

Assurance Statement to Intel Corporation

May 2006

Introduction

As part of its overall commitment to sustainability reporting, Intel seeks an opinion statement from an independent third party in order to verify and confirm the validity of its 2005 Corporate Responsibility Report. To this end, I used AccountAbility's AA1000 Assurance Standard as a guide for my assessment. This statement represents my findings.

Scope of review

My review of Intel's 2005 Corporate Responsibility Report was focused on determining how Intel employees make materiality determinations about data to include or exclude from the company's report, ways in which that data is internally assured for accuracy and completeness, thereby demonstrating the extent to which the company understands its own performance, and how the company engages and responds to its stakeholders throughout the process of the report's development and publication.

In order to adequately assess Intel's 2005 Corporate Responsibility Report, I was given access to a number of Intel executives and managers around the world, as well as the report itself (in final draft form). I used my interviews with Intel staff, the report, and the AccountAbility AA1000 Assurance Standard as the bases for my conclusions. I conducted my interviews in person and on the phone with various Intel employees, each of whom played a role in developing content for the 2005 report. These individuals were from Public Affairs (including Community Relations); Corporate Communications; Investor Relations; Environmental, Health & Safety (including Sustainable Development); Technology Development; Human Resources; and Materials, as well as from Intel's operations in India, Ireland and Israel. I was also given access to written correspondence from stakeholders as well as transcripts of stakeholder meetings. In addition, I reviewed corporate responsibility reports published by other firms in Intel's industry and related sectors to better understand the material issues facing the firm and its peers.

Limitations of review

Though I did review transcripts of stakeholder engagement meetings, I did not personally attend any of these meetings nor did I talk to any external stakeholders who did. I also did not review actual data sets used in the report.

Findings

I conducted my assessment within the context of the AA1000 Assurance Standard's three principles: Materiality, Completeness and Responsiveness. As such, my findings, described below, are reported within that same context.

Materiality

The AA1000 Assurance Standard's "materiality" principle calls for the assessment to "focus on the materiality of subject matter to stakeholders as well as its accuracy." Based on this principle, and based on my interviews and review of internal processes and relevant materials, it is my determination that the data and information contained in Intel's 2005 Corporate Responsibility Report is largely stakeholder-driven and can therefore be considered "material." While I was unable to review the actual data sets, I conclude that Intel has in place systems and processes that assure that the data provided in the report is the most accurate and up-to-date data available.

While Intel does seem to address the areas of greatest materiality to its stakeholders, the company ought to provide more in-depth reporting on its supply chain responsibility so as to allow stakeholders to track the company's performance in this area year over year.

Intel identifies that stakeholder feedback is a component of developing the report, and the company clearly outlines its stakeholder engagement activities. The company goes to great lengths to use stakeholder feedback to decide what is material, and those reading the report are well served by this transparency in Intel's process. However, the company can give readers a better understanding of the specific ways in which stakeholder feedback is used in the report's development.

Assurance providers for Intel's 2004 Global Citizenship report recommended that Intel "*ought to define materiality and state this formal definition in the Report. Lastly, Intel ought to include an explanation of the process used to determine the material issues for Intel to report.*" It appears the company did not entirely follow this guidance in its 2005 report. After reviewing both reports, I determined that the company did a better job in 2005 of explaining the rationale behind its focus on certain areas. However, I do agree that the Report should include a clear definition of materiality and a better explanation of the processes used to determine materiality.

Completeness

The AA1000 Assurance Standard's "Completeness Principle" requires that this assessment evaluate the extent to which Intel can identify and understand material aspects of its sustainability performance. Related to this is evaluating the extent to which Intel is able to identify and report its shortcomings in these areas. It is my assessment that Intel's data collection and tracking systems and processes are highly sophisticated; built into the system are specific measures designed to check the accuracy and consistency of reporting, thus providing an internal assurance on the data's completeness and accuracy.

Despite these sophisticated data collection and tracking systems, Intel ought to do more to engage the individuals who actually do the data collection and tracking for the purposes of compiling this report (as opposed to those whose data is compliance-driven or collected for other business purposes). These individuals told me that they simply collect all the data and then "roll it all up," without any further involvement in deciding the report's content. I believe it would be worthwhile for Intel to circle back with these individuals as the report is being developed to enable them to contextualize their data within Intel's overall corporate responsibility goals and activities.

I have also concluded that those collecting qualitative data for the report were less likely to provide negative content, rather focusing on success stories and those that have the potential to generate positive PR. This is not to say that such information is not relevant for this report. Rather, this is to point out that with a broader understanding of the report's goals, these contributors can provide the most complete, well-rounded qualitative data.

Intel's inclusion of raw data in the report (specifically "Quarterly Indicators" and "Performance Indicators" in the Environment section; "Workforce Diversity" in the Our Business section) demonstrates the company's deep understanding of the material aspects of its sustainability reporting. Intel's decision to include a verbal description of what the charts and graphs depict is indicative of the company's aim to be as complete as possible in its reporting and the company should be praised for making the data clear and easily digestible. While there are areas for improvement in this specific regard – for example, the "Quarterly Indicators" section does not include the explanatory text – Intel's 2005 report reaches a high standard with respect to completeness. I recommend Intel adopt similar data-reporting techniques in other sections of the report. For example, the Education and Community sections include different types of data and report specific improvements and milestones. This information could be better presented if done so graphically with accompanying text, rather than text-only.

It is laudable that Intel is willing to expose some negative information, such as violations reported in inspections at Intel facilities and shortcomings in diversity recruiting efforts. It seems that there is relevant negative information being left out of the report, given the paucity of negative information included therein. Intel's future reports should include such information in order to give readers a more realistic and expansive view of the company's corporate responsibility performance.

It is commendable that Intel specifies both quantitative and qualitative goals for each of the Report's focus areas ("Goal Summary" link in each section). I recommend that these goals also be stated throughout the report. For example, detailing the company's future consumer waste reduction goals in the same section in which the company promotes the efforts it has undertaken in the past year, will allow the reader to put the company's progress to date within the context of its overall goals.

Responsiveness

The Responsiveness principle calls for an evaluation of whether or not the company has responded to stakeholder concerns, and whether the company has adequately communicated these responses within the report itself. In order to assess whether or not Intel's 2005 Corporate Responsibility Report is responsive, I reviewed Intel's overall stakeholder engagement process and found that the company does an excellent job managing its diverse stakeholders.

Intel does this in a variety of ways, including convening regular Community Advisory Panels, which are located in communities with Intel facilities and whose membership is rotated every several years to ensure fresh perspectives and diverse viewpoints; formally surveying community partners (around the globe) and stakeholders, including residents, community leaders, elected officials and other influential individuals and organizations; in-person meetings with stakeholders, including relevant NGOs, socially responsible investors, academic experts, and others.

Intel receives stakeholder input and feedback on a regular basis via the above-mentioned channels, and it seems to use this information to help determine some of the information to be included in the report (appropriately, Intel's report content is also driven by other factors, including the company's business goals). Additionally, the company relies on stakeholder input

to continuously improve and enhance the value of its reporting. For example, when the 2004 report was published, the company met with a variety of stakeholders to review the report and to hear specific recommendations on ways to improve its 2005 contents. In fact, many of the changes included in the 2005 report are a direct result of stakeholder feedback. Such changes include Intel's decision to move to web-based reporting to allow for more robust content without the space constraints of a hard-copy report, as well as the inclusion of Stakeholder Editorials throughout the report.

The decision to move to a web-based Corporate Responsibility Report in 2005 has allowed the company to offer a more comprehensive look at its sustainability performance and has made such information more widely accessible. I recommend, however, that in future web-based reporting Intel improve the site navigation considerably so that the information is presented with more clarity and facility. I will use the Environment section as an example. The landing page of the Environment section includes links to the in-depth reporting included in that section: Global Climate Change, Water, Resource Conservation, etc. However, once the reader clicks to enter a specific section, she cannot easily access any other component of the Environment section without navigating back to the first page. I recommend Intel use drop down menus for each section to allow readers to easily move from section to section, thereby giving the readers better control over how they access and digest the information within the report.

Regarding the Stakeholder Editorials, it is my observation that with few exceptions, these Stakeholder Editorials consist primarily of notes and quotes of praise from various sources. I recommend that Intel continue to include Stakeholder Editorials but that the company endeavor to include more examples of the constructive feedback its stakeholders provide in addition to the laudatory remarks.

Overall, Intel's stakeholder responsiveness is outstanding and its evidence is found in this report, as well as in my interviews with the Intel employees who contribute to the report, each of them impressively aware of the relevance and importance of stakeholder input and feedback into this process.

About Me

I am Marcy Scott Lynn, a second-year MBA student at the Haas School of Business at UC Berkeley. I performed this audit for course credit under the supervision of Professor Kellie McElhaney, Ph.D., Adjunct Professor and Executive Director of the Haas Center for Responsible Business. I am impartial, independent and was not paid for these efforts. Please contact me at marcy.scott.lynn@mba.berkeley.edu with any questions or comments.