IBM’s culture of ethics and integrity is guided by a rigorous system of corporate governance. In this section, you will find examples of the many ways we govern the conduct of the company, manage risk and contribute our expertise to public discourse.
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Governance

IBM senior management is ultimately responsible for our economic, environmental and social performance, as well as our adherence to IBM’s overall compliance programs.

Corporate responsibility at IBM is integrated across the business through the following forums.

**Corporate Responsibility Steering Committee**

Our Corporate Responsibility Steering Committee comprises senior executives from functional areas across the business and is chaired by the vice president for Corporate Citizenship and Corporate Affairs. The committee meets periodically to provide leadership and direction on key corporate responsibility issues. Each functional area is responsible for the development of its own corporate responsibility goals and strategy, with organization-wide goals approved by the steering committee.

**Corporate Responsibility Working Group**

Our Corporate Responsibility Working Group consists of representatives from 10 functional areas (including global representation) and meets at least monthly to manage IBM’s corporate responsibility activities and stakeholder engagement across the company. The working group reviews key policy and strategic issues and makes recommendations to the steering committee throughout the year.

On a day-to-day basis our activities are coordinated in the Corporate Citizenship and Corporate Affairs organization, which reports to the senior vice president for Marketing and Communications.
Stakeholder Engagement

At IBM, we view stakeholder engagement as much more than communications and consultation. For us, it is about business engagement and collaboration—working shoulder-to-shoulder with communities, governments and the social sector.

Here are a few examples:

• Jams use IBM’s large-scale electronic collaborative brainstorming platform to garner stakeholder input and engagement on a scale not previously possible in real time, accelerating the development of solutions to society’s most enduring problems. Jams bring together thousands of representatives from nonprofit organizations, corporations, academic institutions and government agencies to engage in real-time, virtual discussions around social and business issues ranging from security and privacy in the digital age to the future of service and volunteerism.

For example, ServiceJam, held in 2010, brought together more than 15,000 representatives of nonprofit organizations, corporations, academic institutions and government agencies in a discussion about how social innovation can help solve our world’s largest problems.

• We use a variety of social media to help us more deeply engage with our community and the extended IBM workforce. This includes Citizen IBM, which promotes discussion with community organizations, teachers, students and parents worldwide on IBM’s corporate citizenship programs. This website offers information about IBMers donating their time, talent and technology to assist communities around the world to help build a smarter planet. We also connect to our extended workforce community, which includes our retirees, through the IBM On Demand Community, our online system of community engagement.
IBM also actively seeks to work with organizations that are taking similarly innovative, global, open and collaborative approaches to corporate citizenship and sustainability.

Our memberships include:

• AmCham-China CSR Committee
• Business Civic Leadership Center
• Business for Social Responsibility
• Carnegie Global Council
• Center for Climate and Energy Solutions
• Chilean United Way
• Confederation of Indian Industry National Committee on CSR
• Conference Board
• Corporate Responsibility Officers Association
• Council on Foundations
• CSR Asia (IBM is a member of its Community Investment Round Table)
• CSR Europe (IBM is the current chair)
• Eco-Patent Commons
• Electronic Industry Citizenship Coalition (IBM is a board member and holds chair emeritus position)
• Environmental Law Institute
• European Academy of Business in Society (IBM is a board member)
• Group of Institutes, Foundations and Companies
• InnoCSR, China
• Instituto Argentino de Responsabilidad Social Empresaria/Argentinean Institute of CSR
• Points of Light Institute Corporate Council
• World Environment Center
• World Wildlife Fund Climate Savers Program
**Business Conduct Guidelines**

IBM’s Business Conduct Guidelines (BCG), including the Government Client Guidelines supplement, reflect our longstanding commitment to ethical conduct and decision-making. Serving as our global code of conduct for IBM employees everywhere we do business, the BCG is available in 25 languages and is deployed in 98 countries. Each year, IBM employees are required to certify to the BCG and complete online interactive training. The BCG course is refreshed annually, to include timely and relevant business scenarios that employees may face when conducting IBM’s business. In 2012 the course included topics on financial integrity, anti-bribery, secure computing, fair competition and reporting.

Working with third parties continues to be an integral part of IBM’s business in meeting the needs of our clients. Just as IBM employees commit to ethical conduct and decision-making, IBM also holds its business partners to high standards of business conduct and practices. IBM’s Business Partner Code of Conduct and Supplier Conduct Principles and Guidelines describe the standards of business conduct and practices we expect from our business partners and suppliers in order to do business with IBM. This year, IBM also required its business partners and suppliers to complete online education on a variety of topics relating to ethical conduct and compliance.

IBM provides communications channels for employees, suppliers, business partners and others to report concerns or suspected violations to the company. These reporting channels include mechanisms for submitting anonymous reports. IBM does not tolerate threats or acts of retaliation against any employee for reporting a concern or suspected violation.
Privacy and Security

Today’s digital society is built on the fast flow and analysis of information. The strides we make in gathering, routing and analyzing torrents of data hold the promise of an ever-brighter future, a vision we at IBM refer to as Smarter Planet.

But behind these data are real people, real organizations and real concerns about privacy and security. At IBM, we take these concerns very seriously.

Privacy

IBM believes that consideration for privacy and data protection must be built into the fabric of our business, and our society, in order for individuals and organizations to realize the promises of social progress and economic growth offered by our increasingly interconnected and data-driven world.

The economic value of information continues to increase, and much of that information relates to us as individuals. This information, and how we use it, is at the heart of new business models, new jobs and new ways in which individuals and businesses organize and connect with one another around the globe.

Institutions of all types—including businesses—must work to earn the public’s trust in their ability to steward information, and in turn we as consumers must take educated steps to protect ourselves and our families.

IBM has long been a pioneer in privacy policy and practice:

- Early 1970s—first company in the world to adopt a global privacy code of conduct
- 2000—one of the first companies of any size to appoint a chief privacy officer
- 2005—first company to adopt a global genetic nondiscrimination and privacy policy
- 2012—recognized as one of the top 10 companies “Most Trusted for Privacy” by US consumers for the seventh consecutive year

In 2012, IBM launched a number of new initiatives around privacy, and expanded others already underway. Some of these programs are designed to help organizations in need of expertise in these areas, some share what works at IBM with the rest of the world, and others strive to promote consideration of privacy and security in the realm of public policy.

Promoting transparency

IBM has been urging better communication regarding privacy for years. As far back as 1999 we decided to withhold advertising dollars from North American websites that did not post their privacy policies. But industry can do more than post a privacy policy. That’s why IBM and other companies worked with the Future of Privacy Forum in 2012 on a consumer trust seal, authenticated by a third party, to give consumers confidence in smart grids. The program helps companies certify their data collection and usage practices against an agreed-upon standard for privacy.
Pro Bono Privacy Initiative

According to Independent Sector, a coalition of nonprofits, foundations and corporate giving programs, there are 1.4 million nonprofits in the United States serving the broad public interest by providing services such as homeless shelters, domestic violence assistance and nutrition support. Given the staggering growth of digital data, these nonprofits are increasingly likely to encounter privacy and personal data security-related issues that they must understand, analyze and address.

In 2012, IBM continued its involvement in an initiative we began in 2011 dedicated to providing nonprofit organizations free legal and other advice on responsible and pragmatic practices for protecting individual privacy and data security. Called the Pro Bono Privacy Initiative, this group of privacy professionals aims to engage with human services agencies to help them navigate mission-critical privacy and data protection considerations. Stemming from the initiative's pilot, IBM continued to share its data security and privacy expertise with Safe Horizon, the largest victims’ assistance agency in the United States.

The Pro Bono Privacy Initiative is designed to help:

- Interested nonprofits improve their compliance and risk posture
- Participating privacy professionals give back to society while enriching their experience and networks
- Supporting companies, law firms and consultancies demonstrate corporate citizenship

Privacy by Design

In 2012, IBM continued its extensive work to build a globally recognized enterprise privacy program that follows Privacy by Design practices. As big data continues to make headlines, we have built privacy-protective features into our new sensemaking analytics technology, code-named G2, and also published a related paper, coauthored by IBM Fellow and Chief Scientist of IBM Entity Analytics Jeff Jonas and Ann Cavoukian, Ph.D., information and privacy commissioner of Ontario, Canada.

IBMPrivacy

Throughout 2012, we continued to develop IBMPrivacy, a site that offers resources and discussion about privacy and data protection for large enterprises, small businesses and nonprofit organizations. With this site IBM hopes to help demystify the privacy and data security issues that all organizations must address in today’s digital world. By proactively developing privacy plans based on current and practical knowledge, organizations can be better positioned to achieve their overall missions in a way that maintains their good reputation and also enhances compliance.

Cybersecurity

Security is a critical aspect of the entire lifecycle of any system, from design and architecture through to implementation, testing, deployment, maintenance and retirement. Today, organizations and individuals are confronting heightened risks as cybersecurity threats continue to grow and evolve with great speed.

At IBM, we carefully consider cybersecurity challenges when conceiving, developing and marketing our technology solutions. We also recognize it is important to collaborate with public and private organizations that build market awareness of these issues and implement policy governing them. We understand the benefit of providing education as well as technology.
In support of that understanding, IBM takes part in the annual Safer Internet Day event. In 2012 the event’s theme was “Connecting generations and educating each other.” IBM released free Internet safety training tools for students and deployed thousands of volunteers around the world to help educate consumers and businesses on Internet safety and digital awareness. The kits are designed to help teach teenagers how to protect their personal data and reputation online, to give teachers or adults working with children information on Internet safety and common Internet activities that young people engage in, and to help adults recognize and prevent cyberbullying among youth.

**Secure, smart and social computing programs**

IBM recognizes the value that social computing can bring to a company, both for internal employee interaction and for building stronger relationships with customers, providers and partners. But the use of social media can also introduce risk. We realize that if not managed correctly, individuals’ engagement with social and other computing technologies can work against an organization’s relationship-building efforts and pose significant security threats.

In 2012 we continued our internal Social Business Management Council, a cross-company group of senior leaders charged with aligning the company’s social business strategies with risk mitigation priorities, to address social media and risk issues as they arise and sponsor enterprise-wide policy enhancements in this area. We again reviewed and updated the IBM Social Computing Guidelines to stay current and address labor and other requirements. And we deployed mandatory employee security education and continued to enhance the “Digital IBMer Hub,” an interactive set of resources available for employees to learn social computing skills and reinforce secure social computing. We continued to refine our social recruiting guidelines that outline how social media can and should be used by employees during the recruiting process, and we created an employee guide for managing digital reputations that stresses the importance of individuals taking responsibility for their own online personas.

Recognizing the risk environment in which all organizations now operate, we continue to review and improve our process for reporting suspicious incidents involving data or IT systems, and we continue to devote resources to support expert response efforts.
Enterprise Risk Management

At IBM, we believe that innovation and leadership are impossible to achieve and maintain without taking risks. Since almost all business decisions contain elements of both risk and opportunity, they must be managed prudently.

IBM's business decisions affect our key stakeholders—shareholders, clients, business partners and employees—and thus by extension affect society and the communities where we do business. Senior management is responsible for assessing and managing the company’s various exposures to risk on a day-to-day basis, including the creation of appropriate risk-management programs and policies. IBM has developed a consistent, systemic and integrated approach to risk management to help determine how best to identify, manage and mitigate significant risks throughout the company. This approach continues to be refined and various enhancements were introduced to the framework in 2012.

Leadership

Senior management continued its collaborative process of identifying, evaluating and managing enterprise-level risks in 2012. This included periodic reviews and interaction with the Audit Committee and Board, which oversees the company’s enterprise risk management framework, program and associated processes. A key aspect of senior management leadership in risk management is to identify and deploy a governance model and management system that fosters collaboration and transparency in managing risk across the entire enterprise. This enterprise purview enables risk-mitigating actions that are taken in one part of the business to be standardized and applied globally, across other units. Risk management is also an element of executive compensation plans, designed to motivate our leaders to deliver superior business performance without encouraging excessive risk-taking.

Programs and practices

Throughout the company, the approach to identify and manage risk is based on the ISO 31000 Enterprise Risk Management (ERM) standard. In deploying this standard, IBM considers and assesses potential financial, operational, regulatory and other risks to our business, which could be driven by various factors such as where we do business, how we do business and the nature of our offerings.

IBM continued to enhance its risk identification process in 2012 by reviewing risk information sources, including our peers' 10K filings with the Securities and Exchange Commission and external industry surveys. We also conducted in-depth discussions with leading consultants on emerging risks and conducted a robust internal study that included extensive interviews with key executives. As a result, we updated our enterprise-level risk map and increased senior management focus in early 2013. Benchmarks have shown that IBM’s risk management practices exceed typical standards, including more emphasis on collaboration and consideration of risk interdependencies.
Enablement

One of the most effective ways to manage risk in a global enterprise is to consistently promote a culture of risk awareness, identification, analysis and mitigation. IBM continued to expand its risk education and training in 2012; for example, we held risk workshops with teams in Africa designed to improve local practices. IBM is also focused on applying technology, tools and analytics to support risk management. One example is the Country Financial Risk Scorecard, which combines big-data automation to monitor trends and develop intelligent and actionable insights. By leveraging IBM’s analytics solutions, such as Cognos and SPSS, we were able to integrate over 100 internal and external inputs to produce an integrated view of country-level risk on a near-real time basis for over 160 countries. IBM was recognized by CIO Magazine with an award for the Country Financial Risk Scorecard’s innovation and leadership. Additional internal capabilities have been developed to assist in managing other areas of risk using IBM’s advanced risk solutions, such as OpenPages for IT risk and Algorithmics for treasury risk.

Effectiveness

A risk management framework is most effective when it provides transparency, facilitates communication and monitoring of risks, and demonstrates success in mitigating enterprise-level risks. This level of effectiveness should ultimately lead to improved business performance and help the company protect its reputation while delivering on its social responsibilities. To measure the effectiveness of risk mitigation actions, IBM continued to enhance the way it defines and communicates its key risk indicator metrics across the risk lifecycle in 2012, including leading indicators, and action, effectiveness and outcome metrics.

External community engagement

IBM has engaged with academia, external risk-management thought leaders and community organizations to advance the risk management acumen of current and future business leaders. For example, we worked with a US university to enhance curricula in risk analytics, in order to help students develop advanced skills in the use of technology to solve complex business and financial risk problems. In another example, IBM hosted a program for CFOs of nonprofit organizations to coach and demonstrate how to leverage commercial risk management practices to address their community challenges.
Public Policy

As IBM endeavors to improve the social and commercial systems that support our world, we understand the importance of working collaboratively across all of civil society—with lawmakers, regulators, public officials and civic leaders.

Through this collaboration we contribute our expertise, experience and perspective on some of the most urgent issues facing the world today.

One such issue is the worldwide shortage of graduates prepared for careers in science, engineering, technology and math (STEM). The flow of high-skilled workers from nation to nation is one response to the STEM shortage; however, caps and other restrictions have limited the movement of talent even if a sufficient supply existed.

And so, many countries are now developing reforms to improve their global competitiveness:

1. OECD countries have sought improvements in curriculum, teaching skills, use of metrics and other key reforms.
2. The government of China put forward a new law on vocational education and regulations concerning the management of institutions of higher learning.
3. India has amended its constitution to guarantee a fundamental right to education and enacted legislation regarding free and compulsory education.

IBM is focused on addressing these problems by encouraging action on the part of states, localities and the US Congress. We are working to drive education reform, workforce training and immigration/migration legislation and policy, and have used our localized efforts (for example, Pathways in Technology Early College High School or P-TECH) to develop recommendations and demonstrate educational approaches.

To scale up these local initiatives, IBM is working with its US congressional delegations, other employers and trade associations to seek improvements in career and technical education (CTE) programs—in particular, the Carl D. Perkins Act. In the United States, CTE programs—once called vocational education—creates a link between school and career. While federal funding under the Carl D. Perkins Act provides more than $1 billion to schools, IBM is seeking reforms that would:

1. Better align with labor-market needs in high-growth industry sectors.
2. Improve CTE programs with strong collaboration among secondary and post-secondary institutions and employers.
3. Create accountability measures that provide common definitions and clear metrics for performance of CTE programs in order to improve academic outcomes while building the technical skills and employability of participants.
For the full 2012 Corporate Responsibility Report, go to ibm.com/ibm/responsibility/2012