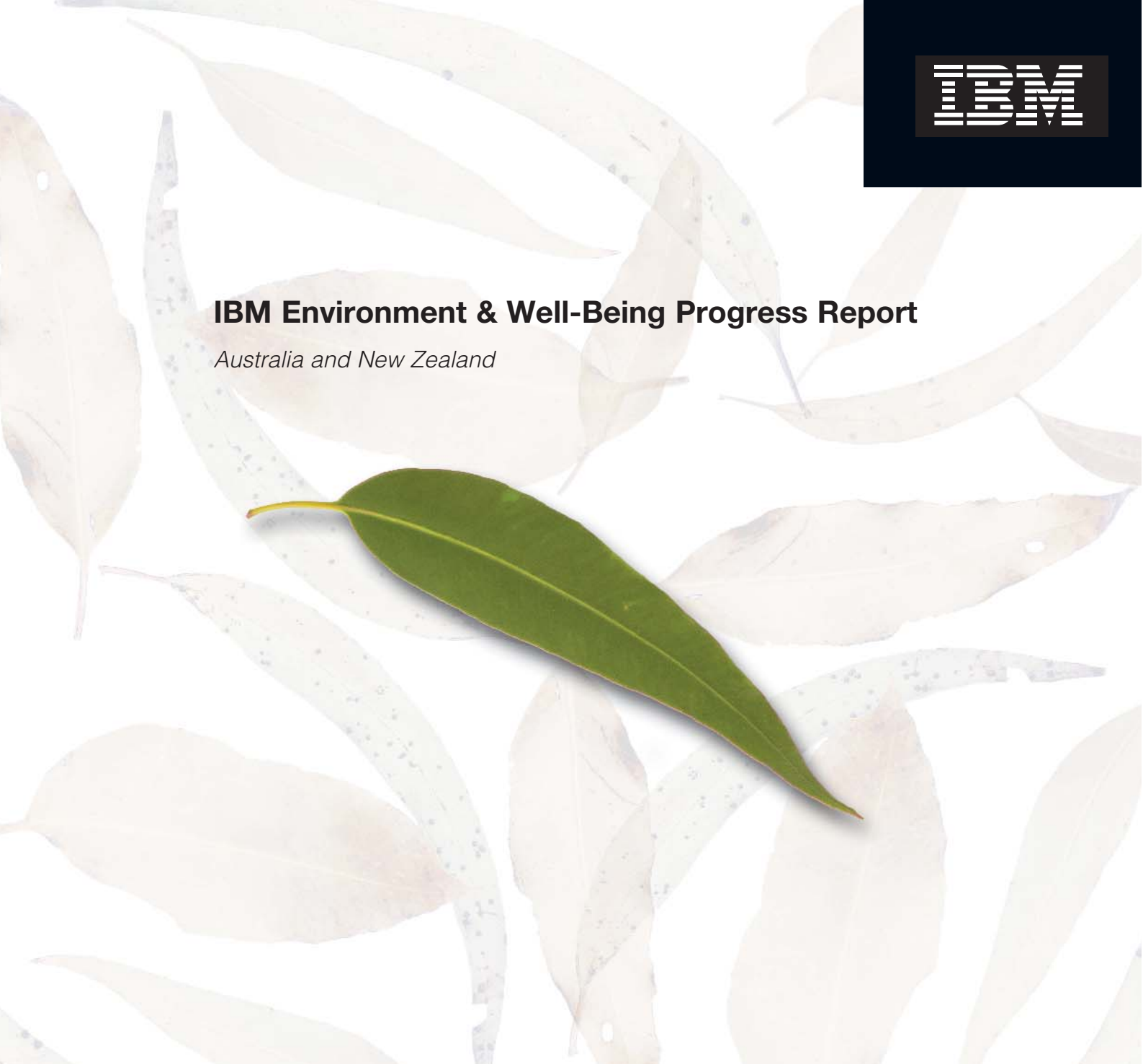




IBM Environment & Well-Being Progress Report

Australia and New Zealand





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At a time when society's expectations of corporate behaviour are increasing, we at IBM are committed to meeting those expectations and to increasing our accountability. For more than a decade, IBM has published worldwide annual reports to communicate our efforts to tread softly in our environment and promote the wellbeing of our employees. This is the second report specifically focused on Australia and New Zealand.

While the primary purpose of this report is to increase the transparency of our company's operations, we also hope to draw attention to some of the business benefits we have gained by acting responsibly. Here are just a few of the examples that are described in greater detail in the pages of this report:

- *By upgrading to more energy efficient computer equipment in our data centres, we reduced greenhouse gas emissions attributable to our energy usage and cut our electricity bill at the same time. This saved the company almost AUD\$500,000.*
- *We reduced our water consumption in Australia by 21%, saving around AUD\$42,000.*
- *We saved NZ\$35,000 on workers' compensation insurance premiums by passing the safety audit requirements to meet the NZ Accident Compensation Commission (ACC) Premium Discount Scheme.*

Examples such as these show that our responsibility to generate income for our investors need not be at odds with our responsibilities to our employees, customers, and neighbours. Instead, hard work and innovation can combine to generate outcomes that benefit all our stakeholders.

Here at IBM, we believe our commitments to protect the environment and provide a safe and healthful workplace for our employees are key to the success of our business. While the steps we have taken so far are modest, we look forward to continuing the journey we have begun.

A handwritten signature in black ink that reads "Philip Bullock". The signature is written in a cursive, flowing style.

Philip Bullock
Chief Executive Officer
November 2002



An Overview

IBM Australia/New Zealand: Profile

IBM Australia/New Zealand (A/NZ) supplies information technology hardware, software and services. It also operates IBM Global Services Australia, a joint venture IT services business.

In 2001, IBM A/NZ was Australia's 28th largest employer with:

- *a turnover of AUD\$3.3 billion;*
- *an employee population of approximately 11,500 regulars and contractors, including 699 personnel located in New Zealand; and*
- *multiple operations including data centres, stores, repair centres, sales and service offices, client sites and a National Distribution Warehouse, whose function was outsourced during 2001;*
- *Outsourced assembly of desktops in Australia.*

The A/NZ operation is highly dispersed. In 2001, employees were permanently located in 179 sites, with approximately 50% permanently working within customer locations and over 11% officially registered as 'mobile' workers. As a result, many employees worked remotely from their managers.

Environment and Well-Being Management

Within the region, IBM's environmental and safety performance is managed in an integrated approach by an Environment and Well-being team. This team consists of seven personnel: one Occupational Health, Safety and Environment Manager; two full-time and one part-time Safety and Well-being professionals; one Environment Programs Manager; one part-time and one full-time Occupational Health Nurses; and one part-time Occupational Physician.

Environmental and Safety Impact of IBM A/NZ Operations

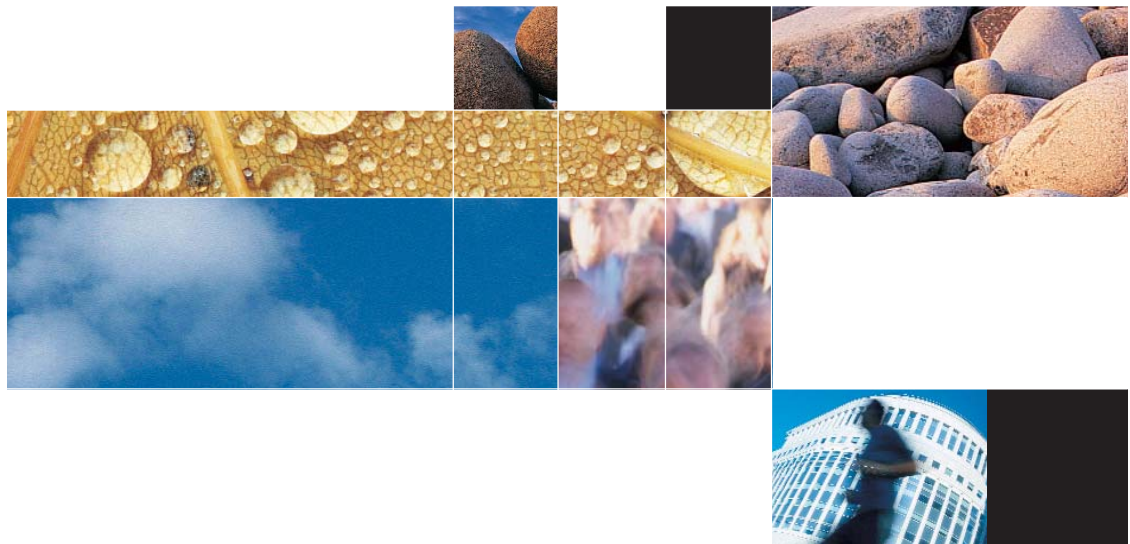
Although there are no manufacturing facilities in the region, IBM A/NZ operations have the potential to raise a number of environmental and employee well-being issues:

Health and safety

The organisation's mobile e-business environment is a key challenge. Mobile workers and permanent personnel on customer premises require innovative management strategies for ensuring workers' health and safety.

Energy management

IBM's facilities are moderate, but significant, users of electricity which, in A/NZ, is still substantially generated from coal, both black and brown. Thus greenhouse gas reduction programs, particularly energy conservation and efficiency, are a high priority.



Product stewardship

IBM's products in A/NZ impact the environment in terms of their own energy use, packaging waste and recyclability.

Pollution prevention and waste management

IBM A/NZ must constantly seek to identify and prevent potential pollution problems and to find new opportunities to avoid, reuse and recycle unwanted materials generated by its operations and in the packaging supply chain.

In regard to the above issues, IBM A/NZ is endeavouring to both implement best practice within its business operations and also to participate in national policy development, where relevant to its business operations.

- *Made comprehensive personal health education available for all employees, and in addition, the conduct of 11 Health Fairs (covering more than 70% of the IBM employee population) including an IBM customer site where 1000 IBM employees work.*
- *Introduced an All Manager Annual Self Assessment Safety checklist and associated team safety consultative process.*
- *Passed the safety audit requirements in New Zealand to meet the Accident Compensation Commission (ACC) Premium Discount Scheme, reducing workers compensation insurance premiums by 10% or NZ\$35,000.*

Achievements in Environment and Well-Being Management

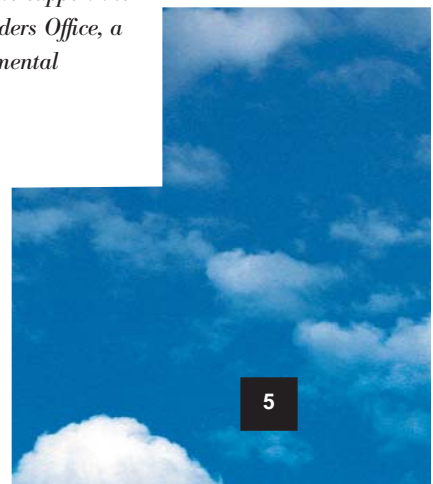
In 2001, IBM A/NZ made excellent progress towards achieving the following global policy objectives:

Ensuring a safe and healthful workplace

- *Developed and implemented a Well-being Management System (WBMS) across A/NZ with a key focus on Risk Assessment and Management.*
- *Established Regional Safety Committees to ensure employees in customer sites are managed within the Well-being Management System in a mode that meets consultative requirements under Occupational Health and Safety legislation.*

Being an environmentally responsible neighbour

- *Improved the incident response program including the ongoing delivery of Environment Incident Response and Reporting training for site facility and security personnel to ensure 24 hour, 7 day coverage.*
- *Implemented a bush regeneration program to control noxious weeds on the Cumberland Forest site and to protect the endangered native Bluegum High Forest. The work of this program has achieved recognition in the Keep Australia Beautiful Awards 2002.*
- *Provided 12 desktop computers to support the work of the Environment Defenders Office, a not-for-profit legal and environmental educational organisation.*



Using natural resources in an effective manner

- Completed a formal comprehensive waste audit in a warehouse environment resulting in an enhanced recycling program with a higher trap rate for recyclables. Developed a new database to help track, monitor and measure waste.
- Participated in the Buy Recycled Business Alliance Project, resulting in IBM A/NZ only procuring goods with recycled content.
- Signed the National Packaging Covenant. Developed an associated action plan to improve packaging efficiency throughout the supply chain.

Utilising IBM products, services and expertise for environmental solutions

- Partnered with government to support the Energy Star Program to promote energy efficient attributes of IBM products and contribute to the National Greenhouse agenda.
- Participated in the Australian Information Industry Association (AIIA) 'Product Take Back' pilot project to determine a workable community model.
- Recycled 72% of computer scrap in 2001.

Using energy in an effective manner

- Continued partnership in the National Greenhouse Challenge Program resulting in: defining a greenhouse gas emissions inventory; and developing an action plan for the 29 sites in Australia with a floor area of approximately 133,000m². A similar inventory has been defined for the IBM New Zealand sites.

Sharing environmental knowledge and expertise

- Participated in several government and industry task forces and committees relating to the implementation of environmental initiatives within our communities. These include those of the Australian Industry Group (AiG), the Australian Information Industry Association (AIIA), and the Sustainable Energy Development Authority (SEDA) consultative group for the National Energy Star Program.



Meeting or exceeding all applicable government requirements

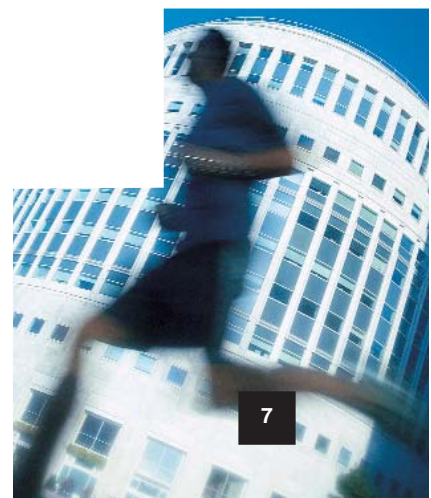
- Participated in priority national environmental programs requiring commitments exceeding regulatory requirements. Participation includes:
 - signatory to the National Greenhouse Challenge Program resulting in the implementation of an energy conservation plan;
 - partner in the National Energy Star Program;
 - signatory to the National Packaging Covenant Industry Association, one result being the development of guidelines for packaging and marketing materials; and
 - member of the Buy Recycled Business Alliance.
- Implemented a rechargeable battery recycling program for IBM employees.

Implementing continual improvement of IBM's Environmental Management System

- Improved communication to external and internal stakeholders including publishing the first public A/NZ Environment and Well-being Progress Report, issuing a "Helping the Environment at IBM" brochure for employees and establishing Internet and Intranet home pages.
- Established an Environment Affairs Executive Council in 2001 to provide leadership and support implementation of the IBM A/NZ Environment and Well-being strategy.
- Improved processes for the chemicals safety management program, documentation and training.

Performing audits and self-assessments.

- Conducted peer reviews of Real Estate and Procurement departments to support the implementation of their respective environmental affairs responsibilities.
- Worked toward achieving ISO14001 certification at the Cumberland Forest site for the IBM A/NZ Environment Management System. This site is the largest and most environmentally sensitive site within the region and has also been the company headquarters from 1986 to 2002.
- Achieved second place in the Environment Category in the National Reputation Index in each of the first two years it was held (2000, 2001).



Employee Well-Being

The IBM corporation has a long standing commitment to employee well-being. Its global policies require all operations to meet IBM's corporate safety and health requirements, as well as local country legislative and community standards.

The A/NZ Well-being management system meets its global and local requirements by concentrating on three key areas:

1. Hazard Identification and Risk Assessment and Management

In 2001, IBM A/NZ identified and assessed safety risks in all internal and external IBM work environments and key customer industry sectors. It used this data to develop Safe Work Method Statements, for all common business tasks. These are available to employees via the IBM intranet homepage.

IBM A/NZ also developed and implemented an 'All Manager Safety Self Assessment' process for Safety and Well-being.

2. Employee Consultation

The Safety Self Assessment process uses a consultation model where a manager and their team perform the safety review and assessment process for their own operations. This process is supported by training and detailed information available on the IBM Australia and the IBM New Zealand intranet.

To ensure widespread geographic representation and participation, employees from both customer and IBM sites are invited to participate in IBM Regional Safety Review Groups. User consultation is also incorporated into developing all safe work method statements and training modules and implementing the well-being management system within Business units.

3. Communication and Training

IBM A/NZ communicates about safety using normal business communication channels including:

- *the Executive Environment Affairs Council;*
- *Managers Newslinks (a regular email update specifically for the A/NZ management team);*
- *Employee Newslinks;*
- *Team Meeting Structures; and*
- *Interface Opportunities such as the orientation program and kick-off events.*

In 2001, this was augmented by a dedicated communication tool, the A/NZ Environment and Well-being Progress Report, which was distributed to employees and key stakeholder groups.

In 2001, training programs supporting the management system included:

- *specific training for all location managers, Safety Committee members, all location coordinators, and many other specific teams such as procurement, real estate and others;*
- *all employee safety training at orientation;*
- *hazard identification, risk assessment and management training for hundreds of employees;*
- *personal workstation ergonomics training for over 900 employees; and*
- *online IBM Global Campus training for Integrated Technology Services (ITS) and online ergonomics training available to all employees.*

Health Promotion

IBM A/NZ's health promotion programs received excellent feedback on employee surveys and were valued as a very positive influence on morale. Health promotion activities comprised on-site health fairs, courses in health education, an employee assistance program and on-line access to health advisory data bases.

Health Fairs are offered to key sites. Over 1,000 employees personally participated in these during 2001, including on the premises of a key customer site. Health Fairs comprised: personal health assessments and counselling on blood pressure, serum cholesterol and blood glucose; and posture and visual acuity screening.



The IBM Health Fair held in a customer site in Melbourne



Counselling was also provided on 'Men's Health' and 'Women's Health' issues, nutrition and diet, exercise and relaxation. Employees were given the opportunity to experience a brief neck and shoulder massage and there were demonstrations of good workplace ergonomics. The IBM Global Ergonomics training program was demonstrated and the IBM Employee Assistance Program was promoted.

From 2000 to 2001 the Lost time Injury rate for IBM A/NZ decreased from 0.54 to 0.41 per 100 employees.

The major cause of work related injuries are trips, falls and manual handling related injuries.

In 2000/2001, over 800 employees throughout Australia attended a comprehensive health education course with modules on nutrition, stress, sleep, general health, cardiovascular and work/life balance. Health promotion was also conducted as part of business unit management team meetings and other focal IBM meetings.

Workers compensation discount

In February 2002, IBM New Zealand successfully implemented the requirements of the Accident Compensation Commission (ACC) Workplace Safety Management Practices Program. By achieving a primary pass of the audit standards, IBM New Zealand achieved an annual premium discount for 2001/02 of 10% or NZ\$35K. This discount applies for a two year period. After this period IBM New Zealand will be re-audited with an opportunity of receiving a further 15% or 20% discount by achieving a secondary or tertiary level pass.



IBM Environmental Management System

The IBM worldwide Environmental Management System is implemented in Australia and New Zealand.

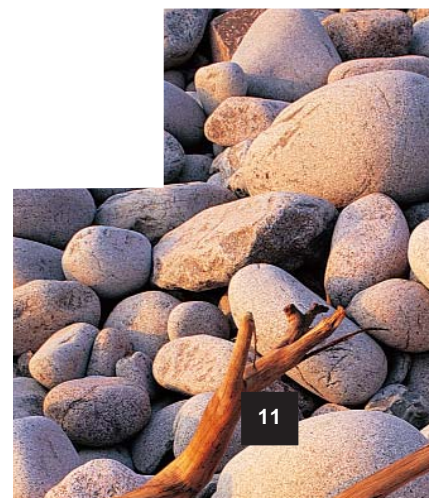
In 1997 IBM established a new global standard for environmental leadership when it achieved the first edition of a single worldwide ISO 14001 registration. The registration covers all its manufacturing, development and research facilities worldwide.

The IBM Environmental Management System which is consistent with ISO 14001 requires targets to be set for:

- *Energy efficiency*
- *Pollution prevention*
- *Environmentally conscious products*
- *Disposal of hazardous and nonhazardous wastes*
- *Environmental impact assessments*
- *Incident prevention & reporting*
- *Environmental evaluation of suppliers*
- *Safety and industrial hygiene.*

The significant environmental aspects within IBM Australia and New Zealand have been evaluated and are found to be:

- *Energy use*
- *Chemicals use*
- *Hazardous and Nonhazardous waste disposal from facilities*
- *Hazardous and Nonhazardous waste disposal from product*
- *Unplanned releases*
- *Packaging use and disposal*



Environmental programs were developed from these significant environmental aspects and implemented at all IBM operated and key leased premises. The key environmental programs cover:

- *Energy Conservation*
- *Waste Minimisation and Management*
- *Chemical Management*
- *Environmental Incident Prevention and Reporting*
- *Legal Compliance*
- *Environmental Evaluation of Suppliers*
- *Procurement for The Environment*
- *Environmental Site Assessment*
- *Environmental Communications.*

IBM's environmental performance within Australia and New Zealand is reported internally through the global IBM environmental reporting system. This reporting system allows the corporation to consolidate its environment performance results internationally and subsequently forms the core data that is included in the Global IBM Environment and Well-Being Progress Report.

In 2001, IBM in Australia began to formally work toward gaining ISO 14001 certification for the IBM environmental management system at its head quarters at West Pennant Hills, Sydney. The target date was mid 2002. This was completed.

The following sections of this report highlight some of the key activities and achievements resulting from the implementation of these environmental programs.

Additional information can also be found in the IBM Global Environment & Well-being Progress Report at ibm.com/ibm/environment



Assessments & Compliance

In 2001, IBM reduced its environmental incidents in both Australia and New Zealand. The summary data is reported below.

Environmental Incidents Summary for Australia & New Zealand

	Year 2000	Year 2001
IBM in Australia		
Major / Reportable	0	0
Minor	11	5
Fines & Penalties	0	0
Improvement Notices	0	0
IBM in New Zealand		
Major / Reportable	0	0
Minor	1	0
Fines & Penalties	0	0
Improvement Notices	0	0

Releases

Australia

During 2001 there were no major reportable environmental incidents, and five minor releases:

1. a spill of grease trash sludge during site recovery operations;
2. an acrylic paint waste water leak from a paint brush washing container;
3. a battery acid overflow in a forklift battery charging area located in the national warehouse;
4. escapes of hydraulic oil from perished hoses on a forklift; and
5. escapes of hydraulic oil in a garbage compactor.

IBM controlled all of these incidents at source, properly disposing of the waste, resulting in little or no impact on the environment.



Areas of improvement

The number of forklift battery acid spills in IBM's warehouse operations fell from 11 to 1 from 2000 to 2001. This improvement can be attributed to modified employee training on forklift battery recharging and the more stable nature of the workforce employed at the warehouse during IBM's operations and following the outsourcing of the operation.

New Zealand

There were no major or minor environmental incidents in IBM in New Zealand.

Fines and Penalties

Australia

IBM in Australia received no fines, penalties or improvement notices associated with environmental protection during 2001.

New Zealand

IBM in New Zealand received no fines, penalties or improvement notices associated with environmental protection during 2001.



Product Stewardship

IBM has a product stewardship commitment to use natural resources in an effective manner, design products that protect the environment, and use cleaner production practices.

The Environmentally Conscious Products program has five environmental design objectives:

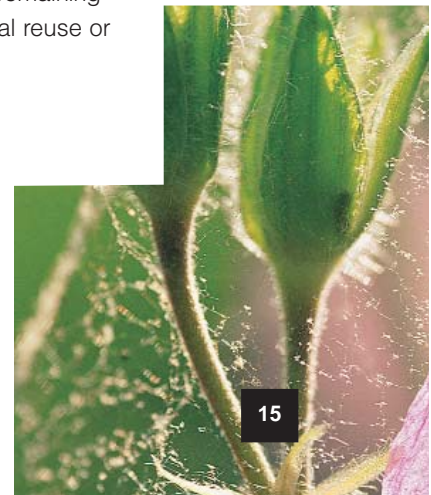
1. Develop products with consideration for their upgradeability to extend product life;
2. Develop products with consideration for their reuse and recyclability at end of product life;
3. Develop products that can safely be disposed of at the end of product life;
4. Develop and manufacture products that use recycled materials where they are technically and economically justifiable; and
5. Develop products that will provide improvements in energy efficiency and/or reduce consumption of energy.

IBM A/NZ takes every opportunity to promote the 'Design for Environment' features of IBM products with customers, the business community and government. They are communicated through Australia and New Zealand Environment and Well-being Progress Report, the Internet site, and through executives participating in professional networks and speaking at public conferences.

Reuse and Extended Life

IBM globally has established a product reutilisation business that recovers, refurbishes and resells IT equipment. The IBM Global Asset Recovery Service (GARS) was established in 1999 to coordinate IBM's growing asset recovery initiatives and to promote product end-of-life management activities.

In A/NZ, IBM recovers computers and peripherals at end-of-lease from commercial and internal customers. Much of the returned equipment is refurbished and sold in the secondhand market as a functional unit. It may also be used internally, donated to charity and community organisations, or offered for sale to employees. The remaining returned product is either disassembled and the parts refurbished for internal reuse or sold on the secondhand market.



Recycling Old Product

The equipment that cannot be sold and/or used in these ways is usually assigned for scrapping. Defective and unusable parts from Integrated Technology Services and other areas of the business are also scrapped. This process entails disassembly, impairment of sensitive parts and disposal by recycling and landfill. Only the product and packaging material streams that cannot yet be effectively recycled are sent to landfill. The regional metrics are reported annually.

IBM requires that all produce recycling is undertaken by product disposal service suppliers whose operations have been assessed by IBM to meet certain prescribed standards. These operators are then approved as IBM product disposal vendors prior to any work being undertaken.

Product Take Back

Globally, IBM is involved in developing and implementing end-of-life product management programs.

Information on product recycling programs for consumers, small businesses and enterprises can be found on the web at ibm.com/ibm/environment/products/

Locally, IBM in Australia is helping to develop a voluntary, industry-based product stewardship strategy for computers and peripherals. One of the programs arising from this strategy is a pilot community-based computer recycling program, to provide an alternative to landfill for end-of-life products. The pilot program results will be used to further develop a longer term community based product end-of-life program.

Energy Star Program

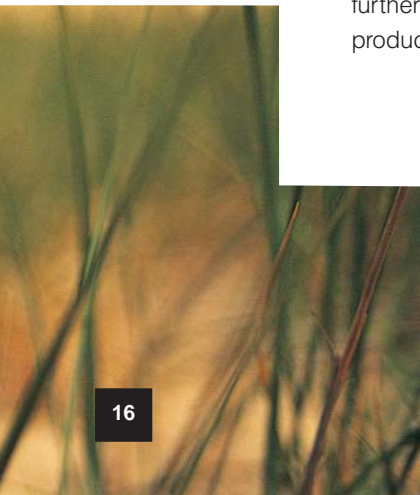
IBM in Australia has been an Energy Star Partner since 1997. This program commits members to produce and market products with a defined energy efficiency in design and operational features. In 2001 IBM continued its partnership in the national Energy Star program operated through the Sustainable Energy Development Authority (SEDA) in Australia. IBM's agreements cover personal computers, monitors and printers.

IBM has been an invited member of the SEDA Energy Star Steering Committee, which developed a community communications strategy for Energy Star programs in Australia during 2000 and 2001.

Internally IBM promotes Energy Star through employee newsletters, orientation training and the IBM New Hires Pack. Ninety per cent of employee desktops and laptops are Energy Star enabled.

More detail on the national Energy Star program is available at: www.energystar.gov.au

Externally, the IBM Environmental Conscious Products website makes information on the energy characteristics of IBM products available to our customers and the public.



National Packaging Covenant Participation

Having been the first IT company to join the National Packaging Covenant, IBM has remained a voluntary signatory. The Covenant is a self regulatory agreement between those organisations involved in the packaging chain and all spheres of government in Australia. It is based on the principles of shared responsibility and applies throughout the packaging chain, from raw material suppliers to retailers, including the ultimate disposal of waste packaging.

In 2001, IBM developed a Packaging Stewardship Action Plan (2001 - 2004), to be lodged with the National Packaging Covenant Council in early 2002.

The IBM Packaging Stewardship Action Plan is accessible at the web site

ibm.com/ibm/environment/au/

The Action Plan focuses on packaging use and disposal impacts associated with IBM's own business and that of its customer and suppliers. The Plan also actively seeks to use packaging more efficiently and raise consumer awareness of packaging issues in a way that reduces waste.

Buying Recycled Content and Recyclable Supplies

IBM has been a member of the Buy Recycled Business Alliance (BRBA) since 2000. The BRBA

is an alliance of Australian businesses formed to develop markets for recycled goods within Australia.

In 2001, IBM participated in a BRBA Coaching Program in which IBM Procurement personnel worked through a procurement item - in this case business cards – to increase its recycled content. The model criteria developed through the project will be incorporated into other purchasing areas and shared with new suppliers. A formal survey of existing IBM suppliers in Australia is being developed. This survey provides a baseline from which to promote continual improvement.

Office Paper Use

In 2001, for the first time IBM measured office paper usage to identify a baseline that could be used to develop suitable environmental targets for "Buy Recycled" and avoidance.

As IBM currently has no recycled content in its office paper, there is clearly an opportunity to reduce the environmental impact by increasing the content of recycled material in the office paper and through reducing overall usage. IBM is planning to ask voluntary internal clients to trial the performance of recycled content paper, with a view to significantly increase recycled content over time.

Office Paper Consumption for Australia and New Zealand in 2001

IBM Company	Sheets Used	Tonnes Equivalent	Environmental Indicator - Trees Lost #
Australia	68,602,000	343.8	7,485
New Zealand	3,555,000	17.8	389
Totals A/NZ	72,157,000	361.6	7,873

Key: # = assumption from www.dolphinblue.com/whybuy.html "Claudia Thompson, in her book *Recycled Papers: The Essential Guide* (Cambridge, MA: MIT Press, 1992), reports on an estimate calculated by Tom Soder, then a graduate student in the Pulp and Paper Technology Program at the University of Maine. He calculated that, based on a mixture of softwoods and hardwoods 40 feet tall and 6-8" in diameter, it would take a rough average of 24 trees to produce a (US) ton of printing and writing paper, using the kraft chemical (freesheet) pulping process. If we assume that the groundwood process is about twice as efficient in using trees, then we can estimate it takes about 12 trees to make a ton of groundwood and newsprint. (The number will vary somewhat because there often is more fiber in newsprint than in office paper, and there are several different ways of making this type of paper.)".



Energy

Efficient and Effective Energy Use

Energy Conservation makes both good environmental sense and good business sense: it reduces direct expense, saves resources and lowers emissions of greenhouse gases. To promote the use of renewable energy, in 2001 IBM's energy conservation goal was modified to include use of renewable energy in IBM's energy conservation formula.

Annual Energy Conservation Savings Goal

4% of IBM's actual annual electricity and fuel use¹

IBM National Energy Consumption & Savings Summary

Company	Year	Electricity Use (kWh)	Natural Gas (MJ)	Diesel Fuel (L)	Electricity Savings (kWh)	Electricity Savings (AUS\$)	Percent Energy Saving (%)
IBM Australia	2000	113,378,820	5,426,090	324,550			
	2001	99,678,650	2,929,440	176,750	6,488,640	495,852	6.5
IBM New Zealand	2000	7,978,736	5,106,410	26,740			
	2001	8,503,266	2,681,250	16,720	-524,530		

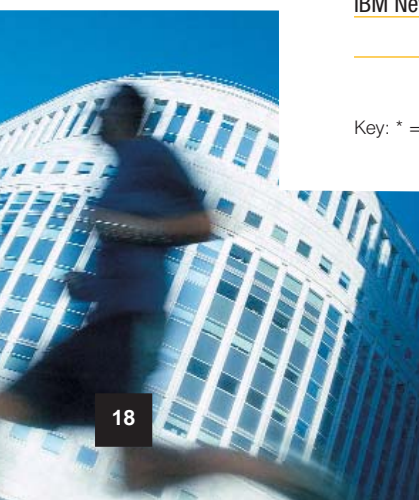
Table Note: The energy use savings outlined in this table are reported according to the Corporate Energy Management Program whereby savings may be carried over if they have not been fully accounted for previously. Energy savings are calculated over a 12 month period from the time the measure is in place.

IBM's national key performance indicator (KPI) is electricity used per square metre of net floor area for facility operations. The KPI is designed to take account of operational variations and still provide an annually comparable and true measure of the company's environmental performance.

Summary of the IBM Operations Use of Electricity

Company	Year	Number of sites covered	Net Floor Area (m ²)	Electricity use per metre square net floor area (kWh/m ² nfa)
IBM Australia	2000	35	134,729	842
	2001	29	133,475	747
IBM New Zealand	2000	7	14,634	545
	2001	9	20,168	426*

Key: * = Data normalised for sites open less than 12 months.



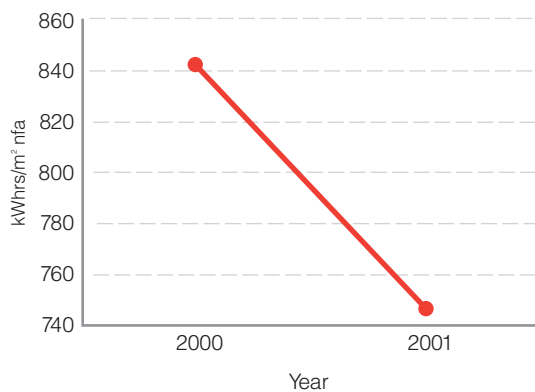
Australia

In 2001, IBM in Australia attained a **6.5%** energy saving when compared with 2000. Saving some 6,488,640 kWhrs of electricity reduced the company's operational expenses for electricity by almost \$500,000 or 8% of the total annual electricity bill.

These savings were primarily achieved through computer technology upgrades at data centres. Data centres are the largest users of energy of all the IBM operated facilities in Australia, the average usage being 1,890 kWh/m² net floor area. In 2001, average electricity use per square metre of net floor area was 747 kWh/m² in 2001, an improvement of 95 kWh/m² from 2000.

While electricity represented the majority of energy used by the company, IBM also consumed 2,929,440 MJ of natural gas and 176,750 litres of diesel fuel. The natural gas was used in cafeteria's and for heating buildings and the diesel fuel was used primarily to supply emergency generators that support the data centres.

IBM Australia's Electricity Use Per Square Metre



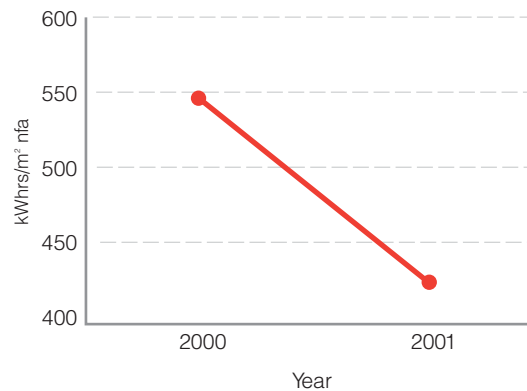
New Zealand

In 2001, IBM in New Zealand operated nine facilities with 20,168 m² of net floor area and used 8,503,266 kWhrs of electricity. In 2000, IBM in New Zealand operated seven facilities with 14,634 m² of net floor area and used 7,978,736 kWhrs of electricity. Total consumption increased by 524,530 kWhrs from the year 2000. These electricity use increases were due to a new warehouse being commissioned in the middle of 2001 and consumption data becoming available for a leased premises.

Electricity consumption per square metre of net floor area, based on normalised data, was 426 kWh/m² nfa in 2001, a decrease in the use of electricity per square metre of 119 kWh/m² nfa from 2000. So that electricity use reflected annual consumption data for the two new sites which were operated for only a part of the year, the data was normalised to a full 12 months period to allow it to be incorporated into the calculations.

Electricity represented the major source of energy used at IBM operated facilities. A further 2,681,250 MJ of natural gas and 16,720 litres of diesel fuel were used for heat buildings and running emergency data centres generators, respectively.

IBM New Zealand's Electricity Use Per Square Metre



Climate Change

IBM operations worldwide do not release significant quantities of the gases believed to have an effect on global climate change. IBM's greatest potential impact on climate change is an indirect one, through the utility companies that provide IBM's electricity releasing carbon dioxide into the atmosphere. Accordingly, IBM has a key focus on using energy more efficiently.

Greenhouse Challenge

IBM became a partner in the National Greenhouse Challenge program in July 2000. This program is consistent with the IBM corporation's energy conservation goals. Under this program IBM reports its greenhouse inventory, management plan and greenhouse emissions to the Australian Greenhouse Office. This report is able to be read in more detail at the following website.

More about IBM's activities under the Greenhouse Challenge program can be found at: <http://www.greenhouse.gov.au/challenge/>

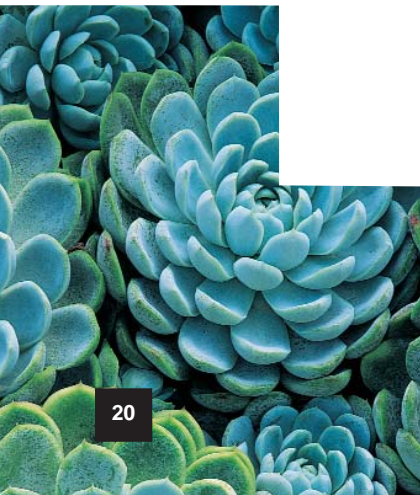
IBM National Greenhouse Gas Emissions Summary

Company	Year	Greenhouse Gas Emissions Generated (Tonnes CO ₂ -e)	Greenhouse Gas Emission Savings Year to Year (Tonnes CO ₂ -e) ^	Percent Reduction (%) Year to Year
IBM Australia	2000	129,778		
	2001	115,556	14,232	11
IBM New Zealand	2000	4,539		
	2001	4,783	-245	-5

Key: NA = Not Available; ^ = Carbon dioxide and equivalent Greenhouse gas emissions



Mr Phil Bullock at Parliament House in Canberra; Recognition Ceremony for Greenhouse Challenge Partners.

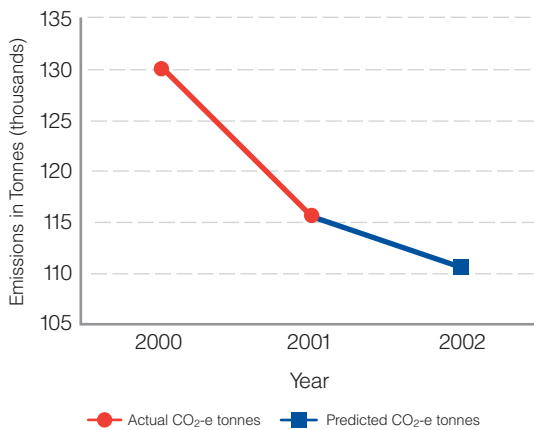


Australia

In 2000 and 2001, energy consumption at IBM facilities in Australia indirectly generated 129,778 and 115,556 tonnes of carbon dioxide and its equivalent (CO₂-e) greenhouse gas emissions, respectively. In Australia, IBM's more efficient use of energy during 2001 reduced greenhouse gas emissions by 14,232 tonnes or 11%. 2001 was the first year emissions from disposing biodegradable solid waste materials to landfill were included in IBM Australia's Greenhouse Gas Emissions Inventory. These represented an estimated 673 tonnes and had only a minimal impact (less than 1%) on the total emissions.

National greenhouse gas emissions were 866 kg per square meter of net floor area, an improvement of 97 kg CO₂-e/m² nfa on 2000. Total energy use at IBM operated facilities in Australia resulted in 115,556 tonnes of carbon dioxide equivalent (CO₂-e) or greenhouse gas emissions. Almost 99% of these emissions are attributable to electricity use at IBM facilities.

Progressive improvements in 2002 are expected to result in a further emissions savings.

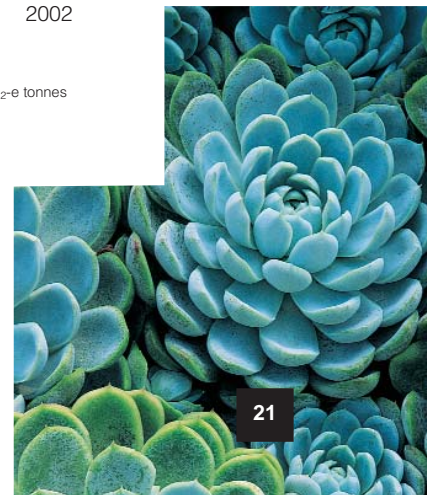
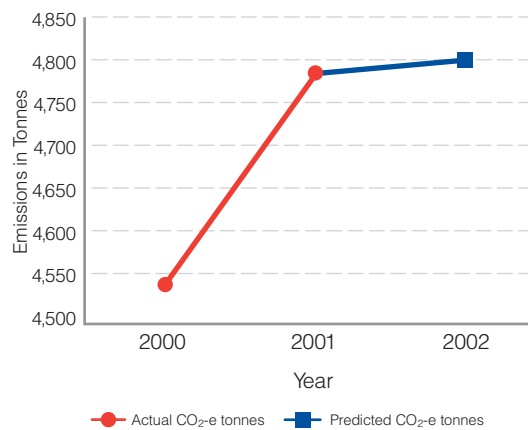


New Zealand

In 2000 and 2001, as a result of the energy used at IBM sites in New Zealand, 4,539 and 4,783 tonnes of greenhouse gas emissions were indirectly produced, respectively. During 2001, an increase in greenhouse gas emissions occurred of some 245 tonnes or 5 percent from 2000.

The year 2001 represented the first time emissions from the disposal of biodegradable solid waste materials to landfill were included in IBM's New Zealand Greenhouse Gas Emissions Inventory, representing 128 tonnes or 2.7% of the emissions total. Also, as already stated earlier in the Energy Conservation section, data became available for two sites in 2001.

In last year's Progress Report IBM underestimated the company's New Zealand operations year 2000 generation of greenhouse gas emissions by an estimated 3,549 tonnes. IBM has updated the emissions factor used for electricity supplied in New Zealand and as a result have adjusted emissions generated from 990 tonnes to 4,539 tonnes in this Progress Report.



Refrigerant Gas Use

Using development and manufacturing processes that do not adversely affect the environment is a key operational requirement of IBM's Environmental Management System. This includes:

- *developing and improving operations and technologies to minimise waste;*
- *preventing air, water and other pollution;*
- *minimising health and safety risks; and*
- *disposing of waste safely and responsibly.*

As a result, IBM bans the following materials from its manufacturing processes: all Class I ozone depleting substances (i.e. chlorofluorocarbons or CFCs, halons, carbon tetrachloride, 1,1,1-trichloroethane, methyl bromide and hydrobromofluorocarbons or HBFCs) and their isomers; and all Class II ozone depleting substances (i.e. hydrochlorofluorocarbons or HCFCs) and their isomers.

However, in Australia and New Zealand IBM uses CFCs and HCFCs in chiller systems as detailed below. The business regularly reviews opportunities to eliminate these CFC refrigerant gasses.

Australia

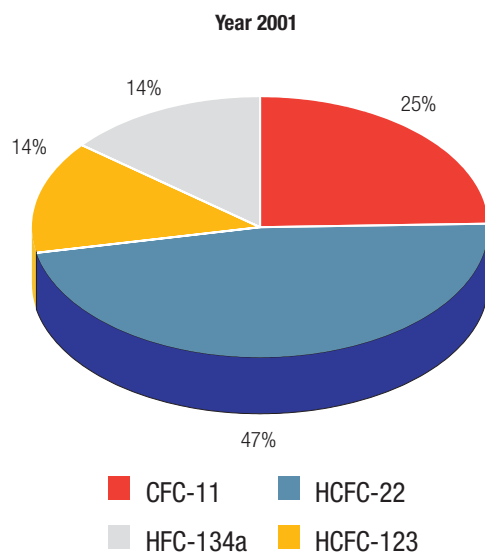
In 2001, IBM in Australia operated eight closed chiller system air conditioning plants that held: 3,710 kg of Chlorofluorocarbons or CFC-11 (R11); 7,135 kg of Hydrochlorofluorocarbons or HCFC-22 (R22); 2,112 kg of HCFC-123 (R123); and 2,139 kg of Hydrofluorocarbons or HFC-134a (R134a).

Refrigerant R11 represented 25 percent of the volume held, 47 percent consisted of R22 and each of the remaining gases represented 14 percent.

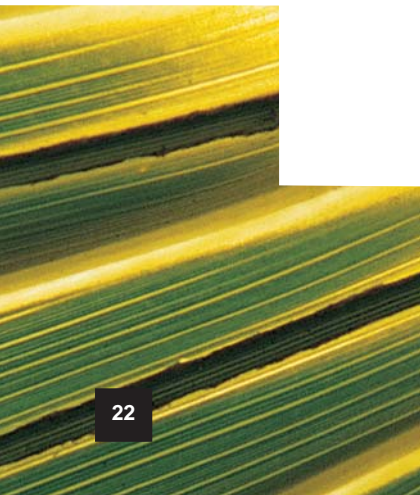
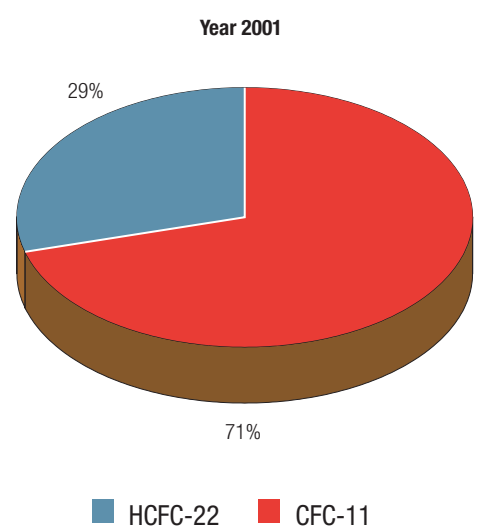
New Zealand

In 2001, IBM in New Zealand operated two chiller system air conditioning plants that held: 700kg or 71 percent by volume of CFC-11 (R11) and 290kg or 29 percent by volume of HCFC-22 (R22).

IBM Australia Chiller Refrigerants Inventory



IBM NZ Facility Chiller Refrigerants Inventory



Pollution Prevention and Waste Minimisation & Management

In 2001, IBM pursued three key pollution prevention strategies:

1. Reducing the source of waste or unwanted materials being generated in operations and landfilled through more effective use and reuse of materials.
2. Minimising the use of hazardous materials, by seeking alternatives to hazardous chemicals, for example: substituting hazardous cleaning chemicals and pesticides for ones that are not classified as hazardous; and reducing the need for herbicides in landscaped gardens.
3. Increasing recycling of waste materials that would otherwise go to landfill.

During 2001 IBM continued to assess opportunities for avoiding, reusing and recycling unwanted materials generated by its operations and in the packaging supply chain. Its assessment included a warehouse waste audit conducted under a grant received from the then South Sydney Regional Waste Board and a waste assessment of IBM's state headquarters in Melbourne conducted as a result of a Victorian Environment Protection Authority Waste Wise Office Program grant. These two audits highlighted that IBM could potentially recycle over 60% of office waste materials destined for landfill.

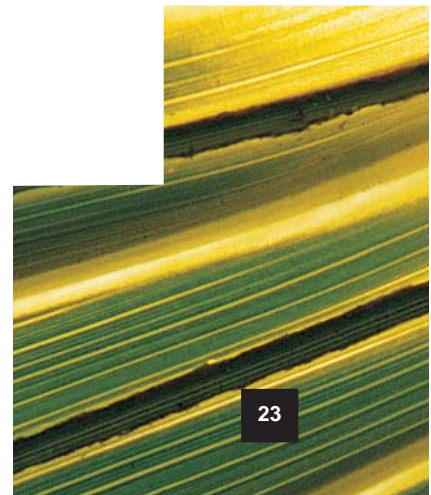
In response to this clear need to improve existing paper and cardboard recycling programs, at the end of the year, IBM A/NZ started a pilot Paper and Cardboard Recycling Program at the National Warehouse located in Sydney, together with a complementary employee awareness and education program.

The results of this pilot will be used to develop a future national waste minimisation program. This is vital to reduce both cost and environmental impact, but it is also an important issue for IBM's staff: the Melbourne waste assessment project was initiated by an interested employee.

Waste materials generated in facility operation

IBM Australia has collected and internally reported facility waste data for several years. 2001 was the first year facility waste management data was available for operations in New Zealand.

The majority of the total waste stream generated by both companies consisted of nonhazardous materials: in Australia, 89%, and in New Zealand 96% of waste generated is non-hazardous.



Waste materials generated in facility operation

IBM Company	Tonnes of used material	Net floor area
Australia (8 operated facilities)	1,333.8	85,081 square metres
Australia (49 leased sites)*	522.8	
New Zealand (9 facilities)	134.5	20,168 square metres

*This additional data has been kept separate from the data collected from the fully operated sites as only partial waste generation data is available to IBM and thus the data does not truly reflect the environmental impact of the operations at these sites. In general, these commercial buildings have numerous tenants and the wastes generated from each tenant are combined and disposal arranged by the property manager. IBM will investigate solutions to capture this waste data in the waste metrics program.

Hazardous waste

Australia

In 2001, IBM Australia generated 28.8 tonnes of old lead acid batteries classified as hazardous waste by Government. This was an 85% (by weight) decrease in the hazardous waste stream from the previous year. The battery tonnage represented 2.2% of the total quantity of materials disposed from the eight IBM operated sites reported in 2001. The majority of this waste materials stream was recycled.

New Zealand

IBM New Zealand generated 4.7 tonnes of old lead acid batteries classified as hazardous waste by Government. This represented 3.5% of the total materials generated from the nine IBM facilities reported in 2001. The majority of this waste stream was recycled.

Nonhazardous waste

The IBM global recycling target for nonhazardous facility waste is 67%. At 51% in 2001 IBM Australia was still below this target, although it represents an increase of 6% by weight in the amount of nonhazardous waste recycled. The increase is due to improvements in the existing recycling system at key sites.

Opportunities to improve this figure have been identified and will be implemented over the coming months.

Significant opportunities also exist to improve recycling in IBM New Zealand where 84.5% of nonhazardous solid waste (general trash) is being disposed to landfill.

Nonhazardous Waste produced in 2001 as a proportion of total waste

IBM Company	Tonnes of nonhazardous waste	% solid of total*	% liquid waste of total**
Australia	1,304.9	91%	7%
New Zealand	130	95%	2%

* eg office paper, cardboard, old software storage tapes & CDs, building waste, wood pallets, cafeteria waste, glass and plastics.

** eg grease sludge and oils.

Nonhazardous waste reused and recycled

IBM Company	2000	2001
Australia	45%	51%
New Zealand		13%

Nonhazardous Solid Materials

Nonhazardous solid waste generation trends

Year	IBM Company	Quantity of waste generated per net square metre (kg/m ² nfa)	Company Range (kg/m ² nfa)
2000	Australia	13.8	22.6 - 1.5
2001	Australia	14.2	24.4 - 2.8
2001	New Zealand	6.3	16.9 - 0.7

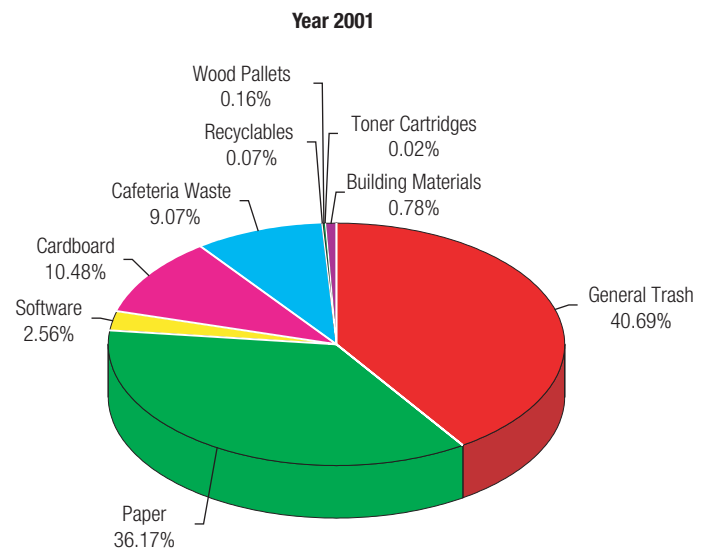
Australia

In 2001, IBM generated 1,219.8 tonnes of nonhazardous solid waste, a 3% rise on 2000. Above average generators of nonhazardous waste included a data centre with a major print facility, the national head quarters and the national distribution warehouse. IBM has introduced environmental improvement programs at these and other key sites.

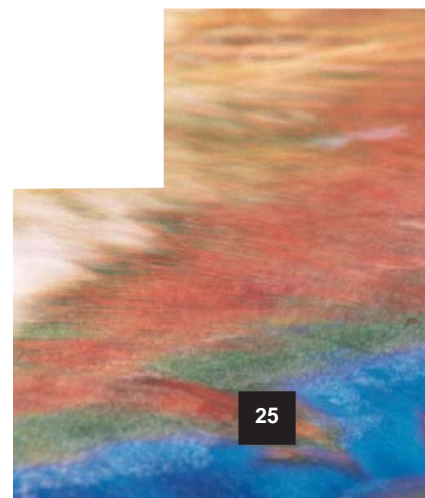
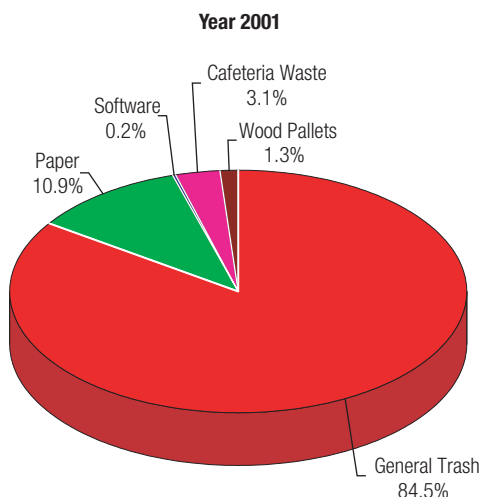
New Zealand

In 2001, IBM in New Zealand generated 127.3 tonnes of nonhazardous solid waste, 6.3 kg of nonhazardous solid waste for every square metre of net floor area. Two key locations were above the national IBM average and will be the focus of improvement programs: a data centre in Wellington and the national parts warehouse in Auckland.

IBM Australia Facility Non-hazardous Solid Waste Summary



IBM NZ Facility Non-hazardous Solid Waste Summary



Reused and Recycled Nonhazardous Solid Materials

Australia

In 2001, IBM was able to reuse and recycle 36.2% (438 tonnes) of waste office paper, an increase of 23% by weight on the previous year. IBM also introduced a new toner cartridge recycling program.

Reused and Recycled Nonhazardous Solid Materials

Reused and Recycled materials	Weight and Percentage	Comments
Office paper	438 tonnes (36.2%)	66% generated by IBM HQ Sydney
Office paper (from additional 49 leased sites)	456.8 tonnes	
Cardboard	126.8 tonnes (10.5%)	79% generated by national distribution warehouse
Wood pallets	2 tonnes	
Recyclables	790 kg	Significant improvement opportunities
Toner cartridges	260 kg	New toner cartridge recycling program at key sites

New Zealand

IBM in New Zealand collected and recycled 10.9% (13.8 tonnes) of waste office paper.

Landfilled Nonhazardous Solid Materials

Australia

In 2001, general trash disposed to landfill comprised 40.7% (492 tonnes), a reduction of 7% by weight on the previously year. A continued effort is being channelled into reducing this

waste stream. IBM has an established a medical waste and sharps collection program in Australia but no such waste was disposed in 2001.

Landfilled Nonhazardous Solid Materials

Material	Tonnes	% of solid nonhazardous waste
General trash	492	40.7%
General trash (from additional 49 leased sites)	64.8	
Cafeteria waste	119.7	9.1%
Software storage tapes	31	2.6%
Software storage tapes (from additional 49 leased sites)	1.1	
Unwanted building materials*	9.4	<1.0%

*Data became available for the first time in 2001 and will continue to be developed. Contractors are being encourage to recycled these materials from IBM premises and were provided assistance for larger refurbishment projects.



New Zealand

In 2001, general trash disposed to landfill comprised 84.5% (1076 tonnes) of the nonhazardous solid waste stream. The challenge for this waste stream will be waste reduction and increased recycled.

Landfilled Nonhazardous Solid Materials

Material	Weight	% of solid nonhazardous waste
General trash	107.6 tonnes	84.5%
Cafeteria waste	4 tonnes	3.1%
Software storage tapes	270 kg	<1.0%
Wood pallets	1.6	1.3%

Nonhazardous Liquid Waste - Recycled Materials

Australia

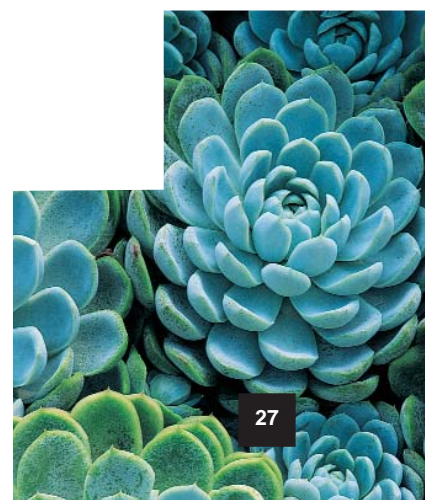
In 2001, IBM generated and recycled 95.2 Kilolitres (KL) of nonhazardous liquid waste, a 12% increase on 2000. The increase was related to waste oil data becoming available in 2001. One hundred per cent of this waste was recycled.

The majority of nonhazardous liquid waste came from cafeteria operations, which generated and recycled 89.8 KL of grease sludge. This included 18 KL generated in Victoria, where the sludge is classified by government as a "Prescribed Industrial Waste". Suppliers track and annually report on generating and disposing Prescribed Industrial Waste to the Victorian Environment Protection Authority on behalf of IBM Australia. In the Greater Sydney Region grease sludge is tracked by Sydney Water through the WasteSafe program.

In addition, 5.4 KL of waste oil was generated and recycled as a result of the plant maintenance program.

New Zealand

In 2001, IBM generated and recycled 2.5 KL of nonhazardous liquid waste. This waste stream consisted entirely of grease sludge from cafeteria operations. The cafeteria was only operational for a small part of 2001.



Product End-Of-Life Operations

In Australia and New Zealand IBM recovers computer hardware and peripherals at end-of-lease from commercial and internal customers. Where possible, this equipment is resold or reused. The remainder is then assigned for scrapping.

The assigned scrap is processed through the materials recovery centre at the national distribution warehouse in Sydney and is disassembled, impaired and materials separated for shipment to IBM recycling merchants. Monitors which may be potentially hazardous if crushed and landfilled, because of the resultant heavy metals leachate, are held and stored for future processing and recycling.

Of this total scrap, computer plastics are the primarily material being disposed in landfill.

Packaging materials are separated. Cardboard and paper are recycled. Plastics such as styrene foam and plastic wraps, are sent to landfill.

IBM ensures that only 'IBM Approved' product disposal service suppliers are used to handle IBM product scrap.

Australia

Records were not verifiable for the transition period of the product end of life business (1st Q 2001) and therefore these records are not reported here. This accounts in part for the decrease in amount of materials reported as recycled year on year. Normal fluctuations in business operations also contributed to this effect for the verifiable period (last 3Qs 2001).

For the verifiable period, (i.e. last 3Qs 2001) IBM in Australia processed 139 tonnes of computer scrap, including defective parts and old

computer hardware and peripherals that could not be refurbished and reused. An estimated 72% by weight of the verifiable processed scrap was recycled or sold for recycling. The percentage recycled was calculated on the quantity of scrap processed. The figure does not include that scrap which was stored and awaiting future processing.

During 2001, IBM withheld from landfill and stored 91.8 tonnes of computer cathode ray tube (CRT) monitors and batteries while assessing suitable recycling services for these items. An 'IBM Approved' product disposal service supplier was appointed in late 2001 to process the stored CRTs and batteries. IBM is continuing to seek recycling opportunities for computer plastics and packaging materials with relevant suppliers.

In 2001, IBM in Australia held a NSW Environment Protection Licence No.11309 for its national distribution warehouse in Sydney. The site based licence primarily covered IBM for generating and storing lead, nickel and cadmium based hazardous waste streams associated with scrapping operations at the site. These streams consisted primarily of cathode ray tubes from PC monitors and computer laptop Nickel Cadmium and Nickel Metal Hydride batteries.

New Zealand

In 2001, IBM in New Zealand processed 37.1 tonnes of computer scrap, including defective parts and old computer hardware and peripherals. This included retrieving the ferrous and non-ferrous metals content for recycling as part of a shredding and metals separation process.

It is estimated by the recycling vendors that most of the computer scrap (an estimated 90% by weight) was sent to landfill. IBM continues to seek recycling opportunities for product scrap in New Zealand. However, the high computer plastic content, nature of the materials recovery process and limited commercial opportunities hinder solutions for in-country recycling in New Zealand.



Protecting Groundwater and Soil

IBM's environmental practices require its locations to undertake to:

- *investigate, identify and assess potential sources of introduced chemical pollutants; and*
- *monitor and remediate soil and groundwater to protect human health and the environment.*

In 2001, IBM had no known records of soil and groundwater contamination on IBM owned or leased and operated locations in Australia and New Zealand.

During the year, IBM maintained one groundwater monitoring program at the national distribution warehouse in Sydney. Annual sampling conducted by this program identified no potential contamination of soil and groundwater entering, located on or leaving the property, at that time.

Protecting Native Bushland

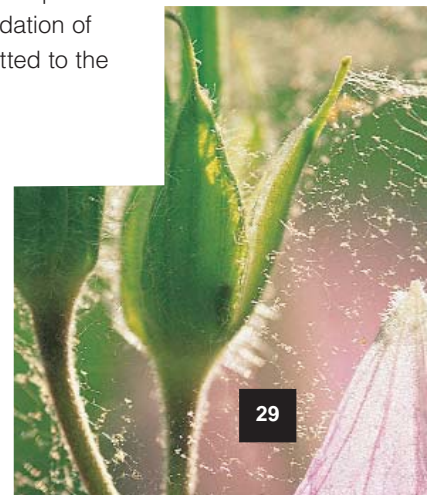
IBM established the Bushland Regeneration Program at its West Pennant Hills property in 2000. The program focuses on restoring degraded "Blue Gum High Forest" remnant as well as maintaining the Blue Gum/Blackout and Blackout/Turpentine associations on the lower slopes of the property.

In 2001, a bushland regeneration management plan guided the progress of restoration activities on the property. As part of this work, IBM has been granted a Section 95(2) Certificate under the NSW Threatened Species Conservation Act 1995 so that regeneration activities can be conducted in the 'Blue Gum High Forest' (listed as an "endangered ecological community").

Significant challenges and achievements include:

- *Eliminating weed infestations and encouraging suitable native flora across regenerating areas on the property*
- *Integrating regeneration techniques into the site's landscape maintenance program*
- *Increasing employee awareness and support of the bushland maintenance strategy*
- *Contributing to knowledge on bushland regeneration and management in the Sydney Region.*

It will take between five and ten years to ensure the bushland can stabilise to a point that outside environmental pressures do not again lead to large scale degradation of the native vegetation across the property. IBM recognises this and is committed to the bushland regeneration program for the longer term.

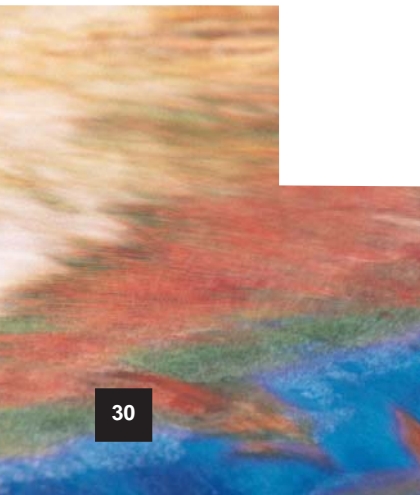




View of the canopy and understory of the Blue Gum High Forest at the West Pennant Hills Site. The understory is dominated by Lantana and Privets.



The initial regeneration site was completely dominated by Lantana three to five metres high and Privets. Only two native plants were discovered protected by tube bags - a wonga vine & small patch of basket grass.





The initial regeneration site is now dominated by about 50 native species of trees, shrubs, grasses, herbs and ferns.



*A native Blackthorn (*Bursaria spinosa*) in flower.*



Water Conservation

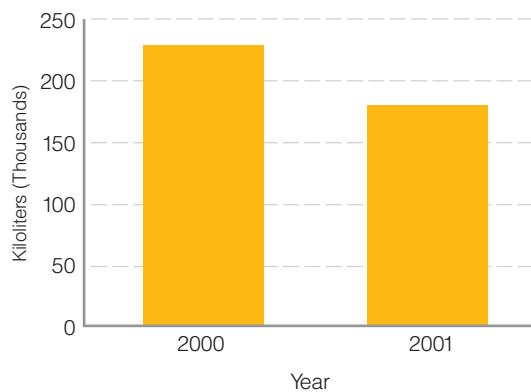
Conserving water is an operational requirement of IBM's Environmental Management System.

Australia

In 2001, IBM's eight operated facilities used 180,961 KL of town supply water, a 21% reduction on 2000, saving the company \$42,000. In 2000 and 2001, the eight IBM facilities used 2.7 and 2.1 KL/m² net floor area, respectively.

During the year, IBM targeted three of the eight sites that were above the national average for water use, as measured per square metre of net floor area. These included data centres and the IBM headquarters, which holds about 25% of the employee population and has an expansive irrigated landscape.

Options for reducing water consumption were considered for the cafeterias, toilets, irrigated grounds and cooling tower systems. IBM also introduced a facility maintenance hotline to improve reporting and response efficiency at IBM owned and leased sites.



New Zealand

In 2001, water use data was available for the first time at two IBM operated locations, which used 8,290 KL of water sourced from the town supply. Eighty percent by volume of this water consumption came from the IBM data centre in Petone, Wellington, which has a large cooling tower system. The two IBM facilities used 1.2 KL for every square metre of net floor area.



Environmental Affairs Policy

IBM Policy Letter 139B: Environmental Affairs

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 workplace, protecting the environment, and conserving energy and natural resources, which were formalised in 1967, 1971 and 1974 respectively. They 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, minimise 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



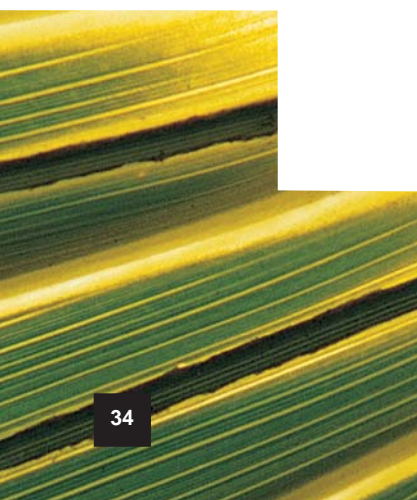
Trends Summary

The following two tables summarise the annual environmental performance and trends toward reducing the environmental footprint of the business in Australia and New Zealand.

Trends Summary for Australia

Environmental Indicators	Year 2000	Year 2001	Reducing Our Environmental Footprint
Use & Conservation of Natural Resources			
Water Consumption (Kilolitres)	228,653	180,961	▲
Energy Saving Year to Year (Target 4%)		6.5%	▲
Energy Use			
- Electricity (kWhrs/m ² nfa)	842	747	▲
(kWhrs)	113,378,820	99,678,650	▲
Natural Gas (Mega Joules)	5,426,090	2,759,820	▲
Diesel Fuel (Litres)	324,550	176,750	■
Office Paper Consumption (tonnes)	NA	343.8 (7,485 trees lost)	■
Pollution Prevention & Management			
Greenhouse Gas Emissions (tonnes)	129,778	115,556	▲
Waste Minimisation & Management			
Nonhazardous Waste Recycled (Target 67%)	45%	51%	▲
- Nonhazardous Solid Waste			
- (kg/m ² nfa)	13.8	14.2	▼
- (tonnes)	1,174.9	1,209.8	▼
- Nonhazardous Liquid Waste (tonnes)	84.9	95.2	■
- Hazardous Waste (tonnes)	197.7	28.8	■
- Computer Scrap Recycled	73%	72%*	■
Environmental Incidents Prevention			
- Number of major releases	Zero	Zero	■
- Number of minor releases	11	5	▲
Fines & Penalties	Zero	Zero	■

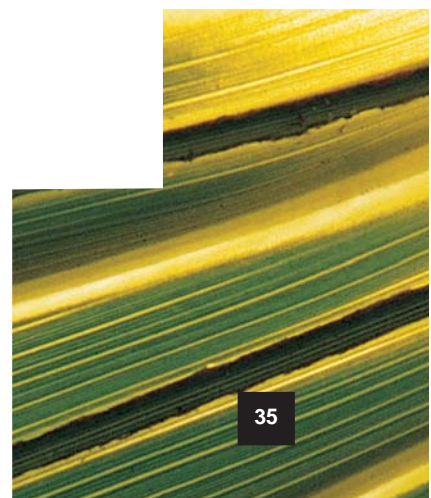
Key: NA = Data not available; * = non verifiable 1Q2001 computer scrap records not reported; ▲ = Identified reduction in potential adverse impacts on the environment; ■ = No identified change in the potential adverse impacts; trends related to external influences such as power outages rather than conservation initiatives, or, baseline year for reporting; ▼ = Identified increase in the potential adverse impacts.



Trends Summary for New Zealand

Environmental Indicators	Year 2000	Year 2001	Reducing Our Environmental Footprint
Use & Conservation of Natural Resources			
Water Consumption (Kilolitres)		8,290	▲
Energy Saving Year to Year (Target 4%)		None	■
Energy Use			
- Electricity			
(kWhrs/m ² nfa)	545	426	▲
(kWhrs)	7,978,736	8,503,266	▼
Natural Gas (Mega Joules)	5,426,090	2,681,250	▲
Diesel Fuel (Litres)	26,740	16,720	■
Office Paper Consumption (tonnes)	NA	17.8 (389 trees lost)	■
Pollution Prevention & Management			
Greenhouse Gas Emissions (tonnes)	4,539	4,783	▼
Waste Minimisation & Management			
Nonhazardous Waste Recycled (Target 67%)		13%	■
- Nonhazardous Solid Waste			
- (kg/m ² nfa)		NA	
- (tonnes)		127.3	■
- Nonhazardous Liquid Waste (tonnes)		2.5	■
- Hazardous Waste (tonnes)		4.7	■
- Computer Scrap Recycled	10%	10%	■
Environmental Incidents Prevention			
- Number of major releases	Zero	Zero	■
- Number of minor releases			
Fines & Penalties	Zero	Zero	■

Key: NA = Data not available; * = non verifiable 1Q2001 computer scrap records not reported; ▲ = Identified reduction in potential adverse impacts on the environment; ■ = No identified change in the potential adverse impacts; trends related to external influences such as power outages rather than conservation initiatives, or, baseline year for reporting; ▼ = Identified increase in the potential adverse impacts.





Verification Statement

26 November 2002
 OUR REF: 4077-02

Independent Verification of IBM 2001 Environment and Well-being Progress Report Australia and New Zealand

IBM engaged Nolan-ITU to conduct an independent verification of the Environment & Well-being Progress Report for Australia and New Zealand for 2001. Nolan-ITU is an independent sustainability consultancy that works for a diverse range of public and private sector clients. It was also engaged to independently verify IBM's inaugural Environment & Well-being Progress Report for 2000.

The goals of this year's verification process were to:

- *Assess the accuracy of the data and claims in the Report; and*
- *Assess the completeness of the Report in terms of potential impacts and aspects.*

There are currently no Australian and/or international standards for the verification of environmental and social reports by companies. Therefore, to obtain reasonable assurance of the reliability of a reporting company's claims and performance data, a methodology based on emerging best practice was implemented. This included reference to the following frameworks:

- *The Australian Commonwealth Government's recommended "Framework for Public Reporting";*
- *The ISO 14000 environmental management series; and*
- *The Global Reporting Initiative's Sustainability Reporting Guidelines, particularly Annex 4: Credibility and Assurance (released in 2002).*

In this year's Report, IBM has put forward performance targets in several areas of environmental and social performance, as well as claims about progress toward those targets. Therefore, Nolan-ITU placed its verification emphasis on these progress claims. Compared to last year, Nolan-ITU also expanded the scope of its verification process in terms of the total number of randomly selected claims and the total number of data trails reviewed.

The verification approach included:

- *Random selection of ten environmental and Occupational Health & Safety (OH&S) claims made in the Report;*
- *Desk-top, interview-based and site-based auditing of the data trails associated with those claims;*
- *Assessment of overall report content relative to environmental inputs/outputs for a services business and the provisions the Australian "Framework"; and*
- *Recommendations with regard to further improving IBM's standard of reporting.*



Nolan-ITU had unlimited access to IBM personnel and records during the verification process.

During the verification process, several minor discrepancies were identified – associated with arithmetic, extrapolation and data entry errors - in the draft report supplied by IBM to Nolan-ITU. These were brought to the attention of IBM, mutually clarified and corrected in the final Report.

As a result, I can report the following:

- *The claims and supporting data in the IBM Environment & Well-being Progress Report 2001 that were randomly selected and audited are materially correct.*
- *The IBM Environment & Well-being Progress Report provides a fair and reasonable view of IBM Australia / New Zealand's environmental and OH&S performance. The company has made demonstrable progress against targets.*
- *Procedures and systems are in place to collect, collate and represent data in terms of the randomly selected and audited environmental impact categories and OH&S aspects. However, the collection of full performance data for all IBM sites in Australia and New Zealand is still in the process of being implemented.*
- *Environmental management and OH&S programs existed at all IBM sites in Australia and New Zealand during 2001.*

I note IBM's efforts in 2001 to improve the comprehensiveness of its reporting, including the provision of greater detail in several waste related impacts.

In line with this commitment to continual improvement, I also recommend several actions to further improve the standard of IBM's future reporting, including:

- *Further engagement with stakeholders to determine relevance and completeness of indicators; and*
- *Continued implementation and improvement of data collection systems, including training for employees and quality control measures.*

Yours faithfully



John Nolan
Environmental Auditor
Pursuant of the Environment Protection Act (1970) of the State of Victoria



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