IBM Environment & Well-Being Progress Report 2003

Australia and New Zealand

Content

As a global company IBM is committed to environmental leadership in all our business activities: from our operations to the design of our products and the use of our technology.

We have had a corporate policy on environmental affairs since 1971, which today is supported by a global Environmental Management System (EMS). The EMS drives our local efforts to achieve results consistent with environmental leadership and ensures we are vigilant in protecting the extraordinary environments in which our Australian and New Zealand operations are situated.

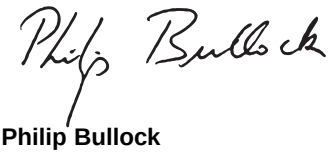
In 2003, IBM Australia and New Zealand continued our efforts to monitor control and reduce our environmental impact in line with the EMS. While our efforts have not succeeded in every area of our business, we have made substantial headway on many fronts. Key highlights have been: a significant improvement in the severity of Lost Time Injuries; reducing our water consumption at our large West Pennant Hills site by one third or 33 million litres; reducing paper consumption from 2001 to 2003 by 5,631,800 sheets of paper – the equivalent of approximately 738 trees; and in 2003, decreasing the quantity of waste being sent to landfill by 44%.

For those areas where we have not made such improvements, we are heartened that our monitoring systems are rigorous and meaningful and will enable us to concentrate our efforts in the pockets of our business that need it most. For example, we have recognised the need and are already taking steps to take a responsible approach to managing our end-of-life printer consumables.

Local innovations, which you can read more about on page 21 have included: reducing the number of imported wooden pallets being disposed to landfill as a result of greater re-use instigated by the local assembler of IBM desktop computers; developing an environmental packaging solution for rollout in 2004 for customers with unwanted packaging generated from larger IT equipment installations; and creating greater awareness and supply chain co-operation on environmental and packaging stewardship issues across business operations.

We will continue to foster a culture that encourages our employees to look for similar opportunities in the coming year.

Reducing the environmental impact of a large company takes time, effort and resources. This report demonstrates we have committed all three to minimising our environmental impact in Australia and New Zealand and will continue to do so as an integral part of our global and local corporate strategies.



Philip Bullock
CEO, IBM Australia and New Zealand
August 2004

Overview & Trends Summary

IBM Australia / New Zealand: Profile

The scope of this submission covers IBM operations in Australia and New Zealand. Safety and environmental affairs management services are integrated across this geography for all aspects of the business.

IBM Australia

IBM has been operating in Australia since 7 January 1932. In 2003 IBM Australia reported consolidated revenues of AUD$3.6billion, up 11% from AUD$3.3 billion in 2002. In 2003, net profit rose to approximately $179.5 million compared to $70.4 million in 2002. IBM operations in Australia and New Zealand cover all aspects of IT sales, services and consulting. There are no manufacturing or laboratory operations in this region.

IBM employs over 10,000 Australian workers, and the company has exported more than AUD$4 billion over the last 10 years. During 2003, IBM Australia's exports grew by 17%.

IBM New Zealand

IBM has been operating in New Zealand since 1947. In 2003 IBM New Zealand reported consolidated revenues of NZ$355 million, up 9% from NZ$327 million in 2002. In 2003, net profit rose to approximately NZ$45.6 million compared to $22 million in 2002.

IBM employs over 800 New Zealand workers.

Approximately 50% of the employee population permanently works from customer locations and over 11% are officially registered as 'mobile' workers. Many work remotely from their managers.

IBM has 53 leased sites in Australia. There are also employees located in over 49 alternative sites in Australia.

There are 16 leased sites in New Zealand and 20 customer sites.

Environmental Impact of IBM Australia / New Zealand Operations

Due to the nature of our business, the key policy impact areas for IBM A/NZ operations are on employee health, safety and well being, energy management, conservation, and product stewardship.

Safe and Healthful Workplace is important to IBM due to its direct impact on:

- *Motivated employees;*
- *Client satisfaction; and*
- *Operational excellence.*

Indirectly it contributes to profitable growth and increases our reputation in the community.

This external focus is having an increasingly powerful effect given the close working relationship between our employees and those of our customers and the public exposure of our health and safety practices to those of our customers and their employees.

Energy. While IBM facilities would be considered moderate users of power in our region, it remains important to manage its use due to the use of coal, both black and brown, to generate energy.

Consequently, energy conservation and efficiency programs provide a significant opportunity to reduce greenhouse gas emissions as well as save costs.

Conservation of Natural Resources is an important area of influence for our programs particularly for water and paper. These programs create value in achieving our goals of operational excellence and profitable business.

Environmentally Conscious Products policy goal specifically relates to 'product end-of-life management', which continues to grow in importance in the community and is now a factor that impacts the image of the IT industry.

Community perceptions which focus on product stewardship and the impact of product waste on the environment are fast becoming a marker for corporate social responsibility. This policy goal supports our values for operational excellence, client satisfaction and respected business reputation.

IBM A/NZ is endeavoring to implement best practice within the business operations and participate in national policy development relating to the issues outlined above.

Achievements in Environmental Affairs

The key achievements in each of the policy areas are included below.

1. Safe and Healthful Workplace

- *There was significant improvement in the injury severity index for lost time injuries (LTI). It improved from a 15 day /LTI 2002 to 10 days / LTI in 2003.*
- *Over the period 2002 to 2003, the cost of worker compensation per claim reduced from $35,928 to $22,221 and from $364 per employee to $316 per employee.*
- *IBM issued a customer site safety risk assessment to 100 largest customers in 2003*
- *IBM certified Information Technical Services to the Australian New/ Zealand standard 4801 for occupational health and safety management systems (OHSMS).*
- *IBM achieved certification for the Premium Discount schemes in NSW and NZ, saving $250K in premiums in the period.*

2. Good Neighbour

- *We publish an Annual A/NZ Environment and Wellbeing Progress Report to ensure the key data on our performance is available in the wider community.*
- *Since 2000 IBM has been delivering programs to control noxious weeds on our premises at West Pennant Hills. This has been done in consultation with the local community.*
- *Each year we conduct an environment awareness day at IBM on, or around, World Environment Day. In 2003 we made this a public event.*

3. Conservation

- *Signatory of the National Packaging Covenant and development of, and associated action plan, to improve efficient use of packaging throughout the supply chain.*
- *A 35% reduction in total quantity of non-hazardous waste was achieved in 2003 compared with 2002.*
- *33 million litres of water was saved at the West Pennant Hills site from July to December 2003 with the introduction of the 'Every Drop Counts Program'.*
- *Australia reduced consumption of office paper by 1,434,000 sheets in 2003 compared with 2002. New Zealand reduced consumption by 466,000 sheets in 2003.*
- *A 7 fold improvement in cardboard recycling occurred at the West Pennant Hills site.*

4. Environmentally Conscious Products

- *IBM Australia recycled 80% by weight of the old hardware assigned for scrapping.*
- *Participated in a community pilot for IT product take back in conjunction with the government.*

5. Environmentally Responsible Processes

- *Hazardous waste is always managed responsibly: 90% by weight of the lead acid batteries, 100% of the rechargeable batteries and 100% of the fluorescent tubes are recycled. The remainder of the hazardous waste, being electrolyte from lead acid batteries, is neutralised and sent to landfill.*
- *We minimised the amount of hazardous substances and dangerous goods used and stored on our sites. Site chemical substances registers were audited and upgraded at relevant locations.*

6. Energy

- *Electricity consumption reduced by 3% between 2002 and 2003.*
- *The cumulative abatement from 1998 to 2003 is estimated at 35,843 tonnes of CO2-e greenhouse gas emissions or 22% over this six-year period.*
- *Continued partnership in the National Greenhouse Challenge Program resulted in a greenhouse gas emissions inventory and an action plan developed for the 36 sites in Australia with a floor area of approximately 142,000 m2. A similar inventory has been defined for the IBM New Zealand sites.*
- *Installation of energy efficient devices during the fit out of a newly leased office in Wellington, NZ.*

7. Share Environmental Technology, Knowledge and Expertise

- *IBM was requested to share expertise at several public forums in the period, including conferences on Waste Management, Environment and Sustainability and on Corporate Social Responsibility.*
- *IBM has continued working with IBM's desktop assembly contractor Sanmina-SCI to improve the use, and reuse, of packaging materials, reduce generation and increase recycling of packaging waste.*

8. Meet or Exceed Requirements

- *A program to offer clients an alternative to landfill for waste toner cartridges and supplies was developed for implementation in 2004.*
- *IBM is undertaking several waste recycling programs which go beyond legal requirements.*
- *IBM's participation in the National Greenhouse Challenge Program, the National Packaging Covenant and the Energy Star Program requires voluntary environmental performance parameters for energy, packaging and product energy consumption to be committed and met. All the commitments require performance beyond the present day regulatory compliance.*
- *Implementation of a rechargeable battery recycling program.*
- *Reduction of imported wooden pallets being disposed to landfill as a result of greater reuse instigated by the local assembler of IBM desktop computers.*
- *Developing an environmental packaging solution for rollout in 2004 for customers with unwanted packaging generated from larger IT equipment installations.*

9. Audit and Assessments:

- *ISO 14001 Certification at the West Pennant Hills site maintained. BVQI are the auditors.*
- *A/NZS 4801 Occupational Health and Safety Management System Standard Certification (as described in 1 above, Safety and Healthy Workplace). BVQI are the auditors.*
- *IBM achieved Premium Discount Scheme certification in New South Wales and separately in New Zealand. Resulting in nearly $250K reduction in worker compensation premiums.*
- *IBM Australia consistently achieved a position of second or third place in the Environment category of the National Australian Reputation Index over this period.*

Environment Affairs Activities and the Environmental Strategy

In IBM A/NZ, Environment Affairs achievements and programs map directly to IBM's business operations, strategies and goals, by:

- *Ensuring compliance based requirements are met; such as those local, state or federal laws that apply to our operations, and also to IBM global performance standards and requirements.*
- *Meeting the needs of clients, which are increasingly used as evidence in the tender process and during subsequent interaction and contact with clients.*
- *Supporting IBM values for client satisfaction, profitable growth, operational excellence, respected business and motivated employees.*
- *Ensuring our reputation in the wider community for all aspects of Environment Affairs are protected and enhanced over time.*

IBM Health, Safety and Well-being Programs

Management Review

The IBM Environment Affairs Executive Council, (EEAC), chaired by IBM General Manager Philip Bullock, met quarterly in 2003. The EEAC provides oversight and stewardship for the internal Environment and Safety programs as well as industry-related initiatives such as the Australian Information Industry Association (AIIA) Product Take Back program.

Key areas of EEAC interest have included: Industry IT Product Take Back program development, water conservation in IBM and Self Assessment Compliance programs for managers and employees.

Safety

Safety Management Systems

In 2003, we continued to implement the IBM Well-being Management System (WBMS) across the business enabling the following improvements in system performance improvements:

- *Customer site safety risk assessments were issued to IBM's one hundred largest customers, generating a 57% response.*
- *The Safety Review Group model is now active in NSW, Victoria and Canberra.*
- *Safety risk assessment modeling and risk communication, including Safe Work Method Statements, are now available for all employees via the Intranet.*
- *IBM now operates ongoing intensive targeted training programs for high-risk groups in manual handling and ergonomics and has a new classroom-based Safety in Driving program.*

Training

In addition to our general safety training programs, training focused on key risk target groups, including:

- *new employees;*
- *contractors during induction to IBM sites;*
- *location site executives and site coordinators;*
- *site and security personnel;*
- *procurement;*
- *real estate; and*
- *field engineers and managers.*

Training registers were kept for all safety courses undertaken.

Site Safety

In 2003 11 sites, covering approximately 75% of employees who work on IBM premises, underwent building safety audits. These were: West Pennant Hills, Berry Street, Baulkham Hills, and St. Leonards sites in New South Wales, Tuggeranong in ACT, Brisbane (2 sites) and Gold Coast, Adelaide (2 sites) and Ballarat in Victoria.

The reviews ensured that site safety programs complied with legal and IBM requirements for building site safety management. They revealed that there were no sites with major compliance issues or seriously unsafe conditions, although there were several areas for improvement, mostly related to Real Estate facility maintenance.

All site reports were issued to their respective site executives and IBM Real Estate representatives responsible for implementing improvement recommendations.

All follow-up items from the previous year's 28 sites review were actioned and closed in 2003.

Specific Site Hazards

IBM has ensured that the cooling tower Legionella testing program is maintained according to Australian standards. No health issues related to legionella were raised since the previous report was issued.

IBM's asbestos management plan is current and is being implemented widely across IBM sites.

At a customer site, on-going issues relating to site management and asbestos control led IBM to initiate further testing of residual dust and air monitoring at the site. Air monitoring performed within the room continued to meet the legal requirements for safety.

Health and Medical Programs

Health Fairs

Health Fairs held in ten sites in Australia were attended by1, 629 employees. These employees were offered health screening for blood pressure, cholesterol, glucose, body composition, education in men's and women's health issues, vision screening, smoking cessation, nutrition and diet, and relaxation skills training.

For most factors, the IBM-tested employee health risk profile was as good as or better than the national average. Feedback from employees on the value of the Health Fairs is consistently very high.

IBM New Zealand continued to offer its long-term Periodic Medical Review program, which involves a full health and medical examination with a doctor, to all employees at regular, age-appropriate intervals.

Employee Assistance Program (EAP)

The EAP service provides private, individual counseling to employees and their families.

In Australia, 3% of employees sought assistance from the EAP service, which was re-tendered and awarded to the incumbent, Corporate Health Services. We also used this service provider to deliver:

- *on-site IBM team grief counseling for four different traumatic events (in three different states), when colleagues were challenged by serious health issues and in response to the Canberra bushfires;*
- *the stress management training program, "Relaxation in a Busy Working Life", to 15 teams in the last quarter of 2003; and*
- *critical incident debriefing training for managers, with a key focus on call-centre operations managers who need to debrief employees stressed by difficult calls.*

In New Zealand, 6% of employees used the EAP from October 2002 to the end of October 2003. In addition, a stress education program called "Resilience" was delivered widely across the business to several hundred employees with a very positive response.

In both countries, employee feedback on satisfaction with the services rendered through the EAP was very high (90% very good / excellent).

Certification and Audit

IBM systems were assessed and certified against several external best practice and certification programs in 2003.

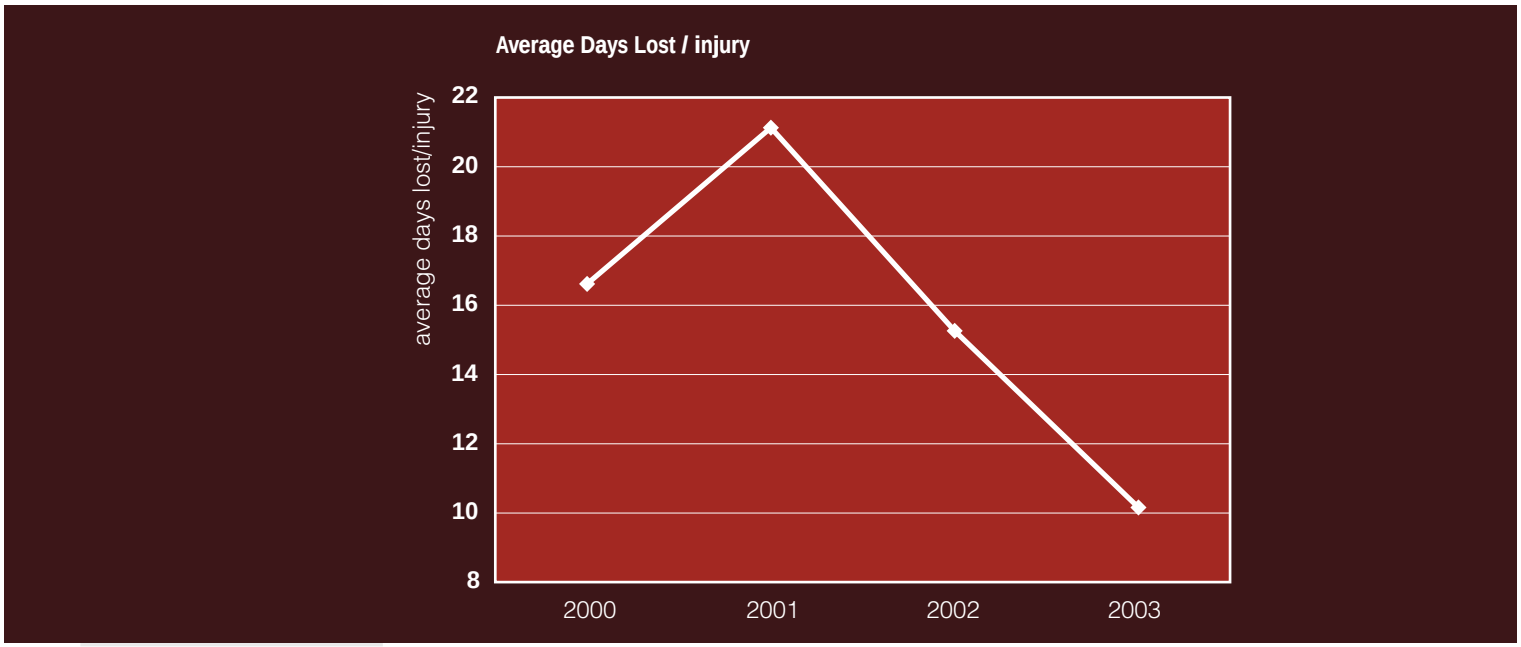
- *The ITS Business Unit achieved certification to the AS 4801, Australian Standard for Occupational Health and Safety in June 2003.*
- *IBM New Zealand succeeded in meeting the audit requirements of the New Zealand Premium Discount Scheme in 2003. This resulted in a 15% reduction in worker compensation premiums over the coming 2-year period.*
- *IBM Australia (IBM A) and IBM Global Services Australia (GSA) each succeeded in the re-audit requirements for the NSW Premium Discount (PDS) Scheme in June 2003. The audits were carried out by Workcover (NSW) accredited auditors. Successful achievers of PDS are advertised on the Workcover website. The benchmarks for the PDS can be found at the following address: www.workcover.nsw.gov.au/html/pdscheme.asp*
- *The IBM Well-being Management System was also evaluated under IBM's Professional Self Assessment (PSA) programs and no non-compliances were noted.*

Work-related injury Experience

In 2003, IBM's workplace injury rate reduced slightly, while the rate of Lost Time Injuries increased from 0.36 to 0.43. However, there was a significant **improvement in the injury severity index for Lost Time Injuries**, which improved from a 15 day / Lost Time Injury in 2002 to 10 days / Lost Time Injury.

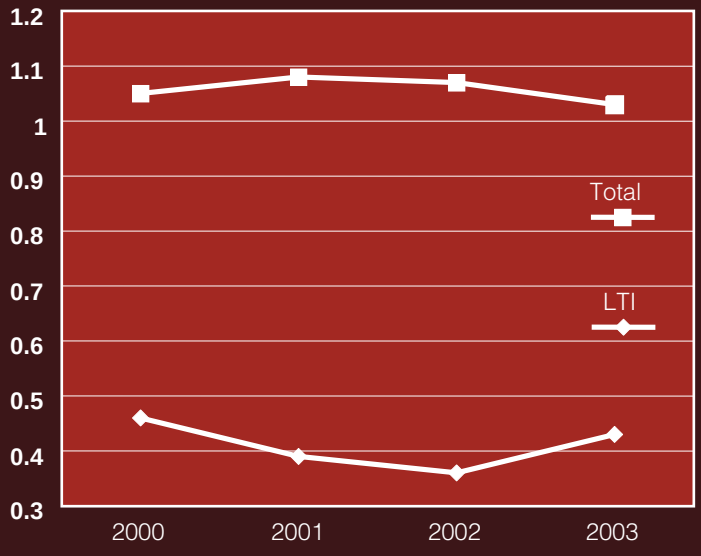
The major causes of injuries remained constant:

- *slips and falls (28%);*
- *manual handling (30%); and*
- *workstation ergonomics (21%).*

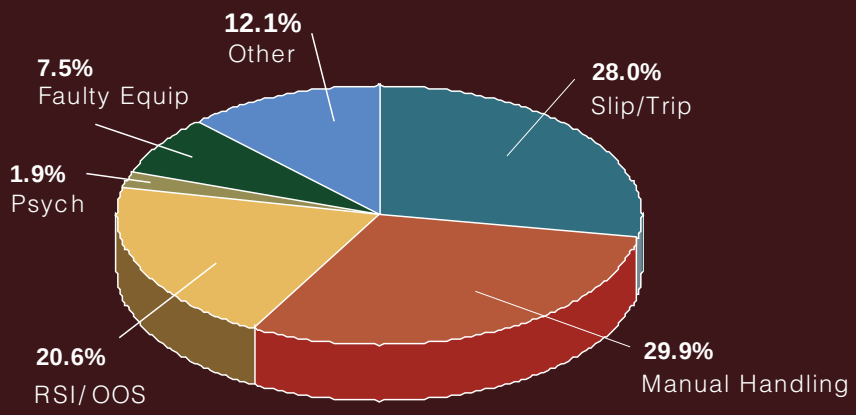


Total Number of injuries (all IBM):	107
Incidence of all injuries per 100 employees:	1.03
Total Number of Lost Time Injuries:	45
Lost Time Injury Rate per 100 employees:	0.43
Average Days Lost per Injury:	10.16

Injury Incidence Trend 2000 – 2003



Injury Cause 2003 – All IBM



Certificate of Approval

Awarded to

IBM AUSTRALIA
ITS - A DIVISION OF IBM
Level 13, 601 Pacific Highway, St Leonards. New South Wales 2065 Australia
And Branch Offices as per Attached Appendix

Bureau Veritas Quality International certify that the Occupational, Health & Safety Management System of the above operation has been assessed and found to be in accordance with the requirements of the safety standards detailed below

SAFETY STANDARDS

AS/NZS 4801 : 2001

SCOPE OF SUPPLY

SUPPLIER OF INFORMATION TECHNOLOGY, HARDWARE, SOFTWARE AND SERVICES

Original approval date: **6th AUGUST 2003**

Subject to the continued satisfactory operation of the supplier's Occupational, Health & Safety Management System, this Certificate is valid for a period of three years from:

6TH AUGUST 2003

Date: **15th August 2003**

BVQI Australia Pty Limited
Suite 8, 57 Labouchere Road
SOUTH PERTH
WA 6151 AUSTRALIA

JAS-ANZ
Registration Number
0203040OAP

Certificate No: **129717**

Accredited by the Joint Accreditation System of Australia and New Zealand
This certificate remains the property of BVQI Australia Pty Ltd

IBM Employee Well-Being and Product Safety Policy

Responsibility for Employee Well-Being and Product Safety

Policy 127H: 2001-06-20

IBM has a long tradition of excellence in employee well-being and product safety. The importance we place in these efforts demonstrates our commitment to employees, customers and business partners.

Corporate strategies, instructions, and procedures must support our commitment to employee well-being and product safety. Each of us, manager and employee alike, shares a personal responsibility for the following objectives:

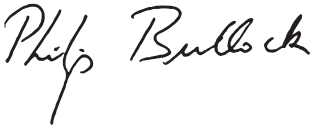
- *Provide a safe and healthful workplace for our employees*
- *Provide products that are safe for use by our customers and employees*
- *Meet applicable legal requirements and voluntary practices to which we subscribe where we operate and sell products*
- *Incorporate employee well-being and product safety requirements in business strategies, plans, reviews, and product offerings*
- *Implement, measure, and continually strive to improve well-being processes for preventing work-related accidents, injuries and illnesses*
- *Foster employee involvement and provide appropriate well-being education to employees to enhance their ability to work safely and productively*
- *Perform audits and sel-assessments of our conformance with employee well-being and product safety requirements with results reported to senior executive management*
- *Investigate and address work-related and product safety incidents*
- *Provide appropriate resources to fulfil these objectives.*

Our support for well-being through prevention is vital to our innovation, productivity, and morale. We have realised enormous dividends through customer and employee confidence in the safety of our products and our workplaces. The IBM Company expects nothing less in our efforts than the excellence we have attained in these areas.

Original signed by:

J. Randall MacDonald
Senior VP Human Resources

Endorsed by:



Philip Bullock
CEO IBM Australia / New Zealand

Environmental Management System

In 1997, IBM became the world's first major multinational to earn a single worldwide registration to the ISO 14001 Environmental Management System (EMS) standard. This registration covers all the manufacturing, product design and hardware development operations globally and some sales and services operations. IBM Australia first achieved accreditation to the international standard for environmental management in 2002.

In 2003, IBM in Australia and New Zealand has determined its continued significant environmental aspects to be:

- *Energy consumption*
- *Chemicals use & storage*
- *Hazardous and non-hazardous waste disposal*
- *Product scrap disposal*
- *Packaging use and disposal*
- *Unplanned releases*
- *Water use and discharges*

We report our performance annually against these areas internally through the Global IBM Environmental Reporting System, which provides data included in the global IBM Corporate Responsibility Report in addition to the Progress Report for the Australian and New Zealand operations.

In 2003 the Environmental and Chemical Management programs in Australia and New Zealand designed to address the significant environmental aspects and broader supplier and consumption impacts were:

- *Energy Efficiency*
- *Chemicals Management*
- *Water Conservation*
- *Waste Minimisation and Management*
- *Product Scrap Management*
- *Bushland Management*
- *Procuring for the Environment*
- *Environmental Incident Prevention, Preparedness, Response and Reporting*
- *Environmental Communication and Training*
- *Supplier Environmental Evaluation*
- *Environmental Site Assessment*
- *Ground Water and Soil Protection*

In 2003, IBM successfully retained its ISO 14001 Environmental Management System certification for the West Pennant Hills premises that houses approximately 28% of the IBM population located on our sites (as opposed to the IBM population located on client premises).

BVQi

QUALITY ENVIRONMENT

Certificate of Approval

Awarded to

IBM AUSTRALIA LIMITED

55 COONARA AVENUE, WEST PENNANT HILLS, NSW 2125, AUSTRALIA

Bureau Veritas Quality International certify that the Management System of the above operator has been assessed and found to be in accordance with the requirements of the environmental standards and operational scope detailed below

ENVIRONMENTAL STANDARDS

ISO 14001: 1996

OPERATIONAL SCOPE

SUPPLIER OF INFORMATION TECHNOLOGY SOLUTIONS, INCLUDING HARDWARE, SOFTWARE AND SERVICES.

Subject to the continued satisfactory implementation of the operator's Management System, this Certificate is valid for a period of three years from:

31 OCTOBER 2003

UKAS ENVIRONMENTAL MANAGEMENT

BVQI (Holding) S.A. Trading as BVQI Limited using UKAS accreditation covered by the accreditation certificate number 008

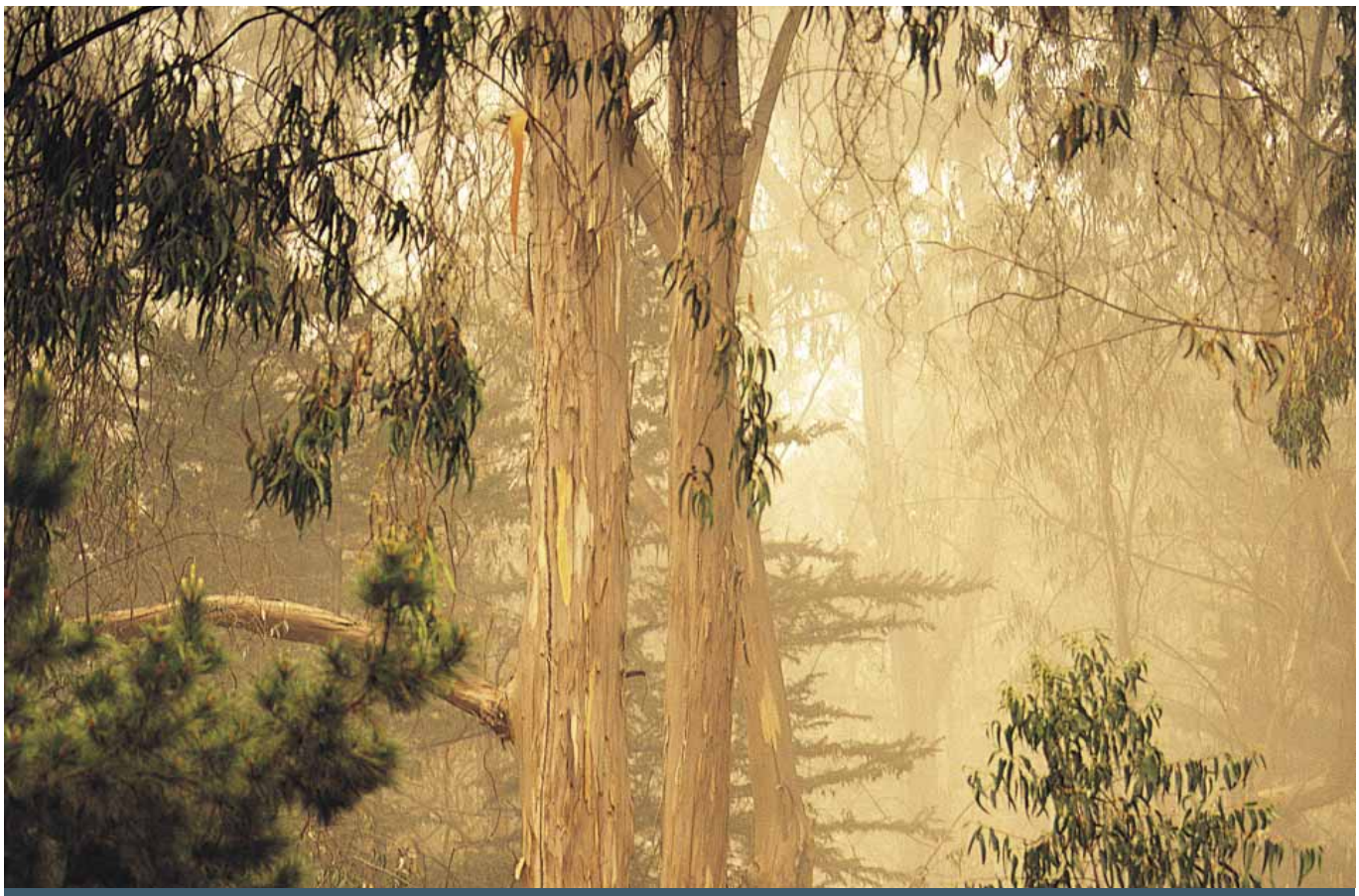
ANSI-RAB EMS ACCREDITED

BVQI (Holding) S.A. Trading as BVQI (NA) Inc using RAB accreditation

Signed by Technical Director
For Bureau Veritas Quality International Limited
2nd Floor, Tower Bridge Court
224-226 Tower Bridge Road, London SE1 2TX
and
Bureau Veritas Quality International (NA) Inc
North American Headquarters Office
515 West 5th Street
Jamestown, New York 14701, USA

Certificate No: 43820.36

Date: 31 OCTOBER 2003



Product Stewardship

IBM's environmental product design requirements are integrated into our Environmental Management System and are part of the Integrated Product Development Guide used by process and product development engineers. The performance of the program is outlined in the IBM Corporate Responsibility Report that complements this progress report. For further information please visit the IBM Corporate Environmental Web Site at **ibm.com**/ibm/environment/products/index.shtm

IBM's Environmentally Conscious Products (ECP) Program was first established in 1991. Its objectives are to:

- *Develop products with consideration for upgrading to extend product life.*
- *Develop products with consideration for re-use and recyclability at the end of their product life.*
- *Develop products that can be safely disposed at the end of their product life.*
- *Develop and manufacture products that use recycled materials where these materials are technically and economically justifiable.*
- *Develop products that will provide improvements in energy efficiency and/or reduce consumption of energy.*
- *Develop products that minimize resource use and environmental impacts through selection of environmentally-preferred materials and finishes.*

Re-use and Extending Life

IBM Australia and New Zealand has established a parts re-utilisation and a computer equipment repair and refurbishment business. The assets that enter this business have the option of being:

- *Fully refurbished for sale as IBM Certified Used Equipment;*
- *Sold unrefurbished into the second hand market; or*
- *Donated to charities and community organisations.*

In 2003, IBM in Australia refurbished and reutilised over 1,300 tonnes of computer equipment and parts. This represented just over 3 per cent by weight of the worldwide total processed by IBM of approximately 40,000 tonnes. For further information please visit the IBM Corporate Environmental Web Site at **ibm.com**/products/au/.

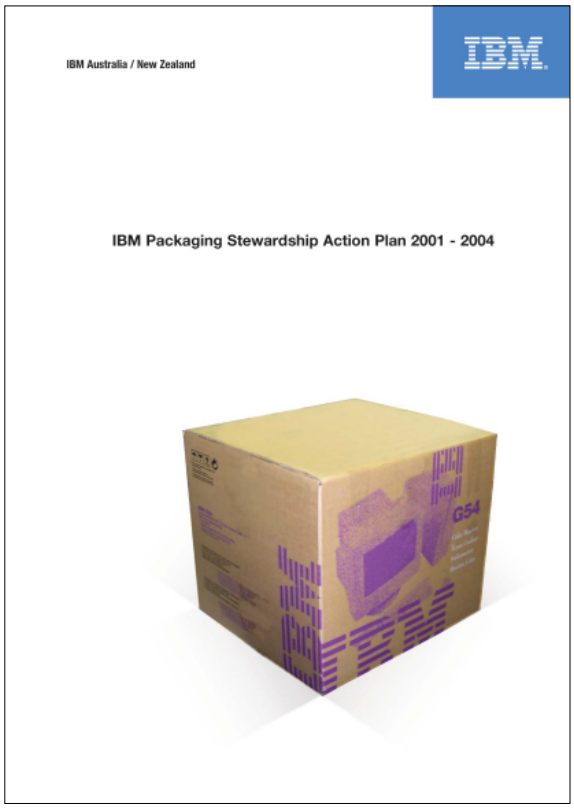
Community Product Take Back

In 2003, IBM Australia continued to investigate solutions to minimise the environmental impact of old IT equipment on the environment, including participating in the Australian Information Industry Association (AIIA) Special Interest Group for product stewardship and waste minimisation. This led to an IT industry position on corporate social responsibility and a community PC Take Back program refined as a result of the Resource NSW industry community collection program IT industry partnership. An overview of these environmental activities is available on the AIIA web site www.aiia.com.au/ and following the links for the CSR (Corporate Social Responsibility) program.

Recycling Old Computers

Returned computer equipment from end-of-lease, internal use, old stock and defective parts that cannot be sold and/or re-used is assigned for scrapping in Australia and New Zealand. The scrapping process includes disassembling, impairing sensitive parts, and separating materials for recycling, and as a last restore, landfill. In Australia, computer scrap represented an estimated 14% by weight of the total quantity of computer equipment returned for remarketing in 2003.

In New Zealand, computer parts, equipment and peripherals assigned for scrapping are primarily untouched, with the exception of sensitive parts that are removed and impaired. The scrap is sent to a commercial recycler for shredding and metals recovery.



All old computer scrap in Australia and New Zealand is processed through IBM Approved Hazardous Waste and Product Disposal Service Suppliers. Information on IBM recycling trends for product scrap is outlined in this report under the section on Pollution Prevention and Waste Minimisation and Management.

Energy Star Program

2003 was IBM Australia's seventh year as a national Energy Star Business Partner, working with the Sustainable Energy Development Authority (SEDA). As such, the company is committed to producing PCs, monitors and printers with defined energy efficiency in design and operational features. More detail on the national Energy Star Program is available at www.energystar.gov.au

Packaging

In 1990, IBM developed global packaging guidelines prohibiting the use of ozone-depleting chemicals, heavy metals, polybrominated biphenyls and polybrominated biphenyl oxides from all IBM packaging. The Guidelines also provide direction on minimising toxic elements in packaging materials, identifying methods, processes and designs to reduce packaging volume, and promoting the use of packaging materials that are re-usable, recyclable and/or contain recycled content. Recent accomplishments resulting from these guidelines include eliminating:

- *polyvinyl chloride (PVC) in IBM packaging;*
- *free-flowing cushioning materials;*
- *permanently commingled but dissimilar materials except in cases where they are part of re-usable packaging designs or where technically required to ensure product quality; and*
- *chemical impregnation of wooden packaging (even though it is legally allowed), as chemicals render wood unfit for recycling or energy recovery.*

The IBM Packaging Stewardship Action Plan

During the year, IBM Australia remained a voluntary signatory of the National Packaging Covenant, with the National Packaging Covenant Council approving our Packaging Stewardship Action Plan and progress report. This Action Plan outlines our commitment to using packaging efficiently and minimising packaging waste, and is available at the Environment Australia web site http://www.packcoun.com.au/ap_ibm.pdf

Some highlights delivered since the submission of the 2002 IBM Progress Report to the National Packaging Council are:

- *Prohibiting the use of PVC plastics and developing "foamless" cushions made from 100% recycled HDPE plastic. In addition, all-paper-based packaging designs are being introduced through the IBM Packaging and Handling Supplier and Interplant Requirements. These environmental packaging requirements are being applied to our local desktop computer assembler.*
- *Reducing the number of imported wooden pallets being disposed to landfill as a result of greater re-use instigated by the local assembler of IBM desktop computers.*
- *Developing an environmental packaging solution for rollout in 2004 for customers with unwanted packaging generated from larger IT equipment installations.*
- *Working on voluntary industry-led product end-of-life management solutions.*
- *Creating greater awareness and supply chain co-operation on environmental and packaging stewardship issues across business operations.*
- *Delivering a 7-fold improvement in cardboard recycling at West Pennant Hills.*
- *Increasing requests for environmental and packaging information on product from government and corporations.*
- *Australian and New Zealand product and packaging stewardship issues being recognised by IBM Corporate within global solutions.*

In addition to these highlights IBM Australia began investigating a return program for printer supplies, in line with the corporate program already available in Europe and North America, which would offer clients an alternative to sending waste toner cartridges and other printer supplies to landfill.

Office Paper Consumption

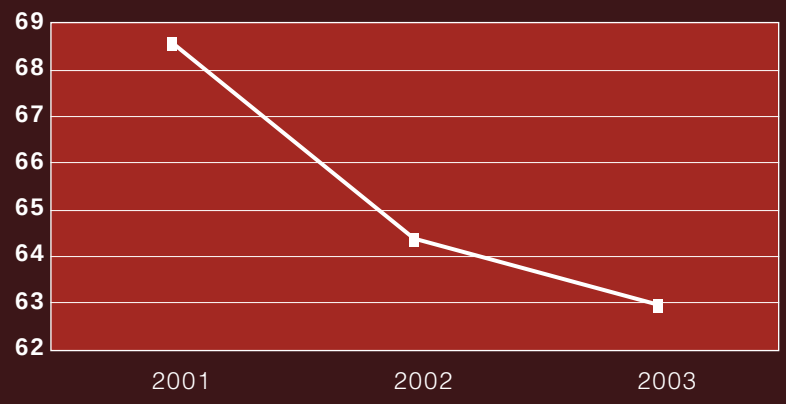
In 2003, IBM Australia reduced its consumption of office paper by 1,434,000 sheets or 2,868 reams on 2002. The majority (98.7%) of this paper was A4 80gsm white paper. From 2001 to 2003, avoidance activities at IBM reduced consumption by 5,632,000 sheets of paper, the equivalent of approximately 738 trees. In 2003, an average of 10.8 reams of paper was consumed by each full-time equivalent employee and contractor (FTE person) in Australia. At the West Pennant Hills site, support services such as accounts consumed 31,657,000 sheets in 2003, which represented approximately 50% of the total amount of paper used in Australia. Here the average reams of paper consumed for each FTE person was almost three times higher than the country average, at 29.8 reams/FTE person. IBM will continue to target relevant areas of the business and conduct employee awareness programs to help reduce the amount of paper consumed each year, starting with the West Pennant Hills site.

In New Zealand, paper consumption also fell by 466,500 sheets in 2003, helping avoid the use of virgin paper equivalent to an estimated 64 trees on the previous year. On average each FTE person in NZ consumed 10.1 reams of paper. The majority (98.2%) of this paper was A4 80gsm white paper.

Company	Year	Number of Sheets of Cut Paper Used	Tonnes Equivalent	Trees Equivalent	Reams Used per Full-time Equivalent (FTE) Employee & Contractor
IBM Australia	2001 *	68,602,000	343.8	9,094	-
	2002	64,404,390	321.9	8,515	-
	2003	62,970,200	315.8	8,356	10.8
IBM New Zealand	2001 *	3,555,000	17.7	469	-
	2002	4,030,000	20.3	537	-
	2003	3,563,500	17.9	473	10.1

*Key: * These figures differ from those published in the 2001 Environment Report since our verification process identified an incorrect conversion factor being used to convert US to metric tons for 2001 data.*

Trend for Paper Consumption from Australian Operations 2001 to 2003



Energy

The primary objective of our energy management program is to ensure the responsible use of energy throughout our business, including conserving energy, improving energy efficiency and giving preference to renewable over non-renewable energy sources when feasible.

During 2003, we continued to participate in two voluntary energy management and climate change programs: the National Greenhouse Challenge Program and the National Energy Star Partner Program. IBM clients and the environment benefit globally from IBM's environmentally conscious products program that seeks among other objectives to develop products that will provide improvements in energy efficiency and/or reduce energy consumption. This objective is implemented through computer design for the environment (DfE) activities.

Energy Consumption & Conservation for Australian Operations 2000 to 2003

Year	(No. of sites &) Square Meters of Building Area (m2 ba)	Electricity Use (kWh)	Natural Gas (MJ)	Diesel Fuel (L)	Electricity Savings (kWh)	Energy Savings (%)
2000	(35) 134,729	113,378,820	5,426,090	324,550	-	-
2001	(29) 133,475	100,243,920	2,759,820	176,750	13,134,900	11.6
2002	(35) 148,187	111,080,046	3,843,120	175,550	-	-
2003	(36) 141,935	107,607,131	4,130,349	172,745	3,472,915	3.1

Electricity Consumption

In 2003, IBM Australia consumed 107,607,131 kilowatt hours of electricity (kWh) of electricity from 36 sites. 98% of energy consumption is attributable to electricity supplied though the national grid network. In 2003, there was actual electricity saving of 3,472,915 kWh or a 3% saving on 2002.

In 2003, electricity use was 18,577,607 kWh at the West Pennant Hills site. Consumption fell by 736,363 kWh over 2002, down from 19,313,970 kWh. The West Pennant Hills site held approximately 28% of the Australian population located at IBM sites.

In 2003, real estate consolidation resulted in reduced consumption during a year of rapid growth through acquisitions. Employee awareness programs focusing on efficient use at key sites, such as West Pennant Hills, also contributed to reducing consumption. During the year 'hardware refreshes' for clients at our data centres are considered to have continued to deliver savings.

Energy Consumption & Conservation for New Zealand Operations 2000 to 2003

Year	(No. of sites &) Square Meters of Building Area (m2 ba)	Electricity Use (kWh)	Natural Gas (MJ)	Diesel Fuel (L)	Propane (kg)	Electricity Savings (kWh)	Energy Saving (%)
2000	(7) 14,634	7,978,736	5,106,410	26,740	-	-	-
2001	(9) 20,168	8,503,266	2,681,250	16,720	-	-	-
2002	(7) 20,159	8,095,578	3,460,400	30,900	360	407,690	-
2003	(6) 15,187	8,507,878	3,094,330	2,960	540	-	-

In 2003, electricity consumption by IBM in New Zealand rose by 412,300 kWh or 5% on 2002 to 8,507,878 kWh. This was considered primarily the result of expanding local printing facilities and data centre capacity.

Natural Gas, Diesel Fuel, Petrol & LPG

In 2003, natural gas consumption rose by 7.5% on 2002, to 4,130,349 megajoules (MJ) for Australian operations. Natural gas was consumed in cafeteria operations and to power two boilers for heating at the Clayton data centre.

IBM Australia used 172,700 litres of diesel fuel to power backup generators needed during emergency power outages. Power outages were experienced during the year at the St. Leonards and Baulkham Hills data centres. Despite these events, consumption of diesel fuel declined by 2,800 litres or 1.6% on 2002.

In 2003, IBM New Zealand's natural gas consumption decreased by 366,070 MJ or 10.6% on 2002. Diesel fuel consumption fell by 27,900 litres or 90% on 2002. In 2002, emergency diesel generators at the Newton data centre ran continuously for several days while the building support plant was upgraded.

In 2003, the company also consumed 540kg of propane gas or LPG, which was used in the operation of the cafeteria at the Petone data centre. Consumption rose by 180kg on 2002.

Energy Efficiency

The company measures its energy efficiency as kilowatt hours of electricity used per square meter of building area (kWh/m2 ba) and, for the first time, by kilowatt hours of electricity used by each full-time equivalent employee and contractor (kWh/FTE). These measures of performance take business growth into account and provide an annually comparable measure of energy efficiency performance.

Energy Efficiency Trends for Australian and New Zealand Sites from 2000 to 2003

Company	Year	(No. of sites &) Square Meters of Building Area (m2 ba)	Electricity Used per Square Meter of Building Area (kWh/m2)	Electricity Used per Full-time Equivalent Employees & Contractors (kWh/FTE)
IBM Australia	2000	(35) 134,729	842	-
	2001	(29) 133,475	751	-
	2002	(35) 148,187	750	-
	2003	(36) 141,935	758	14,046 *
IBM New Zealand	2000	(7) 14,634	545	-
	2001	(9) 20,168	426	-
	2002	(7) 20,159	402	-
	2003	(6) 15,187	560	11,151 *

*Key: * = First year KPI measured*

Australia

In 2003, energy efficiency declined by 8 kWh per square meter of building area to 758 kWh/m2 of building area over 2002. It should be noted that since 1998 energy efficiency at IBM monitored facilities has improved by 84 kWh/m2 ba while the business continued to see growth.

During 2002 and 2003, implementation of a national site consolidation strategy saw many small tenant leases consolidated. People were relocated to larger sites fully operated by IBM – some of these sites were considered to be less energy efficient.

Based on an analysis of the 36 key operated and/or leased premises in Australia, the Company will develop a plan to improve energy efficiency at four key data centres and three other key sites located in Sydney, Melbourne and Perth.

In 2003, energy consumption continued to fall at the key leased and operated sites, even when taking into account the sale of the Rosebery warehouse in Sydney. Of note, energy efficiency improved by 26 kWh per square meter of building area at the West Pennant Hills site, decreasing from 571 to 545 kWh/m2 ba. This may be partly attributable to the ongoing employee energy efficiency awareness program running during the year.

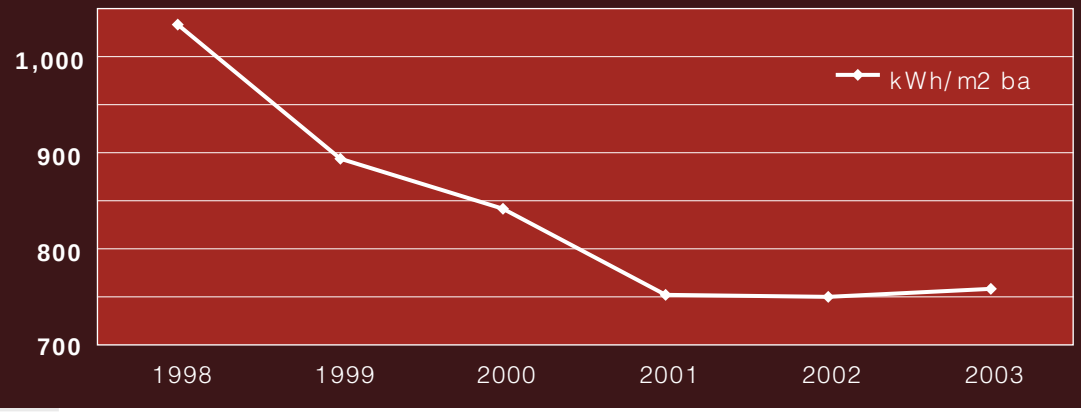
In 2003, IBM Australia commenced monitoring employee use of electricity as a key performance indicator. Each full-time equivalent employee and contractor used on average 14,046 kWh of electricity in 2003.

New Zealand

In 2003, energy consumption of New Zealand operations increased 158 kWh per square meter of building area, rising from 402 to 560 kWh/m2 building area. Since 2000, energy consumption has increased by 15 kWh/m2 ba.

In 2003, IBM in New Zealand began monitoring employee use of electricity as a key performance indicator, finding that each full-time equivalent employee and contractor used on average 11,151 kWh of electricity. The comparatively more efficient use of electricity by New Zealand employees as opposed to their Australian counterparts may be explained by the smaller data centre operations and associated supporting plant rather than New Zealand employees using energy more efficiently.

Trend in Energy Efficiency at Australian Sites from 1998 to 2003



Climate Change

Climate change is a complex problem. IBM has long believed that the most substantive approach we can pursue is to apply our technical and engineering expertise to reduce emissions associated with our own operations and to create products that are increasingly more energy efficient.

In IBM A/NZ, our operations do not release significant quantities of the gases believed to have an effect on ozone depletion and on the greenhouse effect that contributes to global climate change. Our greatest potential impact is an indirect one, through releasing carbon dioxide from the combustion of fossil fuels for generating electricity. Disposing of waste in landfills and, to a lesser extent, running our vehicle fleet, are also factors. Accordingly, our main focus is on using energy more efficiently throughout our operations and on decreasing the amount of waste that is disposed in landfills.

Greenhouse Challenge

IBM Australia has been a partner in the National Greenhouse Challenge Program since 2000. More information about IBM's activities under the Greenhouse Challenge Program can be found at www.greenhouse.gov.au/challenge/

Greenhouse Gas Emissions

Australia

In 2003, 98.3% of greenhouse gas (GHG) emissions from IBM operations in Australia resulted from electricity consumption in buildings, fixed plant and computer raised floor areas. This indirectly resulted in carbon dioxide (CO2) emissions being generated from burning coal. Other sources were diesel fuel oil for operating emergency generators, natural gas for kitchens and heating, petrol for running the IBM-leased vehicle fleet and biodegradable waste disposed to landfill.

Summary of Greenhouse Gas Emissions and Cumulative Abatement for Australia & New Zealand from 1998 to 2003

Company	Year	Total GHG Emissions (t CO2-e)	Annual GHG Emission Reductions (t CO2-e)	Cumulative GHG Abatement (t CO2-e)
IBM Australia	1998	162,015	-	-
	1999	140,141	21,874	21,874
	2000	129,778	10,363	32,237
	2001	116,385	13,393	45,630
	2002	130,640	(14,255)	31,375
	2003	126,172	4,468	35,843
IBM New Zealand	2000	4,539	-	-
	2001	4,783	(245)	(245)
	2002	4,050	733	488
	2003	4,153	(103)	385

In 2003, IBM Australian operations generated greenhouse gas emissions estimated at 126,172 tonnes of CO2 equivalent gases (CO2-e), a reduction in emissions of 4,468 tonnes or 3% on 2002. It is forecast that actual emissions should continue to fall by about 4%.

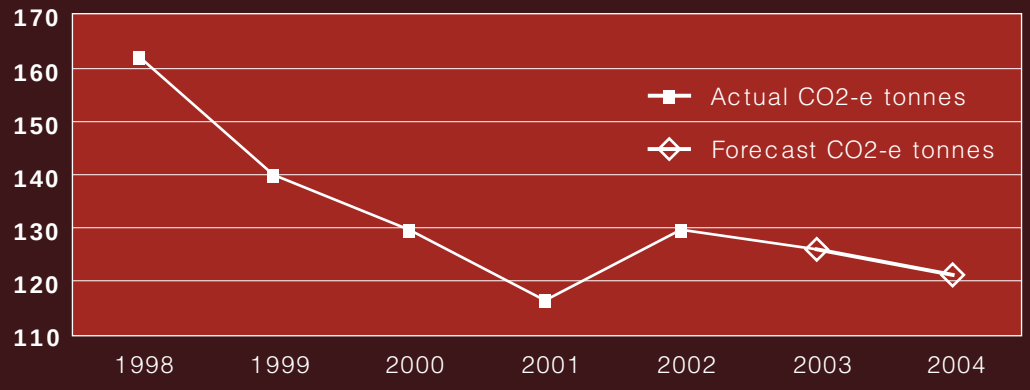
The cumulative abatement from 1998 to 2003 is estimated at 35,843 tonnes of CO2-e emissions or 22% over this 6-year period. This reduction was obtained while accommodating growth in a dynamic IT business environment. In 2003, biodegradable waste disposed to landfill was monitored from an additional six key leased sites. This resulted in emissions from this source increasing by 258 tonnes to 1,032 tonnes of CO2-e emissions.

Summary of GHG Emissions and Performance from IBM Sites in Australia and New Zealand from 1998 to 2003

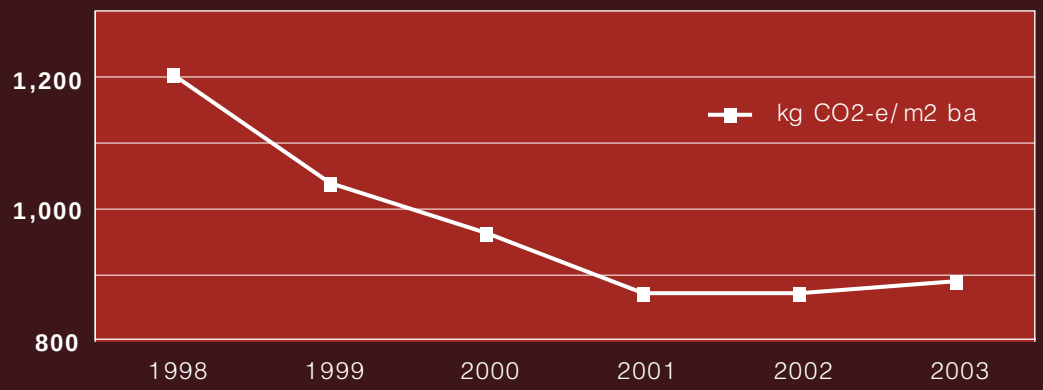
Company	Year	Net Tonnes of CO2-e Emissions Generated from IBM Sites *	(No. of sites &) Square Meters of Building Area (m2 ba)	Full-time Equivalent Employees & Contractors (FTE)	Kilograms of GHGE Generated per Square Meter of Building Area (kg CO2-e/m2 ba)	Tonnes of GHGE Generated per FTE Employee & Contractors (t CO2-e/FTE)
IBM Australia	1998	162,015	(35) 134,729	-	1,203	-
	1999	140,141	(35) 134,729	-	1,040	-
	2000	129,778	(35) 134,729	-	963	-
	2001	116,385	(29) 133,475	-	872	-
	2002	129,244	(35) 148,187	-	871	-
	2003	125,862	(36) 141,935	7,660.9	887	16.4
IBM New Zealand	2000	4,539	(7) 14,634	-	310	-
	2001	4,783	(9) 20,168	-	246	-
	2002	4,050	(7) 20,159	-	201	-
	2003	4,153	(6) 15,187	763.0	273	5.4

** IBM is measuring annual trends in net greenhouse gas emissions from facility operations (calculated by the annual net greenhouse gas emissions generated per square meter of IBM buildings). The measure does not include emissions generated from other business activities such as running the vehicle fleet.*

Summary of Actual and Forecast Greenhouse Gas Emissions for IBM Australia from 1998 to 2004



Trend in Greenhouse Gas Emissions at IBM Sites In Australia from 1998 to 2003



In 2003, greenhouse gas emissions generated from IBM facilities rose on average by 16 kilograms CO2-e emissions per square meter of building area, reaching 887kg, on the previous year.

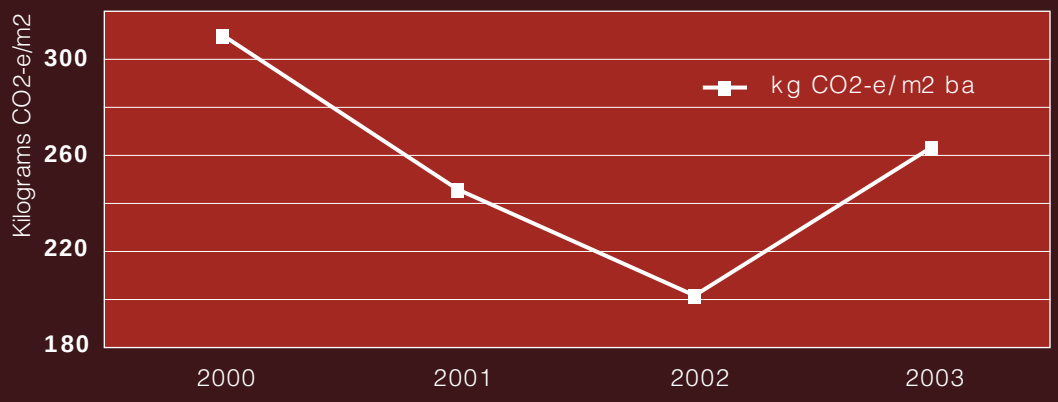
In 2003, IBM commenced measuring the amount of emissions generated by its employees at IBM sites. On average 16.4 tonnes of CO2-e greenhouse gas emissions were generated for each full-time equivalent employee and contractor working on IBM sites. An overview of energy efficiency and waste to landfill reduction initiatives being undertaken during 2003 are presented in the other relevant sections of this progress report.

New Zealand

In 2003, IBM in New Zealand generated 4,153 tonnes of greenhouse gas emissions, a 2.5% rise on 2002. Cumulative abatement fell to 385 tonnes from 488 tonnes over the previous year. The major source of emissions (92.2%) was still related to electricity consumption. The next most important source of emissions came from using natural gas (3.9%) and from disposing rubbish to landfill (3.7%). Total greenhouse gas emissions are expected to rise in 2004 by about 2%.

Summary of Actual and Forecast Greenhouse Gas Emissions in New Zealand from 2000 to 2004

Trend in Greenhouse Gas Emissions at IBM Sites in New Zealand from 2000 to 2003



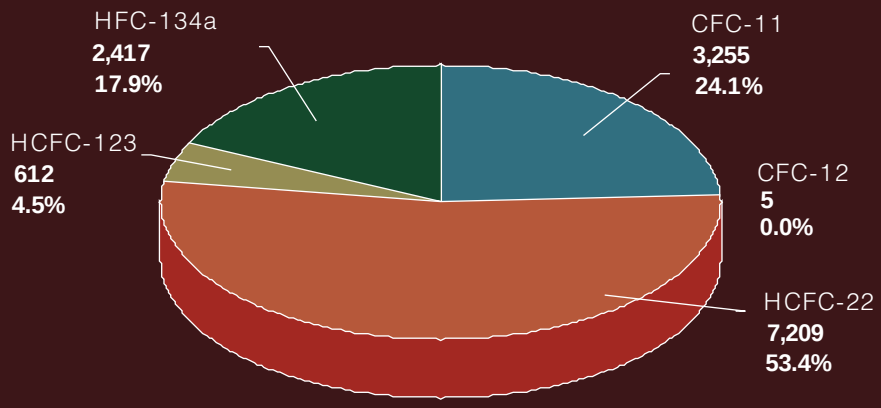
Ozone Depleting Substances

IBM A/NZ uses ozone depleting Chlorofluorocarbons (CFCs), Hydrochlorofluorocarbons (HCFCs) and Hydrofluorocarbons (HFCs) in chiller systems at data centres, the Innovation Centre and Ballarat Regional Software Centre. The latter two refrigerants are also potent greenhouse gases. The inventory of these refrigerants remained relatively stable year on year. No environmental incidents were reported involving refrigerants. On-going maintenance of the systems by certified air conditioning contractors resulted in minor top ups of refrigerants.

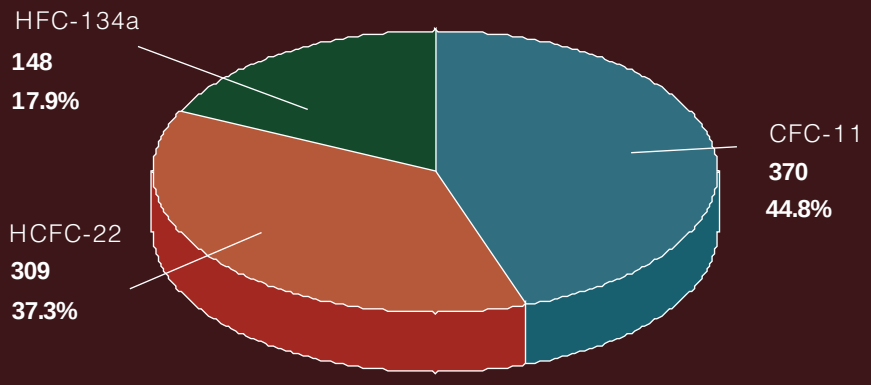
In 2003, IBM Australia was responsible for maintaining a total of 13,500 kilograms of refrigerants in the main building air conditioning systems. IBM held 3,255 kilograms of CFC-11 and 5 kilograms of CFC-12 at sites in Australia. In 2003, the most significant quantity of refrigerant gas held was HCFC-22 (53%) at 7,209 kilograms.

In 2003, IBM in New Zealand held 827 kilograms of refrigerant gas, which consisted of CFC-11 (370kg), HCFC-22 (309kg) and HFC -134a (148kg) of refrigerants.

IBM Australian Refrigerants Inventory for 2003



IBM New Zealand Refrigerants Inventory for 2003



Pollution Prevention and Waste Minimisation and Management

In 2003 our Pollution Prevention, Chemicals and Waste Minimisation and Management programs continued to deliver environmental benefits. IBM seeks to avoid generating waste and minimising its use of hazardous chemical substances and materials. We continue to manage the waste we generate (both hazardous and non-hazardous) according to a waste hierarchy that includes, in order of preference:

- Reduce
- Reuse
- Recycle
- Treat (biological, chemical or physical)
- Dispose (to landfill)

Chemicals Management

In 2003, IBM in Australia and New Zealand continued to manage chemical substances on its sites to minimise the need for, and reduce, the amount of hazardous substances and dangerous goods used and stored on our sites. Site chemical substance registers are kept and maintained at relevant locations.

In late 2003, IBM A/NZ commenced an OHS&E review of the service chemicals an engineer uses in the workplace and commenced a compliance review against National Industrial Chemicals Notification and Assessment Scheme (NICNAS) industrial chemicals requirements. Material safety data sheets (MSDS) associated with the service chemicals and product supplies were reviewed, and where necessary, revised.

In 2003, IBM maintained its Company Registration with NICNAS for the import of industrial chemicals into Australia. These primarily consisted of service support chemicals and product supplies such as toner, developer and fuser oil. IBM does not manufacture chemical substances in Australia or New Zealand.

Waste Materials Disposed from Facility Operations

In 2003, IBM generated a total of 1,109 tonnes of waste from its key [8 sites in total] leased and operated sites in Australia, down from 1,655 tonnes recorded in 2002. This represented a reduction of 33% by weight, avoiding the generation of some 546 tonnes. The waste stream was made up of 6% (66 t) hazardous, 86% (954 t) solid non-hazardous and 8% (89 t) liquid non-hazardous materials. As outlined later in this section, in addition to the reduction in total waste generated the Company was able to increase recycling and thus further decreased the amount of materials disposed to landfill.

At an additional 64 leased and client sites across Australia, IBM generated another 643 tonnes of waste, the majority (458 tonnes) was waste office paper sent for recycling. In 2003 IBM was able to continue to expand its waste tracking and reporting program for leased sites in Australia. If the company is to continue to expand and improve the quality of this program, support from building owners and property managers will be essential.

During 2003, IBM Australia continued to improve the recycling programs at its sites, focusing on printer consumables, cardboard and waste office paper. These materials were identified in significant quantities in rubbish going to landfill from our offices and warehousing sites. To raise awareness of this situation, IBM ran employee waste reduction and recycling activities at these key sites throughout the year.

In late 2003, IBM Australia commenced a national review of waste management services in conjunction with its Facility Maintenance Contractor. IBM was seeking to rationalise its many waste disposal suppliers to achieve economies of scale, to provide support for introducing improved and new nationwide recycling services and to deliver better quality waste tracking and reporting outcomes.

In 2003, IBM New Zealand generated a total of 184 tonnes of waste from six owned, or leased and operated or leased sites. This consisted of 97% (178 tonnes) of solid non-hazardous waste and 3% (6 tonnes) of liquid non-hazardous waste. No hazardous waste was disposed of by IBM New Zealand operations.

Newly introduced cardboard recycling bin at the West Pennant Hills site

Trend for Total Waste Disposed from IBM A/NZ Sites from 2000 to 2003

Year	(Number of Sites &) Total Waste Disposed from IBM Key Sites (t)			(No. of Sites &) Total Waste Disposed from IBM Leased & Client Sites (t) *
		Hazardous Waste (t)	Non-hazardous Waste (t)	
IBM Australia				
2000	(8) 1,457.5	197.7	1259.8	-
2001	(8) 1,333.8	28.8	1305.0	(49) 522.8
2002	(8) 1,654.9	32.1	1622.8	(51) 508.5
2003	(8) 1,108.9	66.5	1042.3	(64) 642.9
IBM New Zealand				
2000	-	-	-	-
2001	(3) 138.0	4.7	133.3	-
2002	(7) 236.8	0.0	236.8	-
2003	(6) 184.4	0.0	184.4	-

** = The data from leased sites is separate because we only have partial waste generation data from these facilities. The figures do not therefore indicate the true environmental impact of the operations at these sites. In general, these commercial buildings have numerous tenants and the waste generated by them is combined and disposal arranged by the property manager. We are investigating solutions to capture this waste data more accurately in our waste metrics program.*

Hazardous Waste

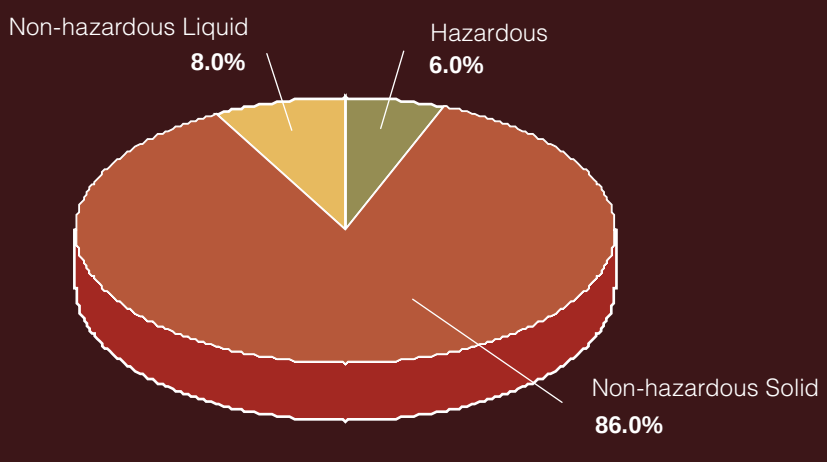
Australia

Of the 66 tonnes of hazardous waste which was disposed of, over 99% consisted of lead acid batteries from data centres and plant support systems. The rest came from old fluorescent tubes and waste rechargeable batteries. All hazardous waste was disposed of through IBM Approved Hazardous Waste Disposal Service Suppliers.

New Zealand

In 2003, IBM New Zealand operations did not dispose of any government classified hazardous waste.

Composition of the Australian Facility Waste Stream in 2003



Non-hazardous Waste

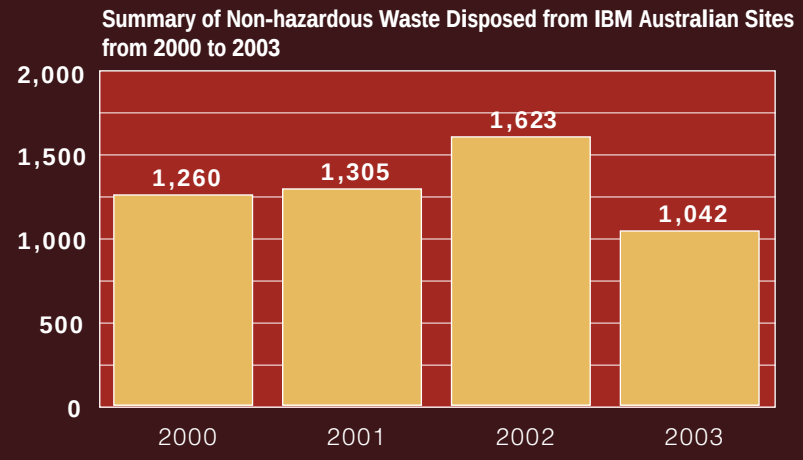
Australia

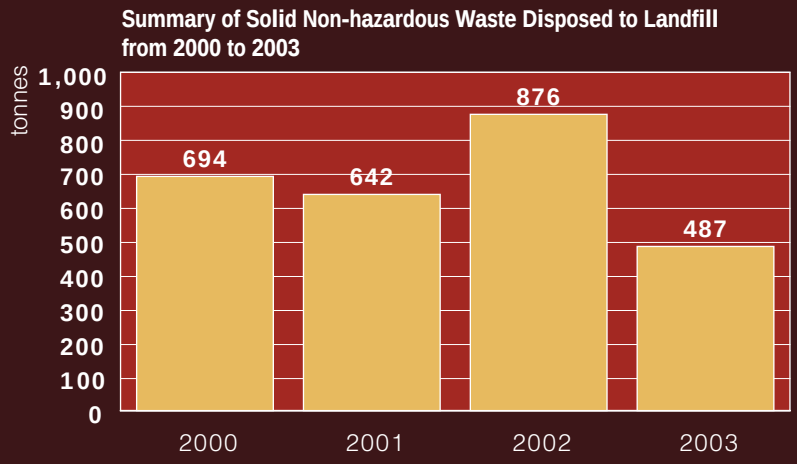
In 2003, the company was able to recycle 53% of the non-hazardous waste generated from its eight key leased and operated sites, an increase of over 7% on 2002, up from 46%. The IBM global recycling target for non-hazardous waste remained at 67% in 2003.

In 2003, our Australian operations disposed of 1,042 tonnes of non-hazardous waste from our eight key leased and operated sites. This represented a 35% reduction on 2002. Of the non-hazardous waste stream 954 tonnes was solid and 89 tonnes was liquid waste.

The key materials recycled from the solid non-hazardous waste stream included Office Paper (30.2% by weight) and Cardboard (15% by weight), both up by approximately 5% from the previous year. Of the materials sent to landfill, General Trash was the most significant (41.7% by weight) followed by Cafeteria Waste (7.8% by weight).

In 2003, solid non-hazardous waste sent to landfill fell by 44% to 487 tonnes, compared with 2002.





Trend for Disposal of Solid Non-hazardous Waste from IBM Australian sites from 2000 to 2003

Year	(Number of sites) and square meters of building area (m^2 ba)	Average Quantity of Waste Material Disposed per Square Meter of Building Area (kg/m^2 ba)	Company Range (kg/m^2)	Average Quantity of Waste Material Disposed per Full-time Equivalent Employee & Contractor (kg/FTE)
2000	(8); 85,081	14	1.5 – 22.6	-
2001	(8); 85,081	14	2.8 – 24.4	-
2002	(8); 85,081	18	8.0 – 68.9	-
2003	(8); 80,056 *	12	3.2 – 19.2	325

*Key: * = The Rosebery warehouse was replaced with the Homebush warehouse*

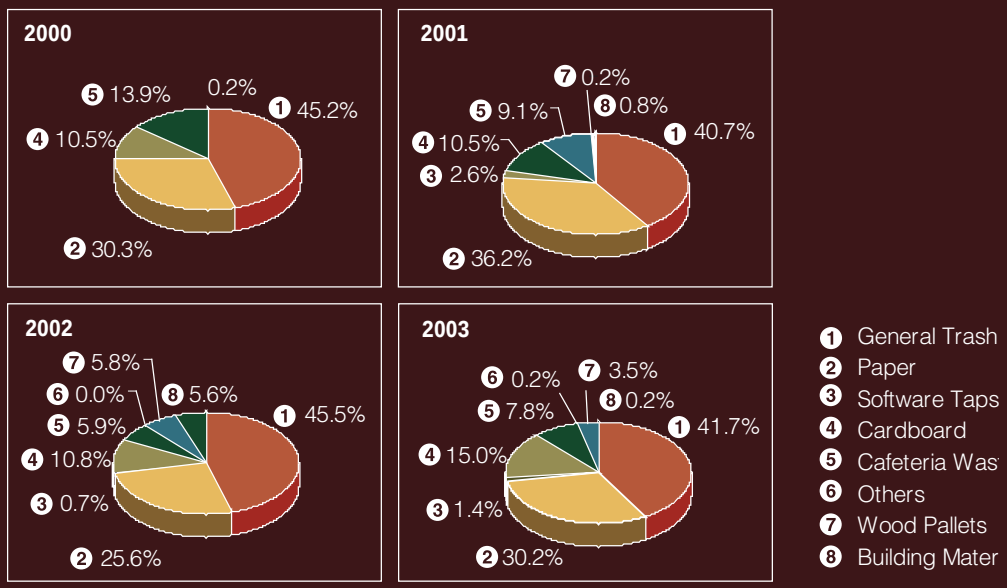
In 2003, the average amount of solid non-hazardous waste disposed of from Australian operations fell 6 kilograms per square meter on 2002, to 12 kilograms for each square meter of building area. In 2003, IBM began measuring the amount of non-hazardous solid waste materials disposed of by its employees in Australia. On average 325 kilograms of non-hazardous solid waste was disposed of by each full-time equivalent employee and contractor.

New Zealand

In 2003, the quantity of non-hazardous waste recycling by operations in New Zealand rose to 42%, an increase of 3% on 2002. The global non-hazardous recycling target was 67%

The 2001 recycling rate was adjusted from 13% (as reported in last years Progress Report) to 10% to account for corrections made to the amount of grease sludge collected, treated and sent to landfill from the Petone site. The correction to 2002 data did not change the percentage of non-hazardous waste recycled.

Summary of Key Materials Found in the Solid Non-hazardous Waste Stream Disposed of at IBM Australian Sites from 2000 to 2003



In 2003, IBM introduced a cardboard recycling program at the national parts logistics warehouse in Penrose, Auckland. Cardboard recycling went from 5 to 38 tonnes, which represented an almost eight-fold increase on 2002. Recyclables such as glass and plastic bottles and aluminium cans represented 1.8% of the total quality of non-hazardous waste. Variability in the quality of the data being collected at this stage precludes any comprehensive analysis of the data from year to year. It is expected that this situation will change for the better as the waste tracking and monitoring system in New Zealand continues to mature.

"Cartridges 4 Planet Ark" collection bin introduced at key Australian sites in 2003 to re-direct waste from landfill.

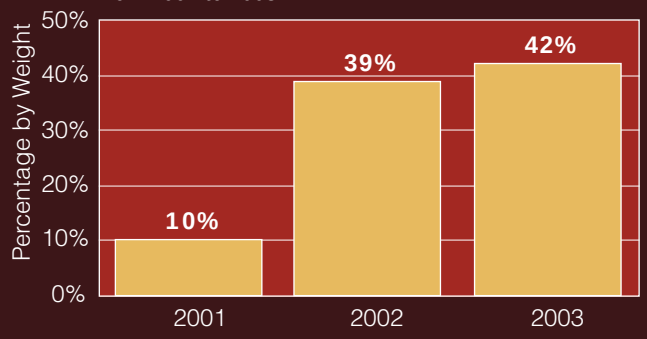
Product End-of-life Management Operations

Australia

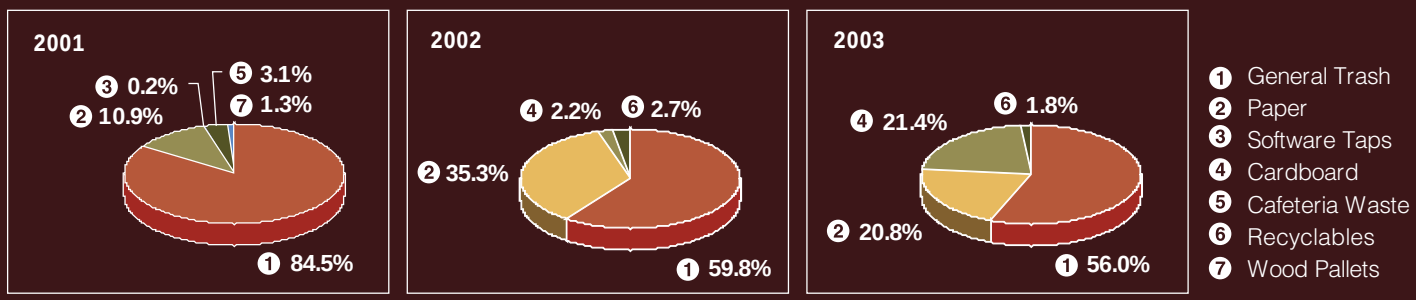
In 2003, IBM processed 215.6 tonnes of product scrap consisting of old and defective hardware from end-of-lease, internal sources and defective parts. IBM Australia recycled 80.2% of the old hardware it assigned for scrapping. Another 3.6% consisted of waste rechargeable batteries (hazardous waste) and were held in storage waiting recycling. The remainder (16.2%) was sent to landfill. Landfill materials included: keyboards, mouses and mixed plastics from computers and peripherals.

In 2001 some scrapping data could not be authenticated, hence the 43.1% by weight result for recycling. Also in that year rather than disposing of the cathode ray tube monitors IBM stored them and is awaiting negotiations to find a suitable commercially available recycling process.

Non-hazardous Waste Recycling Trend for IBM New Zealand from 2001 to 2003



Summary of Key Materials Found in the Solid Non-hazardous Waste Stream Disposed of at IBM New Zealand Sites from 2001 to 2003



Photograph shows waste rechargeable batteries removed during the scrapping process and waiting to be recycled.

Product Scrap Processing Summary for IBM A/NZ Operations from 2000 - 2003

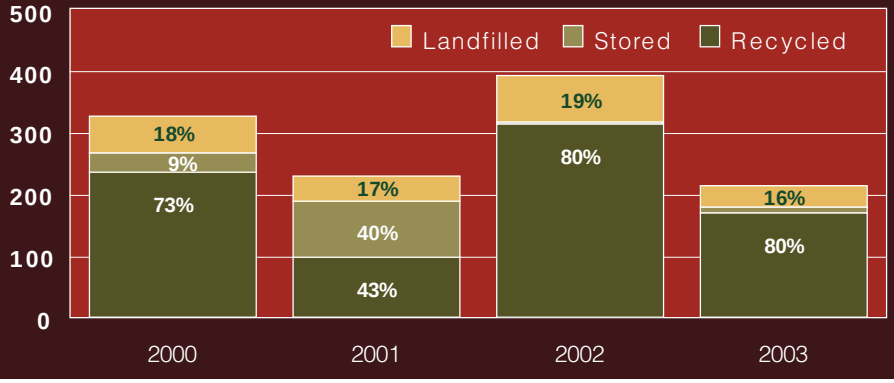
Company	Year	Percent Recycled (% by weight)	Percent Stored (% by weight)	Percent Landfilled (% by weight)	Tonnes Processed (t)
IBM Australia	2000	73.0	9.6	17.8	327.7
	2001	43.1	39.8	17.1	230.8
	2002	80.3	0.8	19.0	393.9
	2003	80.2	3.6	16.2	215.6
IBM New Zealand	2000	10	0	90	51.0
	2001	10	0	90	37.1
	2002	30	0	70	57.0
	2003	30	0	70	30.4

New Zealand

In 2003, 30.4 tonnes of product scrap was processed and disposed of by an IBM-approved product disposal supplier. The supplier estimated that 30% by weight was recovered for recycling. The 20% improvement in recovery rates on previous years was associated with enhancements to the shredding and metals separation process.

The remaining residual waste (flock) was sent to the Redvalle licensed landfill in Auckland. In 2003, commercial recycling opportunities in New Zealand remained limited.

Summary of Product Scrap Processed in Australia from 2001 to 2003



Water Conservation

Because water is such a critical natural resource, conserving and protecting it is an environmental priority for IBM in Australia and New Zealand. This is especially the case in Australia, where the water supply is increasingly precarious and restrictions on use are legislated.

Australia

In 2003, the eight IBM leased and operated sites consumed 132,714 kilolitres (kL) of water. IBM was able to save 47,393 kL of water, a 26% saving on 2002 after consumption was adjusted for the sale of the Rosebery Warehouse. In 2003, IBM used 1.9 kL of water per square meter building area, a 0.3 kL/m2 improvement in the efficient use of water at IBM on 2002.

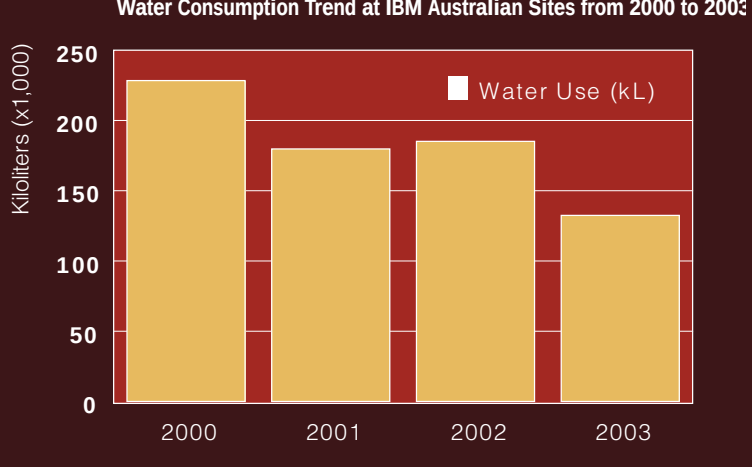
In 2003, each full-time equivalent employee and contractor on the eight key leased and operated sites in Australia used on average 46 kL of water. This was the first year this key performance indicator was measured. In 2003, IBM babysat the Tullamarine data centre by request of the Ansett administrators although no business services operated from this site, which resulted in an 89% drop in water consumption. The baby-sat site only used minimal amounts of water which increased the annual water savings delivered in 2003 by about 4%. In addition the Rosebery warehouse was vacated in 2002.

The largest water usage operations involved the air conditioning plants at the data centres and the water used in the landscape pools, cafeteria, kitchenettes and amenities at the West Pennant Hills site. Irrigation was shut off at all relevant sites in accordance with water restrictions across the country. The majority of this water saving was related to the West Pennant Hills site, which was registered with the Sydney Water "Every Drop Counts" Business Program in early 2003.

Summary of Water Consumption from 2000 to 2003 at IBM Sites in Australia and New Zealand

Company	Year	(No. of Sites) and Building Area (m2)	Total Consumption in Kilolitres (kL)	Kilolitres of Water Used per Square Meter of Building Area (kL/m2 ba)	Kilolitres of Water Used by Each Full-time Equivalent Employees & Contractor (kL/FTE)
IBM Australia	2000	(8) 85,081	228,653	2.7	-
	2001	(8) 85,081	180,961	2.1	-
	2002	(8) 85,081	185,160	2.2	-
	2003	(7) 68,666	132,714	1.9	46.0
IBM New Zealand	2000	-	-	-	-
	2001	(2), 7,001	8,290	1.2	-
	2002	(3), 8,869	11,230 *	1.3	-
	2003	(2), 7,012	6,852	1.0	-

*Key: * = reported in the 2002 Progress Report as 11,237.5kL and now adjusted for a calendar year.*



IBM Sydney Water "Every Drop Counts" Program

In 2003, IBM Australia signed up to the Sydney Water "Every Drop Counts" Business Program at St. Leonards, West Pennant Hills and Baulkham Hills data centres in Sydney that were identified by IBM as using the most water. Amongst other commitments the company agreed to meet a 15% saving over the next three years from these sites.

Summary of Water Consumption at the Three IBM/Sydney Water "Every Drop Counts" Business Program Sites

Year	Kilolitres of Water Used from the Three Sites in Sydney	Kilolitres of Water per Square Meter of Building Area (kL/m2)	Kilolitres of Water Used by Each Full-Time Equivalent Employee & Contractor (kL/FTE)	Percentage Water Saved on Last Year (%)
2002	153,922	3.14	Data not available	Base Year
2003	120,675	2.47	47.20	21.6

In July 2003, as the first stage of a water savings project, motion sensors were installed in the men's toilets to reduce water wastage from the frequent flushing of urinals. Before the project commenced, the 33 cisterns for the urinals at the West Pennant Hills site flushed every 5 minutes, 24 hours a day, 365 days. Initially, we conservatively estimated that we could save 17 million litres of water and over $34,000 in costs annually. In fact, we now estimate that it is possible to better this by almost three times.

Between July and December 2003, IBM has saved 33 million litres of water at its West Pennant Hills site reducing consumption by one third (34%) compared to 2002. We expect to save in the vicinity of 45 million litres per annum just from the implementation of the first stage of the water savings project. Investigations for the second stage of the project were underway at the end of 2003 to further reduce water consumption, including installation of flow restriction devices and harnessing of stormwater runoff for irrigation and use in cooling towers on site.

New Zealand

In 2003, IBM New Zealand consumed 6,852 kiloliters of water at two sites. Water bills for the Newton data centre were not available in 2003.

Water feature at the IBM West Pennant Hills site

Remediation

IBM is involved in remediation efforts stemming from our past activities. Pollution prevention technologies have changed so much since the 1950s that some measures, once considered state-of-the-art, are now ineffective or outmoded. Our response to this reality has been to recognise the need for corrective action wherever necessary, and to act swiftly and responsibly.

Protecting Groundwater, Soil & Human Health

IBM in Australia and New Zealand continued to maintain environmental programs for the protection of groundwater, soil and human health.

Protecting "Blue Gum High Forest" @ IBM

Since 2000, IBM has been delivering a program to control noxious weeds and assist natural bush regeneration at its West Pennant Hills site in Sydney. The regeneration activities have delivered measurable benefits for the remnant "Blue Gum High Forest" located on the site and has helped enrich the biodiversity of the local area. An exert, from a report penned by our bush regeneration professional, provides some insight into the revival of the "Blue Gum High Forest" at our West Pennant Hills site.

A species of local Orchid, Hyacinth Orchid, found at the West Pennant Hills site

In 2003, vigorous native vegetation growth occurred around the IBM West Pennant Hills property after the long and severe drought was broken with rain in Autumn and through Winter. The favourable weather boosted the seriously-declining remnant Blue Gums around the IBM site and they experienced a substantial flush of healthy new growth, shed their bark and produced a more meaningful quantity of healthy foliage. The abundance of local native plants now emerging in the regeneration area should also help to stabilise the nutrient cycles and general soil conditions here. However, it's far too early to proclaim the ultimate fate of the Blue Gums given the long-term stresses they have endured in the past. As a safeguard additional seedlings have been established from on-site sourced bushland seed.

It's interesting to note the differing effects of the drought on the regeneration areas. One of the appealing things about the site is its varying topography, which tends to encourage a mosaic of dominating plant communities. The first site to be cleared in 2000 at the top of the property closest to Castle Hill Road, is within the watershed of what becomes Darling Mills Creek and eventually the Parramatta River, primarily faces south-east and is protected from the more northerly and westerly afternoon sun. Here the natives that germinated prior to, or even during, the 2001-3 dry times continued to grow fairly vigorously despite the harsh conditions. The deep soil horizons of this area of the site no doubt helped as well. In stark contrast, the regeneration areas receiving more sun exposure due to their more northerly aspects only grew at half the pace during the same period. Pioneer plants in the regeneration areas with the southerly aspect are eight to fifteen feet tall, while the same species in the other areas only reach about four to six feet.

The sub-canopy of the bushland areas of the site on the southerly aspect were formerly dominated by lantana and Privets and are now solely comprised of Blue Gum Forest trees and shrubs as a result of the ongoing and active management of the bushland.

Since 2000 there has been further expansion of the regeneration areas while keeping in mind wildlife habitat needs. Now that particular areas are becoming well established and provide useful cover for wildlife they are being substantially expanded to the point where weed patches now only persist as islands and corridor strips around the steepest slopes and most degraded areas. The West Pennant Hills site now has much less than half the Privet and

View of regenerated Blue Gum High Forest at the West Pennant Hills site

lantana infestations it had three years ago. As well, the areas formerly dominated by Water Primrose *(Ludwigia peruviana)* in the upper dam located on the site, are now being successfully colonised by native water-loving plants, such as Cumbungi *(Typha orientalis)* and Tall Spike Rush *(Elaeocharis sphacelata)*.

A species of local Orchid, called Hyacinth Orchid, *(Dipodium punctatum)* was especially exciting to find on site. This plant is a saprophyte that derives its energy from decomposing matter, rather than producing green leaves and chlorophyll, as most plants do.

Fauna is also increasing in the regeneration areas. Some of the fauna sightings include common understorey birds such as Whip-birds and Scrub-wrens along with sightings of high-order predators such as a Red-Belly Black Snake at the top dam, and birds of prey such as Brown Goshawks and Pacific Bazas.

It's hard to believe that young trees you can walk under today were tiny green dots on the soil only three years ago when we commenced the regeneration program. Despite Sydney's harsh and ongoing drought conditions experienced at the site there is much improvement, in time, and with persistence, we intend to create a natural landscape that is a paradigm of corporate care and responsibility.

Clearing and weeding of the top area of the West Pennant Hills site

Tree Planting at Motutapu Island, Auckland

Approximately 20 IBMers and their families turned out on Sunday, 27 July, 2003 to help with the tree-planting project on Motutapu Island. In all, about 70 people - including 40 children - helped out on behalf of IBM, making up almost half of the 150 volunteers on the island that day. This was the largest group of volunteers so far this season, and one of the biggest for several years.

The group proved to be very efficient, taking just three hours to plant 4,000 native plants in a very steep hillside paddock at the top of the island! The Motutapu Restoration Trust (MRT) and Department of Conservation were very impressed by the IBMers hard work and commitment. In fact, Bridget Winstone, Trustee and Chair of the Volunteer Committee for the Motutapu Restoration Trust, wrote a letter to the NZ General Manager, Nick Lambert, specifically to tell him just how impressed she was. In her letter she says "The group, sporting IBM beanies, was a credit to - and a great advertisement for - the company. It is heartening to see a large corporate, such as IBM, taking the lead in promoting environmental awareness and encouraging community participation by employees."

Audits & compliance

In 2003, IBM continued to prevent and minimise the impact of environmental incidents in Australia and New Zealand and received no environmental fines, penalties or improvement notices.

Summary of Compliance and Environmental Incidents from 2000 to 2003

Type of Incident	2000	2001	2002	2003
IBM Australia				
Major/Reportable	0	0	1	0
Minor	11	5	2	4
Fines and Penalties	0	0	0	0
Improvement Notices	0	0	0	0
IBM New Zealand				
Major/Reportable	0	0	0	0
Minor	1	0	0	0
Fines and Penalties	0	0	0	0
Improvement Notices	0	0	0	0

Environmental Incidents

In 2003, IBM's Australian sites reported four minor environmental incidents.

The four minor incidents were:

- *sewer overflow after plumbing blockage;*
- *diesel fuel spill into a bunded and paved fuel delivery area at a data centre;*
- *petrol leaking from an employees motor bike in a company car park; and*
- *diesel fuel leaking from a failed pipe cap associated with a fuel delivery system in a bunded plant room at a data centre.*

All incidents were controlled, effectively cleaned up and the resulting contaminated, absorbent spill pads properly disposed of by IBM-approved hazardous waste disposal service suppliers.

IBM employees and their families helping with the tree-planting project on Motutapu Island

IBM Environmental Affairs Policy

IBM is committed to environmental affairs leadership in all of its business activities. IBM has had longstanding corporate policies of providing a safe and healthful work place, protecting the environment, and conserving energy and natural resources, which were formalised in 1967, 1971 and 1974 respectively.

IBM corporate policies have served the environment and our business well over the years and provide the foundation for the following corporate policy objectives:

- *Provide a safe and healthful workplace and ensure that personnel are properly trained and have appropriate safety and emergency equipment.*
- *Be an environmentally responsible neighbour in the communities where we operate, and act promptly and responsibly to correct incidents or conditions that endanger health, safety, or the environment. Report them to authorities promptly and inform affected parties as appropriate.*
- *Conserve natural resources by reusing and recycling materials, purchasing recycled materials, and using recyclable packaging and other materials.*
- *Develop, manufacture, and market products that are safe for their intended use, efficient in their use of energy, protective of the environment, and that can be reused, recycled or disposed of safely.*
- *Use development and manufacturing processes that do not adversely affect the environment, including developing and improving operations and technologies to minimise waste, prevent air, water, and other pollution, minimize health and safety risks, and dispose of waste safely and responsibly.*
- *Ensure the responsible use of energy throughout our business, including conserving energy, improving energy efficiency, and giving preference to renewable over non-renewable energy sources when feasible.*
- *Participate in efforts to improve environmental protection and understanding around the world and share appropriate pollution prevention technology, knowledge and methods.*
- *Utilise IBM products, services and expertise around the world to assist in the development of solutions to environmental problems.*
- *Meet or exceed all applicable government requirements and voluntary requirements to which IBM subscribes. Set and adhere to stringent requirements of our own no matter where in the world the company does business.*
- *Strive to continually improve IBM's environmental management system and performance, and periodically issue progress reports to the general public.*
- *Conduct rigorous audits and self-assessments of IBM's compliance with this policy, measure progress of IBM's environmental affairs performance, and report periodically to the Board of Directors.*

Every employee and every contractor on IBM premises is expected to follow this policy and to report any environmental, health, or safety concern to IBM management. Managers are expected to take prompt action.

Original signed by:
Louis V. Gerstner, Jr.
Policy last revised: July 29, 1997

Trends Summary

The following two report cards summarise the environmental and well-being performance and trends that help us move towards a better managed business in Australia and New Zealand.

Trends Summary for Australian Operations

	Year 2000	Year 2001	Year 2002	Year 2003	Performance
Well-being Indicators (Starts Page 9)					
Number of injuries per 100 employees	1.05	1.08	1.07	1.03	✓
Number of lost time injuries per 100 employees	0.46	0.39	0.36	0.43	×
Average days lost per lost time injury	16	21	15	10	✓
Environmental Indicators (Starts Page 16)					
Use & Conservation of Natural Resources					
Office Paper Consumption (See Page 21)					
Key Performance Indicators (KPI)					
Reams used per full-time equivalent employees & contractors (Reams/FTE)	-	-	-	10.8	■
Cut sheets consumed	-	68,602,000	64,404,390	62,970,200	✓
Tonnes equivalent	-	343.8	321.9	315.8	✓
Trees equivalent	-	9,094	8,515	8,356	✓
Number of full-time equivalent employees & contractors (FTE)	-	-	-	11,637.4	
Energy Consumption (See Page 23)					
Energy Saving Year to Year (Target 2%)	-	11.6	-	3.1	✓
Electricity					
Key Performance Indicators (KPI)					
Kilowatt hours per square meter of building area (kWh/m² ba)	842	751	750	758	×
Kilowatt hours per full-time equivalent employees & contractors (kWh/FTE)	-	-	-	14,046	■
Kilowatt Hours (kWh)	113,378,820	100,243,920	111,080,046	107,607,131	✓
Natural Gas (Megajoules)	5,426,090	2,759,820	3,843,120	4,130,349	×
Diesel Fuel (Litres)	324,550	176,750	175,550	172,745	✓
(Number of sites &) square meters of building area (m² ba)	(35); 134,729	(29); 133,475	(35); 148,187	(36); 141,935	
Number of full-time equivalent employees & contractors (FTE)	-	-	-	7,660.9	
Water Consumption (See Page 39)					
Key Performance Indicator (KPI)					
Kilolitres use per m² building area (kL/m² ba)	2.7	2.1	2.2	1.9	✓
Kilolitres used per FTE (kL/FTE)	-	-	-	46	■
Percent savings year on year (% by volume)	-	20.9	-2.3	26	✓
Actual kilolitres of water used (kL)	228,653	180,961	185,160	132,714	✓
(Number of sites &) square meters of building area (m² ba)	(8); 85,081	(8); 85,081	(8); 85,081	(7); 68,666	
Number of full-time equivalent employees & contractors (FTE)	-	-	-	2,888.42	
Pollution Prevention & Management					
Greenhouse Gas Emissions (See Page 27)					
Key Performance Indicators (KPI)					
Kilograms CO_2-e/m² building area (kg CO_2/m² ba)	963	872	871	**887**	×
Tonnes CO_2-e/FTE employee & contractors (t CO_2/FTE)	-	-	-	16.5	■
Total GHG Emissions (Tonnes)	129,778	116,385	130,640	126,172	✓
Cumulative Abattement (Tonnes)	32,237	45,630	31,375	35,843	✓
(Number of sites &) square meters of building area (m² ba)	(35); 134,729	(29); 133,475	(35); 148,187	(36); 141,935	
Number of full-time equivalent employees & contractors (FTE)	NA	NA	NA	7,660.9	

	Year 2000	Year 2001	Year 2002	Year 2003	Performance
Waste Minimisation & Management (See Page 32)					
Non-hazardous Waste Recycled (Target 67%)	45%	51%	46%	53%	✓
Non-hazardous Solid Waste					
Key Performance Indicators (KPI)					
Kilograms per full-time equivalent employees & contractors (kg/FTE)	-	-	-	325.0	■
Kilograms per square meter of building area (kg/m^2 ba)	13.8	14.2	17.9	11.9	✓
Non-hazardous Solid Waste (tonnes)	1,174.9	1,209.8	1,526.4	953.73	✓
Non-hazardous Liquid Waste (tonnes)	84.9	95.2	96.4	88.60	✓
Hazardous Waste (tonnes)	197.7	28.8	32.1	66.54	×
Computer Scrap					
Recycled (% weight)	73	43 *	80	80	■
Processed (tonnes)	327.72	230.85	393.86	215.64	✓
(Number of sites) & square meters of building area (m^2 ba)	(8); 85,081	(8); 85,081	(8); 85,081	(8); 80,056	
Number of full-time equivalent employees & contractors (FTE)	-	-	-	2,931.42	
Environmental Incidents Prevention (See Page 45)					
Number of major releases	Zero	Zero	1	Zero	✓
Number of minor releases	11	5	2	4	×
Fines & Penalties (See Page 45)	Zero	Zero	Zero	Zero	■

*Key: * = 1Q2001 computer scrap data not available and 40% consisting of CRT monitors was stored for recycling; ✓ = Identifies an improvement in performance on last year that may led to a decrease in adverse environmental impacts; ■ = No identified change on last year or is a baseline reporting year; × = Identifies a decline in performance on last year that may led to an increase in adverse environmental impacts.*

Trends Summary for New Zealand Operations

	Year 2000	Year 2001	Year 2002	Year 2003	Performance
Environmental Indicators (Starts Page 16)					
Use & Conservation of Natural Resources					
Office Paper Consumption (See Page 21)					
Key Performance Indicator (KPI)					
Reams used per full-time equivalent employee & contractor (Reams/FTE)	-	-	-	10.1	■
Cut Sheets Consumed	-	3,555,000	4,030,000	3,563,500	✓
Tonnes Equivalent	-	17.7	20.3	17.9	✓
Trees Equivalent	-	469	537	473	✓
Energy Consumption (See Page 23)					
Energy Saving Year to Year (Target 2%)	-	-	-	-	■
Electricity					
Key Performance Indicator (KPI)					
Kilowatt hours used per square meters building area (kWh/ m^2 ba)	**545**	**426**	**402**	**560**	×
Kilowatt hours used per full-time equivalent employee & contractor (kWh/FTE)	**-**	**-**	-	**11,151**	■
Kilowatt Hours (kWh)	7,978,736	8,503,266	8,095,578	8,507,878	×
Natural Gas (Megajoules)	5,106,410	2,681,250	3,460,400	3,094,330	✓
Diesel Fuel (Litres)	26,740	16,720	30,900	2,960	✓
Propane (Kilograms)	-	-	360	540	×
(Number of sites &) square meters of building area (m^2 ba)	(7) 14,634	(9) 20,168	(7) 20,159	(6) 15,187	
Number of full-time equivalent employee & contractor (FTE)	-	-	-	763	
Water Consumption (See Page 39)					
Key Performance Indicator (KPI)					
Kilolitres per square meter of building area (kL/m^2 ba)	-	1.2	1.3	1.0	✓
Kilolitres of Water (Kilolitres)	-	8,290	11,230	6,852*	■
(Number of sites) and square meters of building area (m^2 ba)	-	(2) 7,001	(3) 8,869	(2) 7,012	
Pollution Prevention & Management					
Greenhouse Gas Emissions (See Page 27)					
Key Performance Indicators (KPI)					
Kilograms of CO_2-e/m^2 building area (kg/m^2 ba)	310	246	201	273	×
Tonnes of CO_2-e/FTE employee (tCO_2/FTE)	-	-	-	5.4	■
Total GHG Emissions (tonnes)	4,539	4,783	4,050	4,153	×
Cumulated Abatement (tonnes)	-	-245	488	385	×
Waste Minimisation & Management (See Page 32)					
Non-hazardous Waste Recycled (Target 67%)	-	10%#	39%	42%	✓
Non-hazardous Solid Waste (tonnes)	-	127.3	230.5	178.1	■
Non-hazardous Liquid Waste (tonnes)	-	6.0	6.3	6.3	×
Hazardous Waste (tonnes)	-	4.74	0.0	0.0	■
Computer Scrap					
Processed (tonnes)	51.0	37.10	57.00	30.36	✓
Recycled (% by weight)	10	10	30	30	■
Number of sites	-	3	7	6	
Environmental Incidents Prevention (See Page 45)					
Number of major releases	Zero	Zero	Zero	Zero	■
Number of minor releases	Zero	Zero	Zero	Zero	■
Fines & Penalties (See Page 45)	Zero	Zero	Zero	Zero	■

*Key: * = Data not available on some sites to compare with previous year; #= 13% was reported in last year's progress report due to the underestimating of the amount of grease sludge disposed to landfill; ✓ = Identifies an improvement in performance on last year that may led to a decrease in adverse environmental impacts; ■ = No identified change on last year or is a baseline reporting year; × = Identifies a decline in performance on last year that may led to an increase in adverse environmental impacts.*

Environmental Verification Statement

GHD was commissioned by IBM Australia Ltd to conduct an independent verification of the "IBM Environment & Well-Being Progress Report for 2003" (the Report). The data and statements in the Report covered the period 1 January 2003 to 31 December 2003.

Scope of Work

The scope of the assessment was to verify the environmental and well-being data and claims in the Report, ensure that the Report provides a balanced view of IBM's Health, Safety and Environment performance and identify areas for improvement. The verification was expanded this year to cover 37 data sets, compared to 12 in 2002. The assessment was limited to data and claims made for IBM's Australian and New Zealand operations.

The findings of the verification audit are summarised below.

Verification of environment claims

The environmental statements and claims made in the text of the Report, relating to the data reviewed, present a fair and reasonable view of IBM's health, safety and environmental performance over the past year.

Data collection procedures

GHD reviewed IBM's procedures for collecting the data and deriving performance indicators. The procedures were generally acceptable and the assumptions made in deriving indicators were reasonable. Recommendations for improvements were made during the verification process, such as documenting the methodology used.

Data verification

The data, data presentation, methodology, calculations and assumptions were correct, based on information available for the reporting period. Any data errors detected have been corrected in the final report. Most data errors were non-material.

There is considerable uncertainty regarding the completeness and accuracy of the data audited for New Zealand operations and not all data could be verified for the reporting period.

Much of the numerical environmental information is provided to IBM by its suppliers and contractors. We have independently audited a selection of contractor's data collection procedures.

The Report was reviewed against the three *AA 1000 Assurance Standard* principles of materiality, completeness and responsiveness:

Materiality

The Report presents a fair representation of the material aspects of IBM's environmental performance for 2003. IBM has increased the number of performance indicators reported since last year. Data has been provided on a unit basis (per person and per square metres of building area) which will allow comparison with other industries. Reporting and analysis was more comprehensive in 2003. Reporting qualitative data on additional environmental parameters, such as toner recycling and air travel, would further enhance reporting. No misrepresentations were noted.

Completeness

IBM has identified and understood its direct material aspects, and reported on those aspects appropriately and clearly. IBM is making ongoing improvements in more complete and accurate data capture, particularly for waste generation and recycling, paper recycling and water usage for all of its sites. In future, IBM could consider reporting on its supply chain management environmental impacts.

Responsiveness

Stakeholder safety and environmental concerns and issues were not assessed during this verification. IBM could consider conducting formal stakeholder consultation for future Reports.

Summary

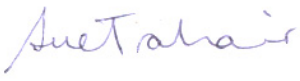
Based on our findings, the statements made and data shown in the Report present a fair and reasonable view of IBM's environmental performance over the past year.

Independence

GHD confirms that the audit team is independent from IBM Australia LTD.

Full statement

A more detailed version of this statement, including scope of work, findings, recommendation, assessments against AA 1000, statement of independence and details of auditors can be found at www.ibm.com.au



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