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**Management Discussion**

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International Business Machines Corporation and Subsidiary Companies

**Human Capital**
**Employees and Related Workforce**

(In thousands)

For the year ended December 31:	2020
IBM/wholly owned subsidiaries	345.9
Less-than-wholly owned subsidiaries	10.5
Complementary*	18.9

\* The complementary workforce is an approximation of equivalent full-time employees hired under temporary, part-time and limited-term employment arrangements to meet specific business needs in a flexible and cost-effective manner.

As a globally integrated enterprise, IBM operates in more than 175 countries and is continuing to shift our business to the higher value segments of enterprise IT. Our global workforce is highly skilled, reflective of the work we do for our clients' digital transformations and in support of their mission-critical operations. Our global workforce includes developers, consultants, client delivery and services specialists, research scientists and others. Our employees are among the world's leading experts in cloud, AI, quantum computing, cybersecurity and industry-specific solutions.

**Talent and Culture**

IBM attracts, develops, engages and retains talent in a dynamic and competitive environment. IBM offers a compelling employee value proposition: we develop and deliver innovative technologies including hybrid cloud, AI, and quantum, for clients whose businesses the world relies on. IBM is continuously transforming and developing its talent, both through learning and hiring. In 2020, more than 30,000 people from 75 countries joined IBM. Employees are encouraged and enabled to learn and grow their careers, with employees completing more than 80 hours of learning on average in 2020. Our digital learning platform, Your Learning, uses Watson AI to generate personalized recommendations and includes peer-to-peer collaboration and internal social sharing. Hundreds of thousands of employees globally participate in our annual engagement survey, which measures elements such as workplace experience, inclusion, pride and propensity to recommend IBM as an employer. Our industry-leading talent practices enabled IBM to improve employee engagement by more than 2 points year to year and retain employees above historical levels. Every manager and leader in IBM has access to their team and organization engagement levels along with actionable data-driven insights.

**Diversity and Inclusion**

IBM has a long, proud history as a pioneer in diversity and inclusion. A diverse and inclusive workplace leads to greater innovation, agility, performance and engagement, enabling both business growth and societal impact. We ensure employees from diverse backgrounds are engaged, can be their authentic selves, build skills and achieve their greatest potential. With the full support of our Board of Directors, beginning in April 2021 we will disclose annually an overview of our diversity, pay equity and inclusion efforts and programs, including diversity representation data. We are proud of our inclusive culture, with nine out of ten employees responding that they can be their authentic selves at work. Our focus on creating a diverse and inclusive workplace led to increased engagement levels for women, Black and Hispanic employees. We are also focused on meeting or exceeding the diversity of skilled talent in the labor market, for every underrepresented group, and at every level of our company. Women now make up more than 33 percent of our workforce, and we increased representation of women, Black and Hispanic employees in 2020 compared to the prior year. While we have taken significant actions and made progress, we have ongoing work to do. IBM believes in pay equity: we have had an equal pay policy since 1935 and a long-standing practice of maintaining pay equity. To this end, we conduct statistical pay equity analysis that includes all countries with IBM employees. We also empower employees to understand their pay by providing comprehensive education and transparent access to pay statements including a comparison to market pay ranges.

**Health, Safety and Well-Being**

We have a long-standing commitment to the health, safety and well-being of our employees. Never has this been more important than in 2020 as we faced the COVID-19 pandemic. From early in the course of the outbreak, we supported the health, safety and well-being of our employees by restricting travel, cancelling in-person meetings and events and transitioning nearly 95 percent of our workforce to work from home. We have a robust case management system to manage COVID-19 exposures and a