



*Office of the Vice President  
Governmental Programs*

*1301 K Street Northwest, Suite 1200  
Washington, DC 20005 3307*

February 19, 2010

The Honorable Richard J. Durbin  
Hart Senate Office Building, Room 309  
United States Senate  
Washington, DC 20510

Dear Senator Durbin:

I am pleased to respond on behalf of IBM to your letter to our Chairman and CEO, Sam Palmisano, dated January 29, 2010. We appreciate this opportunity to describe IBM's business in China and our company's policies and practices with regard to Internet freedom.

IBM operates in more than 170 countries with approximately 400,000 employees worldwide, with our non-U.S. operations generating more than 60 percent of IBM's revenue in 2009. IBM's business is focused on serving large enterprise clients with a full range of information technology solutions – we do not provide Internet, telecommunications, or content services to individual consumers.

In recent years, IBM has transformed itself into a globally integrated enterprise, which has improved overall productivity and is driving investment and participation in the world's fastest growing markets, including China. IBM has operated in China for decades. We now have offices in 26 cities throughout China and generated 10% revenue growth in China in 2009. IBM conducts sales, research, development, manufacturing and service delivery operations in China. Our business is principally focused on supporting the IT needs of large enterprise customers in China in industries such as financial services, transportation, retail distribution, and health care. IBM has also located the headquarters for our Growth Markets Unit in Shanghai, from where we manage IBM's business in our fastest growing emerging markets around the world.

The fundamental principles underlying the codes of conduct outlined by many corporate responsibility and citizenship initiatives, including the Global Network Initiative (GNI), are ones that IBM has been successfully addressing for decades through its own internal principles, global policies and management system. As a global business leader, IBM believes that world trade and investment is a force for positive change in all areas of business and society. For nearly a century, IBM has pioneered global commerce while also providing business leadership in such vital areas as equal opportunity, diversity, respect for the environment, supply chain standards, ethical behavior, and in services to communities worldwide. IBM applies its high global standards in China as well as in every other country in which the company operates.

At IBM, we have long understood that business success is linked to the overall interests of the public and society. This understanding was perhaps best articulated by former IBM CEO Thomas J. Watson, Jr., who wrote in 1969: "We accept our responsibilities as a corporate citizen

in community, national and world affairs; we serve our interests best when we serve the public interest. ... We acknowledge our obligation as a business institution to help improve the quality of the society we are part of. We want to be in the forefront of those companies which are working to make our world a better place.”

Underpinning IBM's values is our company code of ethics, the IBM Business Conduct Guidelines. IBM requires all employees to certify annually that they have read and understood IBM's Business Conduct Guidelines, which specify IBM's standards of business ethics, basic values, and principles.

In our annual Corporate Responsibility Report, we publish our performance against those goals, and we report using the Global Reporting Initiative standard at the “A” reporting level. More information about IBM's corporate policies in the areas of corporate responsibility and our annual report may be found at our website: <http://www.ibm.com/ibm/responsibility/>.

On a global basis, IBM has received numerous awards for corporate social responsibility, including awards for specific areas of CSR such as environmental performance, workplace best practices, and community programs, as well as awards recognizing our overall CSR performance. For example, IBM was ranked third overall in the 2009 Corporate Responsibility Officer ranking of top corporate citizens in the United States, and the company was ranked as the number one ethical corporation by Covalence, the Swiss ethical ranking agency.

Because IBM follows the same high ethical standards and takes a strong interest in social responsibility wherever we operate, IBM has also been recognized in China with many awards for corporate citizenship, including: Five Star Outstanding Corporate Citizen in China, Most Responsible Multinational Corporation in China, Outstanding Contribution to Social Responsibility and Most Respected Company.

The company believes it can most effectively continue to achieve the highest levels of corporate conduct through adherence to the corporate policies and directives that govern IBM's operations worldwide. IBM will continue to monitor the many new codes and principles as they relate to this issue and will, when appropriate, update its own corporate policies and directives to maintain the company's objectives. Although the Global Network Initiative is principally concerned with consumer Internet services that IBM does not provide, we will continue to monitor it and other industry efforts as we keep our own corporate policies up to date.

Thank you for this opportunity to inform you about IBM's business in China and our strong programs in corporate social responsibility.

Sincerely,

A handwritten signature in black ink, appearing to read 'Chris Padilla', written in a cursive style.

Christopher A. Padilla  
Vice President, Governmental Programs