Social and Environmental Management System Program

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Dear IBM Supplier:

IBM has expected its suppliers to operate in an environmentally responsible manner for decades. Accordingly, our management system has included various environmental and supply chain social requirements for our suppliers. In addition, in 1998, IBM explicitly encouraged its suppliers to align their own environmental management systems with International Standards Organization (ISO) 14001 and to pursue registration under this international standard. In 2004, IBM published its Supplier Conduct Principles to articulate the company's overall supply chain social responsibility requirements and in 2013 replaced these principles with Electronic Industry Citizenship Coalition (EICC) Code of Code. These early initiatives and actions - taken well before the present day focus on social and environmental affairs - have served IBM and its suppliers well, underscoring how effective environmental management makes good business sense. In recognition of the continually growing imperative for environmental and corporate responsibility across supply chains, I am writing to inform you about some IBM requirements that were first communicated to our suppliers in February 2010 and are now an important part of business.

Specifically, IBM requires all of its suppliers to:

- define, deploy, and sustain a corporate responsibility and environmental management system;
- measure performance and establish voluntary environmental numeric goals;
- publicly disclose results associated with these voluntary environmental goals and other environmental aspects of the management system;
- cascade this set of requirements to the supplier's suppliers who perform work that is material to the products, parts and/or services being supplied to IBM.

Many of you have already been doing this for several years, and you have recognized - like IBM - that environmental leadership fosters business efficiency and effectiveness. You have also accepted that environmental responsibility and accountability resides at home, in your own business operations. For others, these requirements may represent a new way of doing business. What may be new, is taking the next steps to establish a formal management system, measure performance, set goals, and disclose results and cascading IBM’s requirements to your own suppliers.

There are certain basic elements that are necessary to put these requirements into action. We have stated them in the attachment below. IBM's own practices are built upon them, yet they are certainly not exclusive or limited in applicability to any one company or any particular industry sector. Although we are asking you to include these elements in your work, we are not prescribing a uniform set of programs and goals. We realize there is not a "one size fits all" solution. Instead, we ask each supplier to deploy a management system, measure performance, set goals, and disclose results in a way that reflects your company’s particular intersections with corporate responsibility and the environment. Whether these requirements are new to you or not, IBM believes they are important and expects its suppliers to meet them. Questions pertaining to these requirements should be directed to your IBM procurement contact person. Thank you for your attention to this important matter.

Sincerely,

Bob Murphy

Note. This communication is a re-issue of the John Patterson communication dated February 2010.
August 2014

ATTACHMENT:

Supplier Requirements

IBM’s Requirements for Suppliers Regarding a Corporate Responsibility and Environmental Management System, Measuring Performance, Setting Goals, and Disclosing Results.

IBM asks its suppliers to:

1. establish a corporate social responsibility and environmental management system that is defined, deployed, and sustainable and that identifies significant aspects of the supplier’s intersections with these matters, including those articulated in the Electronic Industry Citizenship Coalition (EICC) Code of Conduct. The supplier must be able to demonstrate that such a management system is in place and is deployed at their sites where work for IBM is performed, such that should IBM choose to conduct an audit, either by IBM or an IBM-directed third party, of a supplier's corporate social responsibility program and/or supplier's environmental program, the supplier will be able to demonstrate complete compliance to all elements of the EICC Code of Conduct.

2. establish programs (within the suppliers management system) to control operations that intersect with these above matters and that confirm their compliance with applicable law, regulation and any particular contractual requirements related to IBM.

3. monitor/measure their environmental performance and have established voluntary environmental goals to track and improve upon their environmental performance and, where applicable, include at a minimum each of the following environmental aspects:
   a. Energy conservation
   b. Waste management and recycling
   c. Scope 1 and Scope 2 Greenhouse gas (GHG) emissions

4. set voluntary environmental goals to achieve positive results associated with the suppliers significant environmental aspects, where applicable, and that they include at a minimum one goal in each of the three aspects cited in requirement 3 above.

5. publicly disclose results associated with the above-mentioned voluntary environmental goals and other environmental aspects of the suppliers management system, including any regulatory fines or penalties that may have occurred.

6. train employees who are responsible for the performing/monitoring/measuring/reporting of their environmental performance, assuring the appropriate skill-level and competency.

7. as part of the suppliers management system, conduct self-assessments and audits as well as management reviews of their system.

8. cascade the above set of (seven) IBM requirements onto the suppliers own suppliers that perform work that is material to the products, parts and/or services supplied to IBM, thus requiring the same of their relevant suppliers as IBM requires of its suppliers.

* Note: scope 1 greenhouse gas emissions: direct emissions generated by the company scope 2 greenhouse gas emissions: indirect emissions that are associated with the generation of electricity that is purchased and consumed by the company

Illustrative information about IBM’s own Global Environmental Management System and environmental reporting and disclosure can be found at:

http://www.ibm.com/ibm/environment/annual/ (Environmental Reporting and Disclosure)

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