



IBM United Kingdom Financial Services Limited – Section 172 Statement Financial year ending 31 December 2019

The Board of Directors, in line with their duties under s.172 of the Companies Act 2006, act in a way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole and in doing so have regard to a range of matters and stakeholders when making decisions for the long term. Key decisions and matters that are of strategic importance to the Company are appropriately informed by s.172 factors.

The Company's strategy is in line with that of its parent, IBM Credit LLC (IBM Credit). IBM Credit is primarily a captive financier, facilitating IBM Clients' acquisition of information technology systems, software and services in the areas where IBM Credit has expertise. IBM Credit's strategy and business model are described on page 33 of IBM's annual report for the year ended 31 December 2019 (which does not form part of this report).

In addition to the governance provided by the Board of Directors, as a subsidiary of IBM the Company is subject to extensive organisational and management systems which enable the Board through its Directors, and through corporate delegations, to organise and oversee governance of the day-to-day operational activities of the Company. The Directors of the Company considered local Business Updates on a quarterly basis during 2019.

The Board recognises that the long-term success of the Company's business is dependent on the way the Company interacts with stakeholders, including employees, clients, suppliers, the community and the environment.

Employees

Through the IBM management system, the Company engages with and listens to employees in many ways, including through employee surveys; face to face briefings; internal publications and newsletters. Through the same management system, the Company maintains responsibility for safeguarding the interests of employees. In addition, the Company, through the Board of Directors and applicable delegations, manages and oversees the Company's obligations in relation to the employee pension schemes.

During 2019 the Directors were briefed on a range of employment matters, including employee engagement, gender equality and mentoring initiatives. Employee survey results were also considered; surveys which give employees an opportunity to express their views on matters of Company strategy, management and employee experience.

Clients

IBM focuses on building strong relationships with its clients and spends considerable time with them to understand their needs and views and how IBM can improve its service to them.



Under the direction of one of the Directors, the Company's sales and marketing management team fosters and monitors effective client relationships and supports best practice engagement with clients. In 2019, the team oversaw a wide range of matters and reported regularly on client satisfaction ratings across the Company. The team also focused on the Company's Relationship Surveys to support ongoing long-term client commitments; building the next level of collaboration with specific clients.

In 2019 during board meetings the Directors considered a wide range of matters important to the Company's clients, including updates on the Company's Brexit readiness; and how best to bring to clients IBM's strategic synergy with Red Hat following recent acquisition of that company.

Suppliers

The Board recognises that the relationship with suppliers is important to the Company's long-term success. In 2019, the Board also reviewed the Company's Modern Slavery Act obligations and approved the Company's Modern Slavery Act statement for publication given the importance of such matters to the IBM supply chain. In this context, consideration was also given to the impact of the Company's operations on the wider community and the importance to the Company of maintaining its reputation for high standards.

The Company benefits from IBM's Procurement organisation, which is recognised as a leader in sustainable procurement. IBM has in place programmes with which it requires suppliers to comply, which in turn can help those suppliers to develop their own capacity to demonstrate their commitment to achieving social and environmental objectives. These programmes are directed to all IBM suppliers, whether they are global or locally based here in the UK.

Community and Environment

The Company, as a part of the broader IBM group and supported by the Board, seeks to ensure that it makes a positive contribution to the communities and societies of which it is a part, and it recognises its responsibilities to those communities.

The Company has long had a very active community of employee volunteers, with Board support. Company employees took part in a range of voluntary activities during the year, including at local schools.

The Company Board recognises that trust and responsibility lie at the heart of IBM's business, and that this is the basis upon which that business operates and flourishes. All stakeholders - employees, clients, suppliers, etc. - depend on the integrity by which IBM operates. Each year all Company employees undertake mandatory global business conduct training and commit to following IBM's comprehensive 'Business Conduct Guidelines'. Similarly, all employees undertake mandatory training annually on matters such as cyber-security and data privacy.

Principal decisions

In 2019, the Board made the decision to pay a dividend of £158 million to its shareholders. In making their decision, the Directors took into account whether the dividend would impact on the achievement



of the Company's strategic objectives in the long term and concluded it would not, in light of the strong cash position and net asset position of the Company.

The Directors supported and approved the decision to wind down the portion of the Commercial financing operations related to OEM information technology suppliers, distributors and resellers. Further, the Directors supported and approved the decision to further the success of the Company for the benefit of its members as a whole in the long term by focusing the use of the Company's available capital primarily on providing Client financing for IBM products and services as a standard offering, and in financing OEM products only where they form a strategic part of IBM transactions.