatory risk areas are also reviewed in the context of the Federal Sentencing Guidelines requirements. During the review, each business group provides the ECOC with a detailed view of that organization's compliance efforts for all four categories. The ECOC issues comments and recommendations for action that it tracks to completion.

The ECOC stays abreast of legal developments such as the Federal Sentencing Guidelines and emerging best business practices. The ECOC is responsible for:

▪ Reviewing existing compliance information and reporting systems.

▪ Evaluating compliance program auditing procedures for effectiveness in identifying and correcting deficiencies.

▪ Identifying and recommending opportunities for ethics and compliance program improvement.

▪ Supporting and enhancing a culture of ethics throughout Intel.

▪ Reporting on program status and making recommendations to the Audit Committee of the Board on a periodic basis.

▪ Reporting, through oversight review, to the Board on company-wide compliance efforts.

▪ Recommending program changes to the Board and to the business units as appropriate.

▪ Investigating and assisting in compliance issues resolution.

Building Uncompromising Integrity

Intel's Ethics and Compliance Program builds on our long-standing Code of Conduct and responds to the public's heightened expectations of global companies. In 2006, Intel's Ethics and Compliance organization stepped up its global training and communication efforts to continue promoting understanding and awareness. During 2006, 95% of Intel's employees received training based on our Code of Conduct. An initiative to redraft, localize, and translate the Code of Conduct and create additional understanding and enrichment tools was launched in 2006.

During 2006, 95% of our employees worldwide received training based on our Code of Conduct.

Our challenge for 2007 is to continue to evolve our focus on integrity and our core values as an integral part of our business strategy for growth. Our Code of Conduct is the cornerstone of Intel culture and the basis for consistently acting with uncompromising integrity as we build trusted relationships and conduct our business around the world. The redrafted Code of Conduct and its accompanying enrichment tools and intranet site are designed to provide greater accessibility, understanding, and support for employees facing ethical challenges in their day-to-day jobs. The management structure for ethics and compliance oversight and accountability, including the Audit Committee of the Board, the ECOC, and business-unit-specific forums worldwide, will continue to evolve as we actively work to understand, discuss, and act in a dynamic business environment.

External Engagement

Our ongoing strategic efforts include monitoring emerging issues and listening to numerous key stakeholders. Our past collaboration with stakeholders has resulted in improved environmental performance and a more in-depth and focused approach to corporate responsibility reporting. Many Intel stakeholders—from our suppliers and site neighbors to social analysts and Intel stockholders—have indicated their desire for us to continue demonstrating reporting leadership by increasing our disclosure about activities that are important to them. An example of our response to that request is our expanded reporting on political contributions and accountability in 2006.

Stakeholder Relationships

The business of making semiconductors—perhaps the most complex products on earth—requires tremendous focus and discipline. Ongoing engagement with our many stakeholders helps prevent us from becoming too myopic in our thinking and allows us to view issues from different perspectives. Our goal is to listen to and learn from our stakeholders.

One challenge for us is that stakeholder groups often have concerns that vary greatly from each other. For example, community stakeholders living near one of our operations may have concerns about traffic flow, lighting at the facility, or the economic impact of local business decisions. Socially responsible investors may be more concerned about political contributions or our efforts on HIV/AIDS. We do our best to be responsive to all of our stakeholders by ensuring that the right Intel people are involved with each issue.

In 2005, we held formal feedback sessions on corporate responsibility with a broad cross-section of our stakeholders, including educators, labor, socially responsible investors, employees, and community non-governmental organizations (NGOs). We learned a lot during these sessions that helped us improve the design and content of our 2005 Corporate Responsibility Report.

We continued to incorporate what we learned from our 2005 stakeholder sessions into this year's report, and sought additional validation and feedback on reporting changes from our Community Advisory Panels (CAPs) around the world. The feedback from our CAPs was very positive and included recommendations that we continue with the direction started in 2005: publishing a concise print overview with a more focused approach to issues and offering localized versions where possible. Our sites in China, Ireland, Israel, New Mexico, and the Philippines localized our 2005 print overview in content and language, and we are anticipating further localization for the 2006 overview.

CAP officers and members provide constructive input on a broad range of issues that address community concerns in areas of education, environment, health and safety, emergency response and management, community outreach, local quality of life, and communication and relationship building. Participants recommend and prioritize topics for the meeting agendas and offer suggestions on ways that Intel can improve awareness and support in the communities where we operate. Most of our major manufacturing and assembly and test sites have active CAPs that provide feedback and counsel and assist in program design and delivery. For example, CAP members and the Red Cross worked together on emergency response following the massive Southern Leyte landslide and Typhoon Milenyo in the Philippines in 2006.

The Intel Code of Conduct is the cornerstone of Intel culture and the basis for consistently acting with uncompromising integrity as we build trusted relationships and conduct our business around the world.

Working Together for the Environment

In August 2004, a new two-way exchange between the community and Intel began with the formation of the Community Environmental Working Group (CEWG) in New Mexico. The group includes environmental activists, Intel representatives, local Intel critics, and other community members, and is committed to making continuous environmental improvements at Intel's Rio Rancho site.

Over the past two years, this interaction has produced substantial reductions in air emissions from Intel's Rio Rancho site. Improvements resulted from capital investments in new pollution control equipment and upgrading existing equipment, as well as more efficient methods of maintenance that significantly reduced the number of hours that pollution controls must be turned off each year.

The CEWG holds monthly meetings that include updating residents on Intel environmental performance and listening to community concerns. Membership on the committee remains open to anyone who wants to help make ongoing environmental improvements. Intel and the CEWG will continue to work together in developing ideas for environmental improvement. For more information, visit the CEWG web site.

Another way that we engage with stakeholders is by working with groups on various issues. For example, Intel worked with a diverse group of investors studying the accountability of directors to stockholders prior to our Board of Directors' adoption in 2006 of a majority-vote standard for uncontested director elections. Under this standard, director candidates in our annual elections may receive both "For" and "Against" votes, and may fail to be elected even when running unopposed. The majority-vote standard gives stockholders another way to hold directors accountable for the performance of both the Board and the company.

In addition to CAPs and other working groups, community perception surveys and Community Leadership Audits are other tools that we use to assess how we are doing and to seek input on our community outreach efforts and operations. In 2006, 30% of Intel's major sites (those with more than 2,500 employees) conducted formal community perception surveys and demonstrated that they incorporated feedback into program planning.

How we elicit, track, and incorporate feedback is becoming increasingly important in how we gauge our corporate responsibility efforts. The following table summarizes the various ways that we engage with our many and diverse stakeholders around the world.

In 2006, 30% of our major sites conducted formal community perception surveys and demonstrated that they incorporated feedback into program planning.

Stakeholder Engagement

Stakeholders	Tools and Processes	Benefits
Employees	• *Circuit News.* Our daily intranet "newspaper" includes employee and management comment and analysis, blogs, and letters to the editor. • Mandatory quarterly Business Update Meetings for all employees. • Executive Open Forums and webcasts, including employee Q&A sessions. • Open door policy. Designed to give employees access to management at all levels. • Formal Intel chartered employee support groups include American Veterans at Intel; Diverse Abilities Network; Gay, Lesbian, Bisexual, or Transgender Employees; Network of Intel African American Employees; and Women at Intel Network.	Multiple processes support direct communication up and down the organization and promote an environment of diversity and inclusion.
Customers	• Customer Excellence Program. A structured process for obtaining and prioritizing independent customer feedback on the quality of Intel's products and services.	Objective customer feedback drives improvement and encourages employees to have a positive impact on customers. Employees are eligible to receive an additional day of pay twice a year based on customer satisfaction.
Suppliers	• Supplier Site • Intel Supplier Day. Gatherings held since 1993 to bring together hundreds of our top suppliers for training and setting expectations; country-specific supplier days are also held in China, Costa Rica, India, Ireland, Malaysia, and the Philippines. • Supplier newsletter • Electronics Industry Code of Conduct	Setting consistent expectations for our suppliers supports positive interactions regarding new priorities. It has also facilitated improved tracking tools for Intel suppliers. Development of our Supplier Ethics Expectations has improved interactions with all of our stakeholders in the supply chain.
Communities	• Community Advisory Panels (CAPs). Formal, two-way forums where community members and Intel representatives create a proactive relationship to address community issues and concerns. • Community perception surveys. Formal surveys typically administered biannually at our major locations to measure Intel's reputation in the areas of community, environment, citizenship, etc. • Intel Community web site with feedback options. • Extensive working relationships with educators and educational institutions worldwide.	Our community outreach efforts have established a framework for community relations programs worldwide. We have succeeded in aligning tools and evaluation methods with community priorities, enabling us to provide local communities with a broad range of resources.

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Stakeholder Engagement *(continued)*		
Stakeholders	**Tools and Processes**	**Benefits**
Investors	▪ Proactive meetings with social-oriented fund managers and analysts. ▪ Timely interaction with investors and research firms through e-mail exchanges, conference calls, and detailed investor surveys.	Feedback and benchmark data from firms drives improved performance. Detailed, firsthand investor insight on emerging issues promotes timely and effective responses to questions or concerns raised by these stakeholders.
Governments and Policy Makers	▪ Active engagement in policy and legislative efforts worldwide through individual discussions and exchanges with joint industry and government committees. ▪ Intel Government Affairs and Intel Corporate Affairs work together to build Intel's credibility and win the trust of policy makers.	Our efforts in policy development foster credible, trustworthy relationships; strengthen regard for Intel as a valued corporate citizen; and create a supportive public policy environment.
Non-Governmental Organizations (NGOs)	▪ Issues meetings, formal dialogues and projects, and multi-sector efforts.	Our interactions with NGOs promote mutual understanding on critical issues. Topics in 2006 included supply-chain management, HIV/AIDS, political accountability, K–12 education, disaster relief, community technology solutions, and sustainable development.

Worldwide Policy Agenda

In working on policy topics worldwide, our goals are clear: to fully understand the various perspectives and educate legislators about the effects that planned regulations may have on our industry's business processes. Intel aspires to contribute constructively to the public policy debate on issues that affect our business, our customers, and our employees. Our key areas of interest and engagement in the public policy arena include:

Broadband: Wired and Wireless. Most economic activity in the 21st century will depend on broadband communications and the Internet. The effective regulation and appropriation of the radio spectrum is critical to spur the growth of new services and wireless broadband technologies. Intel has worked with industry colleagues in the U.S. to focus on the complex issue of network neutrality. Intel believes that the fundamental openness of the Internet must be preserved and recognizes the importance of fostering business structures that attract appropriate investment in the Internet. Intel will continue to work with related companies and interested stakeholders to advocate favorable broadband policy in this area.

As a member of the High Tech DTV Coalition, Intel worked to pass legislation that set a date of February 17, 2009 for the digital TV transition (which will free valuable spectrum for public safety and commercial uses), and a deadline of January 28, 2008 for the auction of commercial spectrum. A portion of the proceeds from this auction will be used to provide substantial funding for first responders and interoperable public safety communications in the U.S.

Digital Healthcare. As the global population ages and lives longer in many areas, nations around the world anticipate challenges in caring for their elderly citizens. Intel believes that the integration of IT into the healthcare system will help improve the quality of healthcare and reduce costs. To achieve that goal, Intel and others in the healthcare industry are calling for government leadership on healthcare issues and involvement in projects supporting digital healthcare.

Intel Chairman Craig Barrett was selected to serve on the American Health Information Community (AHIC) advisory body. The AHIC's mission is to advise the government on more efficient healthcare options and provide incentives for the adoption of health IT. Intel has also joined with numerous

other organizations to advocate funding for efforts to encourage interoperability and standards in the implementation of health information networks. One key success of this collaboration was $61.7 million in funding for the Office of the National Coordinator for Health Information Technology. Through our advocacy with members of the telehealth community, an additional $3 million in funding was secured for telemedicine projects to help extend healthcare to under-served communities.

Education. Intel works actively with international ministries of education, the U.S. Department of Education, states, local school districts, and other associations to improve not only math and science education, but also critical thinking and problem-solving skills. We view these skills as necessary for 21st century teaching and learning. Our efforts have produced new approaches and policies, and have raised the profile of math, science, and technology education in the strategic reform-minded debates occurring today. This will continue to be a major focus for us in 2007.

Environment. In addition to our commitment to safety excellence and a reduction in our environmental footprint, Intel has taken a proactive approach to working with government agencies worldwide to craft environmental policy that advances sustainability while preserving our ability to operate and innovate.

In response to government initiatives worldwide, high-tech companies are now addressing the elimination of lead from electronic products. Europe and the state of California in the U.S. have already legislated lead bans, with exemptions for some applications. Other jurisdictions are following suit, including China and the states of New Jersey and Washington in the U.S. 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 see that these requirements are implemented in a consistent manner globally.

Regulation of chemical production and use is also a growing issue. The European Union (EU) is reworking its program for chemicals management under what is known as the REACH (Registration, Evaluation, and Authorization of Chemicals) regulation. Intel has been working with other high-tech companies and our suppliers to encourage the EU to adopt risk-based approaches that promote the safe use and stringent management of chemicals and, in turn, low impacts to people and the environment.

Energy efficiency continues to receive attention from governments. In the United States, the Environmental Protection Agency (EPA) is revising its Energy Star* specification for computers. We are working with the EPA, environmental groups, and consultancies to promote the adoption of more energy-efficient PC power supplies. We have also been collaborating with the EPA to design a PC specification that achieves significant new energy-efficiency savings without compromising functionality. With other high-tech companies and the EU Commission, we have undertaken a pilot project to address energy and other environmental issues throughout the cell phone life cycle. This project is intended to inform the EU's implementation of its new Energy Using Products Directive.

Export Controls. Export controls feature prominently in Intel's global business and apply to a wide array of dual-use and military technologies and commodities, including IT items. Numerous countries apply export controls on both a unilateral and multilateral basis, with the U.S. maintaining the strictest control. While substantial export control liberalization has occurred over the years in the semiconductor, computer, and telecom sectors, export controls still apply to key products/technologies and countries of U.S. concern, such as China and Russia.

Examples of items that are relevant to Intel and subject to varying levels of control are technologies for chip design, production, and development; commercial processors to be used in military applications; certain chip-making equipment; higher performance computers; computer technology; and various encryption technologies and products. The controls apply to actual exports of various products and technologies, but the U.S. also applies controls to transfers within the U.S. of restricted technology to foreign persons from countries of concern (known as deemed exports). We also follow export embargoes on a number of countries designated as terrorist states.

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

Against this backdrop, Intel supports legislative, regulatory, and policy changes in the area of export control that:

- Consider the positive correlation between national security interests and industry competitiveness, including the need to conduct business globally.

- Apply to sensitive technologies or commodities only when compelling national security or global policy objectives are at stake, while removing controls that: 1) are applied unilaterally by the U.S. and give an advantage to non-U.S. competitors only; and 2) cannot be effectively regulated because of availability outside the U.S.

- Maximize capability of colleges and universities to train the "best and brightest" and conduct fundamental research.

- Create an export license-free zone for global intra-company transfers of technology, products, and equipment, based on strong cyber and physical security safeguards and procedures.

- Make certain that mass-market integrated circuits, which are becoming more radiation tolerant through scaling, do not become subject to business-stopping U.S. munitions export controls on radiation-hardened devices.

- Prevent rollbacks; new controls should not apply to items that have been decontrolled in the past.

- Ensure that controls for preventing military end uses of commercial items do not encroach upon legitimate commercial trade or global activities.

Innovation. Continuing innovation and creating the solutions that will improve our lives in the future depend on policies that promote basic, collaborative research and protect intellectual property. Intel spends almost $5 billion annually on research and development (R&D) but also relies on findings and discoveries from university-based research programs. Government support for these initiatives has been on the decline over the last three decades.

Working with other companies, Intel continues to demonstrate leadership in the issue of U.S. company competitiveness against increased global competition. We were involved in the development of several reports on the issue, including those by the Task Force on Innovation, the Center for Strategic and International Studies, and a seminal report by the National Academies. As a key result of these efforts, the U.S. Congress in late 2006 enhanced and extended (for two years) the U.S. federal R&D tax credit, which provides significant incentives for new corporate R&D efforts.

Congress also passed an approximately 4% increase in funding for the National Science Foundation and resurrected a Department of Defense math/science education grant program. More importantly, the president and leaders in Congress have created comprehensive U.S. competitiveness proposals that Congress will consider during 2007.

Intellectual Property (IP). As an innovator, Intel respects the rights of copyright holders to protect their content. We are deeply engaged in developing digital rights management solutions that enable creative industries to launch new digital content business models—and bring innovative and exciting experiences to consumers. To that end, Intel has sought to control the spread of levies on information technology and electronic products capable of storing data, and to roll back existing levies that affect sales of digital entertainment products. As a result, levy provisions were included in a Free Trade Agreement among five nations that promotes lowered or nonexistent tariffs in the top five trading nations. Levy proposals were also stopped, once again, in the Latin America region.

Another key component of Intel's IP strategy is the development of a 21st century patent system suited to the rapidly evolving technological future. Today, the U.S. patent system is plagued by quality problems, growing backlogs, and an inadequate grasp of rapidly changing technologies. These challenges create substantial difficulties for innovators when compounded by a legal system that encourages patent speculators to file frivolous suits on questionable claims. To deal with

A key component of Intel's IP strategy is the development of a 21st century patent system suited to the rapidly evolving technological future.

these issues, Intel is working with other technology industry companies to improve examination resources and talent within the U.S. Patent and Trademark Office (PTO), modernize internal examination procedures at the PTO, and reform judicial rules that have fueled the "patent lottery."

In all respects, the reforms that Intel advocates are geared toward ensuring that the U.S. patent system is able to competently process applications on a high-quality and timely basis, and that legislation in the courts is structured to maintain an equitable balance between the interests of legitimate patent claimants and product manufacturers. As one of the largest users of the patent system and a frequent litigant in patent lawsuits, Intel has a strong interest in balanced and effective reforms.

Legal Reform. Intel is consistently in the forefront of efforts to ensure that the U.S. legal system operates fairly and efficiently. In past years, Intel has supported significant reforms that were directed toward minimizing the incentives for manipulating the legal system to the benefit of special interests. In particular, Intel has had a key role in supporting reform in securities litigation, Y2K litigation management rules, and class actions. As new challenges arise, Intel will be active in meeting those challenges. In 2007, some of the most notable issues will include patent reforms (as discussed above) and procedural rules related to electronic discovery and protection of work product in discovery proceedings.

Logistics and Transportation. Swift and efficient transportation of supplies and finished products is essential to the high-tech industry's ability to meet customer needs and marketplace demands. We work with the U.S. government to balance these needs with concerns about the vulnerability of the world's air-traffic system to terrorist attacks.

Although some support 100% inspection of all air freight loaded on passenger and/or dedicated air-freight planes, that level of inspection within the current air-transport infrastructure could cripple the flow of commerce. Many risk management experts feel that a more appropriate approach is to risk-screen all cargo and physically inspect 100% of the portion of cargo that presents identifiable risk. Intel and other high-tech companies have been working with Congress, the Department of Homeland Security, and others to advocate a risk-based approach to cargo security that protects against terrorism while maintaining the vital flow of commerce.

Trade Policy and Market Access. Free movement of products, people, and ideas is critical to continued innovation and deployment of new technologies. The market segments, manufacturing processes, supply chain, R&D activities, and workforce of the semiconductor industry are global in nature, making our work to proactively remove technical and nontechnical barriers to trade increasingly important.

Further opening markets to technology products through the support of bilateral, regional, and multilateral free trade agreements is an ongoing priority for Intel. Intel supported Vietnam's accession to the World Trade Organization and the conclusion of bilateral trade agreements between the United States and Peru and Colombia. We have also been providing input on various bilateral negotiations between the United States and Korea, Malaysia, and Russia.

Workforce. Access to a talented workforce is key to Intel's continuing technology leadership and competitiveness. During 2006, we were an active member of a broad-based consortium designed to ensure that the U.S. has access to the highly skilled talent needed to keep the country competitive in the 21st century. We advocated with members of Congress to increase the number of H-1B visas because availability continues to be exhausted before the year's allotment even begins. We also advocated for an increase in the number of permanent visas and a reduction in the amount of time it takes to issue them.

In 2006, the U.S. Senate passed a comprehensive immigration measure that included many provisions for high-skilled workers and was designed to streamline and update the system. The House and the Senate did not complete work on a compromise package, and this will continue to be a focus area for Intel in 2007.

Intel is consistently in the forefront of efforts to ensure that the U.S. legal system operates fairly and efficiently.

Political Accountability

As a way to provide continued improvement and clarity to our decision making and disclosure surrounding political contributions, in 2006 we drafted a formal policy statement that addresses political contributions. The policy statement describes long-standing practices and decision processes, but also adds new accountability to our activities in the political realm.

Intel recognizes that over the past few years, key stakeholders have requested greater disclosure regarding corporate political contributions. Based on stakeholder input, we have expanded our reporting in this area in this year's report.

Corporate Contributions. In the U.S., corporations are prohibited from making political contributions to federal candidates or political parties. However, many states allow corporate contributions to state and local candidates as well as ballot initiatives. Where permitted by law, Intel contributes to local candidates and issues and to political action committees of organizations with which we share interests. Intel does not contribute corporate funds to federal candidates, political parties, or 527 organizations.

- **Purpose.** Our policy on corporate contributions is driven by the fact that public policy decisions can have a significant impact on our business and on the interests of our stockholders. Intel carefully monitors policy issues and is engaged in educating government representatives about the implications of key decisions for our business. In addition, Intel provides financial support to candidates whose positions are consistent with our business objectives and public policy priorities (such as innovation, intellectual property, broadband, trade policy and market access, legal reform, digital healthcare, environment, logistics, and education) with the ultimate goal of protecting and enhancing long-term stockholder value.

- **Process.** Throughout the year, we receive funding requests from candidates and political action committees. Requests are reviewed by our legal and Corporate Affairs staff against our political contribution policy guidelines, which take into account historical voting records and positions on key issues, leadership on key committees, whether Intel has a large presence in the state or district, and the impact of the proposed support on the candidate's campaign. Corporate contributions are subject to the approval of Intel's vice president of Global Public Policy and our legal department. This formal approval process has been put in place to assure that our contributions are in line with Intel's interests rather than those of individual directors and officers.

- **Review.** On an annual basis, an analysis of Intel's corporate contributions is prepared by our Corporate Affairs department to ensure that contributions made during the year are consistent with our corporate policies. This information is reviewed by the vice president of Global Public Policy and the director of regional Corporate Affairs, and is presented to the Board's Corporate Governance and Nominating Committee for review. Whenever possible, Intel makes donations directly to candidates in the interests of transparency. However, in cases for which it is determined that a contribution to a political action committee is in the best interests of the company, Intel conducts periodic reviews of such contributions to assure consistency with Intel's goals and interests. We recognize that given the high number of policy and voting positions, there may be cases in which candidates or organizations support positions that align with most, but not all, of our policy interests. In such cases, we base our decision on the issues that will have the greatest benefit for our stockholders and key stakeholders.

- **Disclosure.** Our policy on political contributions is also posted on our web site. On an annual basis, we post a report listing Intel's corporate contributions for the previous year. In 2006, our corporate contributions to state and local candidates, campaigns, and ballot propositions totaled $200,019. In addition, Intel contributed $137,650 to local chambers of commerce in the form of membership dues. For an itemized list of contributions and membership dues, view or download the "Intel U.S. Corporate Contributions" document in PDF format.

Based on stakeholder input, we have expanded our reporting on corporate political contributions.

Trade Association and Business Coalition Memberships. As evidenced in our discussion above, Intel works collaboratively with other companies and groups to address key public policy issues. One of the ways that we do this is through our membership in industry and trade associations. Most of these organizations receive annual membership fees from participating companies, including Intel. The top five organizations in terms of our membership dues in 2006 were: Semiconductor Industry Association, Information Technology Industry Council, U.S. Chamber, Technology CEO Council, and National Association of Manufacturers.

Intel Political Action Committee. The Intel Political Action Committee (IPAC) was created in 1980 to allow employees to support candidates whose legislative goals align with Intel's public policy priorities. Although Intel pays the administrative expenses of IPAC, corporate funds are not contributed to the fund, and all employee contributions are voluntary. An IPAC Steering Committee made up of Intel employees reviews and evaluates candidate requests on a weekly basis, and each funding request must be approved by a majority of the members of the committee.

IPAC does not contribute to presidential campaigns, past campaign debt, or political parties. U.S. congressional and state legislative candidates are eligible to receive IPAC contributions, and such candidates are evaluated based on their voting record on Intel's public policy priorities, support and concern for Intel Values, and presence and engagement in the communities where Intel has locations. The committee also considers individual Intel employee recommendations. Whenever possible, IPAC donations are made directly to candidates rather than through leadership PACs and 527 organizations.

For the 2006 election cycle, the sum of political contributions disbursed from IPAC was $364,197. For an itemized list of contributions, view or download the "Intel PAC Contributions to Federal Candidates 2006 Cycle" document in PDF format.

Intel works collaboratively with other companies and groups to address key public policy issues. One of the ways that we do this is through our membership in industry and trade associations.

Awards and Other Recognition

In 2006, Intel won a number of national and community awards and received recognition worldwide.

Environment, Health, and Safety

U.S. Environmental Protection Agency. Intel was ranked number 1 on the list of "Best Workplaces for Commuters from the Fortune 500 Companies" for the third year in a row.

Institute for Health and Productivity Management. Intel received the Corporate Health and Productivity Management Award for demonstrated integration of health programs into corporate productivity.

Ministry of Natural Resources and the Environment. Intel Malaysia won the Prime Minister's Hibiscus Award for Environmental Performance.

Malaysian Department of Occupational Safety and Health. Intel Malaysia won the National Health and Safety Excellence Award–Silver Level.

Philippine Chamber of Commerce and Industry. Intel Philippines received the Excellence in Ecology and Economy Award.

U.S. Environmental Protection Agency. Intel Hudson (Massachusetts) received the Environmental Merit Award.

Colorado Department of Public Health and Environment. Intel Colorado won the Environmental Achiever Award–Gold Level.

U.S. Environmental Protection Agency. Intel received the Environmental Excellence Award for region 9, which includes Arizona, California, Hawaii, and Nevada.

California Integrated Waste Management Board. Our Santa Clara and Folsom sites received the Waste Reduction Award Program award.

U.S. Environmental Protection Agency. The Intel Arizona Project XL Stakeholder Team received an Environmental Achievement Award.

Education

Ministry of Education. Intel Taiwan won the Science Education Contribution Award.

Employers for Education Excellence. Intel Oregon was given the Founders Award.

Community

China Association of Social Workers. Intel China won the award for Best Corporate Citizen, endorsed by the Ministry of Civil Affairs (MoCA).

Chambers Ireland. Intel Ireland was recognized with the CSR award for Best Community Project for the site's community stakeholder management.

Israel National Council of Volunteers. Intel Israel was given the President's Volunteer Award.

International Association of Business. Intel Philippines received the Gold Quill Award for its Volunteer Matching Grant Program.

Nizhny Regional Association. This association of nonprofit organizations gave Intel Russia an award for Goodwill Company of the Year for its corporate volunteerism.

Portland Business Journal. Intel Oregon was named Most Admired Technology Company.

Business/Workplace

Corporate Knights/Innovest. For the third consecutive year, Intel made the list of the "100 Most Sustainable Corporations in the World."

Dow Jones Sustainability Index. Intel was included in the index for the eighth consecutive year (since inception) and was named Supersector Leader for Technology for the sixth consecutive year.

Workforce Management. Intel received the Optimas Award for General Excellence for our workforce management initiatives.

U.S. Chamber of Commerce. Intel was given the Corporate Stewardship Award, the Chamber's most significant recognition for corporate citizenship.

National Gay and Lesbian Chamber of Commerce. Intel was named Corporation of the Year.

Guangming Daily, Ministry officials, and the State Council Information Office. Intel China received the Guangming corporate social responsibility award for multinational companies.

Corporate Citizen Committee of Social Service Association. Intel China was named Best Corporate Citizen.

China Central TV and Peking University. Intel China was named the Most Socially Responsible Enterprise from a survey of socially responsible corporations in China conducted by the Global Entrepreneur Journal, the Chinese Entrepreneur Journal, and the Corporate Social Responsibility Alliance.

21st Century Commercial Review and 21st Century Business Herald. Intel China received the Best Corporate Citizen award.

Wall Street Journal. Intel China was ranked number 5 on the list of "200 Most Admired Companies in Asia."

Great Place to Work* Institute. Intel Ireland made the institute's list of the "Top Ten Best Companies to Work for in Ireland."

Covalence Ethical Ranking. Intel made the list of "Top 10 Companies" across all sectors for Best Ethical Performance in 2006.

El Financiero. The newspaper named Intel Costa Rica Entrepreneur of the Year in Innovation.

Transparency International. Intel Israel won the Transparency and Ethics Shield.

BDO Ziv Haft and The Marker. Intel Israel was ranked number 3 on the list of "Best Companies to Work For in Israel."

MAALA Index for Corporate Social Responsibility. Intel Israel was named one of the top 10 private companies in CSR.

Middle East Excellence Awards Institute. Intel was named Middle East Information and Communication Technology Partner of the Year for helping to drive development in the region.

2006 Performance to Goals

2006 Goals	2006 Performance
Business/Workplace	
Strive for 100% inclusion of historically underutilized businesses in all bidding opportunities.	Achieved 98% inclusion.
Reduce the recordable injury rate 20% from 2005 to 2006, in our ongoing vision to achieve an incident- and injury-free workplace.	Did not achieve this goal. We are looking at ways to reinvigorate our safety efforts across the company. While our performance is world-class compared to other companies, it has remained flat the last few years.
Continue our shift toward leading indicators; in particular, reduce the amount of time required for employees to report ergonomic concerns to less than seven days.	Did not achieve this goal. The amount of time for employees to report ergonomic-related injuries remained flat.
Implement a comprehensive, employee-focused health and wellness program.	Implemented the Health for Life wellness program across the U.S. 11,000 employees participated in the program in 2006, and we plan to implement the program globally in 2007–2008.
Update all applicable Intel specs to ensure that they comply with Electronics Industry Code of Conduct (EICC) requirements.	Contract specs updated. Operational specs will continue to be updated as part of program implementation.
Complete training of all Intel internal stakeholders in EICC requirements by the end of 2006.	Key internal stakeholders were trained. As the program expands, additional internal stakeholders will be trained.
Complete initial surveys and validation audits of key Intel suppliers from a sample of each of our major business units, according to EICC requirements.	Shifted focus to risk-based priority. Completed surveys and validation audits of several high-risk suppliers. Intel business units are involved as their suppliers are selected for audit.
Invest in two additional national partnerships that support the achievement and representation of women and under-represented minorities in science, technology, engineering, and mathematics.	Did not contribute funds to new partnerships. Continued to strengthen support of existing national partnerships. Participated in 15 external events to strengthen our relationships with key, influential external organizations, including a new partnership between our Digital Home Group and the National Urban League Conference.
Drive key improvements in the hiring and retention of under-represented minorities and women to reach full parity in workforce representation.	Work toward full parity continues. We established two new internal leadership councils: Intel Black Leadership Council and Intel Women's VP Leadership Council. We executed an aggressive series of women's road shows and career workshops geared toward African Americans, and delivered a Technical Female Leadership Series and our second annual African American Leadership Conference.
Environment	
Reduce greenhouse gas emissions per production unit 50% below 2002 baseline by 2010.	Reduced our emissions by 40% through 2006, and we remain on track for our 2010 goal.
In support of our climate change goal, achieve a 10% absolute reduction in perfluorocompound (PFC) emissions from 1995 levels by 2010.	Absolute reductions were 2% in 2006, and we remain on target for our 2010 goal.
Reduce energy consumption an average of 4% per production unit per year from 2002 through 2010.	Average energy consumption reduced 5.7% from 2002 through 2006. We remain on target for our 2010 goal.

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2006 Performance to Goals *(continued)*

2006 Goals	2006 Performance
Environment *(continued)*	
Continue to recycle 70% of the solid waste generated from our worldwide facilities.	Recycled 74% of our solid waste.
Continue to recycle 50% of the chemical waste generated from our worldwide facilities.	Recycled 68% of our chemical waste.
Register our first U.S. Green Building Council LEED (Leadership in Energy and Environmental Design) certified building by the end of 2006.	Design center building in Israel was registered for LEED certification.
Reduce office paper consumption 50% per employee from 2004 levels by 2010.	Remain on track for our 2010 goal.
Drive water conservation and recycling strategies to reduce water usage per production unit below 2005 levels by 2010.	Water usage increased in 2006; we need additional focus to meet this goal.
Continue to offer more than 10 consumer recycling events each year, and increase the number of Rethink members/solutions.	Held 10 recycling events, at which more than 1.5 million pounds were collected, and doubled the number of Rethink members.
Education	
Build on the worldwide success of the Intel® Teach Program by reaching an additional 900,000 teachers and adding five new countries.	Exceeded our goal and expanded the program to five new countries. The program has reached more than 3.9 million teachers in over 40 countries.
Expand the Intel Teach portfolio of offerings to support sustained professional development, including extension of the online and collaborative program to two additional countries in Europe.	Greatly expanded the portfolio to meet the needs of diverse teacher populations. We are focused on making resources available online for scalability and ease of access. An Essentials Course was launched in Egypt, Mexico, and Russia; and an Advanced Course is now offered in France and the U.K.
Grow the Intel® Learn Program with the goal of reaching an additional 150,000 learners and adding three new countries.	Exceeded our participant goal by reaching an additional 230,000 learners. The program has reached nearly half a million learners in nine countries.
Support the Intel Computer Clubhouse Network by providing technology infrastructure upgrades for 20 Computer Clubhouses and new learning tools.	Provided technology upgrades for 13 Computer Clubhouses, with 7 more scheduled for 2007.
Expand the Intel® Higher Education Technology Entrepreneurship program to a total of 12 countries.	Intel conducted 19 workshops in 16 countries, giving several hundred faculty members new skills in entrepreneurship education.
Support at least 20 universities in introducing multi-core concepts in their computer science curricula.	Significantly exceeded our goal. More than 45 universities in 15 countries received the resources to incorporate multi-core concepts into their curricula, reaching some 7,000 students in the first year.

2006 Performance to Goals *(continued)*

2006 Goals	2006 Performance
Community	
Establish formal community programs at new Intel locations.	Initiated programs in Vietnam; community needs assessment is in process, and the Intel Involved program launched.
Achieve a 36% worldwide volunteer rate in the Intel Involved program.	Achieved a 38% participation rate worldwide.
Increase the quality and frequency of contact with community stakeholders through new, creative communication channels.	Sites implemented new approaches to community stakeholder engagement, including e-newsletters, annual mailings, and regional newspaper inserts.
Improve community relations planning efforts by better utilizing stakeholder feedback.	Work is in progress. More disciplined use of information collected through community perception surveys and Community Leadership Audits helped develop program priorities, which vary by community.
Expand formal stakeholder input to critique and improve our Corporate Responsibility reports.	Sought additional validation and feedback on reporting changes from our Community Advisory Panels around the world. Feedback included recommendations that we continue with the direction started in 2005: publishing a concise print overview with a more focused approach to issues and offering localized versions where possible.

Challenges and Opportunities

We continue to challenge ourselves in all areas of our business. We made great strides in 2006 and plan to carry our momentum forward into 2007. The following is a list of short and longer term issues or challenges that we are facing in corporate responsibility:

- Drive more energy-efficient computing throughout the IT sector.

- Work to implement the newest Global Reporting Initiative reporting guidelines (G3) into our external reporting.

- Work to further understand and quantify the social impact of our community programs.

- Ensure robust community stakeholder engagement models at new Intel sites.

- Integrate our redrafted and localized Code of Conduct into the employee culture at all Intel locations.

- Continually reduce the amount of chemical waste generation at our fabrication facilities.

- Implement the EICC across our complex and vast supply chain.

- Communicate more effectively with our stakeholders about the increasing number of CSR initiatives across Intel.

Goal Summary—2007 and Beyond

Business/Workplace

- Audit 20% of our suppliers who may be at higher risk for non-conformance to the EICC.

- As a supplier, validate our own operations to ensure that we conform to the EICC.

- Work with the EICC coalition to develop standardized training for commodity teams and suppliers within our industry.

- Publish a case study on our enforcement of supplier ethics standards.

- Undergo a joint audit of one of our major Asian facilities with the EICC coalition.

- Strive for 100% inclusion of historically underutilized businesses in all bidding opportunities.

- Hire a diversity manager to promote educational opportunities for diversity students.

Environment

- Reduce greenhouse gas emissions per production unit by 30% from 2004 levels by 2010.

- Reduce water usage per production unit below 2005 levels by 2010.

- Recycle more than 70% of both our chemical and solid waste generated from our worldwide facilities.

- Expand our eco-efficiency strategy by completing over 200 projects in our operations, products, and communities that benefit the environment.

- Introduce halogen-free materials in new CPU, chipset, and flash memory products.

Education

- Expand the Intel Teach Program to four new countries and 1.1 million more teachers around the world in 2007—a 20% increase over 2006. We also plan to expand the program's curricula, with a particular focus on web-based content and training for beginning to advanced teachers.

- Empower students and teachers by donating 20,000 PCs to schools in developing countries.

- Help an additional 230,000 young people in nine countries develop critical learning skills through the Intel Learn Program and the Intel Teach Skills for Success course.

- Accelerate the adoption of new university curricula focused on business development and breakthrough technologies at 300 universities in 25 countries.

- Provide secondary-level teachers and students with access to science and math resources and tools by making skoool™ Learning and Teaching Technology available in five additional countries in Africa, Asia, and Latin America in 2007 and 2008.

Community

- Maintain worldwide employee volunteerism of at least 36%.

- Establish formal community programs at new Intel locations.

- Actively use communications channels to regularly contact community stakeholders.

- Use stakeholder feedback from community perception surveys and other vehicles to focus our community investments and outreach programs.

Workplace
Empowering our employees is good business.

The talent, passion, and commitment of our employees fuel our ability to improve lives by advancing technology. We seek the brightest, most forward-looking people from around the world for our workforce and strive to offer a "workplace of choice" that empowers, motivates, and recognizes the contributions of our employees.

For several years, we have experienced rapid growth in an increasingly competitive environment. To strengthen our position for the long term, in 2006 we launched a comprehensive structure and efficiency review of all of our operations, and implemented a broad restructuring effort aimed at cutting costs and non-essential programs, and creating a more nimble, customer-oriented Intel.

Another goal of our restructuring is to make our workplace more productive and rewarding for our employees. The actions taken as a result of these efforts provide better clarity of direction and the reduction of management layers to enable faster and clearer decision making. These actions were also designed to provide a workplace in which employees feel more like part of a team, working toward shared goals in an environment that excites and inspires them to excel.

Our restructuring efforts contributed to an overall decline in headcount of 8,400 from mid-2006 to the end of the year. Most job reductions in 2006 were in management, marketing, and information technology functions. In 2007, the reductions will be more broadly based as Intel improves labor efficiency in manufacturing, improves equipment utilization, eliminates organizational redundancies, and improves product design methods and processes.

Most affected employees are offered either redeployment or a severance package. Redeployment allows employees eight weeks to find another job within Intel. Severance packages are based on length of service; however, most employees receive at least eight weeks of pay plus additional compensation for medical benefits and the option for COBRA medical insurance in the United States. All options include career counseling.

2006 Highlights

- Launched the Health for Life wellness program to help employees identify and better manage their health risks.

- Broadened the content on our employee intranet to include more external news about Intel, employee comment and analysis, senior leader blogs, and more.

- For the third year in a row, landed the top spot on the U.S. Environmental Protection Agency's list of "Best Workplaces for Commuters from the Fortune 500 Companies."

- Continued performing at world-class levels for safety, further reducing the severity of worker injuries.

- Increased the quality and efficiency of our internal safety audit program.

- Provided leadership for and participated in a multi-corporation pandemic crisis simulation event.

- Expanded the survey process that we use to gather employee feedback for Intel managers and senior leaders.

- Invested approximately $380 million to train and develop our employees.

Employees by Region and Turnover

The following table shows our employees by region, along with turnover data.

2006 Employee Data						
Type of Employee	**Category**	**Americas**	**APAC**	**EMEA**	**U.S.**	**Total**
Contract/Intern	Exempt Full Time	62	498	181	181	922
	Exempt Part Time	24	3	1,099	33	1,159
	Total	**86**	**501**	**1,280**	**214**	**2,081**
	Non-Exempt Full Time	11	1,087	311	282	1,691
	Non-Exempt Part Time	0	1	61	29	91
	Total	**11**	**1,088**	**372**	**311**	**1,782**
	Contract/Intern Total	**97**	**1,589**	**1,652**	**525**	**3,863**
Regular	Exempt Full Time	1,766	13,892	9,158	34,949	59,765
	Exempt Part Time	5	9	136	156	306
	Total	**1,771**	**13,901**	**9,294**	**35,105**	**60,071**
	Non-Exempt Full Time	1,951	11,278	3,948	15,202	32,379
	Non-Exempt Part Time	1	1	80	41	123
	Total	**1,952**	**11,279**	**4,028**	**15,243**	**32,502**
	Regular Total	**3,723**	**25,180**	**13,322**	**50,348**	**92,573**
	Grand Total	**3,820**	**26,769**	**14,974**	**50,873**	**96,436**[1]

APAC = Asia-Pacific   EMEA = Europe, Middle East, and Africa   [1] Number of employees at year-end 2006, including interns and contractors.

Turnover by Region[1]				
Region	**Year-End Headcount 2006**	**Turnover 2006**	**Turnover (%) 2006**	**Turnover (%) 2005**
Greater Americas	3,723	420	9.0%	4.8%
Greater Asia	25,180	2,688	9.6%	7.7%
Greater Europe	13,322	1,081	7.5%	5.5%
United States	50,348	3,363	6.3%	4.1%
Total	**92,573**	**7,552**	**7.5%**	**5.3%**

[1] Regular employees only; does not include terminations due to divestiture, retirement, or redeployment.

2006 Other Turnover[1]	
Reason for Termination	**Count**
Redeployment[2]	4,362
Divestiture	1,617
Retirement	382

[1] 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.

[2] Of the 4,362 employees who were affected by redeployment, 10% (436) found other jobs in the company.

Our Values

Our long-standing Intel Values guide the actions of every employee, helping us maintain uncompromising standards of ethics, performance, and engagement. The first day on the job for all Intel employees includes an introduction to those values, and they are printed on employee identification badges and on posters throughout our workplace. The Intel Values are:

- Customer Orientation
- Discipline
- Quality
- Risk Taking
- Great Place to Work
- Results Orientation

For more information on each of our values, visit the Intel Values web site.

Workforce Diversity

Our employees' faces reflect those of our communities, customers, vendors, and colleagues in the global market. Our diverse workforce enables us to anticipate and provide for the growing needs of a changing marketplace.

Intel supports equal employment opportunity for all applicants and employees, regardless of non-job-related factors, including but not limited to race, color, religion, gender, national origin, ancestry, age, marital status, sexual orientation, gender identity, veteran status, and disability. Intel also makes reasonable accommodations for disabled employees. This policy applies to all aspects and stages of employment—from recruiting through retirement—and also prohibits harassment of any individual or group.

Focus Areas and Programs

Intel's diversity strategy aims to connect continuous improvement of management and co-worker practices to our business results. These practices include how we demonstrate our values and treat each other in an increasingly diverse work environment. They also include but are not limited to attracting, hiring, integrating, developing, and retaining the global talent that we need to advance our ability to innovate.

Retention. Intel offers extensive intercultural training and mentoring programs to all employees, and we have developed several initiatives tailored to meet the needs of targeted employee populations. Among these initiatives are comprehensive programs designed to improve female employee retention. These programs combine flexibility, career options, and cultural awareness.

We have focused retention and development efforts designed to increase diverse representation at senior levels for women in technical jobs and under-represented minorities (African Americans, Hispanics, and Native Americans). Our Human Resources representatives partner with managers to ensure that ongoing, in-depth career development discussions occur regularly with employees. Managers assist employees in developing detailed action plans and are held accountable for their role in helping employees obtain assignments that will allow them to stretch their abilities. Progress toward these goals is monitored.

"We strive to hire and retain the best talent from an increasingly global and diverse labor pool. We believe this will result in a better understanding of our customers' needs, better products tailored to those needs, and advance Intel's global leadership position." — Paul Otellini, Intel President and CEO

Employee Groups. Members of about 20 chartered employee affinity groups at multiple sites around the world help recruit and integrate employees into Intel, provide support for employees, and promote personal and career development. The activities of our employee groups are closely aligned with the company's values and business objectives.

Through partnering with Intel's outreach to schools and communities, these groups add to our contributions to diverse populations external to the company. Intel provides funding for group activities; dedicated support staff; space for meetings, study, or prayer; and communications vehicles. Intel is one of only a few companies that support faith-based employee groups.

Multicultural Events. Many Intel sites hold multicultural days honoring the backgrounds of our various employees. African American, Asian, Hispanic, Indian, Irish, and Native American employees have held individual and joint events.

Leadership Development. Intel has programs specifically chartered to address barriers to female and under-represented minority leadership. These programs include external training opportunities with leading universities, such as the African American Leadership Institute and the Latino Leadership Institute at the University of California at Los Angeles, as well as ongoing development discussions centered around "stretch assignments" designed to challenge the employee and increase his or her capabilities and opportunities for growth; career coaching; and mentoring.

Partner Company Development. We have several programs aimed at helping to develop under-represented businesses that are interested in working with Intel. For example, the She-Business initiative helps 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 women-owned businesses by providing tailored consulting, business insight, and concrete business-specific support.

Diversity Data

The following table is a summary of Intel workforce demographics. To use Intel's interactive U.S. Employment Demographics (EEO-1) tool or to view or download Intel's U.S. employment demographic data for 2006, visit our Diversity Practices web site.

Employee Groups Currently Chartered at Intel

American Veterans at Intel

Arab Intel Community

Asian Cultural Integration

Intel Bangladesh Association

Intel Bible-Based Christian Network

Intel Diverse Abilities Network

Intel Gay, Lesbian, Bisexual, or Transgender Employees

Intel India Employee Group

Intel Jewish Community

Intel Latino Network

Intel Muslim Employee Group

Intel Native American Network

Intel Pakistani Employee Group

Intel Parents Network

Intel Vietnamese Group

Network of Intel African American Employees

Recent College Graduate Network

Women at Intel Network

2006 Worldwide Workforce by Gender			
	Female	**Male**	**Total**
U.S. Workforce	12,326	38,022	50,348
	24.48%	75.52%	
Non-U.S. Workforce	15,209	27,005	42,214[1]
	36.03%	63.97%	
Worldwide Total	27,535	65,027	92,562[1]
Average % Worldwide	**29.75%**	**70.25%**	

[1] The slight discrepancy in totals with the 2006 Employee Data table is due to the use of different methods of accounting in the U.S. and other countries. In addition, the gender of 11 non-U.S. employees was not reported.

2006 U.S. Workforce

	African American	Asian/Pacific Islander	Caucasian	Hispanic	Native American	Total
Female	425	3,413	7,133	1,239	116	12,326
	3.45%	27.69%	57.87%	10.05%	0.94%	100%
Male	1,362	9,299	23,872	3,235	254	38,022
	3.58%	24.46%	62.78%	8.51%	0.67%	100%
Total	1,787	12,712	31,005	4,474	370	50,348

2006 U.S. Officials and Managers

	African American	Asian/Pacific Islander	Caucasian	Hispanic	Native American	Total
Female	23	183	748	63	6	1,023
	2.25%	17.89%	73.12%	6.16%	0.59%	100%
Male	93	992	3,423	230	11	4,749
	1.96%	20.89%	72.08%	4.84%	0.23%	100%
Total	116	1,175	4,171	293	17	5,772

2006 U.S. Data

Year	Total Number of Employees Hired	Minorities as Percentage of U.S. Hires[1]	Females as Percentage of U.S. Hires
2006	3,056	50% (1,530 of 3,056 hires)	29% (882 of 3,056 hires)
2005	7,551	40% (3,040 of 7,551 hires)	30% (2,248 of 7,551 hires)
2004	2,852	38% (1,072 of 2,852 hires)	30% (843 of 2,852 hires)

[1] "Minorities" includes Asian/Pacific Islanders.

2006 Senior Management and Corporate Governance Bodies		Board of Directors		Corporate Officers		Top 50 in Total Compensation	
Male	African American	—		—		—	
	Asian/Pacific Islander	—		5	20%	10	20%
	Caucasian	9	82%	16	64%	34	68%
	Hispanic	—		—		—	
	Native American/Alaskan	—		—		—	
	Unidentified	—		1	4%	—	
Female	African American	—		—		—	
	Asian/Pacific Islander	—		—		1	2%
	Caucasian	2	18%	3	12%	5	10%
	Hispanic	—		—		—	
	Native American/Alaskan	—		—		—	
Total		11		25		50	

Employee Development

We believe that career development is a partnership between employees and their managers. We strive to provide employees with a comprehensive set of development programs that not only fulfill their basic job needs, but also allow them to attain their professional dreams. Through on-site training at Intel University, at local educational institutions, and through distance learning programs, our goal is to provide our employees with the best opportunities to grow. In 2006, we continued to focus on the following employee development initiatives and resources.

Management/Leadership Development

Over the last several years, we have concentrated on improving our managers' and leaders' abilities to communicate, motivate, develop, and retain employees. Our Managing for Excellence program teaches Intel managers and leaders to set clear employee expectations, which ultimately drive business results.

We offer employee feedback to our managers twice a year using our Manager Feedback Tool (MFT). In 2006, we expanded the MFT survey length and added a second survey for our senior leaders, the Leadership Feedback Tool. These tools are tied back to our corporate management and leadership expectations, and are designed to ensure that meaningful conversations between managers/leaders and employees are happening at all levels of the company. In the fourth quarter of 2006, we achieved our highest MFT response rate, with 80% of eligible employees providing feedback.

By tailoring our development and training programs to specific employee populations such as middle managers, we can address the challenges and issues relevant to various groups. One example is our use of the University of California at Los Angeles African American Leadership Institute (AALI), a highly regarded program that prepares leaders for new and expanded responsibilities. We have sent employees to AALI every year since 2002. For more information, visit the African American Leadership Institute web site.

New Employee Orientation

Our employee integration process involves more than training. Managers are actively involved in the process, putting task lists in place for new employees to complete within the first six months of hire. The program includes required and highly recommended courses for new employees, with a suggested sequence and timing. New employees and their managers receive automatic reminders during the first six months of employment. To continuously improve our new employee orientation process, every new employee receives an assessment tool for providing feedback so we can measure the overall impact of our integration program.

Employee Development and Retention

We support our employees in a variety of ways, including job rotations, stretch assignments, and training. In line with our business strategy and our global growth plan, we continue to focus on intercultural training. These efforts help employees acquire new language and communication skills, understand different cultures, and learn how to do business effectively in a variety of countries, including China, India, Russia, and the United States. In 2006, a total of 2,828 employees attended 26 different intercultural and language instructor-led course offerings. In addition, 7,415 employees took advantage of our intercultural online tools and resources for real-time learning.

Intel University

Intel invested approximately $380 million in employee training and development in 2006. Based on a high-end headcount of 103,000, Intel invested almost $3,668 per employee in development programs, including e-learning, which is defined as any non-classroom training, such as online and computer-delivered training.

- Unique courses offered: 2,231 in 47 countries
- Sessions delivered: 43,495
- Total number of training attendees: 602,569
- Number of employee volunteer instructors: 11,000
- Tuition assistance (U.S. only): $15.3 million

Employee Recognition

In 2006, we continued our tradition of recognizing outstanding team and individual accomplishments with two corporate-level awards: the Intel Quality Award and the Intel Achievement Award. Both awards encourage employees to aggressively pursue continuous improvement, attain high levels of excellence, and increase the company's overall competitiveness.

Intel Quality Award

Introduced in 1991, the Intel Quality Award measures and recognizes organizational performance to Intel Values. In 2006, three Intel organizations were recognized as Intel Quality Award recipients:

- **D1D Ramp organization.** Ramps the world's leading logic technologies from development to best-in-class manufacturing.

- **Intel Mask Operation.** Recognized as a global leader in the precision masks used to transfer and print circuitry onto silicon wafers.

- **Materials organization.** Has an outstanding record of quality improvement, materials technology enablement and development, ecosystem investment, cost reductions, and enhanced supply chain.

Career growth is always encouraged. Employees are given many opportunities to challenge themselves with programs and resources such as Intel University, tuition assistance, and mentoring, to name just a few.

Intel Achievement Award

The Intel Achievement Award is our highest honor for personal and team accomplishments. It recognizes employees for specific outstanding achievements that have significantly improved corporate operations. In 2006, a total of 280 employees serving on 30 project teams were recognized as Intel Achievement Award winners.

In addition to recognizing the team that developed and implemented Intel's corporate responsibility strategy, the award honored the following wide range of achievements:

- Developing next-generation transistors
- Architecting dual-core Intel® processors
- Conducting groundbreaking research on Alzheimer's care
- Developing a computing platform tailored for Internet cafes in China
- Delivering relief in the face of worldwide natural disasters

Other Employee Awards

We also offer a variety of other recognition programs that reward length of service as well as accomplishments and behaviors that support Intel Values.

- **Division Recognition Award.** The most prestigious honor that a division can award an employee or a team for demonstrating a strong commitment to Intel Values.

- **Spontaneous Recognition Award.** Acknowledges "above and beyond" performance by an employee in support of Intel Values.

- **Intel Service Award.** Celebrates every five-year career milestone with public recognition and company keepsakes.

Open and Honest Communication

We value high-quality, two-way communication between employees and all levels of management, including our most senior executives. We believe that our long-term success depends on all employees worldwide understanding Intel's technologies, business strategies, and financial matters. To keep our employees informed, we have a number of strategic programs, including written communications, open forums, webcasts, meetings, blogs, cyber-chats, and more.

Intel's open-door philosophy allows employees access to all levels of management to address work-related concerns and issues. Employee surveys indicate that our open-door philosophy contributes to organizational health, improves productivity, and decreases turnover.

How We Communicate

Several programs, some new and some long-standing, help keep the lines of communication open at Intel.

Circuit, Our Intranet Portal. Circuit brings online corporate and local Intel news to employees worldwide, as well as tools for real-time access to services and benefits information. Full-time Circuit News reporters create fresh content covering all aspects of Intel's business, strategies, technology, community involvement, and general workplace news and information. We actively seek out and present Intel news from around the world. Our senior executives use Circuit to share information about Intel's business strategies, challenges, and new directions.

Surveys show that Circuit is the primary choice of Intel employees for company news and information, with nearly 90% of employees electing Circuit as their Internet browser's home page.

We maintain our commitment to the development of our employees by providing opportunities for challenging assignments and holding our managers accountable for building strong and vital organizations.

Some of the features of Circuit News include:

- **External News.** In 2006, we significantly increased Circuit coverage of external news related to Intel. We seek out stories that also present critical views of Intel, and often provide hyperlinks to external press coverage after a significant Intel announcement or product launch. Employees have told us that they greatly appreciate this openness.

- **Comment and Analysis.** We recently launched a prominent Comment and Analysis section on Circuit, enabling our senior leaders and others to have in-depth communications with employees about issues that we face and the major challenges and opportunities that lie ahead. Thousands of employees typically read Circuit articles within the first few hours of posting. The stories typically attract robust dialogue via Letters to the Editor and other two-way forums.

- **Letters to the Editor.** We actively seek and present a broad range of employee opinions on key issues—and not just those that align with Intel's stated positions. Employee views—negative and positive, critical and laudatory—are posted in Letters to the Editor, which has become one of the most widely read features on Circuit. Our industry benchmarking has shown that few other major companies in the world post employee comments as publicly and openly.

- **Blogs of Our CEO and Other Senior Leaders.** Intel President and CEO Paul Otellini hosts an online blog that is among the top five most-read items on Circuit. In 2006, we expanded blog availability to dozens of our other senior leaders. Through their blogs, many of our executives have developed rich, ongoing two-way conversations with their extended worldwide teams and have commented on the high quality of employee participation. We often highlight a particular leader's blog on the Circuit home page when we believe that the topic is likely to attract broad employee interest.

- **Rumor Mill.** This portion of our intranet's manufacturing section provides an opportunity for employees to anonymously submit rumors that they have heard. Managers answer questions about the rumors to the best of their knowledge.

Intel Connect. To encourage healthy conversations between managers and employees all across Intel, we started the bi-weekly Intel Connect for managers in 2006. Intel Connect is a brief, high-level recap of the most important recent developments at the company. Produced as a series of about six slides for use in staff meetings, Intel Connect helps managers foster business acumen on their teams and encourages all employees to stay current with Intel's technologies and strategies.

Exec Connect. Our highly successful Exec Connect program includes face-to-face and online webcast sessions with executives, as well as business updates hosted by Paul Otellini. Employees are openly encouraged to ask tough questions in these live forums, and executives are never given the questions in advance. Employees take full advantage of these opportunities, often asking blunt, pointed questions. When they are hosted from the United States, Exec Connect events are scheduled at times that allow employees in Europe or Asia to attend during their work hours. Follow-up news stories are generally posted on Circuit for employees who miss the live events.

Open Forums. Each year, Intel executives travel to our worldwide sites to talk with employees. Open forums are live, and in some cases are transmitted via video to other sites, allowing remote employees to participate interactively. The sessions are confidential, giving employees the chance to ask questions on sensitive topics, and giving executives the chance to talk openly and candidly. Open forums are not available for replay, nor are they recapped on Circuit, to encourage greater candor from all participants.

Through their blogs, many of our executives have developed rich, ongoing two-way conversations with their extended worldwide teams and have commented on the high quality of employee participation.

Cyber-Chats with Executives. Cyber-chats augment our other communication channels. These online sessions allow employees to participate from their desks (or homes if they are telecommuting) and ask multiple questions anonymously. Employees who miss the live chats can view transcripts posted on Circuit.

Business Update Meetings. Each quarter, group general managers share business results and product plans at Business Update Meetings, which all employees are asked to attend. In addition, each meeting features a video that focuses on a single business strategy or topic, and frequently includes appearances by Intel's top leaders. The goal of these meetings is to help employees better understand and align with key corporate initiatives. Q&A sessions at the meetings allow open and direct exchange of information.

Monthly Update Meetings. Engineers, technicians, and support staff in Intel's manufacturing organization are invited to learn about the latest plans, factory performance, and fabrication facility (fab) status at monthly update meetings. All meetings end with a Q&A session.

One-on-One Meetings. Intel requires managers at all levels to conduct one-on-one meetings with each of their employees. These meetings are initiated by the employee and are scheduled regularly. In addition, senior managers often meet with employees one or more levels down in the organization. These "skip-level," one-on-one meetings provide insight for both employees and senior managers who participate, and can help senior managers evaluate the performance of middle and front-line managers.

E-mail. Because e-mail and electronic communication are central to our way of working and doing business, employees at Intel feel empowered to take their questions, concerns, and praise to the top. Employees frequently send e-mails directly to senior Intel leaders, including our CEO and chairman. Employee e-mails are answered, often in considerable detail.

Organization Health Survey. We routinely survey our employees to learn what they think about our workplace. This survey process helps us to identify strengths and areas for improvement in our business groups and geographies, and provides data for planning and improvement.

Coffee Talks and Brown-Bag Sessions. Some of Intel's organizations hold these informal sessions to allow managers to meet with smaller groups of employees to chat about business issues.

Feedback Cards. Many of Intel's manufacturing sites have implemented feedback cards, which give employees the opportunity to ask specific questions. Occasionally, discussion initiated by feedback cards results in one-on-one meetings for the sender and a senior manager.

Our Open-Door Philosophy

Intel's open-door philosophy encourages employees to raise work-related concerns and issues, and gives them several avenues to pursue if they want to challenge a management decision.

We strive to resolve employee disputes quickly and at the lowest level in the organization. Direct-report managers often are in the best position to understand the merits of an employee issue and typically have the authority to address it quickly. If employees believe that their immediate manager is not the appropriate person to approach with a particular concern, they are encouraged to contact another Intel manager, including their department head, division general manager, or even our CEO or chairman, who are accessible by telephone or e-mail.

Employees can also raise issues anonymously through our Harassment Concerns e-mail account or Ethics at Intel intranet site.

> Employees at Intel feel empowered to take their questions, concerns, and praise to the top. They frequently send e-mails directly to senior Intel leaders, including our CEO and chairman.

Issues that cannot be resolved by an employee's management can be forwarded to a Human Resources (HR) legal team that focuses on the most complex employee-related issues. Spread around the world, these team members do not report into the local management chain. Their goal is to uncover the facts and make recommendations that are consistent with our values, guidelines, and the law. They typically handle more than 300 investigations a year. We track the results, look for trends, and drive organizational health improvements from the data. If an employee has concerns about an investigation process or results, he or she can request an appeal.

Employee surveys tell us that our open-door system contributes to organizational health, improves productivity, and reduces undesired turnover. It also reduces the number of issues that go to administrative agencies or the courts. Over the last decade, our external claim rates have been well below benchmarks.

Compensation and Benefits

Intel's Total Compensation, or "T-Comp," approach aligns company, employee, and stockholder interests, and provides employees with incentives to focus on meeting or exceeding business objectives. T-Comp is based on five guiding principles that support our philosophy of rewarding individual performance and corporate success:

- **Meritocracy.** Providing rewards based on individual performance.

- **Market competitive.** Maintaining competitive pay and benefits.

- **Aligned with business performance.** Reacting responsibly to economic and business cycles.

- **Promote health and welfare.** Fostering health and welfare through innovative benefits and employee choices.

- **Mutually beneficial.** Balancing employee and stockholder needs.

Compensation

We believe that total cash compensation should vary with Intel's performance and that long-term incentive compensation should be closely aligned with the interests of stockholders.

Intel targets employee cash compensation (base pay plus bonuses) to be above market averages as long as Intel's performance is comparable to or better than the performance of our peer companies. Base pay for each job is determined by what our competitors generally pay for a comparable job, and the employee's relevant education, skills, experience, and job performance compared to his or her Intel peers. Overtime is paid according to the laws that govern the state or country in which the employee works.

Managers meet with each employee at least quarterly to review the prior quarter's goals, the employee's performance to manager expectations, employee development, and the following quarter's priorities and goals. These meetings between managers and their employees provide opportunities for recognition and discussion of performance issues in a timely manner, and improve a team's performance, execution, and business results.

Variable Pay Programs

In addition to base pay, Intel provides employees with variable-pay programs. All employees participate in the Employee Cash Bonus Program and either the Employee Bonus program or Commission program, which include Intel's financial and operational performance metrics. These variable-pay programs recognize that each employee contributes to the company's success and link a portion of the employee's total cash compensation to Intel's performance. Higher level employees, who have a larger scope and greater ability to impact the company's performance, have a higher percentage of their total cash compensation based on Intel's performance.

At Intel, we realize that caring for the well-being of our employees is not only good will, it's good business. That's why we offer one of the industry's most comprehensive benefits and compensation packages.

Variable Pay in 2006

- Intel's pay-for-performance programs yielded an additional $1 billion in incentive pay and bonuses for employees, a decrease of approximately 15% from 2005.

- Employees received an additional 15.1 days of pay through the Employee Cash Bonus Program, down 15% from 2005. Payouts included two extra days of pay from the Customer Excellence Program.

- The corporate-wide average Employee Bonus payout was down approximately 38% compared to 2005.

- Average commissions to eligible employees increased 5% in 2006.

Employee Cash Bonus Program (ECBP). This profit sharing plan pays cash rewards twice a year, allowing all employees to share in Intel's success. Through our Customer Excellence Program (CEP), employees may also receive an additional two days of pay each year on top of the ECBP payout. CEP measures customers' delight, their commitment to Intel, and the likelihood that they will do future business with us.

Historically, the ECBP payout—in addition to base pay—has been:

Year	Additional Days of Pay	% of Eligible Earnings
2001	10.8	4.2%
2002	11.8	4.5%
2003	18.4	7.1%
2004	16.9	6.5%
2005	17.8	6.8%
2006	15.1	5.8%

Employee Bonus (EB). This program provides employees with an annual bonus based on Intel's earnings per share (EPS) and achievement of identified company goals. EB aligns the business groups at Intel around the corporate strategic objectives, and gives employees a financial incentive to help increase EPS and achieve corporate goals. Each employee's EB target is based on job, grade, and individual performance. Each employee's EB payout is based on his or her incentive target and the bonus multiplier.

At right is a table showing historical payouts for the EB program. The second column shows the multiplier applied to an individual employee's target amount. This means that if an employee's target in 2006 was $1,000, the employee's payout would have been 2.33 x $1,000, or $2,333.

Commission. Instead of the EB program described above, eligible sales and marketing employees participate in our Commission program, which provides a financial incentive linked to sales performance. Each eligible employee's incentive target is based on job, grade, and his or her performance; the payout is based on the target and performance to goals.

Equity Programs

We believe that employee interests should align with those of our stockholders. We also believe that employees who contribute to our success should benefit from it. As such, Intel grants equity to more than 90% of our employees annually. We offer two programs through which employees can become stockholders.

Stock Option/Restricted Stock Plan. Since 1997, Intel has offered a broad-based stock program, with more than 90% of employees participating annually. By obtaining the right to receive an equity interest in the company, employees acquire a stake in Intel's long-term growth and can potentially benefit from capital appreciation. In 2006, we expanded our equity program to include restricted stock units (RSUs), delivering more predictable value to employees while meeting our commitments to stockholders. Although all employees who receive a stock grant will receive RSUs, the more senior-level employees will continue to have a larger percentage of their stock grant in the form of stock options.

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Year	Multiple Target Average
2001	1.81
2002	1.66
2003	2.56
2004	2.88
2005	3.76
2006	2.33

Regular full-time and part-time employees are eligible to receive a stock option grant at the time of hire and may be recommended for additional stock option grants during Intel's annual performance review process or mid-year performance reviews.

Stock Purchase Plan. By enrolling in the stock purchase program, eligible employees can purchase shares of Intel stock at a discounted rate through payroll deductions. All regular full-time and part-time employees and interns are eligible to participate. We give employees the opportunity to enroll in the plan every February and August.

Health Benefits

Intel has been a leader in offering consumer-driven health plans, which give employees better visibility into pricing. Such plans have shown early signs of controlling healthcare costs, and we have passed those savings on to employees in the form of no or low monthly premiums. We strive to optimize health plan designs and suppliers, and to provide employees with flexibility and options so they can choose the plan that best meets their needs. We also extend medical and dental benefit coverage to same-sex domestic partners.

We also offer an Employee Assistance Program designed to help employees and their dependents through tough times, with confidential and convenient access to short-term professional counseling services at no cost to them.

Intel's health premium spending averages approximately $807 per month per employee, boosting each employee's compensation package by approximately $9,688 annually (individual amounts vary depending on the plan and usage).

Total spending on healthcare benefits in 2006 was $503 million, including (but not limited to) medical coverage (active employees and retirees), prescription drugs, dental insurance (where available), and disability insurance.

Retirement Benefits

We believe that retirement planning should be a shared responsibility, with Intel and each employee playing a role in preparing for that employee's retirement. Intel encourages employees to leverage all possible resources to create a savings and investment strategy that will provide a secure and comfortable retirement. Our retirement benefits include:

Profit Sharing. Intel provides tax-qualified profit sharing retirement plans for eligible employees, former employees, and retirees in the United States and certain other countries. While the plans, benefits, and contributions vary by country and local regulations, they are designed to provide employees with an accumulation of funds for retirement on a tax-deferred basis and provide for annual discretionary employer contributions.

Pension Benefits. Intel provides a tax-qualified, defined-benefit pension plan for eligible employees and retirees in the United States. The plan provides for a minimum pension benefit that is determined by a participant's years of service and final average compensation, taking into account the participant's social security wage base, reduced by the participant's profit sharing plan balance.

Intel provides defined-benefit pension plans in certain other countries. Consistent with the requirements of local law, the company deposits funds for these plans with insurance companies, third-party trustees, governments (into managed accounts), and/or accrues for the unfunded portion of the obligation.

Postretirement Medical Benefits. Upon retirement, eligible U.S. employees are credited with a defined dollar amount based on years of service. These credits can be used to pay all or a portion of the cost to purchase coverage in an Intel-sponsored medical plan for the employee and spouse. If the available credits are not sufficient to pay the entire cost of the coverage, the remaining cost is the responsibility of the retiree.

2006 Equity Program Highlights

- Intel granted 52.3 million stock options and 30.1 million restricted stock units to employees, 98% of which were awarded to Intel's broad-based employee population.

- Approximately 71% of Intel's eligible employees participate in the Stock Purchase Plan.

Funding Policy. Intel's practice is to fund the various pension plans in amounts at least sufficient to meet the minimum requirements of U.S. federal laws and regulations or applicable local laws and governments. Assets are invested in corporate equities, corporate debt securities, government securities, and other institutional arrangements. The company accrues for liability in the event that the minimum liabilities of a plan exceed qualified plan assets.

Additional Retiree Benefits. Intel provides semiannual Business Update Meetings on-site for retirees as well as volunteer opportunities and a retiree web site. To prepare for retirement, employees can also attend Retiring from Intel classes, which address issues such as healthcare, retirement plan distributions, financial and estate planning, social security benefits, and life event planning.

For more information on Intel's retirement benefits, visit the appropriate country's compensation and benefits page on the Jobs at Intel web site.

Special Leave Programs

In addition to Intel's standard vacation days, we offer employees other leave programs.

Sabbatical Leave Program. Employees in the United States and Canada receive 8 weeks of paid time off for every 7 years of service. Employees can also add their vacation time for that year to their sabbatical, ultimately taking up to 12 weeks of paid time off. In 2006, close to 3,400 employees took sabbaticals, returning refreshed and revitalized, and bringing new perspectives and fresh ideas into the workplace. Additionally, this program offers excellent career development opportunities to those who temporarily replace people on sabbatical.

Military Leave of Absence and Pay Adjustment. Intel supports employees who serve in the U.S. National Guard or military reserves. Due to longer deployment requirements than in the past, Intel made some adjustments to its Military Adjustment Pay for events related to 9/11, service in Iraq, and other emergencies. Military Adjustment Pay compensates for the difference between the employee's base pay and military pay. The company increased the duration of this benefit to a total of two years per deployment.

Our intent is to provide more support to employees who are serving extended tours overseas as long as the employee returns to work between each deployment. The U.S. government has publicly recognized Intel for its commitment and continuing efforts in this area. Since 9/11, about 200 employees have availed themselves of this benefit as they undertook military deployments around the world.

Work/Life Balance

As part of our "Great Place to Work" corporate value, we are committed to providing tools and work environment solutions that reduce barriers to effectiveness caused by work and personal life challenges. Our goal is to make it easier for employees to manage their busy work and personal lives.

We take a comprehensive, worldwide approach to work/life balance by offering tools and creating an environment that support the needs of different employees—from working parents and those with elder-care responsibilities to those pursuing educational goals and traveling. Program options may vary by business unit and job type. Options are also tailored according to the needs in a specific country and are based on the market needs and statutory requirements of each Intel location.

Intel's retirement benefits expense in 2006 was $407 million and included (but was not limited to) profit sharing and pension and retiree medical benefit contributions.

Managed by a full-time corporate team, Intel's work/life effort focuses on four major areas:

Flexibility. To help employees manage their work and personal responsibilities, Intel supports a wide range of flexible work options, including alternative start/stop times, compressed work weeks, part-time options, job sharing, flex time, compensatory time off, and telecommuting. Corporate guidelines govern each of these options, and managers and employees have discretion in developing win-win solutions that meet the needs of both the business and the individual employees.

Because most of these arrangements are negotiated directly between employees and their managers, Intel does not track utilization centrally. However, recent employee surveys show that about 26% of our employees work a compressed work-week schedule, and more than 40% telecommute on a regular or temporary basis using company-provided laptops and remote access to the corporate network.

Child and Elder Care. Intel has received recognition for its childcare programs, which have been implemented at all major U.S. sites. Our programs are customized to meet the specific needs of each site and to respond to local market conditions.

Intel sponsors seven near-site childcare centers in the U. S. that offer priority enrollment, back-up childcare, and summer and holiday care. Many offer extended hours to meet the needs of employees with compressed work weeks, and some have special expertise in working with children who have special needs.

Through our Dependent Care Assistance Program, employees can set aside $5,000 in pre-tax dollars each year to pay for dependent care expenses.

We promote a nationwide elder-care resource and referral service for employees with elder-care responsibilities.

Services and Conveniences. Intel sponsors several programs to help make employees' lives easier and extend their purchasing power. Discount programs provide special pricing on a variety of products and services, including computers, cars, home mortgages, banking, online retailers, and more. Other offerings include on-site cafeterias, fitness centers, ATMs, dry cleaning services, and private rooms for nursing mothers.

In addition, more than 90% of Intel employees in the U.S. have access to vanpool and transit subsidy programs, ground transportation between campuses, and air shuttles between major sites, saving employees thousands of hours of personal time annually. These environmentally friendly policies landed Intel the top spot in 2006 (for the third consecutive year) on the U.S. Environmental Protection Agency's list of the "Best Workplaces for Commuters from the Fortune 500 Companies." The list recognizes companies for their commitment to improving quality of life for their employees while helping to reduce traffic and air pollution. At Intel, 92% of the workforce can take advantage of commute reduction programs, such as flex time, telecommuting, carpooling, and mass transit subsidies, that meet the EPA standard, according to the agency's ranking.

Tools and Training. Intel's intranet site provides a wide variety of work/life resources and information. The Global Work/Life team also sponsors ongoing seminars presented by in-house and outside experts. Past topics have included financial planning, resources for finding care for children and the elderly, and effective stress management. Additional course offerings for parents have included topics such as "Connecting with Your Teenager," "Fatherhood: The Most Important Job You Will Ever Have," "Positive Discipline," "Brain Development," and "Summer Activities for School Age Children." Another course, "Having a Baby at Intel: Coordinating Your Leave, Benefits, and Work," provides instruction on how to ensure a smooth transition from work to parenthood, and then back to work.

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Health and Safety

Intel's wellness and safety programs help employees optimize their productivity and improve their quality of life. Employees who are physically and mentally fit help Intel succeed and also enjoy a better quality of life outside the workplace.

Wellness Programs

In the second half of 2006, Intel launched the Health for Life wellness program, based on a simple concept: the more employees know about their health risks, the better they can manage them. Health for Life is a three-step program that includes a baseline health evaluation, completion of an online Health Risk Assessment, and a meeting with an on-site personal health coach to develop a confidential, individual health action plan.

Our annual online Health Risk Assessment helps employees identify health risk factors and build a personal roadmap—with tools and resources—to establish and support healthy habits. Employee participation has provided aggregate data that has helped us develop more effective health promotion, illness and injury prevention, and disease management programs.

"The best part about participating in the program is convenience," said one employee. "Being able to get information on-site, during the workday, and in a private, confidential manner is excellent. The environment is much less stressful than a regular doctor's office."

Early participation rates demonstrate that our initial goal of reaching 50% of U.S. employees with the Health for Life program will be met. We plan to expand the program globally in the future.

Examples of other wellness programs offered at various Intel sites around the world include:

- An online Wellness Program with the Mayo Clinic that includes access to all Mayo Clinic resources

- Required ergonomics training

- Wellness programs designed by our on-site nursing staffs to address topics such as weight control, stress reduction, breastfeeding, and more

- On-site fitness centers

- Fitness challenges

- Flu vaccine clinics

- Massage therapy

- On-site clinics staffed by trained health coaches

- Programs for employees who are pregnant, or who have or are at risk for asthma, cardiac disease, diabetes, or depression

- Dedicated on-site occupational health resources focused on wellness

- Rewards and incentives for employees who take advantage of our health and wellness programs

- Healthy meals in our cafeterias

Our new Health for Life wellness program is based on the simple concept that the more employees know about their health risks, the better they can manage them.

2006 Wellness Program Highlights

Number of employees who visited the Mayo Clinic's Intel portal: 41,641

- Number who visited once: 24,938

- Number who visited two or more times: 16,703

- Average number of visits per person: 2.33

- Percentage of visits by top four countries:
  U.S.: 75%
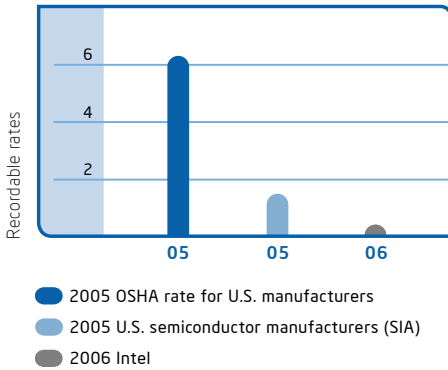 Malaysia: 15%
  Philippines: 7%
  China (Shanghai): 3%

Percentage of employees worldwide who completed the Health Risk Assessment: 11.8%

  Americas: 47%
  Asia: 42%
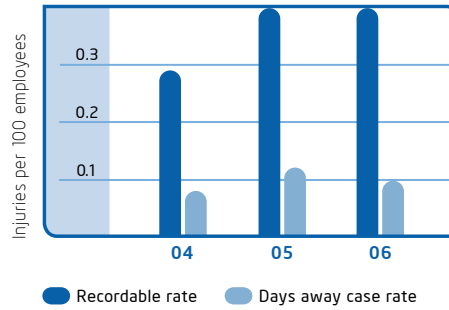 Europe, Middle East, Africa: 8%
  Other: 3%

2006 Safety Update

We continue to perform at world-class levels for safety. In 2006, we saw a reduction in the severity of injuries, with fewer "days away from work" cases compared to 2005. We made changes to our internal safety audit program in 2006, expanding our goal of zero injuries by adding the goal of increasing quality and efficiency. Our audits now employ a multidisciplinary team with a strong focus on management systems, regulatory compliance, and business risk. A successful pilot of the improved program was conducted in Malaysia, and lessons learned from that pilot have been incorporated into our audit process. Four of our major campuses are scheduled for compliance with the new audit system in 2007.

Recordable Case Rate Benchmarks

Recordable rates

- 2005 OSHA rate for U.S. manufacturers
- 2005 U.S. semiconductor manufacturers (SIA)
- 2006 Intel

Each year, Intel compares the company's health and safety performance with established benchmarks. Relative to the latest data available for all U.S. manufacturers and member companies of the U.S. Semiconductor Industry Association (SIA), Intel continues to outperform both benchmarks in terms of injury prevention.

Recordable and Days Away Injury Rates

Injuries per 100 employees

- Recordable rate
- Days away case rate

Intel's recordable case rate for injury and illness remained flat at 0.4 and our days away case rate decreased to 0.1. We believe that all workplace injuries are preventable and will continue to focus our efforts in these areas.

SIA Health Study

We are continuing our work with the Semiconductor Industry Association (SIA) on an industry-wide study of the potential health effects associated with working in wafer fabrication factories. The study, conducted by a team of investigators affiliated with Vanderbilt University, commenced in August 2005 and is expected to be completed in about four years. A specifically constituted Scientific Advisory Board, with academic experts in epidemiology, occupational medicine, toxicology, and industrial hygiene, assists the SIA in scientific oversight.

To conduct the research, an exhaustive analysis of historic information is under way, requiring review of computer files, as well as hard-copy records that characterize each worker's job location, job activities, and time frame of work activities. The multi-million-dollar study will review the records of 85,000 people who worked in the wafer fabrication facilities of SIA member companies in the United States during the past 30 years, including an estimated 18,000 Intel employees. SIA member companies are funding the study, which will be one of the largest privately sponsored epidemiological studies ever conducted.

NIOSH Study

The National Institute for Occupational Safety and Health (NIOSH), a part of the U.S. Centers for Disease Control and Prevention, asked Intel to participate in a study that will look at the relationship between job stressors, heart disease, and depression. The study aligns with our own internal efforts to improve worker health and productivity.

About 60 million Americans currently have some form of heart disease, and nearly 20% of all Americans will experience at least one episode of major depression during their lifetime. Job stressors are believed to be a risk factor for both heart disease and depression.

The NIOSH study targets workers at companies with 8,000 or more employees at a single site. Some 20,000 workers are being recruited from up to 15 large companies in different geographic areas and industrial groups across the U.S.

The results of this study could provide valuable information for preventing illness and disease afflicting many of our employees and their family members. Intel is cooperating in the research by providing access to our work sites and our employees, who are invited to participate in the study voluntarily.

Pandemic Preparedness

We continue our industry leadership in pandemic preparedness. For example, Intel was recently involved in a "live theater"-style pandemic crisis simulation event coordinated by the Massachusetts Institute of Technology. More than 250 people from 75 major corporations participated, and Intel employees held five of the seven leadership positions in the drill, including overall incident director.

We continue to review and refine our pandemic response plans and capabilities on a regular basis, and carefully monitor potential threats. We benchmark with other companies, and we share our knowledge and coordinate our efforts with local government agencies. Our internal cross-functional team continues to conduct drills and review our plans covering areas such as communications, travel policies, and infection control. Our plan includes phased-in responses triggered by the World Health Organization pandemic phases. We regularly share pandemic preparedness information with our customers and communities.

We have set expectations with our suppliers that they be prepared for a potential Avian Flu pandemic and have developed a set of principles and goals to guide Avian Flu preparedness within the context of overall emergency preparedness:

- Promote a healthy work environment.

- Treat people with dignity and respect through communication and transparency.

- Minimize the spread of infection by working with local governments and public health organizations, such as the World Health Organization and the U.S. Centers for Disease Control and Prevention.

- Implement a staggered deployment strategy based on risk and need in each geography.

- Maintain business continuity by developing appropriate levels of coordination and contingency planning.

- Utilize resources appropriate to the risk/threat.

We are participating in a study on job stress with the National Institute for Occupational Safety and Health that aligns with our efforts to improve worker health and productivity. The results of the study could provide valuable information for preventing illness and disease.

HIV/AIDS

We believe that employees affected by Acquired Immune Deficiency Syndrome (AIDS) or Human Immunodeficiency Virus (HIV) do not present a health risk to other employees in the workplace under normal working conditions. We strive to ensure that affected employees have the same working conditions and performance requirements as other Intel employees, and can continue to work as long as they are able.

Intel is actively participating in discussions with the Office of the U.S. Global AIDS Coordinator (OGAC), which administers the U.S. president's $15 billion Emergency Plan for AIDS Relief. We also maintain active and regular dialogues with other members of the information technology community to share data on emerging technologies and workplace educational practices. This exchange of information and ideas will assist OGAC in scaling its mission of prevention, treatment, and care through public-private partnerships, emerging technologies, and industry practices. We will continue to deepen our relationship with OGAC in 2007.

Closing Gaps in Benefits. In 2006, we committed to review our existing benefit programs and assess gaps and opportunities, both internally and in cooperation with other multinational employers. We determined that in many locations outside the United States, HIV/AIDS benefits coverage is non-existent, or comes with waiting periods or severe restrictions on coverage. We are working across multiple geographies and with other multinational companies that are also striving to close the gaps in programs. We believe that we can make more progress collectively than one company can acting alone.

Intel joined a coalition of multinational employers, the Global Health Benefits Institute, which focuses on global health benefit initiatives, and raised HIV/AIDS as an initiative for that group to collaborate on in 2006. In the first follow-on meeting, the institute invited the Global Business Coalition on HIV/AIDS to meet with participating companies to discuss their assessment systems and best-practice examples in dealing with the global AIDS crisis. For 2007, the Global Health Benefits Institute will pursue development of an HIV/AIDS working group to address the issue of limited AIDS coverage in many regions outside the United States.

Educational Efforts. We have developed focused education and outreach efforts related to HIV and AIDS, with particular emphasis on areas in the world that have limited access to information on this topic. Over the past several years, we implemented a specific Asia AIDS awareness plan at our sites in China, India, Malaysia, and the Philippines. The plan comprises a range of activities, including annual AIDS awareness training by local occupational health nurses; non-governmental organization (NGO) presentations by local health experts; and other communication campaigns using e-mail blasts, posters and printed collateral, quizzes, and exhibits. In conjunction with World AIDS Day in December 2006, we launched a communications plan in Asia that included an online health education package, awareness fairs, communication competitions, an online quiz, e-mail blasts, and outreach and contributions to external community AIDS groups.

Outreach in Mandya, India

According to the Karnataka State AIDS Prevention Society in India, the city of Mandya has the highest incidence of HIV/AIDS in the state. In December 2006, Intel volunteers worked with the local Manipal Hospital to hold a general medical screening camp, with the goals of reaching out to people who don't have access to medical care and building awareness of HIV prevention. More than 600 villagers were seen for afflictions ranging from gangrene and tumors to heart problems. Intel volunteers conducted street plays and other activities to build awareness around health topics, while hospital doctors treated patients and dispensed free medicine.

Environment

Taking a leadership position in environmental action worldwide.

Intel co-founder Gordon Moore, a long-time champion of the environment, instilled a legacy of environmental consciousness at Intel that continues today. We strongly encourage our employees to apply the same level of knowledge and creativity to solving the environmental challenges of design and production as they do to creating and developing the next breakthrough technology.

Intel shares environmental best practices and participates with governments and other companies to create a more sustainable world, taking a leadership position in developing comprehensive, long-term strategies to address climate change, resource conservation, product ecology, and more. Over the years, we have received numerous accolades for our environmental efforts. In 2006, for example, we received the U.S. Chamber of Commerce Business Civic Leadership Center's 2006 Corporate Stewardship Award in recognition of our decades-long commitment to education, community development, and sustainable environmental practices.

In 2005, we became one of only a few companies in the world to publicly report our environmental, health, and safety (EHS) performance indicators on a quarterly basis. By providing our stakeholders with timely information about our emissions, resource usage, employee injuries, and waste generation, we have raised the bar in public reporting. We strive to minimize our environmental footprint and achieve the highest standards of environmental consciousness in everything we do—from how we design and manufacture our products to how we build and operate our facilities, manage resources, and handle waste materials.

Climate Change

At Intel, we consider global warming an important environmental issue, and we are proactively working to address the threat of global climate change. We focus our climate change efforts in three main areas: greenhouse gas emissions, energy usage in our operations, and the energy efficiency of our products. For Intel's formal position on global climate change, visit the Climate & Energy Conservation web site.

Greenhouse Gas Emissions

We have focused on minimizing our impact on global warming for more than a decade. In 1996, we led an industry coalition to reach an agreement with the U.S. Environmental Protection Agency (EPA) to voluntarily reduce emissions of perfluorocompounds (PFCs), chemicals with a high global-warming impact. This agreement was reached a year before the Kyoto Protocol was negotiated.

2006 Highlights

- Became a member of the U.S. EPA's Climate Leaders program, an industry-government partnership working to develop long-term, comprehensive climate change strategies.

- Joined the Chicago Climate Exchange, a voluntary, legally binding greenhouse gas emissions reduction, registry, and trading program.

- Became a member of The Green Grid, a global consortium of companies dedicated to advancing energy efficiency in data centers and computing ecosystems.

- Began shipping processors based on the new Intel® Core™ microarchitecture, which raises the bar for energy-efficient desktop, mobile, and server computing performance.

- Lowered our energy use by more than 160 million kilowatt-hours.

- Earned the EPA's elite National Environmental Performance Track membership for three Intel sites.

- Collected more than 1.5 million pounds of electronic waste at community collection events.

In 1999, Intel joined other members of the World Semiconductor Council to set firm PFC emission reduction targets. Under that first-of-its-kind worldwide voluntary agreement, a goal was established to reduce emissions 10% below 1995 levels by 2010. Today, through the work of many people across our company, we are on track to meet this challenging goal.

In 2006, Intel joined the EPA's Climate Leaders program, an industry-government partnership working to develop goals and strategies aimed at reducing overall climate change. Partners in the program set aggressive greenhouse gas reduction goals and inventory emissions to measure progress. "Participating in the EPA's Climate Leaders program will help raise awareness for this issue and allow us to share our learnings with other committed companies," said Todd Brady, Intel's global environmental manager.

We also recently joined the Chicago Climate Exchange (CCX), the world's first and North America's only voluntary, legally binding greenhouse gas emissions reduction, registry, and trading program. CCX members are regarded as leaders in greenhouse gas management and represent all sectors of the global economy, including public sector innovators. In addition to our existing global goals, by joining CCX, we have committed to reduce Intel's greenhouse gas emissions in the United States by a minimum of 6% by 2010.

Energy Savings in Intel Operations

Intel has implemented a dedicated capital funding program that allocates funds solely for the purpose of conservation and efficiency projects. This program preserves the importance of these improvements and limits funds from being re-allocated for other purposes. Many energy-efficiency and conservation improvements have been implemented across Intel, including additional efficient lighting; "smart" system controls; boiler efficiency; chilled water improvements; cleanroom heating, ventilation, and air-conditioning improvements; and improved operating processes and procedures. As a result, Intel's energy use in 2006 was reduced by more than 160 million kilowatt-hours (kWh).

Since 2001, we have approved more than 200 improvement projects and saved over 400 million kWh of electricity. That's enough energy to power more than 40,000 American homes or reduce air pollution from electricity generation equivalent to removing 50,000 automobiles from the road. Additional savings have been gained in efficiencies in natural gas and water conservation projects. Projects implemented as part of our capital funding program reduced usage by nearly 200 million gallons of water and 6 million therms of natural gas in 2006.

Our publicly stated goal to reduce energy consumption by an average of 4% per production unit per year from 2002 through 2010 has already driven exceptional results. Through the end of 2006, we exceeded that goal, as our normalized energy use has declined 5.7% per year since 2002.

As part of our efforts to collaborate with others on energy efficiency, we are working closely with SEMATECH (a consortium of semiconductor industry companies, suppliers, universities, and government) and with other companies to develop standards to improve the energy efficiency of manufacturing tools and processes.

A recent highlight in operational energy savings includes implementation of an intensive heat recovery system in many of our wafer fabrication facilities. This technique uses waste heat from chillers to preheat air in our manufacturing cleanrooms, and can reduce natural gas consumption and corresponding carbon dioxide (CO_2) emissions by 30% or more.

Sustaining Forests in Bolivia

Intel is helping to build sustainable forest practices in Bolivia, a country that has struggled with illegal logging activities. Paper-based processes susceptible to counterfeit documentation have allowed illegally harvested lumber to pass through the supply chain in Bolivia, resulting in millions of dollars in lost tax revenue, decreased earnings for legitimate mills, and lower market prices for Bolivian wood products.

Intel, The Nature Conservancy, the U.S. Agency for International Development, and United Kingdom software vendor Helveta, Ltd. are piloting an electronic barcode tracking system with the goal of dramatically increasing Bolivia's forest-sector efficiency, productivity, and operational transparency.

"Our solution will allow Bolivia's forest regulatory body to rigorously track timber from standing stock, to saw mill, to when a value-added product is sold in the global market," said Jay McDougall of Intel's Customer Planning and Logistics Group. "Basically, everyone in the chain of custody will be assured that a Bolivian wood product comes from a sustainable forest and not from illegally harvested timber."

The Bolivia pilot is an initiative of Intel Community Solutions, a group that works to blend Intel's technology expertise with its commitment to corporate responsibility, to create solutions that strengthen communities worldwide. For more information, visit the Intel Community Solutions web site.

Intel Environmental, Health, and Safety Product Life Cycle

Research & Development
- Benign semiconductor materials
- Design for the Environment
- Environmental excellence awards
- Nanotech research
- Toxicology research
- Sustainability

Materials & Equipment Selection
- Process equipment safety
- Semiconductor standards
- RoHS
- EICC
- Supplier ethics
- Material screening tool
- Environmental product content specs

Chemical Use Approval
- Toxicity screening (human/environment)
- Hazard classification
- Risk evaluation
- Control mechanism
- Personal protective equipment
- Substitution alternatives

Intel Operations
- Resource conservation
- ISO 14001
- Climate change footprint
- Employee wellness
- SIA health study
- Waste reduction
- Commute reduction
- Recycling
- Plug-In to eCycling
- Employee safety
- EPA Climate Leaders
- EPEAT
- Chicago Climate Exchange

Intel Products
- Energy-efficient products
- RoHS compliance
- Product packaging reduction
- Energy Star*
- "Halogen-free"
- Power-supply energy specs
- Monitor energy savings

End of Life
- Community recycling events
- Rethink
- Environmental education

Energy-Efficient Products

In addition to reducing the climate change impacts of our manufacturing operations and facilities, we have taken a strong leadership position on the need for energy-efficient products to meet the demand of rising energy costs and the challenges of climate change. We are demonstrating continued progress through energy-efficient performance innovation in our design processes and architecture. In 2006, we began shipping processors based on the new Intel® Core™ microarchitecture, which raises the bar for energy-efficient performance across dual-core and quad-core desktop, mobile, and server products. Compared to processors with only one core, those with two or more cores are designed to deliver higher system throughput and simultaneous management of activities, while balancing power requirements.

Intel® Core™2 Duo processors for desktops are up to 40% faster and more than 40% more energy efficient compared to previous-generation Intel desktop processors. The new Intel Core micro-architecture-based products also include the Intel® Core™2 Duo mobile processor, which increases processor performance more than twofold and reduces power consumption up to 28% compared to previous-generation Intel architecture-based mobile processors.

Our innovations have also helped drive the information technology industry as a whole to greater energy efficiency. Intel has worked through various industry groups and standards organizations to drive initiatives to develop complete computing platforms that deliver more performance with lower power requirements. Working with the Natural Resources Defense Council (NRDC), we changed the design guidelines that power-supply manufacturers use to build computers, to encourage the development and adoption of more energy-efficient power supplies—earning Intel special recognition from the U.S. EPA. Under typical operating conditions, a power supply can consume up to 50% of a desktop PC's total system power.

The EPA estimates that the environmental improvements of achieving the recommended targets established in the Intel design guide will result in the following savings in the United States alone:

- Reduction in electricity use of more than 16 billion kWh
- Reduction in carbon emissions of over 10 million tons of CO_2 annually
- Cost savings to end users of $1.25 billion annually

Our innovations and industry leadership have helped drive the information technology industry as a whole to greater energy efficiency.

Intel has been active in working with the industry to establish programs that bring greater energy efficiency to enterprise computing. We have worked with Pacific Gas and Electric, a California-based utility, and other industry companies to assist them with a first-of-its-kind initiative to provide financial incentives to encourage the use of virtualization in data-center consolidations. Intel is also a founding member of The Green Grid, a new global consortium of companies dedicated to advancing energy efficiency in data centers and computing networks. The Green Grid seeks to provide industry-wide recommendations on best practices, metrics, and technologies that will improve overall data-center energy efficiencies. Intel brings a unique perspective and skills to the consortium as an industry enabler and leader in energy-efficient microprocessor, chipset, and platform products. For more information, visit The Green Grid web site.

Design for the Environment

Building and designing the world's most sophisticated products in cutting-edge factories involves addressing many environmental challenges, such as energy efficiency, air quality, water and materials recycling, and more. Those challenges grow in complexity as we push the technological boundaries and limits of materials science at Intel.

Intel EHS engineers are involved in all phases of Intel's product design and development processes, addressing the environmental challenges of each new generation of technology before manufacturing processes are put in place. For example, our engineers help drive the design of products that are lead-free or use less energy. They also participate in building design, calculate environmental performance levels for tools and processes, and set environmental production performance goals for each new manufacturing process technology.

When Intel builds a new wafer fabrication facility (fab), we apply "Design for the Environment" (DfE) principles long before ground breaking. The cooling system of our newest fab in Oregon is an example of our DfE process. Traditional fabs use cooling towers to cool the building and provide chilled water for operations. Water is sprayed in the cooling towers, and air is blown on the water to cause cooling by evaporation. The cooled water is then re-circulated through the building's cooling system and cooling towers. All the heat that is removed from the building goes into evaporating water.

Intensive heat recovery has been implemented in many of our fabs and is included in all future fab specs. These installations include heat-recovery chillers—heat pumps that reduce the need for cooling towers by recovering some of the heat for reuse. Through this innovation, water requirements are reduced, as water is not lost through evaporation, and air pollution is decreased because the fab does not need to run boilers as frequently to heat water for manufacturing and facilities use. And since the process is more energy efficient, overall energy requirements for the facility are reduced. The implementation of intensive heat recovery in our fabs can reduce natural gas consumption and corresponding CO_2 emissions by 30% or more.

Our fabs also include separate drains that help with the segregation of waste and recycling of various materials, as well as drain configurations that facilitate water reuse. Intel also applies DfE processes to general facilities management. For example, low-water landscaping reduces water needs, while contractor incentives promote the recycling of materials during building construction.

Since 1997, a strategic DfE plan enabled our Ocotillo, Arizona site to grow while maintaining environmental goals. The site worked with internal and external stakeholders to achieve these goals.

Additional examples of DfE include the elimination of methanol and its related air emissions from a protective coating process that was redesigned during a technology update across one of Intel's manufacturing processes. Intel engineers also worked to optimize ammonia use in a cleaning operation. This change resulted in a 75% reduction in ammonia use and saved approximately $1 million at our Oregon site by eliminating the need to install new wastewater treatment equipment.

Our EHS engineers help drive the design of products that are lead-free or use less energy, participate in building design, calculate environmental performance levels for tools and processes, and set environmental production performance goals for each new manufacturing process technology.

LEED Building in Israel

We are undergoing certification for our first Leadership in Energy and Environmental Design (LEED)-registered green facility, a design center to be located in Haifa. The facility will use environmentally friendly building materials and construction methods, including natural and controlled lighting by means of an internal patio that infuses light into all levels from an atrium. The building will also have air-conditioning and electrical systems that will both save and recycle energy, and an irrigation system that will use only recycled water. We expect to complete the building early in 2008.

Leadership in Nanoelectronics

We thoroughly evaluate the health and safety implications of new technologies for our employees, customers, and end users. In 2006, Intel continued working in collaboration with multiple stakeholder groups to further define, characterize, and manage the EHS implications of nanoelectronics—the manufacture of extremely small transistor devices—in the semiconductor industry.

Intel representatives took the lead in developing EHS standards on nanotechnology in several standards development organizations, including American Standards Testing Materials International and the International Standards Organization (ISO). Additionally, an Intel employee is heading ISO Technical Committee 229 on Nanotechnology, which is developing ISO health and safety standards.

We continue to support the International Council on Nanotechnology (ICON) and sponsored an international ICON meeting at our Ireland site. We also led an ICON project that is performing toxicological assessments of nanomaterials.

Intel is a member of the Nanoparticle Occupational Safety and Health (NOSH) Consortium, a multi-stakeholder group of industry, academic, and government institutions that is performing basic research on nanoparticle generation and characterization. The NOSH project will lay the groundwork for better monitoring potential occupational exposures to nano-sized materials and how to minimize such occurrences.

Resource Conservation

Throughout our operations, we have committed to conserving resources and minimizing waste through effective recycling and reuse programs.

Water

Over the past 15 years, we have invested more than $70 million in water conservation programs at Intel facilities around the world. As a result of these efforts, we now reclaim more than 3 billion gallons of wastewater each year instead of tapping precious fresh-water sources.

Working with tool suppliers and other industry experts, we continually seek to reduce water use in our manufacturing processes. Our ongoing conversion from 200mm to 300mm wafers, for example, has resulted in a substantial reduction in the amount of water used to build our products. In fact, with 300mm wafers, we have reduced water use approximately 40% for each square centimeter of wafer surface area compared to 200mm wafer technology.

Each of our new factories is equipped with complex wastewater collection systems that include a separate drain system for collecting lightly contaminated wastewater for reuse. With this reuse strategy, we harvest as much water as possible and direct it to our facility equipment such as cooling towers and scrubbers.

In 2006, we earmarked more than $2 million for water conservation projects in New Mexico, Oregon, and Ireland to improve water use efficiency and reuse. These projects were part of a larger corporate strategy aimed at sharing successes and continuing our focus on reducing our demand for fresh water. As a result of these projects, we have identified ways to save more than 1 million gallons of water each day.

Chemical Waste

We continue to increase the recycling rate of the chemicals used in our manufacturing processes. About 68% of our chemical waste is now recycled or directly reused. While the absolute amount of our overall waste has increased, we have exceeded our 50% recycling goal for the last three years.

Intel purchases renewable energy in three states in the U.S. We are also the largest purchaser of wind power in Oregon, we plan to expand our Oregon commitment in 2007, and we are the largest corporate supporter of a neighborhood solar program for a utility provider in California.

Food for Fuel

Intel employees all over the world take "green" thinking to heart in their daily lives. Two Intel Oregon employees are good examples; they power their vehicles primarily using the vegetable oil waste from an Intel cafeteria. Reusing the vegetable oil is a win-win situation for all involved. The cafeteria saves money on disposal costs, and the employees save money on fuel and do their part for a cleaner environment, as their fuel source is cleaner than gasoline.

While trying to decrease the amount of chemical waste being shipped off-site for disposal and recycling, we have established internal strategies to reduce chemical use or treat chemical waste on-site. Our research and development teams work to eliminate and reduce material and chemical use in the manufacturing process as much as possible, but where volume reduction or elimination have not been possible, Intel engineers have developed systems to reclaim materials. For example, we use on-site ion-exchange technology to reclaim elemental copper from our liquid waste stream. Through such measures, we have reduced the environmental liability and costs of shipping tons of waste off-site while minimizing the environmental impact of our operations.

Despite our best efforts, for the past five years, our chemical waste generation has been increasing, due in part to increasing wafer production in our factories. In addition, our processes have become more complex, and we have begun to use different chemicals in our production. We will continue to focus our efforts on reducing our chemical waste and seek new and innovative options for recycling.

Solid Waste

Intel continues to maintain a high rate of solid-waste recycling. Globally, we recycled 74% of our solid waste in 2006. We have implemented several programs focused on sustainable practices and waste reduction. For example, we composted 80 tons of food waste from the cafeterias at several of our sites, and our reuse of packing supplies diverted more than 110 tons of material from landfills.

Product Ecology

Throughout the last decade, people have become increasingly aware of how the manufacturing and use of electronics can affect the environment. As such, we strive to minimize the environmental impact of our operations, but also of our products at all phases in their life cycle: production, use, and ultimate disposal. The following is a summary of Intel's involvement with several product ecology initiatives.

Materials

Traditionally, electronics manufacturing has required small amounts of lead as a building block in components and solders. Over the last decade, we have taken several measures that have allowed us to achieve lead reductions of up to 95% across all of our product lines and 100% in selected and regulated products. Beyond our own product portfolio, we have worked with our supply chain to develop standards for lead-free products.

Regulatory compliance is the foundation of environmental stewardship, and complying with applicable regulations grants us a license to operate. We are compliant with the European Union Restriction of Hazardous Substances (RoHS) Directive, which sets limitations on the use of six materials, including lead. We have completed certification of RoHS-compliant materials and processes, and are now shipping millions of RoHS-compliant products per week. Additional RoHS-compliant products will be added to Intel's product portfolio in 2007. For more information on our lead-free product efforts, visit our RoHS/Lead(Pb) Free Solutions web site.

In 2007, China will implement a new regulation restricting the use of certain metals and other compounds in electronics products. The requirement covers the same materials as the European Union's RoHS regulation of 2006. Intel has been an industry leader in working with Chinese officials to ensure that environmental protection goals are met, while helping to alleviate unnecessary administrative burdens for electronics companies. This collaborative process has been a groundbreaking effort in China due to the involvement of stakeholders in the regulatory development process.

Intel continues to maintain a high rate of solid-waste recycling. Globally, we recycled 74% of our solid waste in 2006. We have implemented several programs focused on sustainable practices and waste reduction.

Lightening the Load

At an e-waste event sponsored by Intel, HP, and KOAT-TV in Rio Rancho, New Mexico, local resident Charles Vickery brought a truckload of old processors, monitors, TVs, and IBM typewriters. More importantly, he brought himself. After dropping off his gear, Vickery stayed and became one of the volunteers. In just four hours, people driving some 1,000 cars and trucks dropped off 227,802 pounds of e-waste on collection day—enough to fill 17 trailers.

Product Packaging

We have committed to reducing the waste associated with the packaging and shipping of our products. Among recent highlights:

- A team of packaging engineers designed a solution that allowed us to switch from non-recyclable polyurethane foam to a 100% recyclable polyethylene foam for cushioning some of our board products. We estimate that the new packaging solution will keep 113,400 pounds of non-recyclable polyurethane foam out of the waste stream each year.

- We redesigned the packaging for the Intel® Entry Storage System SS4000-E—a network storage solution for offices and homes—to decrease the shipping density and amount of materials used. This design change will result in an estimated savings of 2,650 pounds of plastic and 47,000 pounds of paper packaging materials annually. The shipping density improved by 56%, requiring less space to ship the same amount of product, which leads to fewer trips, lower fuel consumption, and decreased emissions.

- We reduced the thickness of thermoformed polyethylene terephthalate (PET) plastic packaging material from 1.0mm to 0.9mm without negatively affecting the protective properties and integrity of our packaging solution for wireless network interface cards from our Mobility Group. This change will result in an estimated savings of 18,000 pounds of PET plastic annually.

- A team of packaging engineers in our Customer Fulfillment, Planning, and Logistics Group implemented two silicon packaging solutions that will eliminate the annual use of more than 10 million pounds of petroleum-based plastics, 1.8 million pounds of corrugated paper packaging, and 69,000 pounds of aluminum-based static-shielding bags.

- By investing in new handling equipment and reusable slip-sheets to load and move stacks of product, we have eliminated the use of an estimated 4,140 wood pallets a year. At a weight of 34 pounds per pallet, this change will result in an estimated savings of 140,760 pounds of wooden packaging materials annually. Eliminating the use of pallets also improves the shipping density, resulting in fewer trips, lower fuel consumption, and decreased emissions.

All of these packaging innovations have positive effects on the environment that are multiplied as the products are shipped and used or integrated into our customers' final products.

End-of-Life Solutions for Electronics

Intel sites in the United States hold computer recycling days, which provide a convenient way for people to recycle used technology responsibly. In 2006, we collected more than 1.5 million pounds of electronic waste (e-waste) at 10 community collection events. We are also a leading proponent of eBay's Rethink Initiative. Through Rethink, Intel and fellow members of the initiative come together with government and environmental organizations to find answers to the challenge of e-waste. In addition, we work with StRUT (Students Recycling Used Technology), an organization that teaches students to refurbish used computers for use in local school districts. For more information on these programs and other responsible e-waste disposal solutions, visit our Reuse and Recycling Options web site.

EPEAT

The Electronic Product Environmental Assessment Tool (EPEAT) is a rating system designed to help purchasers in the public and private sector evaluate, compare, and select desktop computers, notebooks, and monitors based on environmental attributes. Intel has been a leading participant in the development of the EPEAT system, which promotes clear and consistent criteria for product evaluation, and creates market incentives to encourage environmentally friendly design of electronics products.

The EPEAT system gained special recognition on January 24, 2007, when President George W. Bush signed Executive Order 13423 mandating U.S. federal agencies to buy EPEAT-registered products. For the full text of the executive order, visit the White House web site.

Athough our components make up only a small part of the final electronic device sold to the consumer, we believe that our role can be significant in helping to minimize the environmental impact of the final product.

The Waste Electrical and Electronic Equipment (WEEE) Directive of the European Union (EU) recently went into effect, requiring producers of certain electrical and electronic equipment to develop programs that allow consumers to return products for recycling. The definition of "producers" under the regulation is broad and can potentially include manufacturers, distributors, resellers, and so on.

Each EU member state or country has implemented, or is in the process of implementing, national legislation detailing specific requirements for WEEE. Some other non-EU countries have laws similar to the WEEE Directive, but the scope and producer responsibility requirements vary.

Because Intel is primarily a component manufacturer, most of our products, such as motherboards, microprocessors, and other components, are generally not considered within the scope of the WEEE Directive until they are incorporated into a final product. Although the final assembly and/or configuration of chassis-level server and telecommunications products are commonly completed by commercial customers, Intel considers these products to be within the scope of the WEEE Directive and provides recycling services for them. In some countries, our distributors or the company providing the product to the end user manages product recycling.

Global Involvement

Many Intel employees are passionate about the environment and sustainability issues. We seek ways to tap into that passion by encouraging our employees to connect with each other. One way that we do this is through the Intel Employee Sustainability Network, a chartered group with the mission of maximizing employee contributions to Intel's global sustainable business performance. Members of the group work to raise employee awareness of sustainability issues, bringing in guest speakers, publishing newsletters and blogs, and volunteering for environmental projects in local communities.

Intel's EHS organization has established a vision: "Protecting Today, Creating a Better Tomorrow, Together." The following are a few examples of the ways that Intel and its employees have carried out that vision in our communities around the world:

Project XL in Arizona. Intel was an early leader in an innovative pilot program sponsored by the U.S. EPA known as Project XL (eXcellence and Leadership). Project XL allows participating firms greater operating flexibility in exchange for commitments to superior environmental performance and public accountability. We began piloting Project XL at our Chandler site 10 years ago, establishing a stakeholder team consisting of local citizens and representatives from the EPA, the Arizona Department of Environmental Quality, the Maricopa County Environmental Services Department, the City of Chandler, and the Gila River Indian Community. Working together, the stakeholder team crafted a renewal of the environmental master plan incorporating regulated air, water, and waste requirements, and expanded the voluntary environmental goals. These voluntary goals range from recycling, energy conservation, and water conservation to continuous improvements in manufacturing processes designed to reduce environmental impacts.

Several important outcomes have emerged from our participation in Project XL, including creation of a consolidated reporting form, an integrated emergency management planning document, and a streamlined air-permitting process. Our air emissions in Arizona remain at minor-source status, even as the site continues to grow. The site also recycles more than 70% of its solid and chemical waste, and has implemented innovative strategies resulting in the conservation of many millions of gallons of water through water treatment and recharge, wastewater reuse in industrial systems, and internal water reuse.

We encourage employees to connect with each other through the Intel Employee Sustainability Network, which works to raise employee awareness of sustainability issues, bringing in guest speakers, publishing newsletters and blogs, and volunteering for environmental projects in local communities.

In addition to delivering measurable environmental benefits, Project XL allows operational flexibility, which has translated into significant economic development at our Chandler facilities, including nearly $9 billion in capital investment, creation of several thousand high-paying jobs, and a positive annual economic impact of $2.6 billion for the state of Arizona.

EPA Performance Track in Arizona, Colorado, and Massachusetts. In 2006, Intel facilities in Arizona, Colorado, and Massachusetts earned the U.S. EPA's elite National Environmental Performance Track membership, which recognizes and rewards facilities that consistently exceed regulatory requirements, work closely with their communities, and excel in protecting the environment and public health. To qualify for Performance Track membership, the EPA requires applicants to implement an independently assessed environmental management system, have a record of sustained compliance with environmental laws and regulations, commit to achieving measurable environmental results that go beyond compliance, and provide information to the local community on their environmental activities.

By joining the Performance Track program, Intel will be able to network, learn, and share our experience with other members. In turn, we will work with the EPA to set voluntary environmental targets beyond compliance levels. For more information on the program, visit the EPA's Performance Track web site.

Global Earth Day and EHS Education in China. On Global Earth Day in April 2006, Intel sponsored "The Green Home Talent Challenge" on CDTV-1 in Chengdu, the location of one of Intel's assembly and test factories. The program promoted environmental protection awareness by testing contestants' environmental knowledge through a quiz program format. Forty finalists were selected from more than 750 contenders among the 9 districts and 11 counties of greater Chengdu to enter the last four rounds of competition. According to CDTV-1, 480,000 people tuned in to see the environmental challenge. In Shanghai, students from 16 high schools gathered for the Intel Cup Shanghai High School Environment Debate. Topics of discussion included creating an environmentally friendly society and a recycling ecosystem.

In September 2006, hundreds of students from the No. 2 Primary School of Hi-Tech Zone in Chengdu welcomed more than 40 Intel volunteers for a week-long program of quizzes and games promoting EHS values. The volunteers educated students about topics ranging from fire safety and food poisoning to ways to keep the air, water, and soil clean.

Water Education in the Philippines. Project WET (Water Education for Teachers) is an international, interdisciplinary education program. Intel launched Project WET for elementary and high schools in Cavite in 2006. Activities included WET educator workshops, a poster-making contest, an interschool quiz, and a coastal cleanup project.

Green Schools in Ireland. In November 2006, Intel Ireland held a Green Schools workshop for students and teachers from 13 primary schools. Representatives from Sustainable Energy Ireland talked about how to conserve energy and then demonstrated some experiments with the help of volunteers. A Kildare County Council Environmental Awareness officer in attendance commented, "The workshop gave students and teachers lots of ideas and allowed them to meet with other schools with whom they can share ideas."

Nature Path in New Mexico. In 2004, we began collecting input from our neighbors in Corrales and Rio Rancho to create a plan to develop a Xeriscape nature walk along the eastern slope of our site in Rio Rancho. Work on the property was completed in 2006, following more than a $1 million investment, with a 5,000-foot-long paved path open to the community for walking, biking, and equestrian use. A 2,300-foot-long meandering path has also been constructed at the southern end of the property, offering walkers panoramic views of the Sandia Mountains and the Rio Grande River Valley. With conservation of water resources in mind, we also planted nearly 2,100 native trees and bushes on the property.

At our site in Rio Rancho, New Mexico, we created a 5,000-foot paved Xeriscape nature walk along the eastern slope that is open to the community for walking, biking, and equestrian use, and a 2,300-foot meandering path at the southern end offering panoramic views of the Sandia Mountains and the Rio Grande River Valley. With water conservation in mind, we planted nearly 2,100 native trees and bushes.

River Laboratory in Massachusetts. In summer 2006, an Intel grant allowed a team of Hudson science teachers to use the Assabet River as a field laboratory for their students. The grant paid for materials, teacher stipends, and consulting time from Tufts University and Earthwatch, a non-profit environmental organization. The teachers are developing a curriculum that will engage high school students in research integrating biology, chemistry, and environmental science.

Leatherback Turtles in Costa Rica. Intel technology is playing a vital role in preserving leatherback turtle populations on the Costa Rican beach of Playa Grande. Intel Costa Rica donated computers to the Leatherback Trust Foundation to help scientists collect daily information on the turtles' nesting behaviors. The computers are linked via a wireless network, allowing direct and immediate data capture on location.

Just three decades ago, hundreds of turtles made their way to the sandy shores of Playa Grande to lay their eggs each night. These days, scientists are impressed if more than 100 turtles arrive all season. Because of the turtles' dwindling numbers, detailed records are now kept on the turtles, and scientists collect eggs to ensure that every egg produces a turtle and that every turtle survives long enough to get back to open waters.

Recognizing Environmental Excellence

Intel recognizes both internal and external environmental performance each year through the following award programs:

Intel Environmental Excellence Awards. Each year, a multi-disciplined committee selects the winners of our internal Environmental Excellence Awards, which recognize individuals or project teams that have taken extraordinary measures to produce creative, effective environmental solutions for Intel.

The accomplishments of the 2006 winners included community recycling solutions and working with local communities on environmental projects and energy-efficiency projects. The winners included the Malaysia Solid Waste Recycling Team, which drove the site's solid waste recycling to more than 73%, organized environmental programs involving 500 Intel volunteers at 78 schools, and raised donations for the World Wildlife Fund for Nature. Another winner, the corporate-wide Energy Conservation Team, initiated projects that saved more than 200 million kWh and $13 million per year in energy costs, while reducing Intel's climate change impact by 40,000 metric tons of carbon annually.

Intel Environment Award. For the past six years, Intel has been a sponsor of the San Jose, California-based Tech Museum Awards, an international competition that honors innovators from around the world who apply technology to benefit humanity.

The 2006 prize laureate of the Intel Environment Award was MBA Polymers, a technology company that is an authority on recycling plastics from durable goods such as computers, electronics, appliances, and automobiles. MBA Polymers designed, built, and is now operating the world's two most advanced large-scale commercial plastics plants—one in China and one in Europe—and is looking to expand into additional regions.

The other Intel Environment Award laureates honored in 2006 were:

- **Debesai Ghebrehiwet Andegergish** (Asmara, Eritrea). Fuel-efficient, smokeless mogogo cooking stove that offers the possibility to reverse deforestation, reduce the domestic burden, and improve health and welfare in his country.

- **Joachim Ibeziako Ezeji's Mor** (Nigeria). Improved adaptation of the slow sand filter combining the processes of coagulation offered by the moringa oleifers seed, indigenous to Nigeria, and filtration to significantly reduce the concentration of micro-organisms in water.

Our corporate-wide Energy Conservation Team initiated projects that saved more than 200 million kWh and $13 million per year in energy costs, while reducing Intel's climate change impact by 40,000 metric tons of carbon annually.

- **FogQuest** (British Columbia, Canada). Innovative, international, non-governmental, nonprofit organization that implements and promotes the environmentally appropriate, socially beneficial, and economically viable use of fog, rain, and dew as sustainable water resources for people in arid regions of developing countries.

- **Seawater Greenhouse** (London, U.K.). Distills fresh water from seawater and cools the growing environment to create optimum conditions for cultivation. The greenhouse enables crops to grow in places where it would otherwise be difficult or impossible. Driven by solar energy, the process represents a sustainable opportunity for cultivating and creating food, employment, and economic activity in arid coastal regions.

The nomination period is already open for the 2007 Tech Awards. We encourage the nomination of innovative projects from all regions of the world in all subject areas: environment, economic development, equality, education, and health. For more information about the Intel Environment Award laureates and the Tech Awards program, visit the Tech Museum Awards web site.

Performance Indicators

Every quarter, we review our 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.

Normalized Production Index. The following graphs show some of the key indicators that we use to manage EHS performance. For the past several years, we have reported Intel's performance in both absolute terms and per unit of production for most of our environmental indicators: the Normalized Production Index (NPI). The NPI is derived directly from our worldwide 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.

Energy Use

Electricity — Natural gas — Diesel — Energy use—normalized

Water Use

Water use — Water use—normalized
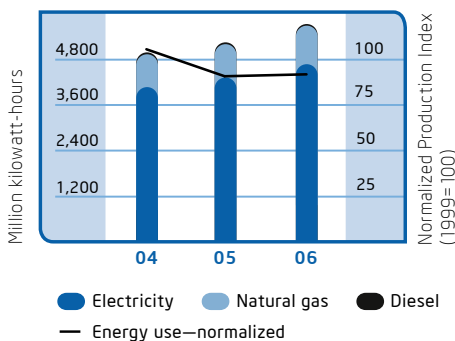
Total energy use increased 9% in 2006, but normalized energy remained flat. Intel continues to implement energy reduction projects and remains on track to meet our goal to reduce normalized energy consumption an average of 4% per year from 2002 through 2010.
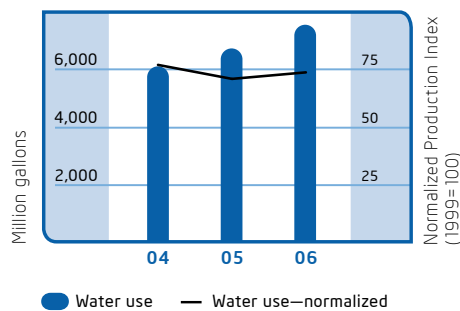
Due to our continued growth, absolute water use increased 12% in 2006, and water use normalized to production was up 4%. We continue to implement reuse, recycling, and reduction programs, which have saved more than 24 billion gallons of water since 1998.

We continue to implement reuse, recycling, and reduction programs, which have saved more than 24 billion gallons of water since 1998.

Global-Warming Emissions

Million metric tons–carbon equivalent (MMTCE)
Normalized Production Index (1999=100)

- Perfluorocompounds (PFCs) MMTCE
- Energy MMTCE
- Emissions—normalized
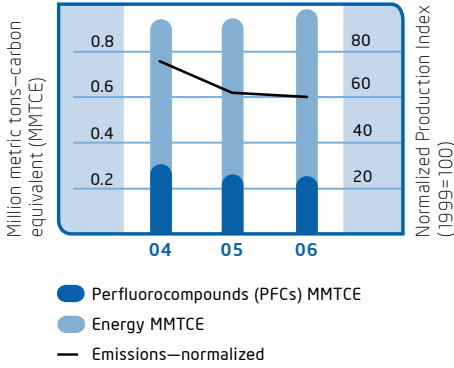
In 2006, we reduced our absolute PFC emissions 2% and decreased normalized PFC emissions 8%. Our global-warming emissions associated with PFCs have declined for six consecutive years. Intel's goal is to reduce normalized greenhouse gas emissions 50% below the 2002 baseline by 2010.

NOx and CO Emissions

Tons
Normalized Production Index (1999=100)

- Carbon monoxide (CO)
- Nitrogen oxide (NOx)
- CO emissions—normalized
- NOx emissions—normalized

NOx and CO emissions were mixed in 2006, with absolute and normalized NOx emissions down and CO emissions up. Intel factories are not defined as major sources by the U.S. EPA for NOx or CO emissions.

VOC and HAP Emissions

Tons
Normalized Production Index (1999=100)

- Volatile organic compounds (VOCs)
- Hazardous air pollutants (HAPs)
- VOC emissions—normalized
- HAP emissions—normalized
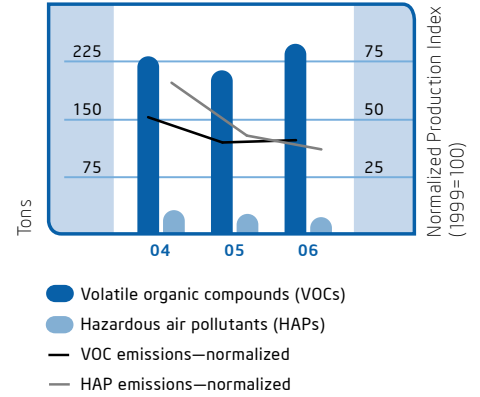
Normalized VOC emissions remained flat in 2006 and HAP emissions decreased by 8%. All Intel manufacturing facilities are permitted as minor sources for HAP emissions, as defined by the U.S. EPA.

Waste Generated

Thousand tons
Normalized Production Index (1999=100)
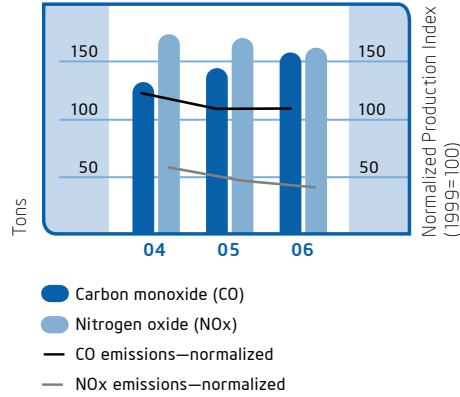
- Solid waste generated
- Chemical waste generated
- Solid waste generated—normalized
- Chemical waste generated—normalized
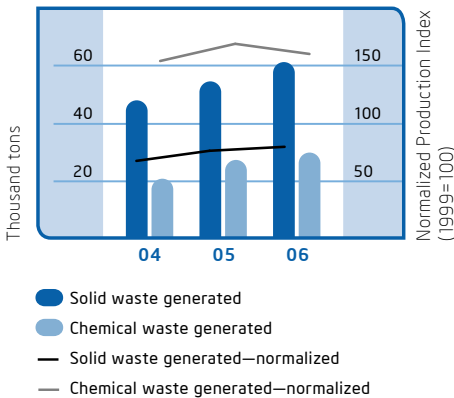
In 2006, the amount of chemical waste generated increased 8%, but decreased slightly when normalized to production. We continue to recycle a significant percentage of our overall waste.

Waste Recycled

Percent

- Solid waste recycled
- Chemical waste recycled
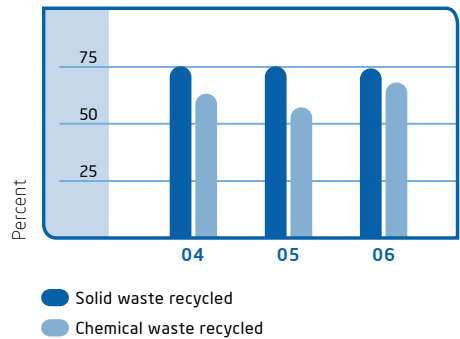
In 2006, Intel recycled 74% of the solid waste and 68% of the chemical waste generated at our facilities worldwide.

SARA Title III Reportable Chemicals by Site (U.S.)
2005 Calendar Year (pounds). Reported July 2006.

	Releases to Air		Transfers Off-Site			Treatment On-Site
	Total Other On-Site Disposal or Other Releases	Total Other Off-Site Disposal or Other Releases	Quantity Used for Energy Recovery Off-Site	Quantity Recycled Off-Site	Quantity Treated Off-Site	Quantity Treated On-Site
Aloha, Oregon						
Ethylene glycol	10	—	—	16,279	14,252	—
N-methyl-2-pyrrolidone	2,175	—	—	13,741	8,078	—
Total	**2,185**	**0**	**0**	**30,020**	**22,330**	**0**
Chandler, Arizona						
Hydrofluoric acid	247	—	—	—	10	12,559
Lead compounds[1]	—	—	—	96	—	—
N-methyl-2-pyrrolidone	1,997	—	—	5,899	7,500	—
Total	**2,244**	**0**	**0**	**5,995**	**7,510**	**12,559**
Colorado Springs, Colorado						
Ethylene glycol	21	656	41	7,050	61,728	—
Hydrogen fluoride	728	447	—	—	4	20,313
Nitric acid	80	146	—	—	4	13,531
N-methyl-2-pyrrolidone	40	280	41	22,100	4,558	89
Total	**869**	**1,529**	**82**	**29,150**	**66,294**	**33,933**
Hawthorne Farms, Oregon						
Lead compounds[1]	—	—	—	2,753	—	—
Total	**0**	**0**	**0**	**2,753**	**0**	**0**
Hudson, Massachusetts						
Ammonia	11,172	—	32	902	4,971	—
Copper compounds	—	156	—	25,934	—	—
Ethylene glycol	—	680	—	41,076	80,901	51
Lead compounds[1]	—	50	—	667	—	—
Nitrates	—	—	—	—	—	29,319
Nitric acid	1	—	316	221	—	21,717
N-methyl-2-pyrrolidone	629	—	55,629	24,776	7,239	1,343
Total	**11,802**	**886**	**55,977**	**93,576**	**93,111**	**52,430**
Ocotillo, Arizona						
Ammonia	9,057	—	3,952	793	10,262	—
Copper compounds	—	196	—	25,019	—	—
Ethylene glycol	26	—	1,152	—	93,886	—
Hydrofluoric acid	536	—	—	1,299	90	134,015
Lead compounds[1]	—	—	—	803	—	—
Nitrates	—	—	—	—	34,652	—

continues on next page

	Releases to Air	Transfers Off-Site				Treatment On-Site
	Total Other On-Site Disposal or Other Releases	Total Other Off-Site Disposal or Other Releases	Quantity Used for Energy Recovery Off-Site	Quantity Recycled Off-Site	Quantity Treated Off-Site	Quantity Treated On-Site
Ocotillo, Arizona *(continued)*						
Nitric acid	301	—	—	—	373	35,211
N-methyl-2-pyrrolidone	80	—	70,342	49,183	5,693	2,000
Total	**10,000**	**196**	**75,446**	**77,097**	**144,956**	**171,226**
Rio Rancho, New Mexico						
Ammonia	17,090	594	66	—	55,882	—
Copper compounds	—	1,003	—	9,626	—	—
Ethylene glycol	478	1,381	343	100,046	39,013	—
Hydrofluoric acid	4,538	1	—	—	64	241,358
Lead compounds[1]	—	86	—	554	—	—
Methanol	2,800	410	66	10,082	50	24,194
Nitrates	—	—	—	—	73,209	—
Nitric acid	2,618	50	—	—	4	73,640
N-methyl-2-pyrrolidone	338	1,229	5,733	211,504	21,851	1,265
Total	**27,862**	**4,754**	**6,208**	**331,812**	**190,073**	**340,457**
Ronler Acres, Oregon						
Ammonia	20,006	—	—	9,824	47,683	—
Copper compounds	10	670	—	31,898	—	—
Ethylene glycol	10	—	—	78,270	104,370	—
Hydrofluoric acid	892	5	—	10,798	—	343,160
Lead compounds[1]	—	—	—	1,048	—	—
Methanol	9,645	—	—	—	7,950	19,080
Nitrates	—	—	—	—	76,700	—
Nitric acid	830	—	—	2,420	10	75,860
N-methyl-2-pyrrolidone	140	—	—	187,490	131,770	4,790
Total	**31,533**	**675**	**0**	**321,748**	**368,483**	**442,890**
Santa Clara, California						
Ammonia	80	—	90	—	6,200	—
Copper compounds	—	10	—	11,000	—	—
Ethylene glycol	2	—	90	4,700	29,700	—
Hydrofluoric acid	200	—	—	—	240	32,000
Lead compounds[1]	—	10	—	160	—	—
Nitric acid	90	—	—	—	230	13,200
N-methyl-2-pyrrolidone	40	—	6,500	66,700	—	1,100
Total	**412**	**20**	**6,680**	**82,560**	**36,370**	**46,300**

[1] Lead releases equal air emissions plus publicly owned treatment works (POTW) discharges, due to U.S. EPA requirements that metals sent to POTW be recorded as releases.

Inspections and Compliance 2006

Collectively, Intel's facilities around the world average more than 90 inspections a year by various environmental and safety regulatory agencies. The following is a list of non-compliance issues recorded in 2006.

Location	Type	Violation	Fine	Intel's Corrective Action
Ireland				
	Environmental	A non-compliance was issued regarding a secondary containment inspection that was not completed within the specified period.	No fines or penalties	A report was submitted to the EPA stating that repairs to the identified secondary containments would be completed and that the hydrofluoric acid secondary containment would also be inspected. The following year's Annual Environmental Report, submitted to the EPA in March 2005, confirmed completion of the repairs, but there was no reference to the hydrofluoric acid secondary containment inspection. Although internal checks were completed within the stated time frame, the inspection by the external engineer was not completed; thus a Notice of Violation (NOV) was issued.
	Environmental	Discharge of domestic sewage from sewer manhole. Some of the overflow sewage made its way into the River Rye.	No fines or penalties	Installed grills on manholes on each main line to filter materials out that flow to the manhole. Installed additional high-flow sensors on upstream manholes. Installed containment and a berm in the vicinity of the river.
United States				
California	Safety	A General Citation was issued by CAL/OSHA for an injury to an employee by a forklift at a trade show. The citation stated that the employer did not ensure that the Injury and Illness Prevention Program included procedures for identifying and evaluating workplace hazards for new processes/procedures, which include but are not limited to trade shows and conventions.	$300 fine	An Offsite Trade Show link was established on the Environmental Health and Safety web site that includes Trade Show Safety Guidelines, an Injury Prevention Checklist, and an injury case study. The OSHA investigation determined that no standard, rule, order, or regulation set forth in Title 8 of the California Code of Regulations, or Division 5 of the California Labor Code, was violated in connection with the industrial accident and/or occupational illness.
New Mexico	Environmental	The U.S. EPA and the New Mexico Environment Department (NMED) issued an NOV for our administrative error on a Land Disposal Restrictions (LDR) form.	No fines or penalties	Intel corrected the LDR form and submitted a copy to NMED. The NMED stated that no further action was required. EPA Region 6 has not completed their inspection report for the joint inspection.
Oregon	Environmental	A phosphorus load was discharged to the publicly owned treatment works (POTW) during a diversion. The POTW was notified and an NOV was issued.	No fines or penalties	Measures were taken to maintain the phosphoric collection system and limit phosphoric loading to the POTW.
	Environmental	The pH dropped below 5 for three minutes. The auto-diversion feature did not activate in the acid waste neutralization system.	No fines or penalties	We re-plumbed the low pH waste stream and changed the control process to enable future diversions, while continuing to maintain the permitted pH.

Education

Committed to education on all levels worldwide.

Education is at the heart of Intel's engagement with communities around the world. Knowledge is the currency of the 21st century economy, and to thrive, today's students must do more than acquire facts and data—they must use information to become innovators and creators of knowledge. As a global technology leader, Intel is committed to technical innovation and to helping people around the world use technology effectively to better their lives. Together with governments, ministries of education, universities, and nonprofit organizations, we have formed public-private partnerships that work for education excellence. Through this collaboration of experts, we adapt our programs to address the specific needs in each country and community so we can help build and enhance local competency. We demonstrate our commitment by providing cash and in-kind investments in education of approximately $100 million each year.

Mission

Intel aspires to be a trusted partner to governments and educators worldwide, working together to accelerate education improvement and prepare today's students for the knowledge economy. Integral to this mission is a focus on "success for all," including women, under-represented minorities, and those with limited or no access to technology. The objectives of the Intel® Education Initiative are to:

- **Improve teaching and learning through the effective use of technology.** We reach out to young people in our local communities as well as educators around the world.

- **Advance math, science, and engineering education and research.** From science competitions for young students to research, curriculum advancement, and entrepreneurship programs at universities, we cultivate innovative thinking.

- **Advocate for educational excellence.** We work with governments and global organizations to raise awareness and drive educational improvement.

Strategic Benefits

Innovation and creativity are critical to Intel's success. Our investment in education is an investment in our future. Intel's success depends on skilled engineers and innovators, a healthy technology ecosystem, knowledgeable customers, and thriving communities where our employees can live and work. Excellent education that fosters curiosity and learning is essential to Intel and our communities.

2006 Highlights

- Announced that 10 million teachers will be trained and 100,000 PCs will be donated to classrooms worldwide over the next 5 years.

- Trained more than 900,000 teachers in the Intel® Teach Program—for a total of over 3.9 million teachers trained worldwide since 2000—and expanded the program to 8 new countries.

- Held entrepreneurship competitions for business and engineering students at 19 universities in 16 countries.

- Developed a breakthrough technology curriculum that has been adopted at universities in 15 countries.

- Announced that more than 1 million students and teachers worldwide are using our skoool™ Learning and Teaching Technology.

- Established strategic collaborations with governments for improving education in Brazil, China, and India.

- Brought 21st century skills to 230,000 young people in nine countries through the Intel® Learn Program.

- Celebrated more than 1,500 students from 45 countries competing for $4 million in awards at the Intel International Science and Engineering Fair.

Our Education Programs

Giving a child hands-on access to computers and the Internet can change the course of his or her life. Equipping a single teacher with the skills and resources to increase the effective use of technology in the classroom can affect hundreds of students. Providing university faculty members with a cutting-edge curriculum can alter the impact that their students will have on technological advancement for years to come.

Through our many Intel education initiatives, we strive to provide opportunities for the next generation of innovators, while at the same time ensuring Intel's future success. For an overview of the Intel Education Initiative, watch the video.

Improving Teaching and Learning with Technology

Intel's professional development initiative and our community education programs help elementary and secondary students worldwide develop the technology literacy, critical thinking, problem-solving, and collaboration skills necessary for success in today's knowledge economy.

Intel® Teach Program

In January 2006, Intel Chairman Craig Barrett announced plans to teach 10 million teachers in developing countries how to integrate technology effectively into their classrooms and teaching by 2011. This plan could potentially reach 1 billion students and represents a significant expansion of Intel® Teach, our global professional development program for teachers. The Intel Teach Program is centered on our belief that "computers aren't magic—teachers are."

We expanded the Intel Teach Program to 8 new countries in 2006: Colombia, France, Lebanon, Morocco, Nigeria, Saudi Arabia, United Arab Emirates, and the United Kingdom. We provided professional development to more than 900,000 teachers during the year, bringing the total number of teachers trained to more than 3.9 million in over 40 countries since the inception of the Intel Teach Program in 2000.

We also added three new courses to the Intel Teach portfolio, including the Intel Teach Essentials Online Course, launched in Brazil, Egypt, and Russia. This course introduces a more flexible online platform, allowing many more teachers to participate in our professional development program. Intel Teach now has a total of seven courses designed to offer different countries flexibility in meeting their teachers' needs.

Intel has invested in rigorous program evaluations to ensure continuous, targeted improvement in all of our educational programs and activities. Independent evaluations from experts at the Center for Children and Technology, a branch of the Education Development Center in Boston, Massachusetts in the U.S., indicates that an overwhelming 89% of participating teachers are using technology more effectively in their classrooms as a result of the Intel Teach Program. For more information, visit our Teacher Impact web site.

Intel Computer Clubhouse Network

The Intel Computer Clubhouse Network is a community-based after-school education program operated by Boston's Museum of Science in collaboration with the MIT Media Lab. Individual Computer Clubhouses are hosted by community organizations and funded by Intel and other partners. Computer Clubhouses offer a safe environment of trust and respect where young people can develop technological fluency, collaborative work skills, and a sense of their own potential. Independent evaluation by SRI International has shown significant correlations between the length of time young people spend in a Computer Clubhouse and both higher technical competence and the depth and breadth of their use of technology. "Instead of just hanging out, I came to the Clubhouse and learned as many things as I could," reported one Computer Clubhouse member. "The Clubhouse has changed my life."

Technology in Limpopo

Through Intel® Teach, Mercy Ntlemo has learned how to incorporate the Internet, web page design, and other technology projects as powerful learning tools in her classroom in the semi-rural region of the Limpopo province in South Africa. "The Intel Teach Program has revolutionized the way we use the computers that were donated to us," she says. Read the case study to learn more about Ntlemo and education in South Africa.

What Teachers Are Saying

"I consider the Intel Teach Program my foundation. The training enhanced my creativity and resourcefulness in developing activities that would give lifelong learning to my students."
—*Master Teacher, Philippines*

"I have fallen in love with the Intel Teach curriculum. As the days passed, I gained more skills and discovered more possibilities that the curriculum can offer me."
—*Professor, Brazil*

"It is the best and most valuable course that I have ever taken since my teacher training. We are at the beginning of something very powerful."—*Master Teacher, Australia*

"I love your program and have been thrilled to be able to teach the curriculum to so many of our teachers. More than 90% of our teachers have taken the Intel training."—*Master Teacher, United States*

The Intel Computer Clubhouse Network serves more than 25,000 youth annually in more than 100 locations in 20 countries. In 2006, Intel invested in upgrading the technology infrastructure of 13 Computer Clubhouses and sponsored the introduction of new technology tools from MIT Media Lab. The 2006 Intel Computer Clubhouse Network Annual Conference—held for the first time outside the United States, in Mexico City—brought together program coordinators and leaders from Computer Clubhouses around the world to exchange ideas, learn to use new tools and resources developed for their members, and provide input and advice for network coordinators. For more information, visit the Intel Computer Clubhouse Network web site.

Intel® Learn Program

Intel® Learn is an informal, after-school program that builds skills through hands-on activities and projects. In 2006, more than 230,000 learners from the ages of 8 to 16 participated in the program in developing countries, bringing the total number since the program's inception in 2003 to 465,000. In 2006, Chile was added to the list of countries where the Intel Learn Program is offered in government-funded community technology centers, joining Brazil, China, Egypt, India, Israel, Mexico, Russia, and Turkey.

Independent evaluation from SRI International shows that learners who complete the program demonstrate improvement in technology literacy, collaboration, and critical thinking skills. We are especially pleased to report that 93% of the participants complete the Intel Learn Program's engaging 30-hour course. For more information, visit our Student Impact web site.

Advancing Math, Science, and Engineering Education and Research

Today, business success depends on the ability to hire employees skilled in math, science, and engineering—the essential building blocks of technology and innovation. To help advance education and research in these critical areas, Intel supports programs for faculty and students at the university level, as well as for elementary and secondary students.

Intel® Higher Education Program

In 2006, some 40,000 students studied a cutting-edge curriculum, participated in research on the forefront of computing and engineering technology, and flexed their entrepreneurial muscles as participants in the Intel® Higher Education Program. Through the program, faculty at more than 150 universities in 30 countries worked with Intel to prepare students to be industry leaders of tomorrow. For more information, visit the Intel Higher Education web site.

Research. Intel takes seriously the opportunity and responsibility to advance the fundamental science underlying computing technology. Our funding for research and student fellowships helps to ensure that the boundaries of science are continually expanded, and that the high-tech industry both locally and globally is nourished by the brightest minds in universities today. Intel grants fund research related to microprocessor technology, high-volume manufacturing, and computer science, along with a variety of other disciplines critical to our industry. In 2006, more than 700 grants totaling over $24 million enabled research conducted by leading universities around the world. In addition, 41 students received prestigious Intel Ph.D. fellowships. Funding for undergraduate research programs at 16 universities gave more than 300 students—70% of whom are women and/or under-represented minorities—the opportunity to see themselves as researchers, inspiring many to pursue advanced degrees that they might otherwise have been unable to envision.

Curriculum. To accelerate the adoption of cutting-edge technology in engineering education, Intel works with leading universities around the world to identify and disseminate advanced curricula. In 2006, Intel offered a new curriculum focusing on multi-core technology, the processor architecture that is transforming the computing industry. In its first year alone, at no cost to 42 participating universities, the multi-core curriculum reached more than 7,000 students in 15 countries. Intel expects the new curriculum to reach more than twice that number of students in 2007.

What Staff Are Saying

"In a community like ours, where sharing, giving ideas, and speaking out are not part of the culture, the Intel Learn Program came at the right time. The change in the behavior of the students is quite apparent. The program is very good for both the learners and the mediators."—*Brazil*

"The beauty of this program is not only teaching technology literacy but taking learners beyond it, thereby exposing them to thinking, brainstorming, sharing, and then writing in their own words. This is the need of today, for when we step out of schools into the real workplace."—*India*

Technology in Turkey

Sinan Bastan teaches elementary school in Pendik on the outskirts of Istanbul, Turkey. He devotes time after school to the Intel Learn Program, working with students on projects that investigate the use of technology in both the workplace and the community. Read the case study about Bastan and his students' experiences.

Wireless Lab in Russia

Read the case study to learn how the Intel Higher Education Program enabled the Nizhny Novgorod State University in Russia to develop a world-class wireless laboratory for its faculty and students.

Entrepreneurship. In 2006, Intel conducted 19 workshops in 16 countries, giving several hundred faculty members new skills in entrepreneurship education. The teachers and their students are using what they learned to develop local capacity for entrepreneurial innovation.

With the Haas School of Business at the University of California at Berkeley, Intel hosted a global competition for teams of student entrepreneurs. The 2006 winner was Aurora Biofuels, an alternative energy company with a revolutionary method of creating biodiesel. Aurora Biofuels received seed funding as a result of the Intel sponsored global business plan competition, which had regional winners from Asia, Europe, Latin America, and the United States.

Intel International Science and Engineering Fair

"This generation of young scientists and inventors will surely find solutions to global issues and change the world for the better," said Intel Chairman Craig Barrett. Barrett's comment embodies the spirit behind the annual Intel International Science and Engineering Fair (Intel ISEF), the world's largest pre-college science competition. In 2006, Intel ISEF brought together more than 1,500 young scientists from over 45 countries, regions, and territories to share ideas, showcase cutting-edge projects, and compete for more than $4 million in awards and scholarships. Three young women received $50,000 scholarships for capturing the top award, the Intel Foundation Young Scientist Award. Intel ISEF participants held or applied for 225 patents for work presented at the competition.

Finalists are selected each year from among some 65,000 students participating in more than 550 Intel ISEF-affiliated fairs worldwide. Through the fairs and the competitions leading up to them, millions of students engage in rigorous scientific research and develop the passion that will make them tomorrow's innovators.

In 2006, Intel celebrated its 10th year as the primary sponsor of Intel ISEF. Over the past decade, with Intel sponsorship and in collaboration with education ministries around the world, the number of countries represented in the program has doubled, and the number of participants has increased by more than 30%.

Preparations for Intel ISEF begin well in advance of the event. Part of the program includes outreach to local communities to encourage student research and raise awareness of Intel ISEF, particularly in rural areas that historically have been under-represented at the fair. In New Mexico in 2006, for example, Intel provided funding for workshops for teachers to encourage them to embed research activities in their curricula and bring their classrooms to life through inquiry. The goals are to rekindle natural curiosity and make research a core value among students. For more information, visit the Intel ISEF web site.

Intel Science Talent Search

A $100,000 scholarship awaits the winner of America's oldest and most prestigious pre-college science competition. The Intel Science Talent Search
provides an opportunity for U.S. high school seniors to complete an original research project and have it judged by highly regarded professional scientists. In 2006, the winners and their schools received a total of $1.25 million in scholarships and awards. Each of the 300 semi-finalists, selected from a pool of more than 1,500 students, received $1,000, as did each of their schools. After a week-long program in Washington, D.C., the top 10 winners also received scholarship awards ranging from $20,000 to $100,000. For more information, visit the Intel Science Talent Search web site.

Research on Recycling

Josue Roberto Murillo Fernandez, a student at Gregorio Jose Ramirez High School in Alajuela, Costa Rica, had never traveled around his home country, let alone around the world. But when the 17-year-old became a participant in the 2006 Intel ISEF, he found himself in Indianapolis, Indiana, in the U.S., presenting his research project to a panel of international judges and peers from around the globe. Fernandez's project investigated ways to recycle the Tetra brick containers used for milk and juice packaging in Costa Rica.

Solutions for Improving Water Quality

Shannon Babb, 18, captured first-place honors and a $100,000 scholarship in the 2006 Intel Science Talent Search.

She conducted a six-month analysis of the chemical and physical properties along the Spanish Fork River drainage system in Utah in the U.S. She concluded that humans, through urban and agricultural factors, have had a negative effect on the river's water quality and offered solutions: fortifying and replanting the banks along the river, reducing animal grazing in those areas, and educating people about how to discard household chemicals. "I hope it will touch someone else's life," said Babb, "and motivate them to take a risk and explore a field that they are interested in, even if they are the first."

Intel Schools of Distinction Awards

The third annual Intel Schools of Distinction Awards recognized 16 U.S. schools in 2006. The awards celebrate excellence in academic achievement; science, math, technology, and literacy education; and school leadership. Winners received a total of $2.5 million in cash and prizes, including Intel Foundation grants ranging from $10,000 to $25,000 for each school. In 2007, the awards will focus on two subject areas that Intel believes are particularly critical: science and math. For more information, visit the Intel Schools of Distinction web site.

skoool™ Learning and Teaching Technology

The skoool™ Learning and Teaching Technology program is designed to support math and science learning for students 13 to 15 years old—the age when many progress from concrete learning to more abstract hypotheses. Skoool.com is a web-based e-learning portal made up of learning modules for students working alone or in a class. Individual modules can be incorporated into teachers' learning plans.

Intel expanded the availability of the skoool program in 2006 to Saudi Arabia, South Africa, and Thailand. Other countries where the program is available are Ireland, Sweden, Turkey, and the United Kingdom. Intel develops and deploys the program in conjunction with education ministries and leading public and private sector organizations in participating countries.

Advocating for Educational Excellence

We realize that bringing about systemic improvements in education requires collaboration with others who share our goals. In addition to working closely with governments around the world to implement Intel education programs, we have engaged with a number of multilateral organizations to advocate for education excellence and access, combining expertise, experience, and resources to benefit students and educators worldwide.

United Nations Global Alliance for ICT and Development. In 2006, Intel Chairman Craig Barrett was asked to chair the United Nations Global Alliance for ICT and Development (GAID). Established by then U.N. Secretary General Kofi Annan in March 2006, GAID is designed to provide a global, multi-stakeholder forum to advance the U.N.'s Millennium Development Goals (MDGs) through use of information and communication technology (ICT). At the inaugural meeting of the alliance in Kuala Lumpur in June 2006, members laid plans to promote the effective use of ICT to improve education, health, entrepreneurship, and e-governance. For more information, visit the UN Global Alliance for ICT and Development web site. For information on the Millennium Development Goals, visit the MDG web site.

World Economic Forum. Intel is one of three members of the steering board for the World Economic Forum's Global Education Initiative (GEI), an effort to create sustainable models for education reform in the developing world through public-private partnerships. In 2006, the GEI made progress on defining the tools and resources most needed by business, government, and the development community to create and sustain partnerships in education. The initiative is now set to embark on a new collaboration with UNESCO and other partners, entitled the Partnership for Education, to catalyze education reform worldwide. For more information, visit the Global Education Initiative web site.

UNESCO. Intel continued its collaboration with the United Nations Education, Scientific, and Cultural Organization (UNESCO) in 2006 to develop a guide on best practices for the professional development of teachers in the effective use of technology. In 2007, UNESCO plans to publish the guide, which is designed to be a useful tool for policy makers in shaping their country's approach to the use of ICT in education. UNESCO chose to work with Intel because of our extensive experience in training teachers to integrate technology into lesson plans.

Best of the Best

Two schools captured "Best of the Best" in the 2006 Schools of Distinction Awards.

Chisholm Middle School in Newton, Kansas, for successfully partnering with its community by working with nearby Bethel College, the local Bigs in Schools program (a spin-off of Big Brothers, Big Sisters), business and community volunteers, and a local Catholic Church.

Don Pedro Albizu Campos/PS 161 in New York, New York, for successfully tackling the challenge of parental involvement in school by building a strong community of parents. The school was then able to embrace parents as an integral part of students' success, making it the first New York City public school to receive the National Change Award.

USAID. In December 2006, Intel and the U.S. Agency for International Development (USAID) signed an agreement to collaborate in promoting social and economic development through the use of information and communication technology. Education will be one of the principal areas of focus, with the goal of using technology to transform teaching, enhance learning outcomes, and equip students with critical skills.

Inter-American Development Bank. In September 2006, Intel and the Inter-American Development Bank signed an agreement designed to facilitate access to information and communication technology in Latin America and the Caribbean. The collaboration will focus on education, connectivity, and the development of small and midsize businesses.

Academy for Educational Development. In September 2006, Intel became a leading sponsor of the 2006 Business and Education Conference on Global Public-Private Partnerships in Education, jointly organized by the Academy for Educational Development and the Conference Board. The conference brought together more than 150 global leaders in education, from both public and private sectors, to discuss how effective partnerships can enhance access, quality, and equity in education. For more information, read the conference announcement.

"All governments face the same challenge: to provide their citizens with the opportunity to succeed in the global economy. Increasingly, that success is linked to the quality of education. Only by putting the tools and training in place to empower teachers can we truly affect learning and the development of skills." — Intel Chairman Craig Barrett

Community

Working to transform our communities around the world.

Our position as a technology and business innovator enables us to help transform communities around the world in unique ways. We specifically look for projects that combine our technical expertise, the energy of our employees, and creative ideas to help build more inclusive, economically empowered, and vibrant communities.

Mission

We focus our community involvement efforts in four primary areas: technology inclusion, education, environmental stewardship and safety, and community development. We work to build open, collaborative relationships with regional leaders and policy makers, always striving to be an asset in the communities where Intel operates.

While we engage at the local level, we think globally, in an ongoing effort to maximize our investments of both human resources and financial capital.

Strategic Benefits

We believe that supporting the long-term health and vitality of our local communities has clear benefits for the people who live there and also for our employees and our business. Through our Intel Involved volunteer program, for example, employees become more aware of critical local issues. The program helps create a sense of belonging, teamwork, and accomplishment, and gives employees opportunities to connect personally with community members, colleagues, and senior Intel managers who volunteer on the same projects. Through Intel Involved, employees regularly discover personal strengths; develop new passions; and build project management, presentation, leadership, and planning skills.

Our reputation as a good corporate citizen and neighbor allows us to be more agile in running our business. Expansion plans, new initiatives, and entry into new locations are often welcomed and supported because of the trust, relationships, and goodwill that we have built with community members and local leaders worldwide.

Intel's reputation also helps us hire and retain the best people, and our significant investments in math and science education help prepare students everywhere to thrive in the 21st century knowledge economy. Our community programs also help build long-term stockholder value by creating new markets and applications for Intel technology.

2006 Highlights

- Achieved a worldwide 38% volunteerism rate among Intel's employees, who donated more than a quarter of a million hours to improve their communities.

- Announced the Intel World Ahead Program, aimed at enhancing lives in the world's developing communities by accelerating access to uncompromised technology for everyone.

- Helped strengthen communities by bringing state-of-the-art technology to a library in Ireland, the Red Cross in the Philippines, a hospital in Costa Rica, a food bank in California, and many other locations.

- Expanded our Digital Transformation Initiative for the Middle East and Turkey by launching an online Arabic curriculum for grades K–12, bringing high-speed Internet access to a remote village in Egypt, and more.

- Hosted an information and communications technology forum that brought leaders from 16 countries together to set direction to support social and economic growth in Latin America.

- Thousands of Intel employees supported Global Earth Day at our sites around the world, by participating in about 50 Intel sponsored events.

Our Community Programs

We strive to foster open and honest dialogue with our neighbors and stakeholders. Intel Corporate Affairs professionals at our major sites around the world give us an "on-the-ground" presence that allows us to better understand and respond to local needs and concerns. These employees are engaged on a day-to-day basis with key stakeholders—both internal and external—serving on boards of local nonprofit organizations, meeting with local government officials, attending community events and meetings, organizing employee volunteer projects, answering questions from our neighbors, and sharing their knowledge and experience with other businesses in the area.

By managing our engagement at the local level, we are able to create innovative programs that meet the immediate educational and community development needs of our local stakeholders. For more information on the ongoing local activities at each of our sites worldwide, visit the Intel Communities web site.

The success of our global community involvement also depends on communication among the staff members who make up our worldwide Corporate Affairs network. Despite the challenges of multiple time zones, representatives from our different geographies meet regularly to review emerging issues, share examples of best practices, and develop and implement corporate-wide projects and initiatives. The reach of this global network enables us to leverage ideas developed at both the local and corporate level, and to roll out effective programs across our sites worldwide for maximum impact.

Being able to replicate effective community engagement programs on a global scale is one of the achievements we are most proud of, but also one of our greatest ongoing challenges. To ensure good information flow, and alignment of community involvement activities with corporate strategy throughout the company, we have implemented a number of cross-functional teams and councils, including the External Affairs Council, Community Relations Council, and Corporate Social Responsibility strategy teams.

Our community programs focus on three main areas: direct employee involvement, strengthening communities with technology, and strategic giving.

Direct Employee Involvement

The Intel Involved program matches employee expertise and passion with volunteer opportunities in the community. Through Intel Involved, Intel employees make a difference in local communities on a daily basis and contribute thousands of volunteer hours each year in support of local education, community development, and environmental programs.

Intel Worldwide Corporate Affairs Network

Intel Global Cross-Functional Teams	Site Corporate Affairs Professionals
Govt. Affairs and Media Relations Team	Community Relations Managers
Community Relations Council	Government Affairs Manager
Corporate Social Responsibility Teams	Education Manager
	Intel Involved Program Manager
▪ **Track emerging issues**	▪ **Follow policy**
▪ **Set policy**	▪ **Run programs**
▪ **Drive results at the local level**	▪ **Report updates and results**

Intel World Ahead Program

A digital transformation has taken place in one of the most remote inhabited places on Earth—Parintins, a town on an island in the Amazon River in Brazil. Intel has created a wireless, high-speed Internet network so that residents can access medical, educational, and commercial knowledge through computers.

A healthcare center, two public schools, a community center, and the Amazon University in Parintins have been equipped with computers and a wireless network that allow residents to regularly connect to the outside world for the first time. Parintins teachers are using technology to improve how their students learn, and a telemedicine program gives the town's doctors fast access to the latest medical data and second opinions, as well as video interaction between their patients and specialists hundreds of miles away.

The transformation in Parintins is the result of one of the first projects undertaken as part of the Intel World Ahead Program, announced in 2006 and aimed at enhancing lives in the world's developing communities by accelerating access to uncompromised technology for everyone. The Intel World Ahead Program integrates and extends Intel's efforts to advance progress in accessibility, connectivity, and education. The goals of the program are to make affordable PC access available, develop PCs tailored to local needs, facilitate critical connectivity, cultivate sustainable local capabilities, and provide the education needed to make a meaningful difference in people's lives.

For more information and other case studies, visit the Intel World Ahead web site.

Shelly Esque, director of Regional Corporate Affairs at Intel, described some of the benefits that employees derive from working with Intel Involved: "Volunteerism gives us all the opportunity to give back, while making a difference and having some fun. I've never seen a team work harder than when our employees are sorting food at a food bank, building a playground, or helping a child read. Volunteers are the backbone of our interaction with our communities. Each volunteer makes a difference and enhances Intel's reputation as a great neighbor."

The following is a small sample of the hundreds of Intel Involved projects that our employees volunteered for in 2006:

- In Costa Rica, Intel volunteers painted a large building for Patronato Nacional de la Infancia, an organization devoted to the welfare of children who are at social risk or living in poverty.

- More than 220 Intel employees in Malaysia spent some 750 hours sharing environmental facts and recycling tips with students at schools in Penang and Kulim.

- Intel Involved volunteers in the Philippines adopted more than 30 public schools in the town of General Trias, Cavite, during Brigada-Eskwela, a national school maintenance event. Equipped with paintbrushes, hammers, rakes, and rags, the volunteers repaired and refurbished facilities and performed landscaping chores. Matching grants of close to $250,000 were significant enough to build and equip four additional classrooms.

- Employees in the Philippines also came to the rescue after Typhoon Milenyo slammed into General Trias in September 2006, leaving more than 800 families homeless. Volunteers helped set up an emergency data center; gathered and delivered food, water, medicine, and other relief goods to affected individuals; and raised funds for damaged schools.

- In the United States, Intel employees in Massachusetts pulled tires, bicycles, batteries, and other trash from the Assabet River. In DuPont, Washington, a team of employees cleared rocks from an 18-acre orchard where plums and apples are grown for donation to the Pierce County Emergency Food Network. Volunteers also helped build a playground at Boston Harbor School in Olympia, Washington. And employees at several U.S. sites worked hard to make sure that all of the students in their districts returned to school after summer vacation with backpacks full of school supplies.

Strengthening Communities with Technology

Intel's culture of innovation extends to our community programs. Through our Community Solutions program, we look for creative ways to blend Intel's business strategies with our corporate social responsibility objectives. We do this by building relationships between our internal business units and local organizations and governments, and focusing together on designing technology solutions that will have a positive impact on the community. At the heart of this initiative is collaboration—we recognize the unique skills and perspectives that different groups can bring to the problem-solving process. Our intent is to help increase economic growth, protect the environment, improve health, enhance education, and make government more efficient—in short, to work with communities to help make them stronger.

The following are a few examples of how we are working to build more inclusive and economically empowered communities with technology. To learn more about our Community Solutions program and projects, visit the Community Solutions web site.

World-Class Library. In Leixlip, Ireland, the word "library" means "education revolution," thanks to Intel information technology experts and Community Solutions staff. The new Central Library in County Kildare boasts a state-of-the-art technology design, with a wireless network providing free Internet connectivity and specially designed computers that patrons can use. The library offers workshops, education, and training software—including self-paced training modules—that allow visitors to stay current on the latest technology tools.

Intel Involved 2006 Highlights

- Percentage of employees who volunteered corporate-wide: 38% (up from 35% in 2005)

- Number of Intel sites with a higher than 50% employee volunteer rate: 7

- Number of nonprofit organizations supported: 2,575

- Number of schools where employees volunteered: 1,160

- Number of hours that employees volunteered at Intel Computer Clubhouses: 4,099

Global Earth Day
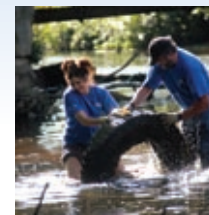
Each year in April, Intel employees demonstrate their commitment to the environment by performing volunteer work in conjunction with Global Earth Day. April 2006 was no exception: Thousands of employees at our sites around the world participated in about 50 Intel sponsored events. Activities included a week-long environmental awareness celebration in India and recycling events in China, Israel, Malaysia, the Philippines, and the United States. Employees held a charity bazaar in Japan to raise funds for the World Wildlife Fund, Hong Kong volunteers cleaned up a beach, Russian employees refurbished an orphanage, Irish employees planted trees, and Dutch volunteers focused on a gardening project at a museum.

Intel and the library staff even collaborated to produce the Music Outreach Program to support a growing interest among local young people in making and listening to music. The music program includes digital recording, editing, and publishing tools; sound-proof music rooms; and musical instruments. "Intel's input has been greatly appreciated," said Anne Myler, Leixlip librarian. "The technology provided will accommodate all library users and will ensure that everyone in our community can benefit from Internet access and training."

Relief for the Red Cross. The more than 90 offices of the Philippine National Red Cross (PNRC) spread across some 7,000 islands have in the past relied on courier delivery or regular mail for data transmission. Intel's Community Solutions staff stepped in, launching a multi-phase, multi-year technology overhaul. Phase one—the launch of a new PNRC web portal—has been completed, resulting in the integration of PNRC's internal systems to gain efficiency. Future phases will connect offices to enable more efficient donor and fundraising management, and improve routine administrative and disaster response processes.

Improving Patient Care. Every week, 150 Costa Ricans visit the Hemodialysis Unit of Hospital Mexico for dialysis treatments that can last more than three hours each. Luis Carlos González, an Intel employee and dialysis patient, thought there might be ways to streamline the process with technology. González worked with Intel's Community Solutions team and Dr. Carlos Chaverri, chief of the Hemodialysis Unit, to design a technology solution that is now improving the experiences of both patients and employees. Paper-based patient records have been replaced with electronic records that can be accessed more quickly, and that enable compilation of clinical data for evaluation, follow-up, and research purposes. Intel volunteers are training hospital staff to use computers in the service of their patients—giving staff members skills that they are also applying at home to help their children with schoolwork.

Unwiring Galapagos. In collaboration with the Ecuadorian government and the Charles Darwin Foundation, Intel is helping to design a wireless project in the Galapagos Islands. The project, planned for the island of Santa Cruz, will provide Internet access to schools and the scientific community. The project is expected to increase the interaction between visitors, the community, and nature, and help people to better understand the island's ecosystem. It may also support the scientific community by facilitating the monitoring of various species at a distance via the Internet.

Technology Makeovers for Nonprofits. In late 2005, our California sites took an existing program that Intel had in place to help small businesses with "tech makeovers" and adapted it to create a grant program suited to nonprofit organizations. The initial grant was awarded to Second Harvest, a large food bank in San Jose, which used the funds to put in place a bar code inventory management system. The technology will enable the food bank to serve an additional 4 million meals a year, due to a significant reduction in the amount of food spoilage.

"The new technology will have a huge impact on the communities we serve," said Sue Perkins, chief financial officer at Second Harvest. "We will have up-to-the-minute visibility of our current inventory and be able to allocate food more efficiently to our network of over 700 partner non-profit agencies and distribution sites."

The grant process had another very important benefit for Intel—it allowed us to learn about many new projects and initiatives taking place in our communities, creating a new pipeline of ideas for future partnerships and grants.

Digital Transformation in the Middle East and Turkey. Intel's Digital Transformation Initiative for the Middle East and Turkey, launched in 2005, is a large-scale example of our approach of applying technology and collaboration to address community challenges. This comprehensive, multi-year program expands Intel's economic, educational, community, and technology-related support throughout the region. It is part of our long-term strategy to provide educational opportunities and job creation throughout the Middle East.

"The Intel Foundation and Intel employees have once again stepped forward with critical support in a time of great need."
— Marsha J. Evans, President, American Red Cross

Digital Inclusion in Latin America

In September 2006, Intel hosted the first meeting of the Digital Leaders Latin American Forum on ICT Competitiveness. The event brought leaders representing 16 countries together in Cartagena, Colombia to set a new direction for a way to support Latin America's social and economic growth.

"Knowledge is your most valuable resource," said Intel Chairman Craig Barrett, who also chairs the United Nations Global Alliance for ICT and Development, in a speech before 100 attendees. He urged leaders to "invest in your people and create an environment that fosters innovation through public policy to improve technology access, education, and connectivity."

Intel is working with the region's government and industry to provide Internet access to millions of citizens and train more than a million teachers in Latin America on the effective use of technology in the classroom.

Recent updates to the program's initiatives and multiple elements include:

- **Arabic e-Learning.** Intel partnered with Saudi Arabian content provider Obeikan Research and Development to launch the first Arabic e-learning portal tailored to Saudi academic curricula for grades K–12. The skoool.com.sa web site provides media-rich learning resources focused on math and science.

- **Competition for Entrepreneurs.** In collaboration with the Arab Science and Technology Foundation, in July 2006 Intel sponsored the first Arab Universities Technology Business Plan Competition, with the goal of stimulating and rewarding entrepreneurship among students in the Arab world who are majoring in technology.

- **Building Energy Competency.** In association with King Fahed University of Petroleum and Minerals, Intel inaugurated a state-of-the-art energy competency laboratory in Dhahran, Saudi Arabia. The lab will lay the foundation for a specialized center for oil, gas, and petrochemicals applications and software.

- **Strengthening the Infrastructure in Egypt.** Intel has created a wireless high-speed Internet network for residents of the remote village of Oseem, outside of Cairo. The pilot project will use WiMAX technology to connect nine schools, a municipal building, a clinic, and an e-government services kiosk.

Strategic Giving

We know that financial support is an essential part of how we can make a difference in our communities, but we don't just give money. We maintain a strategic focus for our corporate giving and look to maximize the positive impact on an organization or community, whether it is by matching funds with volunteer hours, providing technical support, or making in-kind donations of technology or other urgently needed items.

Our focus areas for investment include education, environmental stewardship and safety, diversity, and building stronger communities. We believe that these areas provide the best opportunities to align Intel's business with the needs of our communities and the expertise of our employees.

Intel Foundation. The Intel Foundation was established more than 15 years ago to develop and fund educational and charitable programs. The 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 Chairman Craig Barrett. The Intel Foundation's specific funding objectives are to:

- Advance math, science, and engineering education.

- Promote the entrance of women and under-served populations into careers in science and engineering.

- Promote public understanding of technology and its impact on society.

- Support programs that improve the quality of life in the communities where we operate, with a particular focus on programs that promote diversity and multiculturalism, support local youth, are cost-effective and can be effectively measured and replicated, and have the potential for Intel employee involvement.

Each year, the Intel Foundation contributes tens of millions of dollars to primary and secondary education, higher education, and nonprofit organizations in communities around the world where Intel operates major facilities.

Volunteerism Leads to New Classrooms

Intel's Volunteer Matching Grant Program (VMGP) is making a real difference in education around the world. In the Philippines, for example, thousands of Intel employees volunteer in schools and at the local Intel Computer Clubhouse through VMGP, tutoring, mentoring, repairing and painting facilities, planting trees, and much more. Through VMGP, local schools reap the benefits of employees' efforts and also receive cash grants for every 20 hours of work donated by the employees.

The principal at Manggahan Elementary School in the Philippines explained the impact that these funds can have: "We do not have enough classrooms and no space to hold 100 students in a 9-by-7-foot classroom, so we hold classes outside. Despite our conditions, our students are determined to go to school to learn. With our Intel VMGP funds, we will be able to build four new classrooms."

VMGP grants are being used to build classrooms, libraries, and computer labs in Philippine schools. And because VMGP funds are covering facilities requirements, schools can hire more teachers and decrease teacher-student ratios, in some cases from 1-to-90 to 1-to-45.

Employee Giving. Every year, we are inspired by the generosity of our employees. Following several natural disasters—including the Southeast Asia tsunami; an earthquake in Pakistan; a typhoon in the Philippines; and hurricanes in the United States, Mexico, and Central America—Intel employees contributed not only volunteer hours and technical expertise but also millions of dollars toward relief efforts.

Employee giving at Intel is an ongoing effort. Through our annual Intel Community Giving Campaign, for example, our U.S. employees make contributions to nonprofit organizations that are matched with Intel Foundation funds for the United Way. In 2006, our U.S. employees contributed $8.49 million through the Community Giving Campaign, triggering Intel Foundation matching grants of a like amount. Our Arizona and New Mexico site campaigns were particularly successful. Employees there contributed a combined total of more than $4 million in 2006, helping to make those local United Way chapters some of the most successful in the country.

Matching Volunteer Hours with Grants. Intel started its Volunteer Matching Grant Program (VMGP) in 1995 to promote and maximize the benefits of Intel employee involvement in local schools. Through the program, for every 20 hours that Intel employees and retirees volunteer at a school or Intel Computer Clubhouse, the Intel Foundation makes a cash donation to that school or Clubhouse. Over the past two years, we have expanded this successful program beyond the United States, to China, Costa Rica, India, Ireland, Israel, Malaysia, and the Philippines. In the program's first year at our site in Chengdu, China, 275 Intel employees volunteered more than 2,000 hours at nine schools. Altogether, Intel employees in eight countries volunteered more than 226,000 hours during the 2005–2006 school year, resulting in over $2 million in VMGP donations to local schools and Intel Computer Clubhouses.

"Intel and its employees are a stellar example of corporate citizenship in the community." — Jack Holmes, President and CEO, United Way of Central New Mexico

Strategic Giving Summary				
U.S.	**2006**	**2005**	**2004**	**2003**
Total cash gifts (including direct & Intel Foundation)	**$ 48,922,934**	$ 56,476,920	$ 46,330,472	$ 48,292,372
Cost value of total in-kind giving (products & services)	**6,151,957**	15,881,303	16,211,487	13,254,726
Value of cash gifts to programs or organizations that primarily benefit minorities	**6,217,804**	6,497,979	6,689,987	5,339,819
Cost to company of in-kind giving (products & services) to programs or organizations that primarily benefit minorities	**332,234**	559,560	863,284	536,301
Value of cash gifts to programs or organizations that primarily benefit women	**1,616,660**	1,523,872	667,540	1,251,805
Cost to company of in-kind giving (products & services) to programs or organizations that primarily benefit women	**12,010**	3,332	7,915	21,000
Outside U.S.				
Total cash donations	**31,274,706**	28,091,579	25,755,227	19,807,468
Total equipment grants	**1,882,192**	1,572,139	1,280,873	1,726,645
Grand Total	**$ 96,410,497**	$110,606,684	$ 97,806,785	$ 90,230,136

Supply Chain Management

Expecting the most from our suppliers in all geographies.

Our ability to make innovative products and succeed in business depends on the relationships we maintain in our supply chain. We believe that reliable, sustainable suppliers are those who promote human rights and treat their employees and the environment with respect and dignity.

In 1998, we first codified formal supplier expectations regarding human resources, environmental management, worker safety, and ethics within our Corporate Business Principles. And in 2004, we adopted the Electronics Industry Code of Conduct (EICC), which outlines an integrated, consistent approach for supplier performance across many areas of social responsibility. We believe that having a responsible supply chain is the right thing to do and also makes good business sense. Intel's own practices and those we expect of our suppliers embody the principles laid out in external human rights and labor performance standards, including the International Labour Organization (ILO) Standards, United Nations Global Compact, Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises, and Universal Declaration of Human Rights.

Key Human Rights Issues

The following are key human rights issues covered by Intel's supply chain policies:

Child and Forced Labor. Intel's definition of a reasonable age for labor working in manufacturing is 16 years. However, where it is legal to employ children under the age of 16, we do not want the children to be fired. Instead, Intel requests a commitment from the supplier to refrain from further hiring children under age 16, and to move employees under age 16 to jobs in non-manufacturing areas. Intel prohibits the use of forced, bonded, or indentured labor by its suppliers. We forbid harsh or inhumane treatment, including corporal punishment or the threat of corporal punishment.

Freedom of Association and Collective Bargaining. Open communication and direct engagement between workers and management are the most effective ways to resolve workplace and compensation issues. Accordingly, Intel expects suppliers to respect the rights of workers to associate freely, join labor unions, seek representation, or join workers' councils in accordance with local laws.

2006 Highlights

- Chaired the Electronics Industry Code of Conduct (EICC) coalition.

- Integrated newly developed EICC performance assessment tools into our procurement processes.

- Provided training to hundreds of suppliers on the latest EICC developments and our expectations for suppliers.

- Reviewed our entire supplier database and identified suppliers who may be at higher risk for non-compliance to EICC standards.

- Increased our total number of supplier site visits to more than 1,000 since 2000.

- Held our Intel Supplier Day conference for hundreds of worldwide suppliers, as well as country-specific supplier days in China, Costa Rica, India, Ireland, Malaysia, and the Philippines.

- Provided sponsorship for technology education "boot camps" for more than 1,700 small businesses across 15 cities in the U.S. and 5 cities in China.

Nondiscrimination. Intel expects that its suppliers will not engage in discrimination based on race, color, age, gender, sexual orientation, ethnicity, disability, religion, political affiliation, union membership, or marital status. In addition, workers or potential workers should not be subjected to medical/pregnancy tests that could be used in a discriminatory way.

Working Hours and Minimum Wages. Work weeks are not to exceed the maximum set by local law, and should not exceed 60 hours per week, including overtime, except in emergency or unusual situations. Workers should be allowed at least one day off per seven-day week. Intel expects compensation paid by suppliers to comply with applicable wage laws, including those related to minimum wages, overtime hours, and legally mandated benefits.

Environmental Standards. Suppliers must sign Environmental Product Content Specification forms to confirm that materials and products supplied to Intel do not contain materials banned for use in Intel products, such as ozone-depleting substances and certain glycol ethers.

For other restricted materials, suppliers must confirm that such materials do not exceed specified levels. Information regarding the rationale for each restriction is included in the form available on Intel's Supplier Site.
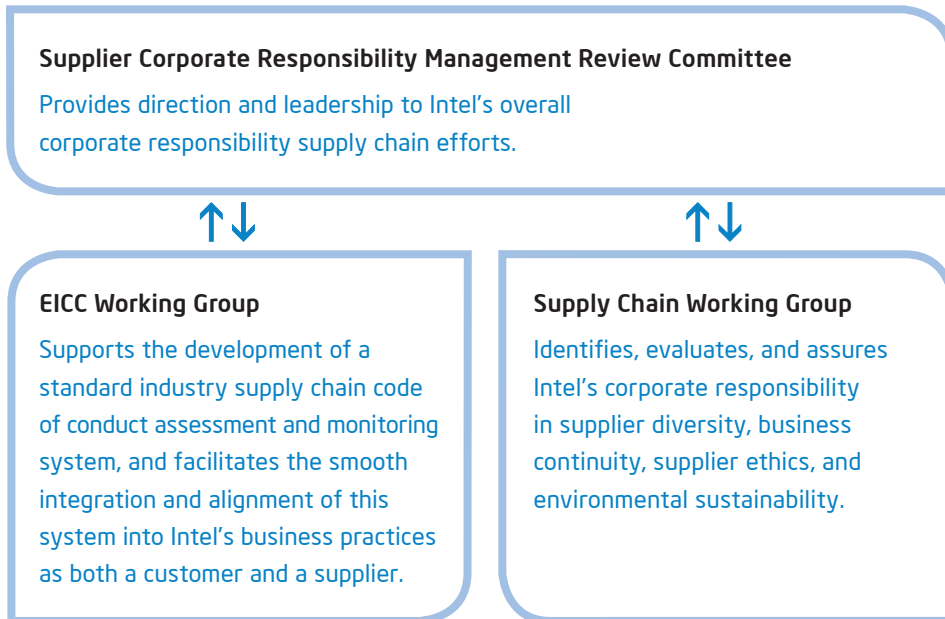
Worker Health and Safety. Intel's commitment to world-class safety practices extends to its suppliers. We require compliance with all applicable laws concerning health and safety, and expect suppliers to strive to provide a workplace free of occupational injuries and illnesses.

How We Manage Our Supply Chain

Intel's complex supply chain includes suppliers from all over the world. An internal organization is dedicated to managing our supply chain, and we have chartered specific leadership teams to focus on integrating corporate responsibility throughout the supply chain.

The primary leadership team chartered with setting the direction and strategy for all corporate responsibility issues related to Intel's supply chain is our Supplier Corporate Responsibility Management Review Committee (MRC). This senior leadership team is made up of 3 vice presidents with particular vested interests in our supply chain and 12 directors from various business units across Intel.

Leadership Teams That Manage Intel's Supply Chain

Supplier Corporate Responsibility Management Review Committee
Provides direction and leadership to Intel's overall corporate responsibility supply chain efforts.

↑↓   ↑↓

EICC Working Group
Supports the development of a standard industry supply chain code of conduct assessment and monitoring system, and facilitates the smooth integration and alignment of this system into Intel's business practices as both a customer and a supplier.

Supply Chain Working Group
Identifies, evaluates, and assures Intel's corporate responsibility in supplier diversity, business continuity, supplier ethics, and environmental sustainability.
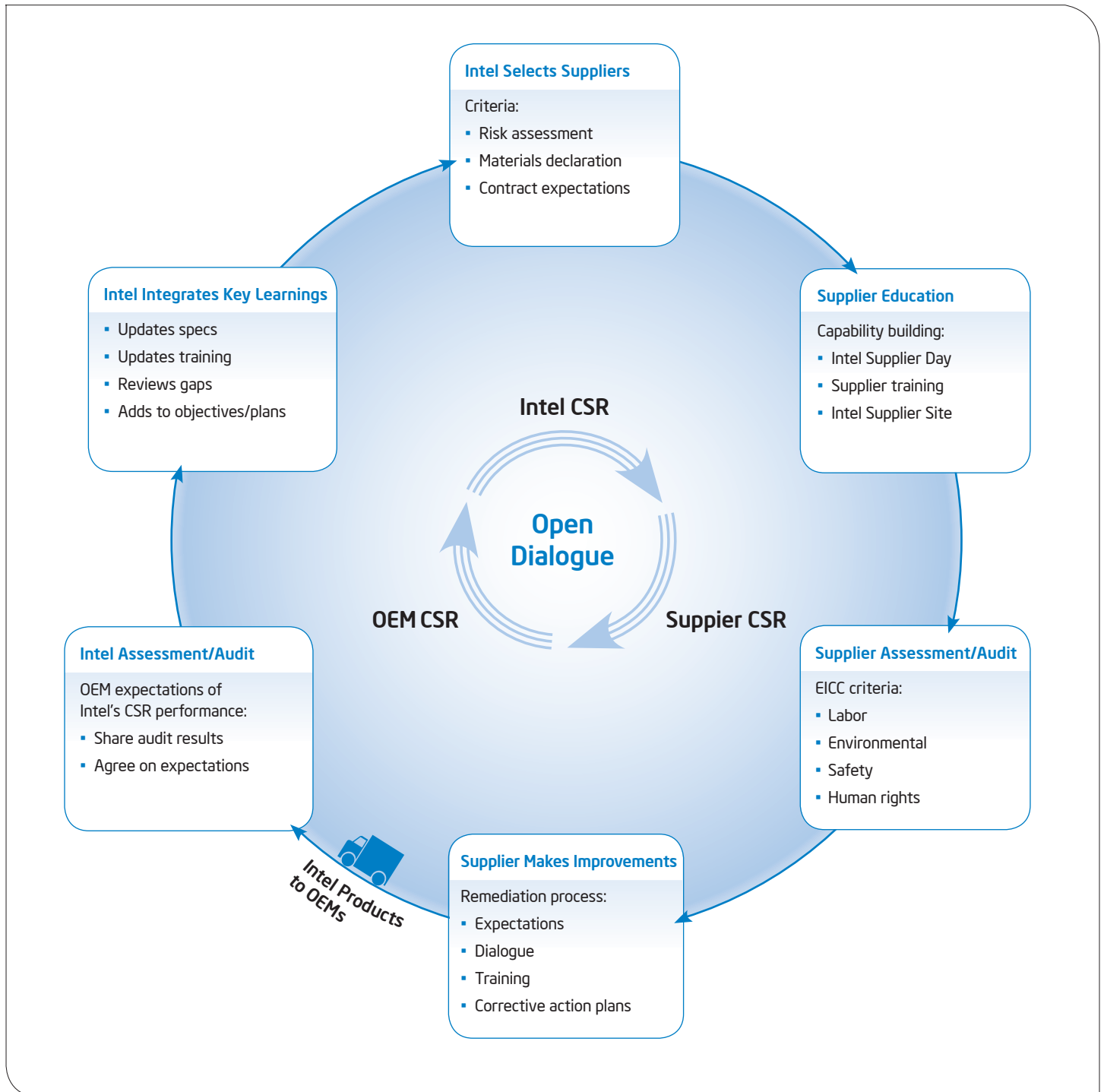
Partnering to Deliver Sustainable Food

Since 2000, Intel and our cafeteria service provider Bon Appetit have partnered to develop a sustainable food service system for Intel campuses. By doing so, the aim is to promote awareness of sustainability and generate higher demand for locally grown and sustainably produced food. In 2006, more than 60% of the food served by Bon Appetit and Intel to over 30,000 employees, contractors, and guests included sustainable products. Granted the distinction of Best Sustainable Food Systems by the City of Portland, Oregon in the U.S., this partnership has become a benchmark for other food service suppliers.

Ensuring Supplier Diversity

Our Supplier Business Development and Diversity initiative aims to promote opportunities for diversity suppliers and enhance their capabilities. More than 98% of our bids in 2006 included at least one diversity supplier. Intel's commitment to diversity also extends to our suppliers' suppliers, or "Second Tier" reporting, as we call our program. To further our supplier diversity efforts, we work with organizations such as the National Minority Supplier Development Council, United States Hispanic Chamber of Commerce, National Gay and Lesbian Chamber of Commerce, and Professional Business Women of California.

The MRC is supported by two working groups: one that focuses solely on the EICC and another that addresses areas of sustainability not directly covered by the EICC, such as supplier diversity and "green purchasing." The Supplier Corporate Responsibility MRC meets quarterly to set direction, review data, and monitor progress toward established goals. The two working groups meet at least monthly and are involved in implementing the objectives set by the MRC.

Intel Corporate Responsibility in the Supply Chain

Intel Selects Suppliers

Criteria:
- Risk assessment
- Materials declaration
- Contract expectations

Supplier Education

Capability building:
- Intel Supplier Day
- Supplier training
- Intel Supplier Site

Supplier Assessment/Audit

EICC criteria:
- Labor
- Environmental
- Safety
- Human rights

Supplier Makes Improvements

Remediation process:
- Expectations
- Dialogue
- Training
- Corrective action plans

Intel Assessment/Audit

OEM expectations of Intel's CSR performance:
- Share audit results
- Agree on expectations

Intel Integrates Key Learnings
- Updates specs
- Updates training
- Reviews gaps
- Adds to objectives/plans

Intel CSR

Open Dialogue

OEM CSR

Suppier CSR

Intel Products to OEMs

Supplier Tools, Education, and Recognition

To ensure that our suppliers are well informed and compliant with our Code of Conduct, we offer a number of tools, training, and recognition programs.

Supplier Web Site. Our comprehensive Supplier Site on the Internet contains detailed information about our ethics and environmental, health, and safety (EHS) policies for suppliers; supplier diversity initiatives; supplier quality and recognition programs; business continuity; and key contacts. The secure area of the site features numerous web-based tools to promote effective communications and assure that proper data collection and procedures are followed.

The Environmental Health and Safety section of the Supplier Site includes online safety training tools and manuals, as well as information about recent safety awards given to suppliers. It also clearly lays out environmental requirements, such as chemical restriction screening tools.

Intel Supplier Day. In support of our goal to enhance supplier communication and performance standards, we have held an Intel Supplier Day conference every year since 1993. During Intel Supplier Day, hundreds of individuals come together to discuss our expectations of suppliers and specific objectives for the coming year. In 2006, we also held country-specific supplier days in China, Costa Rica, India, Ireland, Malaysia, and the Philippines.

Ethics Training. We set ethics expectations with our suppliers during Intel Supplier Day, in meetings with supplier management, and in published information on our Supplier Site. We also send an annual letter to suppliers to remind them of the importance of complying with our policies and expectations. Intel has localized supplier ethics training with case studies and translations in China, India, Russia, and Vietnam. In addition, we reinforce our expectation that suppliers report any ethical concerns to Intel, so that we can investigate and take appropriate action.

For more information on our ethics expectations, including how to report issues with e-mail links, visit the Intel Supplier Ethics Expectations section of the Supplier Site.

Site Visits and Audits. We visit our suppliers and perform audits. When specific concerns arise from these visits and audits, we work with suppliers to help them understand our expectations and develop appropriate solutions. Since 2000, we have made more than 1,000 site visits to suppliers.

Supplier Awards. To reinforce our goals and expectations for suppliers, we give them awards annually in recognition of outstanding performance. Awards include Certified Supplier, Preferred Quality Supplier, and Supplier Continuous Quality Improvement. For more information, see "Promoting Quality and Continuous Improvement" on this page.

2006 Progress

Intel continued its commitment to the EICC by chairing the EICC coalition and providing dedicated resources to several industry working groups. EICC accomplishments in 2006 included:

- Completing on-site supplier audit criteria.

- Piloting self-assessment and audit criteria across suppliers.

- Conducting stakeholder meetings to solicit feedback and provide updates.

- Completing a code revision incorporating stakeholder feedback.

- Completing the first industry-wide joint shared audit pilot.

- Increasing membership by approximately 20%.

Boot Camp for Small Businesses

In 2006, Intel provided sponsorship for technology "boot camps" for more than 1,700 small businesses across 15 cities in the U.S. and 5 cities in China. Through seminars, group exercises, and case studies, small-business owners learned how to purchase, implement, and use technology to streamline, advance, and manage all business functions. Commented attendee Chris Christianson, "No longer will I be at the mercy of the 'tech guys' who try to baffle me with 'tech speak' as they try to justify their fees. I'm no longer in the dark about how technology should really work."

Promoting Quality and Continuous Improvement

Each year, Intel honors the winners of our most prestigious award for suppliers, the Supplier Continuous Quality Improvement (SCQI) award. There were 10 winners in 2006. To qualify for SCQI status, suppliers must score at least 95% on criteria that assess performance and the ability to meet cost, quality, availability, delivery, technology, and responsiveness goals. The SCQI program offers an organized and proven process to help suppliers improve their performance over the long haul.

Intel also honored 44 companies with the Preferred Quality Supplier award for their outstanding commitment to quality and performance excellence. These suppliers provided products and services deemed essential to our business in 2006. They excelled at meeting and exceeding high expectations and tough performance goals to distinguish themselves from the thousands of suppliers that work with us.

For more information about our programs and a full list of the winners for 2006, visit our Supplier Quality Programs web site.

In 2006, our internal supply chain management team focused on integrating the newly developed EICC performance assessment tools into our existing procurement processes. Additionally, we provided training to hundreds of our major suppliers on the latest EICC developments and our expectations for suppliers.

We also reviewed our entire supplier database and selected suppliers, based on screening criteria, that may be at higher risk for non-compliance to EICC standards. We used the knowledge gained from the supplier review to help determine our 2007 goals and objectives, and to identify which internal business groups to work with in 2007.

In addition, we conducted a number of audits of key supplier sites using EICC criteria and methodology. The data obtained from the audits was used in our supplier selection process and for training our internal supply chain team members.

We prioritized audit findings based on health and safety, chemical management, management systems, and working conditions. Examples of issues identified included substandard living conditions in company dormitories, non-adherence to overtime laws, and not providing proper rest breaks.

Following audits at supplier sites, improvement plans are prepared to correct identified deficiencies. Our Supplier Corporate Responsibility MRC and our commodity teams monitor and track the results to ensure progress.

Perspective of EICC Coalition Chair

The EICC coalition consists of 26 companies that have come together to improve working conditions and environmental stewardship throughout the electronics supply chain. Intel's Brad Bennett, chairman of the coalition, said, "In 2004, the founding companies realized that even though we all were coming from slightly different positions, we could achieve meaningful improvements efficiently by working together. The willingness to focus on our common interests in social responsibility—and not our differences— is the heart of our coalition and the reason we continue to grow."
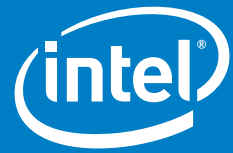
Hiring and Retaining Talented Employees Worldwide

"We strive to hire and retain the best talent from an increasingly global and diverse labor pool. We believe that this will result in a better understanding of our customers' needs, better products tailored to those needs, and advance Intel's global leadership position."

Paul Otellini, Intel President and CEO

Succeeding in the Global Economy Depends on Education

"All governments face the same challenge: to provide their citizens with the opportunity to succeed in the global economy. Increasingly, that success is linked to the quality of education. Only by putting the tools and training in place to empower teachers can we truly affect learning and the development of skills."

Craig Barrett, Intel Chairman of the Board

Volunteering in Our Communities

"Volunteerism gives us all the opportunity to give back, while making a difference and having some fun. I've never seen a team work harder than when our employees are sorting food at a food bank, building a playground, or helping a child read. Volunteers are the backbone of our interaction with our communities. Each volunteer makes a difference and enhances Intel's reputation as a great neighbor."

Shelly Esque, Intel Director of Regional Corporate Affairs