VALUES IN ACTION

DELL SUSTAINABILITY REPORT & FISCAL YEAR 2007 IN REVIEW

Welcome to Dell's annual Sustainability Report, covering the fiscal year that ended February 2, 2007. We have composed this printed report primarily for stakeholders with particular interest or professional involvement in corporate responsibility. The report is intended to provide a summary of the issues most material to Dell. Our Web site presents greater detail than this printed report, including a more complete account of our corporate responsibility activities; see *www.dell.com/commitment.*

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Sustainability Life Cycle

At Dell, we have a vision that defines the kind of company we are and aspire to become. This vision is embodied in our sustainable business practices, which are guided by our understanding of the impact of our business decisions in a broader context.

The Sustainability Life Cycle illustration on page 5 highlights the integral relationship among what we view as the three key elements of sustainability: corporate accountability, environmental responsibility, and community engagement. We use this Sustainability Life Cycle as the organizing principle for our Sustainability Report.

As the life cycle illustrates, all aspects of Dell's business are viewed through the lens of sustainability. The circular format of our life cycle model suggests the iterative nature of our process and that all of the elements are connected. We seek input from customers and other stakeholders to continually improve the way we manage the environmental and societal impacts and opportunities of our products, processes and practices.
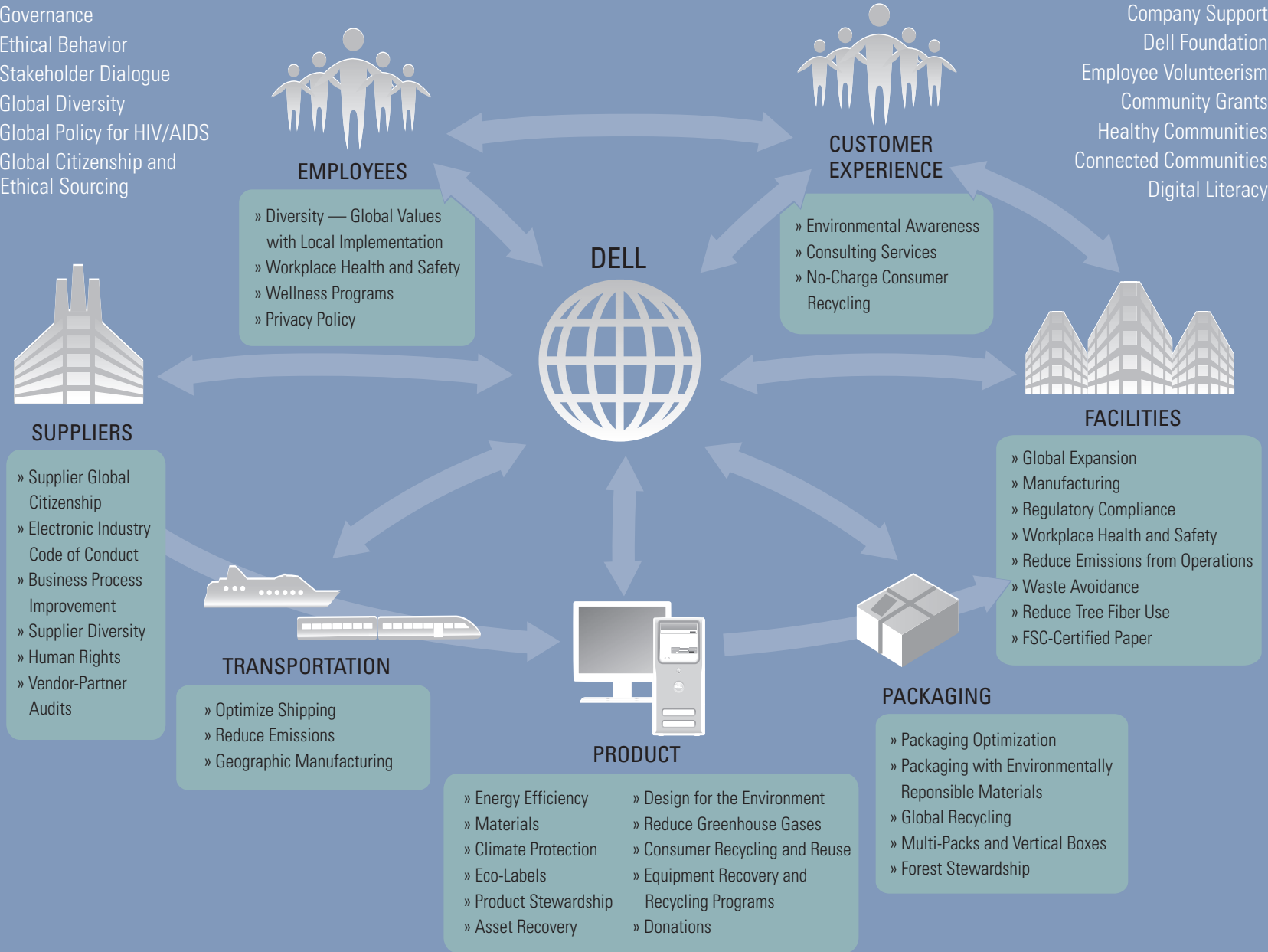
SUSTAINABILITY LIFE CYCLE

CORPORATE ACCOUNTABILITY

- » Governance
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DELL

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ENVIRONMENTAL RESPONSIBILITY

FROM THE CHAIRMAN AND CEO

I am pleased to introduce Dell's Sustainability Report for our company's fiscal year 2007. This report measures our progress towards instituting sustainable business practices, describes our challenges and sets goals for continued improvement.

We've titled this report Values in Action. Values inspire behaviors. And it's our behaviors and actions we hope you will use to evaluate our company's efforts. Judge us not by what we say, but by what you see us do. In this year's report we've included perspectives from many of our stakeholders — environmentalists, investors, community members and suppliers. Their input remains vitally important in our efforts to create a sustainable business. Their voices help tell the Dell story.

We also celebrate our successes over the past year, including these important developments:

Global Recycling: In June of 2006, we committed to offering consumers no-charge recycling for any Dell-branded product at any time anywhere in the world. I'm pleased to report that our teams had global recycling services in place by December 2006. I challenged the industry to join us in providing free recycling for consumers, with no exceptions. It's the right thing for our customers and for our planet. As of this writing, we remain the only company in our industry that provides consumers no-charge, global recycling without a purchase requirement. For details, see *www.dell.com/recycling.*

Design for Environment: We continue to make strides in the environmental design of our products. We now meet the requirements of the European Union's Restriction on the use of Hazardous Substances (RoHS) directive globally. We updated our chemical use policy, committing to eliminating the use of brominated flame retardants and polyvinyl chloride from product design by 2009. We made great strides in our Forest Products Stewardship program; our marketing publications use on average 50 percent recycled content paper, meeting our 2009 goals three years early.

Customer Ownership: In 2006, we addressed energy efficiency by announcing a plan to build systems that deliver the greatest performance per watt from the desktop to the data center. Doing so will help our customers save money and help reduce carbon dioxide emissions. We're making early progress toward this goal. For example, our OptiPlex™ 745 uses up to 70 percent less energy than previous models when configured with a flat panel display. We also announced a new program in January 2007 called "Plant a Tree for Me." The program takes donations from customers to plant trees to offset the carbon dioxide generated by the production of electricity used to power their computers. Plant a Tree for Me and programs like it allow Dell to leverage our direct relationships with customers and educate them about energy efficiency and climate change.

Diversity and Ethics: We received recognition this year for our efforts to create an inclusive workplace. We were honored to receive the Opportunity Award by the U.S. Secretary of Labor, the country's highest award recognizing voluntary workplace diversity efforts among federal contractors. For the third year in a row, we received a score of 100 percent on the Human Rights Campaign's annual Corporate Equality Index. Our extensive Ethics Day campaign included employee events at our facilities around the world to underscore the importance we place on conducting ourselves according to the highest ethical standards.

We have made progress, but we recognize we're on a journey that doesn't end. We will increase our engagement in the communities we call home around the world, and continue our efforts to fight the spread of HIV/AIDS. We will continue to work constructively with those in our global supply chain to drive our own high standards for workplace practices and safety, and continue to drive awareness of and adoption of the Electronics Industry Code of Conduct, sometimes called "The Code," or simply "EICC."

Over the course of the year, our commitment to corporate responsibility has deepened. Being responsible for our environment is part of the total customer experience that we provide and, as such, is integral to our success. We will continue to focus on our challenge to identify new viable materials and further communicate our ethical sourcing standards.

I am personally committed to our company's sustainability journey. My passion stems not only from the business benefits of leading in this area, but also from my personal values and concern for future generations. So please carefully read our report. See the progress we made toward our goals. Judge us by our actions; tell us how we are doing.

Michael S. Dell
Chairman and CEO

FISCAL YEAR 2007 ACCOMPLISHMENTS

Dell believes that we can most effectively meet our goals by continually measuring our progress and by setting goals for the future. Figure 1 reflects the progress we made toward meeting our committed goals in fiscal year 2007, and lists the page numbers where these accomplishments are described.

FIGURE 1: FISCAL YEAR 2007 ACCOMPLISHMENTS

Corporate Accomplishments		Described on Page
Governance	Implemented higher standards for electing board members.	15
Ethical behavior	Helped drive the industry standard Electronic Industry Code of Conduct (EICC) and developed EICC tools.	29
	Completed 100 percent compliance training by employees worldwide.	14
	Held numerous ethical training seminars around the globe and instituted a company-wide Ethics Day to raise awareness.	19
	Issued a new policy on Electronic Dialogue by Employees to address Web logs (blogs) and other online channels, such as chat rooms and online forums.	19
Stakeholder engagement	Convened with stakeholders in New York, London and Oakland to learn about their best practices and prevailing issues.	20
	Provided more information in this Sustainability Report about how sustainability issues and stakeholder input are integrated into core business activities.	20
	Convened with Ceres, Dell's climate strategy advisory stakeholder team.	80
Supplier diversity	Increased awards to small and minority-owned businesses.	25
Health and wellness	Expanded HIV/AIDS awareness programs for Dell employees worldwide.	28
Supply chain global citizenship	Introduced Dell's Global Citizenship program to 75 Tier 1 suppliers, representing three-fourths of Dell's procurement expenditures.	29
	Introduced our corporate Business Process Improvement (BPI) methodology to a pilot group of five suppliers as a way to address EICC labor and environmental issues.	31
	Nearly all Tier 1 suppliers are ISO 14001 and OHSAS 18001 certified (100 percent and 98 percent, respectively).	31
Regulatory compliance	Goal to operate in full EHS compliance was not met at the Dell Brazil facility because its internal accident prevention committee was inactive.	25

Environmental Accomplishments		Described on Page
Climate protection	Increased customer awareness of carbon emissions by introducing the "Plant a Tree for Me" carbon dioxide offset program.	45
	Reduced greenhouse gas emissions from Dell operations and products.	45
	Reduced emissions from shipping products by optimizing shipping routes, instituting customer delivery-notification process, and opening more facilities to assemble products closer to the customer (referred to as geographical manufacturing or GeoMan).	47
	Reduced electricity usage rate in U.S. office buildings by 5 percent from previous year.	46
Product design	Introduced PCs and servers based on processors that consume less power, helping to reduce the overall power consumption.	43
	Introduced Energy Smart program to provide customers with the ability to optimize performance and efficiency.	44
	Enabled power management settings at the factory for PCs and notebooks.	44
	Accelerated the date (by six years) to phase out brominated flame retardants in new product designs.	39
Materials	Met the E.U. Restriction on Hazardous Substances (RoHS) by eliminating, for example, lead cable insulation and other lead substances.	50
Green procurement and eco-labels	Helped develop the U.S. Electronic Products Environmental Assessment Tool (EPEAT) Standard and have qualified products at the silver level.	51
Facilities and manufacturing	Increased waste recycled to over 94 percent.	53
Workplace health and safety	Mostly met goal to improve recordable workplace injury and lost workday rates compared to previous year. Recordable injury rate declined, but the lost workday rate rose slightly.	25
Forest stewardship	Used paper that included 50 percent post-consumer recycled content (on average) in our catalogs. Achieved goal three years earlier than expected.	57
	Used more forest-friendly paper including post-consumer recycled content and Forest Stewardship Council (FSC) certified fiber for office supplies, and encouraged suppliers to do the same. Achieved 30 percent.	57
	Reduced packaging material by redesigning packaging, using forest-friendly packaging materials and reducing the use of foam plastic and wood pallets.	57
Product stewardship	Introduced no-charge recycling of Dell computers for consumers worldwide.	62
	Expanded product recovery program for commercial customers to decommission obsolete equipment in China.	65

Community Accomplishments		Described on Page
Company support	Introduced employee donation matching program. Employee contributions plus company match to exceed $13 million during 2007.	71
Employee volunteerism	Achieved participation from 40 percent of Dell employees worldwide.	71
Healthy communities	Awarded grants to 27 organizations that address children's basic needs of food, shelter, safety and healthcare.	72
	Supported HIV/AIDS service organizations throughout the world through volunteering and fund-raising.	73
Connected communities	Opened two additional learning centers in China and Brazil.	74
Digital literacy	Graduated the largest class ever this year (more than 6,900 students) for Dell's TechKnow education program for disadvantaged youth.	74

STRATEGIC INITIATIVES FOR FISCAL YEAR 2008 AND BEYOND

Dell operates under the fundamental belief that information technology can make our world a better place. From energy management, to health care, to children's education, to the connectedness of communities, we believe in creating loyal customers by providing a superior experience at a great value.

The highlights mentioned in Michael Dell's introduction relate directly to our fiscal year 2008 strategic initiatives and goals. These include design for the environment, Electronic Industry Code of Conduct (EICC) implementation, and climate strategy. Due to our efforts this past year, we hold industry leadership positions in many of these areas. We believe in winning at Dell. And not just in terms of customer service and technology, but also in terms of social and environmental stewardship.

Design for the Environment

Our pledge to eliminate brominated flame retardants and polyvinyl chloride from new product designs by 2009 will force widespread changes in our supply chain. As a standards-based organization, we cannot rely on niche solutions. Instead, we need to include cost-effective and technically sound solutions in our procurement specifications. These solutions must be applicable worldwide. Like the transition to lead-free solders, the campaign to use compliant materials will reach deep into our organization and require attentive coordination by the Dell team and our partners.

EICC Implementation

Our Global Citizenship program continues to evolve. In 2006, we introduced the use of our Business Process Improvement (BPI) methodology to address supply chain issues. For nearly a decade, we've used the methodology to identify and address such conventional manufacturing issues as quality, throughput, delivery, and cost. Last year was the first time we used BPI in a corporate responsibility context — with notable results in improvements in work hours, time off, and workplace noise and temperature. Looking ahead, the drive to fully integrate the EICC into the supply chain remains a demanding and daunting challenge for our company and the industry.

The work of the EICC over the past three years has set the stage for us to more fully employ the EICC tools in 2007. This includes awareness building, shared audits, and the use of approved auditors.

We will also ask our Tier 1 suppliers to sign the Code — a move that will compel our Tier 1 suppliers to disseminate the Code to their Tier 1 suppliers, our Tier 2 suppliers.

Climate Strategy

This past year we significantly upgraded our strategy to address our climate impacts. We will continue to improve the design of our products to deliver greater performance using the least power. Other efforts in this area include furthering our energy efficiency work at our factories and in product transportation, and extending our customer engagement programs such as Plant a Tree for Me. We believe our direct model gives our company a unique chance to educate our customers on environmental issues and social issues. It's an opportunity and responsibility we gladly accept.

Additional Efforts

Our focus on the areas of design for the environment, EICC implementation, and climate strategy is by no means the sum total of our strategic initiatives

for this year and in the near future. We will continue our work in reducing packaging, improving transportation efficiency, preserving endangered forests, promoting diversity, and maintaining high ethical standards. Our business unit and site managers will observe and measure employee wellness, health and safety. And we anticipate a broadening of our HIV/AIDS efforts in China, Brazil, and India, where our employee growth is greatest.

Figure 2 lists many of the explicit goals we have set for fiscal year 2008 and beyond. We encourage you to review the remainder of the report for more detailed information. Reflecting on where we've come and where we are going, it is obvious that the demands of delivering economic, social and environmental value increase each year. But we're optimistic about the future and we're passionate about this work.

FIGURE 2: FUTURE GOALS FOR FY2008 AND BEYOND

Corporate Accountability Goals

Ethical behavior	Continue to develop EICC tools, hold ethics and compliance training and sponsor the annual Ethics Day to raise ethics awareness, particularly in locations outside the U.S.
Stakeholder engagement	Hold stakeholder forums four times a year in various regional locations.
	Improve the collection and graphical representations of sustainability metrics.
Supplier diversity	Launch the Direct Talk program to attract and advise minority-owned businesses on the Dell procurement process.
Health and wellness	Continue to expand HIV/AIDS awareness programs while recognizing the cultural differences within individual regions.
	Continue to work with world business coalitions and nongovernmental organizations (NGOs) to identify HIV/AIDS prevention and treatment options in all regions of the world.
Supply chain global citizenship	Ask all Tier 1 suppliers to commit to the EICC standards and encourage these suppliers to obtain EICC compliance with their Tier 1 suppliers (our Tier 2 suppliers).
	Continue to use independent auditors to audit Tier 1 and 2 suppliers.
	Create *Best Practices* and *Lessons Learned* documents from our BPI methodology pilot project and share with all Tier 1 suppliers.
	Host Global Citizenship workshops in China.
	Expand the BPI project methodology to 15 suppliers.
Regulatory compliance	Operate in full compliance with environment, health and safety laws and regulations and incur zero fines associated with compliance.

Environmental Responsibility Goals

Climate protection	Reduce greenhouse gas emissions from Dell operations and products by 25 million tons through improved product performance and preconfigured systems with Energy Smart operational settings. Expand Energy Smart settings into each product category.
	Reduce emissions from shipping products by optimizing shipping routes, instituting customer delivery-notification process, and opening more facilities to assemble products closer to the customer.

Environmental Responsibility Goals (continued)

Climate protection (continued)	Reduce overall transportation requirements by 25 percent by using rail trailers to increase capacity of flat railroad cars, more multi-pack configurations, and shipping efficiencies.
	Reduce greenhouse gas (GHG) emissions of Dell's freight operations by increasing the percentage of freight shipped through SmartWay Transport Partnership carriers.
	Reduce greenhouse gas emissions from Dell supplier operations by requesting applicable data and working with suppliers on emissions reduction strategies once data is collected.
Product design	Implement server-managed power management for customers worldwide to avoid 40,000 tons of carbon dioxide emissions between fiscal years 2008 and 2012.
Materials	Avoid 100,000 tons of lead and 60,000 tons of brominated flame retardants (BFRs) between fiscal year 2004 and fiscal year 2012.
	Eliminate all remaining uses of BFRs and polyvinyl chloride (PVC) by end of 2009, including tetrabromobisphenol-A (TBBP-A) in circuit boards, as acceptable alternatives are identified that will not compromise product performance and will lower product health and environmental impacts.
Facilities and manufacturing	Recycle or reuse 99 percent of waste from manufacturing operations by 2012.
	Further reduce carbon intensity by 15 percent by 2012 (based on 2006 levels).
	Improve our average score from the LEED® (Leadership in Energy and Environmental Design) Green Building Rating System™ by 2012.
Workplace health and safety	Reach 100 percent of Dell employees each year with safety communications and training.
	Attain and maintain a recordable workplace injury case rate of 0.4 cases per 100 employees.
Forest stewardship	Reduce product packaging and shipping materials by 5,000 tons in fiscal year 2008.
	Use Green Cell™ biodegradable foam for packing material.
	Migrate direct mail and inserts to higher recycled content paper and increase amount of Forest Stewardship Council (FSC) certified fiber used.
	Seek partnerships with suppliers of fiber waste streams for an economical source of raw materials.
Product stewardship	Recover 125 million kilograms of discarded product by fiscal year 2010 through asset recovery programs.

Community Engagement Goals

Employee volunteerism	Achieve participation from 50 percent of Dell employees worldwide.

COMPANY OVERVIEW

Dell was founded in 1984 by Michael Dell, the longest-tenured executive to lead a company in the computer industry. The company is a premier provider of products and services worldwide that enable customers to build their information technology and Internet infrastructures. Dell offers a broad range of product categories, including desktop computer systems, servers and networking products, mobility products, software and peripherals, and enhanced services. Dell's global market leadership is the result of a persistent focus on delivering the best possible customer experience by selling products and services directly to customers. Also, by serving customers directly, we can better meet their expectations. And because the Dell business model allows us, on average, to turn over inventory in five days, we can introduce the latest technology more quickly than companies with indirect distribution channels.

Offices and Facilities

Dell makes its corporate headquarters in Round Rock, Texas. Central Texas is also the home to Dell Americas, the regional business unit for Canada, the United States and Latin America. Dell has regional headquarters in Bracknell, England, for Europe, Middle East and Africa and in Singapore to serve the Pacific Rim, including Japan, India, China, Australia and New Zealand. Dell currently has nine manufacturing plants in five countries, and has plans for new plants in Poland, India and Brazil to meet the growing needs of customers in emerging markets. For additional detail regarding Dell's global operations, see "Geographic Areas of Operations" on page 78.

Financial Results

For information about Dell's financial performance, see our Form 10-K available on *www.dell.com.* You will find financial data for the company, including wholly owned subsidiaries, in that document.

Products and Services

Dell sells its products and services worldwide. Dell offers customers a comprehensive portfolio of cost-effective hardware and software products to store, serve and protect customer data.

Dell products include:
- Standards-based PowerEdge™ servers; PowerVault™ and Dell | EMC storage systems and PowerConnect™ switches
- Dell Precision™ desktop and mobile workstations
- OptiPlex™ desktops and Latitude™ notebooks
- Dimension™ desktops and Inspiron™ notebooks
- Printers, projectors and other complementary products
- Alienware™ desktop workstations and notebooks
- XPS™ notebooks

Dell services include:
- Assessment
- Design and Infrastructure Consulting Services
- Deployment Services
- Asset Recovery and Recycling Services
- Training Services
- Enterprise Support Services

For more information about Dell and our products, see *www.dell.com.*

The Values in Action graphic illustrates the direct relationship between the Values in Action concept and our core values: corporate accountability, environmental responsibility and community engagement.
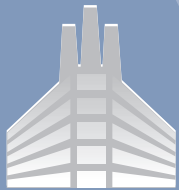
CORPORATE ACCOUNTABILITY

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- » Global Citizenship and Ethical Sourcing

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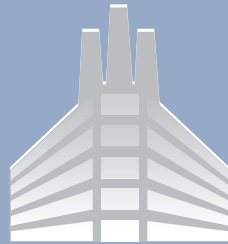Healthy Communities «
Connected Communities «
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EMPLOYEE

- » Diversity —
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- » Product Stewardship   Recycling Programs
- » Asset Recovery   » Donations

GING

- Packaging Optimization
- » Packaging with Environmentally Reponsible Materials
- » Global Recycling
- » Multi-Packs and Vertical Boxes
- » Forest Stewardship

ENVIRONMENTAL RESPONSIBILITY

CORPORATE ACCOUNTABILITY

Accountability at Dell starts with living our values each and every day. From ethics to diversity, human rights to privacy, the actions of our employees are key to achieving our corporate accountability goals. Our definition of corporate accountability encompasses governance, ethics, diversity, health and safety, and global citizenship.

This past year, we carried out numerous activities in the area of corporate accountability, including implementing new board election procedures. Our efforts in ethics, diversity, and employee health and safety continue to meet industry-leading performance levels. We received numerous awards last year in these areas including top ten listings in both *FORTUNE* magazine's Most Admired Companies and *Business Ethics* magazine's Best Corporate Citizens. Last year also marked progress in deepening social responsibility in our supply chain. We tested our Business Process Improvement (BPI) methodology with several large Tier 1 suppliers to improve their social and environmental performance.

Corporate Accountability Values	2007 Corporate Accountability Actions
Governance	Implemented higher standards for electing board members.
Ethical Behavior	Instituted 100 percent Compliance training; held numerous training courses. Instituted an ethics awareness campaign.
Stakeholder Engagement	Convened with stakeholders in New York, London and Oakland to learn about their best practices and prevailing issues.
Support Diversity	Increased spending with diverse suppliers.
Workplace Health and Safety	Measured recordable workplace injury and lost time rates well below published industry averages.
Employee Health and Wellness	Developed a 2007 HIV/AIDS awareness and prevention strategy.
Global Citizenship	Worked to develop EICC tools and tested our Business Process Improvement (BPI) methodology to address supply chain labor and environmental issues.

Despite the positive results, we recognize there are many challenges and opportunities ahead of us in living up to our aspiration to be a leader in this area.

Global Citizenship offers perhaps our greatest future opportunity. Dell, along with other electronics industry leaders, collaborated in recent years to develop the Electronic Industry Code of Conduct (EICC). This coming year we will implement the EICC more fully and ask our supply chain to meet several challenging targets.

GOVERNANCE AND MANAGEMENT

Dell's corporate governance structure specifies the distribution of rights and responsibilities among different participants in the company (including shareholders) and establishes the procedures for making decisions about the company's business.

Board of Directors

The Board of Directors believes that the company must adhere to sound corporate governance policies and practices. Doing so ensures that Dell is governed and managed with the highest standards of responsibility, ethics and integrity, and in the best interests of our stockholders. The Board has adopted Principles of Corporate Governance, which provide an effective corporate governance framework for Dell. These principles include the roles of the board and management, board compensation and structure, independence of directors, committees, and conduct of board meetings. For more information on our principles, see *www.dell.com/corporategovernanceprinciples*.

Dell's Board of Directors plays an active role in guiding the conduct of Dell's business — including sustainability. In 2003, Dell enhanced our governance process, adding a biannual briefing for the Governance and Nominating Committee on areas of emerging social and environmental risk. The Board periodically reviews and provides input into Dell's sustainability strategies.

Our Board is comprised of 11 directors of which nine are independent as determined by Dell corporate governance principles. Three of our directors are diverse — two women and one person of color. For more information about Dell's Board of Directors, see *www.dell.com/boardofdirectors*.

"Plurality voting [is] a fundamental weakness in the U.S. corporate governance system. Directors are less accountable to shareowners because shareowners do not have a meaningful vote in director elections. The adoption of a majority vote standard [will] make directors more accountable by making shareowners' votes actually count…"

— COUNCIL OF INSTITUTIONAL INVESTORS *(WWW.CII.ORG)*

Election of Directors

Dell strengthened our corporate governance framework in fiscal year 2007 by implementing a higher standard for electing new directors to the Board. For several years, corporate governance advocates have worked to modify the plurality standard for electing uncontested board seats. Under the plurality system, a board-backed nominee in an uncontested election only needs to receive a single affirmative vote to claim the seat. Directors who run unopposed keep their board seats even if they fail to win majority support. Dell recognized this governance issue and was among the first U.S. corporations to modify its procedures.

Under our new majority vote standard — which replaces plurality voting for uncontested director elections — a nominee for an uncontested seat must receive favorable votes from holders of a majority of the shares entitled to vote. If a seat is contested, the nominee receiving the most votes is elected.

Incumbents up for re-election that do not receive 50 percent of the vote are required to tender a resignation. The Board will accept or reject the resignation, or take other appropriate action, based on the best interests of Dell and our stockholders, and will publicly disclose the decision and rationale within 90 days.

This change reflects the recognition that shareholders need a more meaningful role in the director election process. It also demonstrates our commitment to govern and manage Dell to the highest standards of responsibility, ethics and integrity — and in the best interests of stockholders.

Executive Team

On January 31, 2007, at the Board's request, Michael Dell resumed the duties of Chief Executive Officer while retaining his duties as Chairman of the Board. Under Michael's leadership, the company is moving quickly to strengthen its management team, unify business units, and eliminate redundancies, while redeploying resources to drive greater value for customers.

Ron Garriques has been named president of Dell's Global Consumer Products Group. This new organization oversees all consumer products, desktop and notebook PCs, software and peripherals — from product design and development to sales and marketing. Previously, Dell divided business units by country.

In another organizational change, the new Global Operations business unit integrates manufacturing, procurement and supply chain activities for the Americas, Europe, Middle East and Africa (EMEA), and Asia Pacific and Japan (APJ). President Michael R. Cannon heads the unit and reports directly to Michael Dell. This move is intended to fully integrate our supply chain into one global organization so that Dell can increase our ability to manufacture our products close to our customers. Doing so allows us to achieve even greater excellence in quality, cycle time and delivered cost.

FIGURE 3: DELL'S SUSTAINABILITY COUNCIL

Sustainability Council

Dell recognizes that senior executive support for the company's sustainability efforts is critical. Dell's Sustainability Council consists of the company's CEO and chair, its chief legal officer, chief compliance officer, chief procurement officer, and senior executives from finance, engineering, investor relations and communications, human resources, and sales and service. The Council meets quarterly to review sustainability-related risks, opportunities and associated actions. Business owners who are working to address risks and opportunities are invited to provide updates and to seek approval for resources and strategies.

This Sustainability Council reports its progress and results to the Governance and Nominating Committee of the Board of Directors, who, in turn, share their counsel and feedback with the broader Sustainability Council to further adjust and confirm the company's strategy. This direct engagement of Dell's executive leadership team has been a key factor in both making progress and spreading the knowledge of sustainable business practices within the company management structure worldwide. Figure 3 reflects the membership of Dell's Sustainability Council.

Great companies need inspiration. "The Soul of Dell" reflects our deeper values and aspirations.

Dell is proud to have been included in the Dow Jones Sustainability Index since its inception in 1999. This index ranks companies based on issues such as corporate governance, customer relationships, environmental management, labor practices and corporate citizenship. This accomplishment places Dell in the leading 10 percent for sustainability in our industry, out of the largest 2,500 companies in the Dow Jones Global Index.

Dow Jones Sustainability Indexes
Member 2006/07

SEC

In August 2005, the U.S. Securities and Exchange Commission (SEC) initiated an investigation into certain accounting and financial reporting matters at Dell. In August 2006, because of potential issues identified in the course of responding to the SEC's requests for information, the company's Audit Committee, on the recommendation of management, initiated an independent investigation. Upon completion of that investigation, the Audit Committee will evaluate the impact and nature of all identified accounting errors to determine whether a restatement of any previously issued financial statements will be required. To date, the Audit Committee has not determined whether any restatements will be required, or whether any identified control deficiencies constitute material weaknesses. Management is committed to resolving the issues raised in connection with the investigation, and regaining compliance with all SEC filing requirements and all NASDAQ listing requirements, as soon as possible. Additional information about these investigations can be found in Dell's reports filed with the SEC, which are available at *www.sec.gov* or *www.dell.com/investor.*

Tim Smith, On Dell's Political Disclosure

For the first time, Dell is publishing a policy on political disclosure and accountability. By including such a report, Dell reassures investors that it has carefully reviewed its political spending and is not channeling contributions to controversial causes through 527 intermediaries.

Dell is also requiring its trade associations to clarify how much member dues are used for lobbying and making politically oriented contributions. We encourage Dell's Board Committee to continue its oversight of all political spending by the company.

— *Tim Smith, Walden Asset Management*

Customer Service

In 2006 Dell recognized a need to increase investment in customer service, realizing we were not meeting customer expectations. We have addressed this with the investment of more than $150 million. We are committed to showing improvement, and we are making long-term investments in our products and customer service and support to improve further. Dell is committed to deliver the products and services customers say they need to reduce complexity, simplify manageability and increase price-performance, energy efficiency and performance per watt.

Battery Recall

Dell identified a potential issue associated with Dell branded battery packs with cells manufactured by Sony. The battery packs were sold with Latitude, Inspiron, XPS and Dell Precision Mobile Workstation notebook computers. In partnership with the U.S. Consumer Product Safety Commission and regulatory agencies worldwide, Dell announced a voluntary recall in August 2006 of approximately 4.2 million battery packs. The worldwide recall involves the specified batteries only, not the computers themselves. The safety of Dell's customers is our foremost concern.

Political Disclosure and Accountability Policy

Dell Inc. and its employees are active and engaged in their communities. Whether it is charitable activities or political engagement, employees are informed and involved in the decisions that affect their company. Dell believes that supporting the election of candidates who champion the legislative initiatives and policies that are important to the Company's businesses is appropriate and in the best interest of its customers, employees, and stockholders.

Personal Employee Political Activities: Employees are free to engage in personal volunteer political activity but may not use Dell resources.

Dell Inc. Political Contributions: Dell does not contribute to U.S. federal candidates, state candidates, local candidates, national political party committees or other federal or state political committees. Any contributions to those candidates are made by the Dell PAC.

Political Action Committee (PAC): Dell sponsors a federal PAC and fully discloses all contributions made and received on reports filed with the Federal Election Commission. An Executive Committee governs and oversees all PAC activities. The current chair of the PAC Executive Committee is Larry Tu, Senior Vice President and General Counsel for Dell Inc.

Contributions to State and Local Ballot Initiatives: Dell does not contribute to either state or local ballot initiatives.

Contributions to 527 Organizations: Dell does not make corporate contributions to non-candidate or non-party affiliated political committees organized under section 527 of the Internal Revenue Code. Dell may contribute to nationally recognized groups organized under 527 such as the Democratic Governors Association and Republican Attorney Generals Association.

Contributions to Trade Associations: Dell does not normally make additional, non-dues contributions to these organizations to support the groups' political activities.

Major U.S. Trade Associations and Organizations

Dell belongs to the following major U.S. trade associations and organizations:

- American Electronics Association
- American Enterprise Institute
- Business Software Alliance
- Center for Strategic & International Studies
- Democratic Attorney Generals Association (organized as a 527 organization)
- Democratic Governors Association (organized as a 527 organization)
- Information Technology Association of America
- Information Technology Industry Council
- National Council of State Legislatures
- National Governors Association
- Republican Attorney Generals Association (organized as a 527 organization)
- Republican Governors Association (organized as a 527 organization)

Disclosure

Dell is in the process of making its policies available on its Web site. In the meantime, for further information on Dell PAC and Dell corporate contributions, go to *www.dell.com* for links to specific databases compiled by the Federal Election Commission *(www.fec.gov/disclosure.shtml)*, the Center for Responsive Politics *(www.opensecrets.org)* and the Center for Public Integrity *(www.publicintegrity.org/lobby).*

ETHICS AND COMPLIANCE

At Dell, we value honesty, integrity and the highest level of ethical conduct. There are many reasons we devote ourselves to creating a culture that is based on high ethical standards. High standards enhance our reputation as a company and employer of choice. They also help in the acquisition and retention of the best and most talented employees and build stakeholder trust, confidence and loyalty. We also know that adhering to high standards minimizes the impact of ethical issues on company operations and financial performance.

The Soul of Dell

The Soul of Dell reflects the values and beliefs that define our shared global culture. Starting in 2000, Dell began the "Soul of Dell" initiative to redefine our values and elucidate what Dell aspires to be as a company.

Core Elements of the Soul of Dell

The Soul of Dell defines the kind of company we are and aspire to become, serves as a guide for our actions around the world, and ultimately forms the basis of our "winning culture." The core elements of the Soul of Dell include the following:

Customers: We believe in creating loyal customers by providing a superior experience at a great value. We are committed to direct relationships, providing the best products and services based on standards-based technology, and outperforming the competition with value and a superior customer experience.

The Dell Team: We believe our continued success lies in teamwork and the opportunity each team member has to learn, develop and grow. We are committed to being a meritocracy, and to developing, retaining and attracting the best people, reflective of our worldwide marketplace.

Direct Relationships: We believe in being direct in all we do. We are committed to behaving ethically; responding to customer needs in a timely and reasonable manner; fostering open communications and building effective relationships with customers, partners, suppliers and each other; and operating without inefficient hierarchy and bureaucracy.

Global Citizenship: We believe in participating responsibly in the global marketplace. We are committed to understanding and respecting the laws, values and cultures wherever we do business; profitably growing in all markets; promoting a healthy business climate globally; and contributing positively in every community we call home, both personally and organizationally.

Winning: We have a passion for winning in everything we do. We are committed to operational excellence, superior customer experience, leading in the global markets we serve, being known as a great company and great place to work, and providing a superior shareholder value over time.

Our ethics team uses Web sites, posters, e-mails, newsletters, badge cards, direct mailings, desk drops, Web logs and videos to reach our employees.

Company leaders gathered input through a series of worldwide meetings. We hired an outside firm to perform a questionnaire-based "cultural audit" to identify our company's strengths and weaknesses. The audit showed our strong push for winning and operational excellence, but revealed our need to improve employee teamwork and the balance between work and life.

With this feedback, the executive team drafted the "The Soul of Dell" statement. It reflects the company's drive to win and its direct manufacturer-to-consumer business model. But it also emphasizes teamwork, a commitment to being a meritocracy, ethics, customer relationships, and global citizenship.

Dell's Code of Conduct

Just as The Soul of Dell articulates our values and beliefs, Dell's Code of Conduct ("the Code") acts as the touchstone of efforts to maintain our higher standard for personal and business integrity. The Code, found online at *www.dell.com/codeofconduct*, is consistent worldwide and available in 17 languages. Before starting work at Dell, new employees are required to read and acknowledge the Code and agree to abide by the Code and related policies. In addition, our Code is shared with Dell suppliers and partners to ensure that they understand our expectations for business conduct.

Key Elements

Our Code of Conduct includes several key components:

- Trust: Our word is good. We keep our commitments to each other and to our stakeholders.
- Integrity: We do the right thing without compromise. We avoid even the appearance of impropriety.
- Honesty: What we say is true and forthcoming — not just technically correct. We are open and transparent in our communications with each other and about business performance.
- Judgment: We think before we act and consider the consequences of our actions.
- Respect: We treat people with dignity and value their contributions. We maintain fairness in all relationships.
- Courage: We speak up for what is right. We report wrongdoing when we see it.
- Responsibility: We accept the consequences of our actions. We admit our mistakes and quickly correct them. We do not retaliate against those who report violations of law or policy.

All Dell employees — regardless of grade level, position or geographic location — are required to base daily actions and conduct on these standards.

2006 RECOGNITION AND AWARDS

Dell has won recognition and numerous awards for its efforts in Global Ethics, Privacy, and Compliance in 2006.

FORTUNE Magazine's Most Admired Companies

Dell was ranked among the top ten most admired companies globally by *FORTUNE*'s annual survey. For this "All-Star" list, *FORTUNE* asked 13,000 industry executives, directors and securities analysts to vote for the companies that they admired most, from any industry. More than 500 companies in over 60 industries were rated on the following eight critical reputation drivers: quality of management; quality of products and services; innovation; long-term investment value; financial soundness; ability to attract, develop and keep talented people; social responsibility; and use of corporate assets.

Business Ethics Magazine's Top 10 Best Corporate Citizens

Dell ranked No. 9 in *Business Ethics*' list of "100 Best Corporate Citizens" among major U.S. companies. The annual "100 Best Corporate Citizens" list evaluates the top 1,000 largest publicly-traded companies in the U.S. and is based on a statistical analysis of performance in the following eight stakeholder categories: shareholders, community, governance, diversity, employees, environment, human rights and product. Dell scored highest this year in the categories of employee relations, community engagement and environmental responsibility. Dell has been ranked for six of the list's seven years of publication. In recent years, Dell has won acclaim for the company's commitment to corporate citizenship, notably as the 2005 winner of the Business Ethics Environmental Progress Award. For more information, see *www.thecro.com.*

Dell Global Ethics Day
Be there. May 2006

Raise the bar. Win with integrity.

New Policies for New Forms of Communication

Technology is changing. Customers, suppliers, the media and other stakeholders are using online communication tools such as Web logs (blogs) and other online channels (such as chat rooms) to communicate with us. Our policies must adapt if we want employees to maintain our higher standard of personal responsibility. That's why in 2006 we issued the Dell Global Policy on Electronic Dialogue by Employees.

Following the launch of this internal policy in November 2006, Dell announced an industry-leading standard for ethical, accurate and transparent communication through Web logs, chat rooms, discussion forums and other online channels used to communicate with customers and other stakeholders. Dell's new Online Communications Policy is aligned with or follows the recognized industry standard for online marketing and communications established by the Word of Mouth Marketing Association (WOMMA). For more information on Dell's online communications policy, see *www.dell.com/blogpolicy*.

Ethics Day

As part of our ongoing internal Ethics Campaign, we launched Dell's Global Ethics Day. On May 11, 2006, Ethics Day events kicked off in 45 Dell sites around the world. More than 12,000 employees attended the different events and participated in Dell ethics activities that included external speaker conferences, trivia contests, sports games, consulting sessions and training. Members of the senior leadership team led the site events, which focused on the importance of "Raising the Bar" and "Winning with Integrity." In a post-event survey, 87 percent of attendees qualified the Global Ethics Day as a well-done, positive event, worth repeating every year.

Global Ethics — Regional Implementation

While we consider ethics an overarching global value, we recognize the importance of respecting the distinct cultures and business needs specific to each region. After all, Dell employees live on six continents and speak more than 28

WOMMA Ethics Code

1. Consumer protection and respect are paramount.
2. We follow the Honesty ROI: honesty of relationship, opinion, and identity. That is, you say who you are speaking for, you say what you believe, and you never obscure your identity.
3. We respect the rules of the venue.
4. We manage relationships with minors responsibly.
5. We promote honest downstream communications.
6. We protect privacy and permission.

For further information, see *www.womma.org/ethics*.

As Dell's first vice president for Global Diversity and Chief Ethics, Privacy and Compliance Officer, Thurmond had immense influence on Dell's growth as a company. He was instrumental in helping us define and promote our distinctive winning culture. His vision and dedication to diversity and ethics were critical in helping us extend Dell's global reputation for business ethics and integrity.

Thurmond's impact was wide reaching. His sensible counsel, generosity of spirit, tireless dedication and optimism were appreciated and admired by all he touched. His passing leaves a void impossible to fill.

— MICHAEL DELL, CEO AND CHAIRMAN

Thurmond B. Woodard, Chief Ethics, Privacy and Compliance Officer and Vice President, Global Diversity died April 4, 2007. He joined Dell in 2000 as the company's first vice president for Global Diversity.

languages. We restructured our management team to include an Ethics, Privacy, and Compliance organization which oversees all the ethics and privacy functions at Dell. Our regional ethics leaders, reporting to the corporate team, are responsible for localizing these corporate values to be effective at the regional level. Ultimately, regional leaders implement their own strategy, training and communication and are accountable for driving our ethical values.

Ethics and compliance plans are based on regional business plans, but all employees have the same ethical and privacy commitments and standards of behavior. The commitments and behaviors spring from the Dell Code of Conduct.

Our CEO and Board also play an important role. Our CEO participates on our global Ethics Council. The Board gets updates from our chief ethics and compliance officer on compliance progress, issues, strategy, and direction.

Employee Tools

We encourage employees to raise Code and related inquiries or concerns to their managers or a member of our global ethics team. Building direct relationships is a core value at Dell, and it starts with direct and open communication between managers and employees. If employees prefer anonymous communication, they can call our third-party-managed Ethics Helpline to ensure privacy.

We promptly and thoroughly investigate ethics issues. We protect employees who make good faith reports of suspected misrepresentation or impropriety from retaliation or damage to their career, reputation, and employment at Dell.

Ceres

FIGURE 4: DELL'S RESPONSE TO STAKEHOLDER INPUT

Topic	Stakeholder Input	Dell Response
Global Citizenship	Disclose more about Dell's efforts to improve conditions in the supply chain.	Disclosed the Business Process Improvement Methodology in greater detail. Increased focus on global citizenship in this Sustainability Report.
Sustainability Initiatives and Core Business Activities	Disclose more about how sustainability initiatives and stakeholder input are integrated into core business activities.	Disclosed how Dell incorporates supply chain Global Citizenship performance into procurement. Increased focus on global citizenship and asset recovery services in this report.
Climate Strategy	Take advantage of the huge opportunity in the growing market for energy efficient products.	Expanded climate strategy to include a focus on energy efficient products. Launched the energy-use calculator and Plant a Tree for Me program.
Product Recovery	Expand efforts in the area of public policy.	Established a public policy position on electronics recovery in support of producer responsibility legislation.

Global Privacy — Protecting Personal Information

We value our customer and employee privacy. When customers visit *www.dell.com*, we help them maintain control over their personal data. We keep all information confidential and use it only to support their relationship with Dell. Dell proudly displays the Better Business Bureau Online Privacy Seal on U.S. Web sites, which certifies that we adhere to industry-standard privacy practices. For more information on Dell's comprehensive privacy policy, see *www.dell.com/privacy*.

TRUSTe/Ponemon Institute Most Trusted Company for Privacy Award Finalist

Consumers selected Dell as one of the companies they trust most with their personal information in a survey conducted by the *Ponemon Institute*. Partnering with the independent trust authority organization *TRUSTe* and *Watchfire*, a leading maker of online risk management software, the Ponemon Institute evaluated 30 elements of Web site and e-mail privacy, Web site security and customer service that correspond to consumer-friendly standards. The list ranked Dell as one of the top 20 companies based on our performance in these areas.

For example, the Ponemon Institute looked at e-mail disclosures and permission levels, ease of finding contact information for privacy issues, presence of a third-party dispute resolution process and level of security on pages requesting personal or sensitive information. The Ponemon Institute also conducted "secret shopping" questions on privacy by contacting each of the top 20 companies through Web site, e-mail or Call Center customer service.

STAKEHOLDER CONSULTATION

Dell gets input from a variety of sources when setting policies and programs that help us meet our goal of being an environmentally and socially responsible company. As a global business with a local presence in regions throughout the world, Dell has many stakeholders that have an active interest in the way Dell does business. Our stakeholders include, but are not limited to, our customers, our employees, our neighbors and communities, our suppliers, our shareholders, and a range of academic communities and non-governmental organizations (NGOs).

To be sure that we understand the views and priorities of our stakeholders, Dell regularly convenes meetings between socially responsible investor (SRI) stakeholders and Dell business owners to discuss accountability, environmental and community risk areas, and other topics of interest. Our quarterly

dialogue serves as a forum for Dell to share plans and results with these trusted stakeholders who, in turn, inform the Dell team about best practices and issues. These regular meetings between Dell's subject matter experts and SRI stakeholders build trust and openness and greatly enhance our sustainability efforts.

Open Lines of Communication

Dell continues to benefit from regular and open dialogue with stakeholders. One new initiative undertaken in 2006 involved hosting meetings to gather input directly from stakeholders at different global locations. In April 2006, Dell co-hosted a stakeholder forum with Ceres in Oakland, California. In November, Dell and Business for Social Responsibility (BSR) co-hosted a forum in New York City. Dell and BSR also hosted a forum in London in January 2007. Dell will continue quarterly forums this year, with at least one stakeholder meeting planned for Asia.

Participants attending each event represented a broad range of organizations including environmental, educational and financial institutions. These stakeholder forums proved essential in gathering feedback from experts in the sustainability field. For example, in Oakland attendees addressed the following questions:

- What are the most significant sustainability issues, and are they being addressed?
- Are there new issues or initiatives Dell should undertake?
- How should Dell prioritize challenges and opportunities in the coming years?
- What would sustainability leadership look like for Dell in three to five years?

In London, participants were asked to discuss the following topics:

- What would define a "green" IT product?
- What are the most important characteristics of a global recovery and recycling program?
- What are the top four Human Rights issues that Dell should focus on?
- What are the key areas in supply chain management that are most likely to improve worker conditions?
- What are the elements of a comprehensive energy strategy?

Figure 4 shows some key input gathered from stakeholders at these forums and how Dell has begun to address these issues. Figure 5 on page 22 details many of the stakeholders with whom Dell has worked.

Verification and GRI Index

Our stakeholder team played a key role in helping us verify the content in this year's Sustainability Report. For details on our verification process, see "Verification" on page 80. "GRI Index" on page 81 shows how this year's report corresponds to GRI specifications.

Stakeholder Perspective: Gay Gaddis on Growing With Dell

President and CEO, T3, Austin, Texas *www.t-3.com*

I started T3 in 1989 with a cashed-in IRA and two employees in the midst of a severe recession.

Although my market timing may have been off, my focus on re-inventing the advertising agency seems to have been spot on. Today, I am proud to run the largest independent agency in the country wholly owned by a woman. With offices in Austin, New York, and San Francisco, we employ 200 people and have annual capitalized billings of more than $200 million.

Dell is a large part of that success — as our technology partner and as a client. When you track Dell's growth and success since our early years, then you have a sense of our accomplishments.

In 1992, T3 had its first opportunity to work with Dell — a big moment for a small agency. Dell needed help sifting data to improve a government and health care direct marketing campaign. We delivered — on both the creative and results side. That early success has helped us continually expand our relationship with Dell.

Eight years ago, we were asked to take on the Dell small and medium business catalog. Although we knew computers, cataloging was a new medium. But we went all-in, hired ahead of the contract, and added 20 new team members in six weeks — nearly a 50 percent increase in staff. We also purchased new software, computers, and rented new space. When the contract was approved, we were ready to go. Looking back, Dell gave us an opportunity to catapult our business to new heights.

The Internet presented another exciting opportunity for us to grow with Dell. Michael Dell saw the massive potential of the Internet. T3 jumped at the opportunity to help Dell shape the new medium. I remember someone calling it the "CB radio of the '90s." We saw it differently. We saw the Web's potential to connect with customers with both creativity and demonstrable metrics. We've been creating online marketing programs for Dell for almost seven years. This expertise has helped us attract a remarkable group of industry-leading Fortune 500 clients.

As a small business owner, Dell has never just sold me computers. They taught me to embrace technology. A conversation with a Dell client led T3 to start leasing technology from Dell. That was back in 1997. Leasing enables us to treat technology as a fixed monthly cost. Refresh programs made it easier to take advantage of new technology ahead of our competitors who often dwarf us.

Today, T3 has offices on three coasts and clients in more than 10 cities — all inextricably connected by Dell technology. It's basically oxygen for my business. While our growth from cashed-in IRA to 200 people is in the past, the next climb is already staring me in the face. With Dell, I've got a partner who's been at my side pretty much from day one.
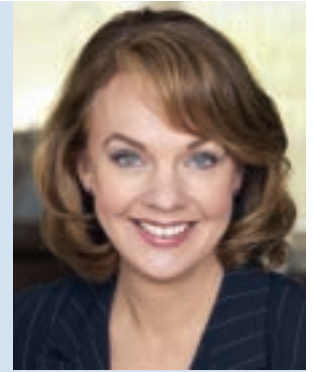
FIGURE 5: DELL STAKEHOLDERS

Category	Stakeholders	
Socially Responsible Investment Advocates	Bank Sarasin & Co. Ltd. Boston Common Asset Management Calvert Group Ltd ClearBridge Advisors Columbia University Endowment Fund Domini Social Investments Dreyfus Corp. Evangelical Lutheran Church in America	F&C Asset Management Green Century Capital Management Harrington Investments Loring Wolcott & Coolidge MMA Praxis Mutual Funds Parnassus Investments Pax World Funds Walden Asset Management
Socially Responsible Investment Influencers and Indices	As You Sow Dow Jones Sustainability Index Ethical Investment Research Service FTSE4Good Investment Index Innovest Strategic Value Advisors	Interfaith Center on Corporate Responsibility KLD Research and Analytics, Inc. Sustainable Asset Management Research Socially Responsible Investment Coalition
Customers	Global: Consumer, Business, Public	
Trade Associations	Asia: JEITA 3R Committee Canada: ITAC Europe: AeA Europe, BITKom, EICTA, IBEC, Intellect United States: CEA, EIA, ITI, JEDEC, NAM, NEMI	
Coalitions	Asia: Japan Container and Recycling Association, USITO Canada: EPS Canada Coalition Europe: NMC, Chemsafe, STEP	United States: GEMI, I-Safe, NRC, BSR, EICC Global: EICC and World Business Council for Sustainable Development
Technical Associations	Global: HDPUG, IEC, NEMI, JEDEC United States: IEEE	
Governmental Organizations	EPA; E.U. Commission; U.K. DTI; Legislators; Ministry of Economy, Trade, and Industry (and many other country-level agencies)	
Authorizing Organizations	Asia: ME Europe: TCO, UBA, NSAI United States: EPA, OSHA, ERM	
Donation Partners	Goodwill Industries (United States), National Cristina Foundation (Canada and United States), RT Centre (Ireland), and Fundação Pensamento Digital (Brazil), ReCom (United Kingdom), Ecodair and Emmaus (France)	
Nongovernmental Organizations (NGOs)	Alliance to Save Energy; American Association of People with Disabilities; Basel Action Network; CAFOD; Carbonfund.org; Clean Production Action; Ceres; Computer Take Back Campaign; The Conservation Fund; Environmental Defense; ForestEthics; Global Business Coalition for HIV/AIDS, TB and Malaria; Greenpeace; GreenBlue Institute; International Chemical Secretariat; National Recycling Coalition; Natural Resources Defense Council; Oko-Institute; Recycling Alliance of Texas; Silicon Valley Toxics Coalition; SOMO; Texas Campaign for the Environment; The Asia Foundation; World Resources Institute; WWF	
Suppliers	Global Direct Material, Diverse-owned businesses, Recycling and other services	

Expressed Appreciation

Dell continues to improve its sustainability reporting each year, with the help of its dedicated group of stakeholder organizations. Our decisions have been significantly influenced and enriched by engaging with these groups. We want to thank these organizations for their contributions. Other organizations are welcome to join our stakeholder team and may contact Dell by e-mail at *Dell_Sustainability@dell.com.*

GLOBAL DIVERSITY

At Dell, diversity is vital to the company's success. Recognizing individuals for their similarities and differences, and celebrating such things as individuals' varying skill sets, cultural backgrounds, and communication styles binds us together as one workforce. Diversity is about valuing different perspectives. It means being flexible and accepting each individual's uniqueness — and it is integral to our overall business strategy.

Diversity initiatives help us to tap additional talent, retain employees, strengthen relationships, improve our operating results, and further our global citizenship efforts in the many cultures we call home. Figure 6 depicts the social and financial convergence of our diversity strategy.

Dell defines diversity in its broadest sense, as shown in Figure 7 on page 24. Aside from the obvious differences such as race and gender, we consider differences such as communication style, geographic location, education and ethnicity.

FIGURE 6:
SOCIAL AND FINANCIAL CONVERGENCE
OF OUR DIVERSITY STRATEGY

Build an Employee Pipeline
Retain Employees
Strengthen Key Community Relationships
Establish a New Business Model
Enter a New Market
Showcase a Success Story

Combined Social and Economic Benefit

PURE PHILANTHROPY

PURE BUSINESS

SOCIAL BENEFIT

ECONOMIC BENEFIT
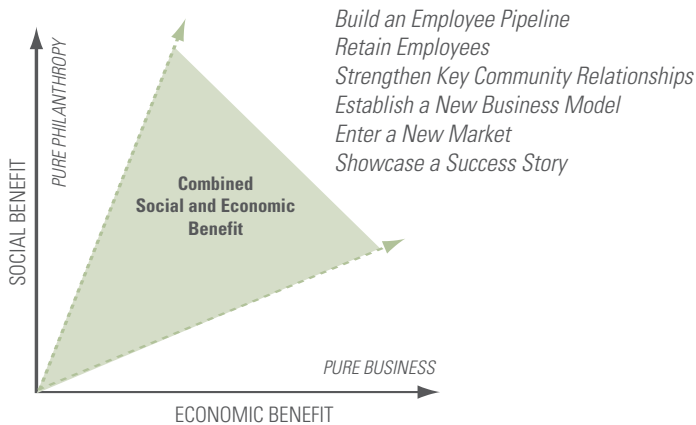
From "The Competitive Advantage of Corporate Philanthropy," *Harvard Business Review*

2006 DIVERSITY AWARDS AND RECOGNITION

Dell is honored to have received the following awards and recognition for our diversity efforts by a wide variety of organizations and publications in the U.S. and worldwide:

- Dell U.K. was awarded one of the Top 50 Companies for Female Employees by Aurora and The Times.

- The U.S. Secretary of Labor awarded Dell the Opportunity Award, the country's highest award recognizing voluntary workplace diversity efforts among federal contractors.

- Dell was voted No. 2 on DiversityBusiness.com's 2006 list of America's leading Fortune 500 companies to promote multi-cultural business opportunities.

- Dell Bratislava was awarded the Best Family-Friendly Employer award from the Bratislava Ministry of Labor, Social Affairs and Family.

- Dell's Betty Parston, Senior Manager of WorldWide Procurement, was named 2006 Advocate of the Year by the Central and South Texas Minority Business Council.

- Dell Brazil was recognized as Among the Best Places to Work in Brazil by *Época* magazine.

- Dell was named as one of the Most Admired Companies in a survey of diverse engineers by *Hispanic Network* magazine.

- Dell was recognized as one of the Best Places to Work in the U.S. by the Human Rights Campaign (HRC). For the third year in a row, Dell earned a 100 percent on HRC's Corporate Equality Index, which assesses workplace-related policies and practices toward the equal treatment of gay, lesbian, bisexual and transgender employees.

- Dell earned recognition as one of the Top Corporate Supporters of Hispanic-Serving Engineering Schools by the *Hispanic Engineer & Information Technology* magazine. The magazine revealed that Dell is among the top private sector supporters of engineering schools at America's Hispanic-serving institutions.

- Dell's Vice President of Global Diversity, the late Thurmond B. Woodard, was awarded the 2006 Whitney M. Young Jr. Award by the Austin Area Urban League. The League recognized Woodard's efforts in leading Dell's global diversity and ethics efforts and being instrumental in Dell's initiative to build diversity into its core business plan.
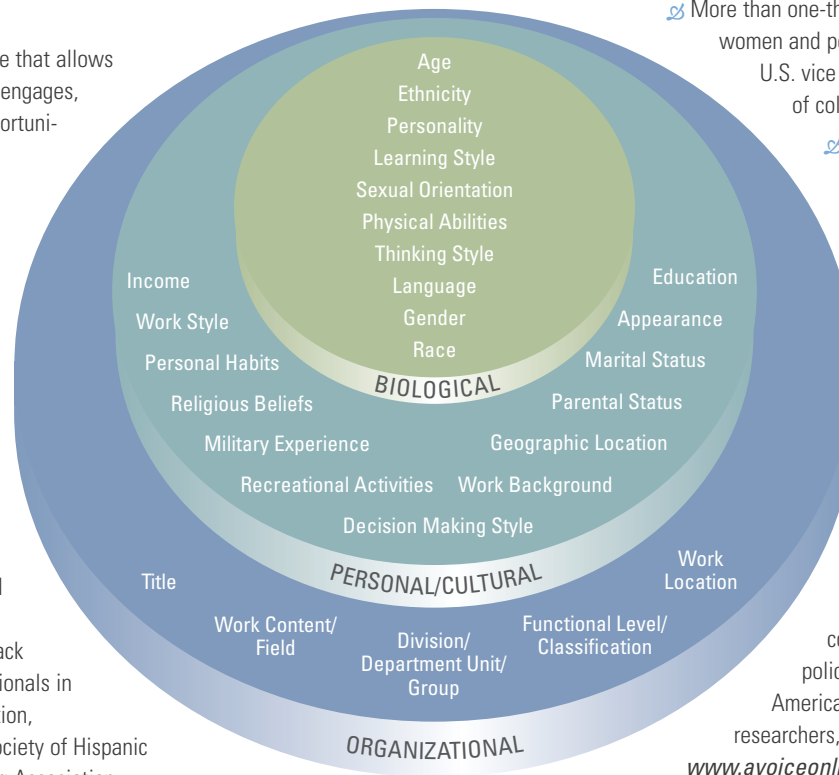
FIGURE 7: DIMENSIONS OF DIVERSITY

Recruiting Diverse Talent

At Dell we aim to create a culture that allows us to access top talent, and that engages, retains, and provides growth opportunities for all employees.

Dell sponsors and participates in numerous diversity recruiting events to increase our access to top diverse talent. Recruiting events held in 2006 included the following organizations: National Society for Black Engineers, Society of Women Engineers, Society of Hispanic Professional Engineers, National Association of Asian American Professionals, National African-American Women's Leadership Institute, National Black MBA Association, Latino Professionals in Accounting and Finance Association, Reaching Out MBAs, National Society of Hispanic MBAs, and Black Data Processing Association.

Dell's workforce is made up of approximately 82,000 team members who live and work on six continents and deliver products to more than 190 countries.

⌔ Women and people of color represent more than half (52 percent) of Dell's U.S. workforce.

Age
Ethnicity
Personality
Learning Style
Sexual Orientation
Physical Abilities
Thinking Style
Language
Gender
Race
BIOLOGICAL

Income
Work Style
Personal Habits
Religious Beliefs
Military Experience
Recreational Activities   Work Background
Decision Making Style

Education
Appearance
Marital Status
Parental Status
Geographic Location

PERSONAL/CULTURAL

Title
Work Content/ Field
Division/ Department Unit/ Group
Functional Level/ Classification
Work Location

ORGANIZATIONAL

Adapted from *Workforce America!: Managing Employee Diversity as a Vital Resource,* by Marilyn Loden and Judy B. Rosener

⌔ More than one-third of our U.S. managers are women and people of color; 31 percent of our U.S. vice presidents are women and people of color.

⌔ Of the interns that Dell hired in fiscal year 2007, 69 percent were diverse.
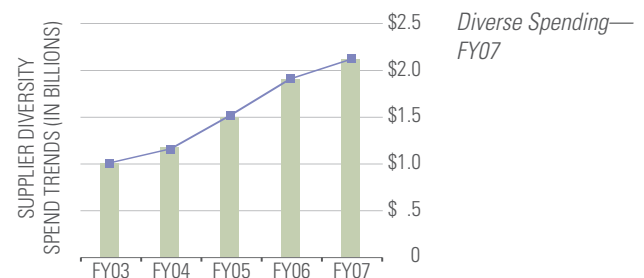
In September 2006, Dell and the Congressional Black Caucus Foundation unveiled Avoice — African-American Voices in Congress, the first and most comprehensive virtual library of political and legislative history of African-Americans in Congress. This online educational portal provides a central source of information about historical and contemporary African-American policy issues important to many Americans, and of particular interest to researchers, educators, and students (see *www.avoiceonline.org*). Dell committed more than $500,000 to this project and partnered with the University of Texas at Austin and Howard University to develop the new Web site content.

DELL'S MISSION STATEMENT ON DIVERSITY

Dell is committed to inclusion and diversity. Its mission is to succeed in the marketplace by fostering a winning culture where Dell employees are highly talented, committed, reflective of our global customers, and recognized as our greatest strength.

FIGURE 8: SPENDING TREND WITH DIVERSE SUPPLIERS

Diverse Spending— FY07

SUPPLIER DIVERSITY SPEND TRENDS (IN BILLIONS)

	FY03	FY04	FY05	FY06	FY07
$2.5					
$2.0					
$1.5					
$1.0					
$ .5					
0					

For more information about Dell's extensive efforts in facilitating diversity, see *www.dell.com/diversity.*

Focusing on Supplier Diversity

Dell's commitment to diversity extends to our suppliers where we provide access to potential business opportunities for qualified minority business enterprises. Supplier diversity is integrated into corporate strategic plans for growth.

At a recent Dell Supplier Diversity Summit, Dell announced the Direct Talk program to make it easier for diverse-owned businesses to work with Dell. More than 200 suppliers, corporate customers, and Dell purchasing managers who attended the annual summit heard about Dell's commitment to increasing opportunities for established small, women-owned, and minority-owned business enterprises.

Direct Talk enables qualified diverse-owned companies to meet frequently with Dell to discuss purchasing opportunities. This program, which is scheduled to launch in 2007, will allow Dell to reach a broader audience and enhance the effectiveness of its diversity procurement process.

Figure 8 shows the upward trend of Dell's spending with diverse suppliers.

WORKPLACE HEALTH AND SAFETY

At Dell, our vision for environmental, health and safety (EHS) awareness is to promote a culture that provides a safe, injury-free workplace while fostering environmental excellence. To be successful, our EHS team must engage all of our employees worldwide and encourage them to take personal ownership of environmental, health and safety issues and integrate best practices into their daily activities.

We design our EHS programs to exceed regulatory compliance requirements by providing the standards, business processes and tools needed to drive continuous improvement.

Figure 9 shows the total recordable workplace injury rates for Dell's U.S. operations and global manufacturing facilities for calendar years 2002 through 2006. Figure 10 shows the lost time case rates over the same period for the same facilities.

The 2006 recordable case rate decreased slightly from the previous year to 0.55, while the lost time case rate increased slightly to 0.14 (number of cases per 200,000 work hours or approximately 100 full-time employees). Both rates, however, remain well below the most recently published industry average data. Our goal is to continue to drive our recordable rate lower during the next five years, and increase the number of locations where we track data.

Fiscal Year 2007 Health and Safety Awards and Recognition

The following highlights are a few of our significant accomplishments for fiscal year 2007:

- Parmer South 4 (Austin, Texas) office and lab building received certification under the U.S. Occupational Health and Safety Administration's Voluntary Protection Program (OSHA VPP). A total of 10 facilities in the U.S. currently have VPP certification.

- On October 10, 2006, our EMF3 manufacturing facility in Limerick, Ireland was granted VPP certification under a program jointly sponsored by the Ireland Health and Safety Authority and the U.S. OSHA. The facility became the largest site in Ireland to achieve this recognition.

Health and Safety Regulatory Compliance

Dell facilities are subject to periodic routine regulatory inspections, such as those for fire safety, food health and safety, and workplace safety. Such inspections may result in minor findings or improvement notices; these findings are typically corrected immediately and do not require further investigation or inspection.

More serious and formal situations do occur on occasion. At our manufacturing facility in El Dorado, RS (Brazil), a safety inspection by the local labor ministry in
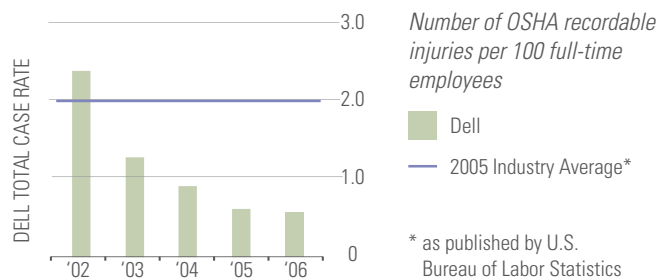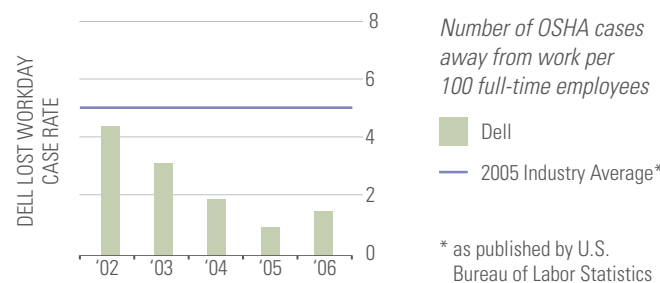
FIGURE 9: TOTAL NUMBER OF WORKPLACE INJURIES

Number of OSHA recordable injuries per 100 full-time employees

■ Dell
— 2005 Industry Average*

* as published by U.S. Bureau of Labor Statistics

FIGURE 10: TOTAL NUMBER OF LOST WORKDAYS

Number of OSHA cases away from work per 100 full-time employees

■ Dell
— 2005 Industry Average*

* as published by U.S. Bureau of Labor Statistics

Alexis Krajeski: On Shareholder Value

Alexis Krajeski, Analyst, Governance & Sustainable Investment
F&C, Boston, Massachusetts *www.fandc.com*

I've been with F&C for nearly four years as an analyst with the governance and sustainable investment team. F&C is a leading global investment firm with over $200 billion under management and 750 employees worldwide. F&C is a mainstream investment management company that incorporates social and environmental analysis into its investment process.

My company's relationship with Dell began in 2003. Dell invited F&C, along with several other analysts, to brief Michael Dell and other senior managers on emerging standards for sustainable business practices and how investors evaluate company environmental and social performance. At the time, we weren't convinced that Dell took sustainability issues as seriously as other leading companies. The meeting focused on the need for Dell to consider the full life cycle of its products, particularly at the end of their useful lives. We were concerned that the growing number of computers in landfills, or being broken down improperly for recycling, was creating long-term environmental and social risks for the company.

Dell listened to our perspective. Shortly thereafter, Dell introduced a new comprehensive recovery and recycling program for its commercial customers. Dell went beyond just announcing the program. The company trained its sales staff and incentivized them to push its asset recovery services. It's a great example of how Dell aligns its social and environmental commitments with its business commitments. Sure, taking back obsolete hardware makes good environmental sense. But the asset recovery service revenue stream makes good financial sense too.

Dell has worked hard over the past few years to improve labor standards on the ground where its products are manufactured and assembled. In 2003, an F&C report characterized Dell's supply chain labor standards program as mediocre. Along with its competitors like HP and IBM, Dell developed the Electronics Industry Code of Conduct (EICC). Dell and other members of the EICC are working to improve labor practices on the ground by developing transparent standards, raising awareness, and auditing suppliers. The company's resolve and leadership in this area impressed us.

Dell is one of the leadership companies that sets quantifiable corporate responsibility goals. For example, in 2005 the company pledged to double the amount of waste it would recycle. Most firms only commit to "improving" their sustainability performance. Could you imagine a CFO telling the equity analyst community it had no targets — only that sales or earnings per share (EPS) would "improve"? No analyst would tolerate such ambiguity. Dell is the only firm I work with that provides data-driven quarterly updates on implementation of key social, environmental, and governance goals. It also clearly aligns these metrics with its business strategy.

Dell makes fast, concrete decisions. It doesn't drag its feet when it comes to tackling CSR, in contrast to some other technology companies who take a wait and see attitude. As guardians of our investors' money, we're not looking for companies to manage corporate responsibility solely on a moral or ethical basis. It's a business issue to be managed like any other business issue. Dell understands this. F&C appreciates that.

December 2006 resulted in findings for failure to activate the site's internal accident prevention committee as required by law, lack of proper training for a committee member, and failure to properly inspect a compressed air tank. The findings regarding the accident prevention committee may result in Dell being issued a fine.

EMPLOYEE HEALTH AND WELLNESS

Dell's benefit plans for its employees are designed to maintain and enhance employee productivity and further Dell's operational goals. The plans, which vary by region, are designed to assist employees and their families in planning and providing for major life events, such as illness, disability, retirement and death.

In addition to benefit plans, our Well at Dell programs support the health and well-being of our employees and their spouses or domestic partners (if covered by medical benefits). Well at Dell supports employee health, assists with managing health conditions, reduces health risks and helps to maintain healthy lifestyles.

While offerings may vary by region, examples of Well at Dell activities include the following:

- on-site fitness or wellness centers, where employees can exercise or receive preventive health information
- voluntary employee health screenings including blood pressure, cholesterol and breast cancer
- health and wellness educational seminars, with topics such as smoking cessation, nutrition and exercise, and disease prevention
- employee and community events such as blood drives and home safety fairs
- seasonal flu vaccines for employees and family members
- opportunities to improve health and reduce out-of-pocket medical insurance costs through participation in targeted health improvement programs

We have chosen to highlight our efforts regarding HIV/AIDS.

HIV/AIDS

The HIV/AIDS pandemic affects Dell employees, customers, supplier partners and communities where we live and work. At Dell we recognize the health and business impacts of the spread of HIV and believe that our corporate

At Dell we recognize the health and business impacts of the spread of HIV and believe that our corporate accountability standards commit us to do our part to fight the spread of this disease.

FIGURE 11: HIV/AIDS PROGRAM OBJECTIVES

accountability standards commit us to do our part to fight the spread of this disease. This section reviews our internal HIV/AIDS strategy. Information on our HIV/AIDS community grants and involvement is covered in the "HIV/AIDS" section on page 73.

Our Strategy
We investigated where our employee population is based and compared that information to various regions' benefits coverage programs and predicted growth in the number of infections.

This analysis showed that the greatest number of employees were based in the U.S., India and China. With plans to grow our headcount in India, our team settled on the U.S. and India as priority countries for the HIV/AIDS prevention strategy. Roughly half of Dell's global employee base is based in these two countries. With this priority in place, in 2007 the company will test new programs in these countries.

Figure 11 illustrates Dell's HIV/AIDS program objectives.

Our HIV/AIDS Team
A cross-functional team representing several Dell business units sets HIV/AIDS policy and objectives for Dell. This team, with its representatives from Sustainable Business, Human Resources, Global Diversity, Public Affairs, and Employee Communications, provides us with the multiple perspectives that we need to craft a plan that addresses cultural, gender, and regional-specific HIV/AIDS prevention and treatment issues.

Dell's HIV/AIDS Program Objectives
Dell's policy on HIV/AIDS covers four key areas:

Fight discrimination: No Dell employee is harassed or discriminated against due to real or perceived HIV/AIDS infection.

Provide reliable information: Dell employees worldwide should have reliable information about HIV/AIDS awareness and prevention.

Diagram

HIV/AIDS Policy

- **Non-Discrimination** — EEO/Diversity Policy
- **Awareness/Prevention** — Access to Information and Testing (in U.S.)
- **Community** — Employee Volunteerism and Dell Foundation
- **Advocacy** — Global Business Coalition on HIV/AIDS
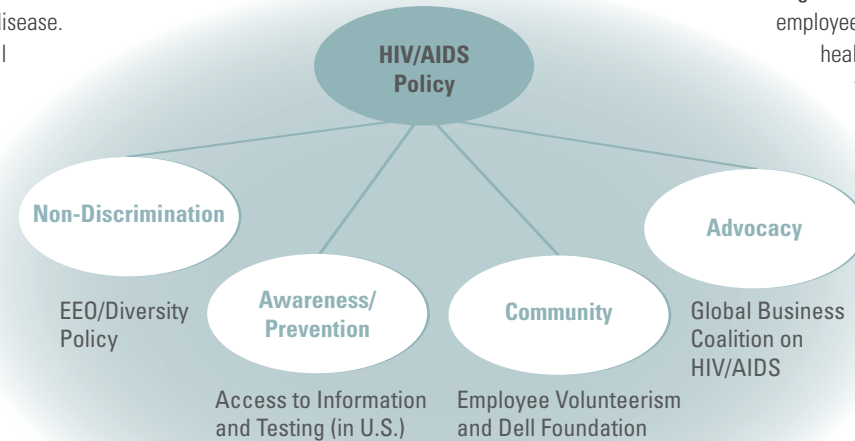
Encourage testing and prevention: Dell employees should have access to annual health screenings and confidential testing and referrals.

Advocate for fair treatment: Continue to partner with other multinational corporations to share best practices and leverage existing resources to provide affordable business solutions that improve the health and productivity of employees outside the U.S.

Constraints of the Global Benefits Environment

In 2006, Dell analyzed coverage of HIV/AIDS treatments through employee benefits in every country where Dell resides. Fortunately, more than half of Dell employees worldwide have health benefits that include HIV/AIDS prevention and treatment. In many markets where Dell operates (specifically, the European Union, Canada, and Japan), government or mandated programs provide HIV treatment.

However, we realize that we will face cost and insurance delivery challenges at some Dell sites. Employee coverage varies greatly because of the fear of high costs for treatment and because the disease remains a taboo subject. In fact, some countries do not currently offer any HIV insurance coverage. Dell is working with the Global Business Coalition (GBC) to identify reputable HIV/AIDS resources and services in these countries.

Dell includes HIV treatment coverage for employees in our new call center in Manila, Philippines. Dell will continue to investigate ways to extend this coverage to facilities in new markets as our business grows.

Technology and HIV/AIDS, a Public-Private Partnership
In 2006, Dell joined the Technology and HIV/AIDS working group to develop concrete concepts for public-private partnerships around technology and HIV/AIDS. The group, referred to as IT PPP — for information technology public-private partnership — consists of a diverse group of representatives from the information technology (IT) industry, the U.S. government, and other multinational organizations. The organization is convened in part by the U.S. State Department's Office of the Global AIDS Coordinator, and the GBC.

GBC
GLOBAL BUSINESS COALITION
ON HIV/AIDS, TUBERCULOSIS AND MALARIA

"Dell's engagement on HIV/AIDS is multifaceted, including Michael Dell's outspoken commitment on the issue, donating computers for disease surveillance, and deep community partnerships in India, South Africa and the United States. Dell's activities serve as corporate best practices, contributing to the sustainable development of local communities, and positioning the company as a true leader in the development of innovative business responses to HIV/AIDS."
— DR. NEERAJ MISTRY, MBBCH, MSC TECHNICAL DIRECTOR

Dell recognizes the opportunity to greatly extend its successful workplace program against HIV/AIDS with other companies in its supply chain, including business partners and subsidiaries.

Inside the working group, Dell participates on a project team that is examining the potential to share workplace training and engagement programs on HIV with supply chain partners and other large employers who may not have workplace programs. The working group intends to test the concept, ideally within the coming year, in a selected market, such as India.

Dell recognizes the opportunity to greatly extend its successful workplace program against HIV/AIDS with other companies in its supply chain, including business partners and subsidiaries. By leveraging the HIV/AIDS programs that large companies and NGO partners have already developed, smaller companies within the supply chain can offer their own HIV/AIDS programs.

Achievements in HIV/AIDS Prevention

This past year, Dell has furthered its internal HIV/AIDS program and has made the following achievements to date:

- Offered on-site health screenings and referrals to testing resources at all U.S. locations with more than 200 employees.
- Held the HIV/AIDS Workplace Policy and Practices Dialogue with ICCR in March 2006 and follow up in September to present the highlights from Dell's report on its effort to fight HIV/AIDS.
- Made HIV/AIDS information available online through the U.S. Wellness and Health Improvement Portal (WebMD®).
- Published HIV/AIDS educational information internally at Dell in conjunction with World AIDS Day.
- Held employee seminars on HIV awareness and prevention with the Malaysian AIDS Foundation.
- Participated in the HIV/AIDS Work Group of the Global Health Benefits Institute to identify treatment options for HIV/AIDS patients in countries whose health programs do not cover the disease.
- Held the HIV/AIDS Workplace Policy and Practices Dialogue in March 2006 to present the highlights from Dell's report on its efforts to fight HIV/AIDS.
- Surveyed our existing coverage of HIV/AIDS treatments through employee benefits in countries in which Dell resides. More than half of Dell employees worldwide have benefits that include some form of HIV/AIDS treatment.

Fiscal Year 2008 Priorities

Figure 12 outlines our HIV/AIDS priorities for fiscal year 2008.

FIGURE 12: FISCAL YEAR 2008 HIV/AIDS PRIORITIES

Topic	Description
Access to Treatment	Work with non-governmental organizations (NGOs) and business partners to address the challenge of providing access to HIV/AIDS treatment options in countries where health plans do not cover the treatment.
Best Practices	Develop benchmarks and share best practices with other multinational corporations through the Global Health Benefits Institute. Focus on innovations that offer affordable solutions to HIV/AIDS treatment.
Dell Global	Continue recognizing World Aids Day with Dell employees, and establish HIV/AIDS awareness events in conjunction with national health observances where possible. Expand prevention and awareness programs in Dell India for all locations where health screenings are offered. Make prevention and referral information available through e-mail and telephone hotlines at Dell's sites in India. Continue participating with GBC and the Technology and HIV working group. Pursue working group project to test expansion of workplace programs in India by February 2008.
Dell U.S.	Continue to engage with HIV-service organizations in Dell communities in the U.S. and Canada. Investigate with Central Texas HIV-service organizations and local governments the potential expansion of community and employee engagements on HIV that may serve as models for other communities in which Dell has a presence.

GLOBAL CITIZENSHIP AND ETHICAL SOURCING

At Dell we drive our supply chain to improve cost, quality, and continuity of supply while adhering to our Global Citizenship Principles. We first introduced our Supplier Principles at our March 2004 Global Supplier Conference. At that time, we asked our supplier CEOs to sign a letter of commitment to follow these principles.

Dell created a framework for suppliers to implement global citizenship in a phased approach, starting with awareness, self-assessment, verification, and ultimately, sustainability. Dell defined criteria for proceeding from one phase to another.

Dell 2006 Global Citizenship Highlights

- Introduced the Global Citizenship program to 75 Tier 1 suppliers, representing three-fourths of Dell's procurement expenditures.
- Collaborated with other industry leaders in developing Electronic Industry Code of Conduct tools.
- Introduced the Dell Business Process Improvement (BPI) methodology at five suppliers to drive improvements in working hours and health and safety conditions.

Dell reinforced the Supplier Principles in 2004 and 2005 by working with third-party auditor Impactt Limited to perform on-site audits with some of our largest suppliers. The audits assessed working and environmental conditions and established corrective action plans at facilities that did not meet our standards. Much of this early work aimed to raise awareness of key labor and environmental issues. Since 2004, Dell has been working collaboratively with other industry leaders through the EICC industry coalition.

ELECTRONIC INDUSTRY CODE OF CONDUCT

The Electronic Industry Code of Conduct (the Code) outlines standards to ensure that working conditions in the electronics industry supply chain are safe, that workers are treated with respect and dignity, and that manufacturing processes are environmentally responsible. The Code is made up of five sections: Labor, Health and Safety, Environment, Management System and Ethics. For more information, see www.eicc.info.

Today, the Dell Global Citizenship program employs a variety of self-assessment, auditing and business improvement tools. We also integrate supplier performance into our procurement decisions. Dell has introduced its Global Citizenship program to 75 Tier 1 suppliers operating a combined 153 manufacturing sites. These Tier 1 suppliers represent three-fourths of Dell's procurement expenditures. In 2006, we introduced our Dell BPI methodology to help suppliers make meaningful and measurable corporate social responsibility (CSR) improvements.

We manage our Corporate Global Citizenship Program through our WorldWide Procurement Department and the Dell Sustainability Council. The Sustainability and Global Citizenship teams work with internal and external stakeholders to develop program policy. The Global Citizenship Team administers the program on a day-to-day basis and works directly with the Worldwide Procurement commodity teams and suppliers.

Leveraging Common Tools through Collaboration

Our initial efforts to assess social and environmental performance in our supply chain began with the introduction of our Supplier Principles, our own supplier self-assessment questionnaire and third-party audits.

Prior to the Electronic Industry Code of Conduct (EICC), Dell and other leaders in the electronics industry engaged suppliers on an individual basis. Each company used its own code of conduct and implementation system. While many codes and systems overlapped, they often covered different, sometimes conflicting, topic areas. Suppliers faced a multitude of codes, dissimilar audit protocols, differing self-assessment questionnaires, and multiple audits resulting in audit fatigue. These processes failed to optimize supplier resources and generated little clear direction to or accountability for improving supplier social and environmental performance. Dell believes the EICC framework provides the best prospect for addressing these issues.

We believe that a coordinated, industry-wide approach to the issue is effective. A harmonized approach reduces duplication and reduces the burden on suppliers so that they can focus their efforts on real social and environmental performance improvements. When Dell was approached by a coalition of electronic manufacturers to develop a joint industry code of conduct and tool methodology, we chose to participate.

We did not fully implement the EICC tools in 2006, given that many of the tools were still under development. During this period, Dell continued to use our internal tools to assess our suppliers. Figure 13 on page 30 illustrates the distribution of our suppliers worldwide.

Each year, we promote our global citizenship standards at our annual supplier conference, to which we invite suppliers from around the world. Our 2006 Supplier Conference was held in March and was hosted by two Dell Executive
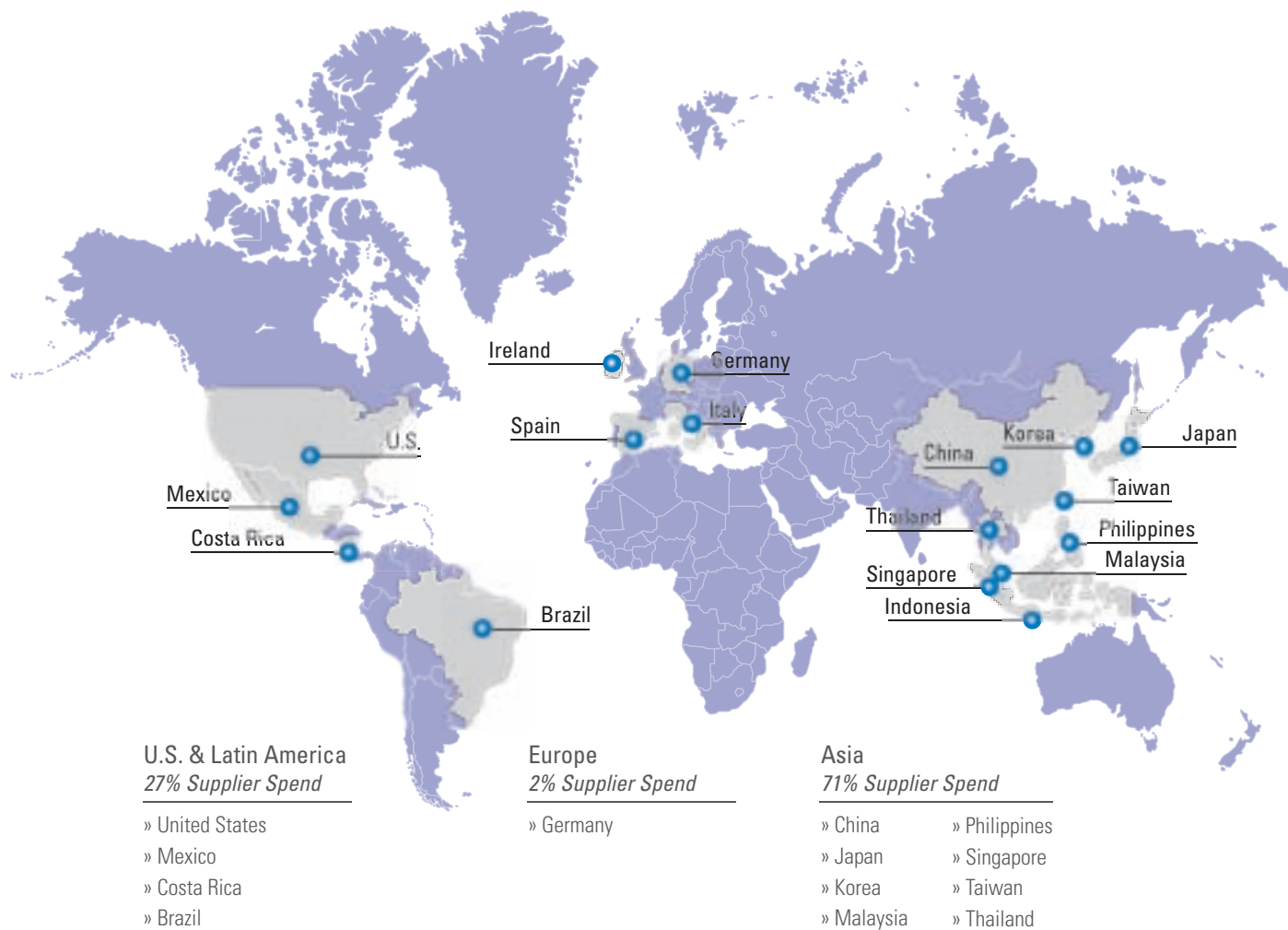
"Dell is now focusing on implementing the EICC with its supply base — an important and challenging component of making the EICC expectations a reality. We are encouraged by our work with Dell this year in expanding the reach of their global engagement with key stakeholders. The Dell team has engaged in genuine listening, and the engagements have been a valuable source of new ideas for the company. The next steps — and true test for Dell — will be how this information is incorporated into business strategy and how it impacts decision-making."
— KARA HARTNETT HURST, BUSINESS FOR SOCIAL RESPONSIBILITY

Dell held a seat on the founding EICC Board, which facilities the daily operations of the entire EICC initiative. Dell is currently one of 11 companies on the EICC steering committee, which is the strategic guiding body that provides direction and ensures progress toward the group's strategic plan.

Ireland
Germany
Italy
Spain
U.S.
China
Korea
Japan
Taiwan
Mexico
Thailand
Philippines
Costa Rica
Malaysia
Singapore
Indonesia
Brazil

U.S. & Latin America
27% Supplier Spend

» United States
» Mexico
» Costa Rica
» Brazil

Europe
2% Supplier Spend

» Germany

Asia
71% Supplier Spend

» China   » Philippines
» Japan   » Singapore
» Korea   » Taiwan
» Malaysia   » Thailand

Vice Presidents of Procurement who reported directly to our CEO. Approximately 400 Dell suppliers attended the event to learn about Dell's global citizenship expectations.

The Dell Global Citizenship Program

Dell aims to build a supply chain with the capability to meet the EICC social and environmental standards. We view this process as a journey that begins with awareness — where suppliers first learn about our code of conduct and expectations. We want our suppliers to progress beyond awareness, with the ultimate goal of building an internally driven management system to achieve the highest levels of global citizenship performance. However, we recognize that for many of our suppliers, this journey has only recently begun.

Dell's global citizenship business process classifies suppliers according to where they are in their journey toward meeting EICC standards. A supplier can be in one of four phases: Awareness, Self-assessment, Verification, and Sustainability. Dell uses a risk assessment tool that considers criteria — such as volume of business, geographic location, and type of component manufactured — to assign suppliers to a global citizenship phase. Figure 14 shows how many suppliers and sites were in each phase in 2006.

FIGURE 14: PHASES OF GLOBAL CITIZENSHIP

	Phase I	Phase II	Phase III	Phase IV
	Awareness	*Self-assessment*	*Verification*	*Sustainability**
Description	Acknowledge labor and environmental standards	Complete self-assessment questionnaire	Improve business processes and take corrective actions	Implement fully functioning management systems
Applicability	All Tier 1 suppliers	Certain suppliers based on risk criteria	Certain suppliers based on risk criteria	Certain suppliers based on risk criteria
Number of Suppliers and Sites per Phase in 2006	75 suppliers, 153 sites	60 suppliers, 105 sites	15 suppliers, 44 sites	None **Phase still being defined*

Dell participates on several EICC workgroups including: Code Revision, Joint Auditing, Capability Building and Communications.

Suppliers in the Awareness phase must achieve and maintain ISO 14001 and OHSAS 18001 certification. Suppliers in the Self-assessment phase must meet the requirements of the Awareness phase and complete a self-assessment questionnaire. Verification phase suppliers must meet the Awareness and Self-assessment requirements plus receive an independent audit of their facility. Suppliers in the Verification phase work with Dell in using our BPI methodology to address corrective action issues and implement management systems and infrastructure to sustain the changes. In the Sustainability phase, suppliers must sustain the changes implemented in the prior phase and demonstrate continuous improvement, capability building, and recognition programs. This final phase is still under development, and no suppliers were engaged in this phase of our program in 2006.

Supplier Performance Results

Nearly all Dell Tier 1 suppliers have earned ISO 14001 and OHSAS 18001 certification (100 percent and 98 percent, respectively). Ninety-one percent of Self-assessment phase suppliers have completed their self-assessments. However, a completed questionnaire does not necessarily mean the supplier has met Dell global citizenship expectations, implemented corrective actions, or closed outstanding issues. In fact, our auditing experience tells us that suppliers grade themselves very leniently compared to our independent auditors. Dell views a completed questionnaire as one step in the process of setting expectations, educating, and aligning suppliers with our global citizenship requirements.

In 2006, five suppliers transitioned to our Verification phase. These five suppliers are using Dell's BPI methodology to make tangible improvements in social and environmental performance.

In 2007, Dell intends to replace our own self-assessment questionnaire with the standard EICC questionnaire.

Implementing Corrective Action

Many of the corrective action issues that we have identified in our supply chain involve overtime, days off, and workplace noise and temperature. Suppliers may fear that improvements in these areas will drive up their costs — due to hiring more workers, cross-training staff, purchasing equipment, or implementing new maintenance or health and safety procedures. As Dell drives suppliers towards compliance with the EICC standards, we must acknowledge and work with our suppliers to address their perceived cost barriers.

We introduced our BPI methodology to our suppliers to help them achieve this objective. The Dell BPI methodology involves a team comprised of supplier employees and Dell representatives. Dell assigns a BPI "Black Belt" manager, the most skilled BPI professional, to the site to work directly with the supplier's BPI team. The team reviews the issue, determines the root causes, identifies corrective actions, and pilots and delivers a sustainable, improved process. BPI teams prepare and present progress reports to executives from both Dell and the supplier on a quarterly basis.

Dell business teams have successfully used the BPI methodology for more than a decade. Typical projects include identifying and addressing conventional manufacturing issues such as quality, throughput, delivery, and cost. In 2006, Dell used the BPI methodology in a global citizenship context for the first time. Dell initiated projects with five suppliers that are currently in the Verification phase.

Case Study: Using BPI to Improve CSR Performance

Dell and one of our suppliers collaborated on two BPI projects in 2006. This supplier wanted to focus on reducing employee overtime to no more than 80 hours per month while ensuring that employees receive at least four days off per month. Dell assigned a BPI specialist or "Black Belt" to the supplier. The supplier assembled a cross-functional team and made the necessary

FIGURE 15: BPI QUESTIONS, DELIVERABLES AND OUTCOMES

Dell has used the BPI methodology to address manufacturing issues for more than a decade. In 2006, Dell used BPI in a corporate responsibility context for the first time.

Phase	Key Questions	Key Deliverables	Supplier Outcome
1. Define	What is the problem? Who can fix it? What is the current process?	Create a problem statement Identify project team and executive sponsors Define project scope Develop an as-is process map (to describe the current state)	*Problem statement:* Monthly overtime averages 111 hours per month *Goal:* Reduce overtime to no more than 80 hours per month *Problem:* Average employee has fewer than two days off per month *Goal:* Average employee has four or more days off per month *Cross-functional Team:* Comprised of managers from Human Resources, Production and Industrial Engineering
2. Measure	Can I explain the problem with data?	Determine performance baseline and targets Collect data Identify potential savings and benefits	Developed charts to identify baseline, analyze trend, and compare data to other internal processes Figure 16 shows employee overtime hours per month. Figure 17 shows employee days off per month.
3. Analyze	What is the real problem?	Create list of variations Perform root cause analysis Develop and agree on potential solutions	Developed a cause-and-effect diagram depicting possible causes related to the problem. Figure 18 summarizes these key issues. Developed a cause analysis for each area to determine improvement plans
4. Improve	How can we improve the process?	Quantify the impact of a solution Evaluate process improvements and results	Developed a maintenance schedule for equipment to reduce down time Implemented a badge scanning system for employees to track actual hours worked Cross-trained employees
5. Control	Did we improve? Did we perceive any benefits?	Maintain improvement gains Compare processes before and after changes Validate financial and other improvements	Created recommendations: – Continue to collect data and chart overtime and days off – Track improvement – Compare to baseline
6. Report	Who else would benefit from our improvement results?	Transfer knowledge and lessons learned Deploy to other areas	Cross-functional team to collect data and provide quarterly updates to its supplier executive team and Dell

management commitment to implement the recommendations that the team developed. Figure 15 shows key questions that the team addressed as well as the key supplier outcomes.

Figure 16 shows the results of the supplier's BPI efforts on overtime. In 2006, the supplier met its goal of fewer than 80 hours of overtime per employee per month — down from an average of 111 hours per month. Efforts to address April 2006 production issues coupled with improved human resources practices resulted in significant improvements in the fourth quarter. In 2007, the supplier plans to reduce its overtime goal to an average of 60 hours per month.

As Figure 17 shows, the supplier also met its days off goal of four or more days off per month — an improvement over its 2005 average of fewer than two days off per month. Improved human resources practices helped the supplier track performance against the goal of four days off per month.

In the Analyze phase of the BPI process, the team developed a cause-and-effect diagram depicting the main issues that contribute to overtime; these key issues are summarized in Figure 18. The team identified six issues that have the greatest leverage for meeting the goal to reduce overtime. They also developed improvement plans for each of these six issues.

Corrective Action Results

In 2006, Dell conducted BPI assessments at five suppliers in China to drive corrective action in the following areas: working hours (overtime), basic employee health and safety and EICC awareness. Through the BPI teams, suppliers identified improvement plans and implemented actions to improve working hours and number of days off. Suppliers cross-trained employees to build skill levels across teams. Previously, suppliers used manual time sheets to track the number of hours worked by an employee. Suppliers invested in more robust employee work-hour tracking systems that allow employees to scan in or out, allowing managers to easily review hours worked by each employee. Suppliers implemented these changes on a pilot basis in selected parts of their plants.

FIGURE 18: SUPPLIER OVERTIME KEY ISSUES

MEASURE
- Overtime Control Procedure
- Production Plan
- Production Quality

MACHINE
- Equipment Down Time
- Equipment Capacity
- Machine Utilization

WORKER
- Number of Workers
- Overtime Policy
- Multi-Function Workers
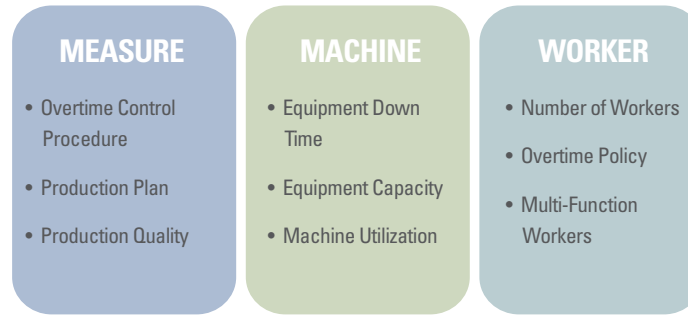
After the new processes are validated, suppliers will roll out these changes in other production areas.

BPI is a useful tool for problem solving and driving continuous improvement. To be successful, BPI teams not only must be knowledgeable, but they must also be cross-functional and have executive management support. BPI projects with these three ingredients — knowledge, cross-functional participation, and executive management support — were the most successful. Continued management commitment and engagement is critical to success in fiscal year 2008, as we work with suppliers to complete their BPIs.

Key Challenges and Fiscal Year 2008 Outlook

Dell recognizes the many challenges we face in aligning our supply chain with our global citizenship principles. This includes price pressure by manufacturers (including Dell) on our suppliers, host governments that do not enforce labor regulations, and workers looking for more income to support their families. These are not excuses; rather they are challenges that Dell and other electronics industry leaders face in driving supplier compliance to the Electronic Industry Code of Conduct (EICC). Figure 19 on page 34 lists a number of changes that Dell's Citizenship Team plans to introduce in fiscal year 2008.
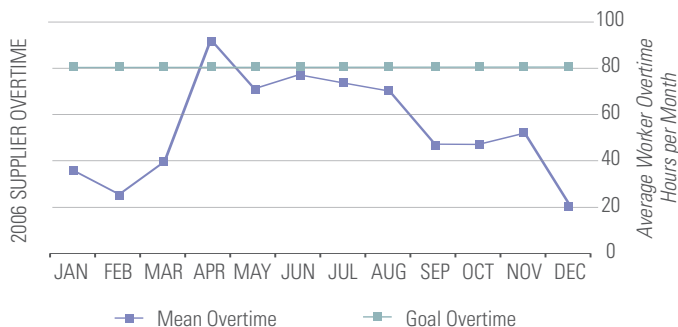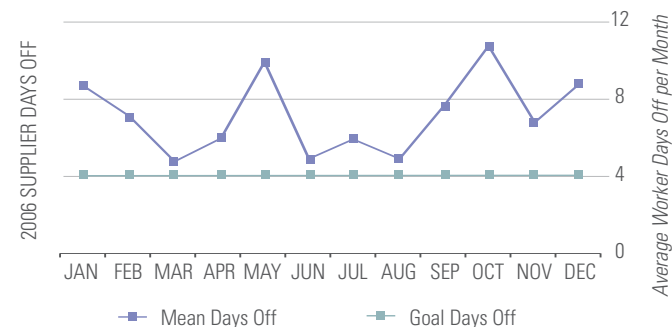
FIGURE 16: 2006 SUPPLIER OVERTIME

Mean Overtime • Goal Overtime

FIGURE 17: 2006 SUPPLIER DAYS OFF

Mean Days Off • Goal Days Off

FIGURE 19: 2007 GLOBAL CITIZENSHIP CHALLENGES AND PROPOSED SOLUTIONS

Challenge	Dell Response
EICC Commitment: Dell's long-term vision is for our supply chain to meet EICC standards. However, some gaps between current practices and EICC standards are large in the extended supply chain and will require many years to close.	At our Supplier Conference in April 2007, Michael Dell strongly encouraged suppliers to join the EICC and emphasized the importance of complying with the EICC standards. At a minimum, we will ask Tier 1 suppliers to sign the Electronic Industry Code of Conduct. By signing, Dell's Tier 1 suppliers will agree to perform these activities in 2007: • Implement infrastructure, training programs and systems to educate and implement the Code within their own operations. • Formally disseminate the Code to their suppliers. • Implement checks of their Tier 1 suppliers (Dell's Tier 2 suppliers) to confirm that they understand the EICC Code and have begun to implement infrastructure, training programs and systems to comply with the Code.
Supplier Contract Awards: Suppliers need clear signals that complying with the Code is a long-term requirement for doing business with Dell.	Integrate EICC compliance in the supplier qualification and selection process by adding terminology to the Master Purchase Agreements (MPAs). Perform a pre-assessment of a supplier before awarding a new contract. If the results are not satisfactory, devise an action plan for the supplier to address critical issues within a stated contingency period.
Supplier Evaluation: In procurement decisions, global citizenship issues do not have equal consideration with the other criteria of quality, cost, and delivery.	Modify point allocation in Quarterly Business Reviews by assigning more points to global citizenship. Include BPI results as criteria in Quarterly Business Review scores as well.
Audit Integrity: A common practice in the electronics industry supply chain is for suppliers to use a false set of records (for example, work hours and payroll) to pass audits.	Employ EICC-approved independent auditors to audit suppliers to mitigate this issue. Show a presence by periodically visiting suppliers to check audit and BPI results. These visits will further reinforce Dell's commitment to EICC standards.
BPI Projects: While BPIs are effective in addressing global citizenship issues, our current pilot implementation with five suppliers does not scale to a larger number of suppliers.	Identify *Best Practices and Lessons Learned* from the pilot BPI projects and disseminate that information to all Dell Tier 1 suppliers. Offer BPI training to our suppliers through the Dell BPI course offerings.
Capability Building Initiatives: Dell's Tier 1 suppliers are knowledgeable about the EICC. This same information needs to be disseminated to the rest of the supply chain.	Dell will host Global Citizenship Workshops in China in 2007 to: • Reinforce the Code to our Tier 1 suppliers • Identify best methods for disseminating the Code to Tier 2 suppliers and beyond • Identify best practices for communicating with factory workers

Human Rights

Human rights are fundamental rights. We operate in a world with different countries, cultures, norms, and levels of economic development. But in this diverse world, international accepted standards for human rights cross borders, levels of development and cultures.

We draw our global principles on human rights, available at *www.dell.com/globalcitizenship,* from numerous best practices, management systems and acknowledged standards. These include the United Nations Declaration of Human Rights, the U.N. Convention on the Rights of the Child (UNICEF), fundamental conventions of the International Labor Organization, International Organization for Standardization (ISO14001), Occupational Health and Safety Assessment Series (OHSAS 18001), as well as the overall framework of the Global Compact.

We believe that businesses as members of society can play an important role in the protection and promotion of human rights. As a business, we work to not only meet these standards, but promote them beyond the walls of our facilities. Governments carry the primary responsibility for protecting human rights but companies can contribute significantly by conducting responsible business. As a company, our advocacy for human rights can have a broad impact on people, communities and the environment.

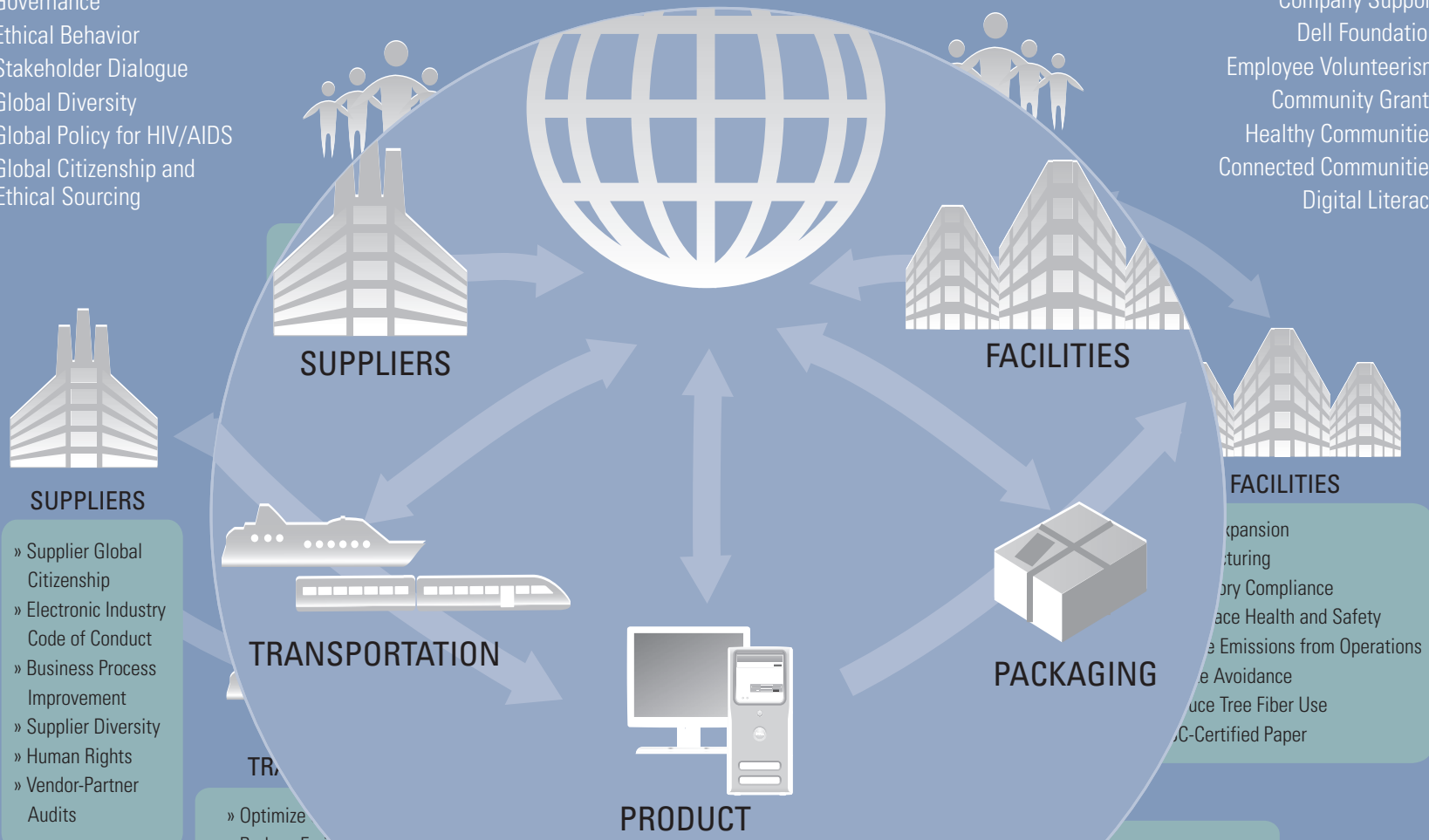| Domain	Dell Values and Policy
Dell Workplace	Our Code of Conduct establishes high standards for conduct, ethical behavior, treatment of individuals and workplace safety in our facilities around the globe. See *www.dell.com/codeofconduct.*
Dell Suppliers	Dell expects our suppliers to implement the same high standards of workplace safety and employee treatment that we do in our own facilities. This expectation is contractually required through Dell's supplier standards, reviewed as part of quarterly business reviews, and tested through audits. See *www.dell.com/supplierprinciples.*
Dell Communities	Our Global Citizenship standards outline our commitment to responsible behavior in the communities we call home. See *www.dell.com/globalcitizenship.*

CORPORATE ACCOUNTABILITY

- » Governance
- » Ethical Behavior
- » Stakeholder Dialogue
- » Global Diversity
- » Global Policy for HIV/AIDS
- » Global Citizenship and Ethical Sourcing

COMMUNITY ENGAGEMENT

Company Support «
Dell Foundation «
Employee Volunteerism «
Community Grants «
Healthy Communities «
Connected Communities «
Digital Literacy «

SUPPLIERS

SUPPLIERS

- » Supplier Global Citizenship
- » Electronic Industry Code of Conduct
- » Business Process Improvement
- » Supplier Diversity
- » Human Rights
- » Vendor-Partner Audits

FACILITIES

FACILITIES

- xpansion
- cturing
- ory Compliance
- ce Health and Safety
- e Emissions from Operations
- e Avoidance
- uce Tree Fiber Use
- C-Certified Paper

TRANSPORTATION

TR

- » Optimize
- » Reduce Emis
- » Geographic Ma

PRODUCT

PACKAGING

- g Optimization
- ging with Environmentally
- ponsible Materials
- » Global Recycling
- » Multi-Packs and Vertical Boxes
- » Forest Stewardship

ENVIRONMENTAL RESPONSIBILITY

- » Eco-Labe
- » Product Stewardship
- » Asset Recovery
- use
- covery and
- Recycling Programs
- » Donations

ENVIRONMENTAL RESPONSIBILITY

Our commitment to environmental responsibility runs deep at Dell. Over the past decade, Dell has built environmental considerations into every stage of the Dell product life cycle — from development and design, to manufacturing and operations, to customer use and end-of-life product disposition. While we're proud of the significant progress we've made so far, we know there's still much more to do.

Dell believes that we all play a key role in protecting the earth's climate. Through programs like Energy Smart, we are designing energy efficient products that reduce power requirements, which, in turn, help to offset carbon dioxide emissions. We are working with our commercial customers to design and retrofit data centers to reduce energy use. Through innovative programs like Plant a Tree for Me, Dell helps customers reduce their climate footprint as well. We've worked to reduce the climate impact of transporting our products through improved shipping procedures, better routing, and siting facilities close to our customers.

When selecting substances used to design our products, we are guided by a precautionary approach. We strive to eliminate environmentally sensitive substances from our products wherever cost-effective, safer alternatives are available. This year, we accelerated plans to phase out brominated flame retardants (BFRs) in new product designs, changing the target date from 2015 to 2009.

We continued efforts to minimize the environmental impacts of our manufacturing operations. We improved our recycling and reuse rates in our global manufacturing facilities, reducing the percentage of materials that are landfilled. In fiscal year 2007, we decreased the electricity usage rate by 5 percent in our U.S. office facilities compared to fiscal year 2006, and we began to develop similar programs on a global basis.

Our efforts to increase recycled content and protect endangered forests have exceeded our goals as well. Nearly 20 percent of our catalog inserts came from sources certified by the Forest Stewardship Council (FSC). On average, we used paper that included 50 percent post-consumer recycled content in our catalogs.

We recognize our responsibility to recycle the products we sell, and we strive to make product recycling as easy as purchasing. We offer consumers worldwide no-charge recycling of any Dell-branded computer equipment at any time irrespective of product purchase. Currently, we are the only computer manufacturer to do so. Dell also offers no-charge recycling of any brand of used computer or printer when a consumer purchases a new Dell computer or printer. In several regions, we offer consumers the opportunity to donate working used computers to a nonprofit organization in their community.

FIGURE 20: 16 YEARS OF ENVIRONMENTAL IMPROVEMENTS
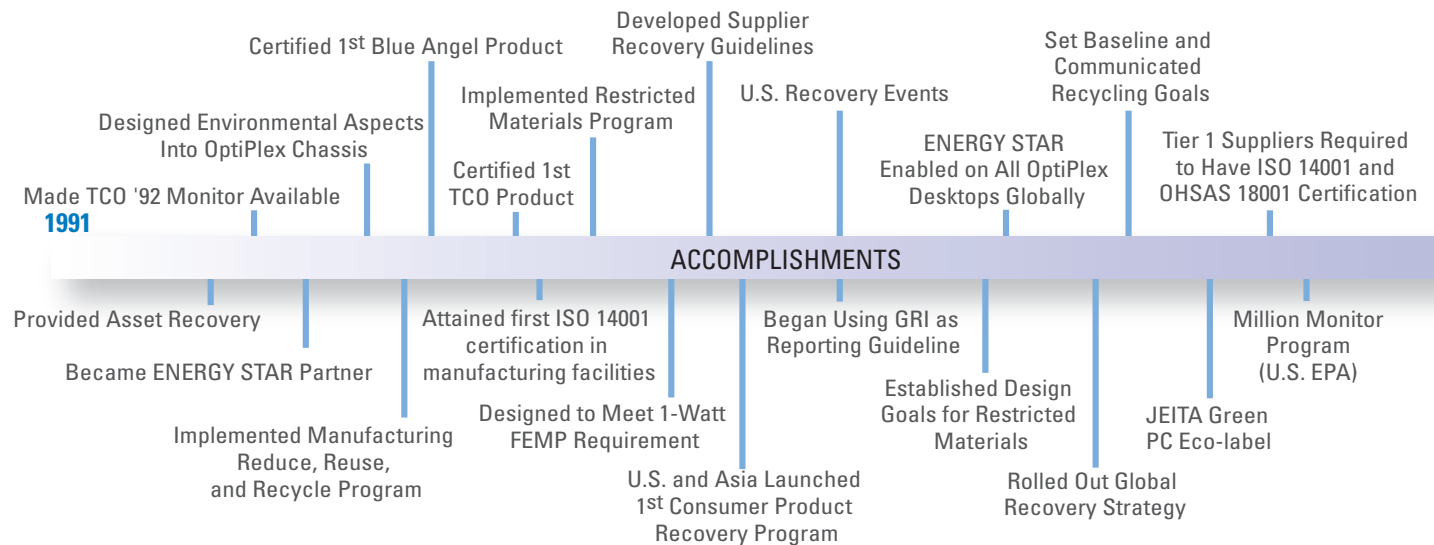
Environmental Responsibility Values	2006 Environmental Responsibility Actions
Climate Protection	Improved energy efficiency in products, transportation and operations.
	Reduced U.S. electricity usage rate by 5 percent.
Materials	Accelerated the date (by six years) to phase out brominated flame retardants in new product designs.
	Met the European Union Restriction on Hazardous Substances (RoHS) worldwide.
Green Procurement and Eco-labels	Aided in the development of the U.S. Electronic Products Environmental Assessment Tool (EPEAT) standard and have qualified products at the silver level.
Facilities and Manufacturing	Increased solid waste reuse and recycling rates.
Forest Stewardship	Reduced packaging and office paper use.
	Used more forest friendly paper, including post-consumer recycled content and FSC-certified fiber.
Product Stewardship	Expanded industry-leading asset recovery program.
	Introduced no-charge recycling program for consumers worldwide.

As we push to meet the goals we set for ourselves, we continue to set new challenges moving forward. One of our key environmental responsibility challenges involves improving the breadth and depth of our greenhouse gas (GHG) measurement efforts. While we have estimates of U.S. emissions, our estimates from some of our other global operations are incomplete. Further challenges include estimating emissions from transportation — of our products, employee business travel and employee commuting. We are currently developing a comprehensive climate strategy that the company plans to introduce in 2007.

Other challenges we face in the future include meeting our 2009 brominated flame retardant (BFR) phase-out goal and continuing to increase the volume of product we recover and recycle. While we have strong initiatives in both areas, we also have high expectations.

In Figure 20, the continuum captures many of the accomplishments of our environmental efforts since we began tracking our progress in 1991. Note that this continuum does not indicate exact dates of implementation nor is it a comprehensive list.

You'll find many environmental issues reviewed in this section. Our comprehensive environmental policy is available at *www.dell.com/earth.*

At Dell, we are committed to pushing ourselves to achieve greater environmental responsibility each year.

FIGURE 20: 16 YEARS OF ENVIRONMENTAL IMPROVEMENTS (CONTINUED)
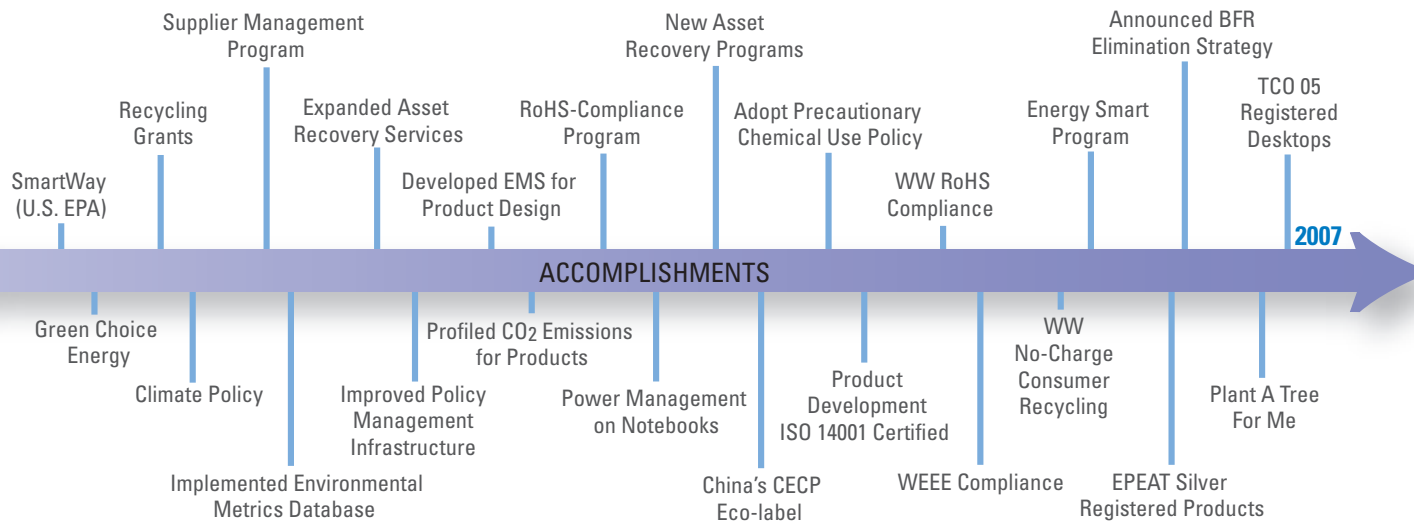
Dell recovered almost 400 desktop computers, notebooks, displays and printers (plus assorted keyboards and mice) at a free recycling event in Melbourne, Australia.

DELL ENVIRONMENTAL PRIORITIES

The electronics industry, as well as other industry sectors, is facing an increasing number of demands focused on reducing the environmental impacts of how products are designed, manufactured, used, and managed at end-of-life. As evidenced through "green" procurement policies such as the Electronic Product Environmental Assessment Tool (EPEAT) and emerging European legislation such as Registration, Evaluation and Authorisation of Chemicals (REACH) and Energy Using Products (EuP), the global marketplace is increasingly demanding product environmental improvements, as well as increased access to environmental information that relates to the product life cycle.

These policies also pose unique challenges in determining the environmental aspects of each stage in the life cycle of a product, from its inception until its disposal at the end of its useful life. Dell evaluates the environmental impact at each stage in development.

Total Product Life Cycle
At Dell, we consider environmental responsibility at every stage of a product's life. And when we evaluate and analyze environmental impact, we approach it at each stage. We have used this life cycle approach at Dell for nearly a decade to identify priorities, organize our programs, and improve our products. This systematic approach to managing our environmental challenges goes hand in hand with the basic planning, implementation, evaluation, and corrective action activities associated with our ISO 14001 programs.

Figure 21 shows how Dell integrates environmental attributes into each aspect of the product life cycle, stages 1 through 4.
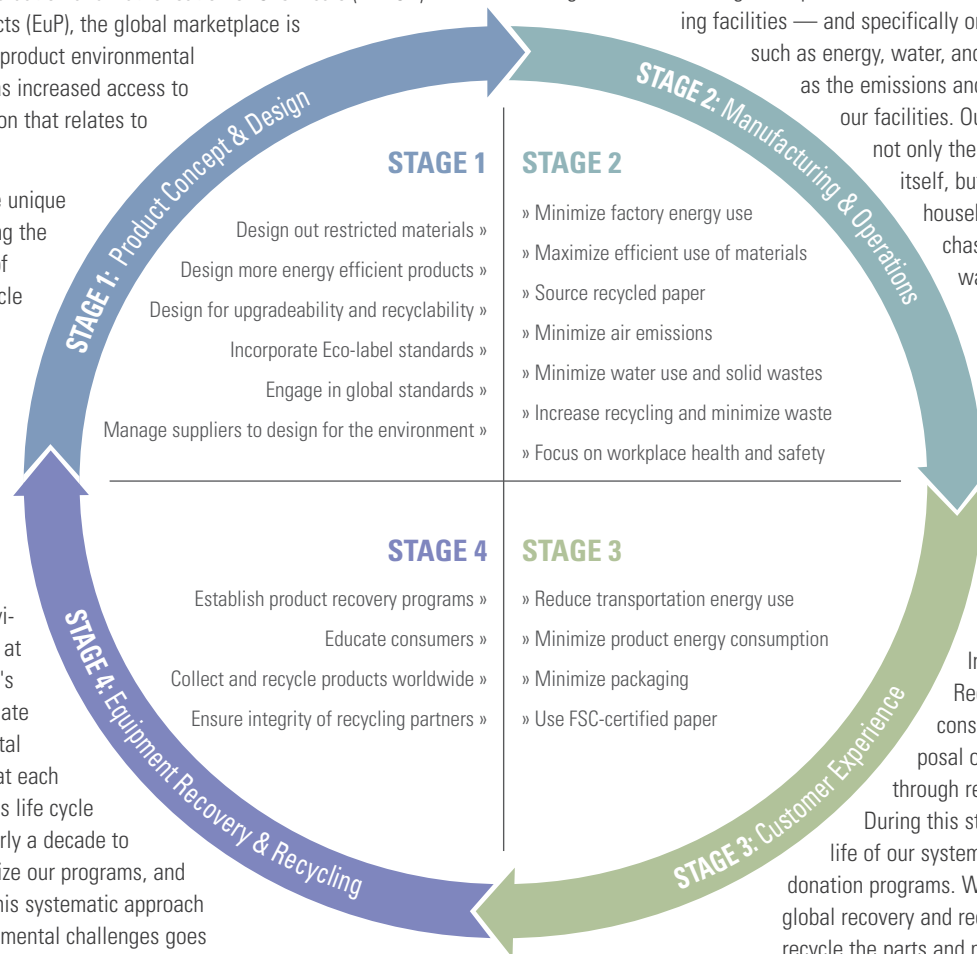
Stage 1, Product Concept and Design, is where we design products to be energy efficient and comply with, if not exceed, international recommenda-

tions for chemical use. For component manufacturing, it is where we manage our suppliers to ensure they share the same design objectives as we do. In addition to climate and chemicals, the design process affects every subsequent stage in the life cycle of our products, including the types and amounts of packaging, worker health and safety, product upgradeability, and end-of-life recyclability.

Stage 2, Manufacturing and Operations, focuses on our company's manufacturing facilities — and specifically on how we use resources such as energy, water, and forest products as well as the emissions and wastes generated from our facilities. Our company considers not only the manufacturing process itself, but also our cafeterias, housekeeping, office paper purchases, recycling, and solid waste management.

In Stage 3, Customer Experience, we look at the environmental aspects of how the product is packaged, shipped, and used by our customers. We work to minimize energy use and climate impacts from both product delivery and product use.

In Stage 4, Equipment Recovery and Recycling, we consider how to handle the disposal of unwanted equipment through reuse and recycling programs. During this stage, we look to extend the life of our systems through upgrading and donation programs. We are also developing a global recovery and recycling supply chain to recycle the parts and materials we collect.

Environmental Priorities Evaluation

Based on our product environmental assessments — and with input from our stakeholders — certain environmental priorities became apparent. We've categorized these environmental priorities as shown in Figure 22. Note that many of our priorities sweep across two or more stages. For example, we're working on climate protection strategies to reduce greenhouse gases in the product concept and design, manufacturing and operations, and customer

STAGE 1 — STAGE 1: Product Concept & Design

Design out restricted materials »
Design more energy efficient products »
Design for upgradeability and recyclability »
Incorporate Eco-label standards »
Engage in global standards »
Manage suppliers to design for the environment »

STAGE 2 — STAGE 2: Manufacturing & Operations

» Minimize factory energy use
» Maximize efficient use of materials
» Source recycled paper
» Minimize air emissions
» Minimize water use and solid wastes
» Increase recycling and minimize waste
» Focus on workplace health and safety

STAGE 4 — STAGE 4: Equipment Recovery & Recycling

Establish product recovery programs »
Educate consumers »
Collect and recycle products worldwide »
Ensure integrity of recycling partners »

STAGE 3 — STAGE 3: Customer Experience

» Reduce transportation energy use
» Minimize product energy consumption
» Minimize packaging
» Use FSC-certified paper

FIGURE 21: ENVIRONMENTAL IMPROVEMENT THROUGHOUT THE TOTAL PRODUCT CYCLE

FIGURE 22: ENVIRONMENTAL GOALS ACCORDING TO LIFE CYCLE STAGES

Environmental Priority	Goals	Life Cycle Stages
Climate Protection	Reduce greenhouse gas emissions in operations, logistics, and product use.	**Design:** energy efficient products & services **Manufacturing:** energy efficient factories **Customer Experience:** energy efficient transportation and carbon offset programs **Equipment:** carbon offset programs
Materials	Implement Dell's precautionary approach to chemicals management.	**Design:** no restricted substances **Manufacturing:** workplace health and safety **Equipment:** reduce recycling hazards
Manufacturing	Operate efficient manufacturing facilities.	**Operations:** efficient recycling and reuse
Forest Stewardship	Use packaging and paper that protects endangered forests.	**Manufacturing:** forest friendly tree fiber **Customer Experience:** minimized packaging
Product Stewardship	Recover, reuse, and recycle equipment at the end of its useful life.	**Design:** design for upgradeability, reuse, recycling **Recovery & Recycling:** worldwide product recovery

Today, all of our manufacturing facilities worldwide are ISO-14001 certified.

experience stages. Figure 22 show how our climate protection strategies span all four stages of the product life cycle.

The remainder of this section describes the progress we have made in each environmental area.

Dell continues to work with ENERGY STAR® and other global energy programs to certify our products. In 2002, Dell formalized a chemicals management process (see Figure 30 on page 48) to minimize or eliminate the use of certain environmentally sensitive materials in our products.

Dell's life cycle approach to managing environmental challenges helps Dell achieve higher product quality and longevity, improved customer satisfaction, innovations in materials management, greater efficiencies in manufacturing and service, and reduced costs associated with asset recovery.

CLIMATE PROTECTION

Greenhouse Gas (GHG) emissions are a cause of concern around the globe and to Dell, given their impact on our climate. Because power generation from

ISO 14001: ASSESSING OUR ENVIRONMENTAL OPPORTUNITIES

Dell uses the ISO 14001:2004 Environmental Management Systems standard to identify significant environmental aspects, implement processes and procedures to manage these aspects, set goals and demonstrate continual improvement. Two of our manufacturing facilities first achieved certification in 1999; our two newest facilities, in Xiamen, China and in Winston-Salem, NC were certified during fiscal year 2007.

Today, all of our manufacturing operations worldwide are certified, along with our global product development program and asset recovery services. For our significant environmental aspects at the global level, see www.dell.com/earth.

FIGURE 23: DELL CLIMATE PROTECTION STRATEGIES

Measuring our greenhouse gas emissions involves gathering energy use data on electricity, heating fuels, transportation fuels, product transportation, employee commuting, and business travel.
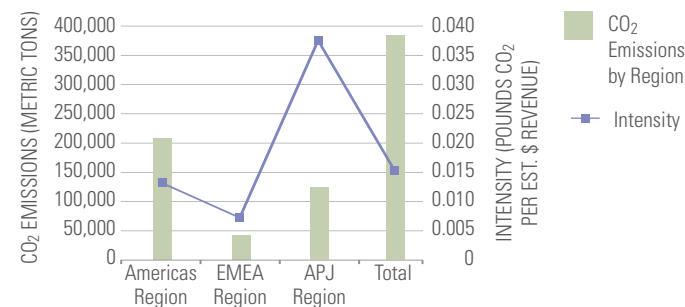
Area	Specific Focus	2006 Results
Greenhouse Gas Measurement	Assess the total carbon footprint of Dell leased and owned assets.	Calculated Dell greenhouse gas emissions from worldwide electricity use. Prior to fiscal year 2006, only U.S. data was available.
	Design energy efficient products.	Pre-configured PC systems with Dell Energy Smart settings. Designed Energy Smart servers with energy-efficient features that reduced power consumption by 25 percent. Continued to produce ENERGY STAR products.
Product Design, Installation and Use	Enable energy efficient product installations.	Reduced energy use for customers by designing new and retro-fitting existing data centers.
	Reduce energy use during product use.	Educated customers about features that reduce the energy required to operate Dell products.
	Help customers offset GHG emissions from product use.	Introduced Plant a Tree for Me program.
Facilities and Manufacturing	Reduce emissions from on-site fuel usage and electricity consumption.	Expanded energy conservation programs in U.S. facilities.
Transportation	Reduce energy use for shipping products to our customers.	Improved shipping procedures. Introduced customer delivery notification process. Opened more manufacturing facilities to build products closer to our customers.

carbon sources results in GHG emissions, our company has established programs to reduce energy use and use renewable energy sources. Dell's climate strategy is aligned with the fundamental elements of the Kyoto Protocol including designing and implementing climate change programs, measuring emissions, promoting energy efficient technologies, observing climate science, assessing impacts, and developing response strategies. From a business perspective, energy use is a controllable operating expense. Reducing energy use improves Dell's profitability, increases shareholder value and is consistent with our direct business model. Figure 23 illustrates Dell's approach to climate protection.

Measuring the Dell Climate Footprint

We are working to gather the necessary data to calculate greenhouse gas emissions from Dell owned and leased assets. This effort involves gathering

FIGURE 24: CARBON EMISSIONS FROM ELECTRICITY USE FISCAL YEAR 2007

Dell PowerEdge
Energy Smart
Servers

"Low-Flow" Fan
Technology

High Efficiency
Power Supplies

Low Voltage
Processors

High Efficiency
Dual-Core
Processors

"Low-Flow" Fan Technology
Controls fan speed based on thermal requirements of the system.

High Efficiency Power Supplies
Draw significantly less energy, helping to maintain cooler internal temperatures.

Low Voltage Processors
Intel® Xeon® New Quad-Core processors designed to increase performance per watt.

High Efficiency Dual-Core Processors
AMD Dual-Core processors designed to increase performance per watt.

If all Dell desktops sold last year ran Dell's Energy Smart settings, the reduction of carbon dioxide emissions would equate to removing an estimated 25 million cars from the road.

energy use data on electricity, heating fuels, transportation fuels, product transportation, employee commuting and business travel in Dell facilities worldwide. Dell also measures indirect GHG emissions from energy consumption during customer use. Carbon dioxide emissions were estimated using the methodology published by World Business Council for Sustainable Development's Greenhouse Gas Protocol Initiative *(www.ghgprotocol.org).*

Carbon intensity, or the ratio between carbon dioxide emissions and revenue dollars, is a generally accepted measurement to reflect the efficiency of the economy with respect to carbon emissions. Figure 24 shows the carbon intensity for our operations worldwide for fiscal year 2007 (using preliminary revenue data). Our emissions totaled 385,000 metric tons of carbon dioxide.

This graph represents the first time we've reported indirect emissions from electricity use for our operations. Previously, we reported electricity-related emissions from all U.S. operations, but we reported data only for manufacturing facilities outside the U.S.

Climate Reduction Goals
Figure 24 illustrates actual carbon emissions worldwide from electricity use and associated carbon intensity. We have established a goal to reduce our carbon intensity an additional 15 percent by 2012.

Dell has requested that its primary suppliers begin reporting greenhouse gas (GHG) emissions data. Suppliers risk having their overall scores reduced during Dell quarterly business reviews for not identifying and publicly reporting GHG emissions. A supplier's volume of Dell business can be affected by the scores earned on reviews. Dell will work with suppliers on emissions reduction strategies once data is collected.

Product Innovations to Protect Our Climate

We value efficiency at Dell — especially when it comes to designing our products or working with our customers to reduce the energy required to operate them. Efficiency benefits not only the environment, but also lowers the total cost of ownership by reducing power consumption. Beyond the efficiency of the product itself, we also work with our larger customers to minimize energy use in their data centers through power management and efficient heating and cooling. Lastly, we provide our customers with the opportunity to offset emissions from the use of electricity through our new Plant a Tree for Me Program.

Customers can visit Dell's energy resource site at *www.dell.com/energy* to view the energy-efficient features of Dell product families and data centers. The Web site also provides energy calculators that can help estimate power needs, potential emissions avoidance and potential cost savings.

Nov. 27, 2006, Beijing — Dell announced today that it was the only international PC computer company to receive the 2006 "Energy Conservation Contribution Award." In addition, all the company's client systems and major peripheral products have been certified by CSC, demonstrating a high recognition for Dell's enduring efforts and contributions to energy efficiency and environmental protection by an authoritative third party.

ENERGY STAR Products

Dell has actively partnered with the Environmental Protection Agency's (EPA) ENERGY STAR program for more than a decade. ENERGY STAR products reduce energy consumption, thereby reducing electricity costs for our customers, and reducing greenhouse gas emissions and other pollutants generated during power generation.

In fiscal year 2007, Dell introduced Energy Smart, complementing the EPA ENERGY STAR program and providing customers the ability to optimize performance and efficiency through product and service offerings.

Our latest OptiPlex desktop PC systems are pre-configured with the new Dell Energy Smart settings. Energy Smart features can save up to $53 annually per unit, and by adding a flat-panel monitor the annual power savings compared to previous-generation systems can reach $69 per system. Applying the Dell Energy Smart energy-efficiency settings of the new OptiPlex systems to all Dell desktops sold within the past year could save enough electricity to avoid about 12.5 million tons of carbon dioxide emissions, the equivalent of removing an estimated 2.5 million cars from the road. This equates to over $1 billion in operating cost savings opportunities for our customers.[1]

Energy efficiency is a fundamental design criterion for all PowerEdge servers. The introduction of Energy Smart servers reduces not only server power draw, but also the resulting system heat. Dell PowerEdge Energy Smart servers also use energy efficient hard drives, advanced fan technology, high efficiency power supplies, and low voltage processors. Taken together, these improvements reduce power requirements by up to 25 percent. Although Energy Smart servers cost about $100 more than similarly configured servers, customers can save up to $200 annually in energy costs per server.

China Energy Conservation Contribution Award

China Energy Conservation Production Certification (CECP) is required by a China government procurement program. Since 2005, Latitude, OptiPlex, Inspiron and Precision computers, which are marketed in China, have all received CECP certification.

In 2006, the China Standard Certification Center (CSC) awarded Dell their Energy Conservation Contribution Award for our commitment to developing energy efficient products.

Energy Efficient Consulting Services

In addition to selling energy efficient products, we provide consulting services

1 Potential annual savings calculated based on worldwide desktop computer shipments in 2005 and 2006; U.S. average unit cost of energy of $0.10/KWh. Emissions equivalence to automobiles calculated using the U.S. Climate Technology Cooperation Gateway calculator (formerly available at www.usctcgateway.net/tool).

VGR, Sweden: On Measuring Environmental Benefits

VGR, Sweden

A major Dell Sweden customer, VGR (Västra Götalandsegionen), commissioned ÅF, a local technical consulting firm, to document the environmental benefits of their recent Dell equipment acquisition. Criteria included:

- energy consumption for old and new computers
- energy consumption for CRT monitors compared to flat panel monitors
- energy consumption with energy save mode enabled versus not enabled
- energy consumption with screen saver enabled versus not enabled
- consequences of regularly unplugging the power cord from your computer
- the amount of lead used in a CRT monitor versus a flat panel monitor

Phase one results have identified the following:

Changing from a CRT to a flat panel monitor will save VGR 1,962 megawatts per year or enough electricity to power 322 average Swedish homes for a year.

Enabling the Energy Smart setup feature will save VGR 1,826 megawatts per year or enough electricity to power 299 average Swedish homes for a year.

Changing from a CRT to a flat panel monitor will phase out 13 to 16 thousand kilograms of lead.

to improve the energy efficiency of our customers' data centers. Our work in this area focuses on four services: environmental assessments, capacity planning, virtualization, and energy efficiency research.

Data Center Environmental Assessment Services

Dell helps companies make an existing facility or a newly acquired data center more energy efficient. We perform a comprehensive assessment and develop a customized remediation plan to reduce energy use in heating, ventilation, and air conditioning (HVAC) and power delivery systems.

Data Center Capacity Planner

Dell helps customers select the appropriate systems to meet their computing needs with an eye towards energy efficiency. As businesses grow, they need

more computational capacity — a need typically met by adding servers in the data center. Delivering the energy to each server generates heat, which in turn requires additional energy to cool equipment. Every watt consumed by a server and other information technology (IT) equipment generally incurs at least another watt through cooling, power backup and power delivery. This Dell service helps customers use the latest energy efficiency and computing technology to accommodate capacity growth.

Virtualization

We enable customers to virtualize their servers. Doing so can significantly reduce the number of servers an organization needs. Companies can slash data center costs by consolidating equipment to fewer, higher-performance servers running virtual environments. We can save our customers money by decreasing power consumption, reducing cooling requirements, and minimizing data center square footage.

Energy Efficiency Research

Vendors or customers that want to validate or develop custom energy-efficient solutions can work directly with the Dell Energy Efficiency Research Center in Austin, which simulates the data center environment. At the lab, customers and vendors test different HVAC, power delivery, and airflows on a range of IT deployments and workloads to find which technology or combination of technologies delivers the most efficient solutions.

To ensure that customers can take advantage of existing energy-efficient best practices and technology standards, Dell works with a number of industry groups and participates in several global initiatives, including:

ASHRAE: The American Society of Heating, Refrigeration, and Air-Conditioning Engineers, which advances the art and science of heating, ventilation, air conditioning and refrigeration to promote sustainability.

DMTF: The Distributed Management Task Force, which is leading an industry effort to ensure that all energy-related and power-consumption components in a system are interoperable, can communicate with management systems, and can support virtualization.

Ecma International: An internationally based standards organization, which is leading the development of international IT standards, including an effort focused on energy efficiency.

The Green Grid: An association of IT professionals, which seeks to lower the overall consumption of power in data centers around the globe. As a founding member, Dell joined other IT companies to encourage the private and public sector to develop and use power-conserving information technologies. For more information, see *www.thegreengrid.org.*

Offsetting Emissions from Product Use: Plant a Tree for Me

Dell recently announced a global carbon offset initiative, the Plant a Tree for Me program, which plants trees for customers to offset the carbon impact of electricity required to power their systems. This first-of-its-kind program underscores Dell's commitment to continued broad environmental stewardship. Dell is the first international technology company to offer customers the opportunity to offset carbon dioxide emissions associated with the electricity used to power their computers.

We've partnered with the Conservation Fund and Carbonfund.org, nonprofit organizations that will use the funds to plant trees in managed forests. Customers are not charged any program administrative fees; 100 percent of the donations received by the Plant a Tree for Me program go to the organizations to facilitate tree planting.

THE CONSERVATION FUND
America's Partner in Conservation

When launched in January of 2007, the program enabled Dell customers to offset the carbon impact of their notebook computer use for $2 and desktop system use for $6. In March 2007, the program was expanded to allow any U.S. contributor, regardless of purchase, to donate $40 for a server, $13 for a computer workstation, $4 for a CRT monitor, $4 for a laser printer, $3 for an LCD monitor and $1 for an inkjet printer. According to EPA and Dell estimates, the cost is equivalent to the cost of the average amount of electricity used by the device over three years. Additionally, contributors can offset the estimated total one-year carbon impact of an average U.S. citizen by donating $99 to the program. Dell plans to expand this program into other regions by the end of 2007.
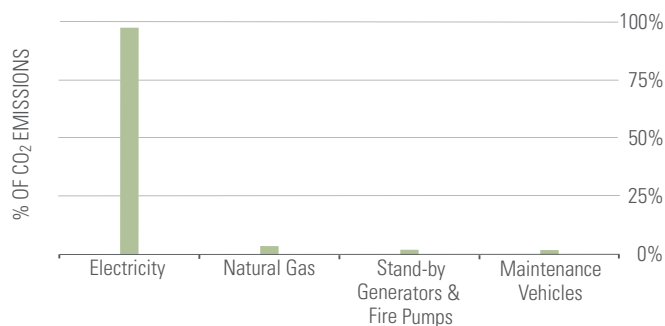
Reducing Emissions from Operations

Energy use reduction is becoming our most important environmental initiative in manufacturing and operations. By reducing energy, we can reduce our greenhouse gas and combustion-related air emissions, and reduce our share of

FIGURE 25: CARBON DIOXIDE EMISSIONS FROM U.S. OPERATIONS

"We applaud Dell's leadership for its commitment to offset the carbon footprint of its computers. Climate change has emerged as one of the dominant environmental issues of our time, and Dell's industry-leading efforts to address this challenge, and its invitation to its customers to join in this initiative, serve as a model for corporate environmental stewardship in the 21st century."

*— LARRY SELTZER,
CONSERVATION FUND*

As an EPA SmartWay partner, Dell has continued to do business with carriers who are members of the SmartWay program. SmartWay carriers are committed to reducing GHG emissions.

the environmental impacts related to energy production.

In previous reports, we have shown energy use from U.S. and global manufacturing facilities normalized to revenue. Due to growth in our office-based facilities outside the U.S. over the last few years, we have realized that more complete energy data from all of our facilities is needed. We collected a significant proportion of that data in fiscal year 2007, which will allow us to report on global energy usage trends in future reports.

Carbon dioxide emissions from our buildings-based operations come primarily from electricity usage. As Figure 25 on page 45 illustrates, Dell's U.S. electricity usage for fiscal year 2007 accounts for about 97.8 percent of the carbon emissions from our facilities; natural gas use and other miscellaneous fuel uses account for less than three percent of total emissions.

In fiscal year 2007, we completed several energy improvement projects, ranging from installing more efficient lighting systems to improving the controls and motors in our heating and cooling systems. To date, much of the activity has taken place in our U.S. facilities. However, we are beginning to expand our efforts globally and expect to be able to report on progress in other regions in next year's report.

Figure 26 shows the total electricity usage trends in all our U.S. facilities plus our global manufacturing operations. Our electricity use has continued to grow as we add new facilities, increase our data center capacity, and increase staffing.

However, Figure 27 shows how our energy efficiency improvements have made a difference. Electricity usage per square foot in our U.S. office buildings has decreased nearly 5 percent from fiscal year 2006.

Figure 28 shows the total gas consumption in our U.S. facilities, which increased in fiscal year 2007 due to the addition of new facilities. However, we improved the efficiency of gas usage by 4.3 percent over fiscal year 2006.

We plan to continue to improve our operational energy efficiency each year as we make further improvements to our current facilities and design higher efficiencies into our future buildings.

During fiscal year 2007, we obtained more than an 8 percent increase in the amount of renewable energy supplied by Austin Energy for our Austin-based facilities. We are now contracted for close to 13 million kWh per year, which in fiscal year 2007 represented about 8 percent of the electricity used at these facilities. We are evaluating other potential sources for renewable electricity for fiscal year 2008 and beyond.

Energy Efficient Transportation

We're working to make our product delivery system as efficient as possible. Doing so reduces costs, delivery times and air pollution. Three programs were key to these efforts in fiscal year 2007: LTL Direct, Customer Delivery Notification, and Geographic Manufacturing (GeoMan).

LTL Direct

During the third quarter of fiscal year 2007, we implemented our Less-Than-Truckload (LTL) program. Known as LTL Direct, the project streamlines our transportation network to reduce transit times to customers (minimizing the total miles traveled) and to convert more product shipments from air to ground. The program also reduces the amount of packaging materials.

Large product orders to our business customers are shipped by LTL carriers in either 28-foot or 53-foot trailers. In the past, freight was double-stacked in the trailers, which often damaged boxes or pallets. Once a box was damaged, the product would have to be returned and a replacement product issued and reshipped to the customer. This doubled the packaging, transportation, and fuel costs to deliver the replacement product. If a pallet was damaged due to the shifting of product within the trailer, it had to be replaced, which resulted in increased lumber costs and waste.
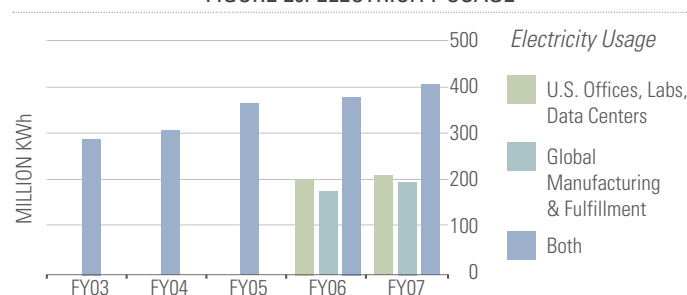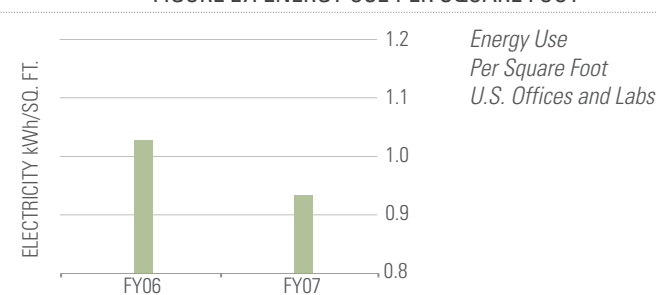
FIGURE 26: ELECTRICITY USAGE

Electricity Usage

U.S. Offices, Labs, Data Centers

Global Manufacturing & Fulfillment

Both

FIGURE 27: ENERGY USE PER SQUARE FOOT

Energy Use Per Square Foot U.S. Offices and Labs

To decrease the possibility of damage to products and pallets in-transit and to increase the efficiency of the network, Dell took the following steps:

- Added metal beams (known as "logistics bars") and air bags in LTL trailers that transport freight in direct lanes. The logistics bars allow for pallets to be double-stacked inside a trailer without having the pallets physically touch one another, which prevents damage to the packaging, product, or pallet. Air bags placed between pallets cushion the loads.

- Purchased and installed air compressors (and wall-mounted hose spools) in each factory at each LTL door to inflate the air bags.

- Analyzed the logistics network to design an optimal LTL network to load freight onto LTL trailers and ship directly to the final destination rather than first delivering freight to a local terminal where the freight would be unloaded, stored, and then re-loaded onto outbound trailers.

- Contracted with newer, better equipped and more capable LTL carriers.

- Analyzed the time-in-transit times (TNTs) posted by the LTL carriers to design an efficient terminal network that reduced transit times and identified direct lanes to our customers.

The LTL Direct program has resulted in an immediate reduction in damage to products and pallets.

Customer Delivery Notification

Fiscal year 2007 also saw a renewed emphasis on designing expedited transportation networks and utilizing technology to increase first-time deliveries to our customers. Customer Delivery Notification (CDN) is a process whereby customers are contacted and provided with a proposed delivery window. Each customer is given the option of selecting a delivery time that best fits their schedule instead of having a delivery truck attempt a delivery while the customer is not at home. Since implementing the CDN program, Dell has increased first-time deliveries to over 80 percent and greatly reduced transportation use.

Geographic Manufacturing (GeoMan)

Dell's Geographic Manufacturing (GeoMan) strategy is our effort to build products closer to our customers. GeoMan reduces transportation costs and minimizes customer delivery time, which will result in $20 million in logistics savings. We achieved these savings by adding a new manufacturing facility in Winston-Salem, North Carolina, to assemble and ship computers to East Coast customers. From an environmental standpoint, delivery trucks traveled fewer miles, thereby reducing GHG transportation emissions.

Optimizing Transportation Networks to Reduce Emissions

Dell has continued our commitment to reducing GHG emissions in our transportation networks while delivering computers and other products to our customers. Recognizing a global responsibility to manage climate change concerns, Dell remains focused on several voluntary initiatives that enhance air quality.

One of Dell's key tenets for optimizing transportation costs is to maximize the use of ground transportation by trucks through air-to-ground conversion to minimize the use of transportation by airplanes. Because air transportation creates approximately seven times more GHG emissions than ground transportation, this optimization is vital to reducing GHG emissions. Throughout the years, Dell has implemented, and continuously enhanced, expedited ground transportation networks. Dell has implemented manufacturing and fulfillment planning processes, with patents pending, to increase the ability to meet customer expectations with ground shipping instead of air shipping. Furthermore, Dell has established manufacturing locations to allow the assembly of computers closer to the customer, which reduces the total transit distance and minimizes the use of air transportation. This trend in optimizing freight transportation by shifting from planes to trucks continues to be Dell's strategy for outbound shipping.

Figure 29 shows Dell's trend for using air and ground transportation as a percentage of our parcel shipments to customers for the past seven years.

We are significantly reducing GHG emissions by shipping more products by ground and by building assembly plants close to our customers.

FIGURE 28: NATURAL GAS USAGE IN U.S. FACILITIES

Natural Gas Usage Per Square Foot — U.S. Facilities

- BTUs (thousands)
- BTUs/Sq. Ft.
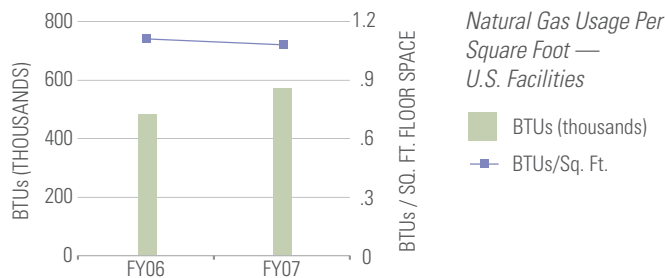
FIGURE 29: FREIGHT TRANSPORTATION: AIR VERSUS GROUND

Freight Transportation: Air versus Ground

- Ground
- Air
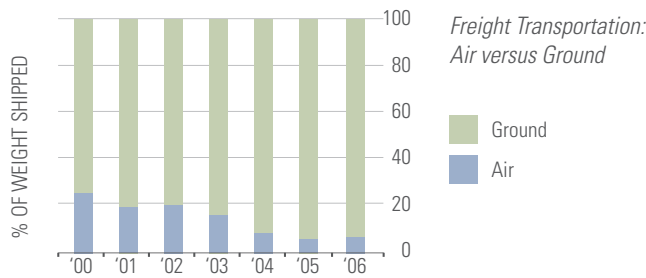
FIGURE 30: DELL'S CHEMICALS MANAGEMENT PROCESS

- Define corporate environmental goals
- Engage with customers, NGOs, regulators, etc. on chemicals policies

- Assess legal and market chemical restrictions

- Evaluate scientific EHS risk assessments on currently used and potential substitute materials

Commitment & Policy

Planning

- Lessons learned
- Benchmarking
- Research

Continuous Improvement

Key Stakeholders:
Customers
Shareholders
NGOs
Suppliers
Government
Academia

- Identify substitution opportunities with suppliers

- Develop engineering specifications and supplier management processes (contracts, audits, etc.)

Implementation & Operation

Executive Management Review

Quarterly Business Reviews to:
- Show progress toward goals
- Report Metrics
- Inform Dell Senior Management & Board

Checking & Corrective Action

- Offer internal and external training

- Requires supplier declarations and test audits
- Monitor and measure risk assessments
- Communicate results to Product Engineering and Procurement
- Take swift, robust corrective actions

MATERIALS

In 2002, Dell formalized a chemicals management process, shown in Figure 30, to minimize or eliminate the use of certain environmentally sensitive materials in our products. The process began by publishing a list of substances that our customers, NGOs and regulators considered most important to restrict or ban. The resulting publicly available *Dell's Materials Guidance Document* served as the cornerstone of the Dell chemicals management process. This document has been incorporated into Dell engineering specifications and supplier contractual agreements. In addition, Dell has implemented process controls and corrective actions throughout its organization and supply chain to ensure that its chemicals management objectives are met — that the targeted restricted materials are replaced and alternative materials are developed for future product generations. Process controls that Dell implemented include piece-part supplier declarations and Dell factory and supplier material testing audits.

Through this integrated management process, Dell has established a working model that can be used to make more informed decisions when new scientific findings call for alternative material selections.

Dell's Chemical Use Policy

Dell published a new Chemical Use Policy in December 2005 to share our long-term vision of our precautionary approach to chemical management. Dell's vision is to avoid the use of substances in its products that could seriously harm the environment or human health and to ensure that we act responsibly and with caution.

Act Responsibly

To act responsibly, Dell believes that if reasonable scientific grounds indicate that a substance (or group of substances) could pose significant environmental or human health risks, then Dell should avoid using the substances.

Precautionary measures should be taken — even if the full extent of harm has not yet been definitively established — unless there is convincing evidence that the risks are small and the benefits outweigh the risks. Dell considers these to be "substances of concern." When identifying substances of concern, Dell considers legal requirements, international treaties and conventions, and specific market demands. Dell's list of "substances of concern" all have hazardous properties that:

- are a known threat to human health or the environment
- show strong indications of significant risks to human health or the environment
- are known to biopersist or bioaccumulate in humans or the environment

Enforce the Company's Precautionary Measures

To enforce the company's precautionary measures, Dell strives to eliminate substances of concern in its products by:

- maintaining a Banned and Restricted Substance Program
- choosing designs and materials that avoid the use of substances of concern
- prohibiting supplier use of these substances contractually
- substituting viable alternative substances

If alternatives are not yet viable, Dell works with its industry partners to promote industry standards and the development of reliable, environmentally sound, and economically scalable technical solutions.

Eliminating Brominated Flame Retardants and PVC

Dell has set ambitious goals to eliminate in our new product designs all remaining uses of brominated flame retardants (BFRs) and polyvinyl chloride (PVC) by 2009, as acceptable alternatives are identified that will not compromise product performance and will lower product health and environmental impacts.

Flame-retarded plastics are occasionally needed to meet strict fire safety codes for electronic equipment. Certain halogenated compounds, of which BFRs are a subset, are used as flame retardants. However, these materials can pose risks to health or the environment.

Halogen Reduction Timeline

Since 2002, four years ahead of the E.U. RoHS Directive, Dell has prohibited the use of all polybrominated biphenyls (PBB) and polybrominated diphenyl (PBDE) ethers, including DecaBDE, in Dell-branded products worldwide. In new products, Dell also prohibits the use of polyvinyl chloride (PVC) and all halogenated flame retardants including tetrabromobisphenol-A (TBBPA) and hexabromocyclododecane (HBCD) in all plastic mechanical parts.

This includes all internal and external case or chassis parts as well as mechanical parts. Circuit board and electrical assemblies (internal fans, power supplies, drives, and so on) may continue to contain BFRs until viable alternatives exist.

We avoid the use of BFRs by using plastics that can be flame retarded with non-halogenated compounds and by using design strategies that reduce the need to use flame retarded plastics at all.

We are also working with industry partners to promote new industry standards and the development of reliable, environmentally sound, and economically scalable technical solutions. Our partners include the High-Density Packaging User Group (HDPUG) and the U.S. Environmental Protection Agency (EPA). Both partners are working to identify and assess alternatives to the use of tetrabromobisphenol-A (TBBP-A) in circuit boards. These efforts require researching, testing and approving BFR-free technology that will not compromise product performance. It also means establishing the necessary supply chain capability and capacity to meet our global procurement needs.

International Restrictions on Hazardous Substances

Global concerns over human health and environmental risks associated with the use of certain environmentally sensitive materials in electronic products have led numerous countries to restrict the use of certain hazardous substances in electronic products. To meet these requirements, we've worked with our supply chain to develop substitutions, to modify our specifications, and to verify compliance with these requirements.

HDPUG HALOGEN-FREE PROJECTS

*Since 2001, the High-Density Packaging User Group (HDPUG) has been at the forefront of evaluating halogen-free materials within the electronics industry, and Dell is currently leading the Halogen-Free Properties project for HDPUG. The project objectives include developing a comprehensive Halogen-Free Guideline and creating a database of halogen-free materials. This database will serve as a central repository for suppliers to list their halogen-free product offerings in a uniform, concise format so that product designers can easily access the properties of those offerings. Providing this information should speed up the adoption of halogen-free components throughout the supply chain. See **www.hdpug.org**.*

Alexandra McPherson: On Safer Chemicals

Alexandra McPherson, North American Project Director, Clean Production Action *www.cleanproduction.org*

I believe we can design products to have a more positive environmental impact on society. Clean production offers businesses a new way of thinking about product design and manufacturing. It promises improvements over the whole life cycle— for worker safety, communities near factories, consumers and end-of-life recycling.

Clean Production Action focuses on identifying safer substitutes for hazardous materials. We work to bring the expertise of professionals in green chemistry, biomimicry, green engineering and other technical fields to the business community. We also create opportunities for business leaders across product sectors to share and cross-pollinate ideas. We have found that green applications that work in one sector — like carpeting — can be relevant to other industries such as electronics or health care.

We first came to work with Dell over the computer disposal issue when we were tracking European electronics take-back policy. We thought that companies who take back their products would also be leaders in eliminating hazardous chemicals. Doing so makes computers easier and safer to recycle. We wanted a similar approach from U.S. firms.

One of Dell's first actions was to adopt the Precautionary Principle. In fact, Dell was the first U.S. electronics manufacturer to do so. The Precautionary Principle means that if risks of a chemical appear great, action should be taken to eliminate its use — even if the risks lack full scientific certainty. Today many electronics firms have adopted the Precautionary Principle. None have articulated it as clearly as Dell. Dell's policy states that the company intends to move away from very hazardous chemicals commonly referred to as PBTs for persistent, bioaccumulative and toxic chemicals. The company's effort to phase out PBTs exemplifies its commitment to go beyond what's required by law.

There are other examples of Dell's leadership. Dell was the only U.S. electronics company to publicly support a European Union ban on decabromodiphenyl oxide — a hazardous flame retardant. Dell also came out in support of European legislation known as REACH to restrict hazardous chemicals. This is incredibly rare. Few firms eliminate hazardous substances from their supply chain *before* regulations come into effect. But even fewer are willing to visibly support public policies. When Dell made those public statements, it showed that they were confident that their supply chain would be willing to phase out hazardous chemicals. This says a lot about Dell's ability to move on these issues, as well as the support they had from senior management.

Dell has come a long way in the past five years. Years ago, many of these toxic chemical issues were not on their radar screen. I'm excited by their progress, and excited to see how far they can go. They are a leader in their sector, but other sectors are ahead. The journey is long and we all have a long way to go.

European Union RoHS

In 2006, the European Union (E.U.) Directive on the Restriction of the use of certain Hazardous Substances (RoHS) went into effect. This important directive is designed to restrict the use of cadmium, hexavalent chromium, lead, mercury and certain halogenated flame retardants (PBBs and PBDEs) in electronic products. All Dell products sold in the E.U. on or after July 1, 2006, comply with the E.U. RoHS requirements. (As permitted by the RoHS Directive, service or upgrade parts that do not meet the restricted levels may continue to be offered to support legacy products that were sold prior to July 1, 2006.) In addition, effective July 1, 2006, Dell met the requirements of the Japan RoHS or J-MOSS legislation for applicable products. As of the beginning of 2007, all Dell-branded products were compliant to the E.U. RoHS requirements worldwide.

Dell understands the environmental risks associated with the substances covered by the RoHS Directive and is committed to eliminating or reducing the use of these, as well as other, environmentally sensitive substances in our products. We restrict the use of cadmium, hexavalent chromium, lead, mercury, PBBs and PBDEs in Dell branded products (in accordance with regulatory requirements). Dell has also established public goals to phase-out remaining uses of lead and other non-regulated brominated flame retardants in our products in advance of legal requirements.

China RoHS

On February 28, 2006, China released a regulation called "Management Methods for Controlling Pollution by Electronic Information Products," which is commonly referred to as "China RoHS." Although this regulation restricts use of the same six hazardous substances as the E.U. version of RoHS, the China RoHS regulation adopts a different approach for compliance verification. That is, producers should properly label and disclose RoHS information for all applicable electronic and information products (EIPs) and parts sold in China on and after March 1, 2007. In addition, producers must apply for an RoHS certificate if their products fall into China's *Key Monitoring Product Catalog,* which will be released by the Chinese government at the end of 2007.

EPA PROJECT

Dell is actively engaged in the EPA Design for the Environment (DfE) Flame Retardants in Printed Circuit Boards project. This project is focused on identifying the flame retardants used by laminate manufacturers to better understand the environmental and human health impacts of new and current materials that can be used to meet the fire safety requirements for circuit boards.

FIGURE 31: DELL'S COMPLIANCE VERIFICATION PROCESS

To ensure compliance with the product labeling and declaration requirements, a China RoHS core team was set up in September 2006 to lead the implementation of labeling, documentation, and package marking across Dell. The requirements were communicated to suppliers in October 2006, and Dell collected supplier responses on their implementation plans.

Verifying Compliance

Dell requires suppliers to sign a Supplier Declaration of Conformity (SDoC), modeled after ISO/IEC 17050-1, to ensure that all product materials comply with Dell's environmental policy. This documentation is required to release a part to production. To sign the SDoC, the supplier must ensure that the product meets the Dell Materials Restricted for Use specification and record any applicable exemptions. At Dell's request, the supplier must also be able to provide technical documentation in the form of internal design controls, supplier declarations, or analytical test data. Dell's goal is to collect supplier declarations on each part in a product's bill of materials. This will ensure that each product meets the legislated materials requirements.

Figure 31 illustrates the compliance verification process.

A second tier in Dell's compliance verification strategy is our supplier RoHS-audit program. This program can be divided into two parts: a traditional audit and an in-depth supplier survey.

A traditional audit, in which Dell parts are selected at random and submitted for third-party analytical testing, is conducted on a quarterly basis. Samples are tested for the presence of restricted materials, including those prohibited by the RoHS Directive. The audit is used to further validate SDoCs and to ensure that Dell's entire supply chain complies with the directive. Dell also actively screens samples in-house by using X-Ray Fluorescence (XRF) equipment.

GREEN PROCUREMENT AND ECO-LABELS

Dell pursues a number of voluntary green procurement and eco-labels around the world. We do so in response to customer demands for environmentally superior products. These programs and labels include requirements such as restrictions on environmentally sensitive materials, energy efficient operation, low noise emission standards, and product recovery and recyclability.

Electronic Products Environmental Assessment Tool (EPEAT)

EPEAT is a procurement assessment tool designed to help institutional (public and private sector) purchasers evaluate, compare and select desktop computers, notebooks and monitors based on their environmental attributes. This tool was developed through a multi-year, multi-stakeholder effort that included representatives from the IT industry, the EPA, federal and state purchasers, recyclers, and nongovernmental environmental organizations. The tool requires products to meet minimum standards of energy, ecology, recyclability, and packaging. It requires the company to provide recycling services and to meet minimum international standards for environmental management systems. EPEAT provides a mandatory baseline requirement Bronze level as part of a tiered structure for environmental performance. Their Gold level requires 75 percent of the optional requirements to be met for that product.

Currently, Dell is a member of the Board of Advisors of U.S. Green Electronics Council (USGEC), which is the owner of the EPEAT database and verification process. During 2006, Dell assisted in finalizing the criteria through the International Symposium on Electronics and the Environment (ISEE), which produced the EPEAT standard as IEEE 1680-2006. Since the inception of this program, Dell has qualified several products at the Silver level.

TCO

The Swedish Confederation of Professional Employees (TCO) eco-label requirements encompass four main areas: ergonomics, emissions, energy and ecology. Dell offers many OptiPlex desktop models that meet TCO '05 and Dell-branded

Dell pursues voluntary green procurement and eco-labels around the world in response to customer demand for environmentally superior products.

displays that meet TCO '99 and TCO '03 voluntary environmental certifications. By participating in these voluntary programs, Dell intends to exceed basic compliance with environmental regulatory requirements to better meet the needs of its customers and the environment.

Blue Angel

Dell offers OptiPlex desktop and Dell branded printer models for the European market that meet the standards of Germany's Blue Angel voluntary environmental label. The Blue Angel Environmental label requires products to:

- be energy efficient
- allow for expansion and longevity
- use no environmentally harmful substances wherever technically possible
- meet low noise emission requirements
- participate in a program for reuse and recycling

Japan PC Green Label

Japan Electronics and Information Technology Industries Association (JEITA) has proposed an Eco-Mark for personal computers. Dell has been one of the original members of this program since 2001, and has successfully registered selected OptiPlex, Precision and Latitude models.

To be eligible to apply the PC green label, Dell had to pass the standards examination for personal computers and displays.

The PC green label indicates a PC maker's overall efforts and activities to ensure that the computer is environmentally conscious on the following aspects: reduce, reuse, recycle, which is often called "the 3Rs."

The label concept consists of the following three elements:

Wayne Rifer: On Developing the Electronic Products Environmental Assessment Tool (EPEAT)

Wayne Rifer, Operations Manager, Green Electronics Council, Portland, OR, *www.greenelectronicscouncil.org*

Developing EPEAT required the various NGOs, government purchasers, and manufacturers to achieve compromise. Our negotiations were not without controversy. It goes without saying that Dell was key to the process. Dell provided technical details and did the homework required between meetings to address the many difficult issues we encountered — including energy use, packaging, substances of concern, and end-of-life recycling. They contributed to all eight EPEAT work groups. Dell's willingness and ability to sit down with different-minded people impressed me.

I've been involved in several stakeholder processes regarding environmental design and end-of-life management for electronics. They typically flounder because interpersonal dynamics prevent participants from resolving their issues. It takes extraordinary skill for a stakeholder, in the face of conflicting viewpoints, to reach past seemingly wedded positions and find a creative solution that meets the needs of all parties. During the development of EPEAT, Dell repeatedly demonstrated this skill and the willingness to use it. Dell's capable participation, energy, and creative contributions contributed greatly to EPEAT's success.

- Environmentally conscious product design and manufacturing
- PC recovery and recycling, reuse and proper disposal after end of use
- Environmental information disclosure

FIGURE 32: WATER USAGE AT U.S. FACILITIES

Water Use—U.S. Facilities

U.S. Gallons (millions)
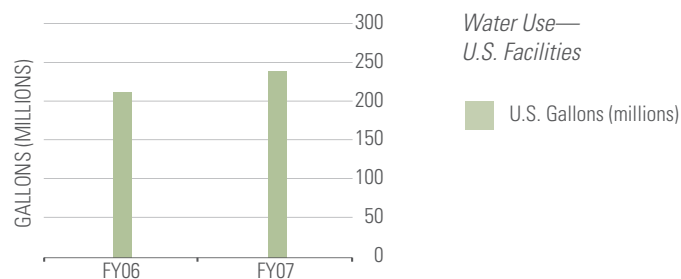
FIGURE 33: NON-HAZARDOUS WASTE

Non-hazardous Waste at Dell Manufacturing & Fulfillment Facilities

Recycled & Reused

Landfilled
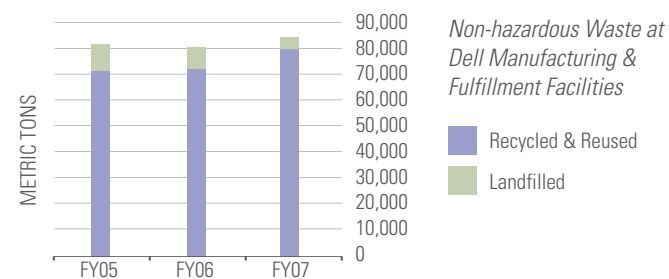
MANUFACTURING AND OPERATIONS

At Dell facilities, we focus on resource reduction, pollution prevention and waste minimization to promote environmental improvements. This section reviews our progress in these areas, except for energy conservation, which is described in "Climate Protection" on page 41.

Water Resources

Virtually all our water use occurs in building-support operations, such as for air humidification and cooling, landscape irrigation, restrooms, in general cleaning and housekeeping, as well as for food preparation in cafeterias and canteens. Our manufacturing processes do not use water.

Figure 32 shows the total water usage in fiscal year 2007 in our U.S. facilities. The total amount of water used increased by about 10 percent, reflecting the fact that several additional facilities were opened in late 2005 and early 2006.

Although our overall water usage is fairly low, we are committed to implementing and maintaining programs that reduce the amount of water that we consume. Our greatest opportunities for reduction are in landscape irrigation and in water fixtures.

Non-Hazardous Waste

The majority of waste materials generated at Dell facilities is non-hazardous. Waste streams include packaging materials (cardboard, wood, paper, plastics, foam and metal) from incoming supplies to factories and offices, waste paper, equipment toners and ink cartridges, as well as wastes from food service, housekeeping and cleaning, and facility and equipment maintenance.

Figure 33 shows the total amount of non-hazardous waste generated during the past three years for our global manufacturing and fulfillment facilities. Even though the amount of non-hazardous waste rose due to increased business, our recycling and reuse efforts rose as well and we actually reduced the amount of waste landfilled.

As Figure 34 and Figure 35 show, our recycling and reuse rate reached 94.4 percent compared to 91 percent in fiscal year 2006. Our five-year goal is to attain a recycling and reuse rate of 99 percent. Note that in past years we showed our recycle and reuse rates separately. After reviewing our data collection processes, we realized that while the total amount of material reused and recycled was tabulated properly, the specific management strategy — recycle or reuse — was not categorized consistently. For this reason, we've combined the recycle and reuse data in this year's report.

Hazardous or Regulated Waste

Dell's facilities typically generate only small quantities of hazardous or regulated wastes. The hazardous waste that is generated is predominantly related to equipment and building maintenance and equipment testing laboratory operations. Waste materials include used oil, spent fluorescent and other mercury-containing light bulbs, solder waste and spent batteries. A small amount of solvent-based paint waste is also generated.

Facility Air Emissions

Our manufacturing processes do not generate significant amounts of hazardous air pollutants or volatile organic compounds (VOCs). Our refurbished-product-touch-up process generates less than 600 pounds per year of VOCs.

Other sources of air emissions that are generated by Dell facilities are the testing and occasional operation of emergency stand-by electrical generators, as well as minor sources from building maintenance, cleaning and leaks in air conditioning systems, and emissions from natural gas- or propane-fired water and space heating systems.

Some Dell facilities contract with local providers to provide employee transportation to and from work. Our Penang, Malaysia facility piloted a testing program, in collaboration with the Malaysia Department of Environment, to evaluate emissions from entering buses and delivery vehicles. Vehicles with

At Dell facilities, we focus on resource reduction, pollution prevention and waste minimization to promote environmental improvements.

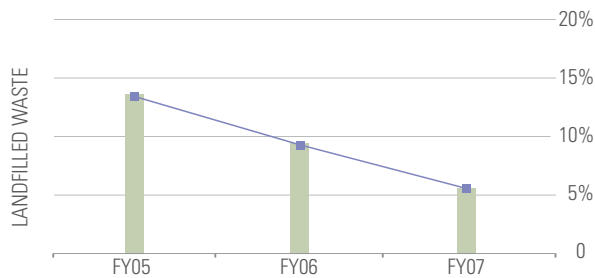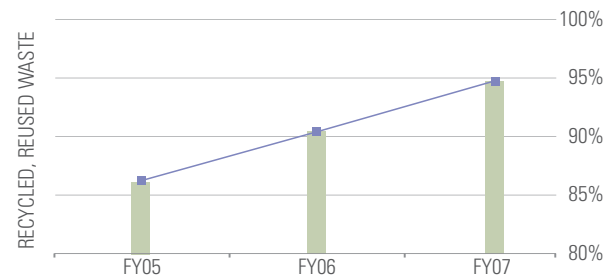FIGURE 34: AMOUNT OF LANDFILLED WASTE

FIGURE 35: AMOUNT OF RECYCLED AND REUSED WASTE

Our approach to protecting forests is to reduce the use of virgin tree fiber and increase sourcing of forest friendly paper.

unacceptable levels of emissions were given notices, requiring repairs to be made within 10 days. Additional testing is planned for early 2007.

As another example, our Nashville, Tennessee manufacturing operations worked with the local government to better time the traffic light at the employee parking lot during peak times and late nights. The site team also redesigned part of the truck yard on site to decrease truck congestion and wait time. Both of these modifications reduced vehicle idling time and the resulting air emissions.

For information on greenhouse gas emissions, see **"Climate Protection"** on page 41.

Hazardous Material Releases

Our larger facilities typically store diesel fuel in outdoor storage tanks to supply emergency stand-by electrical generators and (in some facilities) water booster pumps for fire protection systems. Diesel fuel is stored in secondary containment to minimize the potential for accidental release to the environment.

At our manufacturing and distribution facilities, in particular, there is a risk of spills or leaks from vehicles resulting from accidents or other causes. Each of our facilities has personnel trained to contain such spills and oversee clean-up activities.

There were no significant releases of hazardous materials (for example, reportable to local authorities) during fiscal year 2007.

Wastewater and Storm Water Discharges

Most of our facilities are located in urban or suburban areas that provide municipal sewer collection and treatment. In some locations, Dell operates

"Dell's environmental leadership — which has been short on words and long on action — is what we need more of in today's world. The fact that deforestation accounts for 18 percent of global greenhouse gas emissions, which is more than the transportation sector, demonstrates that the amount and kind of paper that companies use is of critical importance. We look forward to working with Dell on more innovative and ambitious solutions that could make environmentally preferable paper become business as usual at leading companies."

— TODD PAGLIA, FORESTETHICS

on-site sanitary sewage treatment or pre-treatment systems. Wastewater is generated as a result of water used in cafeterias and canteens, restrooms, building heating and cooling, and janitorial cleaning. Our manufacturing processes do not use water, and therefore they do not generate industrial wastewater.

Storm water run-off at many Dell facilities is directed to municipal storm drain systems, ponds, or other devices as determined by local codes. Our facilities do not normally utilize or store hazardous materials outdoors that would pose a risk of contamination of storm water (see **"Hazardous Material Releases"**).

Sustainable Buildings and Operations

Over the last few years, a move towards promoting the design, construction and operation of sustainable buildings has led to a number of published standards. One example, the U.S. Green Building Council's Leadership in Energy and Environmental Design (LEED) program, includes a scoring system to account for "green" measures such as energy efficiency, water and resource conservation, use of recycled materials, and improved indoor air quality in both new and existing buildings.

In fiscal year 2008, Dell will begin to inventory some of our current buildings to estimate our baseline average LEED score, according to LEED-defined criteria. Over the next five years we plan to continue to make improvements that will improve that baseline average. Dell is now a member of the U.S. Green Building Council. For details on LEED, see *www.usgbc.org.*

Regulatory Compliance

Dell facilities are periodically subject to routine regulatory inspections, such as those for environmental compliance. Such inspections may result in minor findings or improvement notices to be issued; these findings are typically corrected immediately and do not require further investigation or inspection.

Dell facilities did not receive any fines related to environmental non-compliance during fiscal year 2007.

FOREST STEWARDSHIP

We recognize the need to protect the earth's forests. Our company uses tree fiber to ship products, in office paper, and in direct mail operations. Our approach to protecting forests has two main components: reduce the use of virgin tree fiber in packaging and office paper and increase sourcing of forest friendly paper.

Reducing Tree Fiber — Packaging Efforts

Our Worldwide Packaging Engineering team is responsible for optimizing packaging materials throughout Dell's supply chain and for finished product

During fiscal year 2007, Dell accelerated the sourcing of catalog paper that contains recycled and post-consumer waste content. Dell is now sourcing from one U.S. and one European mill; these mills both offer 100 percent recycled and 80 percent post-consumer-waste paper for an increasing portion of our U.S. and European catalog and newspaper insert requirements. Compared to paper containing 10 percent post-consumer waste content, the following positive environmental impacts were attained.

	Base Paper (10% Recycled)	FY07 Paper Use (Average 50% Recycled)	Savings in Absolute Terms	Common Equivalents
Wood Use	109,440 tons	24,320 tons	85,120 tons	**589,292 trees**
Total Energy	1,750,924 million BTUs	1,398,045 million BTUs	352,878 million BTUs	**3,878 homes/year**
Purchased Energy	1,265,184 million BTUs	1,290,103 million BTUs	-24,920 million BTUs	**-274 homes/year**
Sulfur Dioxide (SO_2)	1,601,774 pounds	1,550,370 pounds	51,404 pounds	**9,376 18-wheelers/year**
Greenhouse Gases	343,267,895 lbs CO_2 equiv.	222,276,386 lbs CO_2 equiv.	120,991,509 lbs CO_2 equiv.	**10,986 cars/year**
Nitrogen Oxides (NO_x)	1,020,276 pounds	888,317 pounds	131,950 pounds	**506 18-wheelers/year**
Particulates	576,320 pounds	454,542 pounds	121,778 pounds	**10,873 buses/year**
Hazardous Air Pollutants (HAP)	56,296 pounds	19,218 pounds	37,078 pounds	
Volatile Organic Compounds (VOCs)	205,492 pounds	119,719 pounds	85,772 pounds	
Total Reduced Sulfur (TRS)	7,154 pounds	1,590 pounds	5,564 pounds	
Wastewater	815,655,682 gallons	615,723,485 gallons	199,932,197 gallons	**303 swimming pools**
Biochemical Oxygen Demand (BOD)	213,463 pounds	267,875 pounds	-54,412 pounds	**-293 homes/year**
Total Suspended Solids (TSS)	346,325 pounds	327,956 pounds	18,369 pounds	**89 homes/year**
Chemical Oxygen Demand (COD)	2,816,335 pounds	1,629,832 pounds	1,186,503 pounds	**2,552 homes/year**
Adsorbable Organic Halogens (AOX)	19,642 pounds	4,365 pounds	15,277 pounds	
Solid Waste	122,310,266 pounds	72,387,943 pounds	49,922,323 pounds	**1,783 garbage trucks**

Environmental impact estimates were made using the Environmental Defense Paper Calculator. For more information, see www.papercalculator.org.

packaging. Packaging is needed to protect our products during shipping and handling. However, to be mindful of limited forestry resources and the cost to procure them, Worldwide Packaging Engineering's goal is to optimize product protection and minimize packaging material usage where possible.

Packaging Optimization

Packaging optimization starts with the product. Dell's Shock and Vibration engineers conduct extensive testing by simulating worst-case shipping and handling environments and then confer with the Product Design engineers to improve the product's robustness. By making the product more robust, less packaging material is required to protect the product.

After determining a product's robustness, Packaging engineers develop the packaging. Using electronically monitored models and products, the engineers measure the shock and vibration that the packaging produces during testing. If inadequate, the packaging is improved until it meets minimal requirements. Then, the engineers check whether the packaging unnecessarily exceeds the required specification level. If so, excess packaging is removed. Engineers must manage this delicate balance to ensure that the product will arrive undamaged to the customer, while using the least amount of packaging material possible.

Server Multi-Packs

For large volume purchases, Dell began offering a multi-pack solution for

its Blade and 1U rack dense servers. In fiscal year 2007, this project has eliminated 1,054 tons (956 metric tons) of packaging material.

Corrugated Pallet

Dell continues to use the corrugated pallet design which was featured in last year's *Sustainability Report*. The pallet, which won numerous design awards, was used to ship the PowerEdge 6850 server product this year. This packaging saved 163 tons (148 metric tons) of wood in fiscal year 2007.

FY07 Packaging Results and FY08 Goals

For fiscal year 2007, the efforts Dell made in dematerialization reduced the amount of corrugated, plastic foam, and wood materials by 5,258 tons (4,770 metric tons). This is slightly over our goal of 5,000 tons (4,536 metric tons) annually that we had established last year. A major reason for meeting this goal is the implementation of the server multi-pack. This project has an annual material reduction of 2,700 tons (2,449 metric tons) and contributed to over half our annual goal.

Other environmental projects that the Worldwide Packaging Engineering team will address during the next fiscal year include:

- Expand use of multi-packs to the desktop and portable products.
- Use vertical boxes for OptiPlex desktop products, which require less corrugated material.
- Use Green Cell™ foam products and packaging designs. Green Cell is biodegradable fabricated foam made from high-grade cornstarch and soybean oil.

Reducing Tree Fiber — Office Paper Efforts

In our fiscal year 2006 report, we provided data for the first time on office paper usage in the U.S. Although this data is not yet available globally, we are pleased that our paper reduction initiatives in the U.S. continue to show progress.

Figure 36 shows a three-year history of office paper usage in our U.S. manufacturing and office-based facilities. Our overall paper usage decreased more than 12 percent during fiscal year 2007, and a total of 22 percent between fiscal years 2005 and 2007.

Sourcing Forest Friendly Paper — Dell's Forest Stewardship Model

In fiscal year 2005, Dell developed a Forest Products Stewardship Model. The model allows us to review current practices, address topics within the paper industry that are important to Dell, and establish goals with respect to certain paper products that Dell uses, purchases and distributes.

The first steps in the process included researching and opening dialogue with other companies that distribute similar products, such as shipping cartons and catalogs. In addition, Dell communicated with the NGO community to learn about various topics of interest within the paper industry. To further refine the model, we approached members of the paper supply chain to gather their invaluable input.

Briefly, Dell's model seeks to optimize quality, cost and environmental attributes in our paper selection process for catalogs, packaging and office paper. Within that model, we will review, seek to produce results, and increase our understanding in three key areas: protecting endangered forests, improving forest practices, and reducing demand on forests.

To ensure that Dell continues to make progress on its paper stewardship goals, Dell has:

- Established base-line starting points and set time-bound goals and benchmarks for achieving measurable outcomes in all key areas, especially virgin fiber reduction, elimination of sourcing wood and fiber from endangered forests, increased use of recycled and alternative fiber, and increased use of wood and fiber independently certified as sustainable, with a preference for wood and fiber certified by the Forest Stewardship Council (FSC).
- Reported annually on its environmental progress and released this information publicly to increase transparency and the participation of all stakeholders.
- Encouraged innovation in our paper supply chain to improve Dell's environmental performance and that of other catalog producers.

FY07 Progress toward Goals

During fiscal year 2007, Dell continued to engage with various stakeholder groups regarding paper consumption in an effort to strengthen relationships with the Forest Stewardship Council (FSC) and Forest Ethics. We met with several current and potential paper manufacturers to ensure that they keep up with the demand for compliant papers to meet Dell's increasing goals for recycled content and certified fiber.

FIGURE 36: PAPER USAGE

Paper Use—
U.S. Operations

- U.S. Office
- U.S. Manufacturing
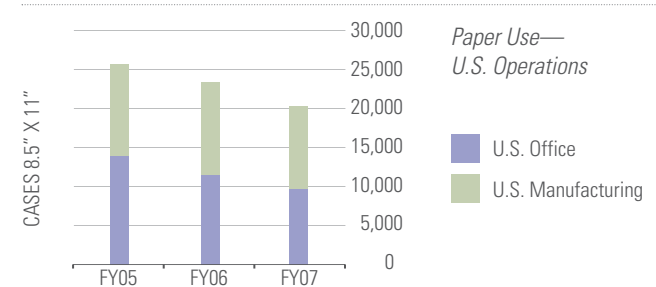
The following is a summary of Dell's fiscal year 2007 goals for reducing paper use and how we attained these goals:

Goal: Obtain 10 percent of Dell's catalog fiber from FSC-certified sources.

Attainment: Approximately 20 percent of catalog and inserts were sourced from FSC-certified sources.

Goal: Achieve 20 percent post-consumer recycled content in our catalogs by October 2006.

Attainment: An average of approximately 50 percent was achieved in fiscal year 2007.

Goal: Maintain Dell's current minimum average of 28 percent post-consumer recycled content for office supplies used in Dell's oper-ations, and encourage suppliers and contractors to match this percentage for work produced on behalf of Dell.

Attainment: Dell achieved an average of approximately 30 percent in fiscal year 2007, and worked with our copy center and copier paper providers to attain similar percentages.

Goal: Within 12 months (by October 2006), achieve 30 percent post-consumer recycled content in corrugated packaging materials.

Attainment: Dell continues to meet the goal of 30 percent post-consumer recycled content.

Outlook for Attainment of FY08-09 Goals

Although several long-term challenges will require monitoring, the outlook for attainment of fiscal years 2008 and 2009 goals remains excellent. Several new supply sources have been identified for paper that is both FSC-certified and contains post-consumer content. There is evidence that the availability of FSC-certified wood sources continues to increase and expand. Additional printers have attained FSC chain-of-custody certification, which increases the reliability of the forest-to-consumer supply chain.

Demand for post-consumer waste generated in the Americas and destined for export to Asia continues to provide challenges to attainment of Dell's overall recycled content goals. While the current market for recycled fiber remains strong, Dell will continue to seek alignment with partners from key global areas with whom we can work to economically use fiber waste streams as a source of raw material input.

Key Changes in Sourcing for FY07

During fiscal year 2007, Dell increased the sourcing of catalog paper from a European mill that offers 100 percent recycled and 80 percent post-consumer waste paper for a portion of our U.S. and European catalog requirements. This mill produces high-quality, FSC-certified, coated groundwood paper and uses urban wastepaper streams as an input source.

In addition, during the year Dell began sourcing newspaper insert paper from a U.S. mill that offers similar high recycled post-consumer waste paper from Midwestern U.S. wastepaper streams. The use of these papers required close cooperation between the mills, printers and Dell to ensure that printer produc-tivity and key marketing values were not compromised.

Dell's entire Forest Products Stewardship Model can be found at *www.dell.com/paper.*

Figure 37 charts Dell's progress toward reducing its paper use according to the guidelines set by the FSC. It shows that Dell attained well over its committed goal for 2006 and is close to meeting its long-term goals for using recycled paper.

Global Expansion Efforts

In fiscal year 2008, Dell will continue to work to ensure that our successes expand across all regions in which Dell operates worldwide.

Key areas of focus during fiscal years 2008 and 2009 are the following:

- Consolidate the supply chain and number of printers to reduce the opportu-nity for unwanted paper entering the supply chain.

FIGURE 37: REDUCING PAPER USE WITH THE FSC MODEL

Paper Type	Commitment (2006)	Attainment (2006)	Future Goal	Year
Catalog	10% FSC*	20% FSC	25% FSC	2010
	20% PCW**	50% PCW	50% PCW	2009
Product Inserts	0% PCW	10% PCW	20% PCW	2007
Office Supplies	28% PCW	30% PCW	50% PCW	2007
Corrugated	30% PCW	30% PCW	30% PCW	Ongoing

Percentage of paper certified by the Forest Stewardship Council (FSC)

**Percentage of paper consisting of Post-Consumer Waste (PCW) material*

We accept responsibility for recycling all Dell products.

FIGURE 38: DELL'S RECYCLING PROGRAM

- Standards & Policy
- Education & Awareness
- Security & Environmental Standards
- Consumer Donation & Recycling
- Commercial Asset Recovery
- Transparent Reporting and Regulatory Compliance
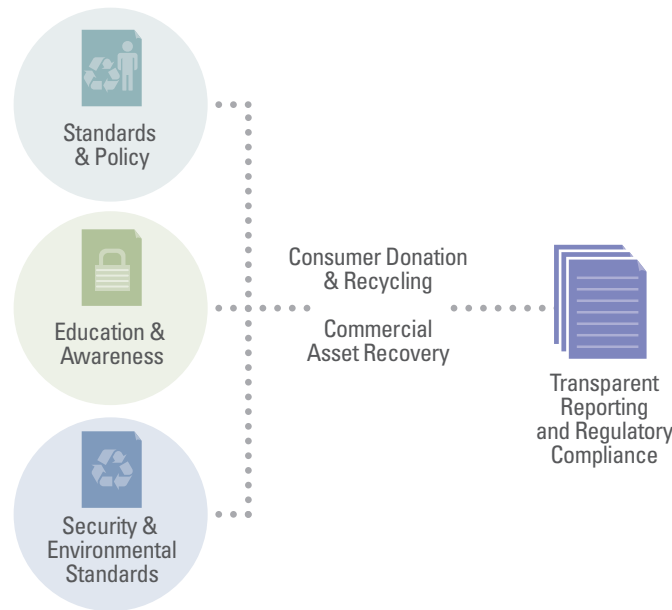
- ⌀ Continue to advocate for FSC-certified sources worldwide to ensure continuity of supply, improved quality and optimized logistics.
- ⌀ Migrate direct mail and insert pieces to higher recycled-content paper sources.
- ⌀ Increase FSC-certified fiber content.
- ⌀ Increase to 50 percent the average post-consumer recycled fiber in office supplies.

Dell will continue to review our goals and update our model periodically as we, our suppliers, and the NGO community make progress in the area of forest products stewardship.

PRODUCT STEWARDSHIP

We believe that no computer, materials or component should go to waste. Obsolete computers and the natural resources used to make them are too valuable to simply discard. Additionally, some environmentally sensitive materials should be carefully managed to prevent unintended consequences. Dell offers our customers a variety of convenient options to reuse and recycle computer products.

Dell and our financial arm, Dell Financial Services, have offered various forms of asset recovery services since 1991. In 2006, our product recovery programs nearly tripled — growing 264 percent. Dell is the first computer company to offer no-charge worldwide computer recycling for its products. As a result, we dramatically expanded our consumer recycling programs.

"This past year, we made it easy for our customers worldwide to recycle their PCs, no matter who made them, for free. And by doing this, we're on track to recover more than 275 million pounds of used computer equipment for customers by 2009. Today, I challenge every PC vendor in the entire industry to join us in providing free recycling. Free recycling for every customer in every country where you do business, all the time, no exceptions. It's the right thing to do for our customers, and it's the right thing to do for our earth."

— Michael Dell, Consumer Electronics Show, January 8, 2007

Major components of our industry leading programs include:

- ⌀ global recycling and environmental standards
- ⌀ consumer recycling and donation programs
- ⌀ commercial asset recovery services, including data security
- ⌀ transparent reporting

Figure 38 illustrates the components of our recycling program.

Global Recycling and Environmental Standards

Dell has developed and implemented standards for recycling and environmental stewardship. We accept responsibility to provide recycling for Dell products. And we challenge other electronics industry producers to achieve this same level of responsibility. We are equally ambitious about the requirements we place on our global recycling vendors. Dell requires all downstream recycling partners to meet our worldwide standards.

Global Recycling Standards

Dell is the only electronics industry company that offers consumers no-charge global recycling for all of its branded products. We announced this policy in 2006 and implemented it in 57 countries on six continents.

The Dell Product Recovery Public Policy emphasizes individual producer responsibility. Under this policy, Dell commits to providing efficient and easy product recovery options directly to our customers:

- ⌀ We provide free end-of-life management for any brand electronic product when an individual purchases a new Dell product.
- ⌀ We provide free end-of-life management for any individual's Dell product, regardless of new product purchase.
- ⌀ We employ these same standards globally across all consumer product lines, and we are continually working to expand our recovery and recycling operations to countries where our business grows.

Dell Product Recovery Highlights

- ☑ First no-charge printer hardware recycling program

- ☑ First "no-charge with purchase" recycling of any brand of product

- ☑ First no-charge consumer global recycling program for our branded products

- ☑ Global standard audit program for recycling vendors

- ☑ Program approved for State of Maryland recycling

- ☑ First computer manufacturer to establish public product recovery goals

✎ We provide transparent and effective goal setting and public reporting on our end-of-life recovery programs.

Dell is committed to implementing this policy without legislative mandates. Rather than relying on legislation, we prefer that all producers in the global electronics industry commit, as Dell did, to being responsible for its products. However, Dell recognizes that legislation may be required. So, we support legislation under which all producers are responsible for proper end-of-life management of their electronic products.

Dell works worldwide with governments to craft policies consistent with our principles. Dell believes that the industry needs a level playing field and that all producers should act responsibly. Dell works with stakeholders from NGOs, governments, and industry to develop policies consistent with our own.

In the United States, Dell is working with state legislators, as well as with Congress, to support appropriate legislation that encourages recycling of IT products. To this end, Dell has drafted model recycling legislation based on the following three principles:

Efficiency: In developing our position, Dell strove to create a structure that balances the need to add the least possible cost to the consumer, while providing an effective and convenient solution for consumers.

Flexibility: Previous proposals have languished because they created disadvantages for some companies. Dell's proposal seeks to set a requirement for each company to offer convenient recovery and recycling of its own systems, but allows the company to meet that obligation in ways appropriate for its own business model. Though Dell recovers and recycles products through a mail-back program and through the RECONNECT Goodwill partnerships, other companies can implement systems as they choose, as long as they offer to recover and recycle their own products at no charge to consumers and in a convenient manner.

Simplicity: Dell believes that private industry is best able to implement efficient solutions for product recovery and recycling, so legislation should not require fees charged to consumers that require creation of new government infrastructure. Dell's proposal would require minimal government infrastructure, other than enforcement and education.

Legislation based on these principles has been introduced in several states. While most legislative activity is taking place at the state level, Dell continues to work with members of Congress to explore opportunities to craft appropriate legislation consistent with our principles that might provide a consistent nationwide system to encourage recycling of IT products.

*Dell's Position on IT Producer Responsibility —
Model U.S. Federal Legislation*

Dell's approach to IT collection and recovery seeks to combine the key principles of manufacturer responsibility, consumer convenience, accountability, transparency, education, and enforcement into a simple, effective and efficient national IT collection and recovery system.

At the end of an IT product's useful life, any consumer should be able to return that product to the manufacturer at no charge by following a process defined by the manufacturer. A return should be as convenient as the purchase of a new product. Manufacturers will have the incentive to use the most cost effective and efficient system for collecting and recycling old IT products — which also will improve the products' environmental design. The manufacturer could implement its own collection and recovery program; enter into partnerships with other manufacturers, agreements with nonprofit organizations, or arrangements with third-party organizations; or adopt other innovative solutions. In addition, manufacturers should report on their progress.

The government will help educate consumers, enforce the law, and offer incentives for better design, collection and recovery. Governmental fees and

We support appropriate legislation that encourages recycling of IT products.

"Dell has made significant progress on their computer recovery and recycling program over the past few years and I commend them for that. Their top management also understands that sustainability is a journey that they have only begun, and they have a long way to go. But I believe they are headed in the right direction."

— TED SMITH, SENIOR STRATEGIST,
SILICON VALLEY TOXICS COALITION

Through Dell Recycling, consumers can donate their computers to organizations in their communities that help disabled and economically disadvantaged children and adults.

separate governmental collection systems are not needed and likely would be less efficient.

Although each state might seek to address this important resource recovery issue on its own, the most efficient and effective approach is not a state-by-state effort but a national solution. Such a simple approach will promote innovation, foster partnerships, drive efficiencies, and create an effective national IT collection and recovery system.

A Global Approach to Auditing Downstream Partners

Dell uses a rigorous auditing process to measure our global recycling and end-of-life disposition partners against our standards. This auditing consists of three components. First, we require partners to pass a comprehensive initial audit. Next, we audit partners on an annual basis. Lastly, we conduct periodic on-site spot checks to ensure compliance throughout the year. The global consultancy Environmental Resources Management (ERM) manages this program for Dell.

ERM performs all Dell auditing and vendor partner reviews. ERM uses a consistent auditing process in every location worldwide. Dell auditing standards include not only environmental measures, but also traceability, asset and facility security, logistics, data destruction measures, and downstream channel risks, as shown in Figure 39. Dell and ERM track all audit findings and all corrective action plans to closure. In 2006 we audited 100 percent of our environmental partner network.

Traceability and downstream materials movement are key components of these vendor partner reviews world-wide. Dell and ERM follow not just the initial material transfer to a Tier 1 partner, but continue to follow that material

through to Tier 2 and Tier 3 partners globally. Figure 40 shows the levels of accountability and the volume of in-country review of these downstream channels for Dell's fiscal year 2007. For more information, see *www.dell.com/recycling*.

Key 2006 Product Recovery Developments

The following are key achievements in Dell's product recovery efforts:
- Introduced global no-charge consumer recycling program of any Dell-branded product. The program is currently active in 57 countries on six continents. Dell is the first and only computer manufacturer to offer such a program.
- Increased the consumer donation and recycling program by 264 percent.
- Expanded the RECONNECT program from three to nine alliances serving 19 Goodwill regional divisions with a presence in five states.
- Introduced Dell's model legislation supporting individual producer responsibility.
- Conducted nine awareness-building recycling events around the world.
- Expanded our global consumer donation program to include France.
- Earned *Waste News'* 2006 Corporate Award for its leadership in global recycling.

Consumer Recycling and Donation Programs

At Dell, we want to make product recycling as convenient as product purchase. We offer several types of consumer recycling programs — and the industry's only no-charge global consumer recycling program. Dell is also championing efforts to provide free donation programs for used computers through work with the National Cristina Foundation and through Dell's RECONNECT alliance with Goodwill Industries.

FIGURE 39: DELL ENVIRONMENTAL PARTNER AUDIT AND COMPLIANCE PROGRAM

Destructive Data Overwrite Process	Physical Security	Downstream Channel	Environment, Health and Safety	Logistics
Process	Personnel	Pound-for-pound accounting	Licenses and permits	Permits and licenses
3-Pass +	Background checks	Settlement reports match systems processed	Practices and training	Transboundary movement
Personnel	Facility	Waybills required	Environmental systems	Asset security
Out-of-box audit	Surveillance cameras	Three levels of accountability		Employees and drivers
	Asset			Trucks and equipment
				In transit and transfers
				Recordkeeping

FIGURE 40: LOCATIONS OF DELL AUDITED ENVIRONMENTAL PARTNERS BY COUNTRY, MARCH 2006-MARCH 2007

Country	Tier 1 (Dell Partner)	Tier 2	Tier 3
Australia	0	1	0
Austria	0	0	1
Belgium	1	2	4
Brazil	0	0	1
Canada	2	24	16
China	1	11	12
Denmark	0	1	0
Egypt	0	0	1
France	1	0	0
Germany	2	1	3
Hungary	0	1	0
Ireland	1	0	0
Japan	0	0	1
Lithuania	0	1	0
Malaysia	2	8	5
Netherlands	2	7	0
Nigeria	0	0	2
Norway	0	2	0
Philippines	0	1	0
Poland	0	1	0
Romania	0	1	0
Singapore	0	1	0
South Korea	0	1	2
Spain	1	0	0
Sweden	2	13	1
Switzerland	1	3	3
Taiwan	0	1	0
Thailand	0	1	1
U.A.E.	0	1	0
U.K.	1	15	5
U.S.	15	87	68
Total	**32**	**185**	**126**

Susanne Fredericks: The Goodwill/Dell Alliance and the RECONNECT Program

Susanne Fredericks, Executive Director, Goodwill Association of Michigan (GAM) *www.reconnectpartnership.com*

Dell had collaborated with the Goodwill of Central Texas in Austin on several activities and at one point recognized an opportunity to leverage the Goodwill Industries nationwide network. Dell wanted to create a recycling solution for the consumer market. Goodwill had the core competencies and the national presence that Dell was looking for.

Goodwill has 206 autonomous organizations in the U.S., Canada, and overseas. Each Goodwill organization has the same mission — to provide training and employment opportunities for people with disabilities and other barriers to employment. Most know Goodwill for the stores, but Goodwill is much more than that. The stores help to create jobs and provide revenue to be used for the training programs, which is the heart of our mission.

As Michigan Executive Director, my job involves developing programs for all eleven Michigan Goodwills. Dell chose the Michigan Goodwills to put together a statewide consumer electronics-recycling program. The goal in Michigan was to divert 3.3 million pounds of e-waste from landfill in the first year. I am happy to report we nearly met that goal! I've worked in the vocational rehabilitation field for nearly 30 years and have been with Goodwill for ten years, four of those in Michigan. This is the first project that has successfully involved all eleven Michigan Goodwills.

Dell and Goodwill jointly market RECONNECT. RECONNECT uses a three-part focused approach including mission, environment, and a sound business solution. Measures include clients served, jobs created, pounds diverted from landfill, and profitability.

Goodwill collects electronic materials at our 79 Michigan stores and collection points. First we sort everything that comes in, and then we demanufacture the units, taking out hard drives, memory chips, and several other components, as well as removing the plastic housings, wires, etc. Everything gets sorted into different bins to be recycled by a Dell approved Environmental Partner; Goodwill receives the proceeds.

The sorting and demanufacturing jobs require our employees to acquire new skills while adhering to ISO quality management standards. It is meaningful work and creates more opportunities for those we serve.

Dell is a great partner — they understand our mission. Dell wants to recycle electronics in a financially responsible way. They help us screen our recyclers and work with us to create more jobs. Dell participates with us in our national conferences and meets with us in Michigan several times each year, although we communicate with each other far more often than that.

When we have problems, Dell helps us find solutions. One challenge has been recycling CRT monitors. They are difficult and costly to dispose of. Dell has worked closely with Goodwill and the Environmental Partners to manage CRTs and other commodities while adhering to the triple bottom line. That means positively impacting the program socially, environmentally and financially. Dell has been proactive in providing a solution for unwanted computer electronics. Dell and Goodwill plan to expand the RECONNECT program nationally. I'm pleased to be actively involved in this exciting effort.

No-Charge Consumer Recycling

In 2006, we introduced our industry-leading no-charge global consumer recycling program. The service includes no-charge home pick-up of Dell-branded computers and peripheral equipment and is not tied to the purchase of any product. The program is available in 57 countries on six continents, including South Africa, Yemen, Australia, Hungary, Russia, and Japan. As shown in Figure 43, our program reaches a majority of our consumer base.

To recycle products, consumers simply go to Dell's recycling Web site, *www.dell.com/recycling*, click on the country-specific www.dell.com landing Web page and request the service. In many regions, Dell offers in-home pick-up — the consumer packs the old equipment, schedules a pick-up, and Dell (or a Dell vendor) comes to their home, transports the product to the recycler, and recycles it responsibly. Figure 42 illustrates the general process. Note that regional recycling practices may vary.

Dell also offers consumers an opportunity to recycle old computers and monitors even if they are not Dell-branded products. If consumers buy a new Dell desktop or notebook and select the no-charge recycling option at the time of purchase, we will recycle the old PC and monitor at no cost. And, if available in the area, we will even pick it up at their home.

Dell also provides free recycling for printers, ink and toner with purchase. We accept printers from any manufacturer, and we currently accept Dell-branded ink and toner for recycling.

Consumer Donations

Through Dell Recycling, consumers can donate their computers to organizations in their communities that help disabled and economically disadvantaged children and adults. Dell partners with the National Cristina Foundation to offer

FIGURE 41: DELL DONATION PARTNERS

Country	Donation Organizations
Brazil	Fundacion Pensamento Digital
Canada	National Cristina Foundation
France	Ecodair and Emmaus partnership
Ireland	RT Centre
United Kingdom	ReCom
United States	National Cristina Foundation
	Goodwill Industries

FIGURE 42: RECYCLING PROCESS

1 Request Service — Go online and request the service

2 Pack and Schedule — Pack your equipment and schedule in-home pickup

3 Transport & Recycle — Dell comes to your home, transports the product to our recycler, and responsibly recycles it

this service. Dell first introduced the program in 2000 in the United States. The program is now available in Brazil, Canada, France, Ireland, and the United Kingdom, as shown in Figure 41. Local recipient organizations pick up the donations directly from the consumer's home. The program accepts functional and complete units. These donation programs enable Dell consumers to give to local organizations.

In the United States, Goodwill Industries and Dell created RECONNECT, a free program designed to reuse and responsibly recycle unwanted electronics. Under the RECONNECT program, consumers simply bring in their equipment to their participating local Goodwill store or Goodwill drop-off donation site. RECONNECT recycles any computer and returns the resale value of donations to Goodwill Industries to support their mission of creating job opportunities for individuals with barriers to employment. In 2006, we expanded the program from three to nine alliances, serving 19 Goodwill regional divisions in five states (California, North Carolina, Texas, Pennsylvania, and Michigan).

No computer should go to waste.

Dell wants to maximize responsible reuse and recycling of e-scrap — and minimize inappropriate disposal.

FIGURE 43: NO-CHARGE DELL-BRANDED CONSUMER RECYCLING MAP

Available

Not Available

We want to make product recycling as convenient as product purchase. We offer the industry's only no-charge global consumer recycling program.
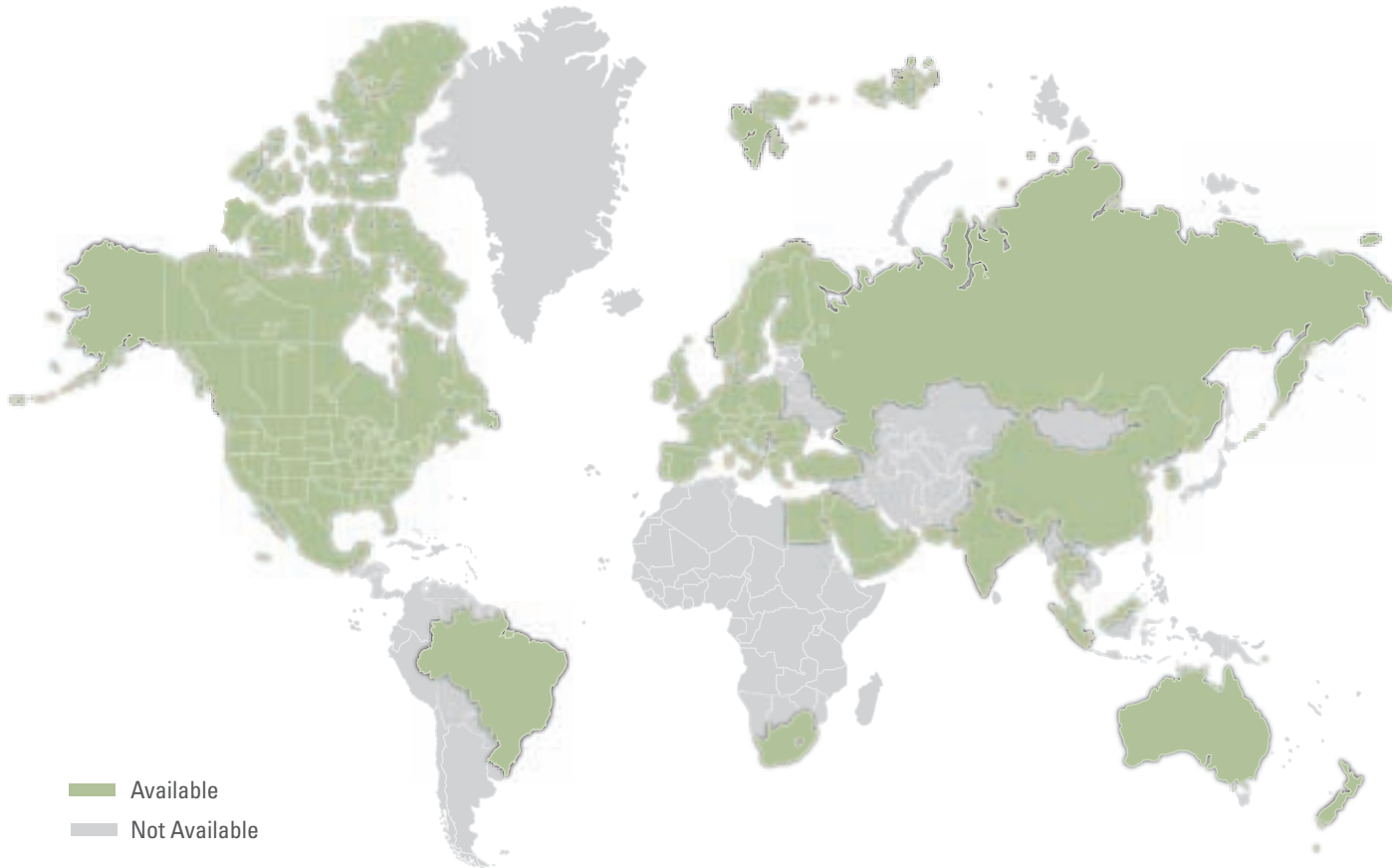
CALIFORNIA GOVERNOR NAMES RECIPIENTS OF STATE'S TOP ENVIRONMENTAL LEADERSHIP AWARDS

In December 2006, Governor Arnold Schwarzenegger announced 14 recipients of the 2006 Governor's Environmental and Economic Leadership awards for their extraordinary contributions to protect California's natural resources and environment. Dell was honored in the category of Environmental and Economic Partnerships for its work with Goodwill Industries to collect used computer equipment at Goodwill locations. In turn, Goodwill sorts the equipment for recycling or resale and directs proceeds to job-creation and community programs.

WASTE NEWS CORPORATE ENVIRONMENTAL AWARD

Waste News named Dell as a recipient of its 2006 Environmental Awards. Dell's honor, the Corporate Award, recognizes companies that have made significant environmental progress in the way they operate their businesses. Dell was recognized for "instituting its landmark recovery and recycling program that recycles any of its consumer products anywhere in the world for free. Dell is the first electronics company to do so, taking a significant step as an industry leader to address the growing e-waste problem." The award ceremony occurred at the environmental management conference organized by the U.S. Environmental Protection Agency and Waste News.

Staff volunteers collected over 12,000 kilograms of IT material at our recycling day in Rueil-Malmaison on the outskirts of Paris, France. The equipment collected included more than 1,200 computers, printers and monitors, which were transported to the event by car, bike and foot.

Commercial Asset Recovery Program

Dell provides value added Asset Recovery Services (ARS) for our commercial customers. Businesses, public agencies, universities and other institutional customers face unique needs. Our ARS offering includes all aspects of the decommissioning process — from planning, packaging, and pickup, to sorting, destructive data overwrite, reuse, and disposal. Dell's services allow organizations to place as much care and emphasis on the proper management of decommissioning technology as they do on the acquisition and ongoing support of these assets.

ARS covers many types of equipment, including desktop computers, notebook computers, servers, storage and network equipment, monitors, printers, projectors, batteries, and computer peripherals such as keyboards and mice. In 2006, Dell offered ARS in 166 countries around the globe, as shown in Figure 44.

Data Security and Environmental Compliance

To protect the data of our customers, ARS requires our partners to remove tags and labels from equipment and to overwrite hard drives. Partners must also implement stringent facility security procedures including video surveillance of entrances and exits, personnel background checks, and pound-for-pound accounting of materials processed. Our stringent practices support customer needs for compliance with data privacy regulations such as those in the California Internet Security Law (CA S.B. 1356) and U.S. Health Insurance Portability and Accountability Act (HIPAA).

Dell's program facilitates the disposal of our customers' obsolete or excess equipment in a secure and environmentally friendly way. ARS uses Dell's global guidelines for end-of-life disposal. The guidelines emphasize reuse and recycling over incineration and landfill, and they prohibit the export of environmentally sensitive material to developing countries. Lastly, the guidelines commit Dell to continually improving our program and reporting on our results. For more information, see *www.dell.com/disposalguidelines.*

Dell recognizes that security procedures and environmental standards matter little without a comprehensive auditing system to ensure compliance. Dell uses independent auditors from Environmental Resources Management (ERM) to verify adherence to our global standards. The annual audit covers five key areas: environmental health and safety, data destruction, asset and facility security, logistics risks, and downstream material disposition. Dell's partners in all regions must meet or exceed these audit standards before they receive Dell or Dell customer materials.

In addition to these annual audits, a separate third-party audit firm reviews all Dell environmental partners on an unscheduled basis to review the process and output of any destructive data overwrite services offered on behalf of Dell.

Tom Furlani: On Remarketing 2,300 Servers

Tom Furlani, Director, The Center for Computational Research, SUNY University of Buffalo

The Center for Computational Research at the University of Buffalo, State University of New York, provides education, outreach, training, and technology transfer to local industries. The Center uses specialized, high-end super computing equipment. In 2006, the center wanted to augment its existing 800-node cluster with 512 additional nodes. But before doing so, it had to remove and remarket 2,300 used high-performance servers to prepare for the upgrade.

Dell ARS designed a customized solution to rapidly, easily and securely recover the 2,300 servers. ARS devised a way for the servers to remain in their racks during the de-installation process so that customers experienced as little downtime and inconvenience as possible. Dell ARS divided the job into four pickups — transferring 60 racks each trip. In the process, Dell ARS used 79 custom-made pallets to recover the 2,300 servers. Each server was managed according to Dell standards for data security and environmental compliance.

Dell identified buyers for the 2,300 servers and related equipment, defraying $600,000 of the cost of the new cluster for the Center.

"Dell ARS helped us get rid of our old equipment, which was out of warranty and had a diminished computing throughput, and the financial benefits of using the services allowed us to expand our cluster with faster, more energy-efficient nodes," stated Tom Furlani, Director of the Center. "That helps us provide even more computing power for vital medical research and local business purposes at a lower operating cost."

They also review the results of ERM's audits, creating a thorough and independent audit program. Dell performs a financial review of all related partners to ensure stability and liquidity. For more information on Dell's Asset Recovery Services, see *www.dell.com/assetrecovery.*

Removing the Headache from Removing Used Equipment

Storing equipment that is no longer being used can be a waste of both valuable space and money. Yet determining how to properly dispose of or resell outdated systems is often a challenge. Many organizations simply do not have the resources or knowledge to properly remove used systems from their offices, particularly those with multiple locations or vast numbers of users. Plus, it is important to factor environmental considerations into equipment

FIGURE 44: DELL WORLDWIDE ASSET RECOVERY SERVICES

Asset Recovery Services (ARS) available (Some restrictions may apply.)

ARS planned by late 2007

No standard ARS, subject to review upon request

ARS not available
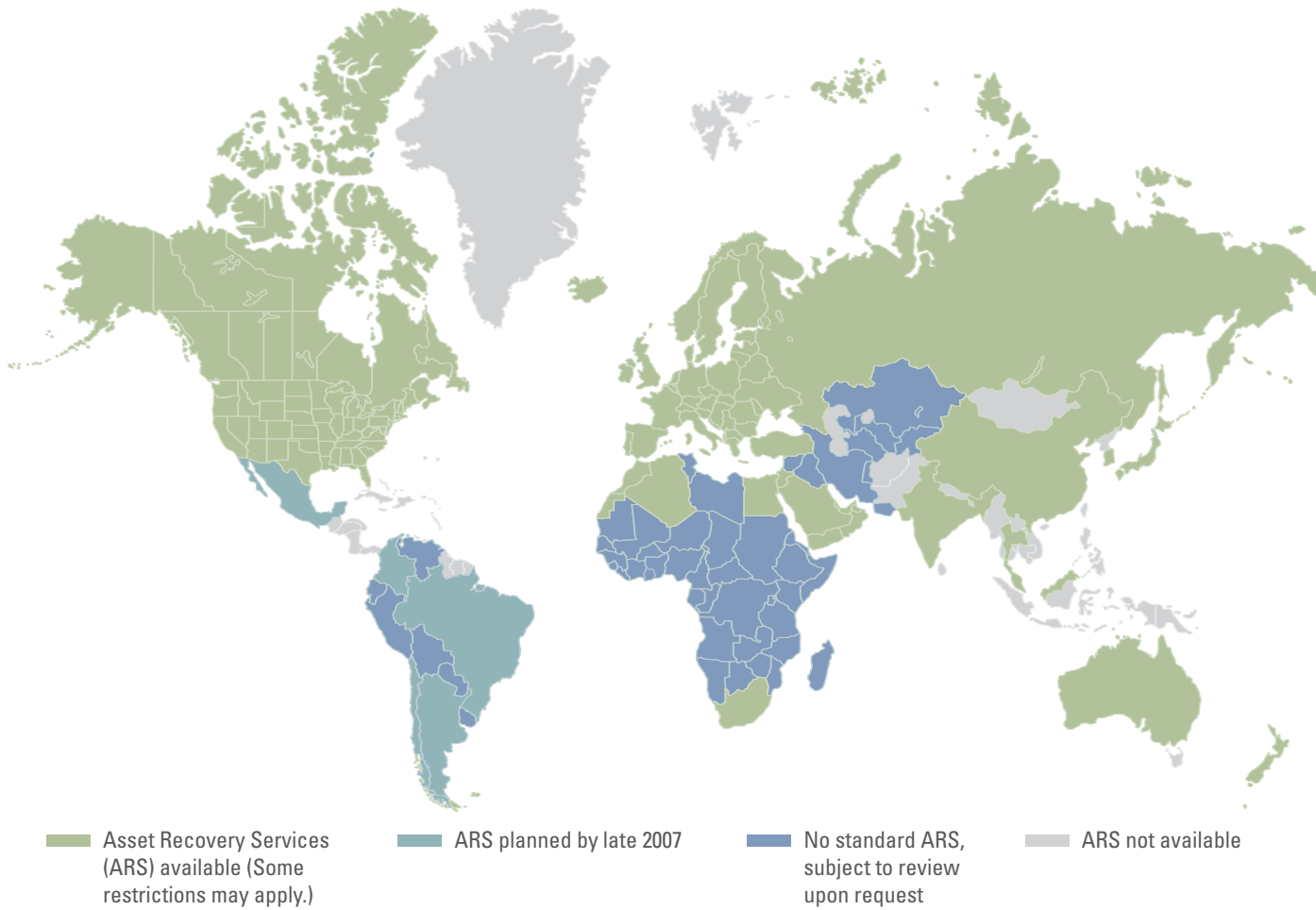
DELL RECEIVES PROMINENT ENVIRONMENTAL LEADERSHIP AWARD

The National Recycling Coalition (NRC) awarded Dell its highest annual Recycling Works Award for its longstanding efforts to promote individual producer responsibility. The award recognizes Dell's leadership in recycling computer equipment and its global policies, making it easier for customers to become effective environmental stewards.

"Dell's innovative environmental initiatives implemented in the last year put them head and shoulders above any other electronics company," said Kate Krebs, NRC's executive director. "They are showing vision, leadership, and commitment at levels we've never seen in this industry."

NATIONAL RECYCLING COALITION INC.

Nishita Bakshi: On the Take-Back Metric

Research Director, As You Sow
www.asyousow.org

As You Sow is a nonprofit group committed to promoting corporate social responsibility through shareholder engagement. We have been in a dialogue with Dell since 2002 on the issue of producer responsibility and electronic equipment take back and recycling.

Socially concerned shareholders have emphasized the need for a recycling metric that compares electronic equipment recycled to equipment sold. Unfortunately, no standardized recycling metric exists to track and report recycling progress by the computer equipment industry. As a result, stakeholders face challenges in measuring a company's progress over time, and in relation to peers. To address this issue, As You Sow and Walden Asset Management have worked cooperatively with Dell to develop a recycling metric that effectively measures the company's take-back programs.

Dell and a handful of other companies with established electronic equipment take-back programs report regularly on their collection of used equipment. Dell estimates, based on its experience and literature review, that the average weighted life of returned computers is seven years. So, with the support of shareholders, Dell has agreed to measure and report the rate of equipment returned to computer equipment sales seven years ago.

Using this metric, Dell took back in 2006 over 12 percent of the electronic equipment that they had originally sold approximately seven years ago. Figure 45 charts the comparison between units sold and returned through the take-back program.

Since there is currently no standard industry way to report on electronic equipment take back, the data cannot yet be accurately compared across companies. Some companies keep track of reuse and recycling information separately, while others, like Dell, do not. It is difficult to collect uniform data for all product mixes worldwide, and data on take-back are sometimes incomplete. Although the metric is not precise, it serves as an important measure of performance and progress.

We encourage Dell and its peers to also develop a common metric for equipment take-back and recycling, and to report similarly on reuse and disposal of equipment not recycled.

removal plans. Dell Asset Recovery Services provides solutions to these problems, taking the hassle and guesswork out of the decommissioning process.

Transparent Reporting

Dell measures its global product recovery efforts by tracking the weight (in kilograms) of systems recovered by region, including the Americas; Europe, Middle East and Africa (EMEA); Asia-Pacific and Japan (APJ); and by the collecting program such as commercial, consumer, and institutional.

Figure 46 shows product recovered over the past two fiscal years via U.S. Asset Recovery Services; U.S. Dell Home Sales; U.S. Collection Events; and Recovery from Europe, Middle East and Africa (EMEA). The data in Figure 46 is a subset of the total amount of product recovered worldwide, consistent with data presented in prior years. The collection volume has grown dramatically, most notably due to the consumer recycling plan introduced this year.

Figure 47 shows the total amount of product recovered worldwide in fiscal years 2006 and 2007 by how it was collected. Collection sources include:

- Dell recycling: Recycled consumer computer products
- Asset Recovery Services: Computer products recovered from businesses, governments, schools and universities for reuse or recycling
- Donations: Computer products donated to charities through Dell Recycling
- Recycling events: Computer products dropped off at recycling events sponsored or supported by Dell
- Lease returns: Computer products returned to Dell for reuse or recycling
- Retired Dell-owned equipment, customer returns and excess spare parts: Dell-owned equipment that is retired, computer products returned within 30

FIGURE 45: COMPARISON OF ELECTRONIC EQUIPMENT RECOVERY AND RECYCLING TO SALES

Comparison between units sold and returned through the recovery and recycling program.
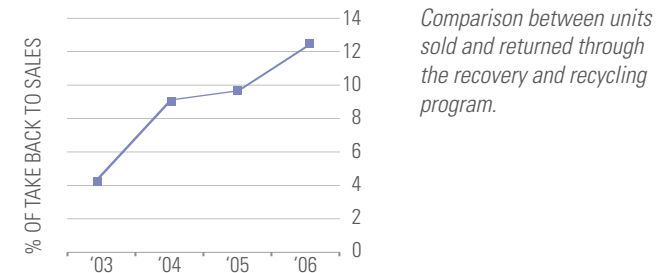
- *IDC units shipped numbers were used as sales numbers*
- *Allocated weight of shipped units is based on product type (Monitor 15.87Kg, Desktop 13.6Kg, Laptop 4.53Kg)*
- *Current electronic equipment recovery and recycling is compared to weight of IDC shipped units 7 years ago*
- *Dell's financial year is assumed to coincide with calendar year for simplicity*

days of purchase that can be refurbished and resold, and a small amount of excess spare parts (This excess is very small because Dell's build-to-order model allows for very low amounts of inventory.)

Recycling events have not expanded in the last two years by design. We reduced emphasis on recycling events while focusing on the higher volume, more sustainable consumer programs.

Figure 48 shows the total amount of product recovered worldwide, by region, over the past two years, quarter by quarter. While the Americas Business unit continues to lead, the EMEA region is gaining. This is mostly due to the way Dell rolled out its consumer recycling program.
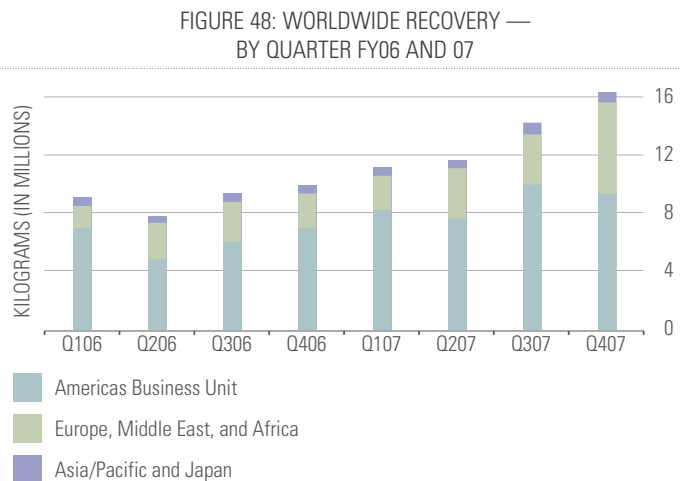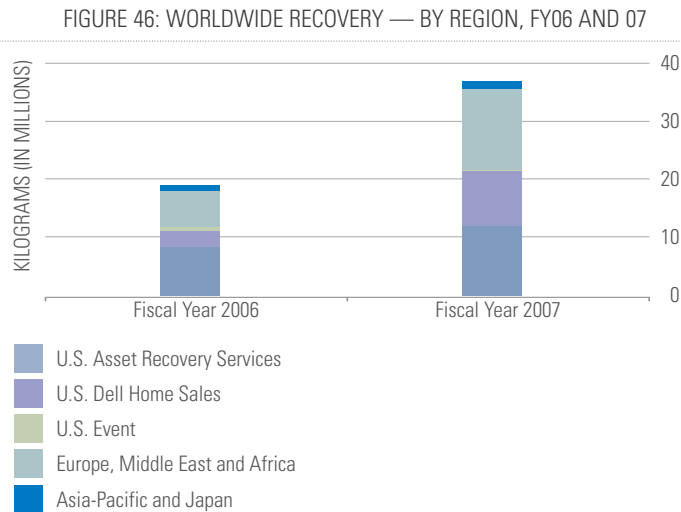
Figure 49 shows the progress Dell is making towards its goal of recovering a cumulative 125 million kilograms of product by fiscal year 2010 starting from our baseline established in fiscal year 2004.

Accounting Challenges

Dell faces accounting challenges in countries where collection records do not distinguish between brands or product segments. For these countries, charges are passed along to manufacturers based on total weights processed and the company's market share. As a result, we do not have an accurate means of incorporating these weights into our reporting system.

FIGURE 46: WORLDWIDE RECOVERY — BY REGION, FY06 AND 07

- U.S. Asset Recovery Services
- U.S. Dell Home Sales
- U.S. Event
- Europe, Middle East and Africa
- Asia-Pacific and Japan

FIGURE 47: WORLDWIDE RECOVERY — BY COLLECTING PROGRAM, FY06 AND 07

- Asset Recovery Services
- Consumer Recycling Programs and Goodwill
- Asset Recovery Business and Dell Factory Outlet — Consumer returns and exchanges less than thirty days
- End-of-lease Returns
- End-of-life Parts
- Recycling Events and Tours

FIGURE 48: WORLDWIDE RECOVERY — BY QUARTER FY06 AND 07

- Americas Business Unit
- Europe, Middle East, and Africa
- Asia/Pacific and Japan

FIGURE 49: WORLDWIDE RECOVERY — YEARLY PROGRESS FROM FY04 TO FY07

DELL'S ENVIRONMENTAL POLICY

Dell's vision is to create a company culture where environmental excellence is second nature. Our mission is to fully integrate environmental stewardship into the business of providing quality products, best-in-class services, and the best customer experience at the best value. We have established the following environmental policy objectives to achieve our vision and mission.

Design Products with the Environment in Mind

- Design products with a focus on: safe operation throughout the entire product life cycle, extending product life span, reducing energy consumption, avoiding environmentally sensitive materials, promoting dematerialization, and using parts that are capable of being recycled at the highest level.
- Set expectations of environmental excellence throughout Dell's supply chain.

Prevent Waste and Pollution

- Operate Dell's facilities to minimize harmful impacts on the environment.
- Place a high priority on waste minimization, recycling and reuse programs, and pollution prevention.

Continually Improve Our Performance

- Use an Environmental Management System approach to establish goals, implement programs, monitor technology and environmental management practices, evaluate progress, and continually improve environmental performance.
- Foster a culture of environmental responsibility among employees and management.

Demonstrate Responsibility to Stakeholders

- Act in an environmentally responsible manner through sustainable practices designed to ensure the health and safety of Dell's employees, neighbors, and the environment.
- Periodically communicate company progress to stakeholders.
- Engage stakeholders to improve products and processes.

Comply with the Law

- Conduct business with integrity and dedicated observance of environmental laws and regulations, and meet the commitments of the voluntary environmental programs in which Dell participates.

Michael S. Dell
Chairman and CEO

CORPORATE ACCOUNTABILITY

- » Governance
- » Ethical Behavior
- » Stakeholder Dialogue
- » Global Diversity
- » Global Policy for HIV/AIDS
- » Global Citizenship and Ethical Sourcing

COMMUNITY ENGAGEMENT

EMPLOYEE

- » Diversity — with Loca
- » Workpla
- » Wellne
- » Priva

COMMUNITY ENGAGEMENT

Company Support «
Dell Foundation «
Employee Volunteerism «
Community Grants «
Healthy Communities «
Connected Communities «
Digital Literacy «

CUSTOMER EXPERIENCE

SUPPLIERS

- » Supplier Global Citizenship
- » Electronic Industry Code of Conduct
- » Business Process Improvement
- » Supplier Diversity
- » Human Rights
- » Vendor-Partner Audits

FACILITIES

- bal Expansion
- anufacturing
- egulatory Compliance
- Workplace Health and Safety
- Reduce Emissions from Operations
- » Waste Avoidance
- » Reduce Tree Fiber Use
- » FSC-Certified Paper

TRANSPORTA

- » Optimize Shipping
- » Reduce Emissions
- » Geographic Manufacturing

FACILITIES

- » Energy E   ment
- » Materials   Reduce Greenhouse Gases
- » Climate Protection   » Consumer Recycling and Reuse
- » Eco-Labels   » Equipment Recovery and
- » Product Stewardship   Recycling Programs
- » Asset Recovery   » Donations

GING

- Packaging Optimization
- » Packaging with Environmentally Reponsible Materials
- » Global Recycling
- » Multi-Packs and Vertical Boxes
- » Forest Stewardship

ENVIRONMENTAL RESPONSIBILITY

COMMUNITY ENGAGEMENT

No matter where we live, we all value good neighbors and healthy communities. Our company has facilities in more than 50 countries across the globe. We work to be a good neighbor in each and every one of the communities we call home.

During 2006, Dell expanded our presence into new communities including Chennai, India; Gurgaon, India; Glasgow, Scotland; and a second Philippines site. Dell also significantly expanded employment during 2006 in several sites including Ottawa, Canada; Nashville, Tennessee; Oklahoma City; and Winston-Salem, North Carolina.

As a global technology leader, our community initiatives often focus on improving digital literacy. Dell believes that technology and technology access helps communities reach their full potential. In today's economy, familiarity with technology is a key to success. Dell recognizes that communities must first meet the most basic requirements of those who are in need. For this reason, Dell supports programs that serve basic community needs such as shelter, health care, and literacy.

Our community engagement springs from three primary sources: our employees, our company, and the Dell Foundation. We focus these engagements in two thematic areas. "Community Foundations" support focuses on organizations that help meet basic needs and protect the wellness of people in those communities. "Community Growth" support focuses on activities and organizations that teach digital literacy skills to those in Dell communities, especially youth.

Community Engagement Values	2006 Community Engagement Actions
Employee Volunteerism	The Dell Foundation's new employee donation-matching program both encouraged additional employee donation pledges last fall, and increased the total dollars pledged for calendar year 2007. Employee contributions and company match will total over $13 million during 2007.
Community Foundations: Community Health and Wellness	Dell's commitment to do our part to fight the spread of HIV/AIDS continues. Our community outreach to HIV-service organizations became more global in fiscal year 2007.
Community Growth: Technology and Digital Literacy	TechKnow, our signature education program, graduated the largest class ever this year (more than 6,900 students), and we opened additional learning centers in China and Brazil.

Our focus remains on being a good neighbor in the communities we call home around the globe.

Our rapid growth into new communities presents a challenge of ensuring that we are both true to corporate objectives and we present a consistent "face" of Dell in these communities, while not imposing a rigid corporate structure that does not account for individual community differences.

Much remains to be done on our HIV/AIDS prevention campaign. The potential infection rates in some of the countries and communities where we operate are troubling both to our business and to our commitment to wellness and citizenship. We are working to globally coordinate activities, leverage best practices between regions, and cooperate with industry partners where appropriate.

Our focus remains on being a good neighbor in the communities we call home around the globe. Doing so benefits not only Dell communities and Dell employees, but also our strategic business objectives. Connected and fulfilled employees work more effectively. Healthy and technically literate communities make more desirable locations for our operations. We hope the following provides a global overview of how we are putting that focus into action.

Three Sources of Community Support: Company, Foundation and Employees

Dell's community engagement comes from three primary sources: direct company support, Dell Foundation grant programs, and Dell employee engagement.

Support from the Company

Each year, Dell sponsors a number of initiatives in communities where we have facilities. These engagements range from sponsorships of fundraising walks to fight disease or benefit community organizations; to employee team-building activities that involve volunteer projects supporting nonprofits; to supporting events and institutions that help build the fabric of communities, such as events marking specific holidays or organizations that support the arts.

Dell's community engagement springs from three primary sources: direct company support, Dell Foundation grant programs, and Dell employee engagement.

Dell helps employees to engage in community activities through a three-step approach: Learn, Engage and Commit.

In 2006, Dell introduced new activities to support the breast-cancer fighting efforts of the Susan G. Komen Foundation and to support several events for HIV-service organizations in Dell communities.

Support from the Dell Foundation

The Dell Foundation Equipping Youth grants offer direct financial assistance to nonprofit organizations and programs that strive to equip youth and inspire them to learn and excel in a digitally driven economy. The reach of the Dell Foundation continued to expand globally in 2006. The Foundation awarded grants to organizations in countries including Australia, Brazil, Canada, China, El Salvador, Germany, India, Ireland, Italy, Malaysia, Panama, Slovakia, Spain, the United Kingdom and the United States. For more information on the Foundation, see *www.dell.com/dellfoundation.*

The Dell Foundation was honored by the Association of Fundraising Professionals with the Outstanding Philanthropic Corporation Award. The Foundation was recognized for outstanding commitment to global citizenship, as Dell strives to extend its support to every community it calls home.

Support from Dell Employees

Dell employees enthusiastically support community-based initiatives. Dell helps employees engage in community activities through a three-step approach: Learn, Engage and Commit.

Global Community Involvement

Each year, Dell designates September as Global Community Involvement Month. In 2006, over 33,000 employees volunteered in 26 different countries around the world to address the needs and issues facing their communities. Dell encourages volunteerism throughout the year by providing tools and information so that employees can find opportunities in their communities. Through a long-time partnership with VolunteerMatch, Dell offers a customized online tool to help employees quickly find local opportunities.

In addition, in the United States, Dell's team-building matching grant program encourages volunteerism by providing a financial donation, on behalf of employee volunteers, directly to the organizations where Dell teams volunteered.

Dedication from Dell employees to the communities we call home does not solely center on one month a year; it is a year-round, far-reaching effort. For example, some Dell employees serve on the boards of local, regional, and even global nonprofit organizations. Dell recognizes those outstanding employees who make long-standing commitments to their chosen charities through its Volunteers of Distinction program.

Learn

Community involvement fairs enlighten employees about needs in the community and connect to local service organizations. These fairs provide an opportunity to invite nonprofit organizations onto Dell campuses for employees to learn about community needs and volunteer opportunities. In 2006, fairs were held at Dell facilities around the world, with thousands of employees connecting to more than 300 different organizations. In addition, throughout the year Dell provides information to employees about opportunities to assist Dell communities through volunteerism and financial giving.

Engage

Dell employees support our communities throughout the year. We encourage all our employees to volunteer during Global Community Involvement Month, and we recognize our outstanding employee efforts through the Volunteers of Distinction program.

Commit

Dell employees who wish to donate financial assistance to the nonprofit organization of their choice can do so through Dell's Direct Giving program. Dell covers all administrative costs of the program, allowing 100 percent of employee gifts made through payroll deduction or direct donation to go to the organization or cause of their choice. Dell employees pledged more than $7 million in 2006 to assist organizations around the world. Dell will match employee dollar donations, dollar for dollar up to $5,000 per employee, resulting in over $6 million in contributions from the company.

Dell Teams Compete in Earth Games — In 2006, the Dell team in Penang, Malaysia won Dell's first annual Dell Earth Games with more than 750 employees participating in activities that included battery recycling, carpooling, computer recycling, domestic waste recycling, and environmental education. Dell launched the Earth Games program to encourage employees to participate in Earth-friendly activities.

Global Community Involvement Month: September

FY 2004: Over 7,100 employees (15 percent) participated worldwide

FY 2005: Over 17,500 employees (31 percent) participated worldwide

FY 2006: Over 29,000 employees (44 percent) participated worldwide

FY 2007: Over 33,000 employees (40 percent) participated worldwide

Dell acknowledges outstanding volunteer work by employees through its Volunteers of Distinction program.

Healthy Community Grants

In 2006, the Dell Foundation awarded Healthy Communities grants to 27 organizations that address children's basic needs such as food, shelter, safety and health care. Organizations that we funded had to address one or more of the following needs or outcomes:

- dietary and nutrition programs for children and families with limited resources
- access to educational and healthcare services and support for children and families with limited resources
- healthy lifestyle programs for children and families and those entrusted in their care facing difficult economic circumstances
- early developmental programs that prepare infants and toddlers for a successful start in life
- a continuum of care for youth

Volunteers of Distinction

The Dell Foundation recently awarded more than $150,000 to charities worldwide as part of our annual volunteer recognition program. Nonprofit organizations from more than a dozen countries received cash contributions in recognition of the hands-on activism of employees. Dell Volunteers of Distinction winners were selected from a pool of global nominations, and cash grants were made by the Dell Foundation to the charities for which the employee or team of employees volunteered.

Community Foundations

Community Foundations efforts focus on supporting organizations that help meet basic needs and protect the wellness of people in those communities. Dell believes that the basic requirements of those in need must be met before digital literacy can be expanded. Dell works in each community we call home to ensure that we are contributing to building community foundations of strength and wellness. We divide our work in this area into three areas: Healthy Community grants, Service, and Fundraising.

Local Food Banks

Each year children and families go to bed at night hungry. No company can by itself solve hunger issues, but we are working in many of our communities to help meet this basic need. In 2006, Dell employees in the United States and Canada came together to benefit local food banks. They collected funds, food, and supplies that equated to more than one million meals to feed the underserved. For the second year in a row, Dell's ongoing commitment to aid hunger relief organizations earned us the Corporate Group Volunteer Award from America's Second Harvest — the nation's Food Bank Network.

Raising Funds for Important Health Issues

In 2006, Dell dedicated time and energy to raise funds for breast cancer research, juvenile diabetes, and HIV/AIDS. Employees donated and helped to raise more than $400,000 for these important health issues.

During the past year, Dell partnered with the U.S. Technology CEO Council (TCC) to host health-care policy forums in Boston, Massachusetts; Greensboro, North Carolina; Nashville, Tennessee; and Houston, Texas. Participants included national and state policymakers, business leaders and health-care professionals working to accelerate the adoption of health information technology in their respective states.

In April 2006, Dell made available to its U.S. workforce an innovative version of personal health records and an online tool that helps employees manage health-care costs. Dell has experienced an average 10 percent decline in health-care expenses and significant declines in emergency room and hospital visits over the past two years.

Breast Cancer

In 2006, Dell continued its U.S. partnership with the Susan G. Komen Foundation to support the organization's efforts to fight breast cancer. More than 1,300 Dell employees participated in support of Race for the Cure® events.

Community Foundations support focuses on supporting organizations that help meet basic needs and protect the wellness of people in those communities.

Community Growth support focuses on activities and organizations that teach digital literacy skills to those in Dell communities, especially youth.

The HIV/AIDS pandemic is spreading at alarming rates in many regions where we are experiencing the greatest growth. HIV/AIDS affects our employees, our customers and our suppliers. We are committed to supporting community organizations that fight this disease.

Juvenile Diabetes

Dell employees across the United States support walks and activities that raise money each year for the Juvenile Diabetes Research Foundation (JDRF).

HIV/AIDS

Dell believes that the spread of HIV is of concern to our employees, suppliers, customers and communities around the globe. Our company remains committed to do our part to fight the spread of HIV/AIDS. The following sections provide examples of Dell support for various HIV-services community organizations. The "Corporate Accountability" section of this report provides a detailed review of our HIV/AIDS policies. For details, see "HIV/AIDS"on page 26.

El Salvador

In El Salvador, Dell Foundation grants continue to support Fundacion Inocencia (Innocence Foundation). Fundacion Inocencia is a nonprofit organization dedicated to promoting the well-being and dignity of children and families affected by HIV/AIDS in El Salvador, Guatemala and Honduras. Fundacion Inocencia and the National Children's Hospital Benjamin Bloom in San Salvador joined together to form the Center for Outstanding Care of HIV Affected Children (CENID), an alliance that capitalizes on the organizations' services, including education, prevention, treatment and medical research for HIV/AIDS. Dell worked with CENID in 2006 to help install a computer network to support the children the foundation supports.

Panama

In 2006, the PROBIDSIDA-Dell partnership served nearly 1,400 children, through the Dell Educational Center for HIV/AIDS in Panama's Children's Hospital. The center provided computers so that young patients could research and understand their medical treatment. The Center has also provided support for families seeking more information about their loved ones' diseases. Children's Hospital employees also benefit from the new computers, using them to conduct medical research.

As Panama's only HIV/AIDS prevention and awareness organization, PROBIDSIDA has been approved to receive a second-year Dell Foundation grant of $20,000 in 2007 to continue its programs in Panama's Children's Hospital. Funds will also support new computer equipment for PROBIDSIDA administration.

Central Texas

Dell was a supporter of the 2006 Hill Country Ride for AIDS which raises money for 10 organizations in Central Texas that provide HIV-related services. A team of Dell employees participated in and raised money for Austin AIDS Walk in 2006. A Dell employee continues to serve on the nonprofit board of AIDS Services of Austin.

Middle Tennessee

A team of Dell employees participated in and raised money for the Nashville AIDS Walk, supporting Nashville Cares. Dell also supported the 20th anniversary event of Nashville Cares. A Dell Nashville employee was invited to join the nonprofit board of Nashville Cares in 2006.

Oklahoma

In 2006, Dell was a sponsor of Red Tie Night, an event benefiting HIV-service organizations in Oklahoma.

Canada

A team of Dell employees participated in and supported the Toronto AIDS Walk for 2006.

India

Dell works closely with the Freedom Foundation in Bangalore and Hyderabad, India, which provides services to those afflicted with HIV/AIDS and provides education programs to fight its spread. In late 2005, Dell employees contributed $15,000 towards medicines for HIV-positive children. In 2006, Dell employees held several Freedom Foundation fundraisers to assist with the purchase of needed medical equipment. The Freedom Foundation sponsored employee awareness training at Dell India facilities; in turn, Dell employees volunteered at the Foundation's center.

Malaysia

Dell supported the Malaysian AIDS Foundation with a Dell Champion Road run in 2006. This event is a fun run for Dell employees who partner with Dell to raise money for the organization. More than 1,200 employees raised thousands of dollars for the organization during the event. In January 2007, Dell announced a partnership with the Malaysian AIDS Council to create YOUTHSPEAK to support efforts to raise the awareness of HIV issues among youth in Malaysia through the Youth-to-Youth Theatre Program.

Australia

The Dell teams in Australia host two annual fundraisers to support HIV-service organizations. During the BBQ Fundraising Drive, the Dell management team cooks lunch for staff in return for a donation to one of the sponsored charity organizations, Bear Cottage or AIDS Trust of Australia. For the Good Food and Wine Fair, Dell volunteers helped set up stores and sell tickets on the event day. All proceeds from these events go toward ongoing education and the elimination of HIV/AIDS.

Community Growth

Dell believes that access to technology and digital literacy are keys to success in the 21st century economy. To assist emerging Dell communities, Dell sup-

Dell awards grants to deserving communities to improve technology access. Grants provide for Internet access, training, online community services and involvement in Web-based communities.

ports a number of community engagements that help build these skills.

We divide our work in these areas into four categories: Literate Community grants, Connected Community grants, 21st Century Skills, and TechKnow.

Literate Community Grants

The Dell Foundation solicits competitive applications from 501 (c)(3) nonprofit organizations for a number of partnerships every two years. Organizations we fund by Foundation grants must address one or more of the following needs or outcomes:

- literacy programs that ensure appropriate grade-level success for children and families with limited resources
- computer and Internet literacy and online educational services and support for children and families with limited resources
- educational and character development programs for children and families that promote self-confidence, self-esteem and personal responsibility
- educational opportunities that raise interest in math, science, economics and technology that lead to development of critical thinking and potential career opportunities
- educational programs that provide an early exposure to grammatical construction, mathematics, music, art, and foreign language
- early developmental programs that maximize growth and educational development for infants and toddlers
- educational and mentoring programs that provide youth with positive role models

Here we highlight one of the many literate community projects we sponsored in 2006. Additional examples appear in the online version of this report at *www.dell.com/sustainabilityreport.*

SCIWORKS, THE SCIENCE CENTER AND ENVIRONMENTAL PARK OF FORSYTH COUNTY, NORTH CAROLINA, U.S.

The mission of SciWorks is to promote scientific literacy, life-long learning, and an appreciation of the sciences by providing innovative educational and recreational experiences for all people through interactive programs and exhibits, collections, an environmental park, and unique facilities. SciWorks provides science and math learning experiences that are not feasible in the classroom and enables families to enjoy informal science and math learning. The Dell Foundation underwrites costs associated with this program.

Connected Community Grants

Many residents in and around our locations lack access to technology. To improve technology access in deserving communities, the Dell Foundation awards 25 Connected Community grants. Organizations receiving the grants must address one or more of the following needs or outcomes:

- hands-on technology access with Internet integration for children and families with limited resources
- online community services and support for children and families with limited resources
- training programs designed to help children learn how to use the Internet
- access and involvement in web-based communities for those with historically limited access

Learning Centers in China

Dell opened two new learning centers in China in 2006 to provide digital literacy education to children of migrant families. The Dell Learning Center in Shanghai, at the Shanghai Changlin School, helps 1,000 migrant children participate in the digital world.

The Dell-Xiamen Learning Center, at Xiamen's Rural-Migrant School, enables more than 1,400 students from rural-migrant families in Xiamen to use the latest computer technologies for education programs and development of life skills.

Brazil: Information Technology Schools

Dell Brazil supports the growth of digital literacy and business skills for local youth by opening and supporting technology schools in some of Brazil's low-income communities. Currently, Dell supports nine schools; the latest opened in 2006 in Eldorado do Sul, Brazil. Dell employees supported the initiative by sponsoring the students and teaching classes. After finishing the program, students have the option to study advanced computer skills in one of two Technical Laboratories (LABs). Both programs are part of Dell Brazil's Digital Citizen Project, which has graduated more than 5,900 students since its creation in 2002. Approximately 40 percent of the students are sponsored by Dell volunteers. In 2005, the project was recognized with a Digital Inclusion Award by *InfoExame*, a globally recognized Brazilian magazine.

TechKnow

Dell TechKnow is Dell's signature education program. Established in July 2001, the Dell TechKnow program is a 40-hour, self-paced course where students work in teams on a Dell-refurbished desktop computer with the goal of learning computer basics.

The program focuses on middle school students (typically, 6th through 8th grades). Studies show that students at this age from lower socioeconomic

backgrounds are deciding the relevancy of school in their lives. Middle school is also an age where young girls are still open to learning about technology.

Upon completion of the program, students demonstrate competencies in taking apart and reassembling a computer, loading software, performing basic hardware upgrades, and developing a working knowledge of the Internet. Students take their TechKnow computers home after completion of the course. They also receive one year of Internet access at no charge from America Online. TechKnow students often become coaches and mentors to other family members who may also lack technology skills. This, in turn, helps promote the development of digital literacy in low-income households. For more information, see *www.dell.com/techknow.*

Neil McAlpine: On Making a Difference

Neil McAlpine, Principal, General Wolfe Junior High School, Winnipeg, Manitoba

The students in our inner-city school lack the resources of students from suburban schools. Nearly every household struggles economically. Half of the students come from single parent families. Beyond these financial challenges, half of the families speak a foreign language in their home — be it Filipino, Vietnamese, Ethiopian, Somali, Arabic, or Chinese. The other half of our student population is Aboriginal or economically disadvantaged Canadians. You can imagine the challenges our students face succeeding in a high-tech world.

In 2006, Dell provided the Dell TechKnow program to the Winnipeg school system. I volunteered our school and sent a teacher to Toronto for the daylong training program. When he returned, he and three other staff members started the program with 20 seventh and eighth graders. We chose students with good attendance records and whose families did not own a computer. Students for whom English is a second language (ESL) also received preference.

Dell shipped us 20 refurbished computers, one for each child. The students took apart the computer. They changed out the hard drive, CD-ROM drive, fans, memory chips and other components. They learned how to install hardware and troubleshoot problems. Next, they loaded their own operating systems and software. Towards the end of the course, each student produced his or her own Microsoft PowerPoint® presentation as part of the graduation ceremony.

The class taught our students skills most adults don't know. It also taught them to be responsible for something. We saw tremendous language acquisition from our ESL students. Throughout the 40-hour course, students and teachers learned together side-by-side. The kids like to see adults sticking their fingers in a computer and making mistakes like everyone else. It's very important for our students to see their teachers as learners.

At the end of the program, students took their computers home, along with one year of free Internet access. Now, they can do research at home — an impossibility before TechKnow. When the Dell representative visited the school, the parents thanked him again and again — and again and again. I mean, it was almost embarrassing.

When the chance came to sign up our school this year for TechKnow, I didn't hesitate. In fact, I went to Toronto for this year's training. I've been an educator for 35 years and a principal here at General Wolfe Junior High School for the past 13. I've never seen students and parents more appreciative of a school program. Our teachers also love the program. Six teachers volunteered their time after school, although we need only two teachers to staff the program. They couldn't care less if they get paid. There is something about making a difference in a child's life. It makes you feel good inside. It inspires me.

TechKnow teaches students to take apart and reassemble computers, load software, perform basic hardware upgrades and develop a working knowledge of the Internet. Students receive the refurbished computer at no extra cost.

APPENDIXES

ACRONYMS AND ABBREVIATIONS

AIDS   Acquired Immunodeficiency Syndrome

APJ   Asia-Pacific/Japan (Dell region)

ARS   Asset Recovery Services

ASHRAE   American Society of Heating, Refrigeration, and Air-Conditioning Engineers

BFRs   brominated flame retardants

BITKom   German Association for Information Technology Telecommunications and New Media E.V.

BPI   Business Process Improvement

BSR   Business for Social Responsibility

BTU   British thermal unit

CAFOD   Catholic Agency for Overseas Development

CEA   Consumer Electronics Association

CECP   China Certification Centre for Energy Conservation Products

CENID   The Center for Outstanding Care of HIV Affected Children

CEO   Chief Executive Officer

CFCs   chlorofluorocarbons

CO_2   carbon dioxide

CRT   cathode-ray tube

CSC   China Standard Certification Center

CSR   corporate social responsibility

DfE   Design for the Environment

DTI   U.K. Department of Trade and Industry

E.U.   European Union

EHS   Environment, Health and Safety

EIA   Electronics Industries Alliance

EICC   Electronic Industry Code of Conduct

EICTA   European Information and Communications Technology Industry Association

EMEA   Europe, Middle East, and Africa (Dell region)

EMS   environmental management system

EPA   U.S. Environmental Protection Agency

EPEAT   Electronic Products Environmental Assessment Tool

EPS   Expanded Polystyrene Packaging Group

ERM   Environmental Resources Management

EuP   Energy Using Products

e-waste   electronic waste

FSC   Forest Stewardship Council

FTSE   British indices and associated data services provider

FY   fiscal year (For Dell, FY2007 is February 4, 2006 through February 2, 2007.)

GBC   Global Business Coalition on HIV/AIDS, Tuberculosis and Malaria

GEMI   Global Environmental Management Initiative

GeSI   Global eSustainability Initiative

GHG   greenhouse gas

GLBT   gay, lesbian, bisexual and transgender

GRI   Global Reporting Initiative

HBCD   hexabromocyclododecane

HCFCs   hydrochlorofluorocarbons

HDPUG   High-Density Packaging User Group

HIV   Human Immunodeficiency Virus

HRC   Human Rights Campaign

ICCR   Interfaith Center for Corporate Responsibility

IDC   International Data Corporation

IDSP   Identity Theft Prevention and Identity Management Standards Panel

IEC   International Electrotechnical Commission

IEEE   Institute of Electrical and Electronics Engineers

IFGE   International Foundation of Gender Education

ILO   International Labour Organization

iNEMI   International Electronics Manufacturing Initiative

ISEE   International Symposium on Electronics and the Environment

ISO	International Organization for Standardization
ITAC	Information Technology Association of Canada
ITI	Information Technology Industry Council
JEDEC	Solid State Technology Association (once known as the Joint Electron Device Engineering Council)
JEITA	Japan Electronics and Information Technology Industries Association
JGPSSI	Japan Green Procurement Survey Standardization Initiative
kg	kilogram
kWh	kilowatt-hour
LCD	liquid-crystal display
LEED	Leadership in Energy and Environmental Design
LTL	less than truckload
MAF	Malaysian AIDS Foundation
ME	Ministry of the Environment
MII	China's Ministry of Information Industry
MILE	Milestones for Improving Learning and Education
NAM	National Association of Manufacturers
NCF	National Cristina Foundation
NEMI	National Electronics Manufacturing Initiative
NGO	nongovernmental organization
NMC	Swedish Association of Environmental Managers
NRC	National Recycling Coalition
NSAI	National Standards Authority of Ireland
OHSAS	Occupational Health and Safety Assessment Series
OSHA	Occupational Safety and Health Administration
PAC	political action committee
PBBEs	polybrominated biphenyl ethers
PBBs	polybrominated biphenyls
PBDEs	polybrominated diphenyl ethers
PCBs	polychlorinated biphenyls
PCN	polychlorinated naphthalene
PCTs	polychlorinated terphenyls
PCW	post-consumer waste

PVC	polyvinyl chloride
REACH	Registration, Evaluation and Authorisation of Chemicals
RoHS	Restriction on Hazardous Substances directive
RT Centre	Reuse Technology Centre Ireland
S/M/W/DBE	Small, Minority, Women and Disadvantaged Business Enterprises
SAI	Social Accountability International
SAM	Sustainable Asset Management
SDoC	Supplier's Declaration of Conformity
SDRC	China State Development and Reform Commission
sq. ft.	square feet
SRI	socially responsible investors
SRIC	Socially Responsible Investment Coalition
TBBP-A	tetrabromobisphenol-A
TBT	tributyltin
TCO	The Swedish Confederation of Professional Employees
TPT	triphenyltin
U.K.	United Kingdom
U.S.	United States
UBA	Germany's Federal Environment Agency
UDHR	Universal Declaration of Human Rights
UNCF	United Negro College Fund
UNEP	United Nations Environment Programme
USAWC	U.S.-Afghan Women's Council
USGEC	U.S. Green Electronics Council
USITO	U.S. Information Technology Office
VOCs	volatile organic compounds
VPP	OSHA's Voluntary Protection Programs
WEEE	European Union's Waste from Electrical and Electronic Equipment directive
WOMMA	Word of Mouth Marketing Association
WS1	Dell's Winston-Salem, North Carolina location
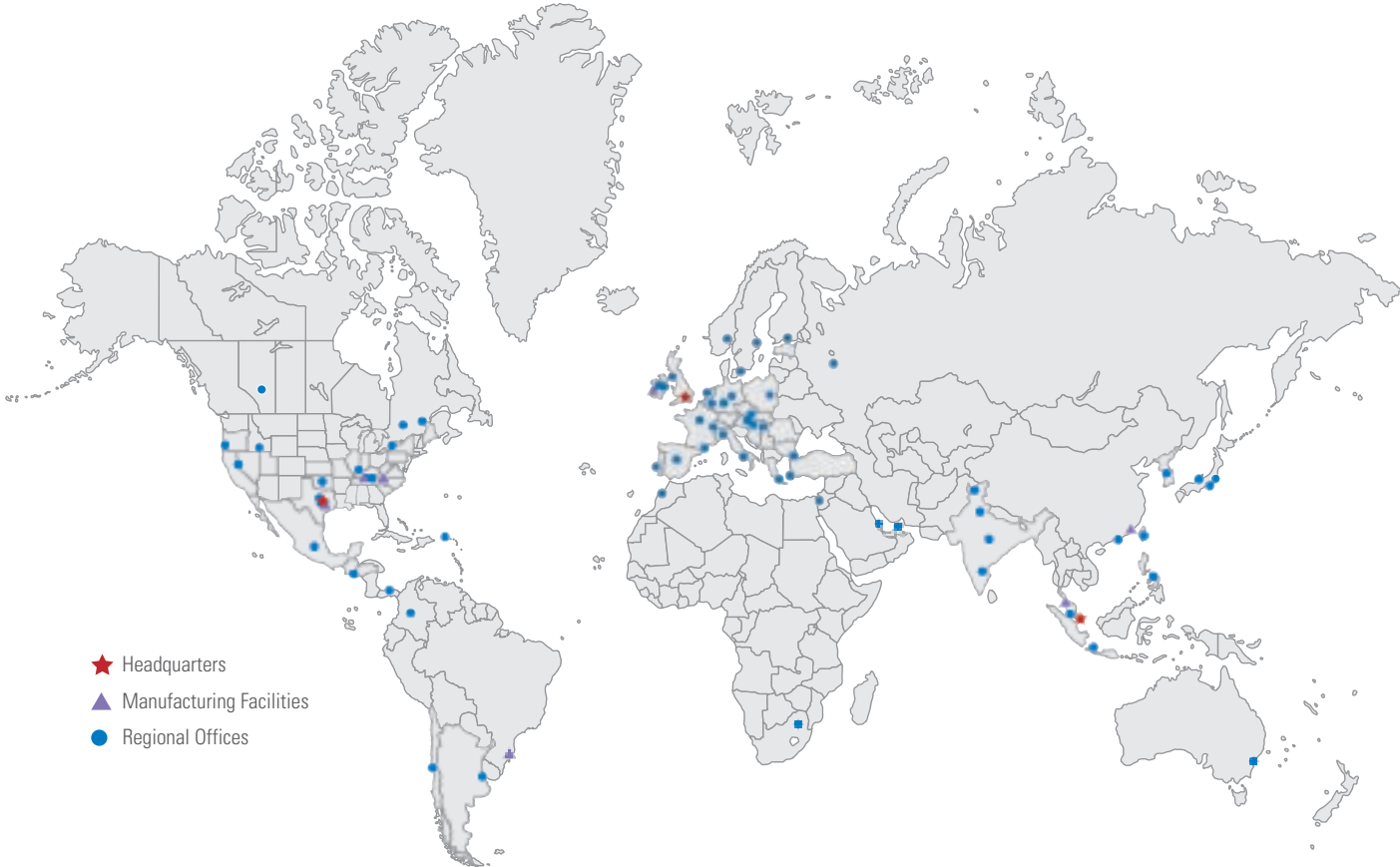
★ Headquarters
▲ Manufacturing Facilities
● Regional Offices

GEOGRAPHIC AREAS OF OPERATIONS

The following is a list of Dell regional head-quarters, manufacturing facilities and regional facilities throughout the world.

Dell Americas

Headquarters
Round Rock, Texas

Manufacturing Facilities
• Austin, Texas
• Nashville, Tennessee
• Winston-Salem, North Carolina

• Eldorado do Sul, Brazil

Regional Offices
• Buenos Aires, Argentina
• Brazil
  Porto Alegre
  Sao Paulo
• Canada
  Edmonton
  Montreal
  Ottawa
  Toronto
• Santiago, Chile
• Santafe de Bogota D.C., Colombia
• San Salvador, El Salvador

• Mexico City, Mexico
• Arraijan, Panama
• Guaynabo, Puerto Rico
• United States
  Twin Falls, Idaho
  Patrick, Nevada
  West Chester, Ohio
  Oklahoma City, Oklahoma
  Roseburg, Oregon
  Nashville, Tennessee
  Lebanon, Tennessee
  Austin, Texas
  McGregor, Texas
  Round Rock, Texas

Dell Europe, Middle East and Africa

Headquarters
Bracknell, U.K.

Manufacturing Facilities
Limerick, Ireland

Regional Offices
- Wien, Austria
- Asse-Zellik, Belgium
- Prague, Czech Republic
- Copenhagen, Denmark
- Espoo, Finland
- France
  Montpellier
  Paris
- Germany
  Frankfurt
  Halle
- Athens, Greece
- Budapest, Hungary
- Ireland
  Bray
  Cherrywood
  Limerick
- Tel Aviv, Israel
- Italy
  Milano
  Rome
- Casablanca, Morocco
- Amsterdam, Netherlands
- Oslo, Norway
- Warszawa, Poland
- Oerias, Portugal
- Bucharest, Romania
- Moscow, Russia
- Glasgow, Scotland
- Bratislava, Slovakia
- Bryanston, South Africa
- Madrid, Spain

- Upplands Väsby, Sweden
- Geneva, Switzerland
- Istanbul, Turkey
- Dubai, United Arab Emirates

Dell Asia Pacific and Japan

Headquarters
Singapore

Manufacturing Facilities
- Penang, Malaysia
- Xiamen, China

Regional Offices
- Sydney, Australia
- China
  Beijing
  Chengdu
  Dalian
  Guangzhou
  Hangzhou
  Hong Kong
  Nanjing
  Shanghai
  Shenzhen
  Xiamen
- India
  Bangalore
  Chandigarh
  Gurgaon
  Hyderabad
- Jakarta, Indonesia
- Saiwi-ku, Kawasaki, Japan
- Seoul, Korea
- Malaysia
  Penang
  Petaling Jaya, Selango
- Philippines
  Makati City
  Pasay City
  Quezon City
- Singapore

- Taipei, Taiwan
- Yannawa, Sathorn, Thailand
- Hanoi, Vietnam

VERIFICATION

Among the many challenges we have addressed this year is integrating and supporting third-party external verification of our sustainability efforts. Because a comprehensive external audit of our report is costly in both time and expense, we chose to undertake an alternative solution this year.

For this year, in addition to performing self-verification and peer review audits, we targeted key aspects for third-party verification. We used well respected industry auditors for the following key portions of this year's report:

∅ *Global recycling and end-of-life disposition*
Environmental Resources Management (ERM) provides oversight of our recycling partners. All recycling partners must undergo a rigorous auditing process to measure their progress against our standards. First, before a potential recycling firm is considered an official Dell partner, we require the company to pass a comprehensive initial audit. Next, all Dell partners are audited on an annual basis. Lastly, we conduct periodic on-site spot checks to ensure compliance throughout the year. ERM manages this oversight.

∅ *Supply chain global citizenship*
Dell relies on the recognized industry consortia, including ISO, OHSAS, and EICC, to provide oversight in the areas of global citizenship. We require our Tier 1 suppliers to achieve ISO 14001 and OHSAS 18001 certification to remain on our list of approved suppliers. These suppliers, in turn, are expected to enforce similar requirements on their Tier 1 suppliers (our Tier 2 suppliers).

∅ *General oversight*
The Ceres coalition of investor groups, environmental organizations, and investment funds engages directly with companies on environmental and social issues. For the fiscal year 2007 Dell Sustainability Report, Ceres provided a team of external stakeholders that reviewed our sustainability efforts several times over the course of the year. This team is an independent group of individuals with expertise in environmental, social and governance issues. In reviewing this report, the team considered whether the company adequately reported on its sustainability performance and key impacts, including goals, targets, systems, data and initiatives. Through this review process, the Ceres stakeholder team provided extensive feedback to the company, which was considered — and included — in the preparation of the final version of this report.

Ceres launched the Global Reporting Initiative (GRI) in 1997, and the GRI Guidelines have since become the international standard for corporate reporting on economic, social and environmental performance. Today, more than 900 companies worldwide issue sustainability reports that reference the GRI Guidelines. Dell joined Ceres in June 2006 and regularly consults with the Ceres stakeholder group on reporting and other sustainability issues. See *www.ceres.org* for more information.

The GRI Application Level grid (below) is included in this report to support our self-declaration of this report at Application Level C.

Report Application Level	C	B	A
G3 Profile Disclosures	Report on: 1.1, 2.1-2.10, 3.1-3.8, 3.10-3.12, 4.1-4.4, 4.14-4.15	Report on all criteria listed for Level C plus: 1.2, 3.9, 3.13, 4.5-4.13, 4.16-4.17	Same as requirement for Level B
G3 Management Approach Disclosures	Not Required	Management Approach Disclosures for each Indicator Category	Management Approach Disclosures for each Indicator Category
G3 Performance Indicators and Sector Supplement Performance Indicators	Report on a minimum of 10 Performance Indicators, including at least one from each of: social, economic, and environmental	Report on a minimum of 20 Performance Indicators, including at least one from each of: economic, environmental, human rights, labor, society, product responsibility	Respond on each core G3 and Sector Supplement indicator with due regard to the materiality principle by either: a) reporting on the indicator or b) explaining the reason for its omission
	(C+ = Report Externally Verified)	(B+ = Report Externally Verified)	(A+ = Report Externally Verified)

GRI INDEX

G3 Indicator	Description	Reference
1. Strategy and Analysis		
1.1	Statement from senior decision-maker	From the Chairman and CEO, p. 6
2. Organizational Profile		
2.1	Organization's name	Company Overview, p. 12
2.2	Major products	Company Overview, p. 12
2.3	Operational structure and major divisions	Executive Team, p. 15, Geographic Areas of Operations, p. 78
2.4	Location of headquarters	Company Overview, p. 12
2.5	Countries of operation	Geographic Areas of Operations, p. 78
2.6	Nature of ownership	www.dell.com/annualreports
2.7	Markets served including geographic breakdown, sectors served, customers	www.dell.com/annualreports
2.8	Scale of organization including number of employees, net sales/revenues, total capitalization	www.dell.com/annualreports
2.9	Significant changes during reporting period	Company Overview, pg. 12
2.10	Awards	www.dell.com/awards (Awards page) www.dell.com/commitment/awards (Awards and Recognition page)
3. Report Parameters		
3.1	Reporting period	From the Chairman and CEO, p. 6
3.2	Date of previous report	April, 2006
3.3	Reporting cycle	annual
3.4	Contact point	Request for Feedback, p. 85
3.5	Process for defining report content	Stakeholder Consultation, p. 20
3.6	Boundary of the report	The activities of Dell Inc. and wholly-owned subsidiaries
3.7	Limitations on the scope or boundary of the report	Reported activities are not comprehensive.
3.8	Basis for reporting on joint ventures	Reported activities do not include joint ventures.
3.10	Restatements of information	Where information (for example, measurement methods) differs from previous years, explanation is included within the text.
3.11	Significant changes from previous reporting periods	Where information differs from previous years, explanation is included within the text.

G3 Indicator	Description	Reference
3.12	GRI Content Index table	GRI Index, p. 81
3.13	Policy and practice for seeking independent assurance for report	Verification, p. 80

4. Governance, Commitments and Engagement

4.1	Governance structure including committees	www.dell.com/corporategovernanceprinciples
4.2	Indicate whether chair of highest governance body is also an executive officer	Executive Team, p. 15
4.3	Percent of independent directors	www.dell.com/corporategovernanceprinciples
4.4	Mechanisms for shareholders and employees to provide recommendations/direction to highest governance body	www.dell.com/corporategovernanceprinciples
4.14	List of stakeholder groups	Figure 5: Dell Stakeholders, p. 22
4.15	Basis for identification and selection of stakeholders with whom to engage	Stakeholder Consultation, p. 20

Economic Performance Indicators

EC1	Direct economic value generated and distributed	income statement www.dell.com/downloads/global/corporate/ inv_history/income_statement1.pdf

Environmental Performance Indicators

EN3	Direct energy consumption	Reducing Emissions from Operations, p. 45
EN8	Total water withdrawal	Water Resources, p. 53
EN16	Direct and indirect greenhouse gas emissions	Product Innovations to Protect Our Climate, p. 43 Facility Air Emissions, p. 53
EN26	Initiative to mitigate environmental impacts of products	Total Product Life Cycle, p. 40
EN28	Compliance	Health and Safety Regulatory Compliance, p. 25
EN29	Transport	Energy Efficient Transportation, p. 46

Social Performance Indicators

LA7	Health and safety rates	Workplace Health and Safety, p. 25
HR2	Significant suppliers undergoing screening on human rights	Global Citizenship and Ethical Sourcing, p. 29
SO3	Employees trained in anti-corruption policies and procedures	Corporate Accountability, p. 14
PR1	Life cycle stages in which impacts of products and services are assessed	Total Product Life Cycle, p. 40

TOPIC INDEX

Acknowledgements: We wish to acknowledge and thank the following groups for participating in the development of Dell's Sustainability Report: As You Sow, Calvert Group, Ceres Stakeholder Team, ClearBridge Advisors, Columbia University Endowment Fund, Domini Social Investments, ELCA, F&C Asset Management, Green Century Capital Management, Loring Wolcott & Coolidge, MMA/Mennonite Mutual, Walden Asset Management, and SRIC. While these stakeholders have not endorsed the report, they play a key role as we work to improve the scope and depth of our sustainability reporting.

Request for feedback: We want to hear from you. Each year, Dell strives to improve the quality of its information disclosures in our Sustainability Report. The feedback we receive from our stakeholders, customers, and the general public helps us to further improve and enhance the quality of our report. Please send your comments, questions, and opinions by e-mailing Dell's Sustainable Business team at *Dell_Sustainability@Dell.com.*