EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Executive Summary

Introduction

HP is one of the world's leading technology companies. Our compensation program must balance near-term results with long-term success and continue to encourage employees to build value through innovation. To fulfill this mission, HP has a "pay-for-performance" philosophy that forms the foundation for all decisions regarding compensation made by HP management and the HR and Compensation Committee (the "Committee") of the Board.

Fiscal 2011 was a period of transition during which we faced many challenges, including our financial performance being below our expectations. Given the performance-based nature of our executive compensation programs, actual compensation realized was significantly lower and generally aligned with the financial and stock performance of HP during this challenging period. This pay-for-performance alignment is also reflected in certain fiscal 2011 compensation decisions and other actions, including:

- Our annual incentive plan paid out well below target for fiscal 2011, with active named executive officers (each person who served as chief executive officer during a portion of fiscal 2011, our chief financial officer, and the three other most highly compensated executive officers serving during fiscal 2011) (the "NEOs") receiving, on average, payouts equal to 57% of target;

- The performance-based restricted units that were due to pay out at the end of fiscal 2011 lapsed with no payout because HP's total shareholder return compared to the S&P 500 over the three-year performance period applicable to those awards was below the 25th percentile and therefore no shares were earned;

- The first tranche of the special incremental performance-based restricted units granted to certain NEOs in fiscal 2011 was forfeited because the threshold level of earnings per share performance was not achieved; and

- Only two of our NEOs received base pay increases in fiscal 2011 (those increases were driven by market data, competitive position benchmarking and internal pay equity considerations).

These actions, coupled with the decline in our stock price during fiscal 2011, resulted in a year-over-year decline of approximately 75% in average *actually realized* pay for our continuing NEOs who served throughout fiscal 2010 and fiscal 2011. See "Realized Pay Table" below.

2011 Advisory Vote on Executive Compensation

HP stockholders did not approve HP's executive compensation at HP's 2011 annual meeting of stockholders. During fiscal 2011, we engaged in substantial ongoing discussions with institutional investors to gather feedback. Those discussions, which included meetings between our senior management and over 200 investment firms and institutional stockholders, included topics such as CEO compensation, discretionary payments, compensation disclosure, equity award vesting periods, severance arrangements, capital allocation, board composition, talent management and succession planning, among others. These meetings occurred over the course of the entire fiscal year, varied in length and