

International Business Machines (IBM) Sustainability Report

Profile:

IBM is a global technology and consulting firm that specializes in a broad range of solutions including artificial intelligence (AI), cloud computing, and information technology infrastructure. Known for its commitment to innovation and ethical practices, IBM collaborates with clients across various industries to address complex challenges and drive digital transformation.

What IBM Does Well:

IBM has a strong commitment to ethical impact, having trained over 1,000 ecosystem partners in technology ethics and launching a commitment to train 1,000 more suppliers in technology ethics over the next two years. The company notably formed an AI Ethics Board to “support a culture of ethical, responsible and trustworthy AI throughout IBM.”

Environmental impact is a key focus, with IBM making strides towards its goal of net-zero operational greenhouse gas emissions by 2030, reducing emissions by 61.6% since 2010, and completing energy conservation projects that avoided significant energy consumption and CO₂ emissions. The company has focused on reducing its environmental impact; energy consumption from renewable sources (1,299 gigawatt-hours) is higher than from non-renewable sources (1,149 gigawatt-hours) thanks to the company’s investments.

One policy our firm particularly commends is the company’s “long-standing policy against political contributions of any kind, even when permitted by law.” IBM does not have a Political Action Committee (PAC) and does not engage in any political giving, directly or indirectly. This is something our firm would like to see more firms do in the coming years. We also commend its thorough supplier code of conduct regarding labor, health and safety, and the environment.

IBM has also received sustainability-related accolades in recent years. The firm was named an honoree World’s Most Ethical Company for the fifth time in 2023 as well as the 2023 SEAL Sustainable Product Award for building “purpose-built” products to help create a better future. IBM’s recognized product was IBM z16, which focuses on facilitating clients meeting their environmental goals.

Concerns:

IBM's total GHG emissions are still substantial, with 262 metric tons CO₂ reported, indicating room for improvement in reducing its carbon footprint. While the company’s output is substantial and likely to grow with emerging technology like AI that is energy intensive, our firm hopes IBM continues to utilize and increase renewable energy as a percentage of energy consumption.

IBM's current Board of Directors lacks diversity. Comprising 15 members, only three are female. This representation appears limited in terms of gender diversity. Our firm also notes the company’s CEO is also the Board Chairperson. Our firm would prefer independent positions and people.

Shareholder Engagement:

The following shareholder proposals were on IBM’s 2023 proxy ballot:

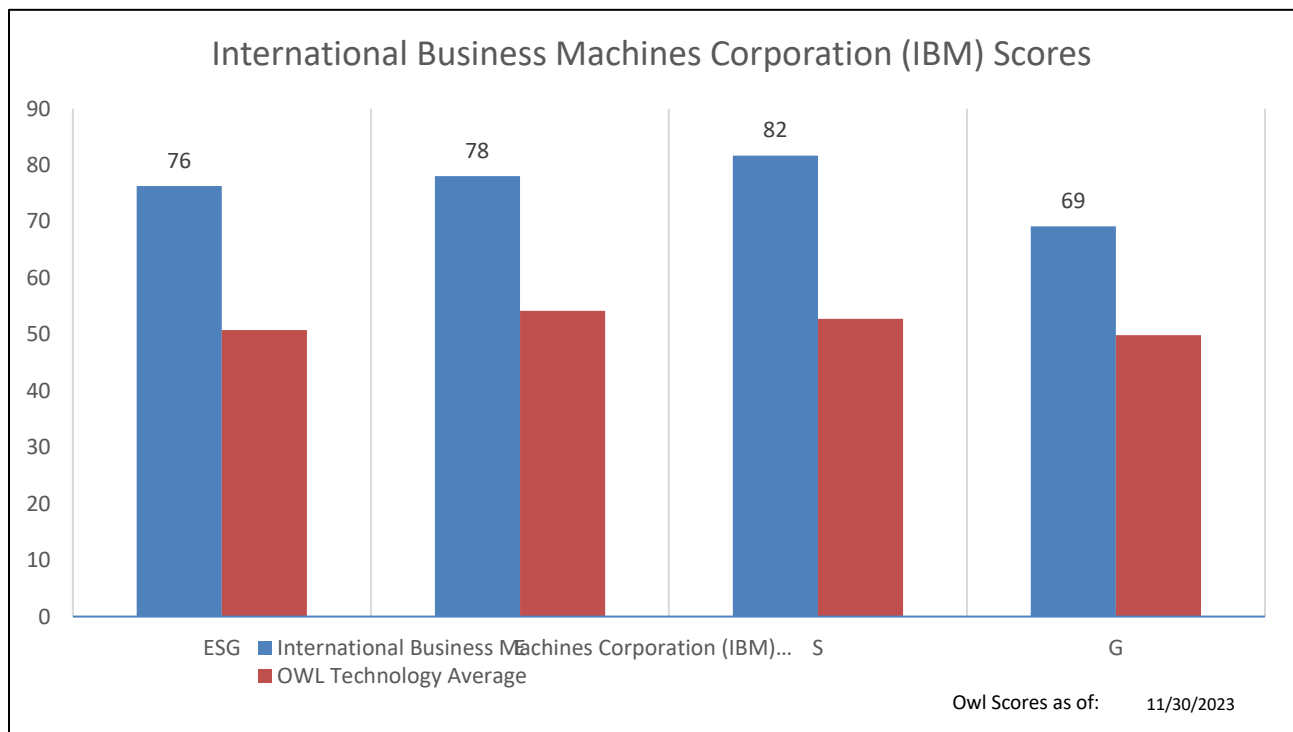
- Shareholder Proposal Regarding Independent Chair: received 25.62% support (we voted in

favor)

- Shareholder Proposal Regarding Lobbying Report: received 45.11% support (we voted in favor and co-filed for this to be on their 2024 ballot)
- Shareholder Proposal Regarding Report on Corporate Operations with China: received 6.92% support (we voted against; please note that this is an anti-ESG question)
- Shareholder Proposal Regarding Report on Effectiveness of Workplace Sexual Harassment and Discrimination Policies: received 32.42% support (we voted in favor)

There have been shareholder proposals related to environmental and social issues that have failed, indicating potential areas of concern or disagreement between management and shareholders on these topics. Although these questions technically did not “pass” due to not receiving over 50% support, many of them did receive above or around 30% support, which is typically the cut off that receives attention from management. The shareholder proxy ballot question that received the lowest support was submitted by an anti-ESG group. The question that received the highest shareholder support was asking for increased disclosure around lobbying activities and expenditures. This question received enough support to be refiled again this year. This is an area where our firm strongly encourages disclosure, and after having direct dialogue with IBM, our firm chose to co-file this resubmission.

ESG Scores:



Conclusion:

IBM demonstrates a strong commitment to sustainability through its investment in renewable energy, robust governance, and social responsibility policies. However, there is an opportunity for IBM to further reduce its GHG emissions and improve its ESG ranking within the industry. The company's innovation in technology, particularly in cloud computing, positions it well to address these challenges and continue to lead in sustainable practices within the tech industry.

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