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General Disclosures

Organizational Profile

Name of the Organization GRI 102-1

Name of the organization.

International Business Machines Corporation
The company’s business model is built to support two principal goals: helping enterprise clients to move from one era to the next by bringing together innovative technology and industry expertise, and providing long-term value to shareholders. The business model has been developed over time through strategic investments in capabilities and technologies that have long-term growth and profitability prospects based on the value they deliver to clients.

The company’s global capabilities include services, software, systems, fundamental research and related financing. The broad mix of businesses and capabilities are combined to provide integrated solutions and platforms to the company’s clients. The business model is dynamic, adapting to the continuously changing industry and economic environment, including the company’s transformation into cloud and as-a-Service delivery models. The company continues to strengthen its position through strategic organic investments and acquisitions in higher-value areas, broadening its industry expertise and integrating AI into more of what the company offers. In addition, the company is transforming into a more agile enterprise to drive innovation and speed, as well as helping to drive productivity, which supports investments for participation in markets with significant long-term opportunity. This business model, supported by the company’s financial model, has enabled the company to deliver strong earnings, cash flows and returns to shareholders over the long term.

Location of Headquarters GRI 102-3

General Disclosures / Organizational Profile / Location of Headquarters GRI 102-3
Location of the organization’s headquarters.

IBM’s corporate offices are located in Armonk, New York, USA.
Location of Operations GRI 102-4

General Disclosures / Organizational Profile / Location of Operations GRI 102-4

Number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the topics covered in the report.

| Number of Countries: 175 | The company operates in more than 175 countries worldwide. IBM's significant subsidiaries are listed in Exhibit 21 of our 2017 10-K report, reflecting many of the countries in which we operate. |

References:

[2017 10-K Exhibit 21 - Subsidiaries]
Ownership and Legal Form GRI 102-5

Nature of ownership and legal form.

IBM is a public New York State Corporation.
Markets Served GRI 102-6

General Disclosures / Organizational Profile / Markets Served GRI 102-6

Markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries).

<table>
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<th>Geographic Breakdown</th>
<th>Sectors Served</th>
<th>Types of Customers and Beneficiaries</th>
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<td>The company creates value for clients through integrated solutions and products that leverage data, information technology, deep expertise in industries and business processes, and a broad ecosystem of partners and alliances. IBM solutions typically create value by enabling new capabilities for clients that transform their businesses and help them engage with their customers and employees in new ways. These solutions draw from an industry-leading portfolio of consulting and IT implementation services, cloud and cognitive offerings, and enterprise systems and software; all bolstered by one of the world’s leading research organizations.</td>
<td>IBM has a global presence, operating in more than 175 countries with a broad-based geographic distribution of revenue. The company’s Global Markets organization manages IBM’s global footprint, working closely with dedicated country-based operating units to serve clients locally.</td>
<td>The company’s client base includes many worldwide enterprises, from small and medium businesses to the world’s largest organizations and governments, with a significant portion of the company’s revenue coming from global clients across many sectors. To bring higher value to clients, IBM is providing solutions that are specific and tailored to challenges clients face in their industry, using the power of IBM’s advanced cognitive computing capabilities built on the IBM Cloud. In 2016, IBM deepened its commitment to delivering higher value in several key ways: • IBM continues to partner with financial services clients to build a robust infrastructure addressing increasingly complex and fast-changing demands. From preventing fraud to supporting cybersecurity efforts, IBM is becoming ever-more essential to the financial industry. • IBM offers analytics to help clients assess their risk and compliance against industry guidelines, and uses a cognitive approach to provide deeper and faster findings. In late 2016, the company acquired Promontory Financial Group, LLC (Promontory), one of the world’s leading regulatory consulting firms. Promontory is training Watson to be a market-leading expert in the regulatory field, which will allow the company to deliver services at new levels of efficiency and transparency. • IBM is committed to blockchain to provide a highly secure method of facilitating multi-step transactions, reducing the number of disputes and points of friction, including its participation in the Hyperledger Project. This cross-industry consortium is working to build the blockchain network in the cloud, doing for trusted transactions what the Internet did for information, and setting industry standards for years to come. Blockchain will enable financial institutions to settle securities in minutes instead of days; manufacturers to reduce product recalls by sharing production logs along their supply chain; and businesses of all types to more closely manage the flow of goods and payments. IBM is working with companies ranging from retailers, banks and shippers to apply this technology to transform their ecosystems through open standards and open platforms. • IBM’s Global Business Services consulting business, with broad expertise across industries and a strong global footprint and scale, provides a unique combination of technologies and services to help clients achieve their business outcomes.</td>
<td>The IBM strategy starts with its clients. As a uniquely integrated technology and services company, IBM helps clients change the way the world works by building smarter businesses. IBM’s clients include many of the world’s most successful enterprises. These clients are at an inflection point, facing tremendous new opportunity and incredible competition. Digital technologies are unlocking unparalleled insight from previously inaccessible data. Work processes are being reimagined for speed and vastly smarter decision-making. To win in these disruptive times requires that businesses learn—learn by extracting insights from their data and by applying those insights to how work is done. Smarter businesses do this faster and more effectively supported by IBM’s combination of Innovative Technology, Industry Expertise and Trust and Security.</td>
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[28x8]Generated from OneReport 11/203 International Business Machines
Eastern Europe; the Middle East and Africa; and Latin America. Major IBM markets include the G7 countries of Canada, France, Germany, Italy, Japan, the United States (U.S.) and the United Kingdom (U.K.), as well as Austria, the Bahamas, Belgium, the Caribbean, Cyprus, Denmark, Finland, Greece, Iceland, Ireland, Israel, Malta, the Netherlands, Norway, Portugal, Spain, Sweden and Switzerland.

Additional Comments

Additional information may be found within the Annual Report, 10K and Corporate Responsibility Report.

References:

- [2017 Corporate Responsibility Report](#)
- [2017 Annual Report](#)
- [2017 Annual 10K](#)
## Scale of the Organization GRI 102-7

General Disclosures / Organizational Profile / Scale of the Organization GRI 102-7

Scale of reporting organization:

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<td>Total number of employees</td>
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<tr>
<td>Total number of operations</td>
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<td>Net sales (for private sector organizations) or net revenues (for public sector organizations):</td>
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<td>Currency</td>
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<td>Total capitalization</td>
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<td>Debt</td>
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<td>Equity</td>
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<td>Quantity of products or services provided</td>
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<tr>
<td>Total assets</td>
<td>125,356,000,000</td>
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<td>Publicly listed company on New York Stock Exchange under ticker IBM</td>
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<td>Data Publicly Available:</td>
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**Additional Comments**

The company's major operations consist of five business segments: Global Technology Services, Global Business Services, Software, Systems Hardware, and Global Financing.

---

**References:**

- [2017 Annual 10K](#)
- [2017 Annual Report](#)
Information on Employees and Other Workers GRI 102-8

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<td>Total: Supervised workers</td>
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<td>Total workforce</td>
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<td>414,400</td>
<td>411,798</td>
<td>412,775</td>
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Number of permanent employees by employment type

Full-time - male:  
Full-time - female:  
Total: Full-time  
Part-time - male:  
Part-time - female:  
Total: Part-time  

Number of employees by employment contract

Indefinite or permanent contract - male:  
Indefinite or permanent contract - female:  
Total: Indefinite or permanent contract  
Fixed-term or temporary contract - male:  
Fixed-term or temporary contract - female:  
Total: Fixed-term or temporary contract  

Breakout of workforce by region

Location (Male):  
Location (Female):  
Details on whether a substantial portion of the organization’s work is performed by workers who are legally recognized as self-employed, or by individuals other than employees or supervised workers, including employees and supervised employees of contractors:  
See below /additional comments
Significant variations in employment numbers
See below/additional comments

Data publicly available:
Yes
Link to disclosure: http://www.ibm.com/annual...

We publicly disclose demographics by:
Employment status

Additional Comments

The total workforce includes the full-time workforce as well as complementary workforce, which is an approximation of equivalent full-time employees hired under temporary, part-time, and limited-term employment arrangements to meet specific business needs in a flexible and cost-effective manner. According to IBM's annual report for 2017, the company had a complementary workforce of 21,9 thousands.

See page 75 of the Annual Report: https://www.ibm.com/annual...
IBM Global Procurement is responsible to select and conduct business with external suppliers for goods, software, and services required to support its varied lines of business. Currently IBM has approximately 13,000 supplier locations in over 100 countries to support delivery of products and services to our global customers. In 2017, IBM procured $24.8 billion from its external suppliers: $20.0 billion with Services and General Procurement suppliers; $4.2 billion from Production Procurement (hardware) suppliers; and $0.6 billion from Logistics suppliers.

Additional Comments
See IBM's annual Corporate Responsibility Report for more information on IBM's supply chain.

References:

2017 Corporate Responsibility Report
Significant Changes to the Organization and its Supply Chain GRI 102-10

General Disclosures / Organizational Profile / Significant Changes to the Organization and its Supply Chain GRI 102-10

Significant changes during the reporting period to the organization’s size, structure, ownership, or its supply chain.

There were no significant changes to IBM’s size, structure or ownership during 2017. Changes in supply chain occur regularly as part of customer offerings in the Services side of the business, however from a macro level these did not affect the overall composition and location of IBM’s global supplier networks. In hardware supply chain the decline in spend is tied to overall reduction in hardware sales, no major changes were seen in the supply chain network.
IBM's Corporate Policy on Environmental Affairs includes the objectives to design and implement development and manufacturing processes that do not adversely affect the environment, as well as to design, develop, manufacture and market products that are protective of the environment. Careful attention to the basic tenets of precaution, thorough scientific analysis and review, and continual improvement in environmental performance have long characterized IBM's leadership in chemical and materials use.

The company's precautionary approach includes careful scientific review and assessment of substances prior to approval of their use in IBM's processes and products. In specific instances, IBM has chosen to ban, restrict, or substitute substances used in IBM processes and products when the weight of sound scientific evidence determines an adverse effect upon human health or the environment from that use, even when its use is permitted by law.

In addition, IBM conducts scientific investigations of approved substances when new processes or major modifications to existing processes are being developed. The objective of these investigations is to identify potential substitutes that may be environmentally preferable. IBM believes that the same scientific rigor is required when investigating the human health and environmental preferability of potential alternative substances as that given to the original substance.

IBM routinely works with industry associations and suppliers to develop and qualify alternatives with preferable human health and environmental attributes in its applications. IBM scientists also serve on University External Advisory Boards and Government Regulatory Implementation Panels directly focused on nanotechnology and green chemistry implementation. For example, the 2017 IBM and the Environment Report provides information about ongoing investigations on substances such as indium and its compounds that are increasingly showing promise in microelectronic and photonic applications and research on tetramethylammonium hydroxide (TMAH). For additional information please refer to Supporting Information below on "Materials research and process stewardship" in the 2017 IBM and the Environment Report.

IBM’s environmental requirements for its products may be found in its “Engineering Specification 46G3772: Baseline Environmental Requirements for Supplier Deliverables to IBM.” The most recent version of the specification is provided in the Supporting Documentation below.

Additional environmental requirements for specific products or components and for product packaging may be found at https://www-03.ibm.com/pr...
## External Initiatives GRI 102-12

List of externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses.

<table>
<thead>
<tr>
<th>Principles Endorsed</th>
<th>Date adopted</th>
<th>Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electronic Industry Citizenship Coalition (EICC) Code of Conduct</td>
<td>2004</td>
<td>Nonbinding/Voluntary</td>
</tr>
<tr>
<td>U.S. EPA’s ENERGY STAR (charter member) - Server and Storage System specifications</td>
<td>Dec, 2013</td>
<td>Nonbinding/Voluntary</td>
</tr>
<tr>
<td>U.S. EPA Green Power Partners - Site level (Costa Mesa, CA, Foster City, CA, and three SoftLayer, an IBM Company, cloud data centers in TX)</td>
<td>2014</td>
<td>Nonbinding/Voluntary</td>
</tr>
<tr>
<td>World Resources Institute Charge Initiative - Business Renewables Center and the Renewable Energy Buyers Alliance</td>
<td>2016</td>
<td>Nonbinding/Voluntary</td>
</tr>
<tr>
<td>European Union (EU) ENERGY STAR program</td>
<td>2013</td>
<td>Nonbinding/Voluntary</td>
</tr>
<tr>
<td>European Union Data Center Code of Conduct for Energy Efficiency Participant and Stakeholder</td>
<td>2013</td>
<td>Nonbinding/Voluntary</td>
</tr>
<tr>
<td>U.S. Water Partnership</td>
<td>2017</td>
<td>Nonbinding/Voluntary</td>
</tr>
<tr>
<td>SMARTer2030 Action Coalition</td>
<td>2016</td>
<td>Nonbinding/Voluntary</td>
</tr>
</tbody>
</table>

Data publicly available: Yes

Link to disclosure: www.eiccoalition.org and www.ibm.com/ibm/environment/initiatives/

### Additional Comments

1. IBM has adopted the EICC Code of Conduct for its own operations and requires its direct suppliers to adhere to the EICC Code as well - refer to www.ibm.com/ibm/environment/supply/eicc.shtml
2. Voluntary environmental partnerships - An important aspect of IBM's long-standing commitment to environmental leadership is its collaboration and participation with governments, nongovernmental organizations and industry. Examples of IBM's membership or involvement in voluntary partnerships and initiatives are listed at: www.ibm.com/ibm/environment/initiatives
3. In October 2017, the Electronic Industry Citizenship Coalition (EICC) re-branded itself as the Responsible Business Alliance (RBA). All further references to EICC have been changed to RBA in this database for IBM. EICC Code evolved to the RBA Code of Conduct, V6.0, effective Jan 2018.

### References:
- [EICC Code of Conduct V5](#)
- [RBA Code of Conduct V6.0](#)
- [IBM Environmental Reporting](#)
- [EICC Code of Conduct](#)
- [Voluntary Environmental Initiatives](#)
Membership of Associations GRI 102-13

Memberships of industry or other associations, and national or international advocacy organizations.

Memberships

Additional Comments

IBM may make expenditures to support or advocate particular viewpoints on public policy issues, including expenditures for intermediaries that advocate on IBM's behalf. In particular, IBM joins trade and industry associations that add value to IBM, its stockholders and employees. These groups have many members from a wide variety of industries, and cover very broad sets of public policy and industry issues. Additional information about IBM's public policy activities is available at http://www.ibm.com/ibm/re...

References:

2017 Corporate Responsibility Report
Strategy

Statement From Senior Decision-maker GRI 102-14

General Disclosures / Strategy / Statement From Senior Decision-maker GRI 102-14

Statement from the most senior decision-maker at International Business Machines about the relevance of sustainability to the organization and the organization’s strategy for addressing sustainability.


References:

2017 IBM Corporate Responsibility Report Page(s) 3
Throughout our history, IBM has continued a belief and commitment first established by the company’s founding family – the Watsons. The Watsons understood and committed the company to what is now called “sustainability” – though they didn’t use that term for it back then. What they understood and formally established in the 1960s as one of IBM’s Beliefs was the concept that “we serve our interest best when we service the public interest” and “we want to be at the forefront of those companies which are working to make our world a better place.” Though these words may not be definitions of sustainability that you will find in a dictionary, they represent the essence of sustainability – particularly for an innovation company like IBM. This commitment to making our world a better place has continued to be among our Principles across the decades and are today part of what we call IBM’s Values, which are:

1) Dedication to every client’s success.
2) Innovation that matters - for our company and the world.
3) Trust and personal responsibility in all relationships.

These Values are central to IBM’s management system and are integral to how IBM does business in every country in which we operate. They also highlight our underlying belief that our success as a company is linked to our ability to help our clients be successful and to enable them - and the world - grow and develop in a sustainable manner.

In addition, IBM management system include a number of corporate directives defining IBM's policies in the many areas of sustainability. The policies cover the following:
- Business Conduct and Ethics
- Reciprocity
- Workforce Diversity
- Politics
- Employee Well-Being and Product Safety
- Diversity
- Environmental Affairs
- Quality
- Global Employment Standards

References:
## Governance

### Governance Structure GRI 102-18

General Disclosures / Governance / Governance Structure GRI 102-18

Governance structure of the organization, including committees of the highest governance body and committees responsible for the decision-making on economic, environmental, and social topics.

<table>
<thead>
<tr>
<th>Committee Function</th>
<th>Name of Committee</th>
<th>Formal Board Responsibility?</th>
<th>Number of Executive Directors</th>
<th>Number of Non-Executive Directors (NEDs)</th>
<th>Number of connected NEDs</th>
<th>Committee chairperson is independent</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Audit/Accounting</strong></td>
<td>Audit Committee</td>
<td>✔</td>
<td>0</td>
<td>4</td>
<td>0</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>Remuneration/ Compensation</strong></td>
<td>Executive Compensation and Management Resources Committee</td>
<td>✔</td>
<td>0</td>
<td>3</td>
<td>0</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>Nomination</strong></td>
<td>Directors and Corporate Governance Committee</td>
<td>✔</td>
<td>0</td>
<td>4</td>
<td>0</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>Worldwide Labor Policies and Practices</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Human Rights Issues</strong></td>
<td>Directors and Corporate Governance Committee</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Diversity and Employment Equity</strong></td>
<td>Directors and Corporate Governance Committee</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Supply Chain Social Responsibility</strong></td>
<td>Directors and Corporate Governance Committee</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Corp. Social Responsibility, Corp. Citizenship, Sustainable Development</strong></td>
<td>Directors and Corporate Governance Committee</td>
<td>✔</td>
<td>0</td>
<td>4</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td><strong>Health and Safety</strong></td>
<td>Executive Compensation and Management Resources Committee</td>
<td>✔</td>
<td>0</td>
<td>3</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td><strong>Environmental Issues</strong></td>
<td>Directors and Corporate Governance Committee</td>
<td>✔</td>
<td>0</td>
<td>4</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td><strong>Risk Management</strong></td>
<td>Audit Committee</td>
<td>✔</td>
<td>0</td>
<td>4</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td><strong>Ethics Issues</strong></td>
<td>Audit Committee</td>
<td>✔</td>
<td>0</td>
<td>4</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td><strong>Political Involvement</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Customer Service and Quality</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td><strong>Community and Public Relations</strong></td>
<td>Directors and Corporate Governance Committee</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Charitable Giving</strong></td>
<td>Directors and Corporate Governance Committee</td>
<td>✔</td>
<td>0</td>
<td>4</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>-------</td>
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<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Is the company's governance structure data publicly available?</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Link to disclosure: <a href="https://www.ibm.com/annual...">https://www.ibm.com/annual...</a></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Additional Comments

Also see our Board Committee Charters at [https://www.ibm.com/investor...](https://www.ibm.com/investor...)

References:

- [2018 Proxy Statement URL](https://www.ibm.com/investor...) Page(s) 16-18
Engaging and collaborating with stakeholders from a cross section of communities, governments, investors and the social sector is integral to our business strategy. Public/private collaborations are essential to overcoming societal challenges that are too big for any single public entity or industry sector to manage. Below is a small sample of the collaborations we engage in our corporate responsibility efforts. IBM is a founding member of the Responsible Business Alliance (RBA)—formerly the Electronic Industry Citizenship Coalition (EICC)—a nonprofit industry group which enables companies to support continuous improvement in the social, environmental and ethical responsibility of their supply chains. IBM requires its direct suppliers of goods and services to adhere to the RBA Code of Conduct, which contains provisions for labor, health and safety, environmental, ethics and management systems.

We complement our environmental management strategies by engaging with stakeholders from governments, nongovernmental organizations (NGOs), business partners, clients, universities, investors and other interested parties. As a member of the U.S. Water Partnership, for example, IBM helps to unite and mobilize the expertise, resources and ingenuity in the U.S. to help address global water challenges, with a special focus on developing countries where needs are greatest. IBM is a founding member of IMPACT 2030, a business-led coalition that convenes leaders from corporations, the United Nations (U.N.), civil society, academia and philanthropic organizations from around the world, unifying their corporate volunteering efforts to help address the U.N. Development Agenda through collaboration. Engagement is integral to all our corporate citizenship activities. For example, IBM works with educators and other key stakeholders globally to help create innovative models and technologies that can better prepare people to engage meaningfully in 21st-century opportunities.

Please refer to Stakeholder Engagement section of our 2017 Corporate Responsibility report.

References:

2017 Corporate Responsibility Report
Collective Bargaining Agreements GRI 102-41

General Disclosures / Stakeholder Engagement / Collective Bargaining Agreements GRI 102-41

Percentage of total employees covered by collective bargaining agreements

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage of total employees covered by collective bargaining agreements:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Additional Comments

IBM is present in more than 175 countries. In many of them, our workforce is covered through CBAs but the level of CBA (enterprise, sector or cross-sector or a combination) is different from country to country - and hence employee coverage rate, ranging from a smaller percentage in case of a CBA dealing with issues which are specific for a certain category of our workforce (eg linked to a specific type of activity) to a coverage rate of 100% for more general provisions related to working conditions. As a result, we cannot give an accurate response to this question.

IBM will respect the legal rights of its employees to join or to refrain from joining worker organizations, including labor organizations or trade unions. IBM complies with applicable local laws worldwide regarding employee and third-party involvement, and will not discriminate based on an employee's decision to join or not join a labor organization. IBM respects the rights of employees to organize, and makes managers at all levels aware of those rights.

References:

Global Employment Standards
Identifying and Selecting Stakeholders GRI 102-42

General Disclosures / Stakeholder Engagement / Identifying and Selecting Stakeholders GRI 102-42

Basis for identification and selection of stakeholders with whom to engage.

Just as certain customers are obvious for IBM to engage with, the same is true of stakeholders. We are a global information technology company with operations in more than 175 countries. Stakeholders are part of our business.

IBM employs a stakeholder engagement prioritization model when the primary stakeholders are not obvious. This model uses variables including credibility, willingness to engage, knowledge, innovation, and influence.

The functional areas that IBM groups stakeholders into include community, corporate citizenship, employee relations, environment, government relations, governance, supply chain, and workforce diversity.
## Approach to Stakeholder Engagement GRI 102-43

Organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process.

<table>
<thead>
<tr>
<th>Stakeholder Type / Stakeholder Group</th>
<th>Frequency of engagement</th>
<th>Approach</th>
<th>Portion of engagement undertaken as part of the report preparation process</th>
</tr>
</thead>
<tbody>
<tr>
<td>Socially Responsible Investors • NGOs / Civil Society • Governments / Regulators • Communities • Clients • Employees</td>
<td>Frequency of engagement varies by stakeholder group and type. This is an ongoing focus for IBM and therefore may be done annually, periodically or on a regular basis.</td>
<td>We collaborate with a wide range of partners, applying technology and expertise to help address societal challenges with solutions whose impact is broad, measurable and sustainable. At IBM, engaging and collaborating with stakeholders from a cross-section of communities, governments, investors and the social sector is integral to our business strategy.</td>
<td>Stakeholder engagement is an integral ongoing element of our Corporate Responsibility strategy and not merely undertaken as part of the CR Report preparation process.</td>
</tr>
</tbody>
</table>
### No stakeholder engagement approach

---

References:

- [2017 Corporate Responsibility Report](#)
Key Topics and Concerns Raised GRI 102-44

General Disclosures / Stakeholder Engagement / Key Topics and Concerns Raised GRI 102-44

Key topics and concerns that have been raised through stakeholder engagement.

<table>
<thead>
<tr>
<th>Stakeholder Group</th>
<th>Key Topics/Concerns</th>
<th>Response</th>
</tr>
</thead>
</table>

Additional Comments

Please see the Our Approach Section of our 2017 Corporate Responsibility Report where we discuss our stakeholder engagement.

References:

2017 Corporate Responsibility Report
Reporting Practice

Entities Included in the Consolidated Financial Statements GRI 102-45

General Disclosures / Reporting Practice / Entities Included in the Consolidated Financial Statements GRI 102-45
Entities included in the consolidated financial statements.

<table>
<thead>
<tr>
<th>Entities</th>
<th>Report Coverage</th>
</tr>
</thead>
</table>

Additional Comments


https://www.sec.gov/Archi...

References:

2017 10-K Exhibit 21 - Subsidiaries
Page(s) 1
In selecting the content for inclusion in our 2017 report, we have used the Global Reporting Initiative (GRI) reporting principles of materiality, sustainability context, stakeholder inclusiveness, and completeness. A GRI report utilizing the GRI G4 Sustainability Reporting Guidelines, as well as additional details about IBM’s corporate responsibility activities and performance, can be found at our corporate responsibility website.

References:

2017 Corporate Responsibility Report  Page(s) 1
**List of Material Topics GRI 102-47**

General Disclosures / Reporting Practice / List of Material Topics GRI 102-47

A list of the material topics identified in the process for defining report content.

<table>
<thead>
<tr>
<th>Material topics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic topics</td>
</tr>
<tr>
<td>Indirect Economic Impacts</td>
</tr>
<tr>
<td>Environmental topics</td>
</tr>
<tr>
<td>Materials</td>
</tr>
<tr>
<td>Energy</td>
</tr>
<tr>
<td>Water</td>
</tr>
<tr>
<td>Biodiversity</td>
</tr>
<tr>
<td>Emissions</td>
</tr>
<tr>
<td>Effluents and Waste</td>
</tr>
<tr>
<td>Environmental Compliance</td>
</tr>
<tr>
<td>Supplier Environmental Assessment</td>
</tr>
<tr>
<td>Social topics</td>
</tr>
<tr>
<td>Employment</td>
</tr>
<tr>
<td>Labor/Management Relations</td>
</tr>
<tr>
<td>Occupational Health and Safety</td>
</tr>
<tr>
<td>Training and Education</td>
</tr>
<tr>
<td>Diversity and Equal Opportunity</td>
</tr>
<tr>
<td>Non-discrimination</td>
</tr>
<tr>
<td>Freedom of Association and Collective Bargaining</td>
</tr>
<tr>
<td>Child Labor</td>
</tr>
<tr>
<td>Forced or Compulsory Labor</td>
</tr>
<tr>
<td>Security Practices</td>
</tr>
<tr>
<td>Rights of Indigenous Peoples</td>
</tr>
<tr>
<td>Local Communities</td>
</tr>
<tr>
<td>Supplier Social Assessment</td>
</tr>
<tr>
<td>Customer Health and Safety</td>
</tr>
<tr>
<td>Marketing and Labeling</td>
</tr>
</tbody>
</table>

**Additional Comments**


**References:**

[2017 Corporate Responsibility Report](#)
During IBM's investor briefing on February 25, 2016, senior management discussed a number of changes to its management system and organizational structure as it evolves into a cognitive solutions and cloud platform company. These changes, which were effective January 2016, impacted the company's reportable segments, but did not impact the Consolidated Financial Statements. On March 31, 2016, the company provided additional information about these changes and certain related historical financial data on a Form 8-K and on its Investor Relations website. Previously reported segment information has now been recast or all periods presented in Exhibit 99.1 to reflect the new reporting segments.

Additional Comments
Please see IBM Investor site for more information:
https://www.ibm.com/inves...

References:
2016 10-K Exhibit
21
Changes in Reporting GRI 102-49

General Disclosures / Reporting Practice / Changes in Reporting GRI 102-49

Significant changes from previous reporting periods in the list of material topics and topic Boundaries.

There are no significant changes to scope, boundary or measurement methods from IBM's first GRI report, released 2008.
Reporting Period GRI 102-50

General Disclosures / Reporting Practice / Reporting Period GRI 102-50

Reporting period for information provided.

<table>
<thead>
<tr>
<th>Start Date:</th>
<th>January 1, 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>End Date:</td>
<td>December 31, 2017</td>
</tr>
</tbody>
</table>

We are providing emissions data for past reporting years:

References:

2017 Annual 10K
IBM produced a report utilizing the GRI for the first time in 2007, releasing a full GRI index at the 'A' reporting level to SRI firms and posting on IBM's external Corporate Responsibility website: http://www.ibm.com/ibm/re... The most recent report was submitted in 2018, for the 2017 reporting period.

IBM's annual Corporate Responsibility Report is published during the second quarter of the subsequent calendar year. This report covers our performance in 2017 and some notable activities during the first half of 2018.

In selecting the content for inclusion in our 2017 report, we have used the Global Reporting Initiative (GRI) reporting principles of materiality, sustainability context, stakeholder inclusiveness, and completeness. A GRI report utilizing the GRI G4 Sustainability Guidelines, as well as additional details about IBM’s corporate responsibility activities and performance, can be found at our corporate responsibility website.

As we continue our journey to transform IBM into a cognitive solutions and cloud platform company, we regularly review our strategy and approach to corporate responsibility. This ongoing analysis helps us to identify and prioritize the issues of relevance to our business and our stakeholders.

References:

2017 Corporate Responsibility Report
IBM reports according to the GRI annually, completed in the second quarter of each calendar year (April-June) for the prior full calendar/fiscal year.
Contact Point for Questions Regarding the Report GRI 102-53

General Disclosures / Reporting Practice / Contact Point for Questions Regarding the Report GRI 102-53
Contact point for questions regarding the report or its contents.

<table>
<thead>
<tr>
<th>Name:</th>
<th>Abigail Beach</th>
</tr>
</thead>
<tbody>
<tr>
<td>Title:</td>
<td>IBM Corporate Responsibility Manager</td>
</tr>
<tr>
<td>Mailing Address:</td>
<td>600 14TH ST NW</td>
</tr>
<tr>
<td></td>
<td>HAMILTON SQUARE FLOORS 2 &amp; 3</td>
</tr>
<tr>
<td></td>
<td>WASHINGTON, DC 20005-2012</td>
</tr>
<tr>
<td>Phone:</td>
<td>202-551-9609</td>
</tr>
<tr>
<td>Email:</td>
<td><a href="mailto:Abigail.Beach@ibm.com">Abigail.Beach@ibm.com</a></td>
</tr>
</tbody>
</table>
Claims of Reporting in Accordance with the GRI Standards GRI 102-54

General Disclosures / Reporting Practice / Claims of Reporting in Accordance with the GRI Standards GRI 102-54
The claim made by the organization, if it has prepared a report in accordance with the GRI Standards.

Claim made by the organization, if it has prepared a report in accordance with the GRI Standards:
Core option
GRI Content Index GRI 102-55

General Disclosures / Reporting Practice / GRI Content Index GRI 102-55

The GRI content index, which specifies each of the GRI Standards used and lists all disclosures included in the report.

http://www.ibm.com/ibm/re...

This 2018 GRI report, based on the G4-Core guidelines, supplements the IBM 2017 Corporate Responsibility Report.
Organization's policy and current practice with regard to seeking external assurance for the report:

IBM does not employ an external agency or organization to audit its GRI or annual Corporate Responsibility report. Numerous specific corporate responsibility programs have been evaluated by academic institutions and NGOs as explained in our Corporate Responsibility Report.

IBM's environmental programs are audited by Bureau Veritas Certification (BVC), the independent auditor, in conjunction with IBM's single global certifications to the ISO 14001 Environmental Management System Standard and the ISO 50001 Energy Management System Standard. These audits include audits of performance data on a sampling basis.

Details on the external assurance of the report:

References:

- IBM's ISO 14001 & ISO 50001 Registrations
- IBM Auditing and Verification
## Management Approach

### Explanation of the Material Topic and its Boundary GRI 103-1

Management Approach / Management Approach / Explanation of the Material Topic and its Boundary GRI 103-1

Explanation of the material topic and its Boundary.

<table>
<thead>
<tr>
<th>Material topics</th>
<th>Explanation of why the topics are material</th>
<th>The Boundary for the material topics</th>
<th>Any specific limitation regarding the topic Boundary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic topics</td>
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<tr>
<td>Environmental topics</td>
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<td>Materials Energy Water</td>
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<tr>
<td>Water Emissions Effluents and Waste</td>
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<tr>
<td>Environmental Compliance Supplier Environmental Assessment</td>
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</table>

### MATERIALS

Most of the components and parts used in IBM’s products are components and assemblies as opposed to raw materials. Raw materials that are directly procured by IBM or its contact manufacturers include metals used in systems enclosures and plastics used for structural parts internal to products as well as for decorative accents on enclosures. Most of our products based on weight consist of metals, which while not renewable are highly recyclable. IBM has included – as part of its worldwide environmental management system – efforts to reduce the material intensity and efforts to increase the products efficiency through its Product Stewardship. IBM’s Product Stewardship program was established in 1991 as a proactive and strategic approach to the environmental design and management of its products. The program’s mission is to develop, manufacture and market products that are increasingly energy efficient; can be upgraded and reused to extend product life; incorporate recycled content and environmentally preferable materials and finishes; and can be recycled and disposed of safely. These objectives are implemented through internal standards, product specifications, and other requirements in IBM’s Integrated Product Development process. Product environmental attributes such as energy efficiency, materials content, chemical emissions testing, design for recycling, end-of-life management plans, and packaging data must be documented and reviewed in IBM’s Product Environmental Profile tool at various check points during the development process. More information on the Product Stewardship can be found at: [http://www.ibm.com/ibm/en](http://www.ibm.com/ibm/en). More information on Packaging can be found at: [http://www.ibm.com/ibm/environment/products/packaging](http://www.ibm.com/ibm/environment/products/packaging).

### ENERGY

Our corporate environmental affairs policy, with respect to energy, identifies the following objective: “Ensure the responsible use of energy throughout our business, including conserving energy, improving energy efficiency, and giving preference to renewable over nonrenewable energy sources when feasible.”

IBM's corporate environmental affairs policy calls for environmental affairs leadership in all of the company’s business activities. This leadership is implemented through the WW EMS that integrates corporate directives that govern IBM’s conduct and operations worldwide. IBM manages Energy and its impacts through IBM’s Worldwide Energy Management Program (WW EnMP) requirements as an integral component of IBM's Global EMS.

IBM considers its ability to address climate change to be bounded by its efforts to reduce the GHG emissions associated with its global operations, our supply chain, and our products, solutions and services which facilitate or enable our clients to achieve operational efficiency and reduced global GHG emissions. Our global EMS drives internal operational excellence, & informs &/or influences our business strategy, products & services with regards to environmental issues with a focus on energy use, efficiency & GHG emissions reductions. IBM has enterprise wide IT systems that collect and analyse data on energy use, GHG emissions, water use, waste generation & other key performance indicators (KPIs) to enable performance assessment. We use the data to enhance our corporate objectives, continually improve the programs and operations of ourselves and our clients, identify & use innovative new technologies such as monitoring & analytics based applications to minimize energy use. We have identified regulatory, operational & financial risks through our regulation management process. These risks occur from changing energy & infrastructure costs resulting from external policies & requirements to mitigate CO2 emissions. They represent the main risks with regards to our operations & the solutions we provide to clients. IBM
IBM has a five part strategy for energy conservation and to reduce GHG emissions related to our operations. 
1. Designing, building, updating and operating facilities, including data centers and product development and manufacturing operations, that optimize their use of energy and materials and minimize GHG emissions.
2. Purchasing electricity generated from renewable sources where it makes both business and environmental sense.
3. Requiring our suppliers to maintain an environmental management system that includes inventories of energy use and GHG emissions, reduction plans and public reporting of results.
5. Increasing the efficiency of IBM’s logistics operations

In addition, IBM’s strategy includes designing energy-efficient products and providing services and solutions that help our clients reduce their own energy use and climate impacts. We consider energy and material conservation to be the cornerstone of our climate protection efforts. IBM does not use emissions offsets to become “carbon neutral” for our operations. Our efforts to reduce IBM’s GHG emissions are focused on delivering results by devoting available resources to actions, products and solutions that actually increase energy efficiency and reduce GHG emissions for both IBM and our clients, rather than merely offsetting them.

**WATER**

Through IBM’s global environmental management system, IBM continues to improve water-use efficiency and to minimize our operational impact on water resources. IBM’s corporate-wide environmental affairs policy calls for the conserve natural resources, which includes water resource. The environmental policy is supported by corporate instructions and standards that govern IBM’s worldwide operations and are basic to its environmental management programs. These documents cover areas such as resource conservation and pollution prevention which outlines water conservation and efficient and waste management requirements. To identify and effectively manage the potential environmental impact of IBM’s operations, IBM established and has maintained a strong worldwide environmental management system (EMS) for decades. It is a vital element in the company’s efforts to achieve results consistent with environmental leadership.

IBM global EMS identifies corporate-wide significant environmental aspects of the enterprise’s activities, products and suitable action plans are executed to ameliorate the environmental impacts on the environment. Both water use and conservation and water discharges are considered significant to IBM’s global operations.

**EMISSIONS**

Greenhouse Gas (GHG) Emissions: Greenhouse Gas Emissions associated with IBM’s energy consumption and operations is considered a Material Aspect due to its potential impacts to air and climate. IBM addresses CO2 emissions through its Management Approach to the Energy Aspect. There are minor GHG emissions such as PFCs, HFCs and Heat Transfer Fluid emissions are addressed through the Management Approach of the Air Emissions Aspect, but quantities will be significantly reduced in 2016 with the divestiture of the semiconductor manufacturing operations on July 1, 2015. Why GHG Emissions is a Material Aspect: IBM’s Global Environmental Management System (EMS) establishes the process for identifying environmental aspects associated with IBM’s activities and services and those aspects that are considered significant environmental aspects. In the context of One Report, a material aspect is analogous to a significant environmental aspect under IBM’s Global EMS. The basic process is described below. At the corporate level the Corporate EMS Program Manager(s) initiates and participates, with one or more internal experts, in the process of identifying

is promoting the use of analytics & cognitive systems and solutions offered on a cloud platform to address climate change challenges for ourselves and our clients. This has been the major IBM initiative over the past several years; to provide new opportunities to ourselves & our customers to mine & analyse their data to gain new insights into how to address the challenges facing their business, including those associated with climate change. Our leadership in analytics, cognitive capabilities & cloud services give us a competitive advantage. This is both a tactical & strategic imperative. For IBM’s operations, both our short term & long term goals continue to focus on energy conservation and shifting to greater use of renewable electricity to achieve emissions reductions, particularly for our data center operations.

**Boundary for water conservation**

IBM established its first water conservation goal in the year 2000, focusing on water use in our microelectronics manufacturing operations. With the divestiture of IBM’s semiconductor manufacturing operations in July 2015, we substantially reduced our direct water use. IBM’s current water use is primarily associated with cooling at our large facilities and data centers, and for irrigation and domestic purposes. Following the microelectronics divestiture, IBM reassessed the environmental impacts of our water use. We did this by using the World Business Council for Sustainable Development’s Global Water Tool, which highlights regions around the globe where water resources are stressed to meet human and ecological demand for fresh water. We identified 45 data centers and other large IBM locations in regions worldwide which were considered highly or extremely highly water-stressed. IBM established a new goal in 2016 to achieve ongoing year-to-year reductions in water withdrawals at these IBM locations.

**Boundary for waste**

IBM requires its hazardous waste and product end-of-life management suppliers to track the shipment and processing of any hazardous materials they handle for IBM — down to the final treatment, recycling or disposal location — and to report that information to us. As with all of our environmental programs, IBM manages its hazardous waste and product end-of-life management programs to the same high standards worldwide. Doing so can be particularly challenging in some countries where processing infrastructure (treatment, recycling and/or disposal) that meets IBM’s requirements is lacking or not existent. Under IBM’s waste management program, hazardous and nonhazardous special wastes are treated, recycled or disposed at IBM-approved facilities within the country where they are generated, whenever possible. IBM does not export hazardous and nonhazardous special wastes from the United States or any other country where suitable processing facilities are available within the country. If there are no suppliers in a country that meet IBM’s environmental and safety requirements for hazardous waste or product processing, the waste generated by IBM’s operations is shipped to facilities in other countries where those requirements can be met. This shipping is done in compliance with country laws and regulations, and in accord with international treaties such as the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal.
environmental aspects for activities and services within the defined scope of IBM’s WW EMS that it can control and those it can influence, taking into account planned or new developments, or new or modified activities, and services. For activities, this team identifies the following, as appropriate: a. inputs and outputs for routine operations and services b. potential for accidents and emergency situations and their effect on the environment. The team of internal experts identifies significant environmental impacts based on the consensus of the best judgment of the experts involved in this process. The determination considers the environmental impact of the aspect, legal and/or regulatory requirements, and other requirements to which the location subscribes related to its environmental aspects; IBM environmental requirements; and IBM’s commitment to being a responsible neighbor. (See additional information on Environmental Disclosure on Material Aspects in question ID 3085, G4 DMA Env.) Through implementation of the above process, Air Emissions (Includes other GHG Emissions) are considered a corporate level significant environmental aspect and is a Material Aspect due to the following impacts potential for impacts to air and potential for impacts to climate.

WASTE (Hazardous and non-hazardous)

**Hazardous waste**

The best way to prevent pollution is to reduce the generation of waste at its source. This has been a basic philosophy behind IBM’s pollution prevention program since 1971. Where possible, we redesign processes to eliminate or reduce chemical use and to substitute more environmentally preferable chemicals. We maintain programs for proper management of the chemicals used in our operations, from selection and purchase to storage, use and final disposal. IBM’s total hazardous waste generation in 2016 decreased by 36 percent from 2015, to 1,360 metric tons. This reduction was primarily associated with the divestiture of IBM’s semiconductor manufacturing operations in 2015. If hazardous waste from those operations was removed, IBM would have seen a 14 percent reduction of hazardous waste generation in 2016. For the hazardous waste that is generated, we focus on preventing pollution through a comprehensive, proactive waste management program. Of the total 1,360 metric tons of hazardous waste IBM generated worldwide in 2016, 65 percent (by weight) was recycled, 18 percent was sent directly by IBM to suitably regulated landfills, 14 percent was sent for incineration, and 3 percent was sent off-site for treatment.

**Nonhazardous waste**

IBM has also focused for decades on preventing the generation of nonhazardous waste, and where this is not practical, recovering and recycling the materials that are generated. Nonhazardous waste includes paper, wood, metals, glass, plastics and nonhazardous chemical substances. We established our first voluntary environmental goal to recycle nonhazardous waste streams in 1988. The goal has since evolved on two fronts. The first expanded on the traditional dry waste streams to include nonhazardous chemical waste and end-of-life IT equipment from our own operations, as well as IBM-owned equipment that is returned by external customers at the end of a lease. The second expansion was made to include nonhazardous waste generated by IBM at leased locations meeting designated criteria. Our voluntary environmental goal is to recycle at least an average of 75 percent (by weight) of the nonhazardous waste generated at locations managed by IBM.

**EFFLUENTS**

**Wastewater discharge management program**

IBM tracks and manages water discharges to maintain compliance with the requirements in site specific regulatory discharge permits and/or IBM’s own reporting requirements. IBM’s corporate program establishes treatment requirements applicable to IBM locations where
they discharge directly to receiving waters, where it is not feasible to discharge to an offsite private or publicly owned waste water treatment plant. All industrial and sanitary waste water treatment plants located on IBM property and/or operated by IBM and processing industrial or sanitary waste water must adhere to these IBM corporate requirements. In addition to routine monitoring discussed above, IBM locations report any significant unplanned releases to water to regulatory agency as required. IBM locations also must report unplanned releases meeting IBM's own incident reporting criteria to management, as well as in a corporate database once addressed and resolved. These incidents are publicly disclosed in the annual IBM and the Environment report under “Audits and Compliance”, “Accidental Releases” section at: https://www.ibm.com/ibm/e...

**COMPLIANCE**

IBM reviews its environmental performance against both external and internal requirements, and takes prompt and decisive action when any issues are identified. Every year, IBM’s manufacturing, hardware development and chemical-using research locations and organizations — such as product groups, Real Estate Strategy and Operations, Global Services, Global Logistics, Global Asset Recovery Services, and Global Procurement — complete a comprehensive environmental self-assessment. IBM’s Corporate Internal Audit organization may also conduct environmental audits of these functions. Audit and self-assessment results are communicated to top management. Accountability, follow-up actions and their closure are clearly delineated.

In addition, independent audits are conducted by an external third party as part of IBM’s single, global registration to the ISO 14001 and 50001 standards. Approximately 20 IBM locations and relevant business organizations (known as registered entities) are audited annually against the ISO 14001 environmental management systems standard by an external ISO 14001 registrar. Registered entities are audited on a 12- to 30-month cycle. Five to eight registered entities, representing 10 to 30 percent of IBM’s global annual energy consumption, are also audited annually to the ISO 50001 energy management systems standard. These audits include management and tracking of consumption data, identification of significant energy uses, and demonstrating progress against the IBM energy conservation goal. The results of the ISO 14001 and 50001 audits are used as inputs for a separate, third-party validation audit of IBM’s corporate greenhouse gas emissions management and reporting process. The results of the latest greenhouse gas verification audit can be found on our auditing and verification webpage.

**Accidental releases**

Accidental releases IBM locations around the world report environmental incidents and accidental releases to IBM management through the company’s Environmental Incident Reporting System (EIRS). IBM’s environmental incident reporting criteria are equal to or more stringent than applicable legal reporting requirements, and every event meeting IBM’s reporting criteria must be reported through the EIRS. Each IBM location must have a documented incident prevention program and reporting procedure. In 2017, eight accidental releases of substances to the environment related to IBM operations were reported through the EIRS — five releases to air, two releases to land and one release to water. The five releases to air were all refrigerants used in cooling systems. The two releases to land were one of chilled water and one of antifreeze. The release to water was steam condensate. The root causes were investigated for all releases and corrective actions were taken as appropriate. None of the releases was of a duration or concentration to cause long-term environmental impact.

**Fines and penalties**

One significant measure of a company’s proactive approach to pollution prevention and environmental performance is its record of fines and penalties. In 2017, IBM received 73 agency inspections at its locations worldwide with no resulting fines or penalties. Over the past five years, IBM has paid four fines totaling $7,125. Fines and penalties worldwide ($ in thousands)
<table>
<thead>
<tr>
<th>Number</th>
<th>Penalty (K $'s)</th>
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<tbody>
<tr>
<td>2013</td>
<td>0</td>
</tr>
<tr>
<td>2014</td>
<td>4</td>
</tr>
<tr>
<td>2015</td>
<td>0</td>
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<tr>
<td>2016</td>
<td>0</td>
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<tr>
<td>2017</td>
<td>0</td>
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**SUPPLIER ENVIRONMENTAL ASSESSMENTS**

IBM is committed to doing business with environmentally responsible suppliers. In 2010, IBM established a requirement that suppliers with whom IBM has a commercial relationship with are required to establish a management system to address their social and environmental responsibilities. Our objective in establishing this requirement was to help our suppliers build their own capability to succeed in this area. Specifically, suppliers are required to do the following:

- Define, deploy, and sustain a management system that addresses corporate responsibility, including supplier conduct and environmental protection
- Measure performance and establish voluntary, quantifiable environmental goals
- Publicly disclose results associated with these voluntary environmental goals and other environmental aspects of their management systems
- Cascade this set of requirements to their supplier's suppliers who perform work that is material to the products, parts and/or services being supplied to IBM.

The requirements referenced above are in addition to the company's previous requirements. In 2004, IBM published its Supplier Conduct Principles to articulate the company's overall supply chain social and environmental requirements. Effective March 2013, IBM is using the Responsible Business Alliance (RBA) Code of Conduct, previously known as Electronic Industry Citizenship Coalition (EICC) Code of Conduct as the single code with our supply base. The RBA Code of Conduct supersedes the IBM Supplier Conduct Principles and establishes the minimum social responsibility standards we expect from suppliers as a condition of doing business with IBM.

As part of its own global environmental management system, IBM conducts environmental evaluations of a relevant subset of its suppliers, including all of its hazardous waste services suppliers, certain production-related suppliers and all of the company’s product recycling and disposal suppliers. To address concerns about recycling in the extended supply chain, the company also evaluates certain subcontractors its suppliers may use to handle recycling or disposal operations.

While IBM continues to advance its own supply chain programs, the company strongly believes in the value of industry collaboration. As a founding member of the Responsible Business Alliance (RBA), IBM helped develop and launch the RBA Code of Conduct.

References:

- [2016 Corporate Responsibility Report](#)
- [IBM Environmental Reporting](#)
# The Management Approach and its Components GRI 103-2

The management approach and its components.

<table>
<thead>
<tr>
<th>Material topics</th>
<th>An explanation of how the organization manages the topics</th>
<th>A statement of the purpose of the management approach</th>
<th>A description of the components included in the management approach</th>
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<tr>
<td>Economic topics</td>
<td><a href="https://www.ibm.com/ibm/r">https://www.ibm.com/ibm/r</a>...</td>
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<tr>
<td>Environmental topics</td>
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<tr>
<td>Social topics</td>
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</table>

**References:**
- IBM Environmental Reporting
- CDP Disclosure
- CDP Climate Change / CDP Water / CDP Supply Chain Scope 3 GH...
- IBM's ISO 14001 & ISO 50001 Registrations
- IBM Auditing and Verification
- 2017 Corporate Responsibility Report
Evaluation of the Management Approach GRI 103-3

Evaluation of the management approach.

<table>
<thead>
<tr>
<th>Material topics</th>
<th>An explanation of how the organization evaluates the management approach for the selected material topics</th>
</tr>
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<tbody>
<tr>
<td>Economic topics</td>
<td>The sections of our IBM Annual Reports pertaining to Corporate Governance provide an overview of business operations related to economic performance and market presence. IBM has no additional changes in reporting periods or structure to discuss on this topic.</td>
</tr>
<tr>
<td>Environmental topics</td>
<td>IBM executes integrated corporate and business unit (BU) risk management processes to comprehensively assess risks including those related to climate change and water supply risks. The assessments include potential physical, operational, &amp; reputational impacts as well as trends &amp; opportunities in the marketplace. We also follow the process for identifying significant environmental aspects as part of our global Environmental Management System (EMS) to assess the company’s business intersections with the environment. Among the significant aspects we have identified are energy use, GHG emissions &amp; water withdrawal in water scarce locations. Based on the assessment, Corporate Environmental Affairs staff sets or updates corporate requirements, objectives &amp; targets, with input from BUs responsible for execution. The BUs are responsible for developing &amp; executing plans to reduce energy use &amp; GHG emissions, &amp; mitigate potential environmental impacts or risks.</td>
</tr>
<tr>
<td>Social topics</td>
<td>Please see the IBMer section of our 2017 Corporate Responsibility report</td>
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</table>

References:

- IBM Environmental Reporting
- Page(s) 4, 14
- CDP Disclosure
- CDP Climate Change / CDP Water / CDP Supply Chain Scope 3 GH...
- IBM’s ISO 14001 & ISO 50001 Registrations
- Page(s) ISO 50001 certification
- IBM Auditing and Verification
- Page(s) Attached 2017 GHG Verification Statement
- 2017 Corporate Responsibility Report
- 2017 Annual Environment Report
- Page(s) 15 - 31
- 2017 Annual Report
Economic Performance

Management Approach: Economic Performance GRI 103-1, 103-2, 103-3

Economic / Economic Performance / Management Approach: Economic Performance GRI 103-1, 103-2, 103-3

Explanation of Economic Performance as a material topic and its Boundary, the management approach and its components, and the evaluation of the management approach.

<table>
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<th>Topic: GRI 201 Economic Performance</th>
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<tr>
<td>103-1: Explanation of the material topic and its Boundary</td>
<td>The sections of our IBM Annual Reports pertaining to Corporate Governance provide an overview of business operations related to economic performance and market presence. IBM has no additional changes in reporting periods or structure to discuss on this topic.</td>
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<td>103-2: The management approach and its components</td>
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<tr>
<td>103-3: Evaluation of the management approach</td>
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</table>

References:

- [2017 Annual 10K](#)
- [2017 Corporate Responsibility Report](#)
Direct Economic Value Generated And Distributed GRI 201-1

Economic / Economic Performance / Direct Economic Value Generated And Distributed GRI 201-1

Direct economic value generated and distributed (EVG&D) on an accruals basis, including the basic components for the organization’s global operations

<table>
<thead>
<tr>
<th>Country, region, or market level</th>
<th>Revenues</th>
<th>Operating costs</th>
<th>Wages &amp; benefits</th>
<th>Payments to providers of capital</th>
<th>Payments to governments</th>
<th>Community investments</th>
<th>(generated less distributed)</th>
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<tr>
<td></td>
<td>Value generated</td>
<td>Value distributed</td>
<td>Value retained</td>
<td>Value retained</td>
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</table>

Additional Comments

IBM does not disclose this level of financial detail/information. Please see the noted Supporting References for our disclosure.

References:

- [2017 10-k](#)
- [2017 Annual 10K](#)
**Financial Implications And Other Risks And Opportunities Due To Climate Change GRI 201-2**

**Economic / Economic Performance / Financial Implications And Other Risks And Opportunities Due To Climate Change GRI 201-2**

Risks and opportunities posed by climate change that have the potential to generate substantive changes in operations, revenue, or expenditure.

<table>
<thead>
<tr>
<th>Type</th>
<th>Category</th>
<th>Description</th>
<th>Impact Description</th>
<th>Financial Implications</th>
<th>Methods Used to Manage Risk</th>
<th>Costs of Actions</th>
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<tbody>
<tr>
<td>Opportunity</td>
<td>Regulatory</td>
<td>Regulatory Drivers and response to the full range of regulations that may be implemented to address climate change that are likely to include product energy efficiency regulations, energy efficiency requirements, cap and trade programs, etc. IBM's systemized approach to environmental management, and its compliance processes, experience and record lends credibility to the solutions offered by its business consulting services. These service offerings include strategy setting, compliance assurance, GHG inventory and reporting, asset management, intelligent and cognitive infrastructure and operational efficiency solutions. IBM's portfolio of energy efficient ICT equipment, data centers, and cloud offerings, deep expertise and offerings in analytics and optimization solutions and systems, analytics and cognitive capability uniquely position IBM to assist its clients in responding to the full range of energy use and GHG reduction mandates that have been established or may be considered in the future. Using its range of analytics</td>
<td>Other: Increased demand for products and services, premium pricing opportunities, new products and business services</td>
<td>These opportunities present IBM expanded market opportunities based on its portfolio of systems, software, services and solutions including the smarter buildings solution, data center management systems, software solutions, service offerings, and analytics, cognitive and research capabilities. IBM is uniquely positioned to apply one, some, or all of these capabilities in a synergistic fashion to assist clients in both private and public sectors to respond to challenges of climate change.</td>
<td>IBM implements ongoing and effective business processes to identify, analyze, evaluate, and exploit emerging business opportunities which can be addressed with IBM's range of expertise and offerings.</td>
<td>There are no extra-ordinary cost risks, as costs to execute our programs and strategy are embedded in IBM's current operational structure. IBM continues to invest significantly ($5.8 B in 2017) in research activities. A portion of these research dollars were applied to the development of products and solutions intended to address the climate change impacts of our operations and those of our clients.</td>
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Generated from OneReport 53/203 International Business Machines
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<th>Regulatory</th>
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<td>Fuel/energy taxes and regulation and Cap and Trade: IBM's experience in making its own operations more energy efficient and its internal deployment of the capabilities developed by the company lend credibility to various solutions IBM offers to clients including data management, analytics and cognitive software. These tools can help clients optimize their operations and reduce their energy use and GHG emissions. IBM's business consulting services offers a suite of strategy setting, change management, business planning and process development tools to help clients minimize the impact of regulations and adapt. IBM's expertise in intelligent transportation systems and building monitoring and management help clients minimize the impact of increased fuel costs. In addition, IBM could be a provider of IT infrastructure for trading schemes. IBM's business consulting services offers a suite of strategy setting, business planning and process development tools to help clients minimize the impact of regulations and adapt. IBM's expertise and</td>
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<td>Air Pollution Limits: IBM's Green Horizons initiative is based on innovations from the company's Research Laboratory in Beijing, with contributions from leading environmental experts across IBM's global network of research labs. The solution is also being applied in India and South Africa, Japan, UK and US. To help address the issue of air pollution, IBM has developed next-generation pollution forecasting and management systems which draw on vast amounts of data from environmental monitoring stations, weather stations, traffic cameras and meteorological and environmental satellites. Cognitive technologies understand this data, and use it to tune a predictive model that shows where the pollution is coming from, where it will likely go, and what will be its potential effect, allowing more informed decisions about how to improve air quality. Machine learning technologies ensure that the system automatically adjusts the predictive models to different seasons and topographies.</td>
<td>Other: Increased demand for products and services, premium pricing opportunities, new products and business services. These opportunities present IBM expanded market opportunities based on its portfolio of systems, software, services and solutions including the smarter buildings solution, data center management systems, software solutions, service offerings, and analytics, cognitive and research capabilities. IBM is uniquely positioned to apply one, some, or all of these capabilities in a synergistic fashion to assist clients in both private and public sectors to respond to challenges of climate change.</td>
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<td>Other: Increased demand for products and services, premium pricing opportunities, new products and business services.</td>
<td>These opportunities present IBM expanded market opportunities based on its portfolio of systems, software, services and solutions including the smarter buildings solution, data center management systems, software solutions, service offerings, and analytics, cognitive and research capabilities. IBM is uniquely positioned to apply one, some, or all of these capabilities in a synergistic fashion to assist clients in both private and public sectors to respond to challenges of climate change.</td>
<td>IBM implements ongoing and effective business processes to identify, analyze, evaluate, and exploit emerging business opportunities which can be addressed with IBM’s range of expertise and offerings.</td>
<td>There are no extra-ordinary cost risks, as costs to execute our programs and strategy are embedded in IBM's current operational structure. IBM continues to invest significantly ($5.8 B in 2017) in research activities. A portion of these research dollars were applied to the development of products and solutions intended to address the climate change impacts of our operations and those of our clients.</td>
<td></td>
</tr>
</tbody>
</table>

Generated from OneReport 55/203 International Business Machines
processes, experience and record lends credibility to the solutions and services offered by IBM's business consulting services. These service offerings include strategy setting, compliance assurance, GHG inventory and reporting, asset management, intelligent and cognitive infrastructure and operational efficiency.

| Opportunity | Regulatory Emissions Reporting Obligations: IBM's cloud based suite of software offerings including Watson, Maximo, Smarter buildings and Grid management systems offer IT based software to inventory, assess and manage energy and asset / material utilization and provides a platform that entities can use to gather data, manage assets, reduce energy use and report energy use or GHG emissions. Other: Increased demand for products and services, premium pricing opportunities, new products and business services | These opportunities present IBM expanded market opportunities based on its portfolio of systems, software, services and solutions including the smarter buildings solution, data center management systems, software solutions, service offerings, and analytics, cognitive and research capabilities. IBM is uniquely positioned to apply one, some, or all of these capabilities in a synergistic fashion to assist clients in both private and public sectors to respond to challenges of climate change. IBM implements ongoing and effective business processes to identify, analyze, evaluate, and exploit emerging business opportunities which can be addressed with IBM's range of expertise and offerings. There are no extra-ordinary cost risks, as costs to execute our programs and strategy are embedded in IBM's current operational structure. IBM continues to invest significantly ($5.8 B in 2017) in research activities. A portion of these research dollars were applied to the development of products and solutions intended to address the climate change impacts of our operations and those of our clients.
<table>
<thead>
<tr>
<th>Opportunity</th>
<th>Regulatory</th>
<th>Other: Increased demand for products and services, premium pricing opportunities, new products and business services</th>
<th>IBM implements ongoing and effective business processes to identify, analyze, evaluate, and exploit emerging business opportunities which can be addressed with IBM’s range of expertise and offerings.</th>
<th>There are no extra-ordinary cost risks, as costs to execute our programs and strategy are embedded in IBM’s current operational structure. IBM continues to invest significantly ($5.8 B in 2017) in research activities. A portion of these research dollars were applied to the development of products and solutions intended to address the climate change impacts of our operations and those of our clients.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opportunity</td>
<td>Physical</td>
<td>Assessment of changes in precipitation amounts and patterns, including both water and snow and ice and assessment of extreme weather events and droughts. IBM possesses deep research expertise and high performance and predictive computing capabilities (e.g., weather forecasting and cognitive capability) which have been deployed</td>
<td>Increased demand for existing products/services</td>
<td>IBM implements ongoing and effective business processes to identify, analyze, evaluate, and exploit emerging business opportunities which can be addressed with IBM’s range of expertise and offerings.</td>
</tr>
</tbody>
</table>
to assist with preparedness and response ahead of anticipated storms, both rain and snow and ice; as well as water use budgeting / planning based on predictive rainfall and assessment of changes in precipitation patterns. These solutions leverage IBM’s hardware, software, cloud and data analytics and cognitive capabilities. These capabilities can be leveraged to help with anticipating and preparing for extreme weather events and more effectively utilize resources. These IBM services, technologies and solutions enable business, governments and others to better understand, anticipate, and address the potential physical impacts of climate change with regards to water, resource, and systems challenges.

**Opportunity**

Induced changes in natural resources: IBM’s hardware and software, data analytics and cognitive based capabilities, services, technologies and solutions enable business, governments and others to better understand (e.g., through modeling, predictive analytics), anticipate, and address the potential physical impacts of climate change with regards to water and other natural resource and systems challenges.

**Physical**

Increased demand for existing products/services

**IBM** implements ongoing and effective business processes to identify, analyze, evaluate, and exploit emerging business opportunities which can be addressed with IBM’s range of expertise and offerings.

There are no extra-ordinary cost risks, as costs to execute our programs and strategy are embedded in IBM’s current operational structure. IBM continues to invest significantly ($5.8 B in 2017) in research activities. A portion of these research dollars were applied to the development of products and solutions intended to address the climate change impacts of our operations and those of our clients.
| Risk | Other: Changing Consumer Behavior | As consumers, governments, and companies increase their focus on energy efficiency and GHG emissions, it is important that companies anticipate requirements for their products and deliver the necessary innovations to address changing market needs. | Reduced demand for good and services. | IBM’s early action and robust programs on energy conservation & GHG emissions reduction & our focus on developing energy efficient products, services & solutions for our clients, such as our Cognitive, AI and Analytics solutions and Cloud Platform strategies, enable us to adapt in the current and evolving public policy and regulatory environment to address our client’s demands and the impacts of climate change. These programs and capabilities enable us to avoid disruptions and minimize financial impacts while capturing opportunities to provide revenue. | IBM has a well established, global Environmental Management System (EMS), which requires regular assessment of the environmental impacts of its operations and activities and the setting of goals and objectives to pro-actively manage its significant aspects. In addition, IBM’s operational expertise and experience from executing our own programs and results inform the company regarding potential and likely business opportunities. | There are no extra-ordinary cost risks, as costs to execute our programs and strategy are embedded in IBM’s current operational structure. IBM continues to invest significantly ($5.8 B in 2017) in research activities. A portion of these research dollars were applied to the development of products and solutions intended to address the climate change impacts of our operations and those of our clients. |
|---|---|---|---|---|---|
| Risk | Regulatory | Regulatory Uncertainty: The lack of certainty and harmonization of the regulations and standards affecting the design and sale (e.g., product labeling, information | Operational Inefficiency, increased operational costs and inability to do business | The uncertainty and lack of harmonization in the regulations may impact the operating modes we use | IBM has experienced staff and long established processes to track and manage regulations | It is not possible to assess the cost and revenue implications of a given regulatory |
disclosure) of products represents a risk. At issue is whether the requirements will be informed by data and recognize that data center IT products have consistently improved their energy consumption profile and the work delivered per unit of energy consumed with each new technology generation. Uncertainty and lack of harmonization exist due to the potential for different jurisdictions to implement different or even contradictory requirements. There is also the risk associated with overly prescriptive, and even inconsistent, requirements for data center operations. Data center operations are often technology-specific and client requirements driven. Regulations and standards which prescribe specific operating protocols may cause significant risks to the reliability of the data center operations and our ability to meet our customer requirements. The uncertainty and lack of harmonization of the regulations and standards lead to business inefficiencies and could cause bifurcated compliance strategies. In addition to the above risks of uncertainty, there is also uncertainty associated with the implementation of carbon taxes, cap & trade schemes, emissions reporting obligations, and fuel & energy taxes. While we believe these are largely priced into the market and hence removed these items from our change until that change is proposed. We expect some cost increases over time due to increases to our current energy costs. to meet our client's reliability, availability and serviceability requirements, our product design strategy and ability to put products on the market, as well as compliance cost. The uncertainty in the regulations create uncertainty in our costs of electricity and fuel. IBM does not provide estimates of potential capital, expense and revenue implications of specific regulatory actions. IBM complies with applicable regulations and standards globally.
| Risk | Regulatory | | Integration of energy efficiency considerations in the product development process as part of the IBM product stewardship program (formalized in 1991) limits the financial impact of these requirements. However, there are cost implications as energy efficient designs are likely to have higher component costs and require the development of more sophisticated firmware and software management systems. |

As countries and regions drive to adopt more product energy efficiency requirements, the potential impacts will change with time and there is potential for higher energy costs if/when one or more of these actions is implemented.

Product energy efficiency regulations and standards, such as the EU Energy Related Product Directive, ICT Equipment efficiency standards proposed by China National Institute of Standardization and Ministry of Environmental Protection in China, the Japan Energy Law, and the ENERGY STAR reg; IT equipment requirements, will have applicability to IBM's product design, manufacturing, testing and qualification processes. They also will affect the components that we source from our supply chain.

As countries and regions drive to adopt more product energy efficiency requirements, failure to anticipate these developments and design energy efficiency products there is a risk of losing market access with resulting loss of revenue. Financial implications result from testing required to measure energy use of the products and cost of updating fulfillment systems to provide necessary labels, fliers, and/or electronic documentation with products. If no action is taken, market access may be lost.

As countries and regions drive to adopt more product energy efficiency requirements, failure to anticipate these developments and design energy efficiency products would create a risk of losing market access with resulting loss of revenue. Financial implications result from testing required to measure energy use of the products and cost of updating fulfillment systems to provide necessary labels, fliers, and/or electronic documentation with products. If no action is taken, market access may be lost.

At the most foundational level IBM has executed a formal product stewardship program since 1991. One of the stated focus objectives of this program is designing server and storage products to be energy efficient. The IBM product design teams follow the IBM Product Stewardship process which gives consideration to product energy efficiency. With respect to the external requirements landscape, IBM is actively involved in the development of ICT product energy efficiency requirements through participation in industry groups such as The Green Grid, standards bodies such as ETSI, and government efforts such as the USEPA ENERGY STAR program. IBM works through these groups toward setting sensible energy efficiency.
<table>
<thead>
<tr>
<th>Risk</th>
<th>Regulatory</th>
<th>Renewable energy regulations: Increased renewable energy generation requirements are likely to increase the cost of electricity at facilities and increase the risk of grid instability where aggressive efforts are not undertaken to upgrade the grid and its associated management systems to manage the intermittent nature of wind and solar generating facilities.</th>
<th>Increased operational cost and increased potential for power interruptions due to intermittent nature of renewable generation sources can cause grid instability and require the maintenance of spinning conventional resources to insure reliability of electricity delivery.</th>
<th>Currently, electricity generated from renewable sources has higher costs than that generated from conventional sources due to the need to firm intermittent renewable generation to provide reliable power. Higher levels of renewable generation, under current market conditions and technology capabilities, will drive generally higher utility rates.</th>
<th>Efforts to reduce our electricity consumption help to offset the additional costs driven by renewable generation assets in some jurisdictions. The Real Estate group is working with various suppliers to identify and capture opportunities to install on-site renewable generation projects, primarily solar photovoltaic installations, and/or procure renewable electricity from grid based, commercial projects at rates equal to or less than grid rates. We expect some electricity cost increases over time.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk</td>
<td>Other:</td>
<td>Companies are increasingly being assessed on their environmental programs, including their efforts to improve the energy efficiency of their operations, reducing their GHG emissions and providing products and services to their clients that enable clients to take action on these</td>
<td>IBM's early action and robust programs on energy conservation &amp; GHG emissions reduction &amp; our focus on developing energy efficient products, services &amp; solutions are demonstrating that these actions can deliver cost savings and performance improvements.</td>
<td>IBM has a well established, global Environmental Management System (EMS), which requires regular assessment of the environmental impacts of its operations.</td>
<td>There are no extra-ordinary cost risks, as costs to execute our programs and strategy are embedded in IBM's current operational structure. IBM continues to invest significantly ($5.8 B in 2015) to enhance its environmental performance.</td>
</tr>
</tbody>
</table>
attributes of their operation. IBM has demonstrated leadership in energy management for 4 decades and in climate protection for over two decades; IBM provides products and services that enable its clients to improve performance and demonstrate leadership. These programs are described in the IBM environmental report.

solutions for our clients, such as our Cognitive, AI and Analytics solutions and Cloud Platform strategies, enable us to adapt in the current and evolving public policy and regulatory environment to address our client's demands and the impacts of climate change. These programs and capabilities enable us to avoid disruptions and minimize financial impacts while capturing opportunities to provide revenue. and activities and the setting of goals and objectives to pro-actively manage its significant aspects. In addition, IBM's operational expertise and experience from executing our own programs and results inform the company regarding potential and likely business opportunities.

IBM has a well established, global Environmental Management System (EMS), which requires regular assessment of the environmental impacts of its operations and activities and the setting of goals and objectives to pro-actively manage its significant aspects. In addition, IBM's operational expertise and experience from executing our own programs and results inform the company regarding potential and likely business opportunities.

There are no extra-ordinary cost risks, as costs to execute our programs and strategy are embedded in IBM's current operational structure. IBM continues to invest significantly ($5.7 B in 2016) in research activities. A portion of these research dollars were applied to the development of products and solutions intended to address the climate change impacts of our operations and those of our clients.

Risk

Other: Transformational Requirements

As society addresses its energy requirements and the environmental implications of energy use, including the environmental impact of GHG emissions, it is likely that transformational innovations will be needed. It will be important for companies to identify, anticipate, and be prepared to capture key transformational opportunities.

Loss of Competitiveness and Relevancy in this space.

IBM's early action and robust programs on energy conservation & GHG emissions reduction & our focus on developing energy efficient products, services & solutions for our clients, such as our Cognitive, AI and Analytics solutions and Cloud Platform strategies, enable us to adapt in the current and evolving public policy and regulatory environment to address our client's demands and the impacts of climate change.

Other:

Risk Management

IBM has a well established, global Environmental Management System (EMS), which requires regular assessment of the environmental impacts of its operations and activities and the setting of goals and objectives to pro-actively manage its significant aspects. In addition, IBM's operational expertise and experience from executing our own programs and results inform the company regarding potential and likely business opportunities.

There are no extra-ordinary cost risks, as costs to execute our programs and strategy are embedded in IBM's current operational structure. IBM continues to invest significantly ($5.7 B in 2016) in research activities. A portion of these research dollars were applied to the development of products and solutions intended to address the climate change impacts of our operations and those of our clients.
These programs and capabilities enable us to avoid disruptions and minimize financial impacts while capturing opportunities to provide revenue and minimize financial impacts while capturing opportunities to generate revenue.

Opportunity
Other: Reputation
Increasingly, clients want to do business with environmentally responsible companies, and this objective generally includes seeking suppliers that are addressing climate change in their operations and providing energy efficient products, services and solutions. Similarly, employees want to work for a company that is a leader in environmental protection. IBM's sustained commitment to environmental leadership and record of achievements enable the company to attract top talent, and lend credence to its energy, climate and environmental offerings. Our own operational results demonstrate IBM as an environmental leader, enable the company to meet client expectations in this area and will continue to serve as a differentiator for IBM.

Opportunity
Other: Increasing Humanitarian Demands
IBM has developed analytics capabilities that can assist with prioritizing and targeting aid in response to natural disasters.

Increasing demand for existing products and services. An inability to capture these opportunities would result in lost talent, business opportunities and revenue.

IBM implements ongoing and effective business processes to identify, analyze, and exploit emerging business opportunities which can be addressed with IBM's range of expertise and offerings.

There are no extra-ordinary cost risks, as costs to execute our programs and strategy are embedded in IBM's current operational structure. IBM continues to invest significantly ($5.8 B in 2017) in research activities. A portion of these research dollars were applied to the development of products and solutions intended to address the climate change impacts of our operations and those of our clients.
| Opportunity                  | Other: Changing Consumer Behavior | IBM continues to expand its services and solutions and extend its deep process optimization, cognitive and analytics capabilities on a cloud platform. These platforms and capabilities are deployed as services and IT based products and solutions to drive optimized processes and systems in a variety of industries and public sectors. | Increased demand for existing products/services | An inability to capture these opportunities would result in lost talent, business opportunities and revenue. | IBM implements ongoing and effective business processes to identify, analyze, and exploit emerging business opportunities which can be addressed with IBM's range of expertise and offerings. | There are no extra-ordinary cost risks, as costs to execute our programs and strategy are embedded in IBM's current operational structure. IBM continues to invest significantly ($5.8 B in 2017) in research activities. A portion of these research dollars were applied to the development of products and solutions intended to address the climate change impacts of our operations and those of our clients. |

Data publicly available.

Deemed material? Yes
Defined Benefit Plan Obligations and Other Retirement Plans GRI 201-3

Defined benefit plan obligations and other retirement plans.

<table>
<thead>
<tr>
<th>Retirement plans offered to employees are based on:</th>
<th>Defined benefit plans</th>
<th>Please specify:</th>
<th>Pension Plan is closed - 401(k) is open to all eligible employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Separate fund exists to pay the plan's pension liabilities</td>
<td>No</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Estimated value of liabilities</td>
<td>93,492,000,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fund set up to pay the plan's pension liabilities is:</td>
<td>Fully covered</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Percentage of salary contributed by employee or employer</td>
<td>6%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Type and level of participation in retirement plans</td>
<td>Participation in mandatory or voluntary schemes.</td>
<td>Level: 91% participation in 401(k) Plan</td>
<td></td>
</tr>
</tbody>
</table>

**Reason for Omission:**
Not Applicable
Why considered not applicable:
Data provided

**Additional Comments**
Estimated value of liabilities: 100 billion dollars for both the pension and 401(k) plans

Percentage of salary contributed by employee or employer: Pension plan is closed so no further contribution. For 401(k) generally 6% but some have 8% or 10%

IBM does not disclose this level of data/information. Please see our noted Supporting References for our disclosures.

**References:**
2017 Annual Report

**Deemed material? No**
## Financial Assistance Received From Government GRI 201-4

### Economic / Economic Performance / Financial Assistance Received From Government GRI 201-4

Total monetary value of financial assistance received by the organization from any government during the reporting period.

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>Tax relief/credits (Country)</td>
<td></td>
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<td></td>
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<tr>
<td>Total tax relief/credits:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subsidies (Country)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total subsidies:</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Investment grants, research and development grants, and other relevant types of grants (Country)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total investment grants, research and development grants, and other relevant types of grants:</td>
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<td></td>
</tr>
<tr>
<td>Awards (Country)</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Total awards:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Royalty holidays (Country)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total royalty holidays:</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Financial assistance from Export Credit Agencies (ECAs) (Country):</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total financial assistance from Export Credit Agencies (ECAs):</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Financial incentives (Country)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total financial incentives:</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Other financial benefits received from any government for any operation (Country)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total other financial benefits received or receivable from any government for any operation:</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

### Additional Comments

Please refer to 2017 Annual Report and Annual 10-K

### References:

- [2017 Annual 10K](#)
- [2017 Annual Report](#)

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**Market Presence**

**Management Approach: Market Presence GRI 103-1, 103-2, 103-3**

Economic / Market Presence / Management Approach: Market Presence GRI 103-1, 103-2, 103-3

Explanation of Market Presence as a material topic and its Boundary, the management approach and its components, and the evaluation of the management approach.

<table>
<thead>
<tr>
<th>Topic: GRI 202 Market Presence</th>
</tr>
</thead>
<tbody>
<tr>
<td>103-1: Explanation of the material topic and its Boundary</td>
</tr>
<tr>
<td>103-2: The management approach and its components</td>
</tr>
<tr>
<td>103-3: Evaluation of the management approach</td>
</tr>
</tbody>
</table>

**Additional Comments**

We don't track aspects along the lines of the requested information but we do have frequent employee and labor relations/rights risk assessments of our own operations in various countries across the world as well as thorough audits of compliance of our policies, including human resources, with applicable legislation and corporate policies and instructions. In addition, we are subject to extensive audits of our own facilities and we audit also many supplier operations - in particular through the Responsible Business Alliance (RBA) audit process.

**References:**

- [RBA Code of Conduct V6.0](#)
**Ratio of Standard Entry Level Wage by Gender Compared to Local Minimum Wage GRI 202-1**

Economic / Market Presence / Ratio of Standard Entry Level Wage by Gender Compared to Local Minimum Wage GRI 202-1

Ratio of standard entry level wage by gender compared to local minimum wage.

IBM does not disclose its entry-level wages. Our entry level salaries are based on reviews of wages amongst other companies in each market, within the IT industry. In all locations, we comply with applicable minimum wage legislation and offer competitive salaries.

IBM will, at a minimum, comply with all applicable wage and hour laws and regulations, including those relating to minimum wages, overtime hours, piece rates, non-exempt or exemption classification and other elements of compensation, and provide legally mandated benefits.

<table>
<thead>
<tr>
<th>Significant location of operations used for the ratio of employee entry level wage to local minimum wages:</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>IBM does not disclose its entry-level wages. Our entry level salaries are based on reviews of wages amongst other companies in each market, within the IT industry. In all locations, we comply with applicable minimum wage legislation and offer competitive salaries.</td>
<td></td>
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</table>

<table>
<thead>
<tr>
<th>Ratio of employee entry level wages to the minimum wage at significant locations of operations:</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local minimum wage</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Gender or Total Workforce</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Minimum wage used</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ratio of entry level wage to minimum wage</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Minimum wage used</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Ratio of entry level wage to minimum wage</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Minimum wage used</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ratio of entry level wage to minimum wage</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Ratio of other workers entry level wages to minimum wage at significant locations of operations:</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Reason for Omission:**
Confidentiality constraints
Specific confidentiality constraints:

**Additional Comments**
IBM does not disclose its entry level wages. Our entry level salaries are based on reviews of wages amongst other companies in each market, within the IT industry. In all locations, we comply with applicable minimum wage legislation and offer competitive salaries. In line with our Global Employment Standards, IBM will not discriminate in, amongst others, compensation of employees and employment practices on grounds of, amongst others, gender, gender identity and expression.

Deemed material? No
Proportion Of Senior Management Hired From The Local Community GRI 202-2

Percentage of senior management at significant locations of operation that are hired from the local community.

| Definition used for 'significant locations of operation': significant locations are those countries with the most significant populations at year end 2017 |
|---|---|---|---|
| Definition of 'local': local is leadership either born in the country -or have lived there most of their lives and have citizenship |
| Definition of 'senior management': Country general manager and his/her direct reports |

| Percentage of senior management at significant locations of operation that are hired from the local community: |
|---|---|---|---|
| 2017 | 2016 | 2015 | 2014 |
| 90 | 90 | 90 | 85 |

Additional Comments

Deemed material? No
Indirect Economic Impacts

Management Approach: Indirect Economic Impacts GRI 103-1, 103-2, 103-3

Economic / Indirect Economic Impacts / Management Approach: Indirect Economic Impacts GRI 103-1, 103-2, 103-3

Explanation of Indirect Economic Impacts as a material topic and its Boundary, the management approach and its components, and the evaluation of the management approach.

<table>
<thead>
<tr>
<th>Topic: GRI 203 Indirect Economic Impacts</th>
<th>103-1: Explanation of the material topic and its Boundary</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Economic Impacts are inherently material to IBM. Indirect economic investments are made each fiscal year to support many different stakeholders. In 2017, IBM's corporate contributions were $332.5M. While education is our highest priority, educational improvement cannot be achieved unless its connection to other issues is understood. Consequently, we intend to maintain strategic investments in human services, culture, health and the environment. In addition, it is vitally important that we maintain the flexibility to address new initiatives and meet extraordinary external conditions such as disaster relief and recovery.</td>
</tr>
</tbody>
</table>

| 103-2: The management approach and its components | We approach corporate responsibility as we do any engagement, by applying our talent and technology to develop innovative solutions for key societal issues. We follow these principles in our corporate citizenship efforts: – We work closely with the public and private sectors, including local, regional and national governments, nonprofit organizations, universities, research organizations and school systems. – We apply our best talents and technologies to help craft innovative solutions and then bring them to scale. We concentrate on fewer, more comprehensive programs that can help address issues that no single entity can manage alone. We endeavor to effect widespread, measurable and sustainable change. To maximize the impact of our investments, we plan for the longevity and sustainability of our solutions by working to make them scalable and transferable. |

| 103-3: Evaluation of the management approach | All investments are tracked with impact metrics and are reviewed to ensure goals are attained. |

References:

2017 Corporate Responsibility Report
Infrastructure Investments And Services Supported GRI 203-1

Economic / Indirect Economic Impacts / Infrastructure Investments And Services Supported GRI 203-1

Extent of development of significant infrastructure investments and services supported.

<table>
<thead>
<tr>
<th>Name of investment/service</th>
<th>Extent of development of significant infrastructure investments and services supported: Current or expected (positive and negative) impacts on communities and local economies:</th>
<th>Investments and Services Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>IBM engages commercially in more than 175 countries. It is therefore not practical to detail the size, cost and duration of significant current or expected investments in all of these geographies.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>IBM's total global contributions in 2017 were $332.5M; this included $36.6M in cash, $261.1M in technology, and $34.8M in technical services. The 2017 Corporate Responsibility Report includes our contributions totals for the last five years, with breakdowns by geographic region and issue addressed (education, environment, etc.).</td>
<td></td>
<td></td>
</tr>
<tr>
<td>IBM involvement in in-kind and philanthropic programs typically spans multiple years for each program.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Find a summary of our community programs in the Corporate Responsibility Report: <a href="https://www.ibm.com/ibm/r">https://www.ibm.com/ibm/r</a>...</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

References:

2017 Corporate Responsibility Report  Page(s) 8
Examples of significant identified indirect economic impacts of the organization, including positive and negative impacts.

| Examples of indirect economic impacts, both positive and negative: | We combine the greatest strengths of our company and its people—technology, expertise and energy—to develop innovative programs focused on challenges facing communities where we live and work. The story of corporate responsibility at IBM includes people helping communities recover from natural disasters; developing new ways to educate and mentor students; including persons with disabilities; creating a virtual supercomputer for use by humanitarian researchers; contributing time, skills and funds to organizations that do good work — and the company that encourages and enables these contributions. Our stories demonstrate our commitment to serving the greater good by going beyond mere generosity and “giving back.” The IBM Corporate Citizenship story illustrates how critical and systemic societal problems can be addressed head-on through the development of innovative approaches that not only achieve excellent results, but also can be brought to scale. As a company, as individuals and in collaboration with public- and private-sector partners, we use our technology and our expertise to protect and improve human life, human dignity and our planet. |
| Significance of the impacts in the context of external benchmarks and stakeholder priorities, such as national and international standards, protocols, and policy agenda: | Assisting in education and economic development aligns to the highest priorities of most of our stakeholders. |

References:

- IBM & the UN SDGs Report 2018
- 2017 Corporate Responsibility Report

Deemed material? Yes
Procurement Practices

Management Approach: Procurement Practices GRI 103-1, 103-2, 103-3

Explanation of Procurement Practices as a material topic and its Boundary, the management approach and its components, and the evaluation of the management approach.

| Topic: GRI 204 Procurement Practices |  
|-------------------------------------|----------------------------------|
| 103-1: Explanation of the material topic and its Boundary | In 2017, IBM procured $24.7 billion of goods and services from external companies. IBM Global Procurement's mission is to achieve the lowest overall cost for goods and services being procured for IBM's internal and external fulfillment of goods and services; to ensure these goods and services meet required quality standards and/or customer expectations; and to deliver correct quantities of goods or services at the right global location at the time specified. All activities are governed by IBM Procurement's policies, practices, and business controls. |
| 103-2: The management approach and its components | IBM regards its Global Procurement structure, management, and deployment as a proprietary competitive advantage in the marketplace and thus does not provide detailed public descriptions. Private conversations can be arranged through appropriate channels. |
| 103-3: Evaluation of the management approach | IBM regards its Global Procurement structure, management, and deployment as a proprietary competitive advantage in the marketplace and thus does not provide detailed public descriptions. Private conversations can be arranged through appropriate channels. |

References:

- RBA Code of Conduct V6.0
- IBM Supplier Diversity
- IBM Environmental Management system requirements for suppliers...
- 2017 IBM Corporate Responsibility Report
- RBA Validated Assessment Process (VAP)
Proportion Of Spending On Local Suppliers GRI 204-1

Economic / Procurement Practices / Proportion Of Spending On Local Suppliers GRI 204-1

Percentage of the procurement budget used for significant locations of operation that is spent on suppliers local to that operation.

<table>
<thead>
<tr>
<th>2017</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage of the procurement budget used for significant locations of operation spent on suppliers local to that operation (such as percentage of products and services purchased locally):</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Geographic definition of "local":
IBM procures goods and services from suppliers located in over 100 countries. We have sourcing strategies that incorporate a combination of global - regional - local suppliers in order to meet the needs of our customers in the most effective manner. As such, we do not have a particular preference for local suppliers but look at our entire business needs in order to optimize supplier selection. IBM is also a participant in the Supplier Connection program that focuses on providing US based suppliers access to major purchasing companies. Details can be found at: [https://www.supplier-conn...](https://www.supplier-conn...)

Definition used for 'significant locations of operation':
IBM has operations globally to support the needs of our customers, as such procurement covers all geographic locations engaged in fulfillment of client needs.

Reason for Omission:
Not Applicable
Why considered not applicable:
As noted, IBM has a global supplier base attenuated to the needs of its product and services offerings. Included in this is a well-recognized supplier diversity component. IBM does not set target for local supplier sourcing, however, many of our needs are fulfilled on a local / regional level depending on optimized sourcing based on IBM and customer needs.

References:

2017 Corporate Responsibility Report

Deemed material? No
Anti-Corruption

Management Approach: Anti-corruption GRI 103-1, 103-2, 103-3

Economic / Anti-Corruption / Management Approach: Anti-corruption GRI 103-1, 103-2, 103-3

Explanation of Anti-corruption as a material topic and its Boundary, the management approach and its components, and the evaluation of the management approach.

| Topic: GRI 205 Anti-corruption |  
|-------------------------------|---|
| 103-1: Explanation of the material topic and its Boundary | IBM prohibits bribery and kickbacks of any kind. |
| 103-2: The management approach and its components | IBM's Business Conduct Guidelines (BCGs) is our code of business conduct and ethics for our directors, executive officers and employees. IBM's Directors and top management are committed to countering bribery, as manifest in the following: (1) IBM's entire compliance program; (2) the Chairman/President/CEO introduction to the Business Conduct Guidelines; (3) the Integrity leadership discussion and tools found on IBM's website; and (4) our transparent corporate governance systems. |
| 103-3: Evaluation of the management approach | Violations of BCGs or other unethical or unlawful conduct, can be reported through any of IBM's Communication Channels: › Your manager › IBM Human Resources › IBM’s Concerns & Appeals programs › IBM Internal Audit for violations related to financial recording and reporting, business process violations and inappropriate use of assets › IBM Corporate Security for threats or acts of violence, loss or theft of IBM assets, or violation of law on IBM premises › IBM Cybersecurity Incident Response Team (CSIRT) for cybersecurity or data incidents, potential or actual system and data breaches and inadvertent disclosures › IBM Counsel › IBM Trust & Compliance › IBM Government & Regulatory Affairs. a IBM will promptly review a report of actual or potential violations of the BCGs or other unlawful or unethical conduct. IBM will not tolerate threats or acts of retaliation against an employee for making a report. |

References:

- [2018 BCG](#)
- [IBM Policies and Principles](#)
- [Trust and Compliance Website](#)
- [Corporate Governance Website](#)
Operations Assessed for Risks Related to Corruption GRI 205-1

Economic / Anti-Corruption / Operations Assessed for Risks Related to Corruption GRI 205-1

Total number and percentage and of operations assessed for risks related to corruption and the significant risks identified.

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total number of business units analyzed for risks related to corruption</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Percentage of business units analyzed for risks related to corruption</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Significant risks related to corruption identified through the risk assessment:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Additional Comments

IBM has robust processes for analyzing and reviewing risks related to corruption in all its business units on an ongoing basis, including formal audits as well as proactive audits at the business unit level.

References:

IBM's 2017 Corporate Responsibility Report
## Communication and Training about Anti-Corruption Policies and Procedures GRI 205-2

### Economic / Anti-Corruption / Communication and Training about Anti-Corruption Policies and Procedures GRI 205-2

Communication and training about anti-corruption policies and procedures.

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Communication on anti-corruption policies and procedures</td>
<td>Total</td>
<td>Percent</td>
<td>Total</td>
<td>Percent</td>
</tr>
<tr>
<td>Governance body members</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>Employees</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>Business partners</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>Training on anti-corruption</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Governance body members</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>Employees</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
</tr>
</tbody>
</table>

### Has the organization communicated its anti-corruption policies and procedures to other persons or organizations?

Anti-bribery is a component of IBM’s annual Business Conduct Guidelines program in which every IBM employee participates. IBM’s trust and compliance officers, lawyers, and management provided in-person compliance and ethics training, including anti-corruption, to more than 26,000 IBM employees around the world in 2017. In addition, IBM provided online ethics and integrity education to more than 15,000 representatives from our IBM Business Partners and suppliers around the world in 2017.

### References:

- **2018 BCG**
  - Page(s) 31-34
- **IBM's 2017 Corporate Responsibility Report**
  - Page(s) 53-55
Confirmed Incidents of Corruption and Actions Taken GRI 205-3

Economic / Anti-Corruption / Confirmed Incidents of Corruption and Actions Taken GRI 205-3

Confirmed incidents of corruption and actions taken

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total number of confirmed incidents of corruption:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total number of confirmed incidents in which employees were dismissed or disciplined for corruption:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total number of confirmed incidents when contracts with business partners were not renewed due to violations related to corruption:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nature of confirmed incidents of corruption:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public legal cases regarding corruption brought against the organization or its employees during the reporting period:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Please see IBM's 2017 Annual Report and most recent 10-Q filed with the SEC.

Additional Comments

References:
- IBM 2017 Annual Report
- 2018 10-Q September
**Anti-Competitive Behavior**

**Management Approach: Anti-competitive Behavior GRI 103-1, 103-2, 103-3**

Economic / Anti-Competitive Behavior / Management Approach: Anti-competitive Behavior GRI 103-1, 103-2, 103-3

Explanation of Anti-competitive Behavior as a material topic and its Boundary, the management approach and its components, and the evaluation of the management approach.

<table>
<thead>
<tr>
<th>Topic: GRI 206 Anti-competitive Behavior</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>103-1: Explanation of the material topic and its Boundary</td>
<td>Please see pages 16-24 of IBM's Business Conduct Guidelines</td>
</tr>
<tr>
<td>103-2: The management approach and its components</td>
<td>Please see pages 16-24 of IBM's Business Conduct Guidelines</td>
</tr>
<tr>
<td>103-3: Evaluation of the management approach</td>
<td>Please see pages 16-24 of IBM's Business Conduct Guidelines</td>
</tr>
</tbody>
</table>

Additional Comments

References:

2017 BCG Page(s) 16-24
### Legal Actions for Anti-Competitive Behavior, Anti-trust, and Monopoly Practices GRI 206-1

#### Economic / Anti-Competitive Behavior / Legal Actions for Anti-Competitive Behavior, Anti-trust, and Monopoly Practices GRI 206-1

Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Main outcomes of completed legal actions, including any decisions/judgments:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

---

**Additional Comments**

Please see IBM's 2017 Annual Report.

---

**References:**

- [IBM 2017 Annual Report](#) Page(s) 119-121
Environmental

Materials

Management Approach: Materials GRI 103-1, 103-2, 103-3

Explanation of Materials as a material topic and its Boundary, the management approach and its components, and the evaluation of the management approach.

<table>
<thead>
<tr>
<th>Topic: GRI 301 Materials</th>
</tr>
</thead>
<tbody>
<tr>
<td>103-1: Explanation of the material topic and its Boundary</td>
</tr>
</tbody>
</table>
| IBM considers that aspects related to the products and the services we provide, for example energy consumption, chemical use and emissions, materials and waste, are material because of potential impacts such as depletion of natural resources, energy usage, global warming, air emissions, and water and soil pollution. This materializes as well through legislative initiatives taken by governments around the globe, reflecting societal concerns, as well as through requests from our customers to respect the environment at best possible. Compliance with legislative requirements are essential to enter and maintain trade in global markets and therefore key to IBM. IBM's Product Stewardship program was established in 1991 as a proactive and strategic approach to the environmental design and management of its products. The program's mission is to develop, manufacture and market products that are increasingly energy efficient; can be upgraded and reused to extend product life; incorporate recycled content and environmentally preferable materials and finishes; and can be recycled and disposed of safely.

Compliance management tools like the Product Content Declaration for IBM Suppliers support the assessments required for a complete Product Environmental Profile prior to product release. IBM's design and compliance controls, including a specification for Baseline Environmental Requirements for Supplier Deliverables to IBM, Product Content Declarations, and compliance assessment protocols are managed by an interdisciplinary team with representatives from all IBM organizations that design, manufacture, procure, deliver and service our product offerings. The team's activities are coordinated by IBM's Center of Excellence for Product Environmental Compliance. More information on our Product Stewardship activities can be found at: [http://www.ibm.com/ibm/en...](http://www.ibm.com/ibm/en...).

Hardware development and product design processes are incorporated into IBM's globally accredited ISO 14001 Environmental Management System (EMS). The supply chain represents a significant aspect of IBM's product manufacturing. Accordingly, our worldwide EMS includes programs and processes to monitor and verify supply chain performance against IBM's environmental requirements as well as legal requirements.

Frequent verification of product data is needed to maintain the accurate status of parts and products in IBM's integrated supply chain. In 2013, IBM developed a new process to automate the revalidation of Product Content Declarations (PCDs) for procured parts. The process includes a regular refresh cycle for PCDs whereby we request suppliers to update their declarations. In 2015, IBM automated key elements of its PCD process to help ensure that the PCDs are current. Additional enhancements included a help function that provides IBM's suppliers with real-time assistance should they have questions regarding IBM’s requirements for submission of a PCD. IBM conducts quality audits of PCDs to drive improvements in the content of the declarations and in the supporting administrative process. The continual improvements in product material content data management ensure that IBM's technical documentation for product hardware meets the quality requirements of European Norm 50581: "Technical documentation for the assessment of electrical and electronic products with respect to the restriction of hazardous substances”. Also the deployment of analytical tools for managing environmental compliance of products avoided extensive time spent on analyzing complex bill-of-materials and helped engineers and procurement staff, coupled with supply chain information, to ensure compliance while avoiding a negative impact on the business.

103-2: The management approach and its components |
| IBM's design and compliance controls, including a specification for Baseline Environmental Requirements for Supplier Deliverables to IBM, Product Content Declarations, and compliance assessment protocols are managed by an interdisciplinary team with representatives from all IBM organizations that design, manufacture, procure, deliver and service our product offerings. The team's activities are coordinated by IBM's Center of Excellence for Product Environmental Compliance. More information on our Product Stewardship activities can be found at: [http://www.ibm.com/ibm/en...](http://www.ibm.com/ibm/en...).

Hardware development and product design processes are incorporated into IBM's globally accredited ISO 14001 Environmental Management System (EMS). The supply chain represents a significant aspect of IBM's product manufacturing. Accordingly, our worldwide EMS includes programs and processes to monitor and verify supply chain performance against IBM's environmental requirements as well as legal requirements.

103-3: |
| Frequent verification of product data is needed to maintain the accurate status of parts and products in IBM's integrated supply chain. In 2013, IBM developed a new process to automate the revalidation of Product Content Declarations (PCDs) for procured parts. The process includes a regular refresh cycle for PCDs whereby we request suppliers to update their declarations. In 2015, IBM automated key elements of its PCD process to help ensure that the PCDs are current. Additional enhancements included a help function that provides IBM's suppliers with real-time assistance should they have questions regarding IBM’s requirements for submission of a PCD. IBM conducts quality audits of PCDs to drive improvements in the content of the declarations and in the supporting administrative process. The continual improvements in product material content data management ensure that IBM's technical documentation for product hardware meets the quality requirements of European Norm 50581: "Technical documentation for the assessment of electrical and electronic products with respect to the restriction of hazardous substances”. Also the deployment of analytical tools for managing environmental compliance of products avoided extensive time spent on analyzing complex bill-of-materials and helped engineers and procurement staff, coupled with supply chain information, to ensure compliance while avoiding a negative impact on the business. |
IBM developed a new process to automate the revalidation of Product Content Declarations (PCDs) for procured parts. The process includes a regular refresh cycle for PCDs whereby we request suppliers to update their declarations. In 2015, IBM automated key elements of its PCD process to help ensure that the PCDs are current. Additional enhancements included a help function that provides IBM’s suppliers with real-time assistance should they have questions regarding IBM’s requirements for submission of a PCD. IBM conducts quality audits of PCDs to drive improvements in the content of the declarations and in the supporting administrative process. The continual improvements in product material content data management ensure that IBM’s technical documentation for product hardware meets the quality requirements of European Norm 50581: “Technical documentation for the assessment of electrical and electronic products with respect to the restriction of hazardous substances”. Also, the deployment of analytical tools for managing environmental compliance of products avoided extensive time spent on analyzing complex bill-of-materials and helped engineers and procurement staff, coupled with supply chain information, to ensure compliance while avoiding a negative impact on the business.

**Additional Comments**

IBM does not track the total amounts, neither in weight or volume, of raw materials that are used to produce and package the organization’s primary products and services. Most of the components and parts used in IBM’s products are components and assemblies as opposed to raw materials. Raw materials that are directly procured by IBM or its contact manufacturers include metals used in systems enclosures and plastics used for structural parts internal to products as well as for decorative accents on enclosures. Most of our products based on weight consist of metals, which while not renewable are highly recyclable. IBM has included — as part of its worldwide environmental management system — efforts to reduce the material intensity and efforts to increase the products efficiency through its Product Stewardship. IBM’s Product Stewardship program was established in 1991 as a proactive and strategic approach to the environmental design and management of its products. The program’s mission is to develop, manufacture and market products that are increasingly energy efficient; can be upgraded and reused to extend product life; incorporate recycled content and environmentally preferable materials and finishes; and can be recycled and disposed of safely. These objectives are implemented through internal standards, product specifications, and other requirements in IBM’s Integrated Product Development process. Product environmental attributes such as energy efficiency, materials content, chemical emissions testing, design for recycling, end-of-life management plans, and packaging data must be documented and reviewed in IBM’s Product Environmental Profile tool at various check points during the development process. More information on the Product Stewardship can be found at: [http://www.ibm.com/ibm/en...](http://www.ibm.com/ibm/en...)

**References:**

- Materials Use at IBM
Materials Used By Weight Or Volume GRI 301-1

Total weight or volume of materials that are used to produce and package the organization's primary products and services during the reporting period.

<table>
<thead>
<tr>
<th></th>
<th>Unit (weight or volume)</th>
<th>% internally sourced</th>
<th>% externally sourced</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raw materials used</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Total non-renewable materials</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Total renewable materials used</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>TOTAL:</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Data is sourced from direct measurements</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Data publicly available:</td>
<td>No</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Additional Comments

IBM does not track the total amounts, neither in weight or volume, of raw materials that are used to produce and package the organization’s primary products and services. Most of the components and parts used in IBM’s products are components and assemblies as opposed to raw materials. Raw materials that are directly procured by IBM or its contact manufacturers include metals used in systems enclosures and plastics used for structural parts internal to products as well as for decorative accents on enclosures. Most of our products based on weight consist of metals, which while not renewable are highly recyclable. IBM has included – as part of its worldwide environmental management system – efforts to reduce the material intensity and efforts to increase the products efficiency through its Product Stewardship. IBM’s Product Stewardship program was established in 1991 as a proactive and strategic approach to the environmental design and management of its products. The program's mission is to develop, manufacture and market products that are increasingly energy efficient; can be upgraded and reused to extend product life; incorporate recycled content and environmentally preferable materials and finishes; and can be recycled and disposed of safely. These objectives are implemented through internal standards, product specifications, and other requirements in IBM's Integrated Product Development process. Product environmental attributes such as energy efficiency, materials content, chemical emissions testing, design for recycling, end-of-life management plans, and packaging data must be documented and reviewed in IBM's Product Environmental Profile tool at various check points during the development process. More information on the Product Stewardship can be found at: http://www.ibm.com/ibm/en... More information on Packaging can be found at: http://www.ibm.com/ibm/en... See References below.

References:
- IBM Product Stewardship
- IBM's Environmental Packaging Program

Deemed material? Yes
Recycled Input Materials Used GRI 301-2

Percentage of recycled input materials used to manufacture the organization's primary products and services.

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>% recycled input materials used:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Data Publicly Available:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Reason for Omission:
Not Applicable
Why considered not applicable:
IBM has no longer a corporate goal for recycled materials in plastics. We still directly procure paper and paper/wood-based packaging materials with recycled content and that is warranted by our suppliers as being sourced from sustainably managed forests. In addition, some plastics and much of the metal included in our products come from recycled sources. However we have no recycled materials goals.

Additional Comments
Since there is no longer a formal corporate goal, IBM's direct procurement of plastics with recycled content is no longer tracked in the Environmental Performance Data Base. However, we still procure plastics, metals, paper and packaging materials with recycled content.

References:
IBM Environmental Reporting

Deemed material? Yes
Reclaimed Products and their Packaging Materials GRI 301-3

Environmental / Materials / Reclaimed Products and their Packaging Materials GRI 301-3

Percentage of reclaimed products and their packaging materials for each product category.

<table>
<thead>
<tr>
<th>Category of product sold</th>
<th>% of reclaimed products and their packaging materials in 2017</th>
<th>% of reclaimed products and their packaging materials in 2016</th>
<th>% of reclaimed products and their packaging materials in 2015</th>
<th>% of reclaimed products and their packaging materials in 2014</th>
<th>How data was collected</th>
</tr>
</thead>
<tbody>
<tr>
<td>IT products, parts and components</td>
<td>130</td>
<td>150</td>
<td>120</td>
<td>76</td>
<td>The total annual weight of end-of-life (EOL) IT equipment and product waste reclaimed by IBM's product end-of-life management (PELM) operations worldwide is divided by the total annual estimated weight of new IT equipment sold worldwide during the same period to obtain the percentage of products sold that are recovered. Data collection method: The total weight of end-of-life (EOL) IT equipment and product waste collected and processed by IBM's product end-of-life management (PELM) operations worldwide is tracked and calculated for a calendar year. The program handles IBM and non-IBM branded IT equipment. Product packaging that is recovered is also processed through the PELM operations but not reported in the metric. The total weight of annual product sales for IT equipment is estimated for the same calendar year. Sales data was collected from internally audited financial sources while product EOL data is reported on a quarterly basis into the IBM Environmental Performance Database (EPD) by PELM operations worldwide.</td>
</tr>
</tbody>
</table>

Additional Comments

The above data do not include product packaging. This IBM metric covers IT products only.

The total annual weight of end-of-life (EOL) IT equipment and product waste reclaimed by IBM's product end-of-life management (PELM) operations worldwide during the reporting year is divided by the total annual estimated weight of new IT equipment sold worldwide during the year in which they were recovered.

All detailed information are reported in our annual report posted as the link to the latest Corporate Responsibility Report: [http://www.ibm.com/ibm/en...](http://www.ibm.com/ibm/en...)

In 2017, the total weight of end-of-life products and product waste processed by these operations was approximately 26,500 metric tons (58.5 million pounds).

Deemed material? No
Energy

Management Approach: Energy GRI 103-1, 103-2, 103-3

Explanation of Energy as a material topic and its Boundary, the management approach and its components, and the evaluation of the management approach.

<table>
<thead>
<tr>
<th>Topic: GRI 302 Energy</th>
<th>103-1: Explanation of the material topic and its Boundary</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>a. The topic of GHG emissions is material to IBM as IBM is a consumer of fossil fuels, electricity and purchased commodities. The consumption of fossil fuels or use of electricity or purchased commodities are associated with GHG emissions to the atmosphere. To a much more limited extend, IBM also uses chemicals with global warming potential in research, development and manufacturing activities.</td>
</tr>
<tr>
<td></td>
<td>b. IBM uses an operational boundary approach when it comes to GHG emissions management. This boundary includes all global and corporate wide operations that use some sort of energy. IBM's direct emissions (Scope 1 emissions) occur at IBM locations that consume fossil fuels (mainly for heating purposes). IBM's indirect emissions (Scope 2) result from the use of electricity and/or purchased chilled or hot water, where the actual emissions occur at the commodity generation source (for non-renewable generation). IBM's impact in terms of GHG emissions is distributed across more than 100 countries where IBM owns or leases real estate space.</td>
</tr>
<tr>
<td></td>
<td>c. IBM reports scope one and scope two emissions based on activities for which we have operational control.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>103-2: The management approach and its components</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. IBM's worldwide Environmental Management System (WW EMS) is the backbone of how IBM manages its environmental intersections, impacts and performance – including GHG emissions. Energy management is an integral part of IBM's WW EMS. In IBM's WW EMS and Energy Management System (EnMS), objectives, roles and responsibilities within the organization are clearly specified with the objective, for example, to achieve continual improvement of energy performance at a global level. Our approach groups IBM locations according to their energy consumption levels and requires them to establish energy conservation plans along with the necessary budget to execute, and to measure or calculate the associated energy savings delivered on a project basis. These results are consolidated by IBM’s Corporate Environmental Affairs staff to track performance against IBM’s energy conservation goal, which is to conserve energy equivalent to 3.5% of the company’s worldwide energy consumption on a yearly basis. The energy conservation projects contributed to CO2 emissions reductions from IBM operations.</td>
</tr>
<tr>
<td>2. The purpose of IBM’s EMS is to identify the company’s significant environmental aspects, inventory critical metrics and set goals to reduce the impacts of the aspects to drive continual improvement of IBM’s environmental performance in all of its significant aspects (e.g. energy conservation and GHG emissions management, resource conservation, waste reduction, product environmental stewardship, etc.) and to sustain IBM’s leadership in these areas independent of a particular point in time or individuals within the company.</td>
</tr>
<tr>
<td>3. Integral part of IBM’s WW EMS are:</td>
</tr>
<tr>
<td>1. <strong>Policy:</strong> IBM’s Environmental Policy, which states as one of its eleven objectives to ensure the responsible use of energy throughout our business, including conserving energy, improving energy efficiency and giving preference to renewable over non-renewable energy sources when feasible, and can be found here: <a href="https://www.ibm.com/ibm/environment/">https://www.ibm.com/ibm/environment/</a></td>
</tr>
<tr>
<td>2. <strong>Commitments:</strong> Through IBM’s Environmental Policy, IBM is committed to ensure the responsible use of energy throughout our business, including conserving energy, improving energy efficiency and giving preference to renewable over non-renewable energy sources when feasible, which results in reduction of CO2 emissions associated with IBM’s operations.</td>
</tr>
<tr>
<td>3. <strong>Goals and targets:</strong> IBM’s current energy conservation goal is to avoid energy consumption equivalent to 3.5% of IBM’s global energy consumption on a yearly basis. In addition, IBM has a renewable energy goal to procure 20% of its electricity from renewable sources by 2020 (goal met in 2016), and a goal to reduce CO2 emissions associated with IBM’s energy consumption 35% by 2020 against the 2005 baseline (goal met in 2016). IBM is currently developing new goals in these areas.</td>
</tr>
<tr>
<td>4. <strong>Responsibilities:</strong> IBM’s WW EMS and WW EnMS identify the specific roles and responsibilities within the corporation across functions and business organizations that key individuals hold for ensuring proper execution of IBM’s environmental and energy management requirements, inclusive of achievement of IBM’s objectives, goals and targets. Management responsibilities for the EMS and EnMS is held by the Vice President of Corporate Environmental Affairs and Product Safety.</td>
</tr>
<tr>
<td>5. <strong>Resources:</strong> IBM’s WW EMS and WW EnMS identify the resources that at a minimum must be available for a proper execution of IBM’s environmental programs. These may be in form of staff, data, data management tools and IT tools or other types of non-financial resources. It is IBM’s business organizations and/or locations responsibility to plan, request and manage their budgets that allows them to meet all of IBM’s environmental requirements, inclusive of energy management.</td>
</tr>
<tr>
<td>6. <strong>Grievance mechanisms:</strong> Mechanisms are available for IBM employees and contractors and outside stakeholders to raise concerns or make inquiries regarding IBM’s EMS and EnMS and environmental performance.</td>
</tr>
<tr>
<td>7. <strong>Specific actions, such as processes, projects, programs and initiatives:</strong> The execution of IBM’s WW EMS and EnMS is supported by multiple procedures and guidelines cascaded from the corporate to the business organization and/or location level as appropriate, with the intention to standardize execution across operations and geographies. One example is a procedure by which business organizations and/or locations report energy conservation results to the corporation, as this procedure describes in detail which projects may or may not be counted toward IBM’s energy conservation metrics, and how this data should be reported, verified and analyzed. The execution of IBM’s WW EMS results in the implementation of</td>
</tr>
</tbody>
</table>
thousands of energy conservation projects and initiatives around the globe. In 2017, IBM implemented more than 2,000 energy conservation projects at over 500 locations worldwide.

1. IBM evaluates the effectiveness of its WW EMS and EnMS by several means, including internal audits, professional self-assessments, external third-party audits and by monitoring closely IBM’s environmental KPIs and progress toward attaining corporate environmental goals, including in the energy management and climate protection areas.

1. Corporate internal audits are performed by qualified IBM employees with no direct involvement in the execution of IBM’s WW EMS, such that these individuals can objectively assess whether IBM is in conformity to its own management systems and requirements. Through professional self-assessments, employees with energy management responsibilities respond to a set of domain specific questions to self evaluate their execution of IBM’s energy management requirements. These results are consolidated at the corporate level and reviewed and analyzed by IBM Corporate Environmental Affairs. IBM regularly undergoes external audits, as part of its ISO 14001 and ISO 50001 certifications, which are performed by an accredited certification company. These audits are conducted both at the corporate, business organization and/or location level, as applicable. Business organizations and/or locations, as well as IBM Corporate Environmental Affairs, regularly tracks and reports energy management KPIs to management to assess progress toward goals and objectives, including the achievement of energy conservation and emissions reduction goal, and validate that IBM is achieving continual improvement in its environmental programs.

2. The results of the different types of evaluations typically are a list of opportunities of improvement, which are then discussed and adopted internally, if appropriate and as applicable to IBM’s operations, to further drive continual improvement both of IBM’s energy performance as well as of IBM’s WW EMS. This is an essential part of our management system. The results are reviewed annually with management as part of the annual top management review of the EMS.

3. Based on the results and findings of the different evaluation procedures described above, IBM’s WW EMS and EnMS may require to be changed and updated to internalize opportunities for improvement or to better reflect the nature of IBM’s operations, as these may change over time. For example, IBM’s WW EnMS is currently being updated to better integrate energy management into co-located data centers, where IBM has limited control over specific aspects of energy management since landlords provide and control the energy services infrastructure and energy procurement at these locations.

References:

- [IBM's ISO 14001 & ISO 50001 Registrations](#)
- [IBM's Worldwide Environmental Management System](#)
Energy Consumption Within the Organization GRI 302-1

Environmental / Energy / Energy Consumption Within the Organization GRI 302-1

Total fuel consumption within the organization from non-renewable sources, in joules or multiples, and including fuel types used.

<table>
<thead>
<tr>
<th>Consumption by Fuel Type (Renewable)</th>
<th>Unit</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>None</td>
<td>Megawatt hours (MWh)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total consumption from renewable fuel sources:</td>
<td>Megawatt hours (MWh)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Consumption by Fuel Type (Non-renewable)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Distillate fuel oil #2</td>
<td>Megawatt hours (MWh)</td>
<td>32,339</td>
<td>41,577</td>
<td>48,557</td>
<td>53203</td>
</tr>
<tr>
<td>Distillate fuel oil #6</td>
<td>Megawatt hours (MWh)</td>
<td>41,877</td>
<td>40,988</td>
<td>68,244</td>
<td>70589</td>
</tr>
<tr>
<td>Natural gas</td>
<td>Megawatt hours (MWh)</td>
<td>331,546</td>
<td>358,321</td>
<td>696,872</td>
<td>910026</td>
</tr>
<tr>
<td>Diesel</td>
<td>Megawatt hours (MWh)</td>
<td>18,304</td>
<td>18,272</td>
<td>20,952</td>
<td>17362</td>
</tr>
<tr>
<td>Liquefied petroleum gas (LPG)</td>
<td>Megawatt hours (MWh)</td>
<td>697</td>
<td>719</td>
<td>701</td>
<td>787</td>
</tr>
<tr>
<td>Kerosene</td>
<td>Megawatt hours (MWh)</td>
<td>45,127</td>
<td>43,632</td>
<td>43,822</td>
<td>42840</td>
</tr>
<tr>
<td>Motor gasoline</td>
<td>Megawatt hours (MWh)</td>
<td>70,993</td>
<td>64,574</td>
<td>64,591</td>
<td>23282</td>
</tr>
<tr>
<td>Total consumption from non-renewable fuel sources:</td>
<td>Megawatt hours (MWh)</td>
<td>540883</td>
<td>568083</td>
<td>943739</td>
<td>1118089</td>
</tr>
</tbody>
</table>

Energy consumed

<table>
<thead>
<tr>
<th>Energy consumed</th>
<th>Unit</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electricity</td>
<td>Megawatt hours (MWh)</td>
<td>3,404,842</td>
<td>3,637,715</td>
<td>4,204,554</td>
<td>4,828,825</td>
</tr>
<tr>
<td>Heating</td>
<td>Megawatt hours (MWh)</td>
<td>54,128</td>
<td>54,180</td>
<td>51,973</td>
<td>54,718</td>
</tr>
<tr>
<td>Cooling</td>
<td>Megawatt hours (MWh)</td>
<td>191,686</td>
<td>204,517</td>
<td>174,847</td>
<td>170,001</td>
</tr>
<tr>
<td>Steam</td>
<td>Megawatt hours (MWh)</td>
<td>983</td>
<td>1,018</td>
<td>901</td>
<td>1,399</td>
</tr>
<tr>
<td>Total energy consumption</td>
<td>Megawatt hours (MWh)</td>
<td>3651639</td>
<td>3897430</td>
<td>4432275</td>
<td>5054943</td>
</tr>
</tbody>
</table>

Energy Sold

<table>
<thead>
<tr>
<th>Energy Sold</th>
<th>Unit</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electricity</td>
<td>Megawatt hours (MWh)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Megawatt hours (MWh)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>--------------------</td>
<td>----------------------</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>Heating</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cooling</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Steam</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Renewable Energy Certificates</td>
<td>thousand MWh</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Power Purchase Agreement</td>
<td>MWh</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Percentage of total operational spending on energy (most recent reporting year):
More than 0% but less than or equal to 5%

*Our organization undertakes the following energy-related activities.

- [ ] Consumption of fuel (excluding feedstocks)
- [ ] Consumption of purchased or acquired electricity
- [ ] Consumption of purchased or acquired heat
- [ ] Consumption of purchased or acquired steam
- [ ] Consumption of purchased or acquired cooling
- [ ] Generation of electricity, heat, steam or cooling

Standards, methodologies, and assumptions used:

Source of the conversion factors used:

Publicly disclose a breakout of the sources of the renewable energy used
Yes
Link to disclosure: [https://www.ibm.com/ibm/e...](https://www.ibm.com/ibm/e...)

Data publicly available:
Yes

C2
IBM does not consume renewable fuels for its operations. However, 22.9% (779,000 MWh) of the electricity used by IBM during 2017 came from direct renewable energy purchases, over and above the quantity of renewable energy automatically provided by the grid mix in the areas where we operate.

Additional Comments
IBM does not consume renewable fuels for its operations. However, 22.9% (779,000 MWh) of the electricity used by IBM during 2017 came from direct renewable energy purchases, over and above the quantity of renewable energy automatically provided by the grid mix in the areas where we operate.

References:
- IBM Auditing and Verification
- IBM Environmental Reporting

Deemed material? Yes
Energy Consumption Outside of the Organization GRI 302-2

Energy consumption outside of the organization, in joules or multiples.

<table>
<thead>
<tr>
<th>Unit (joules or multiples of joules):</th>
<th>Gigajoules</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Renewable Energy Categories/Activities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Upstream: Employee commuting</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Upstream: Business travel</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Upstream: Fuel- and energy-related activities (those that are not included in Indicator G4-EN3)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Downstream: Use of sold products</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Upstream: Purchased goods and services</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total external renewable energy consumption</strong></td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

**Non-renewable Energy Categories/Activities**

| Upstream: Employee commuting         | 2,120,795  | 2,125,250 | 2,154,942 | 2,378,709 |
| Upstream: Business travel            | 7,690,449  | 7,629,614 | 7,635,209 | 6,478,282 |
| Upstream: Fuel- and energy-related activities (those that are not included in Indicator G4-EN3) | 598,607 | 548,152 | 461,208 | 406,371 |
| Downstream: Use of sold products     | 3,600,000  | 3,692,308 | 3,810,732 | 9,209,302 |
| **Total external non-renewable energy consumption** | 14009851  | 13995324 | 14062091 | 18472664 |
| **Total External Energy Consumption** | 14009851  | 13995324 | 14062091 | 18472664 |

Standards, methodologies, and assumptions:
World Resources Institute (WRI)/World Business Council for Sustainable Development (WBCSD)

Source of conversion factors used:
WRI/WBCSD GHG Protocol, EPA, The Climate Registry Default Emission Factors

Publicly disclose a breakout of renewable energy sources used:
https://www.ibm.com/ibm/energy/

Additional Comments
Energy consumption outside the organization and its related scope 3 emissions are not material to IBM. IBM neither aggregates nor allocates suppliers’ GHG emissions data for developing a scope 3 emissions number for IBM because we believe the resulting number is neither credible nor meaningful. The same applies for tracking the renewable energy consumed in the reported scope 3 categories. IBM assesses suppliers’ energy use and GHG emissions and their associated reduction plans through direct discussions with the supplier to validate that suppliers have established an S&EMS and taken the requisite actions required of IBM suppliers, reviews of supplier websites, supplier audits, EICC environmental reporting process, and public CDP disclosures. Reviews are prioritized based on spend with the suppliers and the nature of the products or services provided to IBM. Having a management system for managing their environmental intersections and meeting the accompanying requirements (e.g., monitoring performance, setting goals, disclosing results and performance) that IBM communicated to suppliers are a condition of doing business with IBM. This criterion is a binary criterion in our selection process: it is either a yes or a no. In addition, IBM does expect suppliers to take action to reduce their energy use and GHG emissions because we believe each enterprise must be accountable for their activities and that achieving energy and GHG reductions will improve the supplier’s bottom line and reap environmental benefits.
Deemed material? No
## Energy Intensity GRI 302-3

Energy intensity ratio for the organization.

<table>
<thead>
<tr>
<th>Unit</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Numerator</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MWh</td>
<td>4,077,988</td>
<td>4,357,300</td>
<td>5,267,600</td>
<td>6,173,400</td>
</tr>
<tr>
<td><strong>Denominator</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Full Time Equivalent Employee</td>
<td>366,600</td>
<td>380,300</td>
<td>377,757</td>
<td>379,592</td>
</tr>
<tr>
<td><strong>Energy Intensity</strong></td>
<td>11.12</td>
<td>11.46</td>
<td>13.94</td>
<td>16.26</td>
</tr>
</tbody>
</table>

*Type of energy measured in energy intensity ratio: All (Fuel, Electricity, Heating, Cooling, Steam)*

### Additional Comments

Due to the wide range of services and activities associated with IBM operations, there is not an energy intensity metric that is meaningful or applicable to our operations.

**Deemed material? No**
Reduction of Energy Consumption GRI 302-4

Environmental / Energy / Reduction of Energy Consumption GRI 302-4

Amount of reductions in energy consumption achieved as a direct result of conservation and efficiency initiatives, in joules or multiples.

<table>
<thead>
<tr>
<th>Types of energy included</th>
<th>Unit</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
<th>Base year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fuel</td>
<td>MWh</td>
<td>30,723</td>
<td>47,716</td>
<td>50,278</td>
<td>78,306</td>
<td>2015</td>
</tr>
<tr>
<td>Electricity</td>
<td>MWh</td>
<td>142,525</td>
<td>189,596</td>
<td>271,515</td>
<td>325,467</td>
<td>2015</td>
</tr>
<tr>
<td>Heating</td>
<td>MWh</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>2015</td>
</tr>
<tr>
<td>Cooling</td>
<td>MWh</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>2015</td>
</tr>
<tr>
<td>Steam</td>
<td>MWh</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>2015</td>
</tr>
<tr>
<td>Total Energy Saved</td>
<td>MWh</td>
<td>173248</td>
<td>237312</td>
<td>321793</td>
<td>403773</td>
<td>2015</td>
</tr>
</tbody>
</table>

Basis for calculating reductions in energy consumption (e.g. base year / baseline), and the rationale for choosing it:

IBM's energy conservation goal is to achieve annual energy conservation savings equal to 3.5% of IBM's total annual energy consumption. Energy conservation savings can only be applied to one 12 month period. Setting an annual energy conservation goal allows IBM to track energy conservation performance on a year to year basis and continues to drive energy reduction efforts throughout IBM operations globally. The baseline is the previous calendar year's global energy consumption.

Standards, methodologies, and assumptions used:


Publicly disclosed at:

http://www.ibm.com/ibm/en...

Additional Comments

IBM has been tracking its energy consumption since 1973 and has had a specific, numeric annual energy conservation goal for decades. The results of this early focus on energy conservation have been significant. For example, between 1990 and 2017, IBM saved 7.4 million megawatt-hours of electricity consumption, avoided 4.4 million metric tons of CO2 emissions and saved $616 million through its annual energy conservation actions. IBM's energy conservation goal is an annual goal: To achieve annual energy conservation savings equal to 3.5% of IBM's total energy use. For 2017, the goal translated to 143,000 MWH of electricity and 105,000 MMBtu of fossil fuels conserved/avoided, meaning IBM achieved a total reduction avoidance of 4.2% of its actual consumption as computed by the IBM Energy Conservation formula.

References:

IBM Auditing and Verification

Deemed material? Yes
Reductions in Energy Requirements of Products and Services GRI 302-5

Reductions in energy requirements of sold products and services achieved during the reporting period, in joules or multiples.

<table>
<thead>
<tr>
<th>Product/Service(s)</th>
<th>Unit</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Computer Server</td>
<td>Gigajoules (GJ)</td>
<td>1100</td>
<td>1600</td>
<td>1800</td>
<td>64</td>
</tr>
<tr>
<td>Storage Products</td>
<td>Gigajoules (GJ)</td>
<td>1620</td>
<td>230</td>
<td>2000</td>
<td>1500</td>
</tr>
<tr>
<td>Intelligent Buildings Solution</td>
<td>Gigajoules (GJ)</td>
<td>130000</td>
<td>148000</td>
<td>57600</td>
<td>109800</td>
</tr>
<tr>
<td>Public/Private Cloud Data Center</td>
<td>Gigajoules (GJ)</td>
<td>11000</td>
<td></td>
<td></td>
<td>6480</td>
</tr>
<tr>
<td>Grid Management, Increased Renewables Dispatch</td>
<td>Gigajoules (GJ)</td>
<td>630000</td>
<td>100000</td>
<td>222000</td>
<td></td>
</tr>
<tr>
<td><strong>Total reductions in the energy requirements of sold products and services achieved</strong></td>
<td>Gigajoules (GJ)</td>
<td>762720</td>
<td>260830</td>
<td>283400</td>
<td>117844</td>
</tr>
</tbody>
</table>

Base year/Baseline:
The baseline for each project is the energy use of the previous IT installation or of the system, in the case of the building energy use or renewable energy dispatched to the grid. This baseline condition is then compared to the energy consumption of the IT installation or building system or the energy output of the renewable generation system after changes were made. Our experience is that energy consumption savings or output improvements can only be accurately calculated on a per project basis. These savings can then be extended to a broader universe of installations, but the estimates will have a high degree of uncertainty. In the case of the server, storage and cloud examples provided in the response to this question, the savings examples will be extended over thousands of product installations or cloud service agreements and will provide meaningful savings in the IT space. Similarly, as IBM forecasting technologies are integrated into the grid operations, they will enable improved dispatching of renewables into the grid.

Rationale for choosing base year/baseline:
Assessing energy savings based on a single product or project allows control of the boundaries for the energy use and offers a reasonable means to estimate and represent the benefits of the product or solution. Attempting to generalize these answers to a larger group of projects or an economy wide benefit can provide a general understanding of the potential benefits but the estimate will have a high degree of uncertainty.

Standards, methodologies, and assumptions used:
The savings calculations and the baseline can be found in the reference file “2017 Project level savings” listed in references.

Additional Comments
The baseline for each project is the energy use of the previous IT installation or of the system, in the case of the building energy use or renewable energy dispatched to the grid. This baseline condition is then compared to the energy consumption of the IT installation or building system or the energy output of the renewable generation system after changes were made. Our experience is that energy consumption savings or output improvements can only be accurately calculated on a per project basis. These savings can then be extended to a broader universe of installations, but the estimates will have a high degree of uncertainty. In the case of the server, storage, smarter building and grid forecasting and energy storage examples provided in the response to this question, the savings examples will be extended over thousands of product installations or cloud service agreements and will provide meaningful savings in the IT space.

References:
- 2017 Project level savings

Generated from OneReport
Deemed material? Yes
## Water

### Management Approach: Water GRI 103-1, 103-2, 103-3

Explanation of Water as a material topic and its Boundary, the management approach and its components, and the evaluation of the management approach.

<table>
<thead>
<tr>
<th>Topic: GRI 303 Water</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>103-1: Explanation of the material topic and its Boundary</strong></td>
</tr>
<tr>
<td>Through IBM’s global environmental management system, IBM continues to improve water-use efficiency and to minimize our operational impact on water resources. IBM’s corporate-wide environmental affairs policy calls for the conserve natural resources, which includes water resource. The environmental policy is supported by corporate instructions and standards that govern IBM’s worldwide operations and are basic to its environmental management programs. These documents cover areas such as resource conservation and pollution prevention which outlines water conservation and effluent and waste management requirements. To identify and effectively manage the potential environmental impact of IBM's operations, IBM established and has maintained a strong worldwide environmental management system (EMS) for decades. It is a vital element in the company’s efforts to achieve results consistent with environmental leadership.</td>
</tr>
<tr>
<td>IBM global EMS identifies corporate-wide significant environmental aspects of the enterprise's activities, products and suitable action plans are executed to ameliorate the environmental impacts on the environment. Both water use and conservation and water discharges are considered significant to IBM's global operations.</td>
</tr>
<tr>
<td><strong>103-2: The management approach and its components</strong></td>
</tr>
<tr>
<td>Water is integrated into a comprehensive and global risk assessment process incorporating both direct and supply chain operations. The approach covers historic and forward looking to determine relevance of environmental aspects and impact and their associated significance across relevant business organizations. This planning cycle is undertaken at least annually under the requirements of IBM's global environmental management system, and as part of our single global ISO 14001 EMS accreditation. These processes look at business risk comprehensively including, but not limited to, risks and impacts related to water use and wastewater discharges, and the material external environmental issues that may negatively or positively impact on the achievement of the intended outcomes of IBM's global EMS. This includes likely consequences of climate change such as, more extreme weather or natural disasters, changing rainfall patterns and water availability. We anticipate that the business model of both IBM's and our production and service suppliers’ operations will enable those operations to anticipate and adapt to potential risks and mitigate the impacts without significant disruptions to our business.</td>
</tr>
<tr>
<td>IBM global operations</td>
</tr>
<tr>
<td>IBM established its first water conservation goal in the year 2000, focusing on the significant use of water in our microelectronics manufacturing operations. From 2000 to 2015, IBM's water conservation efforts avoided the accumulated use of 21.3 million cubic meters of water in those operations.</td>
</tr>
<tr>
<td>IBM’s current water use is primarily associated with cooling at our large facilities and data centers, and for irrigation and domestic purposes. Following the divestiture of our semiconductor manufacturing operations in 2015, IBM reassessed the environmental impacts of our water use. We did this by using the World Business Council for Sustainable Development’s Global Water Tool, which highlights regions around the globe where water resources are stressed to meet human and ecological demand for fresh water.</td>
</tr>
<tr>
<td>We identified 45 data centers and other large IBM locations in regions worldwide that were considered highly or extremely highly water-stressed. IBM established the current voluntary corporate-wide water goal in 2016 to achieve ongoing year-to-year reductions in water withdrawals at these locations.</td>
</tr>
<tr>
<td>IBM's EMS involves IBM employees across all of its business units in the company's commitment to leadership in environmental affairs. Its structure and programs are designed to integrate environmental considerations throughout the company’s operations. IBM's corporate environmental affairs staff is responsible for establishing the company's worldwide environmental affairs strategy, the EMS requirements, and for monitoring its implementation. The company's environmental programs are implemented by professionals at manufacturing, development and research sites around the world. Local performance is overseen by environmental staff at headquarters of major IBM geographic organizations. Within operating units, IBM employees serve as team leaders for environmental affairs. This ensures that their organizations coordinate with other functions on interrelated activities affecting environmental issues and programs. Further, each of the groups responsible for product design and hardware development have a person assigned who has the responsibility to integrate product stewardship objectives into the design and development of IBM products and solutions. IBM executives are responsible for the safety and environmental performance of their organizations. All employees are required by corporate policy and by the company's Business Conduct Guidelines to comply with environmental laws and with IBM's own environmental, health and safety programs. Environmental performance and programs are reviewed by the IBM Board of Directors committee responsible for corporate governance.</td>
</tr>
<tr>
<td>IBM's global EMS requires an environmental impact assessment (EIA) for new, or significant modification to existing, hazardous chemical-using Research, Hardware Development or Manufacturing Processes or building Infrastructure activities. For new processes, an EIA is initiated during design. This EIA is addressed alongside the other critical business objectives / elements of a business case as part of the planning and management approval process. Significant modification to a process’s original purpose, chemical use, equipment, utility energy or water requirements, air emissions, water discharges, waste generation, or engineering controls for environmental protection can trigger an EIA.</td>
</tr>
</tbody>
</table>
Supply chain activities

IBM is committed to doing business with environmentally responsible suppliers. In 2010, IBM established a requirement that all first-tier suppliers establish a management system to address their social and environmental responsibilities. IBM expects each supplier to deploy a management system, measure performance, set goals in a way that reflects their intersections with their social and environmental responsibilities, and publicly disclose their programs and results.

Our objective is to help our suppliers build their own capability to succeed in this area. With this in mind, the baseline environmental requirements for IBM suppliers are summarized below:

- Define, deploy and sustain a management system that addresses the intersections of their operations with employees, society and the environment;
- Measure performance and establish voluntary, quantifiable environmental goals in the areas of waste, energy and greenhouse gas emissions;
- Publicly disclose results associated with these voluntary environmental goals and other environmental aspects of their operations;
- Conduct self-assessments and audits, as well as management reviews, of their management system;
- Cascade these requirements to their suppliers who perform work that is material to the products, parts and/or services supplied to IBM.

The performance of IBM's management aproach are outlined in the next section and disclosed publicly in the 2017 IBM and the Environment report on pages 39 in the Water conservation section. Supply chain initiatives are outlined on pages 45 to 47 in the section on Environmental requirements in the supply chain. See Supporting Information below.

103-3: Evaluation of the management approach

IBM established the current goal in 2016 to achieve ongoing year-to-year reductions in water withdrawals at these locations. This included the establishment of baseline data for the year 2015.

In 2017, IBM reduced water withdrawals at these data centers and other large IBM locations in water-stressed regions by 2.9 percent versus 2016. This reduction was primarily associated with enhanced water systems maintenance and efficiency improvements in deionized water purification systems. Water withdrawals equivalent to 5.4 percent of total withdrawals were avoided by on-site water reuse for manufacturing processes (reuse of rejected water from deionized water purification systems) and wastewater recycling activities (mainly used in buildings’ cooling tower systems and landscape irrigation). Water sources for these locations consisted primarily of municipal water supplies (67 percent), fresh surface waters (24 percent) and groundwater (4 percent), accounting for 95 percent of total water use. The remaining 5 percent came from bottled water, on-site process water and treated wastewater. The main uses of water at these locations are for domestic purposes (45 percent), heating, ventilation and air conditioning (HVAC) systems (31 percent), landscape irrigation (19.5 percent), and manufacturing processes (4.5 percent).

IBM also continues to implement water conservation projects at locations that are not in water-stressed regions. For example, IBM's Bromont, Canada, location operates a deionized water purification system for manufacturing use that generates some rejected water that is reused in the same system. This activity avoided the withdrawal of 24,500 cubic meters of water in 2017. The site also further optimized the deionized water purification system to minimize the amount of water rejected, among other measures, reducing water withdrawals by 799 cubic meters per year. The combined 25,299 cubic meters represented 13 percent of the total water withdrawals at the Bromont location in 2017.

References:

2017 Annual Environment Report Page(s) p39, 45-47
Water Withdrawal by Source GRI 303-1

Total volume of water withdrawn broken down by source.

<table>
<thead>
<tr>
<th>Unit</th>
<th>Million cubic meters</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Surface water, including water from wetlands, rivers, lakes, and oceans</td>
<td></td>
<td>0.386</td>
<td>0.378</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Total salt / brackish water withdrawn</td>
<td></td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Ground water</td>
<td></td>
<td>0.061</td>
<td>0.064</td>
<td>0.061</td>
<td>0.064</td>
</tr>
<tr>
<td>Rainwater collected directly and stored</td>
<td></td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Waste water from another organization</td>
<td></td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Municipal water supplies or other water utilities</td>
<td></td>
<td>1.080</td>
<td>1.130</td>
<td>1.080</td>
<td>1.130</td>
</tr>
<tr>
<td>Total water from all other sources</td>
<td></td>
<td></td>
<td>0.001</td>
<td>0.043</td>
<td>0.001</td>
</tr>
<tr>
<td>Total water withdrawal (volume)</td>
<td></td>
<td></td>
<td>1.53</td>
<td>1.62</td>
<td>1.53</td>
</tr>
</tbody>
</table>

Water returned to the source of extraction at similar or higher quality as raw water extracted

Normalized Withdrawal

Denominator for Normalization:

Consecutive years of data (including the most recent year) the company discloses in its most recent report: 2

Report standards, methodologies, and assumptions used:

Data is sourced from direct measurements

Data publicly available:

Select water use disclosed

Disclosure of select water use Provide link to disclosure for number of years supplied (if links differ): Please refer to Water Conservation section of the latest IBM and the Environment Report at: https://www.ibm.com/ibm/e...

C8 Bottled water where potable supply to site does not exist.

Additional Comments

The data represented here is from the 45 locations that IBM has identified in Water Stress regions, under IBM’s new Water Goal from year 2016. IBM global Environmental Management System third party audits are undertaken of designated entities registered under the IBM single global ISO14001 EMS accreditation, included in scope are water conservation programs where the entity manages water resource use or discharge at the manufacturing operations and laboratories worldwide. Where IBM purchases water directly from a third party water provider or utility, the company is issued regular metered invoices. IBM established its first water conservation goal in the year 2000, focusing on the significant use of water in our microelectronics manufacturing operations. From 2000 to 2015, IBM’s water conservation efforts avoided the accumulated use of 21.3 million cubic meters of water in those operations. With the divestiture of IBM’s semiconductor manufacturing operations in July 2015, we substantially reduced our direct water use. IBM’s current water use is primarily associated with cooling at our large facilities and data centers, and for irrigation and domestic purposes. Following IBM’s divestiture of its semiconductor manufacturing operations during 2015, we reassessed the environmental impacts of our water use. We identified 45 data centers and other large IBM locations located in water-stressed regions. We did this by using the World Business Council for Sustainable Development’s Global Water Tool, which highlighted places around the globe with highly stressed, or extremely highly stressed, water resources. Then, in early 2016, IBM established a new...
goal to achieve ongoing year-to-year reductions in water withdrawals at these locations, even though many of these locations had already undertaken projects to reduce water consumption. In 2017, IBM reduced water withdrawals at these locations in water-stressed regions by 2.9 percent versus 2016. This reduction was primarily associated with planned building infrastructure maintenance programs and use-efficiency enhancements to deionized water purification systems. Water withdrawals equivalent to 5.4% of total withdrawals were avoided by on-site water reuse for manufacturing processes (reuse of rejected water from deionized water purification systems) and wastewater recycling activities (mainly used in building cooling tower systems and landscape irrigation). Water sources for these locations consisted primarily of municipal water supplies (67 percent), fresh surface waters (24 percent), and groundwater (4 percent). These sources accounted for 95 percent of total water use at these IBM locations, while the remaining 5 percent came from bottled water, on-site process water and treated wastewater. The main uses of water at these locations are for domestic purposes (45 percent), heating, ventilation and air conditioning (HVAC) systems (31 percent), landscape irrigation (19.5 percent), and manufacturing processes (4.5 percent). Please refer to Water Conservation section of the latest IBM and the Environment Report at https://www.ibm.com/ibm/e...
Refer to IBM's response to the latest CDP Water Disclosure Report at https://www.ibm.com/ibm/e...

References:

- IBM Environmental Reports
- CDP Disclosure

Deemed material? Yes
### Water Sources Significantly Affected By Withdrawal of Water GRI 303-2

Total number of water sources significantly affected by withdrawal by type.

<table>
<thead>
<tr>
<th>Water source name</th>
<th>Is a Ramsar-listed wetland or a nationally or internationally proclaimed conservation area</th>
<th>Size of water source (in cubic meters (m³))</th>
<th>Biodiversity value</th>
<th>Value to local communities/indigenous peoples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Atlantic Ocean</td>
<td>☐</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total number of water sources:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Standards, methodologies, and assumptions used</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Reason for Omission:**
Not Applicable

Why considered not applicable:
IBM has not identified water sources that are known to be significantly affected from our tracked locations in water stressed regions worldwide. IBM established its first water conservation goal in the year 2000, focusing on the significant use of water in our microelectronics manufacturing operations. From 2000 to 2015, IBM’s water conservation efforts avoided the accumulated use of 21.3 million cubic meters of water in those operations. With the divestiture of IBM’s semiconductor manufacturing operations in July 2015, our direct water use was reduced substantially. IBM’s remaining water use is primarily associated with cooling at our large facilities and data centers, and with irrigation and domestic water uses at facilities occupied by IBM. In 2015, IBM set out to better quantify and understand the environmental impacts of our water use after the divestiture of our semiconductor manufacturing operations. We first identified data centers and other large IBM locations in water-stressed regions. Then, in early 2016, IBM established a new goal to achieve ongoing year-to-year reductions in water withdrawals at these locations. Many of these locations had already undertaken significant projects to reduce their water use. Second generation water conservation goal: In 2015 we identified 45 data centers and other large IBM locations located in water-stressed regions. We did this by using the World Business Council for Sustainable Development’s Global Water Tool, which highlighted places around the globe with highly stressed, or extremely highly stressed, water resources. Then, in early 2016, IBM established a new goal to achieve ongoing year-to-year reductions in water withdrawals at these locations, even though many of these locations had already undertaken projects to reduce water consumption. In 2017, IBM reduced water withdrawals at these locations in water-stressed regions by 2.9 percent versus 2016. This reduction was primarily associated with planned building infrastructure maintenance programs and use-efficiency enhancements to deionized water purification systems. Water withdrawals equivalent to 5.4% of total withdrawals were avoided by on-site water reuse for manufacturing processes (reuse of rejected water from deionized water purification systems) and wastewater recycling activities (mainly used in building cooling tower systems and landscape irrigation). Water sources for these locations consisted primarily of municipal water supplies (67 percent), fresh surface waters (24 percent), and groundwater (4 percent). These sources accounted for 95 percent of total water use at these IBM locations, while the remaining 5 percent came from bottled water, on-site process water and treated wastewater. The main uses of water at these locations are for domestic purposes (45 percent), heating, ventilation and air conditioning (HVAC) systems (31 percent), landscape irrigation (19.5 percent), and manufacturing processes (4.5 percent).

**References:**

IBM Environmental Reports

Deemed material? No
Water Recycled and Reused GRI 303-3

Total volume of water recycled and reused by the organization.

<table>
<thead>
<tr>
<th>Report in cubic meters (m3)</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total volume of water recycled/reused</td>
<td>83714</td>
<td>84470</td>
<td>395684</td>
<td>576297</td>
</tr>
<tr>
<td>Recycled water as a percentage of total water withdrawal</td>
<td>5.2%</td>
<td>5.3%</td>
<td>6.9%</td>
<td>5.7%</td>
</tr>
</tbody>
</table>

Data is sourced from direct measurements.

Does a water recycling program exist?
Yes

Total amount of recycled water used is publicly disclosed:
Yes

The percentage of total water use that is satisfied through the use of recycled water is publicly disclosed:
Yes  
Link to disclosure: [https://www.ibm.com/ibm/e...](https://www.ibm.com/ibm/e...)

C2
2016 39707 cubic meters of reuse and recycling was updated to account for a further 44,763 cubic meters of recycled sanitary wastewater treated and recycled on-site.

Additional Comments

2017 Reuse and Recycling Activities

In 2017, IBM reduced water withdrawals at these locations in water-stressed regions by 2.9 percent versus 2016. This reduction was primarily associated with planned building infrastructure maintenance programs and use-efficiency enhancements to deionized water purification systems. Water withdrawals equivalent to 5.2% of total withdrawals were avoided by on-site water reuse for manufacturing processes (reuse of rejected water from deionized water purification systems) and wastewater recycling activities (mainly used in building cooling tower systems and landscape irrigation). Water sources for these locations consisted primarily of municipal water supplies (67 percent), fresh surface waters (24 percent), and groundwater (4 percent). These sources accounted for 95 percent of total water use at these IBM locations, while the remaining 5 percent came from bottled water, on-site process water and treated wastewater.

References:

- [IBM Environmental Reports](https://www.ibm.com/ibm/e...)

Deemed material? No
Biodiversity

Management Approach: Biodiversity GRI 103-1, 103-2, 103-3

Environmental / Biodiversity / Management Approach: Biodiversity GRI 103-1, 103-2, 103-3

Explanation of Biodiversity as a material topic and its Boundary, the management approach and its components, and the evaluation of the management approach.

<table>
<thead>
<tr>
<th>Topic: GRI 304 Biodiversity</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>103-1:</strong> Explanation of the material topic and its Boundary</td>
</tr>
<tr>
<td>IBM has not identified biodiversity as a corporate-wide significant environmental aspect since the company's operational activities, products and services do not have a significant impact on biodiversity.</td>
</tr>
<tr>
<td>IBM's corporate policy on environmental affairs, first formalized in 1971, is supported by the company's global environmental management system (EMS), which is the key element of the company's efforts to achieve results consistent with environmental leadership and ensures the company is vigilant in protecting the environment across all of its operations worldwide. IBM's worldwide EMS helps identify and effectively manage the potential environmental impact of IBM's operations. In 1997, IBM became the first major multinational company to earn a single global registration to the International Organization for Standardization (ISO) 14001 environmental management systems (EMS) standard. We have sustained this ISO 14001 certification for 20 years, and in 2017, we completed an update to our global EMS to successfully transition our certification to the 2015 edition of the standard. IBM's global EMS also conforms to the ISO 50001 standard on energy management systems. We achieved a corporate-level registration to the ISO 50001 standard in 2012.</td>
</tr>
<tr>
<td>While biodiversity has not been identified as a corporate-wide significant environmental aspect, we do have five locations currently that have their wildlife habitat management and conservation education program certified by the Wildlife Habitat Council. These five sites are:</td>
</tr>
<tr>
<td>- Armonk, New York (IBM's Corporate Headquarters)</td>
</tr>
<tr>
<td>- Boulder, Colorado</td>
</tr>
<tr>
<td>- Research Triangle Park, North Carolina</td>
</tr>
<tr>
<td>- San Jose, California (IBM's Almaden Research Center)</td>
</tr>
<tr>
<td>- San Jose, California (IBM's Silicon Valley Laboratory)</td>
</tr>
</tbody>
</table>

| **103-2:** The management approach and its components |
| **103-3:** Evaluation of the management approach |

**Additional Comments**

IBM has not identified biodiversity as a corporate-wide significant environmental aspect since the company's operational activities, products and services do not have a significant impact on biodiversity. IBM's facilities and operations are not located in or near areas of high biodiversity value. While biodiversity has not been identified as a corporate-wide significant environmental aspect, we do have five locations currently that have their wildlife habitat management and conservation education program certified by the Wildlife Habitat Council. These five sites are:

- Armonk, New York (IBM's Corporate Headquarters)
- Boulder, Colorado
- Research Triangle Park, North Carolina
- San Jose, California (IBM's Almaden Research Center)
• San Jose, California (IBM's Silicon Valley Laboratory)
### Operational Sites Owned, Leased, Managed In, or Adjacent To, Protected Areas and Areas of High Biodiversity Value Outside Protected Areas GRI 304-1

Environmental / Biodiversity / Operational Sites Owned, Leased, Managed In, or Adjacent To, Protected Areas and Areas of High Biodiversity Value Outside Protected Areas GRI 304-1

Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.

<table>
<thead>
<tr>
<th>Geographic location</th>
<th>Subsurface and/or underground land that may be owned, leased or managed</th>
<th>Position in relation to the protected area (in the area, adjacent to, or containing portions of the protected area) or the high biodiversity value area outside protected areas</th>
<th>Type of operation (office, manufacturing or production, or extractive)</th>
<th>Size of operational site in km²</th>
<th>Biodiversity value characterized by: 1) the attribute of the protected area and high biodiversity value area outside protected area, and 2) listing of protected status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wildlife Habitat Council sites:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Armonk, New York (IBM's Corporate Headquarters)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Boulder, Colorado</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Research Triangle Park, North Carolina</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>San Jose, California (IBM's Almaden Research Center)</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>San Jose, California (IBM's Silicon Valley Laboratory)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Reason for Omission:**
Not Applicable

**Why considered not applicable:**
IBM's facilities and operations are not located in or near areas of high biodiversity value. Nevertheless, we have established wildlife habitat programs to further enhance habitat at a number of our locations, including corporate headquarters in Armonk, NY. The programs at five IBM facilities have been certified by the Wildlife Habitat Council. See the below website reference. These five sites are:

- Armonk, New York (IBM's Corporate Headquarters)
- Boulder, Colorado
- Research Triangle Park, North Carolina
- San Jose, California (IBM's Almaden Research Center)
- San Jose, California (IBM's Silicon Valley Laboratory)
References:

- IBM's Wildlife Habitat Council sites.

Deemed material? No
Significant Impacts of Activities, Products, and Services on Biodiversity GRI 304-2

Environmental / Biodiversity / Significant Impacts of Activities, Products, and Services on Biodiversity GRI 304-2

Nature of the organization's significant direct and indirect impacts of activities, products, and services on biodiversity.

Reason for Omission:
Not Applicable
Why considered not applicable:
IBM has not identified biodiversity as a corporate-wide significant environmental aspect since the company's operational activities, products and services do not have a significant impact on biodiversity.

IBM's corporate policy on environmental affairs, first formalized in 1971, is supported by the company's global environmental management system (EMS), which is the key element of the company's efforts to achieve results consistent with environmental leadership and ensures the company is vigilant in protecting the environment across all of its operations worldwide. IBM's worldwide EMS helps identify and effectively manage the potential environmental impact of IBM's operations. In 1997, IBM became the first major multinational company to earn a single global registration to the International Organization for Standardization (ISO) 14001 environmental management systems (EMS) standard. We have sustained this ISO 14001 certification for 20 years, and in 2017, we completed an update to our global EMS to successfully transition our certification to the 2015 edition of the standard. IBM's global EMS also conforms to the ISO 50001 standard on energy management systems. We achieved a corporate-level registration to the ISO 50001 standard in 2012.

While biodiversity has not been identified as a corporate-wide significant environmental aspect, we do have five locations currently that have their wildlife habitat management and conservation education program certified by the Wildlife Habitat Council.

Deemed material? No
**Habits Protected Or Restored GRI 304-3**

Environmental / Biodiversity / Habits Protected Or Restored GRI 304-3

Size and location of all habitat areas protected or restored, and whether the success of the restoration measure was or is approved by independent external professionals.

<table>
<thead>
<tr>
<th>Geographic location</th>
<th>Size (in km² if larger than one km²)</th>
<th>Success of the restoration was/is approved by independent professionals</th>
<th>Status of area at close of reporting period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Five IBM sites in the United States currently have their wildlife habitat management and conservation education program certified by the Wildlife Habitat Council. These 5 sites are: Armonk, New York (IBM's Corporate Headquarters); Boulder, Colorado; Research Triangle Park, North Carolina; San Jose, California (IBM's Almaden Research Center); San Jose, California (IBM's Silicon Valley Laboratory)</td>
<td>5.18</td>
<td></td>
<td>Active</td>
</tr>
</tbody>
</table>

Partnerships with 3rd parties to protect or restore habitat areas not listed above:

Standards, methodologies, and assumptions used:

References:
- [Wildlife Habitat Council Certification Program Index](#)
- [IBM's Wildlife Habitat Council sites](#)

Deemed material? No
IUCN Red List Species and National Conservation List Species with Habitats in Areas Affected by Operations GRI 304-4

Total number of IUCN Red List species and national conservation list species with habitats in areas affected by the operations of the organization, by level of extinction risk.

<table>
<thead>
<tr>
<th>Habitat affected by operations that include species on the IUCN Red List and on national conservation lists</th>
<th># of Critically Endangered species</th>
<th># of Endangered species</th>
<th># of Vulnerable species</th>
<th># of Near Threatened species</th>
<th># of Least Concern species</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reason for Omission:</td>
<td>Not Applicable</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Why considered not applicable:
IBM's operations worldwide are not located in areas of significant biodiversity and they have no significant impact on biodiversity or on endangered species.

IBM's corporate policy on environmental affairs, first formalized in 1971, is supported by the company's global environmental management system (EMS), which is the key element of the company's efforts to achieve results consistent with environmental leadership and ensures the company is vigilant in protecting the environment across all of its operations worldwide. IBM's worldwide EMS helps identify and effectively manage the potential environmental impact of IBM's operations. In 1997, IBM became the first major multinational company to earn a single global registration to the International Organization for Standardization (ISO) 14001 environmental management systems (EMS) standard. We have sustained this ISO 14001 certification for 20 years, and in 2017, we completed an update to our global EMS to successfully transition our certification to the 2015 edition of the standard. IBM’s global EMS also conforms to the ISO 50001 standard on energy management systems. We achieved a corporate-level registration to the ISO 50001 standard in 2012.

While biodiversity has not been identified as a corporate-wide significant environmental aspect, we do have five locations currently that have their wildlife habitat management and conservation education program certified by the Wildlife Habitat Council.

References:
1. IBM's Worldwide Environmental Management System
2. IBM's Wildlife Habitat Council sites
3. Wildlife Habitat Council Certification Program Index

Deemed material? No
## Emissions

### Management Approach: Emissions GRI 103-1, 103-2, 103-3

Explanation of Emissions as a material topic and its Boundary, the management approach and its components, and the evaluation of the management approach.

<table>
<thead>
<tr>
<th>Topic: GRI 305</th>
<th>Emissions</th>
</tr>
</thead>
</table>
| 103-1: Explanation of the material topic and its Boundary | 1. The topic of GHG emissions is material to IBM as IBM is a consumer of fossil fuels, electricity and purchased commodities. The consumption of fossil fuels or use of electricity or purchased commodities are associated with GHG emissions to the atmosphere. To a much more limited extend, IBM also uses chemicals with global warming potential in research, development and manufacturing activities.  
2. IBM uses an operational boundary approach when it comes to GHG emissions management. This boundary includes all global and corporate wide operations that use some sort of energy. IBM’s direct emissions (Scope 1 emissions) occur at IBM locations that consume fossil fuels (mainly for heating purposes). IBM’s indirect emissions (Scope 2) result from the use of electricity and/or purchased chilled or hot water, where the actual emissions occur at the commodity generation source (for non-renewable generation). IBM’s impact in terms of GHG emissions is distributed across more than 100 countries where IBM owns or leases real estate space.  
3. IBM reports scope one and scope two emissions based on activities for which we have operational control. |
| 103-2: The management approach and its components | 1. IBM’s worldwide Environmental Management System (WW EMS) is the backbone of how IBM manages its environmental intersections, impacts and performance – including GHG emissions. Energy management is an integral part of IBM’s WW EMS. In IBM’s WW EMS and Energy Management System (EnMS), objectives, roles and responsibilities within the organization are clearly specified with the objective, for example, to achieve continual improvement of energy performance at a global level. Our approach groups IBM locations according to their energy consumption levels and requires them to establish energy conservation plans along with the necessary budget to execute, and to measure or calculate the associated energy savings delivered on a project basis. These results are consolidated by IBM’s Corporate Environmental Affairs staff to track performance against IBM’s energy conservation goal, which is to conserve energy equivalent to 3.5% of the company’s worldwide energy consumption on a yearly basis. The energy conservation projects contributed to CO2 emissions reductions from IBM operations.  
2. The purpose of IBM’s EMS is to identify the company’s significant environmental inventories, inventory critical metrics and set goals to reduce the impacts of the aspects to drive continual improvement of IBM’s environmental performance in all of its significant aspects (e.g. energy conservation and GHG emissions management, resource conservation, waste reduction, product environmental stewardship, etc.) and to sustain IBM’s leadership in these areas independent of a particular point in time or individuals within the company.  
3. Integral part of IBM’s WW EMS are:  
   1. Policy: IBM’s Environmental Policy, which states as one of its eleven objectives to ensure the responsible use of energy throughout our business, including conserving energy, improving energy efficiency and giving preference to renewable over non-renewable energy sources when feasible, and can be found here: [https://www.ibm.com/ibm/environment/](https://www.ibm.com/ibm/environment/)  
   2. Commitments: Through IBM’s Environmental Policy, IBM is committed to ensure the responsible use of energy throughout our business, including conserving energy, improving energy efficiency and giving preference to renewable over non-renewable energy sources when feasible, which results in reduction of CO2 emissions associated with IBM’s operations.  
   3. Goals and targets: IBM’s current energy conservation goal is to avoid energy consumption equivalent to 3.5% of IBM’s global energy consumption on a yearly basis. In addition, IBM has a renewable energy goal to procure 20% of its electricity from renewable sources by 2020 (goal met in 2016), and a goal to reduce CO2 emissions associated with IBM’s energy consumption 35% by 2020 against the 2005 baseline (goal met in 2016). IBM is currently developing new goals in these areas.  
   4. Responsibilities: IBM’s WW EMS and WW EnMS identify the specific roles and responsibilities within the corporation across functions and business organizations that key individuals hold for ensuring proper execution of IBM’s environmental and energy management requirements, inclusive of achievement of IBM’s objectives, goals and targets. management responsibilities for the EMS and EnMS is held by the Vice President of Corporate Environmental Affairs and Product Safety.  
   5. Resources: IBM’s WW EMS and WW EnMS identify the resources that at a minimum must be available for a proper execution of IBM’s environmental programs. These may be in form of staff, data, data management tools and IT tools or other types of non-financial resources. It is IBM’s business organizations and/or locations responsibility to plan, request and manage their budgets that allows them to meet all of IBM’s environmental requirements, inclusive of energy management.  
   6. Grievance mechanisms: Mechanisms are available for IBM employees and contractors and outside stakeholders to raise concerns or make inquiries regarding IBM’s EMS and EnMS and environmental performance.  
   7. Specific actions, such as processes, projects, programs and initiatives: The execution of IBM’s WW EMS and EnMS is supported by multiple procedures and guidelines cascaded from the corporate to the business organization and/or location level as appropriate, with the intention to standardize execution across operations and geographies. One example is a procedure by which business organizations and/or locations report energy conservation results to the corporation, as this procedure describes in detail which projects may or may not be counted toward IBM’s energy conservation metrics, and how this data should be reported, verified and analyzed. The execution of IBM’s WW EMS results in the implementation of thousands of energy conservation projects and initiatives around the globe. In 2017, IBM implemented more than 2,000... |
energy conservation projects at over 500 locations worldwide.

| 103-3: Evaluation of the management approach | 1. IBM evaluates the effectiveness of its WW EMS and EnMS by several means, including internal audits, professional self-assessments, external third-party audits and by monitoring closely IBM’s environmental KPIs and progress toward attaining corporate environmental goals, including in the energy management and climate protection areas.  
  1. Corporate internal audits are performed by qualified IBM employees with no direct involvement in the execution of IBM’s WW EMS, such that these individuals can objectively assess whether IBM is in conformity to its own management systems and requirements. Through professional self-assessments, employees with energy management responsibilities respond to a set of domain specific questions to self evaluate their execution of IBM’s energy management requirements. These results are consolidated at the corporate level and reviewed and analyzed by IBM Corporate Environmental Affairs. IBM regularly undergoes external audits, as part of its ISO 14001 and ISO 50001 certifications, which are performed by an accredited certification company. These audits are conducted both at the corporate, business organization and/or location level, as applicable. Business organizations and/or locations, as well as IBM Corporate Environmental Affairs, regularly tracks and reports energy management KPIs to management to assess progress toward goals and objectives, including the achievement of energy conservation and emissions reduction goal, and validate that IBM is achieving continual improvement in its environmental programs.  
  2. The results of the different types of evaluations typically are a list of opportunities of improvement, which are then discussed and adopted internally, if appropriate and as applicable to IBM’s operations, to further drive continual improvement both of IBM’s energy performance as well as of IBM’s WW EMS. This is an essential part of our management system.  
  3. Based on the results and findings of the different evaluation procedures described above, IBM’s WW EMS and EnMS may require to be changed and updated to internalize opportunities for improvement or to better reflect the nature of IBM’s operations, as these may change over time. For example, IBM’s WW EnMS is currently being updated to better integrate energy management into co-located data centers, where IBM has limited control over specific aspects of energy management since landlords provide and control the energy services infrastructure and energy procurement at these locations. |

References:
- IBM's ISO 14001 & ISO 50001 Registrations
- IBM's Worldwide Environmental Management System
**Direct (Scope 1) GHG Emissions GRI 305-1**

Gross direct (Scope 1) GHG emissions in metric tons of CO2 equivalent.

<table>
<thead>
<tr>
<th>GHG emissions in metric tons of CO2e</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
<th>Emissions in base year Year: 2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross direct (Scope 1) GHG emissions</td>
<td>124901</td>
<td>133,623</td>
<td>354,046</td>
<td>556,653</td>
<td></td>
</tr>
<tr>
<td>Biogenic CO2 emissions</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Direct (Scope 1) GHG emissions by gas</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CO2</td>
<td>111,807</td>
<td>118,303</td>
<td>187,553</td>
<td>226,187</td>
<td></td>
</tr>
<tr>
<td>N2O</td>
<td>0</td>
<td>0</td>
<td>14,086</td>
<td>23,724</td>
<td></td>
</tr>
<tr>
<td>HFCs</td>
<td>11,362</td>
<td>13,977</td>
<td>43,540</td>
<td>90,849</td>
<td></td>
</tr>
<tr>
<td>PFCs</td>
<td>612</td>
<td>691</td>
<td>99,832</td>
<td>166,372</td>
<td></td>
</tr>
<tr>
<td>SF6</td>
<td>1,120</td>
<td>652</td>
<td>9,035</td>
<td>49,521</td>
<td></td>
</tr>
</tbody>
</table>

Gases included in the calculation of gross direct (Scope 1) GHG emissions:
- CO2
- N2O
- HFCs
- PFCs
- SF6

**Rationale for choosing base year:**
The 2005 base year was initially established under IBM’s second generation CO2 emissions reduction goal which was met and exceeded in year 2012. In February 2015, IBM announced a third generation CO2 emissions reduction goal as an extension of the second generation goal. As a result, the base year was kept as 2005.

**Context of significant changes in emissions that triggered recalculation of the base year emissions:**

**Source of emissions factors and the GWP rates used:**

Global warming potential (GWP) rates or reference to the GWP source:
IPCC Second Assessment Report (SAR - 100 Year) and IPCC Fourth Assessment Report (AR4 - 100 Year)

**Direct (Scope 1) GHG emissions consolidation approach:**
Operational Control

**Standards, methodologies, assumptions, and/or calculation tools used for direct (Scope 1) GHG emissions:**
IBM has had an annual worldwide energy conservation goal since 1996 and a CO2 emissions reduction commitment since 2000. While IBM’s business continues to transform, the company’s new goals exemplify IBM’s consistent, driven focus on energy management and CO2 emissions reduction across our businesses. From 1990 to 2005, IBM avoided three million metric tons of CO2 emissions — an amount equal to 40 percent of its 1990 emissions — through a program of conservation actions. IBM achieved an additional 15.7 percent reduction in CO2 emissions from 2014 to 2015. In February, 2015, IBM announced its third generation CO2 reduction goal to reduce CO2 emissions associated with IBM’s energy consumption 35 percent by year-end 2020 against a base year of 2005 adjusted for acquisitions and divestitures. The goal covers scope 1 emissions from fossil fuel combustion, electricity consumption and purchased commodities consumption. IBM’s 2016 CO2 emissions were already 38.1 percent below the 2005 baseline adjusted for acquisitions and divestitures, thus achieving the goal four years early. Also in February 2015, IBM announced a new goal to procure electricity from renewable sources for 20 percent of IBM’s annual electricity consumption by 2020. During 2016, IBM contracted 21.5 percent of its total electricity consumption from renewable sources, thus achieving the goal four years early. PFC Emissions Management In 2015 IBM divested its semi-conductor manufacturing operations. This is the main reason why our PFCs emissions, along with other scope 1 GHG emissions, have drastically dropped.

References:

IBM Verification Statement for 2015 GHG Emissions

Deemed material? Yes
### Energy Indirect (Scope 2) GHG Emissions GRI 305-2

Environmental / Emissions / Energy Indirect (Scope 2) GHG Emissions GRI 305-2

Indirect (Scope 2) GHG emissions.

<table>
<thead>
<tr>
<th>GHG Emissions in metric tons of CO2e</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
<th>Emissions in base year</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Year: 2005</td>
</tr>
<tr>
<td>Gross location-based indirect (Scope 2) GHG emissions</td>
<td>1,371,616</td>
<td>1,155,833</td>
<td>1,433,456</td>
<td>1,882,012</td>
<td>2,028,000</td>
</tr>
<tr>
<td>Gross market-based indirect (Scope 2) GHG emissions</td>
<td>1,076,882</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total direct (Scope 1) GHG emissions</td>
<td>124,901</td>
<td>133,663</td>
<td>354,046</td>
<td>556,653</td>
<td></td>
</tr>
<tr>
<td>Total (Scope 1) + (Scope 2) GHG emissions</td>
<td>1,249,01</td>
<td>1,336,63</td>
<td>1,354,046</td>
<td>1,556,653</td>
<td></td>
</tr>
</tbody>
</table>

Gases used to calculate indirect (Scope 2) GHG emissions:

- CO2

Rational for choosing base year:

The 2005 base year was established under IBM's second generation CO2 emissions reduction goal which was met and exceeded in year 2012. In February 2015, IBM announced a third generation CO2 emissions reduction goal as an extension of the second generation goal. As a result, the base year was kept as 2005.

Context of significant changes in emissions that triggered recalculations of the base year emissions:

Source of emissions factors and the GWP rates used:

- IPCC Second Assessment Report (SAR - 100 Year) and IPCC Fourth Assessment Report (AR4 - 100 Year), EPA's eGrid emission factors for the United States, The Climate Registry emission factors of Canadian Provinces, International Energy Agency emission factors for all other geographies, electric utility specific emission factors where available.

Consolidation approach for Direct (Scope 1) and Indirect (Scope 2) GHG emissions:

- Operational Control

Standards, methodologies, assumptions, and/or calculation tools used for Scope 1 and Scope 2 GHG emissions:


Additional Comments

The Total Indirect (Scope 2) emissions provided above represent market-based emissions according to the current GHG Protocol methodology standards. IBM does not have separate goals for scope 1 and scope 2 emissions, but rather one single goal to reduce CO2 emissions associated with IBM's energy consumption (resulting from fossil fuel combustion and electricity and purchased commodities consumption) by 35% against base year 2005, adjusted for divestitures and acquisitions, by the end of year 2020. Hence, the emissions from other GHG other than CO2 (Scope 1) are not within the scope of this goal, as either are scope 3 emissions. In 2016, IBM reduced its CO2 emissions by 38.1% against the 2005 baseline, thus achieving this goal four years early. GHG Emissions Reduction IBM has had an annual worldwide energy conservation goal since 1996 and a CO2 emissions reduction commitment since 2000. While IBM's business continues to transform, the company’s new goals exemplify IBM’s consistent, driven focus on energy management and CO2 emissions reduction across our businesses. From 1990 to 2005, IBM avoided three million metric tons of CO2 emissions (an amount equal to 40 percent of its 1990 emissions) through a program of conservation actions. IBM achieved an additional 15.7 percent reduction in CO2 emissions from 2014 to 2015. In February 2015, IBM announced its third generation CO2 reduction goal to reduce CO2 emissions associated with IBM’s energy consumption 35 percent by year-end 2020 against a base year of 2005 adjusted for acquisitions and divestitures. This represents an additional 20 percent reduction, from year-end 2012 to year-end 2020, over the reductions achieved from 2005 to 2012 under IBM's second generation goal. In 2016, IBM...
reduced its CO2 emissions by 38.1% against the 2005 baseline, thus achieving this goal four years early. Also in February 2015, IBM announced a new goal to procure electricity from renewable sources for 20 percent of IBM’s annual electricity consumption by 2020. In 2016, IBM procured 21.5% of its worldwide consumed electricity from renewable sources, thus achieving the goal four years early.

PFC Emissions Management The semiconductor manufacturing operations were divested on July 1, 2015. This significantly reduced our PFC emissions. We continue to monitor these emissions from the remaining operations.

References:

- IBM Verification Statement for 2015 GHG Emissions
- IBM Environmental Reporting

Deemed material? Yes
### Other Indirect (Scope 3) GHG Emissions GRI 305-3

Gross other indirect (Scope 3) GHG emissions in metric tons of CO2 equivalent.

<table>
<thead>
<tr>
<th>GHG emissions in metric tons CO2e</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
<th>Emissions in base year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross other indirect (Scope 3) GHG emissions</td>
<td>1,263,000</td>
<td>1,257,500</td>
<td>1,230,692</td>
<td>1,701,170</td>
<td>Year</td>
</tr>
<tr>
<td>Biogenic CO2 emissions</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gases included in the calculation:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CO2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Other indirect (Scope 3) GHG emissions categories and activities included in the calculation:

- Scope 3 Categories 1. Fuel-and-energy-related activities not included in Scope 1 or 2 (lease vehicles)
- 2. Business Travel (air travel and rental cars)
- 3. Employee Commuting
- 4. Use of sold products
- 5. Purchased goods and services (third-party co-location data centers).

Rationale for choosing base year:

Not applicable. IBM does not have a target related to its scope 3 emissions. Target for CO2 emissions reduction is described in sections Direct GHG, G4-EN15 and in Indirect GHG, G4-EN16.

Context of significant changes in emissions that triggered recalculations of the base year emissions:

Source of emissions factors and the GWP rates used:

- Source of the emission factors used: U.S. EPA; TUV Rheinland; UNECE/EMEP Emission Inventory Guidebook (SNAP/CORINAIR)
- Global warming potential (GWP) rates or reference to the GWP source: Not applicable for Scope 3 emissions.

Standards, methodologies, assumptions, and/or calculation tools used for indirect (Scope 3) GHG emissions:

Purchased goods and services: These are the emissions associated with IBM's data center operations in third party co-location space. The emissions are calculated by multiplying the electricity consumption for data center operations in third party co-location space times the location specific emissions factor for that location. Fuel-and-energy-related activities (not included in Scope 1 or 2): Lease Vehicle Emission Calculation: IBM car fleet data related to vehicle make and model, term and mileage, fuel type and consumption, are collected through our lease vehicle suppliers. All reported vehicles have been active at least one day during the reporting year and only the reporting year's mileage is reported. In some cases, the CO2 emission associated with the lease car use are supplied directly by our suppliers. In the others, we calculate the CO2 emissions based on the car and fuel type, dividing the mileage travelled by average mile per gallon for the car type and then calculating the CO2 emissions using the appropriate fuel emission factor. Business travel: These are the emissions from business air travel and car rentals. The CO2 emissions calculation for air travel is based on European standards as outlined in UNECE/EMEP Emission Inventory Guidebook (SNAP/CORINAIR). Fuel burn (in kg) is per aircraft and total is a combination of LTO activities (taxi, take out, take off, climb out) and CCD activities (climb, cruise, descent, approach, landing, taxi in). Methodology used for airline combustion tables: 1. Total amount of fuel used (in kilo tons) 2. Total number of LTO activities per aircraft (for each aircraft type fuel use factor is used) 3. Total number of CCD (subtracting total amount of fuel for LTO from total amount of fuel used) 4. Calculating emissions from LTO activities per aircraft type (number of LTOs for each aircraft type is multiplied by the emission factor related to the particular aircraft type and pollutant) 5. Calculating emissions from CCD activities using the corresponding emission factor for the most common aircraft types used. 6. Calculating total emissions for LTO and CCD activities CO2 calculation: CO2 emissions / fuel burn ratio = 

[Generated from OneReport] 119/203 International Business Machines
3.15 kg CO2/ kg fuel. Emissions are allocated per seat. Employee commuting: IBM estimates its CO2 emissions from employee commuters in the United States. This estimate was made using the WRI Combustion Calculator Tool, version 2.3 and the following assumptions:
- traditional employees commuted 235 days a year;
- mobile employees commuted 141 days a year;
- home office employees commuted 47 days a year;
- with an average roundtrip of 25.4 miles using total vehicle distance travelled in miles;
- vehicle type (passenger car - gasoline - Year 2005 to present); CO2 emission factor of 0.392 MT CO2/1000 miles.
Estimates of IBM commuter travel in the United States. This figure was calculating using IBM internal data on employee work type assignments and assumptions about the frequency with which the different work types drive to the office or a customer location. CO2 emissions were calculated by multiplying estimated commuter mileage times the appropriate emission factors. Use of sold products: Reporting Annual Estimated Emissions Associated with Products SOLD in 2016: IMPORTANT: The reported number only estimates the annual quantity of power used by products sold by IBM in 2016 and only reflect the stated assumptions. It does NOT include emissions of the entirety of our product installed base. The total estimated emissions are Metric Tons of CO2. Assumptions: 1. Scope: server and storage systems sold by IBM in 2016. 2. Maximum name plate power an average maximum name plate power use is assigned to each machine type. 3. Actual power use estimate: The assigned maximum power is discounted, considering the many product configurations that are sold and the fact that systems do not operate in a fully loaded mode at all times. 4. Cooling requirements: a. It is assumed that for every watt of power required to run a server or storage system, 0.5 watts of power is required for cooling. 5. Operating requirements: Servers and storage systems run 24 hours per day, 7 days per week, 365 days per year. 6. The GHG emissions factor for electricity is 0.39 Metric Tons CO2 per MWH. Estimated annual CO2 emissions during use phase of servers and storage systems sold in 2016:
- multiply the following: Number of Units sold in 2016; 0.0.39 MT CO2/MWh consumed;
- Discount factor; assigned average maximum name plate power; 8,760 hours of operation in 2016, Power Use Effectiveness factor of 1.5.

Additional Comments
Biogenic CO2 emissions are not relevant for IBM. The gases covered by our scope 1 emissions include CO2, perfluorinated compounds, nitrous oxide, heat transfer fluids, and HFCs and are expressed in metric tons of CO2 equivalents. Scope 2 and 3 emissions only include CO2 emissions. Targets, consolidation approach for emissions, and Global Warming Potentials are not applicable to Scope 3 emissions. IBM's KPIs do not apply to Scope 3 emissions. Scope 3 Emissions: IBM estimates emissions for the following categories: purchased goods and services, use of sold products, business travel (air travel and rental cars), employee commuting and leased vehicles. Data was not available to estimate emissions for rail travel. The estimates of scope 3 emissions are based on a host of assumptions and the estimated values do not provide meaningful estimates of CO2 emissions. The scope 3 emissions associated with our supply chain are the scope 1 and 2 emissions of our suppliers who are in the best position to responsibly manage and reduce these emissions. In 2010, IBM established a requirement that all its global Tier 1 suppliers establish an environmental management system (EMS) to identify their key environmental intersections, measure performance and set voluntary goals in, at a minimum, the following areas: energy conservation, Scope 1 and Scope 2 GHG emissions, waste management and recycling. Suppliers must publicly disclose their environmental programs and performance and cascade these same requirements to their suppliers. Our suppliers are best positioned to assess their own performance and take actions that lead to real GHG reductions as opposed to low value accounting exercise to estimate our supply chain emissions. Gross approximations of Scope 3 GHG emissions can help entities recognize where the greatest amounts of GHGs may occur during the life cycle of a typical process or general product or service on a macro level. This can be helpful when assessing, for example, what phases of a general product's design, production, use and disposal are ripe for improved energy efficiency and innovation. However, IBM does not assert on a micro level what the Scope 3 GHG emissions are from the operations of our suppliers and external distribution partners in their work that is specific to IBM, or associated with the use of our products and services. The necessary estimating assumptions and corresponding variability simply do not allow for adequate credibility, let alone calculations that could be perceived as deterministic.

References:
IBM Auditing and Verification

Deemed material? Yes
GHG Emissions Intensity GRI 305-4

Environmental / Emissions / GHG Emissions Intensity GRI 305-4

GHG emissions intensity ratio for the organization.

<table>
<thead>
<tr>
<th>Denominator</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>GHG emissions intensity ratio:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Metric tons of CO2e/Full Time Equivalent Employee</td>
<td>3.3</td>
<td>4.7</td>
<td>5.4</td>
<td>5.7</td>
</tr>
<tr>
<td>List of gases included:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CO2, PFCs, HFCs, N2O</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Types of greenhouse gas emissions included:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct (Scope 1)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Indirect (Scope 2)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Additional Comments

Due to the wide range of services and activities associated with IBM operations, there is not a GHG emission intensity metric that is meaningful or applicable to our operations.

Deemed material? No
Reduction Of GHG Emissions GRI 305-5

Environmental / Emissions / Reduction Of GHG Emissions GRI 305-5

GHG emissions reduced as a direct result of reduction initiatives, in metric tons of CO2 equivalent.

<table>
<thead>
<tr>
<th>Unit: Metric Tons CO2</th>
<th>Denominator</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2017</td>
</tr>
<tr>
<td>Total GHG reductions:</td>
<td>338,649</td>
</tr>
</tbody>
</table>

List of gases included:
- CO2

Rationale for choosing base year:
The baseline for the GHG reductions initiatives is the current year, as stated in our energy conservation goal. See the "additional comments". For the overall GHG reduction goal, the 2005 base year was initially established under IBM’s second generation CO2 emissions reduction goal which was met and exceeded in year 2012. In February 2015, IBM announced a third generation CO2 emissions reduction goal as an extension of the second generation goal. As a result, the base year was kept as 2005. The base year has been adjusted for the divestment of the System x and semiconductor manufacturing operations in 2014 and 2015 respectively.

Standards, methodologies, and assumptions used

Additional Comments

In 2017, IBM’s energy conservation projects across the company delivered savings equal to 4.2 percent of our total energy use versus the corporate goal of 3.5 percent. The energy conservation goal “baseline” is the current year’s energy consumption. These projects avoided the consumption of 143,000 megawatt-hours (MWh) of electricity and 105,000 million British thermal units (MMBTU) of fuel oil and natural gas, representing the avoidance of 64,000 metric tons of CO2 emissions. The conservation projects also saved $16.1 million in energy expense. These strong results are due to our continued, across-the-board focus on energy demand reduction, efficiency and the implementation of standard, global energy conservation strategies for facility operating systems. See the 2016 IBM and Environment report for details on conservation projects. IBM’s energy conservation goal recognizes only completed projects that actually reduce or avoid the consumption of energy in our operations. Reductions in energy consumption from downsizings, the sale of operations and cost avoidance actions such as fuel switching and off-peak load shifting are not included in the results for measuring performance against achieving this goal. Moreover, the conservation results discussed above are conservative in that they include only the first year’s savings from the conservation projects. Ongoing conservation savings beyond the first year are not included in the results. Accordingly, the total energy savings and CO2 emissions avoidance from these conservation actions is actually greater than this simple summation of the annual results. Between 1990 and 2017, IBM saved 7.4 million MWh of electricity consumption, avoided 4.4 million metric tons of CO2 emissions and saved $616 million through its annual energy conservation actions.

In 2017, IBM contracted with its utility suppliers to purchase 779,000 MWh of renewable energy over and above the quantity of renewable energy provided as part of the mix of electricity that we purchased from the grid. This represented 22.9 percent of our global electricity usage and resulted in the avoidance of 275,000 metric tons of CO2 emissions. IBM first exceeded its corporate goal to procure 20 percent of its global electricity consumption from renewable sources by year end 2020 in 2016, and continued to exceed it during 2017. We procure renewable electricity generated from wind, large and small hydro, biomass and solar installations around the globe. We report all of our contracted renewable electricity purchase, be they from new, "additional" or existing generation sources, and without discriminating large hydro installations, and their associated CO2 avoidance. Our rationale is that all purchases signal to our suppliers our desire for them to maintain and broaden their renewable electricity offerings. We value all economically accessible renewable generation sources and their availability from our utility suppliers. Including the renewable electricity delivered to IBM locations as part our grid based purchases, 41.4% of IBM’s electricity consumption came from renewable generation sources,
including biomass, hydro, solar, and wind, in 2017. Our procurement of renewable energy must meet our business needs. Not only should the offerings be cost-competitive with market prices over time, but also, the electricity supply must be reliable in providing uninterrupted power for our critical operations. IBM’s strategy of contracting for defined renewable energy has been most successful in Europe. We continue to request the inclusion of electricity generated from renewable sources as an option in our contracts in all geographies.

In 2016, IBM achieved and exceeded its third-generation CO2 emissions reduction goal: to reduce CO2 emissions associated with our energy consumption 35 percent by year-end 2020, against base year 2005 and adjusted for acquisitions and divestitures. The achievement of this goal came four years early as IBM reduced its operational CO2 emissions by 38.1 percent against the 2005 baseline. This result was driven by a continuous decrease in energy consumption since 2011, a robust renewable electricity procurement program, and a reduction in overall electricity emissions factor associated with IBM’s grid purchased electricity. In 2017, IBM continued to exceed this goal with a CO2 emissions reduction of 42.9% against the 2005 baseline.

References:

- IBM Environmental Reporting Page(s) 13-27
- CDP Disclosure Page(s) Section 3, 10.1.a, 11.4
- IBM Auditing and Verification

Deemed material? Yes
Emissions Of Ozone-Depleting Substances (ODS) GRI 305-6

Production, imports, and exports of ODS in metric tons of CFC-11 (trichlorofluoromethane) equivalent.

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production of ODS</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>imports of ODS</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exports of ODS</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total ODS</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Substances included in the calculation</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Reason for Omission:
Not Applicable
Why considered not applicable:
Class I and II ozone-depleting substances

Some examples of IBM's commitment to elimination of emissions of concern over time is provided in the latest annual IBM and the Environment Report in the section on Materials research and process stewardship. See References below.

References:
IBM Environmental Reports

Deemed material? No
## Nitrogen Oxides (NOx), Sulfur Oxides (SOx), and Other Significant Air Emissions GRI 305-7

Significant air emissions, in kilograms or multiples for Nitrogen Oxides (NOx), Sulfur Oxides (SOx), and other significant air emissions.

<table>
<thead>
<tr>
<th>Emissions Types (specify units for each)</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
<th>Target (year):</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SOx emissions</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Units: MT</td>
<td>23.84</td>
<td>23.3</td>
<td>37.4</td>
<td>42.0</td>
<td></td>
</tr>
<tr>
<td>Data coverage (as % of denominator):</td>
<td>Operations</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>SOx intensity. Factored against base figure:</td>
<td>Not applicable</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Do not track</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>NOx emissions</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Units: MT</td>
<td>127.85</td>
<td>170.7</td>
<td>171.9</td>
<td>221.8</td>
<td></td>
</tr>
<tr>
<td>Data coverage (as % of denominator):</td>
<td>Operations</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>NOx intensity. Factored against base figure:</td>
<td>Not applicable</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Do not track</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Particulate matter emissions</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Units: MT</td>
<td>7.63</td>
<td>9.0</td>
<td>18.6</td>
<td>24.8</td>
<td></td>
</tr>
<tr>
<td><strong>Persistent organic pollutant (POP) emissions</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Units:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Hazardous air pollutants (HAP)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Units: MT</td>
<td>0.0</td>
<td>0.0</td>
<td>3.9</td>
<td>7.4</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Do not track</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Volatile organic compound (VOC) emissions</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Units: MT</td>
<td>8.37</td>
<td>8.9</td>
<td>27.1</td>
<td>44.0</td>
<td></td>
</tr>
<tr>
<td>Data coverage (as % of denominator):</td>
<td>Operations</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Specify the base factor:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Do not track</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Dust Emissions</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Units:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Data coverage (as % of denominator):</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
We do not track Dust Emissions

Do not track

Other Air Emissions:

Standards, methodologies, and assumptions used:
The point sources are from on-site combustion of diesel fuel for operation and maintenance runs for emergency power generators and combustion of natural gas in boilers used for space heating.
The fugitive emissions are from use of chemicals for development activities.
Applicable pollution control measures are in place at the identified sites.

Source of emission factors used:

Third Party Verification:
Data has not been verified.

Data is made publicly available about NOx, SOx, and other significant air emissions and sources
No

Emissions publicly disclosed

Additional Comments

**Hazardous Air Pollutants (HAP)** - The reduction in 2015 and 2016 were due to the divestiture of semiconductor manufacturing (i.e., the microelectronics manufacturing division) from 1 July 2015. IBM still monitors the HAP in development activity and will evaluate the continued need of this indicator.

Deemed material? No
**Effluents and Waste**

**Management Approach: Effluents and Waste GRI 103-1, 103-2, 103-3**

Environmental / Effluents and Waste / Management Approach: Effluents and Waste GRI 103-1, 103-2, 103-3

Explanation of Effluents and Waste as a material topic and its Boundary, the management approach and its components, and the evaluation of the management approach.

<table>
<thead>
<tr>
<th>Topic: GRI 306 Effluents and Waste</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>103-1: Explanation of the material topic and its Boundary</strong></td>
<td>IBM measures and manages wastewater discharges at applicable IBM locations worldwide for maintaining operational conditions and compliance with discharge permits. This is a requirement of IBM’s global environmental management system. Water is integrated into a comprehensive and global risk assessment process incorporating both direct and supply chain operations. The approach covers historic and forward looking to determine relevance of environmental aspects and impact and their associated significance across relevant business organizations. This planning cycle is undertaken at least annually under the requirements of IBM’s global environmental management system, and as part of our single global ISO 14001 EMS accreditation. These processes look at business risk comprehensively including, but not limited to, risks and impacts related to water use and wastewater discharges, and the material external environmental issues that may negatively or positively impact on the achievement of the intended outcomes of IBM’s global EMS. This includes likely consequences of climate change such as, more extreme weather or natural disasters, changing rainfall patterns and water availability. We anticipate that the business model of both IBM’s and our production and service suppliers’ operations will enable those operations to anticipate and adapt to potential risks and mitigate the impacts without significant disruptions to our business.</td>
</tr>
<tr>
<td><strong>103-2: The management approach and its components</strong></td>
<td><strong>IBM’s global Environmental Management System:</strong> IBM's corporate-wide environmental affairs policy calls for, among other objectives, the conserve of natural resources and the use of development and manufacturing processes that do not adversely affect the environment, including developing and improving operations and technologies to minimize waste, prevent air, water, and other pollution, minimize health and safety risks, and dispose of waste safely and responsibly. The environmental policy is supported by corporate instructions and standards that govern IBM's worldwide operations and are basic to its environmental management programs. These documents cover areas such as resource conservation and pollution prevention which outlines water conservation and effluent and waste management requirements. To identify and effectively manage the potential environmental impact of IBM's operations, IBM established and has maintained a strong worldwide environmental management system (EMS) for decades. It is a vital element in the company's efforts to achieve results consistent with environmental leadership. Also, wastewater discharges are generally monitored and measured at the IBM locations that are in water stressed regions as defined by IBM’s Water Goal. IBM established the current voluntary corporate-wide water goal in 2016 to achieve ongoing year-to-year reductions in water withdrawals at these locations. IBM global EMS identifies corporate-wide significant environmental aspects of the company's activities, products and suitable action plans are executed to ameliorate the environmental impacts on the environment. Hazardous waste, Nonhazardous waste, Waste recycling and reuse, Water use and conservation and Water discharges are considered significant to IBM's global operations. <strong>Resource conservation and pollution prevention for IBM's global operations</strong> <strong>Effluent/Wastewater discharges</strong> IBM's global EMS requires an environmental impact assessment (EIA) for new, or significant modification to existing, hazardous chemical-using Research, Hardware Development or Manufacturing Processes or building Infrastructure activities. For new processes, an EIA is initiated during design. This EIA is addressed alongside the other critical business objectives / elements of a business case as part of the planning and management approval process. Significant modification to a process's original purpose, chemical use, equipment, utility energy or water requirements, air emissions, water discharges, waste generation, or engineering controls for environmental protection can trigger an EIA. IBM also maintains other environmental programs for pollution prevention, including for authorization, use, storage and disposal of chemicals, for secondary containment of liquids, and for protection of soil and groundwater. <strong>Waste disposal, reuse and recycling</strong> <strong>Product Stewardship - Product recycling and reuse:</strong> IBM established its product stewardship program in 1991 as a proactive and strategic approach to the environmental design and management of our products. The program’s mission is to develop, manufacture and market products that are increasingly energy efficient; that can be upgraded, refurbished, remanufactured and reused to extend product life; that incorporate recycled content and environmentally preferable materials and finishes; and that can be dismantled, recycled and disposed of safely. IBM’s product stewardship objectives and requirements are implemented through our global environmental management system (EMS), internal standards, product specifications and applicable IBM offering management processes. Information on product environmental attributes such as energy efficiency, materials content, chemical emissions, design for recycling, end-of-life management, and packaging are</td>
</tr>
</tbody>
</table>
As part of our product end-of-life management (PELM) activities, IBM began offering product takeback programs in Europe in 1989, and has extended and enhanced them over the years. IBM’s Global Asset Recovery Services organization offers Asset Recovery Solutions to commercial clients in countries where we do business. These solutions include:

- Management of data security and disk overwrite services,
- Worldwide remarketing network for product resale,
- State-of-the-art refurbishing and recycling capability for IT equipment,
- Optional logistic services such as packing and transportation.

In many countries and U.S. states, we offer solutions to household consumers for the end-of-life management of computer equipment, either through voluntary IBM initiatives or programs in which we participate.

IBM's voluntary goal for PELM is to reuse or recycle end-of-life products such that the amount of product waste sent by our PELM operations to landfills or to incineration facilities for treatment does not exceed a combined 3 percent (by weight) of the total amount processed. The PELM goal is a KPI.

**Pollution Prevention - Hazardous waste and Nonhazardous waste:** Pollution prevention is an important aspect of IBM’s long-standing environmental efforts and it includes, among other things, the management of waste. For hazardous waste the best way to prevent pollution is to reduce the generation of waste at its source. This has been a basic philosophy behind IBM’s pollution prevention program since 1971. Where possible, we redesign processes to eliminate or reduce chemical use and to substitute more environmentally preferable chemicals. We maintain programs for proper management of the chemicals used in our operations, from selection and purchase to storage, use and final disposal. IBM has also focused for decades on preventing the generation of nonhazardous waste, and where this is not practical, recovering and recycling the materials that are generated. Nonhazardous waste includes paper, wood, metals, glass, plastics and other nonhazardous chemical substances. We established our first voluntary environmental goal to recycle nonhazardous waste streams in 1988. The goal has since evolved on two fronts. The first expanded on the traditional dry waste streams to include nonhazardous chemical waste and end-of-life IT equipment from our own operations, as well as IBM-owned equipment that is returned by external clients at the end of a lease. The second expansion was made to include nonhazardous waste generated by IBM at leased locations meeting designated criteria. IBM's voluntary environmental goal is to send an average of 75 percent (by weight) of the nonhazardous waste generated at locations managed by IBM to be recycle. The Nonhazardous waste recycling goal is a KPI.

**Supply chain activities**

IBM is committed to doing business with environmentally responsible suppliers. In 2010, IBM established a requirement that all first-tier suppliers establish a management system to address their social and environmental responsibilities. IBM expects each supplier to deploy a management system, measure performance, set goals in a way that reflects their intersections with their social and environmental responsibilities, and publicly disclose their programs and results. Our objective is to help our suppliers build their own capability to succeed in this area. With this in mind, the baseline environmental requirements for IBM suppliers are summarized below:

- Define, deploy and sustain a management system that addresses the intersections of their operations with employees, society and the environment;
- Measure performance and establish voluntary, quantifiable environmental goals in the areas of waste, energy and greenhouse gas emissions;
- Publicly disclose results associated with these voluntary environmental goals and other environmental aspects of their operations;
- Conduct self-assessments and audits, as well as management reviews, of their management system;
- Cascade these requirements to their suppliers who perform work that is material to the products, parts and/or services supplied to IBM.

At this time IBM has not identified any material risks or opportunities for water use or waste water discharges of its supply chain associated with IBM worldwide business.

IBM reserves the right to assess the supplier's conformance to these requirements any time during the term of the purchasing agreement. Failure to comply with all applicable requirements can ultimately result in termination.
Pollution Prevention - Hazardous waste: IBM’s total hazardous waste generation in 2017 increased by 7 percent (by weight) from 2016, to 1,460 metric tons. This increase was caused by the disposal of hazardous waste generated by a water leak from a fire suppression system at one of our facilities. The water was contaminated with diesel fuel from an emergency generator located within the area where the water leaked. The contaminated water was contained, avoiding any release to the environment. If hazardous waste generated as a result of this incident were removed, IBM would have seen a 16 percent reduction of hazardous waste generation in 2017. For the hazardous waste that is generated, we focus on preventing pollution through a comprehensive, proactive waste management program. Of the total 1,460 metric tons of hazardous waste IBM generated worldwide in 2017, 44.2 percent (by weight) was recycled, 33.6 percent was sent by IBM directly for incineration, 18.8 percent to regulated landfills, and 3.4 percent for treatment.

Pollution Prevention - Nonhazardous waste: In 2017, we recovered and sent 87.8 percent of the nonhazardous waste generated by IBM worldwide to be recycled, a 1.5 percent increase over 2016. Treatment methods that were credited toward the waste recycling target included material recycling, reuse, energy recovery, composting, reclamation, and land farming. Treatment methods that result in a non-beneficial use and that were not credited toward the recycling target included incineration, landfilling, and treatments such as aqueous treatment, biodegradation of organics, filtration, neutralization and stabilization. In 2017, our worldwide operations generated approximately 36,900 metric tons of nonhazardous waste, a decrease of about 7,600 metric tons from 2016. Source reduction and waste prevention initiatives implemented by IBM worldwide were estimated to have prevented the generation of about 185 metric tons of nonhazardous waste in 2017, with estimated annual handling, treatment and disposal cost savings and revenue returns totaling $2.2 million.
## Water Discharge by Quality and Destination GRI 306-1

### Environmental / Effluents and Waste / Water Discharge by Quality and Destination GRI 306-1

Total volume of planned and unplanned water discharges.

<table>
<thead>
<tr>
<th>Unit: Cubic Meter</th>
</tr>
</thead>
<tbody>
<tr>
<td>†Company can identify discharges of water from operations by destination, treatment and by quantity and quality using standard effluent parameters.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Destination</th>
<th>Volume</th>
<th>Quality of the water (including treatment method)</th>
<th>Reused by another organization</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### 2017

<table>
<thead>
<tr>
<th>Total Volume:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total volume of water discharge</td>
</tr>
</tbody>
</table>

### 2016

<table>
<thead>
<tr>
<th>Total Volume:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
</tbody>
</table>

### 2015

<table>
<thead>
<tr>
<th>Total Volume:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
</tbody>
</table>

### 2014

<table>
<thead>
<tr>
<th>Total Volume:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
</tbody>
</table>

Data publicly available

Yes

Link to disclosure:

Pleases see the accidental releases section the annual IBM and the Environment Report and the same section of the Environment section of IBM's annual Corporate Responsibility Report.

### Reason for Omission:

Not Applicable

Why considered not applicable:

See "Additional Comments" above.

### Additional Comments

Water discharges is identified as a corporate-wide significant environmental aspect of IBM's Worldwide Environmental Management System. While IBM tracks and measures water discharges and implement management programs were applicable, including for those wastewater discharges from IBM locations holding regulatory discharge permits worldwide, IBM does not publicly disclosure water discharge data.

IBM tracks and manages water discharges to maintain compliance with the requirements in site specific regulatory discharge permits and/or IBM’s own reporting requirements. IBM’s corporate program establishes treatment requirements applicable to IBM locations where they discharge directly to receiving waters, where it is not feasible to discharge to an offsite private or publicly owned waste water treatment plant. All industrial and sanitary waste water treatment plants located on IBM property and/or operated by IBM and processing industrial or sanitary waste water must adhere to these IBM corporate requirements.

In addition to routine monitoring discussed above, IBM locations report any significant unplanned releases to water to regulatory agency as required. IBM locations also must report unplanned releases meeting IBM’s own incident reporting criteria to management as well as in a corporate database. Any significant unplanned releases to water are publicly disclosed in the annual IBM and the Environment report under “Audits and Compliance”, “Accidental Releases” section at: [https://www.ibm.com/ibm/e...](https://www.ibm.com/ibm/e...).

IBM locations that report their waste water discharges into IBM’s Environmental Performance Database (EPD) are included under the global EMS and are part of the ISO14001 accreditation, so the management of water discharges are included in the third party...
auditing process periodically.

---

Deemed material? Yes
### Waste by Type and Disposal Method GRI 306-2

**Environmental / Effluents and Waste / Waste by Type and Disposal Method GRI 306-2**

Total weight of waste by type and disposal method.

<table>
<thead>
<tr>
<th>Method of disposal and weight (metric tons) of non-hazardous waste</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reuse:</td>
<td>970.0</td>
<td>1294.49</td>
<td>1731.52</td>
<td>5717.64</td>
</tr>
<tr>
<td>Recycling:</td>
<td>30770.1</td>
<td>36624.97</td>
<td>43072.08</td>
<td>81520.68</td>
</tr>
<tr>
<td>Composting:</td>
<td>0</td>
<td>0</td>
<td>103.5</td>
<td>781.99</td>
</tr>
<tr>
<td>Recovery (including energy recovery):</td>
<td>668.4</td>
<td>412.7</td>
<td>0</td>
<td>300.97</td>
</tr>
<tr>
<td>Incineration (mass burn):</td>
<td>1011.4</td>
<td>1621.88</td>
<td>1898.12</td>
<td>1799.49</td>
</tr>
<tr>
<td>Deep well injection:</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Landfill:</td>
<td>2982.8</td>
<td>3655.41</td>
<td>5054.13</td>
<td>12288.43</td>
</tr>
<tr>
<td>On-site storage:</td>
<td>0.1</td>
<td>0.06</td>
<td>0</td>
<td>0.05</td>
</tr>
<tr>
<td>Other: Treatment</td>
<td>478</td>
<td>856.56</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Total weight of non-hazardous waste disposed:**

<table>
<thead>
<tr>
<th>2017</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>36880.8</td>
<td>44466.07</td>
<td>51859.35</td>
<td>106688.44</td>
</tr>
</tbody>
</table>

### Method of disposal and weight (metric tons) of hazardous waste

<table>
<thead>
<tr>
<th>Method of disposal and weight (metric tons) of hazardous waste</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reuse:</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Recycling:</td>
<td>642.4</td>
<td>892.1</td>
<td>1517.1</td>
<td>2287.04</td>
</tr>
<tr>
<td>Composting:</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Recovery (including energy recovery):</td>
<td>0</td>
<td>0</td>
<td>64.74</td>
<td>0</td>
</tr>
<tr>
<td>Incineration (mass burn):</td>
<td>488.5</td>
<td>186.7</td>
<td>188.45</td>
<td>127.05</td>
</tr>
<tr>
<td>Deep well injection:</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Landfill:</td>
<td>273.5</td>
<td>247.6</td>
<td>279.35</td>
<td>436.46</td>
</tr>
<tr>
<td>On-site storage:</td>
<td>3.1</td>
<td>0.9</td>
<td>0.05</td>
<td>1.72</td>
</tr>
<tr>
<td>Other: Treatment</td>
<td>50.3</td>
<td>36.5</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Total weight of hazardous waste disposed:**

<table>
<thead>
<tr>
<th>2017</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>1457.8</td>
<td>1363.8</td>
<td>2049.69</td>
<td>4040.22</td>
</tr>
</tbody>
</table>

**Total weight of non-hazardous and hazardous waste disposed:**

<table>
<thead>
<tr>
<th>2017</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>38338.6</td>
<td>45829.87</td>
<td>53909.04</td>
<td>110728.66</td>
</tr>
</tbody>
</table>

**Report how the waste disposal method has been determined:**

2. Information provided by the waste disposal contractor

Please provide details on method 2:

See Additional Comments below.

---

C1

2017 data excludes sanitary wastewater transported to publicly owned treatment systems
IBM's global supplier environmental programs

IBM has a longstanding commitment to protect the environment and to pursue environmental leadership across all of our business activities. As a part of this commitment, IBM does business with suppliers who are environmentally and socially responsible and encourages environmental and social responsibility awareness with these suppliers. Further, IBM must respond to an increased interest from customers and governments for information about the environmental attributes of IBM's products and, in many cases, the source for this type of information is IBM's suppliers. The objectives of our requirements for suppliers and our supplier evaluation programs include:

- Ensuring that IBM does business with environmentally responsible suppliers who are actively managing and reporting on their environmental intersects and impacts.
- Helping our suppliers build capabilities and expertise in the environmental area.
- Preventing the transfer of responsibility for environmentally sensitive operations to any company lacking the commitment or capability to manage them properly.
- Reducing environmental and workplace health and safety risks of our suppliers.
- Protecting IBM, to the greatest extent possible, from potential long-term environmental liabilities or potential adverse publicity.

IBM has additional requirements for those suppliers where IBM:

- Specifies and/or furnishes chemicals or process equipment
- Procures materials, parts and products for use in hardware applications
- Procures hazardous waste and nonhazardous special waste treatment and/or disposal services
- Procures product end-of-life management services
- Uses extended producer responsibility systems

Specific environmental requirements are documented in our contracts with suppliers conducting these types of activities anywhere in the world. These may include requirements related to chemical content, chemical management, waste management, spill prevention, health and safety, and reporting.

IBM requires its hazardous waste and product end-of-life management suppliers to track the shipment and processing of any hazardous materials they handle for IBM -- down to the final treatment, recycling or disposal location -- and to report that information to us.

As with all of our environmental programs, IBM manages its hazardous waste and product end-of-life management programs to the same high standards worldwide. Doing so can be particularly challenging in some countries where processing infrastructure (treatment, recycling and/or disposal) that meets IBM's requirements is lacking or not existent. Under IBM's waste management program, hazardous and nonhazardous special wastes are treated, recycled or disposed at IBM-approved facilities within the country where they are generated, whenever possible. IBM does not export hazardous and nonhazardous special wastes from the United States or any other country where suitable processing facilities are available within the country. If there are no suppliers in a country that meet IBM's environmental and safety requirements for hazardous waste or product processing, the waste generated by IBM's operations is shipped to facilities in other countries where those requirements can be met. This shipping is done in compliance with country laws and regulations, and in accord with international treaties such as the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal.

References:

IBM Environmental Reporting Page(s) 36-37
Additional Comments

IBM sites around the world report environmental incidents and accidental releases to IBM management through the company's Environmental Incident Reporting System (EIRS). Every event meeting IBM's environmental incident reporting criteria, which equals or surpasses legal reporting requirements and include releases to secondary containment, must be reported through EIRS. Each IBM location must have an incident prevention program (including provisions for preventing environmental incidents or their recurrence) and a reporting procedure. Root cause is investigated for all releases and corrective action taken as appropriate.

None of the spills were of a duration or concentration to cause long-term environmental impact.
None of the spill reported for the period 2014 - 2017 were of a significance that required reporting in IBM's Corporate Financial Report.

All detailed information are reported in our latest annual IBM and the Environmental report and in the environmental section of the latest annual Corporate Responsibility Report listed in References below.

References:

IBM Environmental Reporting

Deemed material? No
Transport of Hazardous Waste GRI 306-4

Environmental / Effluents and Waste / Transport of Hazardous Waste GRI 306-4

Total weight of transported hazardous waste.

<table>
<thead>
<tr>
<th>Unit: Metric Tons (MT)</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total weight transported</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hazardous waste transported:</td>
<td>1457.8</td>
<td>1363.71</td>
<td>3458.28</td>
<td>4473.43</td>
</tr>
<tr>
<td>Hazardous waste imported:</td>
<td>0</td>
<td>45.15</td>
<td>48.03</td>
<td>64.85</td>
</tr>
<tr>
<td>Hazardous waste exported:</td>
<td>0.875</td>
<td>45.57</td>
<td>706.41</td>
<td>1117.41</td>
</tr>
<tr>
<td>Hazardous waste treated:</td>
<td>1457.8</td>
<td>1363.71</td>
<td>3458.28</td>
<td>4473.43</td>
</tr>
<tr>
<td>Percentage (%) of hazardous waste transported internationally:</td>
<td>0</td>
<td>3.3</td>
<td>20.4</td>
<td>25.0</td>
</tr>
<tr>
<td>Standards, methodologies, and assumptions used:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Additional Comments

In 2017, worldwide, we registered trans-boundary shipments of product and facility generated hazardous waste as follows:

- Canada (Industry waste: 0.87MT sent to US for recycling and Incineration)

References:

[2017 Annual Environment Report](#) Page(s) See page 37-38

Deemed material? Yes
Water Bodies Affected by Water Discharges and/or Runoff GRI 306-5

Environmental / Effluents and Waste / Water Bodies Affected by Water Discharges and/or Runoff GRI 306-5

Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the organization's discharges of water and runoff.

<table>
<thead>
<tr>
<th>Water body/habitat</th>
<th>Size</th>
<th>Protected Area</th>
<th>Biodiversity Value</th>
</tr>
</thead>
</table>

Reason for Omission:
Not Applicable
Why considered not applicable:
None of the water discharges from IBM locations significantly affect water bodies or related habitats.

Water discharges is identified as a corporate-wide significant environmental aspect of IBM's Worldwide Environmental Management System. While IBM tracks and measures water discharges and implement management programs were applicable, including for those wastewater discharges from IBM locations holding regulatory discharge permits worldwide, IBM does not publicly disclosure water discharge data.

IBM tracks and manages water discharges to maintain compliance with the requirements in site specific regulatory discharge permits and/or IBM's own reporting requirements. IBM’s corporate program establishes treatment requirements applicable to IBM locations where they discharge directly to receiving waters, where it is not feasible to discharge to an offsite private or publicly owned waste water treatment plant. All industrial and sanitary waste water treatment plants located on IBM property and/or operated by IBM and processing industrial or sanitary waste water must adhere to these IBM corporate requirements.

In addition to routine monitoring discussed above, IBM locations report any significant unplanned releases to water to regulatory agency as required. IBM locations also must report unplanned releases meeting IBM’s own incident reporting criteria to management as well as in a corporate database. Any significant unplanned releases to water are publicly disclosed in the annual IBM and the Environment report under “Audits and Compliance”, “Accidental Releases” section at: https://www.ibm.com/ibm/e...

IBM locations that report their waste water discharges into IBM's Environmental Performance Database (EPD) are included under the global EMS and are part of the ISO14001 accreditation, so the management of water discharges are included in the third party auditing process periodically.

Deemed material? Yes
Environmental Compliance

Management Approach: Environmental Compliance GRI 103-1, 103-2, 103-3

Explanation of Environmental Compliance as a material topic and its Boundary, the management approach and its components, and the evaluation of the management approach.

<table>
<thead>
<tr>
<th>Topic: GRI 307 Environmental Compliance</th>
<th>IBM's Worldwide Environmental Management System and compliance strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>103-1: Explanation of the material topic and its Boundary</td>
<td></td>
</tr>
<tr>
<td>Compliance with applicable environmental laws and regulations and IBM environmental requirements is a core element of IBM's worldwide (WW) environmental management system (EMS) as stated in our Corporate Environmental Affairs policy and covered in the IBM global EMS manual. IBM's WW EMS sets out the requirements for identification of environmental aspects for IBM's activities, products and services that it can control, and those that it can influence, and those with significant environmental impacts shall be considered when setting associated objectives, targets and programs. The determination of significant environmental impacts will be based on the consensus of the best judgment of suitably qualified professionals considering:</td>
<td></td>
</tr>
<tr>
<td>1. the environmental impact of the aspect;</td>
<td></td>
</tr>
<tr>
<td>2. legal and/or regulatory requirements, and other requirements to which IBM subscribes related to its environmental aspects;</td>
<td></td>
</tr>
<tr>
<td>3. IBM environmental requirements;</td>
<td></td>
</tr>
<tr>
<td>4. IBM's commitment to be a responsible neighbor; and</td>
<td></td>
</tr>
<tr>
<td>5. Customer views.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>103-2: The management approach and its components</th>
</tr>
</thead>
<tbody>
<tr>
<td>At the corporate level significant environmental aspects have objectives, targets and programs assigned and implemented for protection of the environment and to amongst other things, manage compliance risk from the significant environmental impacts. These environmental and chemical management programs are designed to meet the objectives of the Environmental Policy implicitly linked to environmental compliance including to:</td>
</tr>
<tr>
<td>- Provide a safe and healthful workplace and ensure that personnel are properly trained and have appropriate safety and emergency equipment.</td>
</tr>
<tr>
<td>- Be an environmentally responsible neighbor in the communities where we operate, and act promptly and responsibly to correct incidents or conditions that endanger health, safety, or the environment. Report them to authorities promptly and inform affected parties as appropriate.</td>
</tr>
<tr>
<td>- Conserve natural resources by reusing and recycling materials, purchasing recycled materials, and using recyclable packaging and other materials.</td>
</tr>
<tr>
<td>- Develop, manufacture, and market products that are safe for their intended use, efficient in their use of energy, protective of the environment, and that can be reused, recycled or disposed of safely.</td>
</tr>
<tr>
<td>- Use development and manufacturing processes that do not adversely affect the environment, including developing and improving operations and technologies to minimize waste, prevent air, water, and other pollution, minimize health and safety risks, and dispose of waste safely and responsibly.</td>
</tr>
<tr>
<td>- Ensure the responsible use of energy throughout our business, including conserving energy, improving energy efficiency, and giving preference to renewable over nonrenewable energy sources when feasible.</td>
</tr>
<tr>
<td>- Participate in efforts to improve environmental protection and understanding around the world and share appropriate pollution prevention technology, knowledge and methods.</td>
</tr>
<tr>
<td>- Utilize IBM products, services and expertise around the world to assist in the development of solutions to environmental problems.</td>
</tr>
<tr>
<td>- Meet or exceed all applicable government requirements and voluntary requirements to which IBM subscribes. Set and adhere to stringent requirements of our own no matter where in the world the company does business.</td>
</tr>
<tr>
<td>- Strive to continually improve IBM's environmental management system and performance, and periodically issue progress reports to the general public.</td>
</tr>
<tr>
<td>- Conduct rigorous audits and self-assessments of IBM's compliance with this policy, measure progress of IBM's environmental affairs performance, and report periodically to the Board of Directors.</td>
</tr>
</tbody>
</table>

Further, every employee and every contractor on IBM premises is expected to follow this policy and to report any environmental, health, or safety concern to IBM management. Managers are expected to take prompt action. (See additional information on Environmental Disclosure on Material Aspects in question ID 3085, G4 DMA Env.) Unplanned releases (environmental incidents) are identified as a corporate-wide significant environmental aspect, along with 13 others. An environmental incident prevention and reporting program is maintained to reduce the number of environmental incidents and the severity of any environmental incidents that may occur. The goal is zero incidents. IBM sites around the world report environmental incidents and accidental releases to IBM management through the company’s Environmental Incident Reporting System (EIRS). IBM's environmental incident reporting criteria are equal to or exceed applicable legal reporting requirements and every event meeting IBM's reporting criteria must be reported through EIRS. Each IBM location must have a documented incident prevention program (including provisions for preventing environmental incidents or their recurrence) and reporting procedure.
Maintaining compliance posture is also implicit to all the other identified corporate-wide significant environmental aspects for:

- Energy sourcing, consumption and conservation
- Nonhazardous waste disposal
- Chemical use
- Hazardous waste disposal
- Product environmental stewardship design and compliance
- Procurement of parts, products or services
- Product end-of-life management
- Waste reduction, recycling and/or reuse
- Air emissions
- Water discharges
- Water use and conservation
- Groundwater or soil remediation
- Hazardous materials transportation

On an annual basis a comprehensive self-assessment is completed for IBM locations, country operations and business organizations, such as Product Development, Global Real Estate Operations, Global Asset Recovery Services, Global Logistics, Global Services Environmental Compliance and Supply Chain, to assess IBM's compliance posture globally. Any identified corrective and preventative actions are addressed in a proactive manner, including management oversight to closure. Additionally, and at least once a year, top management will review the compliance controls posture of our operations globally.

Other key management tools are deployed to support compliance to product environmental and chemical management laws worldwide. Some key examples:

1. IBM Systems – Servers and Storage - implements compliance through internal standards, product specifications, and other requirements in IBM's Integrated Product Development process. Product environmental attributes such as energy efficiency, materials content, chemical emissions testing, design for recycling, end-of-life management plans, and packaging data must be documented and reviewed in IBM's Product.

2. IBM expects each first-tier suppliers to deploy a management system, measure performance, set goals and disclose results in a way that reflects their particular intersections with corporate responsibility and the environment. IBM is also requiring its first-tier suppliers to communicate these requirements to their own suppliers who perform work that is material to the products, parts or services supplied to IBM to meet or exceed product environmental compliance obligations. This includes compliance for restriction of hazardous substances, global harmonized systems of classification and labeling of chemicals; energy efficiency; protective packaging; batteries and waste electrical and electronic equipment. Supplier adherence is periodically audited to maintain compliance.

3. As part of IBM global environmental management system, we conduct environmental evaluations of a relevant subset of its suppliers, including all of its hazardous waste services suppliers, certain production-related suppliers and all of the company's product recycling and disposal suppliers.

To address concerns about recycling in the extended supply chain, the company also evaluates certain subcontractors its suppliers may use to handle recycling or disposal operations.

Additional Comments

The environmental performance against these environmental objectives and goals are monitored and measured to assess the effectiveness of the programs and to identify opportunities for continual improvement. The performance, which covers compliance, is reviewed at least annually by top management and periodically communicated and disclosed publicly. These programs are part of IBM's global EMS which has been independently accredited to the ISO 14001:2004 standard since 1997.

1. Further details on IBM's global environmental management system and associated compliance and business controls strategy are available at:


References:

- 2017 Annual Environment Report
- 2017 Corporate Responsibility Report
Non-Compliance with Environmental Laws and Regulations GRI 307-1

Environmental / Environmental Compliance / Non-Compliance with Environmental Laws and Regulations GRI 307-1

Significant fines and non-monetary sanctions for non-compliance with environmental laws and/or regulations.

<table>
<thead>
<tr>
<th></th>
<th>USD</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total monetary value of significant fines</td>
<td></td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>7100</td>
</tr>
<tr>
<td>Number of environmental fines paid by the company</td>
<td></td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>4</td>
</tr>
<tr>
<td>Total number of non-monetary sanctions</td>
<td></td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Cases brought through dispute resolution mechanisms</td>
<td></td>
<td>None.</td>
<td>None.</td>
<td>None.</td>
<td>None.</td>
</tr>
</tbody>
</table>

Data publicly available:
Yes

Link to 5 Years ---- Included in section on Audits and Compliance in the latest annual "IBM and the Environment disclosure: Report" publicly available at: http://www.ibm.com/ibm/en...

Additional Comments

**Accidental releases:** IBM sites around the world report environmental incidents and accidental releases to IBM management through the company’s Environmental Incident Reporting System (EIRS). IBM’s environmental incident reporting criteria are equal to or exceed applicable legal reporting requirements, and every event meeting IBM's reporting criteria must be reported through the EIRS. Each IBM location must have a documented incident prevention program (including provisions for preventing environmental incidents or their recurrence) and reporting procedure. In 2017, eight accidental releases of substances to the environment related to IBM operations were reported through the EIRS – five releases to air, two releases to land and one release to water.

Emissions to air were five releases of refrigerants due to minor leaks in refrigeration systems. Releases to land were one release of chilled water due to a pipe defect and one release of antifreeze. The release to water was steam condensate. The root causes were investigated for all releases and corrective actions were taken as appropriate. None of the releases was of a duration or concentration to cause long-term environmental impact.

**Fines and penalties:**
One significant measure of a company’s proactive approach to pollution prevention and environmental performance is its record of fines and penalties. In 2017, IBM received 73 agency inspections at facilities worldwide with no resulting fines or penalties.

References:

- IBM Environmental Reporting
- IBM's ISO 14001 & ISO 50001 Registrations

Deemed material? Yes
# Supplier Environmental Assessment

## Management Approach: Supplier Environmental Assessment GRI 103-1, 103-2, 103-3

Explanation of Supplier Environmental Assessment as a material topic and its Boundary, the management approach and its components, and the evaluation of the management approach.

<table>
<thead>
<tr>
<th>Topic: GRI 308 Supplier Environmental Assessment</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>103-1: Explanation of the material topic and its Boundary</td>
<td>IBM does business with suppliers that are environmentally and socially responsible, and encourages environmental leadership among them. IBM also routinely responds to requests from our clients and governments for information about the environmental attributes of our products. In many cases, the source for this information is our suppliers.</td>
</tr>
<tr>
<td>103-2: The management approach and its components</td>
<td><strong>The management approach and its components</strong></td>
</tr>
<tr>
<td></td>
<td>The IBM management approach, objectives, and requirements for suppliers and our supplier evaluation program include:</td>
</tr>
<tr>
<td></td>
<td>• Ensuring that IBM does business with environmentally responsible suppliers that are actively managing and reporting on their environmental impact</td>
</tr>
<tr>
<td></td>
<td>• Helping our suppliers build capabilities and expertise in the environmental area</td>
</tr>
<tr>
<td></td>
<td>• Avoiding the transfer of responsibility for environmentally sensitive operations to any company lacking the commitment or capability to manage them properly</td>
</tr>
<tr>
<td></td>
<td>• Reducing our suppliers' environmental and workplace health and safety risk</td>
</tr>
<tr>
<td></td>
<td>• Protecting IBM, to the greatest extent possible, from potential environmental liabilities or adverse publicity</td>
</tr>
<tr>
<td>103-3: Evaluation of the management approach</td>
<td><strong>Evaluation of the management approach</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Supplier social and environmental management system requirements</strong></td>
</tr>
<tr>
<td></td>
<td>Since 2010, IBM has required that all of its first-tier suppliers maintain a management system to address their social and environmental responsibilities. Our objective is to help our suppliers build their own capability to succeed in this area.</td>
</tr>
<tr>
<td></td>
<td><strong>Environmental evaluation of suppliers</strong></td>
</tr>
<tr>
<td></td>
<td>As part of its global environmental management system, IBM conducts a three-stage supplier environmental evaluation for suppliers providing hazardous waste management services or product end-of-life management services, with increasing levels of detail, depending on the risks associated with and the potential environmental impacts from the supplier's operations.</td>
</tr>
</tbody>
</table>

References:

- [2017 IBM Corporate Responsibility Report](#) Page(s) Page 5, 9, 11, 41, 43-52
- [IBM Supply Chain Social & Environmental Mgmt Systems](#)
- [Supplier Conduct Principles & Guidelines](#)
- [2017 Annual Environment Report](#) Page(s) 45-47
New Suppliers that were Screened Using Environmental Criteria GRI 308-1

Percentage of new suppliers that were screened using environmental criteria.

% of new suppliers screened from total of new suppliers: 100

Additional Comments

This is applicable to all suppliers that IBM has commercial relationship with since 2010. These suppliers are required to do the following: Define, deploy, and sustain a management system that addresses corporate responsibility, including supplier conduct and environmental protection; Measure performance and establish voluntary, quantifiable environmental goals; Publicly disclose results associated with these voluntary environmental goals and other environmental aspects of their management systems; Cascade this set of requirements to their supplier's suppliers who perform work that is material to the products, parts and/or services being supplied to IBM. The full set of requirements of doing or continuing to do business with IBM are available using the referenced web link for Env Requirements in the Supply Chain. Additionally, Category II Suppliers (i.e. those with a potential and significant environmental impact associated with an IBM specified activity, including suppliers where IBM specifies raw materials, development and manufacturing process materials, and/or methods which are outside the typical business activities of the supplier), and Category III suppliers (i.e. those that provide Hazardous Waste and Nonhazardous Special Waste management services, or Product End of Life Management services for IBM), or its contracted service providers must have an environmental assessment performed or directed by IBM prior to being contracted.

References:

- Env Requirements in the Supply Chain
- IBM Environmental Management system requirements for supplie...
- IBM Supply chain social responsibility
- IBM's ISO 14001 & ISO 50001 Registrations

Deemed material? Yes
### Negative Environmental Impacts in the Supply Chain and Actions Taken GRI 308-2

#### Environmental / Supplier Environmental Assessment / Negative Environmental Impacts in the Supply Chain and Actions Taken GRI 308-2

Number of suppliers assessed for environmental impacts and the number identified as having significant actual and potential negative environmental impacts.

<table>
<thead>
<tr>
<th>Description</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of suppliers subject to environmental impact assessments:</td>
<td>103</td>
</tr>
<tr>
<td>Number of suppliers identified as having significant actual and potential negative environmental impacts:</td>
<td>0</td>
</tr>
<tr>
<td>Significant actual and potential negative environmental impacts identified in the supply chain:</td>
<td>As per IBM EMS, All category II and Category III suppliers must have an environmental assessment done or mandated by IBM prior to contracting. IBM does not contract with suppliers having significant negative impact to IBM. A negative environmental assessment refrains IBM from contracting with those suppliers. Category II Suppliers include suppliers at whose location(s) one or more of the following occurs: 1. Any services for which IBM specifies, provides or consigns chemicals or chemical using equipment. 2. Any operations for which IBM specifies methods that are outside the supplier’s typical business activities and, as a result, the supplier alters its normal environmental related activities (such as changing environmental controls or permits). 3. Storing and/or repackaging IBM owned chemicals. 4. Cleaning, decontaminating and/or recycling IBM owned chemical or waste containers. 5. Repairing manufacturing or process equipment, or repairing or Refurbishing parts and / or components for use in IBM's service operations. 6. Remanufacturing or Refurbishing EOL products on behalf of IBM where Hazardous Wastes generated by the processes are sent to IBM approved Category III Suppliers. 7. Destruction of data contained in electronic storage media (e.g., tapes, disks, or other media, including USB flash and hard disk drives) by manual or mechanical means such as shredding, or electro-magnetic wiping (degasssing) or combinations thereof. Category III Suppliers include:  - suppliers providing Hazardous Waste and Nonhazardous Special Waste management services,  - suppliers providing product end-of-life management services  - EPR solutions used by IBM when IBM has been the producer of covered products and must take them back from clients for disposition. EPR solutions may be:  - Collective (when IBM joins a collective system or program established by multiple manufacturers to fulfill their responsibilities), or  - Individual (when IBM establishes an individual take back and recovery solution. IBM may use a PELM supplier’s facility  - EPR solutions used by IBM when IBM has been the end user of products manufactured by others and which IBM is sending back for recycling and/or disposal. EPR solutions may be collective or individual.</td>
</tr>
<tr>
<td>Percentage of suppliers identified as having significant actual and potential negative environmental impacts with which improvements were agreed upon as a result of assessment:</td>
<td>0</td>
</tr>
<tr>
<td>Percentage of suppliers identified as having significant actual and potential negative environmental impacts with which relationships were terminated as a result of assessment:</td>
<td>0</td>
</tr>
<tr>
<td>Reason(s) for negative environmental impact terminations:</td>
<td>Significant negative environmental impacts of any kind means not contracting or termination of contracts.</td>
</tr>
</tbody>
</table>
**Social**

**Employment**

**Management Approach: Employment GRI 103-1, 103-2, 103-3**

Explanation of Employment as a material topic and its Boundary, the management approach and its components, and the evaluation of the management approach.

<table>
<thead>
<tr>
<th>Topic: GRI 401 Employment</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>103-1: Explanation of the material topic and its Boundary</td>
<td>Please see the IBMer section of the 2017 Corporate Responsibility Report and IBM's Global Employment Standards.</td>
</tr>
<tr>
<td>103-2: The management approach and its components</td>
<td>Please see the IBMer section of the 2017 Corporate Responsibility Report and IBM's Global Employment Standards.</td>
</tr>
<tr>
<td>103-3: Evaluation of the management approach</td>
<td>Please see the IBMer section of the 2017 Corporate Responsibility Report and IBM's Global Employment Standards.</td>
</tr>
</tbody>
</table>

Additional Comments

To thrive in an ever-changing world, we must continue to reinvent how we work and inspire IBMers in their careers. We provide personalized guidance and resources—augmented by AI and supported by digital, social and mobile technology—so that IBMers around the world can enjoy satisfying careers, increase their expertise, learn from others and engage in their professional development. Our investment in skills, combined with our use of design thinking and agile practices as standards of working, have created a workplace uniquely capable of delivering better solutions in less time. Learn more about IBM's employment approach in our 2017 Corporate Responsibility report.

References:

- [2017 Corporate Responsibility Report](#)
- [Global Employment Standards](#)
New Employee Hires and Employee Turnover GRI 401-1

Social / Employment / New Employee Hires and Employee Turnover GRI 401-1

Total number and rates of new employee hires and employee turnover by age group, gender, and region.

<table>
<thead>
<tr>
<th>Area of Operations</th>
<th>Employee Category</th>
<th>2017 Total Number</th>
<th>2016 Rate</th>
<th>2015 Total Number</th>
<th>2014 Rate</th>
<th>2014 Total Number</th>
<th>2014 Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Employee Hires</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Age Group</td>
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<tr>
<td>Employee Turnover</td>
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</tbody>
</table>

Public Disclosure
No, we do not publicly disclose our employee turnover rates

Reason for Omission:
Confidentiality constraints
Specific confidentiality constraints:
IBM Corporate decision

Additional Comments
We consider this information to be proprietary and therefore do not publicly disclose it.
Benefits Provided to Full-Time Employees that are Not Provided to Temporary or Part-Time Employees GRI 401-2

Benefits which are standard for full-time employees of the organization but are not provided to temporary or part-time employees, by significant locations of operation.

Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operations:

- Life insurance
- Accident insurance
- Adoption or fertility assistance programs
- Disability/invalidity insurance
- Mortgages and loans
- Pension plans/retirement provision
- Maternity and/or paternity leave
- Child care
- Job security initiatives for redeployment, including retraining, relocation, work-sharing and outplacement services
- Flexible workschemes and work-sharing
- Recall rights for laid-off employees
- Stock ownership
- Vacation
- Paid sick days
- PTO (including any of the following: unspecified, vacation and/or sick days)
- Insurance: Healthcare Employee
- Insurance: Healthcare Family
- Insurance: Healthcare Domestic Partner
- Insurance: Dental
- Insurance: Vision
- Insurance: AD&D
- Insurance: Short Term Disability
- Insurance: Long Term Disability
- Employee Assistance Program
- Education Benefits: Employee
- Education Benefits: Family
- Sabbatical Program
- Relocation Assistance
- Work/Life Support Program
- Wellness/Fitness Program
- Onsite Fitness Facilities
- Onsite Recreation Facilities
- Stock Options
- Stock Purchase Plan
- Employee Profit Sharing
- Retirement: Defined Benefit Plan (including pension plans)
- Childcare: Other
- Bereavement Leave
- Tuition reimbursement (other than career training)
- Gym facilities or gym fee reimbursement programs
- Higher education scholarship programs, for either employees or their relatives
Preventative healthcare programs
Flex scheduling
Telecommuting options
Public transportation subsidy
Carpooling support programs
Employee recognition programs
Paid time off for employee volunteers
Workforce training, skills, and leadership development programs
Matching gift program
Mentoring Program
Others
No additional benefits offered

We publicly disclose one or more of the benefits we offer employees (This does not count disclosure found in the company's required filing with the SEC).

Additional Comments
IBM is a global company with various employment categories globally to meet the needs of the business while complying with local practices and legal requirements. IBM offers a competitive wage and benefits package to employees in each country. In general part-time employee's benefits are the same as full-time employee's benefits except they may cost more, due to a lower subsidy level or are prorated based on hours worked and years of service. In addition, there is an employee supplemental category that could or could not receive the same benefits as the regular full-time or part-time employees, depending on local practices and regulations.

Deemed material? No
### Parental Leave GRI 401-3

Social / Employment / Parental Leave GRI 401-3

Number and retention rates of employees entitled to, that took, and that returned to work from parental leave.

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of female employees by gender that were entitled to parental leave:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of male employees by gender that were entitled to parental leave:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of female employees by gender that took parental leave:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of male employees by gender that took parental leave:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of female employees who returned to work after parental leave ended:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of male employees who returned to work after parental leave ended:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of female employees who returned to work after parental leave ended who were still employed twelve months after their return to work:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of male employees who returned to work after parental leave ended who were still employed twelve months after their return to work:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Return to work and retention rates of female employees who returned to work after leave:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Return to work and retention rates of male employees who returned to work after leave:</td>
<td></td>
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</tbody>
</table>

**Reason for Omission:**
Not Applicable

Why considered not applicable:
IBM does not disclose information with this level of detail

**Additional Comments**
IBM does not disclose this level of information.
**Labor/Management Relations**

**Management Approach: Labor/Management Relations GRI 103-1, 103-2, 103-3**

Social / Labor/Management Relations / Management Approach: Labor/Management Relations GRI 103-1, 103-2, 103-3

Explanation of Labor/Management Relations as a material topic and its Boundary, the management approach and its components, and the evaluation of the management approach.

<table>
<thead>
<tr>
<th>Topic: GRI 402 Labor Management Relations</th>
</tr>
</thead>
<tbody>
<tr>
<td>103-1: Explanation of the material topic and its Boundary</td>
</tr>
<tr>
<td>103-2: The management approach and its components</td>
</tr>
<tr>
<td>103-3: Evaluation of the management approach</td>
</tr>
</tbody>
</table>

**Additional Comments**

IBM will respect the legal rights of its employees to join or to refrain from joining worker organizations, including labor organizations or trade unions. IBM complies with applicable local laws worldwide regarding employee and third-party involvement, and will not discriminate based on an employee’s decision to join or not join a labor organization. IBM respects the rights of employees to organize, and makes managers at all levels aware of those rights. The Company’s long-standing belief is that the interests of IBM and its employees are best served through a favorable, collaborative work environment with direct communication between employees and management. IBM endeavors to establish such favorable employment conditions, to promote positive relationships between employees and managers, to facilitate employee communications, and to support employee development.

**References:**

- [Global Employment Standards](#)
Minimum Notice Periods Regarding Operational Changes GRI 402-1

Social / Labor/Management Relations / Minimum Notice Periods Regarding Operational Changes GRI 402-1

Minimum number of weeks’ notice typically provided to employees and their representatives prior to the implementation of significant operational changes that could substantially affect them.

<table>
<thead>
<tr>
<th>Minimum number of weeks notice typically provided to employees and their elected representatives prior to the implementation of significant operational charges that could substantially affect them:</th>
</tr>
</thead>
</table>

Additional Comments

The length of the notice period and provisions for consultation and negotiation are dependent on the type of change being made and legal requirements (including those contained in industry and/or economy-wide collective bargaining agreements), if applicable, in the countries in question. It is not uncommon for legal provisions to only indicate general guidelines or different notice periods for different types of changes/measures. In all instances IBM is committed to providing appropriate notice and to following the legal, industrial relations and consultation requirements, if any, within the countries implementing a change.

Deemed material? No
Management Approach: Occupational Health and Safety GRI 103-1, 103-2, 103-3

Social / Occupational Health and Safety / Management Approach: Occupational Health and Safety GRI 103-1, 103-2, 103-3

Explanation of Occupational Health and Safety as a material topic and its Boundary, the management approach and its components, and the evaluation of the management approach.

<table>
<thead>
<tr>
<th>Topic: GRI 403 Occupational Health and Safety</th>
</tr>
</thead>
<tbody>
<tr>
<td>103-1: Explanation of the material topic and its Boundary</td>
</tr>
<tr>
<td>IBM has had long-standing corporate policies of providing a safe and healthful workplace, protecting the environment, and conserving energy and natural resources. In fact the subject of two of IBM's ten corporate policies is employee well-being and the environment. These policies are tone-setting company-wide documents that govern actions within IBM and relations with outsiders. They reflect the company's chosen value system within which decisions are made. They express the things that are fundamental and most important and therefore most enduring. IBM's leadership in employee well-being is based on the company's senior management beliefs that employee well-being is a core value that determines business success. This position is clearly reflected in Corporate Policy 127. The health and well-being of IBM employees is a fundamental line management and employee responsibility. This responsibility includes complying with IBM and regulatory requirements and identifying, assessing and controlling well-being risks. Our support for healthy work environments and improved health through prevention is vital to our innovation and productivity. IBM intends to be recognized for a work environment that promotes employee well-being and strives for continuous improvement. This Instruction is based on the foundation set by Corporate Policy 127 and provides additional worldwide direction for IBM's Well-Being Management System and supporting requirements and programs.</td>
</tr>
<tr>
<td>103-2: The management approach and its components</td>
</tr>
<tr>
<td>IBM has had long-standing corporate policies of providing a safe and healthful workplace, protecting the environment, and conserving energy and natural resources. In fact the subject of two of IBM's ten corporate policies is employee well-being and the environment. These policies are tone-setting company-wide documents that govern actions within IBM and relations with outsiders. They reflect the company's chosen value system within which decisions are made. They express the things that are fundamental and most important and therefore most enduring. IBM's leadership in employee well-being is based on the company's senior management beliefs that employee well-being is a core value that determines business success. This position is clearly reflected in Corporate Policy 127. Simply stated, the goal is continual improvement. IBM's Well-Being Management Systems (WBMS), a globally certified OHSAS 18001 system, facilitates compliance and promotes continual improvement through the WBMS planning process. Objectives and targets (goals) are developed which provide the best opportunities for improving well-being programs and services. This process considers hazards and well-being aspects, legal, regulatory and internal requirements, effectiveness of current operational controls, financial, operational and business considerations, available technology and concerns and views of interested parties. The process also considers business unit strategies and global WBMS objectives and targets. Objectives and targets are recorded in a common, global database where solutions and best practices are available to share lessons learned. Improvement plans provide the details how objectives and targets are met. Plans are approved by management and tracked. Employees must at all times comply with IBM's business conduct and related guidelines. Violation of any IBM guideline is cause for discipline, including dismissal from the company. Employees are encouraged consult their management immediately if they have any question whether their actions could violate an IBM policy.</td>
</tr>
<tr>
<td>103-3: Evaluation of the management approach</td>
</tr>
<tr>
<td>IBM evaluates the management approach through IBM's Well-being Management System, which has attained worldwide certification to the leading international occupational health and safety management systems standard, OHSAS 18001. IBM's Well-being Management System follows the Plan-Do-Check-Act principles used by most management system standards. IBM maintains a full set of internal practices and local requirements to manage hazards associated with its work environment. It tracks performance, operational control and compliance against these requirements through a variety of monitoring and measurement processes. Monitoring activities include hazard assessments, evaluations, line and professional self-assessments, peer reviews, third-party validation testing and internal audits. Control postures are assessed and reports generated that include key measurements, process owners, control points, validation testing, and action plans for any corrective actions needed. Employee participation is a key element in helping with self-assessments, identifying hazards and implementing corrective actions. IBM's Well-Being Management Systems (WBMS), a globally certified OHSAS 18001 system, facilitates compliance and promotes continual improvement through the WBMS planning process. Objectives and targets (goals) are developed which provide the best opportunities for improving well-being programs and services. This process considers hazards and well-being aspects, legal, regulatory and internal requirements, effectiveness of current operational controls, financial, operational and business considerations, available technology and concerns and views of interested parties. The process also considers business unit strategies and global WBMS objectives and targets. Objectives and targets are recorded in a common, global database where solutions and best practices are available to share lessons learned. Improvement plans provide the details how objectives and targets are met. Plans are approved by management and tracked.</td>
</tr>
</tbody>
</table>

References:

[IBM OHSAS 18001 Global Certification](#)
Corporate Policy - Employee Well Being
Workers Representation in Formal Joint Management–Worker Health and Safety Committees GRI 403-1

Social / Occupational Health and Safety / Workers Representation in Formal Joint Management–Worker Health and Safety Committees GRI 403-1

Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.

<table>
<thead>
<tr>
<th>Percentage of the total workforce represented in formal joint management-worker health and safety committees:</th>
<th>Over 75%</th>
<th>Between 50% and 75%</th>
<th>Between 25% and 50%</th>
<th>Up to 25%</th>
<th>None</th>
</tr>
</thead>
</table>

Explanation of the level(s) at which each formal joint management-worker health and safety committee typically operates within the organization:

Safety Committees are active where required and are managed by the specific country or geography. For example, the US has Safety Committees in Connecticut, Minnesota, Nebraska, Nevada, New Hampshire, Oregon, and Washington State.

References:

IBM Safety Committees

Deemed material? Yes
Types of Injury and Rates of Injury, Occupational Diseases, Lost Days, and Absenteeism, and Number of Work-Related Fatalities GRI 403-2

Social / Occupational Health and Safety / Types of Injury and Rates of Injury, Occupational Diseases, Lost Days, and Absenteeism, and Number of Work-Related Fatalities GRI 403-2

Types of injury, injury rate (IR), occupational disease rate (ODR), lost day rate (LDR), absentee rate (AR), and work-related fatalities, for all employees and other non-employee workers whose work, or workplace, is controlled by the organization.

<table>
<thead>
<tr>
<th>Employees</th>
<th>Incident Category</th>
<th>Employee Category</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Area of Operations</td>
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<tr>
<td>Region: Please specify: United States</td>
<td>Injury Rate (IR)</td>
<td>Total Workforce</td>
<td>0.14</td>
<td>0.2</td>
<td>0.25</td>
<td>0.28</td>
</tr>
<tr>
<td>Global</td>
<td>Injury Rate (IR)</td>
<td>Total Workforce</td>
<td>0.25</td>
<td>0.30</td>
<td>0.33</td>
<td>0.42</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Contractors</th>
<th>Incident Category</th>
<th>Employee Category</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Area of Operations</td>
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</tbody>
</table>

Details on the type(s) of injuries, and if minor injuries are included, in the injury and fatality data for both employees and contractors:
- Ergonomic, Slip, Trip, Fall, Vehicle Accidents

System of rules applied in recording and reporting accident statistics:
- Follow OSHA record keeping requirements

Reason for Omission:
Confidentiality constraints
Specific confidentiality constraints:
Total number of employees and hours worked is IBM Confidential.

References:
- [IBM Global Accident Rates and Prevention](#)
- [IBM's 2017 Corporate Responsibility Report](#)

Deemed material? Yes

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Generated from OneReport 155/203 International Business Machines
Workers with High Incidence or High Risk of Diseases Related to their Occupation GRI 403-3

Social / Occupational Health and Safety / Workers with High Incidence or High Risk of Diseases Related to their Occupation GRI 403-3

Workers with high incidence or high risk of diseases related to their occupation.

No, there are no workers who are involved in occupational activities who have a high incidence or high risk of specific diseases.

Additional Comments
N/A

Deemed material? No
Social / Occupational Health and Safety / Health and Safety Topics Covered in Formal Agreements with Trade Unions GRI 403-4

Whether formal agreements (either local or global) with trade unions cover health and safety.

Local and/or global formal agreements with trade unions cover health and safety:

| Extent (as a percentage) to which various health and safety topics are covered by these agreements: | H&S is covered in formal agreements with trade unions, works councils or health & safety committees made up of elected employee representatives in many countries. IBM does not track the precise extent to which these are covered. |

**Reason for Omission:**
Unavailable

Steps being taken to obtain data and expected time frame for doing so:

**Additional Comments**

IBM’s Well-Being Management System (WBMS) is the foundational architecture that provides our coordinated and consistent delivery of health and safety objectives across all geographies and time zones. First implemented in 1999, WBMS is framed around IBM's corporate policy of responsibility for employee well-being and product safety. This cornerstone of IBM’s WBMS follows the “plan-do-check-act” principles that are common in International Organization for Standardization (ISO) consensus standards. System components include proactive planning, execution excellence, measurement and continuous improvement in areas of employee health and well-being. Each year we engage in strategic planning to consider new WBMS global objectives that align with evolving business priorities. These objectives are translated into relevant initiatives with the flexibility to accommodate unique well-being and safety requirements at a local level.

Deemed material? No
Training and Education

Management Approach: Training and Education GRI 103-1, 103-2, 103-3

Social / Training and Education / Management Approach: Training and Education GRI 103-1, 103-2, 103-3

Explanation of Training and Education as a material topic and its Boundary, the management approach and its components, and the evaluation of the management approach.

<table>
<thead>
<tr>
<th>Topic: GRI 404 Training and Education</th>
<th></th>
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</thead>
<tbody>
<tr>
<td>103-1: Explanation of the material topic and its Boundary</td>
<td>Please refer to the IBMer section of the 2017 Corporate Responsibility Report.</td>
</tr>
<tr>
<td>103-2: The management approach and its components</td>
<td>Please refer to the IBMer section of the 2017 Corporate Responsibility Report.</td>
</tr>
<tr>
<td>103-3: Evaluation of the management approach</td>
<td>Please refer to the IBMer section of the 2017 Corporate Responsibility Report.</td>
</tr>
</tbody>
</table>

Additional Comments

At the core of IBM's learning culture is a focus on client success, industry expertise, innovation and trust. The mechanism for evaluating the effectiveness of our management approach is business value and employee engagement. Through our Digital Learning Strategy, we support all IBMers to develop the skills that are most in demand in the marketplace, giving our employees — and IBM — a competitive advantage. Our Digital Learning platform provides an iconic learning "as a service" experience that supports immediate performance needs, intermediate skills and capability enhancements and builds a life-long culture of learning. Our learning investments are supported by a methodology designed to move people along a development continuum, so that as demand declines for certain skills, we focus and invest in the skills IBMers will need now and in the future.

References:

2017 Corporate Responsibility Report
# Average Hours of Training Per Year Per Employee GRI 404-1

Social / Training and Education / Average Hours of Training Per Year Per Employee GRI 404-1

Average hours of training that the organization’s employees have undertaken during the reporting period.

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<tr>
<td>Overall Average:</td>
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</table>

### Additional Comments

IBM does not track employee learning hours by gender and category.

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Deemed material? Yes
We support our employees and the business in building and modernize the critical skills of our organization, continuously innovate, work in new ways and adapt a growth mindset. Our focus is on building and creating learning solutions which are delivered through a cognitive and cloud-based digital learning platform that brings a personalized, real-time and irresistible learning experience to the learner. We design for their needs and wants – and we measure the impact through NPS by using Watson Analytics to analyze the emotional sentiment and predict digital learning preferences. These practices enable IBMers to provide value to our customers and support our strategic imperatives of Cognitive, Cloud, and Agile. Our Digital Learning Strategy strives for every user’s experience to be delightful and productive to create inspiring developmental experiences that energize and enable IBMers to unleash their talent and achieve their full potential, live the IBM values, and create unique client experiences. The cloud and cognitive based Digital Learning platform provides each IBMer with learning solutions for immediate performance needs, intermediate skills and capability enhancement and creates a life-long culture of learning.

References:

Reinventing Digital Learning with a Digital Marketplace

Deemed material? Yes
### Percentage of Employees Receiving Regular Performance and Career Development Reviews GRI 404-3

Percentage of employees receiving regular performance and career development reviews, by gender and by employee category.

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<td>Total workforce</td>
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</table>

**Additional Comments**

All IBM employees are assessed on their performance annually and employees are offered an Individual Development plan annually.
Diversity and Equal Opportunity

Management Approach: Diversity and Equal Opportunity GRI 103-1, 103-2, 103-3

Social / Diversity and Equal Opportunity / Management Approach: Diversity and Equal Opportunity GRI 103-1, 103-2, 103-3

Explanation of Diversity and Equal Opportunity as a material topic and its Boundary, the management approach and its components, and the evaluation of the management approach.

<table>
<thead>
<tr>
<th>Topic: GRI 405 Diversity and Equal Opportunity</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>103-1: Explanation of the material topic and its Boundary</td>
<td>Please see Corporate Policy 117- Workforce Diversity</td>
</tr>
<tr>
<td>103-2: The management approach and its components</td>
<td>Please see Corporate Policy 117- Workforce Diversity</td>
</tr>
<tr>
<td>103-3: Evaluation of the management approach</td>
<td>Please see Corporate Policy 117- Workforce Diversity</td>
</tr>
</tbody>
</table>

Additional Comments
IBM's business activities and benefit plans comply with all applicable laws, including those addressing equal opportunity. Activities such as hiring, promotion and compensation of employees, are conducted without regard to race, color, religion, sex, gender, gender identity or expression, sexual orientation, national origin, genetics, disability, or age. IBM makes reasonable accommodations available where the Company believes they are appropriate to enable employees with disabilities and others to effectively perform their jobs. IBM fosters a working environment that is free of all forms of harassment out of respect for our employees and all those with whom we do business.

References:

*Corporate Policy 117-Workforce Diversity*
Diversity of Governance Bodies and Employees GRI 405-1

Composition of governance bodies and breakdown of employees per employee category according to gender, age group, and other indicators of diversity.

<table>
<thead>
<tr>
<th></th>
<th>Male</th>
<th></th>
<th>Female</th>
<th></th>
<th>Minority or Vulnerable Group</th>
<th></th>
<th>Age groups</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>%</td>
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<tr>
<td>Number</td>
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<td>Number</td>
<td>%</td>
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<tr>
<td>% 30-50 yrs old</td>
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<td>% &gt;50 yrs old</td>
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</tbody>
</table>

Governance body (e.g., board) members

<table>
<thead>
<tr>
<th></th>
<th>Male</th>
<th></th>
<th>Female</th>
<th></th>
<th>Minority Groups</th>
<th></th>
<th>Age groups</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>%</td>
<td></td>
<td></td>
<td></td>
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<td></td>
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</tr>
<tr>
<td>employees by job category (per company breakout)</td>
<td>Global number</td>
<td>% in home country</td>
<td>Global %</td>
<td>Global number</td>
<td>% in home country</td>
<td>Global %</td>
<td>Global number</td>
<td>% in home country</td>
</tr>
<tr>
<td>Total (sum of all must match LA1)</td>
<td></td>
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</tbody>
</table>

Managers

Employee Average Age:

Data publicly available:

Reason for Omission:
Confidentiality constraints
Specific confidentiality constraints:

Additional Comments

IBM does not collect the data being requested in this question.

Deemed material? Yes
Ratio of Basic Salary and Remuneration of Women to Men GRI 405-2

Social / Diversity and Equal Opportunity / Ratio of Basic Salary and Remuneration of Women to Men GRI 405-2

Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.

<table>
<thead>
<tr>
<th>Employee Category / Location</th>
<th>2017 Ratio</th>
<th>2016 Ratio</th>
<th>2015 Ratio</th>
<th>2014 Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Home Country:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Worldwide:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Organization breaks out gender pay gap:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Definition of “significant location”:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Reason for Omission:
Unavailable
Steps being taken to obtain data and expected time frame for doing so:

Additional Comments

IBM does not collect the data being requested in this question.
However, business activities such as hiring, training, compensation, promotions, are conducted without discrimination.
For more details about IBM practices in terms of Employee Inclusion, please read our Responsibility Report at http://www.ibm.com/ibm/re... (page #37)

Deemed material? No
Non-Discrimination

Management Approach: Non-discrimination GRI 103-1, 103-2, 103-3

Social / Non-Discrimination / Management Approach: Non-discrimination GRI 103-1, 103-2, 103-3

Explanation of Non-discrimination as a material topic and its Boundary, the management approach and its components, and the evaluation of the management approach.

<table>
<thead>
<tr>
<th>Topic: GRI 406 Non-Discrimination</th>
</tr>
</thead>
<tbody>
<tr>
<td>103-1: Explanation of the material topic and its Boundary</td>
</tr>
<tr>
<td>The employees of IBM represent a talented and diverse workforce. Achieving the full potential of this diversity is a business priority that is fundamental to our competitive success. A key element in our workforce diversity programs is IBM's long-standing commitment to equal opportunity. Business activities such as hiring, promotion, and compensation of employees, are conducted without regard to race, color, religion, gender, gender identity or expression, sexual orientation, national origin, genetics, disability, or age. These business activities and the design and administration of IBM benefit plans comply with all applicable laws, including those dealing with equal opportunity. For qualified people with disabilities, IBM makes workplace accommodations that comply with applicable laws, and which IBM determines are reasonable and needed for effective job performance. In respecting and valuing the diversity among our employees, and all those with whom we do business, managers are expected to ensure a working environment that is free of all forms of harassment. This policy is based on sound business judgment and anchored in our IBM Values. Every manager in IBM is expected to abide by our policy and all applicable laws on this subject and to uphold IBM’s commitment to workforce diversity.</td>
</tr>
<tr>
<td>103-2: The management approach and its components</td>
</tr>
<tr>
<td>Please see IBM’s Diversity &amp; Inclusion Brochure</td>
</tr>
<tr>
<td>103-3: Evaluation of the management approach</td>
</tr>
<tr>
<td>Please see IBM’s Diversity &amp; Inclusion Brochure D</td>
</tr>
</tbody>
</table>

Additional Comments

2017 Awards:
Human Rights Campaign Foundation—Best Places to Work for LGBT Equality (15th consecutive year)
Mogul—Top 100 Innovators in Diversity & Inclusion in 2017
NatWest British LGBT Awards—Top 10 Employer
U.S. Business Leadership Network—Employer of the Year for People with Disabilities
Working Mother—Best Companies for Multicultural Women
Working Mother—100 Best Companies
Working Mother India—Top 10 Employers
Workplace Pride Foundation—World’s Most LGBT-Inclusive Company

References:

- [2017 Corporate Responsibility Report](#)
- [Global Employment Standards](#)
- [IBM Diversity & Inclusion Brochure](#)
### Incidents of Discrimination and Corrective Actions Taken GRI 406-1

**Social / Non-Discrimination / Incidents of Discrimination and Corrective Actions Taken GRI 406-1**

Total number of incidents of discrimination and corrective actions taken.

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total number of incidents of discrimination</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Incidents (reporting year only)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Status of incident</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>□ Reviewed</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>□ Remediation plan being implemented</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>□ Remediation plan implemented, results reviewed through routine internal management review process</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>□ Incident no longer subject to attention</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Corrective actions taken</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>□ Reviewed</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>□ Remediation plan being implemented</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>□ Remediation plan implemented, results reviewed through routine internal management review process</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>□ Incident no longer subject to attention</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Reason for Omission:**
Not Applicable
Why considered not applicable:

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**Additional Comments**

IBM considers this information to be proprietary and therefore, does not publicly disclose it. However, IBM has a global non-discrimination policy which states that we will not discriminate in hiring, promotion, compensation of employees and employment practices on grounds of race, color, religion, age, nationality, social or ethnic origin, sexual orientation, gender, gender identity or
expression, marital status, pregnancy, political affiliation or disability. IBM works to create a work environment free of discrimination or harassment based on race, color, religion, gender, gender identity or expression, sexual orientation, national origin, disability or age.

Deemed material? Yes
Freedom of Association and Collective Bargaining

Management Approach: Freedom of Association and Collective Bargaining GRI 103-1, 103-2, 103-3

Explanation of Freedom of Association and Collective Bargaining as a material topic and its Boundary, the management approach and its components, and the evaluation of the management approach.

<table>
<thead>
<tr>
<th>Topic: GRI 407 Freedom of Association and Collective Bargaining</th>
</tr>
</thead>
<tbody>
<tr>
<td>103-1: Explanation of the material topic and its Boundary</td>
</tr>
<tr>
<td>103-2: The management approach and its components</td>
</tr>
<tr>
<td>103-3: Evaluation of the management approach</td>
</tr>
</tbody>
</table>

Additional Comments

IBM will respect the legal rights of its employees to join or to refrain from joining worker organizations, including labor organizations or trade unions. IBM complies with applicable local laws worldwide regarding employee and third-party involvement, and will not discriminate based on an employee's decision to join or not join a labor organization. IBM respects the rights of employees to organize, and makes managers at all levels aware of those rights. Please see our policies at https://www.ibm.com/ibm/r...
Operations and Suppliers in which the Right To Freedom of Association and Collective Bargaining May Be At Risk GRI 407-1

Social / Freedom of Association and Collective Bargaining / Operations and Suppliers in which the Right To Freedom of Association and Collective Bargaining May Be At Risk GRI 407-1

Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk.

None. IBM will respect the legal rights of its employees to join or to refrain from joining worker organizations, including labor organizations or trades unions. IBM complies with legal requirements worldwide regarding employee and third-party involvement. IBM respects the rights of employees to organize, and makes managers at all levels aware of those rights. The company's long-standing belief is that the interests of IBM and its employees are best served through a favorable, collaborative work environment with direct communication between employees and management. IBM endeavors to establish such favorable employment conditions, to promote positive relationships between employees and managers, to facilitate employee communications, and to support employee development.

References:

Global Employment Standards

Deemed material? No
Child Labor

Management Approach: Child Labor GRI 103-1, 103-2, 103-3

Social / Child Labor / Management Approach: Child Labor GRI 103-1, 103-2, 103-3

Explanation of Child Labor as a material topic and its Boundary, the management approach and its components, and the evaluation of the management approach.

<table>
<thead>
<tr>
<th>Topic: GRI 408 Child Labor</th>
</tr>
</thead>
<tbody>
<tr>
<td>103-1: Explanation of the material topic and its Boundary</td>
</tr>
<tr>
<td>103-2: The management approach and its components</td>
</tr>
<tr>
<td>103-3: Evaluation of the management approach</td>
</tr>
</tbody>
</table>

Additional Comments

Child labor is the subject of one of IBM’s Global Employment Standards according to which IBM will not use child labor. The term “child” refers to any employed person under the age of 16, or under the age for completing compulsory education, or under the minimum age for employment in the country, whichever is greatest. We support the use of legitimate workplace apprenticeship, internship and other similar programs which comply with all laws and regulations applicable to such programs. Employees under the age of 18 shall not perform work that is likely to jeopardize the health or safety of young workers. In the unlikely event an instance of child labor is discovered, the matter will be referred to the VP, Global Recruitment and the VP, Employee and Labor Relations for immediate corrective action.

The Global Employment Standards are part of the formal corporate policies issued by the IBM chief executive officer (or the senior officer she directs) and govern company wide actions within IBM and actions with all third parties. Our corporate policies reflect IBM’s values and the resulting management system within which our decisions are made. Their intent is to express clear direction on the things that are fundamental, basic, most important and therefore most enduring in our business. We spend considerable resources to ensure compliance with corporate standards, guidelines and instructions.

Please see our policies at [https://www.ibm.com/ibm/r...](https://www.ibm.com/ibm/r...)

Generated from OneReport 170/203 International Business Machines
Operations and Suppliers at Significant Risk for Incidents of Child Labor GRI 408-1

Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor.

None. In the "Young Workers" section of our Global Employment Standards, it is clearly stated that IBM will not use child labor. The term "child" refers to any employed person under the age of 16, or under the age for completing compulsory education, or under the minimum age for employment in the country, whichever is greatest. We support the use of legitimate workplace learning, internship, and other similar programs which comply with all laws and regulations applicable to such programs. Employees under the age of 18 (Young Workers) shall not perform work that is likely to jeopardize their health or safety including night shift and overtime. IBM shall ensure proper management of student workers through proper maintenance of student records, rigorous due diligence of educational partners, and protection of students' rights in accordance with applicable law and regulations, and will provide appropriate support and training to all student workers. In the absence of local law, the wage rate for student workers, interns, and apprentices shall be at least the same wage rate as other entry level workers performing equal or similar tasks. In the unlikely event an instance of child labor is discovered, the matter will be referred to the VP, Global Recruitment and the VP, Employee and Labor Relations for immediate corrective action.

IBM uses the Electronic Industry Citizenship Coalition (EICC) Code of Conduct as the single code with our supply base. The EICC Code establishes for our suppliers the minimum social responsibility standards we expect from them as a condition of doing business with IBM. Our goal is to work with our suppliers – including by providing training, to foster full compliance as they, in turn, apply these standards to their extended sources of supply engaged in the production of goods and services for IBM. We consider these standards and adherence to them in our selection process and seek ongoing compliance by actively monitoring performance, including through supplier compliance audits. IBM reserves the right to take action with suppliers that do not comply with the EICC Code and may consider measures such as reducing or ending business in accordance with contract terms.

References:

Global Employment Standards

Deemed material? No
Forced or Compulsory Labor

Management Approach: Forced or Compulsory Labor GRI 103-1, 103-2, 103-3

Social / Forced or Compulsory Labor / Management Approach: Forced or Compulsory Labor GRI 103-1, 103-2, 103-3

Explanation of Forced or Compulsory Labor as a material topic and its Boundary, the management approach and its components, and the evaluation of the management approach.

Freely Chosen Employment is the subject of one of our Global Employment Standards which state that forced, bonded (including debt bondage) or indentured labor; involuntary prison labor; slavery or trafficking of persons shall not be used. This includes transporting, harboring, recruiting, transferring, or receiving vulnerable persons by means of threat, force, coercion, abduction or fraud for the purpose of exploitation. Employment is voluntary and employees shall be free to terminate their employment at any time. Employees will not be required to surrender any government-issued identification, passports, or work permits as a condition of employment. Excessive agency fees are unacceptable and all fees charged, if any, must be disclosed.

The Global Employment Standards are part of IBM's formal corporate policies which are issued by the IBM chief executive officer (or the senior officer she directs) and govern company wide actions within IBM and actions with all third parties. Our corporate policies reflect IBM's values and the resulting management system within which our decisions are made. Their intent is to express clear direction on the things that are fundamental, basic, most important and therefore most enduring in our business.

References:

Global Employment Standards
Operations and Suppliers at Significant Risk for Incidents of Forced or Compulsory Labor GRI 409-1

Social / Forced or Compulsory Labor / Operations and Suppliers at Significant Risk for Incidents of Forced or Compulsory Labor GRI 409-1

Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor

None. According to our Global Employment Standards, forced, bonded (including debt bondage) or indentured labor; involuntary prison labor; slavery or trafficking of persons shall not be used. This includes transporting, harboring, recruiting, transferring, or receiving persons by means of threat, force, coercion, abduction or fraud for labor or services. There shall be no unreasonable restrictions on workers’ freedom of movement in the facility in addition to unreasonable restrictions on entering or exiting company-provided facilities. As part of the hiring process, workers must be provided with a written employment agreement in their native language that contains a description of terms and conditions of employment prior to the worker departing from his or her country of origin. Employment is voluntary and employees shall be free to terminate their employment at any time. Employers and agents may not hold or otherwise destroy, conceal, confiscate, or deny access by employees to employees’ identity or immigration documents, such as government-issued identification, passports, or work permits, unless such holdings are required by law. Workers shall not be required to pay employers’ or agents’ recruitment fees or other related fees for their employment. If any such fees are found to have been paid by workers, such fees shall be repaid to the worker.

IBM uses the Responsible Business Alliance’s (formerly the Electronic Industry Citizenship Coalition -EICC-) Code of Conduct as the single code with our supply base. The RBA Code establishes for our suppliers the minimum social responsibility standards we expect from them as a condition of doing business with IBM. Our goal is to work with our suppliers – including by providing training, to foster full compliance as they, in turn, apply these standards to their extended sources of supply engaged in the production of goods and services for IBM. We consider these standards and adherence to them in our selection process and seek ongoing compliance by actively monitoring performance, including through supplier compliance audits. IBM reserves the right to take action with suppliers that do not comply with the RBA Code and may consider measures such as reducing or ending business in accordance with contract terms. Our Supply Chain Social Responsibility Program requires suppliers to demonstrate compliance to the RBA Code by providing recent audit report or agreeing to take responsibility to have an RBA Validated Audit

References:

Global Employment Standards

Deemed material? No
Security Practices

Management Approach: Security Practices GRI 103-1, 103-2, 103-3


Explanation of Security Practices as a material topic and its Boundary, the management approach and its components, and the evaluation of the management approach.

<table>
<thead>
<tr>
<th>Topic: GRI 410 Security Practices</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>103-1: Explanation of the material topic and its Boundary</td>
<td>This is not deemed material.</td>
</tr>
<tr>
<td>103-2: The management approach and its components</td>
<td>This is not deemed material.</td>
</tr>
<tr>
<td>103-3: Evaluation of the management approach</td>
<td>This is not deemed material.</td>
</tr>
</tbody>
</table>

Additional Comments

IBM's Business Conduct Guidelines (BCGs) is our code of business conduct and ethics for all our employees which includes security related topics Security topics for our contractors is handled by their contract employer.

References:

2017 BCG
Security Personnel Trained in Human Rights Policies or Procedures GRI 410-1

Social / Security Practices / Security Personnel Trained in Human Rights Policies or Procedures GRI 410-1

Percentage of security personnel trained in the organization's human rights policies or procedures that are relevant to operations.

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage of security personnel who have received formal training in the organization’s human rights policies or specific procedures and their application to security</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Training requirements regarding human rights issues also apply to third party organizations providing security personnel</td>
<td>No</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Additional Comments

IBM's Business Conduct Guidelines (BCGs) is our code of business conduct and ethics for all our employees including our security employees. Training requirements for our contractors is handled by their contract employer.

References:

- 📄 2017 BCG

Deemed material? No
Rights of Indigenous Peoples

Management Approach: Rights of Indigenous Peoples GRI 103-1, 103-2, 103-3

Explanation of Rights of Indigenous Peoples as a material topic and its Boundary, the management approach and its components, and the evaluation of the management approach.

<table>
<thead>
<tr>
<th>Topic: GRI 411 Rights of Indigenous Peoples</th>
</tr>
</thead>
<tbody>
<tr>
<td>103-1: Explanation of the material topic and its Boundary</td>
</tr>
<tr>
<td>103-2: The management approach and its components</td>
</tr>
<tr>
<td>103-3: Evaluation of the management approach</td>
</tr>
</tbody>
</table>

Additional Comments

References:

2017 Corporate Responsibility Report
### Incidents of Violations Involving Rights of Indigenous Peoples GRI 411-1

#### Social / Rights of Indigenous Peoples / Incidents of Violations Involving Rights of Indigenous Peoples GRI 411-1

Total number of incidents of violations involving rights of indigenous people and actions taken.

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total number of identified incidents involving indigenous rights</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

#### Incidents (reporting year only)  

<table>
<thead>
<tr>
<th>Status of incident</th>
<th>Actions taken</th>
</tr>
</thead>
<tbody>
<tr>
<td>□ Reviewed</td>
<td></td>
</tr>
<tr>
<td>□ Remediation plan being implemented</td>
<td></td>
</tr>
<tr>
<td>□ Remediation plan implemented, results reviewed through routine internal management review process</td>
<td></td>
</tr>
<tr>
<td>□ Incident no longer subject to attention</td>
<td></td>
</tr>
</tbody>
</table>

#### Reason for Omission:

Unavailable

Steps being taken to obtain data and expected time frame for doing so:

N/A

#### Additional Comments

IBM complies with all applicable laws in every geography it operates in. Similar to what happens with other employers with the size of IBM, from time to time, claims from indigenous populations are made against the Company, however this is not frequent. IBM defends those claims to the fullest extent permitted by law. There might be some countries that would track indigenous - where populations like that exist - but in many countries IBM's main focus is on minority groups vs. non minority, fostering a diverse and inclusive work environment where employees can bring their whole self to work. but it difficult to work on a global agreement

Deemed material? No
Human Rights Assessment

Management Approach: Human Rights Assessment GRI 103-1, 103-2, 103-3

Explanation of Human Rights Assessment as a material topic and its Boundary, the management approach and its components, and the evaluation of the management approach.

<table>
<thead>
<tr>
<th>Topic: GRI 412 Human Rights Assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>103-1: Explanation of the material topic and its Boundary</td>
</tr>
<tr>
<td>103-2: The management approach and its components</td>
</tr>
<tr>
<td>103-3: Evaluation of the management approach</td>
</tr>
</tbody>
</table>

Additional Comments

We have frequent employee and labour relations/rights risk assessments of our own operations in various countries across the world as well as thorough audits of compliance of our policies, including human resources, with applicable legislation and corporate policies and instructions, including IBM's Human Rights Statement of Principles. In addition, we are subject to extensive audits of our own facilities and we audit also many supplier operations - in particular through the Responsible Business Alliance (formerly the Electronic Industry Citizenship Coalition) audit process.

References:
- RBA Code of Conduct V6.0
- RBA Validated Assessment Process (VAP)
### Operations That Have Been Subject to Human Rights Reviews or Impact Assessments GRI 412-1

Social / Human Rights Assessment / Operations That Have Been Subject to Human Rights Reviews or Impact Assessments GRI 412-1

Total number and percentage of operations that have been subject to human rights reviews or impact assessments.

<table>
<thead>
<tr>
<th>Country</th>
<th># of Operations</th>
<th>% Operations</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Reason for Omission:**
Unavailable

Steps being taken to obtain data and expected time frame for doing so:
We do not undertake specific human rights reviews or impact assessments. But we do have frequent employee and labour relations/rights risk assessments of our own operations in various countries across the world as well as thorough audits of compliance of our policies, including human resources, with applicable legislation and corporate policies and instructions. In addition, we are subject to extensive audits of our own facilities and we audit also many supplier operations - in particular through the Responsible Business Alliance (RBA) (formerly known as the Electronic Industry Citizenship Coalition) audit process.

**References:**
- [RBA Code of Conduct V6.0](#)
- [RBA Validated Assessment Process (VAP)](#)

Deemed material? No
Employee Training on Human Rights Policies or Procedures GRI 412-2

Social / Human Rights Assessment / Employee Training on Human Rights Policies or Procedures GRI 412-2

Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total number of hours devoted</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>to training on human rights</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>policies or procedures</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>concerning aspects of human</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>rights that are relevant to</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>operations:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Percentage of employees in the</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>reporting period trained in</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>human rights policies or</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>procedures concerning aspects</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>of human rights that are</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>relevant to operations:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Reason for Omission:
Unavailable

Steps being taken to obtain data and expected time frame for doing so:
See additional comments below

Additional Comments

IBM has provided the average number of paid training days per employee, but does not break down this data by the subjects taken by each employee. IBM's Values and Business Conduct Guidelines specify IBM's standards of business ethics, basic values, and principles. All employees are asked to undertake training in relation to the Business Conduct Guidelines on an annual basis and certify that they have read and understand them. In addition, all employees are asked to undertake additional training on specific items such as data privacy on an annual basis.

Deemed material? No
Significant Investment Agreements and Contracts That Include Human Rights Clauses or That Underwent Human Rights Screening GRI 412-3

Social / Human Rights Assessment / Significant Investment Agreements and Contracts That Include Human Rights Clauses or That Underwent Human Rights Screening GRI 412-3

Total number and percentage of significant investment agreements and contracts that include human rights clauses or that have underwent human rights screening.

<table>
<thead>
<tr>
<th>Definition of 'significant investment agreements':</th>
<th>2017 Number</th>
<th>2017 %</th>
<th>2016 Number</th>
<th>2016 %</th>
<th>2015 Number</th>
<th>2015 %</th>
<th>2014 Number</th>
<th>2014 %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening</td>
<td></td>
<td></td>
<td></td>
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<td></td>
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<td></td>
<td></td>
</tr>
</tbody>
</table>

Additional Comments

IBM's relationships are with suppliers or partners. Our agreements with them require compliance with our standards as noted in our policies.

References:

- Global Employment Standards
Local Communities

Management Approach: Local Communities GRI 103-1, 103-2, 103-3

Social / Local Communities / Management Approach: Local Communities GRI 103-1, 103-2, 103-3

Explanation of Local Communities as a material topic and its Boundary, the management approach and its components, and the evaluation of the management approach.

<table>
<thead>
<tr>
<th>Topic: GRI 413 Local Communities</th>
<th>103-1: Explanation of the material topic and its Boundary</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>In each program IBM’s role is to provide technological solutions to barriers. Mitigating negative effects and maximizing positive impacts are built into program design and results are tracked to make necessary adjustments. Societal program management is not standardized or uniform enough to speak broadly about mitigating negative impacts. IBM plans and implements programs in concert with nonprofits, NGOs and schools which have broad expertise in the key social issues addressed.</td>
</tr>
</tbody>
</table>

| 103-2: The management approach and its components | IBM reports global corporate contributions by issue, geography and type of grant. The type of our giving—services, technology (including software) and cash—is what distinguishes IBM. We work collaboratively to transform approaches to societal challenges through innovative solutions that can achieve measurable outcomes. Giving by issue reflects our goal to maintain education as our primary focus, although we maintain investments in human services, culture, health and the environment. We also remain flexible to address new initiatives and meet extraordinary external conditions such as disaster relief and recovery. The geographic distribution of our contributions reflects how IBM operates—in a global, fully integrated fashion. Some contributions are given on a globally competitive basis, so geographical distribution may vary due to the number and quality of applications. We do not set goals for percentage change in contributions year-to-year, nor for giving by geography or type of contribution. |

| 103-3: Evaluation of the management approach | We focus on increasing the quality of our work with organizations on projects that use innovative solutions and can have significant, measurable impact on key social issues. Future contributions will reflect our goal of increasing their effectiveness. In 2017, IBM’s corporate contributions totaled $332.5M. Additional KPIs and information on IBM’s contributions can be found in the 2017 Corporate Responsibility report. |

References:

2017 Corporate Responsibility Report
Operations with Local Community Engagement, Impact Assessments, and Development Programs GRI 413-1

Social / Local Communities / Operations with Local Community Engagement, Impact Assessments, and Development Programs GRI 413-1

Percentage of operations with implemented local community engagement, impact assessments, and/or development programs.

| % of operations with implemented local community engagement, impact assessments, and development programs: |

Additional Comments

IBM does not report on a percentage of operations; however please see the Citizenship section of our Corporate Responsibility Report for local community engagement and development programs.

IBM combines the greatest strengths of our company and its people—technology, expertise and energy—to develop innovative programs focused on challenges facing communities where we live and work.

Service has been a part of IBM's heritage and culture—over 275,000 IBM employees and retirees have joined the IBM On Demand Community performing nearly 20 million volunteer hours in the communities in which we live and work.

IBM's Corporate Citizenship programs deliver local community development programs based on local communities’ needs. In 2017, IBM spent $332.5M on IBM’s technology and talent to help transform governments, institutions, communities and the quality of life for people around the world. See the Citizenship Section of our Corporate Responsibility report for more information.

For IBM's Environmental impact assessments and ongoing monitoring, please see the Environment section of our Corporate Responsibility report.

References:

2017 Corporate Responsibility Report

Deemed material? Yes
Operations with Significant Actual and Potential Negative Impacts on Local Communities GRI 413-2

Social / Local Communities / Operations with Significant Actual and Potential Negative Impacts on Local Communities GRI 413-2

Operations with significant actual and potential negative impacts on local communities.

<table>
<thead>
<tr>
<th>Operations with significant potential or actual negative impacts on local communities</th>
<th>Location of the operations with significant potential or negative impacts</th>
<th>Potential or actual negative impacts of operations</th>
</tr>
</thead>
</table>

Additional Comments

Our corporate environmental affairs policy objectives range from workplace safety, pollution prevention and energy conservation to product design for the environment and the application of IBM’s expertise to help address some of the world’s most pressing environmental problems. In particular the IBM environmental policy requires: “Be an environmentally responsible neighbor in the communities where we operate, and act promptly and responsibly to correct incidents or conditions that endanger health, safety, or the environment. Report them to authorities promptly and inform affected parties as appropriate.”

The policy is supported by corporate directives that govern IBM’s conduct and operations worldwide. These directives cover areas such as pollution prevention, chemical and waste management, energy management and climate protection, environmental evaluation of suppliers, product stewardship, and incident prevention and reporting.

IBM’s commitment to environmental leadership is implemented through our Global Environmental Management System (EMS) which requires and confirms that we operate to the same high standards all across the world.

Environmental goals are an important part of IBM’s EMS. We maintain environmental goals covering the range of our environmental programs, including climate protection, energy and water conservation, pollution prevention, waste management and product stewardship.

IBM has a variety of means to contact the company regarding concerns related to its operations, services, and/or products. The IBM website offers contact phone numbers and email addresses for each country where there is an IBM presence, or for an IBM business partner in countries where IBM does not have a presence. [http://www.ibm.com/contact...](http://www.ibm.com/contact...)

Based on the execution of these processes and to the best of our knowledge, we do not have operations with significant potential or actual negative impacts on local communities.
Supplier Social Assessment

Management Approach: Supplier Social Assessment GRI 103-1, 103-2, 103-3

Explanation of Supplier Social Assessment as a material topic and its Boundary, the management approach and its components, and the evaluation of the management approach.

<table>
<thead>
<tr>
<th>Topic: GRI 414 Supplier Social Assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>103-1: Explanation of the material topic and its Boundary</td>
</tr>
<tr>
<td>For IBM, our efforts in Supply Chain Social Responsibility (SCSR) trace back to 2004, when a team of procurement professionals were established and dedicated to focusing on this topic. This team created IBM's first Supplier Code of Conduct that set forth requirements in areas such as: Labor, Health &amp; Safety, Environmental, Ethics, and Management Systems. In this same time frame, IBM joined efforts with a small number of like-minded electronics firms to create the Electronic Industry Citizenship Coalition (EICC). The EICC established a consolidated code for the sector and worked to create a third party audit protocol to vet compliance with the EICC Code. As the EICC Code and Audit protocol matured, IBM transitioned to these as the single code/audit protocol for our global network of suppliers of goods and services. In October 2017, EICC re-branded itself as the Responsible Business Alliance (RBA).</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>103-2: The management approach and its components</th>
</tr>
</thead>
<tbody>
<tr>
<td>IBM requires RBA Code compliance as a term and condition of its commercial relationships with its global network of suppliers of goods and services. Compliance wording is included in contracts and/or purchase orders. We communicate these requirements from the onset of new supplier on boarding before any purchasing begins. For established suppliers, IBM communicates with its suppliers when updates to the RBA code take place, typically on a three year basis. On an annual basis, IBM requires a sample of its suppliers of goods and services (in high risk countries) to contract with RBA for third party Validated Audits to vet compliance to the RBA code. The IBM SCSR team works with Purchasing to communicate and drive these assessments. The SCSR team analyzes the RBA audit results and engages with suppliers for any noncompliance found. Suppliers are required to produce an acceptable Corrective Action Plan (CAP) which the SCSR team reviews for quality and completeness. RBA re-audits are conducted to vet closure of the CAPs. On a monthly basis, IBM's SCSR team provides Procurement leadership with a detailed report of all suppliers audits, CAPs, and re-audits; quarterly reviews are likewise conducted with the Chief Procurement Officer. Details of the SCSR approach and aggregated results of the RBA audits are provided in the Supply Chain section of the annual Corporate Responsibility Report.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>103-3: Evaluation of the management approach</th>
</tr>
</thead>
<tbody>
<tr>
<td>On an ongoing basis, IBM charters RBA audits on a rotating sample of its internal manufacturing facilities to vet compliance to the RBA Code. Required by RBA membership, IBM is assessed for compliance with the RBA Code, including all Management Systems provisions, inclusive of those associated with SCSR and deployment of the RBA code into the upstream supply chain (first tier suppliers). Results of these RBA audits have verified that IBM's SCSR work meets (or exceeds) that which is required in the RBA Code Management Systems provisions.</td>
</tr>
</tbody>
</table>

Additional Comments

References:
- [RBA Code of Conduct V6.0](#)
- [2017 Corporate Responsibility Report](#)
- [RBA Validated Assessment Process (VAP)](#)

Generated from OneReport 185/203 International Business Machines
New Suppliers that were Screened Using Social Criteria GRI 414-1

Percentage of new suppliers that were screened using social criteria.

<table>
<thead>
<tr>
<th>Percentage (%) of new suppliers that were screened using social criteria:</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>%</td>
<td>85</td>
<td>%</td>
<td>%</td>
<td>%</td>
</tr>
</tbody>
</table>

Additional Comments

IBM subjects new suppliers (with projected annual spend greater than $20K) to an on-boarding process that includes a supplier declaration regarding their compliance to the RBA Code of Conduct. Declaration is performed by answering questions relating to labor practices that are aligned with the RBA Code of Conduct. Approx. 85% of new suppliers are assessed, having projected spend greater than $20K/year. If a supplier indicates they have deficiencies against the code, there is a provision to provide a Corrective Action Plan that closes within 12 months.

References:
- EICC Code V5.1
- RBA Code of Conduct V6.0

Deemed material? No
Negative Social Impacts in the Supply Chain and Actions Taken GRI 414-2

Suppliers identified as having significant actual and potential negative social impacts.

<table>
<thead>
<tr>
<th>2017</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of suppliers assessed for social impacts:</td>
<td>45</td>
<td>63</td>
<td>51</td>
</tr>
<tr>
<td>Number of suppliers identified as having significant actual and potential negative social impacts:</td>
<td>8</td>
<td>8</td>
<td>5</td>
</tr>
</tbody>
</table>

IBM uses RBA audits to vet compliance of its suppliers to the RBA Code. As described in the 2017 Corp Resp Report, 18% of the audited suppliers had either major and/or minor noncompliance in the Ethics provision of the RBA Code which is the provision associated closely with this GRI section. Majority of findings were related to documented policies and practices as opposed to actual violations of significant ethical requirements or behavior.

IBM uses EICC audits to vet compliance of its suppliers to the EICC Code. As described in the 2016 Corp Resp Report, 13% of audited suppliers had either major or minor noncompliance in the Ethics provision of the EICC Code which is the provision associated closely with this GRI provision. Majority of findings were related to documented policies and practices as opposed to actual violations of Ethical provisions.

IBM uses EICC audits to vet compliance of its suppliers to the EICC Code. As described in the 2015 Corp Resp Report, 10% of audited suppliers had either major or minor noncompliance in the Ethics provision of the EICC code which is the provision associated closely with this GRI question provision. the majority of findings were related to policies and practices in place and not actual violations of Ethics provisions.

IBM uses EICC audits to vet compliance of its suppliers to the EICC Code. As described in IBM’s 2014 Corp Resp Report, 48% of audited suppliers had either major or minor nonconformance to the Ethics provision of the EICC Code. This G4 provision was the highest nonconforming provision of impact to society in the EICC audits performed in 2014.

Percentage (%) of suppliers identified as having significant actual and potential negative social impacts:

| Suppliers with which improvements were agreed upon as a result of assessment: | 100 | 100 | 100 | 100 |
| Suppliers with which relationships were terminated as a result of assessment: | 0   | 0   | 0   | 0   |
Details on the termination of relationships as a result of assessment:

References:
- EICC Code V5.1
- RBA Code of Conduct V6.0
- 2017 Corporate Responsibility Report

Deemed material? No
Public Policy

Management Approach: Public Policy GRI 103-1, 103-2, 103-3

Explanation of Public Policy as a material topic and its Boundary, the management approach and its components, and the evaluation of the management approach.

<table>
<thead>
<tr>
<th>Topic: GRI 415 Public Policy</th>
</tr>
</thead>
<tbody>
<tr>
<td>103-1: Explanation of the material topic and its Boundary</td>
</tr>
<tr>
<td>103-2: The management approach and its components</td>
</tr>
<tr>
<td>103-3: Evaluation of the management approach</td>
</tr>
</tbody>
</table>

Reason for Omission:
Not Applicable
Why considered not applicable:
Public policy is not identified as material to IBM
## Political Contribution GRI 415-1

Social / Public Policy / Political Contribution GRI 415-1

Total value of political contributions by country and recipient/beneficiary

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Recipient:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Country:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Data publicly available:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Additional Comments

IBM does not provide any contributions, including money or in-kind resources, to political parties or candidates, as per our longstanding Corporate Policy regarding Politics and Political Contributions and IBM's longstanding Business Conduct Guidelines.

### References:

- IBM Policies and Principles
## Customer Health and Safety

### Management Approach: Customer Health and Safety GRI 103-1, 103-2, 103-3

Social / Customer Health and Safety / Management Approach: Customer Health and Safety GRI 103-1, 103-2, 103-3

Explanation of Customer Health and Safety as a material topic and its Boundary, the management approach and its components, and the evaluation of the management approach.

<table>
<thead>
<tr>
<th>Topic: GRI 416 Customer Health and Safety</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>103-1: Explanation of the material topic and its Boundary</strong></td>
</tr>
<tr>
<td>IBM has had long-standing corporate policies of providing a safe and healthful workplace, protecting the environment, and conserving energy and natural resources. In fact the subject of two of IBM's ten corporate policies is employee well-being and the environment. These policies are tone-setting company-wide documents that govern actions within IBM and relations with outsiders. They reflect the company’s chosen value system within which decisions are made. They express the things that are fundamental and most important and therefore most enduring. IBM’s leadership in employee well-being is based on the company’s senior management beliefs that employee well-being is a core value that determines business success. This position is clearly reflected in Corporate Policy 127. The health and well-being of IBM employees is a fundamental line management and employee responsibility. This responsibility includes complying with IBM and regulatory requirements and identifying, assessing and controlling well-being risks. Our support for healthy work environments and improved health through prevention is vital to our innovation and productivity. IBM intends to be recognized for a work environment that promotes employee well-being and strives for continuous improvement. This Instruction is based on the foundation set by Corporate Policy 127 and provides additional worldwide direction for IBM's Well-Being Management System and supporting requirements and programs.</td>
</tr>
<tr>
<td><strong>103-2: The management approach and its components</strong></td>
</tr>
<tr>
<td>IBM has had long-standing corporate policies of providing a safe and healthful workplace, protecting the environment, and conserving energy and natural resources. In fact the subject of two of IBM's ten corporate policies is employee well-being and the environment. These policies are tone-setting company-wide documents that govern actions within IBM and relations with outsiders. They reflect the company’s chosen value system within which decisions are made. They express the things that are fundamental and most important and therefore most enduring. IBM’s leadership in employee well-being is based on the company’s senior management beliefs that employee well-being is a core value that determines business success. This position is clearly reflected in Corporate Policy 127. Simply stated, the goal is continual improvement. IBM's Well-Being Management Systems (WBMS), a globally certified OHSAS 18001 system, facilitates compliance and promotes continual improvement through the WBMS planning process. Objectives and targets (goals) are developed which provide the best opportunities for improving well-being programs and services. This process considers hazards and well-being aspects, legal, regulatory and internal requirements, effectiveness of current operational controls, financial, operational and business considerations, available technology and concerns and views of interested parties. The process also considers business unit strategies and global WBMS objectives and targets. Objectives and targets are recorded in a common, global database where solutions and best practices are available to share lessons learned. Improvement plans provide the details how objectives and targets are met. Plans are approved by management and tracked. Employees must at all times comply with IBM's business conduct and related guidelines. Violation of any IBM guideline is cause for discipline, including dismissal from the company. Employees are encouraged consult their management immediately if they have any question whether their actions could violate an IBM policy.</td>
</tr>
<tr>
<td><strong>103-3: Evaluation of the management approach</strong></td>
</tr>
<tr>
<td>IBM evaluates the management approach through IBM's Well-being Management System, which has attained worldwide certification to the leading international occupational health and safety management systems standard, OHSAS 18001. IBM's Well-being Management System follows the Plan-Do-Check-Act principles used by most management system standards. IBM maintains a full set of internal practices and local requirements to manage hazards associated with its work environment. It tracks performance, operational control and compliance against these requirements through a variety of monitoring and measurement processes. Monitoring activities include hazard assessments, evaluations, line and professional self-assessments, peer reviews, third-party validation testing and internal audits. Control postures are assessed and reports generated that include key measurements, process owners, control points, validation testing, and action plans for any corrective actions needed. Employee participation is a key element in helping with self-assessments, identifying hazards and implementing corrective actions. IBM's Well-Being Management Systems (WBMS), a globally certified OHSAS 18001 system, facilitates compliance and promotes continual improvement through the WBMS planning process. Objectives and targets (goals) are developed which provide the best opportunities for improving well-being programs and services. This process considers hazards and well-being aspects, legal, regulatory and internal requirements, effectiveness of current operational controls, financial, operational and business considerations, available technology and concerns and views of interested parties. The process also considers business unit strategies and global WBMS objectives and targets. Objectives and targets are recorded in a common, global database where solutions and best practices are available to share lessons learned. Improvement plans provide the details how objectives and targets are met. Plans are approved by management and tracked.</td>
</tr>
</tbody>
</table>

References:

[IBM OHSAS 18001 Certificate - IBM](#)
Assessment of the Health and Safety Impacts of Product and Service Categories GRI 416-1

Social / Customer Health and Safety / Assessment of the Health and Safety Impacts of Product and Service Categories GRI 416-1

Percentage of significant product and service categories for which health and safety impacts are assessed for improvement

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage of significant product or service categories that are covered by and assessed for compliance with company procedures for assessing product/service health and safety impacts:</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

Additional Comments

All hardware products are covered by a comprehensive product safety policy and compliance system. Under the policy (CP127) and associated corporate instructions, each product with safety impacts are required to be assessed by an IBM product safety engineer and a product safety review board completed prior to the placement of the product on the market.

Deemed material? Yes
Incidents of Non-Compliance Concerning the Health and Safety Impacts of Products and Services GRI 416-2

Social / Customer Health and Safety / Incidents of Non-Compliance Concerning the Health and Safety Impacts of Products and Services GRI 416-2

Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes

<table>
<thead>
<tr>
<th>Company has not identified non-compliance with regulations or voluntary codes regarding the health and safety of its products/services</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total number of incidents of non-compliance with health and safety regulations resulting in a fine or penalty:</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total number of incidents of non-compliance with health and safety regulations resulting in a warning:</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total number of incidents of non-compliance with voluntary codes for health and safety:</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

Please describe any product safety controversies the company has experienced within the last three years. Include information about any fines, settlements, or court-imposed awards and indicate dates, amounts and any cases involving fatalities:

Under IBM's corporate policy on product safety, IBM has a long tradition of excellence in product safety. The importance we place in these efforts demonstrates our commitment. Each IBM employee shares a personal responsibility to provide products that are safe for use by our customers and employees and meet applicable legal requirements and voluntary practices to which we subscribe where we operate and sell products. IBM has not experienced controversies about the safety of IBM's products within the last three years. IBM has not paid any regulatory or court-imposed fines, settlements or awards related to product safety regulatory violations in the past three years.

Additional Comments

Pre-Acquisition US FDA warning letters associated with IBM Acquisition of Merge Healthcare were fully closed with US FDA on 27 Sept 2016 (Prior to the transfer of business date)

Deemed material? Yes
Marketing and Labeling

Management Approach: Marketing and Labeling GRI 103-1, 103-2, 103-3

Social / Marketing and Labeling / Management Approach: Marketing and Labeling GRI 103-1, 103-2, 103-3

Explanation of Marketing and Labeling as a material topic and its Boundary, the management approach and its components, and the evaluation of the management approach.

<table>
<thead>
<tr>
<th>Topic: GRI 417 Marketing and Labeling</th>
<th>103-1: Explanation of the material topic and its Boundary</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Labeling and product information is not a material aspect of our Product Environmental programs and impacts as described under the IBM Environmental Management System (EMS). The primary, material aspect is IBM’s Product Stewardship program under which we assess and minimize the environmental impacts of IBM products. The product stewardship program looks at the full range of product attributes including material use, energy use and efficiency, use of recycled materials, recyclability and reuse of product and components, and end of life product management. Product labeling is an operational issue under which IBM assures that relevant product information is available to IBM customers and clients and that IBM products and associated components and packages are properly labelled and/or have the required data and information available in product manuals, document inserts, and/or on-line website as required by the full range of local, country, and regional labeling and information requirements for products. IBM has processes to track and identify laws and regulations which require labeling and/or information disclosure for IBM products and to assure that the required labeling and information is available when products or components are shipped.</td>
</tr>
</tbody>
</table>

| 103-2: The management approach and its components | Labeling and Product Information is an operational, not a material, process for IBM. IBM Product teams have internal group, described as a Center of Excellence (CoE) for product regulation requirements, of which product labeling is a subset. The team tracks developing, new and existing regulatory requirements to validate that IBM is meeting existing requirements and has plans in place to meet new requirements by their effective date. |

| 103-3: Evaluation of the management approach | Labeling and Product Information is an operational, not a material, process for IBM. IBM has not had any major misses on product information and labeling requirements in the past year. |

Additional Comments

All answers relate to products only. Please refer to the reference below, IBM Engineering Specification 46G3772, for information on our sourcing of components for IBM products or for the sourcing of products designed and assembled by an Original Equipment Manufacturer; material content, particularly with regard to substances that might produce an environmental or social impact; Product Safety requirements; product marking and information requirements and required product documentation. For information on our Global Asset Recovery Services and product end-of-life management program please refer to the reference by the same name inserted below. IBM has a set of internal processes that support the product compliance program. These include:

1. A regulatory hunting and gathering project which identifies applicable product regulations and notifies the product development team, provides resource to advocate for acceptable regulatory outcomes and maintains a registry of applicable product regulations. 2. The Product Environmental Profile process which evaluates products for their compliance with regulatory requirements and validates that all requirements are met. 3. Product safety testing and regulatory tracking process. Collectively, these processes enable management of product compliance requirements.

References:

- IBM Engineering Specification 46G3772: Baseline Environmenta...
- Global Asset Recovery Services and product end-of-life manag...
## Requirements for Product and Service Information and Labeling GRI 417-1

### Social / Marketing and Labeling / Requirements for Product and Service Information and Labeling GRI 417-1

Type of product and service information required by the organization's procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements

<table>
<thead>
<tr>
<th>Product/service information</th>
<th>Required for product/service labeling</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>The sourcing of components of the product or service</td>
<td>Yes</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Content, particularly with regard to substances that might produce an environmental or social impact</td>
<td>Yes</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Safe use of the product or service</td>
<td>Yes</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Disposal of the product and environmental/social impacts</td>
<td>Yes</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Percentage of significant product or service categories that are covered by and assessed for compliance with company procedures for product and service information and labeling:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

### Additional Comments

All answers relate to products only. Please refer to the reference below, IBM Engineering Specification 46G3772, for information on our sourcing of components for IBM products or for the sourcing of products designed and assembled by an Original Equipment Manufacturer; material content, particularly with regard to substances that might produce an environmental or social impact; Product Safety requirements; product marking and information requirements and required product documentation. For information on our Global Asset Recovery Services and product end-of-life management program please refer to the reference by the same name inserted below. IBM has a set of internal processes that support the product compliance program. These include: 1. A regulatory hunting and gathering project which identifies applicable product regulations and notifies the product development team, provides resource to advocate for acceptable regulatory outcomes and maintains a registry of applicable product regulations. 2. The Product Environmental Profile process which evaluates products for their compliance with regulatory requirements and validates that all requirements are met. 3. Product safety testing and regulatory tracking process. Collectively, these processes enable management of product compliance requirements.

### References:

- IBM Engineering Specification 46G3772: Baseline Environmental...
- Global Asset Recovery Services and product end-of-life manag...

Deemed material? Yes

Generated from OneReport 196/203 International Business Machines
Incidents of Non-Compliance Concerning Product and Service Information and Labeling GRI 417-2

Social / Marketing and Labeling / Incidents of Non-Compliance Concerning Product and Service Information and Labeling GRI 417-2

Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes

<table>
<thead>
<tr>
<th>Company has not identified non-compliance with regulations or voluntary codes regarding product and service information and labeling</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Total number of incidents of non-compliance with product and service information and labeling regulations resulting in a fine or penalty:</th>
<th>0</th>
<th>0</th>
<th>0</th>
<th>0</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total number of incidents of non-compliance with product and service information and labeling regulations resulting in a warning:</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>---</td>
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<td>---</td>
<td>---</td>
</tr>
<tr>
<td>Total number of incidents of non-compliance with voluntary codes for product and service information and labeling:</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

Additional Comments

IBM Product Environmental and Safety Compliance has received zero (0), no fines, penalties or warnings regarding product information or labeling in 2013 to 2016. All labeling errors or omissions were corrected prior to customer delivery and are considered operational issues. IBM Product Safety and Hardware Compliance has received zero (0), no fines, penalties or warnings regarding product information or labeling in 2016. All labeling errors or omissions were corrected prior to import or customer delivery and are considered operational issues. Per the discussion in the Product Labelling Aspect question, G4-DMA and question #3079, product labelling is not considered a material aspect under the IBM Environmental Management System. It is an operational issue.

Deemed material? No
Incidents of Non-Compliance Concerning Marketing Communications GRI 417-3

Social / Marketing and Labeling / Incidents of Non-Compliance Concerning Marketing Communications GRI 417-3

Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotions, and sponsorship, by type of outcomes

<table>
<thead>
<tr>
<th>Non-Compliance with Regulations and Voluntary Codes Concerning Marketing Communications</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total number of incidents of non-compliance with regulations resulting in a fine or penalty:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total number of incidents of non-compliance with regulations resulting in a warning:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total number of incidents of non-compliance with voluntary codes:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Reason for Omission:
Unavailable

Steps being taken to obtain data and expected time frame for doing so:
IBM does not maintain a record of incidents of non-compliance with regulations and voluntary codes concerning marketing communications.

Additional Comments

Deemed material? No
Customer Privacy

Management Approach: Customer Privacy GRI 103-1, 103-2, 103-3

Social / Customer Privacy / Management Approach: Customer Privacy GRI 103-1, 103-2, 103-3

Explanation of Customer Privacy as a material topic and its Boundary, the management approach and its components, and the evaluation of the management approach.

<table>
<thead>
<tr>
<th>Topic: GRI 418 Customer Privacy</th>
</tr>
</thead>
<tbody>
<tr>
<td>103-1: Explanation of the material topic and its Boundary</td>
</tr>
<tr>
<td>Responsible data stewardship is central to IBM’s commitment to its clients. As a result, data privacy and security have been, and will continue to be, a critical consideration for all aspects of our business.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>103-2: The management approach and its components</th>
</tr>
</thead>
<tbody>
<tr>
<td>As a globally integrated enterprise, IBM's business processes frequently extend beyond the borders of one country. Such globalization demands not only the availability of communication and information systems across the IBM group of companies (IBM), but also the worldwide processing and use of multiple types of information, including Personal Information. IBM is committed to protecting the privacy and confidentiality of Personal Information about its Employees, Customers, Business Partners (including contacts within Customers and Business Partners) and other identifiable individuals. Uniform practices for collecting, using, disclosing, storing, accessing, transferring or otherwise processing such information assist IBM to process Personal Information fairly and appropriately, disclosing it and/or transferring it only under appropriate circumstances. This Policy Letter sets forth the general principles that underlie IBM's specific practices for collecting, using, disclosing, storing, accessing, transferring or otherwise processing Personal Information, including the general principle of Privacy by Design. These general principles apply to the processing of Personal Information world-wide by IBM. The general principles are:</td>
</tr>
<tr>
<td><strong>Fairness:</strong> IBM will collect and process Personal Information fairly, lawfully, and in a transparent manner.</td>
</tr>
<tr>
<td><strong>Purpose Limitation:</strong> IBM will only collect Personal Information that is relevant to and necessary for a particular purpose(s) and will only process Personal Information in a manner that is not incompatible with the purposes for which it is collected.</td>
</tr>
<tr>
<td><strong>Data Minimisation:</strong> IBM will only process Personal Information that is adequate, relevant and not excessive for the purpose for which it is processed.</td>
</tr>
<tr>
<td><strong>Accuracy:</strong> IBM will keep Personal Information as accurate, complete and up-to-date as is necessary for the purpose for which it is processed.</td>
</tr>
<tr>
<td><strong>Retention:</strong> IBM will keep Personal Information in a form that permits identification for no longer than necessary for the purpose for which such Personal Information was collected.</td>
</tr>
<tr>
<td><strong>Disclosure:</strong> IBM will only make Personal Information available inside or outside IBM in appropriate circumstances.</td>
</tr>
<tr>
<td><strong>Security:</strong> IBM will implement appropriate technical and organizational measures to safeguard Personal Information and will instruct third parties processing Personal Information on behalf of IBM, if any, to process it only in a manner that is consistent with processing it on IBM's behalf, and to implement appropriate technical and organizational measures to safeguard the Personal Information.</td>
</tr>
<tr>
<td><strong>Individual Rights:</strong> IBM will provide individuals with appropriate rights such as right of access and correction relating to their Personal Information, as set out in the Binding Corporate Rules and in applicable law.</td>
</tr>
<tr>
<td><strong>Custodianship:</strong> IBM will have appropriate policies and practices for the safe handling of Personal Information that it processes on behalf of its customers.</td>
</tr>
<tr>
<td><strong>Accountability:</strong> IBM will have appropriate governance, including corporate instructions, guidelines, appropriately trained personnel and other measures to be able to demonstrate that the processing of Personal Information is performed in compliance with this Policy Letter. IBM Employees who come in contact with Personal Information must act consistently with the principles contained in this Policy Letter. The application of these principles is more particularly described in the applicable IBM Corporate Instructions (and any accompanying implementation guidelines) relating to processing Personal Information. In effect since May 21, 2018; replaces earlier policies dated November 30, 2016 and November 24, 1998.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>103-3: Evaluation of the management approach</th>
</tr>
</thead>
<tbody>
<tr>
<td>IBM will have appropriate governance, including corporate instructions, guidelines, appropriately trained personnel and other measures to be able to demonstrate that the processing of Personal Information is performed in compliance with this Policy Letter. IBM Employees who come in contact with Personal Information must act consistently with the principles contained in this Policy Letter. The application of these principles is more particularly described in the applicable IBM Corporate Instructions (and any accompanying implementation guidelines) relating to processing Personal Information.</td>
</tr>
</tbody>
</table>
Substantiated Complaints Concerning Breaches of Customer Privacy and Losses of Customer Data GRI 418-1

Social / Customer Privacy / Substantiated Complaints Concerning Breaches of Customer Privacy and Losses of Customer Data GRI 418-1

Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.

| Company has identified substantiated complaints of breaches of customer privacy |  |
| Company has not identified substantiated complaints of breaches of customer privacy |  |
| | 2017 | 2016 | 2015 | 2014 |

Total number of complaints concerning breaches of customer privacy received from outside parties and substantiated by the organization:

Total number of complaints concerning breaches of customer privacy received from regulatory bodies:

Total number of identified leaks, thefts, or losses of customer data:

Amount of substantiated complaints concerning customer privacy and loss of customer data is publicly disclosed.

Reason for Omission:
Not Applicable
Why considered not applicable:
At this time there do not exist common standards for defining, tracking and reporting customer data disclosure incidents across industries, and in particular for companies that have other businesses as their customers. Without an effective mechanism for company-to-company comparison and reporting there is a high likelihood responses could be misinterpreted or misrepresented.

Additional Comments
### Socioeconomic Compliance

**Management Approach: Socioeconomic Compliance GRI 103-1, 103-2, 103-3**

Social / Socioeconomic Compliance / Management Approach: Socioeconomic Compliance GRI 103-1, 103-2, 103-3

Explanation of Socioeconomic Compliance as a material topic and its Boundary, the management approach and its components, and the evaluation of the management approach.

<table>
<thead>
<tr>
<th>Topic: GRI 419 Socioeconomic Compliance</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>103-1: Explanation of the material topic and its Boundary</td>
<td>Responsibility for our economic, environmental and societal performance, as well as compliance with laws, regulations and the corporate policies that govern our operations and practices worldwide, begins with our CEO and includes the IBM Board of Directors and its committees that regularly review performance and compliance. A Corporate Responsibility Executive Steering Committee provides leadership and direction across our corporate responsibility activities. Chaired by the vice president of IBM Corporate Citizenship, the committee includes members from human resources, employee well-being, corporate governance, environmental affairs, research, investor relations, governmental programs and supply chain.</td>
</tr>
<tr>
<td>103-2: The management approach and its components</td>
<td>Please see our 2017 Corporate Responsibility report</td>
</tr>
<tr>
<td>103-3: Evaluation of the management approach</td>
<td>Please see our 2017 Corporate Responsibility report</td>
</tr>
</tbody>
</table>

**References:**

2017 Corporate Responsibility Report
Non-Compliance with Laws and Regulations in the Social and Economic Area GRI 419-1

Significant fines and non-monetary sanctions for non-compliance with laws and/or regulations in the social and economic area.

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>Total monetary value of significant fines:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total number of non-monetary sanctions:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Context against which significant fines and non-monetary sanctions were incurred:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cases brought through dispute resolution mechanisms:</td>
<td></td>
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</tr>
</tbody>
</table>

Additional Comments
To the extent that this information is not business sensitive and is required by law, IBM reports in its regular filings. Please see IBM’s 2017 Annual Report and IBM’s most recent 10-Q.

References:
- [2018 Proxy Statement URL](#)
- [2017 Annual Report](#)
- [2017 10-Q July](#)
- [2017 Annual 10K](#)