

Modern Slavery Act Transparency Statement for 2020

On behalf of International Business Machines Corporation (IBM or the company), the IBM Corporate Citizenship team is pleased to give this statement, as required by s. 54 of the UK's Modern Slavery Act of 2015, detailing the actions that IBM took during our financial year ending 31 December 2020, to ensure that slavery and human trafficking are not taking place in any of our supply chains or in any part of our business globally.

Our business

IBM is headquartered in Armonk, New York, U.S.A. and is a globally integrated entity, operating in over 175 countries worldwide. We bring together innovative technology, industry expertise and a commitment to trust and transparency to help enterprise clients move from one era to the next. We provide integrated solutions and platforms, leveraging global capabilities that include services, software, systems, related financings and fundamental research.

In 2020, our major operations consisted of five business segments: Cloud & Cognitive Software, Global Business Services, Global Technology Services, Systems and Global Financing. IBM solutions typically create value by enabling new capabilities for clients that transform their businesses and help them engage with their customers and employees in new ways. These solutions draw from an industry-leading portfolio of consulting and IT implementation services, cloud, digital and cognitive offerings, and enterprise systems and software which are all bolstered by one of the world's leading research organisations.

Our principles and governance

IBM has a strong history of social responsibility demonstrated throughout its 110-year history, dating back to the fundamental beliefs of its founder Thomas Watson. IBM's values of dedication to every client's success; innovation that matters – for our company and for the world; trust and personal responsibility in all relationships form the foundation of how we conduct business in a globally integrated fashion. As a global company IBM pursues the highest standards of corporate responsibility in all we do – supporting and empowering employees, working with clients and suppliers, and governing our company. Internally, the issue of prevention of human trafficking is a shared responsibility across multiple organisations which collaborate on this and other areas of social responsibility

Under the guidance and supervision of the Board of Directors, IBM senior management is responsible for the company's environmental and social performance. The Corporate Responsibility Executive Steering Committee provides leadership and direction on key corporate responsibility issues. Chaired by the Vice President for IBM Corporate Social Responsibility, the committee meets monthly and includes senior executives from functional areas across IBM, such as: Human Resources, Corporate Environmental Affairs, Supply Chain, Well-Being, Legal, Communications, and Investor Relations, each responsible for developing its own corporate responsibility goals and strategy. Organisation-wide goals are approved by this committee.

The Corporate Responsibility Working Group supports the Corporate Responsibility Executive Steering Committee and manages IBM's corporate responsibility activities and stakeholder engagement. It includes representatives from functional areas across IBM and meets at least monthly to review key policy and strategic issues and make recommendations to the Corporate Responsibility Executive Steering Committee.

IBM's Corporate Social Responsibility (CSR) function, which reports to the Chief Communications Officer, coordinates day-to-day CSR-related activities. Executives from Corporate Citizenship, Human Resources, Supply Chain, and Country Business units are engaged to oversee the activities that collectively address this issue. A matrix organisation led by Corporate Citizenship incorporates membership from these

functional areas to deploy and monitor the effectiveness of the actions described in the following paragraphs. During 2020, this matrix organisation has reviewed IBM's internal and external efforts associated with the prevention of modern slavery.

The company actively enforces its extensive policies and practices addressing how its business units are to operate in an ethical and sustainable manner. A cross section of IBM's policies and practices for 2020 are listed on the IBM Responsibility website at: https://www.ibm.com/ibm/responsibility/ibm_policies.html#human-rights. In particular, IBM addresses its stance on prevention of human trafficking through its Global Employment Standard (Freely Chosen Employment provision), located at: <https://www.ibm.org/responsibility/policies#employmentStandards>. These standards form the foundation of our Human Resources work and are embedded in the practices across the countries IBM operates in. All employees and external stakeholders have access to these standards.

For large companies, risk for human trafficking resides primarily in the extended upstream supply chain, where the rigorous controls of a global company's policies and practices can be challenging to implement and sustain. As a company, IBM's own hiring practices are robust and existing procedures are designed to ensure that no modern slavery exists within our directly hired employee population. Externally, IBM has taken an active role in social responsibility in the supply chain dating back 16 years when it founded a specialised department to focus exclusively on the development and deployment of policies, practices, and initiatives to recognise and take measurable action on areas of concern in the supply chain. To address these topics relating to social responsibility, IBM created the Supplier Conduct Principles in 2004 as its first consolidated supply chain code addressing Labour, Health and Safety, Environment and Ethics. This code was introduced to our supply chain and in 2005 IBM began working with a 3rd-party audit firm to assess a cross section of suppliers in developing market countries. The results led us to the understanding that a concerted effort would be needed across the supply chain to address issues that were beyond the control of one company.

Our external efforts

Realising attaining sustainable improvements in the supply chain would be a long-term endeavor, IBM joined forces with other pioneering electronics companies in 2004 to create a supply chain code of conduct to harness the collective wisdom and resources of its volunteering companies. This effort evolved into the Electronic Industry Citizenship Coalition (EICC), which released its Version 1.0 Code of Conduct in late 2004. Since inception the EICC grew from eleven members to over one hundred and sixty members. Making EICC unique among industry groups is its composition representing five tiers of the supply chain. Through its rich and diverse membership, the EICC Code was sequentially refined to provide its members (and their suppliers) the means to establish high standards and follow through with an audit program to vet compliance with the EICC Code.

Membership in the EICC requires IBM to endorse the EICC Code for its own operations, thus IBM has aligned its robust array of internal policies and practices with the EICC Code ensuring its global practices are synchronised across the sector. For the EICC, its members have been aware of the risks of human trafficking in the extended supply chain since 2012 when the issue began to draw attention. In order to enable its members to become a positive force for change, the EICC Code's Labour section was updated to feature content addressing the prevention of Slavery and Human Trafficking culminating in the release of EICC Code V5.1 in January 2016. Specific wording to address Slavery and Human Trafficking was included in the Freely Chosen Employment provision.

In October 2017, the Electronic Industry Citizenship Coalition (EICC) re-branded itself as the Responsible Business Alliance (RBA). More than just a new name and logo, this change reflects the dynamic nature of the group — which has continued to grow in scope and membership during each year of its existence. RBA membership now include members across automotive, communications, consumer electronics, computer brands, contract manufacturing, hardware components, industrial equipment, logistics, software, retail, toy and service industries.

The RBA Code of Conduct principles and commitments are reinforced within IBM's Global Employment Standard, which are part of IBM's Policies & Principles as published at: <https://www.ibm.org/responsibility/policies#employmentStandards> and which cover freely chosen employment, young workers, wages and benefits and working hours. All IBM employees are required to take an annual certification of IBM's Business Conduct Guidelines https://www.ibm.com/investor/att/pdf/BCG_accessible_2019.pdf which contains references to the Corporate Instruction which covers IBM's Global Employment Standards (HR-114). HR-114 is the internalisation of the RBA Code of Conduct, and our means of dispersing that code to IBM's global workforce. In addition, employees who work in specialised areas such as Human Resources receive specific training on the topic of human trafficking.

IBM is clear with its supply chain about its requirement for suppliers to work toward and remain compliant with the RBA Code. Setting this expectation with new suppliers begins during on-boarding, where IBM introduces the RBA Code of Conduct and our commitment for full compliance. Following on-boarding, IBM suppliers (in all countries) are required to sign a contractual agreement to comply with the Code, or a demonstrated equivalent company or other third-party code.

The RBA Code of Conduct was updated to Version 6.0, effective January 1, 2018 with specific wording addressing the prevention of Slavery and Human Trafficking. The Code was again updated to Version 7.0, effective January 1, 2021 and further modified this section that is contained in the Labour section under Freely Chosen Employment. The current version of the RBA Code sets out:

Forced, bonded (including debt bondage) or indentured labour, involuntary or exploitative prison labour, slavery or trafficking of persons is not permitted. This includes transporting, harboring, recruiting, transferring, or receiving persons by means of threat, force, coercion, abduction or fraud for labour or services. There shall be no unreasonable restrictions on workers' freedom of movement in the facility in addition to unreasonable restrictions on entering or exiting company-provided facilities including, if applicable, workers' dormitories or living quarters. As part of the hiring process, all workers must be provided with a written employment agreement

in their native language that contains a description of terms and conditions of employment. Foreign migrant workers must receive the employment agreement prior to the worker departing from his or her country of origin and there shall be no substitution or change(s) allowed in the employment agreement upon arrival in the receiving country unless these changes are made to meet local law and provide equal or better terms. All work must be voluntary, and workers shall be free to leave work at any time or terminate their employment without penalty if reasonable notice is given as per workers' contract. Employers, agents, and sub-agents may not hold or otherwise destroy, conceal, or confiscate identity or immigration documents, such as government-issued identification, passports, or work permits. Employers can only hold documentation if such holdings are required by law. In this case, at no time should workers be denied access to their documents. Workers shall not be required to pay employers' agents or sub-agents' recruitment fees or other related fees for their employment. If any such fees are found to have been paid by workers, such fees shall be repaid to the worker.

Our supply chain

IBM verifies its RBA Code of Conduct supplier compliance requirements with a robust annual assessment program that engages a cross section of companies in countries where the risk of noncompliance is elevated. During 2020 the global pandemic had a direct effect on IBM's annual practice of deploying assessments on its supply chain. For three months audits were suspended until it was feasible to continue with either in-person assessments, or in some cases, remote assessments conducted using teleconferences. Due to the importance of this activity our program continued, working directly with suppliers and the RBA audit scheduling team, in order to complete as many assessments as practical. To this end, in the period from January 2020 through December 2020, IBM obtained and analysed 46 full audit and 24 re-audit reports (using the RBA audit process) from suppliers located in: Brazil, China, Hungary, India, Japan, Malaysia, Mexico, Philippines, Romania, Singapore, South Korea, Taiwan, Thailand, and United Arab Emirates. An aggregated summary of findings for the 2020 audits is available in the Supply Chain section of the IBM Corporate Responsibility Report.

Analysis of the 46 full audits indicated that 14 suppliers located in Brazil, China, Mexico, Philippines, South Korea, Taiwan, and the United Arab Emirates incurred a total of 25 major or minor nonconformance to the Freely Chosen Employment provision of the RBA Code. The 25 findings are summarised as follows:

- No policy on prohibition of Forced Labour, Worker Fees, or Human Trafficking
- No policy on freedom of movement in the workplace
- Labour contracts missing legal terms regarding wages and wage deductions
- Labour contracts not provided in native language
- Labour contracts not provided to workers
- Mandatory overtime included in employment contract
- Use of prohibited recruitment and hiring fees without reimbursement
- Workers not reimbursed for the cost of pre-employment fees or annual medical examinations
- Wage loans exceeded limits stipulated by RBA Code of Conduct

- Washroom pass system in use during production working hours
- Use of contractors exceeded legal limits
- Ineffective monitoring of policies, procedures and program effectiveness

In the 25 non-compliances for this code provision (in 2020) there were no instances of workers subjected to the worst forms of forced labour (i.e. human trafficking). As a result of the non-compliances identified in 2020, we are acting (in 2021) to enhance the supplier education materials by emphasising the proactive measures suppliers need to take to address all aspects of compliance to this provision of the RBA Code.

As described in the 2020 Corporate Responsibility Report, IBM follows the RBA audit process carefully, requiring root cause and corrective actions to be implemented for all code noncompliances. Corrective Action Plans are implemented, and RBA re-audits performed on all noncompliances including those associated with the Freely Chosen Labour provision of the Code. IBM treats all noncompliance with the RBA Code as a serious issue and invests considerable time working with its suppliers to advise on best practice to attain and maintain code compliance.

In addition to the described assessment activities, IBM offers internal online education for the RBA Code to its Global Procurement organisation. The Supply Chain Social Responsibility group is part of the larger global purchasing team, which ensures all members have direct association with the professionals dedicated to this work. Taking this step further, the supply chain social responsibility group is geographically distributed with members collocated with purchasing in China, India, Mexico, Hungary, and the East and West coasts of the United States. This helps to assure cross-qualification of purchasing professionals to help extend vigilance of the RBA Code into their daily interactions with suppliers to IBM.

In 2020, online educational materials were also made available to IBM suppliers relating to RBA Code of Conduct elements. These materials have been developed by RBA with

input from various members and external stakeholders. IBM deployed these courses to its suppliers undergoing audits as further investment in growing the capabilities of our suppliers in terms of social responsibility. Over 50 IBM suppliers took advantage of the online training during 2020, a figure we look to expand in 2021 with a large cross-section of suppliers.


In 2019 IBM developed a digital training course called “Disrupting human trafficking”. Available to IBM employees, the training informs learners how to recognise the signs of human trafficking, and to understand IBM’s role in disrupting the industry. This course (and two others relating to the prevention of human trafficking) were made broadly available to IBMers in 2020 using our online YourLearning platform.

A parallel avenue of engagement is the work IBM has completed to apply leading edge technology to this challenging issue. In conjunction with a leading non-governmental organisation (STOP THE TRAFFIK), law enforcement agencies, and financial institutions, IBM deployed cloud and artificial intelligence technology to create a growing online database to track and counteract the trade of human beings on a global basis. Traffik Analysis Hub, now fully formed as a non-governmental organisation recognised by the UK charities commission, enables members to validate and map patterns, trends, and smuggling routes. Launched in 2019, Traffik Analysis Hub has grown to more than 50 members, with data representing nearly one million trafficking cases. During 2020, IBM assisted to further deploy this tool in the global marketplace as an effective means to contribute to progress in this arena. During 2021, we plan to utilise this application to gain additional insight into segments or countries in our supply chain that may require additional attention. More details can be found at: <https://www.traffikanalysis.org/>

In closing, we are pleased to publish our UK Modern Slavery Act Transparency Statement, for the period ending 31 December 2020. As part of IBM’s strategy to deliver its CSR communications earlier in the year, we are publishing this statement in the same time frame as our Corporate

Responsibility Report, and invite readers to reference our Corporate report for a broader picture of the actions IBM has taken across the full spectrum of Environmental, Social, and Governance areas.

Sincerely,



Justina Nixon-Saintil
Vice President, and Global Head, Corporate Citizenship
International Business Machines Corporation