IBM Approach to Maintaining Pay Equity
Topics

- Value of being an IBMer
- IBM Compensation Strategy
- Enabling Pay Equity
- Pay Differentiation
- Managing Pay Equity
- Manager’s Role
The value of being an IBMer

Organizational Characteristics

- Flexibility
- Diversity of thought and expertise
- High-performance culture
- World-class leadership
- Global collaboration and networks

Tangible Rewards

- Base salary
- Sales incentives
- Growth Driven Profit Sharing
- Recognition
- Employee equity purchases and grants
- Country-specific benefits

Performance Based Opportunities

- Job change and skill growth
- IBM CareerSmart portfolio of learning and development
- Promotions
- Corporate Services Corps
IBM’s Compensation Strategy

Objectives

- Reward client value skills and behaviors
- Drive profitable growth
- Drive a high-performance culture
- Align employee goals with our strategy and values
- Attract and retain the best talent
- Ensure labor costs are competitive

Strategy

Pay for performance
- Rewards based on business and individual performance in comparison to their peers
- Investments to pay the “best like the best”

Differentiate strongly
- Differentiation driven by results, not only effort
- Manager flexibility to reward IBMers who provide exceptional client experiences

Pay competitively
- Markets for jobs drive pay rates – up or down
- Focus on competitive pay levels over time
Enabling Pay Equity - IBM’s Market Pricing Approach

- **Survey sources:**
  - IBM participates in various compensation surveys conducted by reputable third-party survey vendors
    - Results are provided in aggregate along with a list of participating companies
  - Surveys are aligned with appropriate IBM job families / roles
  - Survey participants include a representative sample of companies in our industry/marketplace

- **Market data is used to:**
  - Assess our competitive positioning
  - Create pay ranges that reflect the market
  - Drive compensation strategies to attract, retain and motivate employees
Pay Differentiation

Growth Driven Profit Sharing:
- Funding is based on company performance
- Decisions are made individually by managers

Employee Salary Planning:
- Business unit funding directly influenced by a variety of internal and external factors
  - pay competitiveness
  - market movement
  - business performance and economic conditions
  - affordability
- Decisions are made individually by managers
Managing Pay Equity - Proactive Management Approach

- The optimal time to pay attention is at the point of onboarding to ensure equity at the time of hire and through an ongoing life cycle. This will help:
  - Constrict pay difference over time to changes based on values, performance, & results
  - Reduce potential for standard deviations in the annual analysis
  - Reinforce value of employee development and performance
  - Ensure training on diversity & inclusion to promote appreciation of others & eliminate bias

- IBM conducts annual analysis to promote pay equity for employees in relation to similarly situated peers
  - Began practice in 1976
  - A privileged statistical application from a third party vendor is administered by IBM
  - The assessment uses base pay and supports both regular employees and Executives
  - Things which occur in the normal course of business get addressed as part of this activity e.g.
    - employees acquired through another company via acquisition
    - employees who shift and change roles over time
Managing Pay Equity - Continuous Life Cycle of Compensation

- Compensation activities occur year-round at critical points of the life cycle
  - during regular program activity as well as key entry points into IBM i.e. point of hire, point of acquisition

- Aligned to our Talent Management strategy with ongoing manager and employee discussions and training
A Manager’s Role in Employee Compensation

- Consider key factors when making pay decisions
  - Relative contribution
  - Position in range
  - Long-term growth potential
  - Retention of key skills

- Have meaningful conversations with employees
  - Describe IBM’s overall pay-for-performance philosophy
  - Discuss individual performance and relative contribution and express appreciation for all employees’ efforts -- acknowledge their contributions
  - Develop coaching plans for all employees to help grow their contributions