

GLOBAL CITIZENSHIP OF INDIVIDUALS

- 1_THE NEW SKILLS PARADIGM
- 2_THE NEW LEADERS
- 3_THE NEW WORKPLACE MODEL

For every one of us, the digital network revolution and global integration make possible new forms of work, innovation and personal fulfillment. But to capture these new opportunities, we must exercise our own judgment and creativity.

At the same time, companies realize that unleashing their people is the key to innovation and growth. Indeed, IBM's own research among CEOs revealed that they see their employees as the top source of innovation for their companies.

Put them together, and it constitutes a new relationship between the enterprise and the individual, which is taking shape in some specific and exciting forms.

The tough part is how to make it real.

1_ THE NEW SKILLS PARADIGM:

The changing nature of expertise

In a world where high-value skills shift constantly, every company, community and country must continuously master new fields and acquire new kinds of expertise. Most importantly, so must each one of us. For instance, according to the U.S. Department of Labor, most Americans will hold between five and 10 jobs in various professions or industries over the course of their lifetimes.

Who is in the best position to shape an employee's learning—not just for his or her current job, but for the next one, or two, or three? IBM believes it's the individual.

In 2007 we announced the IBM Global Citizen's Portfolio, a new way to empower IBMers to chart their own future career paths. One program under this framework is the **Matching Accounts for Learning**. This first-of-a-kind initiative, to be piloted in the U.S., enables IBMers to contribute up to \$1,000 a year to an interest-bearing account. IBM will match half of the employee's contribution. The combined funds are then the IBMer's to use for a wide range of educational expenses. Perhaps the individual wants to finish a degree, plan for a second career in an unrelated field or learn a new language. The choice is his or hers. IBMers can take advantage of the fund during their time at IBM or long after we've parted ways.

This ceding of control might seem risky — but IBM believes that recognizing and enabling IBMers' autonomy and choice is not only the right thing to do, but also the best way to attract and retain the brightest and most innovative employees in the world.

As globalization expands and new economies emerge, IBM is positioning itself

and its employees to lead. Following the Global Citizen's Portfolio announcement, thousands of IBMers flooded the company's intranet to post their responses. Said one, "I thought I could not be more excited about being an IBM employee at this time in history. I was wrong. This is superb!" And leaders from academia and government have responded enthusiastically as well.

"In the age of globalization, both skill and education requirements will be constantly changing.

The IBM Matching Accounts for Learning, where the company and the individual contribute toward the creation of a flexible account to respond to these changes, is a very intriguing and positive response."

Robert B. Reich, Professor of Public Policy at the Goldman School of Public Policy at the University of California at Berkeley; former U.S. Secretary of Labor; author, Supercapitalism

\$682 MIL

IBM'S MATCHING ACCOUNTS FOR LEARNING ADD TO THE COMPANY'S EXISTING INVESTMENT EACH YEAR IN EMPLOYEE EDUCATION AND TRAINING—WHICH WAS \$682 MILLION IN 2006.

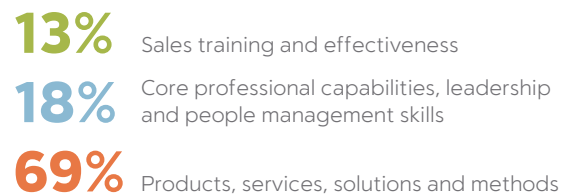
Work today is a continuum of opportunities to learn, grow and advance. And that means bringing learning to the individual.

One example is **Learning@IBM**, a collaborative, personalized portal that delivers relevant content and tools to employees anywhere, anytime. It helps them find one another to share expertise, skills and best practices. In addition to its emphasis on collaboration, the portal enables each IBM employee to develop his or her own individualized learning plan.

Averaging 727,000 visits a month, the IBM Learning sites provide a wide variety of career-expanding industry and technical information that is tailored to the employee's job role and interests. Employees can acquire new skills and disciplines, from nanotechnology to the latest "green" technologies, and successfully reposition themselves within a growing and changing marketplace.

IBMers are also learning from each other through social networking technology such as blogs, wikis and instant messaging. New technologies automatically alert employees when experts in any given area of the business are available online to help them. This reduces their sense of isolation and enables IBMers to reach out to colleagues for advice.

MORE THAN 30,000 ONLINE COURSE OFFERINGS ARE AVAILABLE TO EMPLOYEES.



A global solution to develop employees, match them to opportunities and recruit new talent.

IBM's Workforce Management Initiative (WMI) enables employees to showcase their expertise, manage career-related tasks and find new jobs, projects or mentors through a personalized intranet tool, "Your career," integrating with our global employee directory, BluePages.

By providing their resumes and completing skills assessments, employees showcase their expertise to managers and leaders worldwide, enabling the company to match people to projects, engagements and job opportunities. And through Learning@IBM Explorer, IBMers can create a dynamic plan to sharpen their skills for professional growth.

WMI's skills database is available to managers and leaders in 63 countries through Professional

Marketplace — a project engagement application that matches supply with demand and included more than 153,000 IBM professionals' skills and expertise in October 2007. IBM's Global Opportunity Marketplace (GOM) allows 20,000 interview invitations to be sent to uniquely qualified candidates within the company in six business days. Using GOM, India processed more than 376,000 applications in the tool's first nine months of use.

2_THE NEW LEADERS:

Shaping the skills of a diverse, global generation

Businesses know how to develop “multinational” leaders. But who will emerge as the next generation of leaders for *global* enterprises? The business model is new, and so are the skills required. What companies, countries and communities will best nurture and attract them?

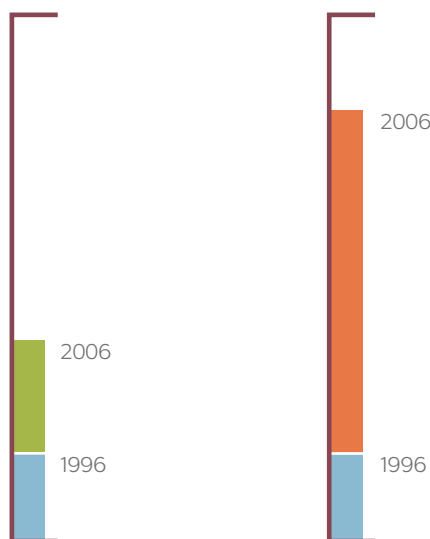
Diversity isn't just the right thing. It's also the smart thing.

IBM long has recognized that a diverse workforce is good business, and has been a pioneer for nearly a century in fostering equal opportunity for all. Today, more than ever before, a company based upon innovation needs skilled people from all backgrounds—because it takes the broadest spectrum of experience, expertise and ways of thinking to unearth the truly breakthrough ideas.

As a globally integrated enterprise, IBM applies the principles of our first written Equal Opportunity Policy, established more than 50 years ago, to the many social and cultural environments in which we do business. We continue to cultivate diversity in our management and executive ranks as a strategic priority, as well as in our business ecosystem of suppliers (see p. 25). Diversity network groups within IBM have introduced novel programs like reverse mentoring (where less-tenured professionals “mentor” more senior ones) and international mentoring. And we are bringing the management of diversity into the future, with the addition of the individual's genetic information to the list of protected characteristics under IBM's Equal Opportunity Policy.

OVER THE LAST 10 YEARS, IBM'S U.S. AFRICAN AMERICAN EXECUTIVE POPULATION HAS GROWN BY 130%.

OVER THE LAST 10 YEARS, IBM'S U.S. WOMEN EXECUTIVE POPULATION HAS GROWN BY 393%.



In a globally integrated enterprise, leaders must be far more collaborative, adaptable and attuned to cultural differences.

How will we develop global professionals and global citizens for a new era and model? Consider IBM's **Corporate Service Corps**, a program within the Global Citizen's Portfolio (see Chairman's Foreword, p. 7).

When it launches in 2008, Corporate Service Corps will gather teams of IBMers with a diversity of skills, drawn from different countries and business units. They will work on projects of significant value in developing countries, in four-week assignments. These teams will tackle real societal, educational and

environmental challenges, while at the same time experiencing a diverse cultural perspective. The result will be a new sort of on-the-ground education, on the front lines of business and society, for a new generation of truly global leaders.



IBM IS PLACING EMPLOYEES WITH
**DIVERSE SKILLS AND
 BACKGROUNDS**
 INTO EMERGING MARKETS TO TACKLE URGENT
 ISSUES IN COLLABORATION WITH
 NGO EXPERTS FROM AROUND THE WORLD.

3_THE NEW WORKPLACE MODEL:

From “work/life balance” to work/life integration

In today’s fast-changing world, the most skilled and creative professionals expect to take charge of their own integrated lives. To win the “war for talent,” companies must be just as creative and progressive.

Twenty years ago, IBM introduced “flex time,” allowing employees to adjust their office hours by 30 minutes. But the workplace we knew then, or even five years ago, no longer exists.

More than 70 percent of IBM managers now supervise employees who work somewhere else. Nearly half of IBMers work in a location other than a traditional IBM office — including 54,000 who work from home (up by half since 2004). Today, the interactions of a global workforce — with 24/7 activity spanning the world’s time zones and accommodating a range of local holidays — require a far more flexible environment.

Flexibility matters just as much to individuals. Our 2007 Global Work/Life Survey confirms that as IBMers’ flexibility increases, their difficulty in balancing work and personal life decreases. And we’ve also learned that flexibility is a key reason people choose to remain at IBM. So we are innovating again.

IBMers now have a range of flexible work options, called **Flexibility@Work**, enabling them to create the lives they want by devising individual work schedules and integrating their professional and personal responsibilities. Our Global Work/Life Fund provides IBMers’ families with resources such as day care, elder care and summer camps. We’re doing more to enable IBMers to find new assignments with fresh challenges. And with many of us no longer seeing each other daily, the online IBM Club encourages activities and events to stay connected with colleagues.

40% OF IBM’S EMPLOYEES WORK REMOTELY.



PERCENT OF IBMERS WHO SAY THAT FLEXIBILITY HAS A POSITIVE INFLUENCE ON:

79%
Productivity

78%
Work/life balance

72%
Job satisfaction

76%
Morale/motivation

73%
Work

A corporation has financial experts to manage its money. We believe the individual deserves the same kind of help.

A first-of-its-kind initiative for a major corporation, **IBM MoneySmart** sets a new standard for enabling employees to manage their own financial future. This comprehensive program, offered at no cost to U.S. employees until the end of 2008, provides IBMers with access to expert and objective information to inform their financial decisions.

Topics include reducing debt, building an emergency fund, investment strategies and retirement planning. More than 53,000 IBMers have signed up, and thousands are participating in one-on-one

sessions with personal MoneySmart coaches — enriched by live seminars and Web conferences that include spouses or domestic partners, and by a robust Web portal that includes a library of financial topics and interactive tools to guide financial education. The program's coaches are knowledgeable about IBM's compensation and benefits programs. Collaborating with IBM on MoneySmart are Fidelity Investments and The Ayco Company, two of the nation's leading financial services firms.

Supporting a culture of health around the world

IBM's centralized Well-Being Management System (WBMS) links the skills of the company's Global Well-Being Services and Health Benefits organizations, including occupational medicine, safety engineering, industrial hygiene, case management, wellness, ergonomics and health benefits design. The WBMS uses "plan-do-check-act" principles to monitor planning, compliance, measurement and continual improvement for employee well-being. In 2007 there were 181 improvement plans targeting global objectives.

IBM fosters a culture of healthy behavior by providing financial incentives, programs and tools for employees to quit smoking, exercise regularly and obtain preventive healthcare. This pioneering approach has so far resulted in more than 700,000 **Healthy Living Rebates**. And a new program, launched in the U.S., extends these benefits by encouraging IBMers'

children to eat right, exercise and adopt healthy weight habits.

IBM's Healthy Living Rebate initiatives are taking root in more than 30 countries, such as Brazil, where IBM hires independent coaches to train employees to run in marathons; Russia, where IBM employees who work to reduce risks of cardiovascular disease and obesity can receive a 5 percent reduction in health benefit costs; and India, where IBM was named the top employer for women, based on its comprehensive workplace and leadership programs, including rebates for participating in health programs. And Wellness for Life tools on the Web enable IBMers worldwide to assess their health, plan new goals for healthy living and take action through a variety of evidence-based resources — including the Women's or Men's Health Optimizer tool launched in the U.S. to assist employees on gender-specific health concerns.

IBM's workplace safety record continues to be among the best in the IT industry, as documented in the rates of illness and injury that are measured by the U.S.

“As the first major corporation to obtain health benefits for employees with HIV/AIDS in China, IBM is again demonstrating a commitment to employees that is strong enough to break down long-term cultural barriers.”

*Helen Darling, President,
National Business Group on Health*

Occupational Safety and Health Administration (OSHA), as well as our participation in OSHA's Voluntary Protection Programs.

And as part of our long-term commitment to help fight HIV/AIDS with IBM research and technology, IBM became the first employer in the People's Republic of China to negotiate successfully with insurance carriers to provide private healthcare coverage for employees with HIV. The new benefit is part of a comprehensive IBM program to raise awareness about HIV/AIDS in China and provide IBMers with education to prevent infection.