

What is the value of a company?



*On the cover:*

GRACE SUH, PROGRAM MANAGER, IBM CORPORATE COMMUNITY RELATIONS

Is value defined by market capitalization?

Earnings per share?

Is it measured by marketshare,  
client satisfaction or employee retention?

Is it something more?

The idea that the value of an enterprise — ours or any other — should be evaluated on criteria that go beyond marketplace performance and business results isn't novel. Most companies aspire to be seen as great employers, trusted corporate citizens or valued members of the community.

What's different are the outcomes — the social and human benefits that result when enterprises like IBM elevate those aspirations to business priorities, and manage them with the same level of discipline and passion that the company applies to client service or product innovation.

This document — IBM's first Corporate Responsibility Report — was created to provide an integrated overview of the economic, environmental and social dimensions of our business activities, products and services. It also discusses areas in which we're working to improve.

And you will find here commentary from IBM experts on issues of broad concern in our industry, with ramifications for business and society at large.

Their observations reflect our culture and a management system that treats issues — of social responsibility or fiscal responsibility — with the same seriousness, thoughtfulness and care. And like the report as a whole, they express our understanding of the value of our company, broadly defined.

What is the value of IBM?

IBM MILESTONES

1914

IBM hires its first employee with a disability

1935

IBM declares that men and women will do the same kind of work for equal pay

1953

IBM establishes a formal equal opportunity policy

SOCIETAL MILESTONES

1990

The U.S. federal government enacts the *Americans with Disabilities Act*

1963

The U.S. federal government passes the *Equal Pay Act*

1964

The U.S. federal government passes the *Civil Rights Act*

A legacy of leading social change.

1973

IBM appoints first black manager in South Africa

1984

IBM adds sexual orientation to company policies regarding nondiscrimination

1995

IBM names a female as its most senior executive in Croatia

1998

South African government passes national Employment Equity Act

2003

U.S. Supreme Court strikes down laws that discriminated against gay, lesbian, bisexual and transgender individuals

1997

Croatian government adopts national policy for the promotion of equality, including broad protections of the rights of female workers

“There are certainly many places where a person can earn a very good living and build a highly gratifying career. You come to a big, complex company like ours if you want to be part of something whose impact is larger. And you come to this particular enterprise to be part of something whose impact will last, a company that explores, a company that matters.”

SAMUEL J. PALMISANO — 2002

“In order to serve markets, we have to understand them, reflect their diversity and build a workplace in which every individual knows their opportunity to contribute is gated only by the quality of their ideas and job performance, and the integrity of their work.”

LOUIS V. GERSTNER, JR. — 1994

## A tradition of progressive leadership.

“Business conduct is not something that can be left to auditors and lawyers. It is the very cornerstone on which our business reputation is built, and it is one of our most prized assets. Ethical behavior starts with the individual; the principles that govern it must be a day-to-day way of life.”

FRANK T. CARY — 1977

“We accept our responsibilities as a corporate citizen in community, national and world affairs; we serve our interests best when we serve the public interest. . . . We acknowledge our obligation as a business institution to help improve the quality of the society we are part of.”

THOMAS J. WATSON, JR. — 1969

“Men and women will do the same kind of work for equal pay. They will have the same treatment, the same responsibilities and the same opportunities for advancement.”

THOMAS J. WATSON, SR. — 1935

A close-up photograph of a young boy with dark hair, wearing a white dress shirt, a blue tie with diagonal stripes, and a blue and green striped suspenders. He is looking down intently at a notebook, holding a pencil in his right hand. The background is a blurred green chalkboard.

A pursuit of the grand challenges of the day.

The same global research organization that is exploring the frontiers of “nano” technologies, and decoding the mysteries of genetic protein folding, also created voice recognition software called Watch Me Read that helps students improve reading skills and comprehension.



ARGENTINA  
AUSTRIA  
BAHAMAS  
BARBADOS  
BOLIVIA  
BRUNEI  
BULGARIA  
CHILE  
COLOMBIA  
CROATIA  
CYPRUS  
CZECH REPUBLIC  
ECUADOR  
EGYPT  
ESTONIA  
FINLAND  
GREECE  
HUNGARY  
INDONESIA  
ISRAEL  
JAMAICA  
LATVIA  
LITHUANIA  
MALAYSIA  
MEXICO

A management system that's truly global — and truly local.

*IBM employs up to 2,000 people in each of the 51 countries listed here and has a workforce of between 2,000 and 137,000 people in each of 20 other countries.*

MOROCCO  
NEW ZEALAND  
NORWAY  
PAKISTAN  
PARAGUAY  
PERU  
PHILIPPINES  
POLAND  
PORTUGAL  
ROMANIA  
RUSSIA  
SERBIA AND MONTENEGRO  
SLOVAKIA  
SLOVENIA  
SOUTH AFRICA  
SRI LANKA  
SURINAME  
TAIWAN  
THAILAND  
TRINIDAD  
TURKEY  
UKRAINE  
UNITED ARAB EMIRATES  
URUGUAY  
VENEZUELA  
VIETNAM



## Product Engineering

IBM'S PRODUCT DESIGN STANDARDS PROHIBIT THE USE OF CERTAIN HAZARDOUS MATERIALS SUCH AS ASBESTOS, PCBs, PBBs AND PBBOs, AND OZONE-DEPLETING SUBSTANCES

## Product Use

IBM'S pSERIES SERVERS CONSUME AT LEAST 34 PERCENT LESS POWER PER UNIT OF WORK RELATIVE TO COMPARABLE PREVIOUS-GENERATION MODELS

## Product End-of-Life

IBM CURRENTLY OFFERS PRODUCT REUSE AND RECYCLING SOLUTIONS IN 35 COUNTRIES

A belief that global enterprises have a responsibility to protect the globe.



## our company IBM's business and extended relationships 12

### *Corporate Profile*

EVOLVING WITH GLOBAL MARKETS 14

### *Corporate Governance and Management System*

LONG-STANDING COMMITMENT TO INDEPENDENT OVERSIGHT 18

### *Supply Chain Relationships*

STANDARDS OF BEHAVIOR ACROSS A BUSINESS ECOSYSTEM 22

## our people The contemporary employment relationship 24

### *Compensation and Benefits*

BUILDING A CULTURE OF HIGH PERFORMANCE 26

### *Employee Well-Being*

ENSURING HEALTH AND SAFETY 30

### *Global Workforce Diversity Initiatives*

THE BUSINESS IMPERATIVE FOR EMBRACING INCLUSION 37

### *Learning Programs*

INVESTING IN LEARNING AND LEADERS, AT ALL LEVELS 40

### *Communications Channels*

ENABLING FREE EXCHANGE OF INFORMATION AND IDEAS 42

## our world The commitment to a sustainable planet 46

### *Contributing to Communities*

PRACTICING MONETARY, TECHNICAL AND HUMAN PHILANTHROPY 48

### *Environmental Protection*

ENVIRONMENTALLY CONSCIOUS OPERATIONS, MANUFACTURING AND PRODUCTS 54

### *Game-Changing Innovations*

TECHNOLOGIES THAT IMPROVE OUR WORLD 72