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December 20, 2019

## **Modern Slavery Act Transparency Statement**

On behalf of International Business Machines Corporation (IBM), we are pleased to give our statement, as required by s. 54 of the UK's Modern Slavery Act 2015, of the actions our organization took during our financial year ending 31 December 2018, 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.

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. 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 2018 are listed on the IBM Responsibility website at: [https://www.ibm.com/ibm/responsibility/ibm\\_policies.html#human-rights](https://www.ibm.com/ibm/responsibility/ibm_policies.html#human-rights)

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 are usually absent. To address topics relating to social responsibility, IBM created the Supplier Conduct Principles in 2004 as its first consolidated supply chain code addressing Labor, Health and Safety, Environment and Ethics. This code was introduced to the supply chain and audits began in 2005 to assess compliance on a cross-section of suppliers in developing market countries.

Realizing 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 fifty 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 synchronized 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 Labor 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). This change in name was the culmination of over a year and a half of work by the Board, its officers, and focus groups comprised of members and their management. 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 has grown to 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 standards, 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](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 internalization of the RBA Code of Conduct, and our means of dispersing that code to IBM's global workforce. In addition, employees who work in specialized areas such as Human Resources receive specific training on the topic of human trafficking.

IBM has communicated its requirement for direct suppliers to work toward and remain compliant with the RBA Code. Unless an exception is given, all IBM direct suppliers (in all countries) are required to sign a contractual attachment (called RBA Letter Agreement) that links compliance to the Code with on-going business contacts.

During 2017, the RBA Code of Conduct was updated to Version 6.0, effective January 1, 2018. Specific wording addressing the prevention of Slavery and Human Trafficking in the RBA Code is contained in the Labor section under Freely Chosen Employment:

*Forced, bonded (including debt bondage) or indentured labor, involuntary or exploitative prison labor, slavery or trafficking of persons shall not be used. This includes transporting, harboring, recruiting, transferring or receiving persons by means of threat, force, coercion, abduction or fraud for labor 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. As part of the hiring process, workers must be provided with a written employment agreement in their native language that contains a description of terms and conditions of employment 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. Employers and agents may not hold or otherwise destroy, conceal, confiscate or deny access by employees to their identity or immigration documents, such as government - issued identification, passports or work permits, unless such holdings are required by law. Workers shall not be required to pay employers' or 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.*

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. In the period from January 2018 through December 2018 IBM received 64 full audit reports (using the RBA audit process) from suppliers located in: Brazil, China, India, Indonesia, Malaysia, Mexico, Philippines, Romania, Singapore, South Korea, Taiwan, Thailand, Turkey, and United Arab Emirates. An aggregated summary of findings for the 2018 audits is available in the Supply Chain section of the Corporate Responsibility Report: : <https://www.ibm.org/static/responsibility/cr/pdfs/IBM-2018-CRR.pdf>

Analysis of the 64 full audits (audit count at the time of the responsibility report release was 62 audits) indicated that 13 suppliers located in China, India, Indonesia, Mexico, Taiwan and Romania incurred a total of 15 findings in the Freely Chosen Employment provision of the RBA Code. A breakdown of the 15 noncompliance: five incomplete or missing labor contracts; five ineffective policies/procedures; two penalty-fees for early termination; one instance of worker employment fees; one instance of mandatory overtime; and one instance of dispatch workers above the legal percentage of the worker population.

In this noted group of noncompliance there were no instances of workers found subject to egregious forms of human trafficking.

As described in the 2018 Corporate Responsibility Report, IBM follows the RBA audit process carefully, requiring root cause and corrective actions to be implemented for all code noncompliance. Corrective Action Plans are implemented, and RBA re-audits performed on all noncompliance including those associated with the Freely Chosen Labor provision of the Code. Relative to the 15 noncompliant findings; nine were remediated and vetted closed with the remainder addressed in 2019. 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 on-line education for the RBA Code to its Global Procurement organization. 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 United States. This helps to assure cross-qualification of purchasing professionals to help extend vigilance of the RBA Code into their daily interactions with direct suppliers to IBM.

In 2018, on-line 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 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.

As in prior years, IBM will plan for and deploy RBA audits on a cross-section of suppliers in growth markets during 2019 and will remain vigilant for any evidence of human trafficking.

In closing, we are pleased to publish our statement on our activities regarding the prevention of slavery and human trafficking in our business and supply chains globally for the year ending 31 December 2018.

Sincerely,

A handwritten signature in black ink, appearing to read "Guille Miranda", with a long horizontal stroke extending to the right.

Guille Miranda  
Vice President, and Global Head, Corporate Citizenship  
International Business Machines Corporation