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Section One: Employees

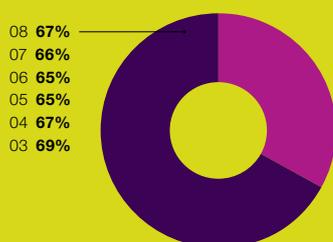
Global employees, global citizens

On the Web

For Web-exclusive content and more on our efforts around employees, visit us online at ibm.com/responsibility/employees

Key Performance Indicator

Employee Satisfaction



Up to 40% of IBMers are randomly invited to participate in our annual Global Pulse Survey. The annual averages shown are the responses to, "Considering everything, how satisfied are you with your job?"

50%

of IBM's nearly 400,000 employees have less than five years of service.

40%

of IBM employees work remotely, either from home or at a client site.

8.6 million

volunteer hours logged through the On Demand Community program since inception.

Even in the current economic downturn, IBM continues to invest in our workforce—providing our employees with skills training, health and wellness programs, and opportunities to gain global experience.

The speed at which our business is changing is unprecedented, and each year we move thousands of people into jobs that are very different from what they were hired to do.

IBM has a large knowledge-based business, so we must constantly evolve employee skills based on market demand. There are three fundamental ways that we adjust our skills as requirements change:

First, we retrain and evolve skills from within. In 2008 we spent over \$600 million in training and development—\$1,700 per employee—to enable the company to transition thousands of people into new skill areas.

Second, we hire externally and where there is significant opportunity we make acquisitions. Over the past decade, IBM has made 100 acquisitions.

Finally, where we need to—when we have people in a skill area or geography where client demand does not support it—we rebalance skills and make reductions.

As we continue to evolve as a global enterprise, certain challenges remain ongoing: How do we manage and facilitate employee transitions in an increasingly complex world? And how do we remain engaged with IBMers spread across disparate locations and time zones—to foster innovation and collaboration among our richly diverse workforce?

IBM has announced a number of commitments on an enterprise level for 2009:

- › Investing in salary increases for employees—although not for executives.
- › Continuing to offer performance-based bonus programs for all employees—not just executives and managers—at amounts comparable to the prior year.
- › Continuing to hire in selected skill groups in all markets.

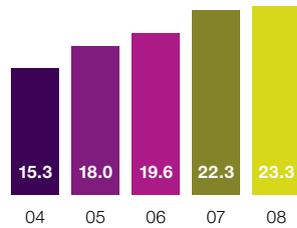
IBM is addressing the challenges of managing our human resources in many ways, some of which are profiled in this section. In 2008, we focused on several initiatives in the areas of employee learning and development, employee engagement, diversity, and health and wellness.

Employee Learning and Development: Global Mentoring

Key Performance Indicator

Total Learning Hours

Hours in Millions



In 2009, IBM is deploying a new, enterprise-wide learning framework that will help IBMers develop capabilities that are important to our clients as well as their individual career development.

Employee Learning and Development: Business Analytics and Optimization

We're seeing a rising trend in the number of jobs in what is known as Business Analytics and Optimization (BAO), which includes high-demand areas like business forecasting and business intelligence. BAO draws on many disciplines—everything from meteorology and computer visualization to Web 2.0 application development and organizational psychology to biology and computer science.

Together with our business partners, clients and universities, IBM is driving innovation around this new class of consulting jobs and plans to retrain or hire up to 4,000 new analytics consultants and professionals. In second quarter 2009, we established a network of Analytics Solution Centers, with initial locations in Beijing, London, New York, Tokyo and Washington, DC. The centers will enable IBM to meet growing client demand for advanced analytics capabilities as part of new, smarter business systems.

In 2008, we instituted cross-geography mentoring on a pilot basis with China, India and South Africa with plans to expand the program in 2009 to include Brazil, Dubai, Indonesia, Malaysia, the Philippines and Vietnam. The program's objectives are to increase the flow of knowledge and develop talent company wide—overcoming geographic barriers by fostering collaboration and promoting cultural intelligence.

One of the program's pairs is Danny Chen, a Taiwan-born engineer who now works in Austin, Texas, and David Lin, a software programmer at the Taipei Lab in Taiwan. Chen mentors Lin on the intricacies of the patent process and how to develop patentable ideas, and Lin shares important information with Chen about doing business in China.

The relationship has already paid off, personally and professionally. Last year, the Taipei lab was awarded five patents—up from one in 2005. And a team at the lab now publishes a newsletter featuring a wealth of useful tips for other inventors.



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Mentor: Mike Smith, Distinguished Engineer, U.S.

Mentee: Rice Chen, Executive, BetaWorks, China

Most recent discussion: Leadership skills

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Mentor: Marilyn Johnson, V.P. Market Development, U.S.

Mentee: Lenhle Daka, Territory Manager, South Africa

Most recent discussion: Black economic empowerment laws in South Africa

③



Mentor: Jon Tilt, Chief Test Architect, U.K.

Mentee: Srinivas Pinjala, Java Technologies, India Software Lab

Most recent discussion: Intellectual property issues

Employee Learning and Development: Transition to Teaching

“Building, energizing and maintaining a high-quality workforce is the key to success of any organization—in the public as well as the private sector.

IBM is leading the way thorough its close collaboration with the Partnership for Public Service, which resulted in the Fed Experience program. The goal is to identify, recruit and hire interested IBM employees and retirees and match them to key federal government jobs.

To meet the country’s most pressing challenges, government needs the right talent with the right skills in the right jobs, a mandate that provides businesses with the opportunity—and responsibility—to help revitalize government.”

Max Stier, President and CEO,
Partnership for Public Service

🖱 On the Web

For more information on Partnership for Public Service and The Bridgespan Group, visit ourpublicservice.org and bridgestar.org respectively.

In the fall of 2008, more than 100 IBMers in the U.S. and the U.K. took steps to put their years of experience at IBM to work in K–12 education. Many are already working in the classroom, thanks to IBM’s Transition to Teaching. The program addresses the need to support our employees as they transition from IBM employment into fulfilling encore careers such as skilled science and math teachers.

According to the U.S. Department of Labor, more than 260,000 new high school math and science teachers were needed for the academic year 2008–2009. The shortage is also acute in the U.K. and other countries.

Acknowledging that a shift in vocation takes time and training, IBM helps underwrite the costs associated with earning a teaching certificate. Employees are eligible for a total of \$15,000 for tuition reimbursement or stipends for up to a year of field experience.

IBM has also forged partnerships with many colleges and universities, state education departments and public school districts to help shape the program. More than 100 companies have expressed their interest in Transition to Teaching, with Intel Corporation launching an initiative modeled after our program.

Transition to Teaching has been so successful that IBM has broadened the Transition2 Program to serve the public sector in conjunction with Partnership for Public Service as well as higher education and nonprofit organizations via a strategic alliance with The Bridgespan Group. Over the past year, the Center for Teaching Quality (CTQ), in partnership with IBM, has begun documenting the effects of this initiative and its potential to serve as a model for corporations willing to invest in future workforce development.

Health and Wellness: Cardiovascular and Diabetes Wellness programs in India

IBM has long understood that investing in prevention and well-being makes sense for our employees as well as our business. Healthy employees tend to experience better quality of life and higher personal productivity, and those who discover health problems early tend to get well faster and spend less on medical care. Our strategy for improving employee health, while keeping costs in check, has four core elements:

- › Supporting health system reform
- › Investing in prevention and primary care
- › Developing programs for healthy lifestyles among our employees and community
- › Scaling programs and services through Web-based healthcare tools

Accessibility—Accessibility & Disability

Central: The new A&D Central, a Web application that will help employees with disabilities improve their productivity and find the resources they need to work effectively, will be piloted as an IT solution this year. The tool will streamline accommodation requests for items like computer audio screen readers and live captioning for teleconferences. It will also centralize the delivery processes to assist employees with disabilities, their managers and human resources partners.

One recent example of our preventative programs was a comprehensive employee screening effort we conducted in India during 2008, in response to what data from the World Health Organization (WHO) and the Indian Medical Association (IMA) have shown to be alarming rates of cardiac disease and diabetes in the country.

The program was organized at five major locations covering an IBM population of almost 45,000, with approximately 18,000 employees participating. Analysis of the participants' health risks revealed the following group profile:

- › 29 percent of participating employees below 30 years of age had high blood pressure recordings, which exceeds the average rate of hypertension in this age group.
- › 88 percent of employees over 40 years of age have a body mass index (BMI) of 25, with 27 percent of them having BMI > 30. A recent WHO study indicates a 30 to 35 percent obesity rate (BMI > 30) in the similar age group of the general population.
- › 48 percent of employees over 40 have high fasting blood sugar (FBS) values.

IBM plans to conduct a Health Risk Assessment targeting all IBM employees in India, and also to establish a diet and nutrition awareness program to help employees address some of the lifestyle issues related to cardiovascular disease and diabetes.

Diversity 3.0: A New Charter

Diversity: Speaking out on GLBT issues

On September 24, 2008, IBM provided expert testimony on the business rationale for adoption of Domestic Partnership Benefits at the U.S. federal level. IBM was selected to provide the corporate perspective and advisement on implementation for the public sector.

Given the speed and diversity of the global marketplace—geographically, culturally, ideologically—our success as a global enterprise depends on our ability to work effectively across those differences and using diversity to drive innovation.

In July 2008, senior leaders across IBM laid out a new charter for a company diversity strategy to help safeguard the continued viability and growth of IBM on a global scale. As part of the new charter, we are revalidating our diversity competencies, integrating them into every development and evaluation process, and restructuring programs. Importantly, those revamped competencies include ensuring employees have a deeper level of cultural intelligence and the ability to collaborate and lead across the globe.

For example, we noticed that typical IBM international assignments did not align with the new strategy. As a result, we are revising our approach—defining goals to increase global opportunities for high-potential technical and leadership talent from every demographic group. In addition we are providing specific transitional support for employees on assignment regardless of duration. We are also creating processes to maximize the application of their experience and knowledge after the international assignments end.