

Summary of Mark Hurd Testimony

What began as a proper and serious inquiry of leaks to the press of sensitive company information from within the HP board became a rogue investigation that violated HP's own principles and values. There is no excuse for this.

As head of the company, I apologize to those whose privacy was infringed. This includes nine journalists and their families, two current HP employees and seven former or current HP board members and their families. To varying degrees these individuals were investigated through pretexting, a technique used to obtain telephone call information.

I also apologize to the employees of HP who on a daily basis carry on their work with the highest integrity.

How did such an abuse of privacy occur in a company renowned for its commitment to privacy? The end came to justify the means. The investigation team become so focused on finding the source of the leaks that they lost sight of the privacy of reporters and others. They lost sight of the values that HP has always represented.

We are making the necessary changes so that this never occurs again. We have accepted the resignation of our previous chairman. Other employees have left the company. We have appointed a new lead independent director. We have appointed Bart Schwartz, the former head of the criminal division of the US Attorney's Office under Rudy Giuliani, to do an assessment of current practices and develop future best practices so that our processes will always be legal, ethical, appropriate and without peer. We are putting into place new measures to maintain the highest levels of information privacy.

In summary, the big picture of what happened is that we began an investigation of our board for leaks and have ended up investigating our investigation.

I pledge that I will dig harder and deeper and I will get to the bottom of this. I pledge that Hewlett-Packard will take whatever steps necessary to make sure nothing like this ever happens again. And I pledge that HP will regain not just its reputation as a model citizen with the highest ethical standards . . . we will regain our pride.

Mark Hurd
Congressional Written Testimony
September 28, 2006

Mr. Chairman, members of the Committee, thank you for this opportunity to appear before you today.

My name is Mark Hurd. I am head of the Hewlett-Packard Company. Before joining HP, I spent 25 years at NCR Corp. I began my career at NCR as a field salesman in 1980. Over the next two decades, I held a variety of other management, operations, sales and marketing roles, culminating in a two-year tenure as Chief Executive Officer and President. In early 2005, I joined HP.

HP, with headquarters in Palo Alto, California, was founded in 1939 by two Stanford Engineering graduates who shared a belief that technology could make a contribution to people's lives. The company that Bill Hewlett and Dave Packard started in a one-car garage is now a leading global provider of computing and imaging solutions and services. We conduct business in over 170 countries around the world. With 151,000 employees globally and revenues of \$90 billion, HP is a true American success story.

And we have been heralded as a success story not just because of our technology but because of our reputation, which brings me to the difficult subject of why I am here today. I know that you have heard a lot of testimony and have a lot of questions as a result. But before we get to those, I would like to provide a larger context for what you have heard.

What is hardest for me to explain is this: HP is a company that has consistently earned recognition for our adherence to standards of ethics, privacy and corporate responsibility. And yet these practices that we have taken such pride in have recently been violated by people inside the company and by people outside the company with whom we contracted. This committee rightfully wonders what happened.

What began as a proper and serious inquiry into leaks to the press of company information became a rogue investigation that violated our own principles and values. There is no excuse for this aberration. It happened; it will never happen again.

Before I do anything else, I want to apologize to those whose privacy was infringed upon. This includes nine journalists and their families, two current HP employees and seven former or current HP Board members and their families. To varying degrees, these individuals were investigated

through the use of pretexting, a technique used to obtain their telephone call information.

In addition to a heartfelt apology, I want those whose privacy was violated to know that we will soon provide to the victims the details regarding the *information* obtained about them, *the means* by which it was obtained, *when* it was obtained and *who* obtained it.

I also want to apologize to the employees of HP who on a daily basis carry on their work with the highest integrity. They are the reasons HP has been recognized so often for its ethics. This current mess in no way reflects upon our employees, their work or their reputation.

The question remains: how did such an abuse of privacy occur in a company renowned for its commitment to privacy?

It's an age-old story. The ends came to justify the means. The investigation team became so focused on finding the source of the leaks that they lost sight of the values of this company. They lost sight of the values that this company has always represented.

This company was built on integrity. If Bill Hewlett and David Packard were still alive, they would be appalled. They would be embarrassed. And that is the way the people in our company feel.

Members of the committee, I am not putting myself above the breakdown that occurred. I wish I had asked more questions. There are signs I wish I had caught. I am responsible for the company, which means I am responsible for fixing it and leading it forward through this hard time.

Let me give you a sense of where things now stand.

On September 8th, HP retained the law firm of Morgan Lewis & Bockius (MLB) to assist HP with multiple government inquiries. In connection with that, MLB began reviewing the investigation. During the last two weeks, numerous MLB lawyers have spent thousands of hours interviewing witnesses and collecting and reviewing more than a million pages of documents from inside and outside HP. While MLB's work is not complete, I am confident that today we have a better understanding of what had transpired around the investigation.

To fully understand what happened, it is important to know the context in which the investigation began. There has been a long history of company information leaking from within the HP board. Information leaked out about negotiations with major suppliers, transactions that were being considered and strategic decisions as to the future of the company. Board members have a fiduciary responsibility not to disclose internal deliberations,

which can affect trust, board dynamics and effectiveness, not to mention share price and market trading.

This conduct is clearly in violation of HP's Standards of Business Conduct, our ethics policy that applies to all employees and all board members. Thus, it has been the responsibility of the Chairman of the Board to pursue leaks from the Board of Directors and that responsibility has been taken very seriously.

The investigation that has garnered so much attention in recent weeks really began in early 2005. At the request of the Board of Directors, Larry Sonsini, a highly respected lawyer, was engaged to assist HP in determining the source of the information leaks. He interviewed each director to determine the source of certain leaks and to impress upon each director the importance of maintaining HP's confidences.

In the spring of 2005, the Board commenced a more rigorous investigation into the leaks of information spearheaded by HP's Chairman, Patricia Dunn. Ms. Dunn enlisted the professional services of Ron Delia, of Security Outsourcing Solutions (SOS), an external investigation firm that had been providing investigative services to HP for a number of years. Although the Board was informed that an investigation had started, they were not told of the operational details. Similarly, I was apprised of the

existence of the investigation by Ms. Dunn, but I was not involved in the investigation itself.

I want to be clear that there were two phases to the investigation. The first phase of the investigation, which came to an end in approximately November 2005, yielded inconclusive results.

Beginning in late January 2006, the leak investigation was renewed and entered into a second phase. This was prompted by further Board leaks of information which was reported in a late January news story.

The second phase of the investigation was in full operation between late January and May 2006. The investigative team was composed of a Senior Counsel in HP's Legal Department, and other HP employees from HP's Global and IT Security Departments. SOS was also involved in this second phase.

In the second phase, while many of the right processes were in place, they unfortunately broke down and no-one in the management chain including me, caught it.

Now let me address my knowledge of the events. I understood shortly after coming to HP that there was an investigation into leaks from the board. And in July 2005, I attended a brief portion of a meeting at which the results of the first phase of the investigation were discussed.

In January 2006, the HP Chairman asked to use HP resources to investigate the leaks. In February 2006, I was informed by the investigation team that they intended to send an email to a reporter containing false information in an effort to identify the source of the leaks. I was asked to and did approve the content of that email. I do not recall seeing, nor do I recall approving, the use of tracer technology.

In March 2006, I attended a meeting at which a verbal summary of the second phase of the investigation was provided, specifically, that the investigative team had identified the source of the leaks. I understand there is also written report of the investigation addressed to me and others, but unfortunately I did not read it.

I could have, and I should have.

I participated in a discussion at the May 2006 board meeting at which the results of the investigation were discussed. As we have said from the start, the intent of the original investigation was absolutely proper and appropriate. The leaks were wrong and we had an obligation to our employees and shareholders to resolve the problem. However, two wrongs do not make a right. Many of the actions taken to identify the leaks from our Board were unacceptable and inconsistent with HP's values, past behavior, and our privacy principles. But the inappropriate investigative techniques

that were applied in this instance do not reflect the values of HP. They have no place in the company.

While our culture, our core, which we call the HP Way, remains strong and ethical. Clearly, mistakes will happen—and these are very serious and unsettling ones that we've been discussing. But what matters ultimately is how a company addresses the mistakes. HP has taken specific actions and will take further actions in the days and weeks ahead.

We have accepted the resignation of our previous chairman. Other employees have left the company.

We have appointed Richard Hackborn – who began his association with HP in 1960 and has been on the Board for 14 years -- as new lead independent director.

We have appointed Bart Schwartz, the former head of the criminal division of the US Attorney's Office under Rudy Giuliani, to do an assessment of current practices and develop future best practices so that our processes will always be legal, ethical, appropriate and without peer.

We are putting into place new measures to maintain the highest levels of information privacy. Let me elaborate on those internal policies.

--We are immediately adding clarifying language into the scope of all HP privacy policies related to inappropriate practices in obtaining

confidential records or personal information without authorization from the individual—as well as specifying privacy policy compliance by all of HP—our officers, employees and contracted parties working on behalf of HP.

--We are expanding the privacy documentation and processes related to inappropriate practices in obtaining confidential records or personal information without authorization.

--We are adding specific content in HP's Privacy Training curriculum related to inappropriate practices in obtaining confidential records or personal information without authorization. This training is delivered to all employees worldwide, and it will expand as required training for all officers.

--We are also formally incorporating our Chief Privacy Officer in review processes related to HP's accountability in the collection and use of sensitive information, including how such information is used in investigations.

In summary, the big picture of what happened is that we began an investigation of our Board for leaks and have ended up investigating our investigation.

I pledge three things to this committee, to our employees, to our shareholders, to those whose privacy was violated.

I pledge that I will dig harder and deeper and I will get to the bottom of this.

I pledge that HP will take whatever steps necessary to make sure nothing like this ever happens again.

And I pledge that this company will regain not just its reputation as a model citizen with the highest ethical standards . . . we will regain our pride.

Thank you for the privilege of speaking today and I will be happy to answer any of your questions.