

IBM Australia – Modern Slavery Statement 2022

A Message from IBM Australia’s Chief Financial Officer

International Business Machines Corporation (IBM® or the company) is committed to respecting human rights and maintaining the highest ethical standards.

Trust, equity, and inclusion are core values at IBM and are central to how we operate.

In our 2022 modern slavery statement, we reflect on our processes and reaffirm our commitment to address and eliminate modern slavery practices. This statement outlines how we continue to work to mitigate potential risks within our operations and supply chains, to ensure we uphold our commitment to the highest ethical standards.

This Modern Slavery Statement was approved by the Board of IBM Australia Limited.

A handwritten signature in black ink, appearing to read 'Robin Lautemann', with a long horizontal flourish extending to the right.

Robin Lautemann
IBM Australia Limited
May 2023

Introduction

This is the third Modern Slavery Statement by IBM Australia Limited, submitted in accordance with the *Modern Slavery Act 2018* (Cth). This statement covers IBM Australia Limited ABN 79 000 024 733, referred to as IBM Australia throughout this statement. It covers IBM's actions throughout IBM's 2022 financial year ending on 31 December 2022. It was prepared by IBM's local procurement team in consultation with the Supply Chain Social Responsibility team, headquartered in the United States.

IBM structure, business operations and supply chains

About IBM

IBM, founded in 1911, is headquartered in Armonk, New York, U.S.A. and is a globally integrated entity, operating in more than 175 countries worldwide. IBM Australia Limited was established in 1932.

IBM is addressing the hybrid cloud and Artificial Intelligence (AI) opportunity with a platform-centric approach, focused on providing client value through a combination of technology and business expertise. We provide integrated solutions and products that leverage data, information technology, deep expertise in industries and business processes, with trust and security and a broad ecosystem of partners and alliances. Our hybrid cloud platform and AI technology and services capabilities support clients' digital transformations and help them engage with their customers and employees in new ways. These solutions draw from an industry-leading portfolio of capabilities in software, consulting services and a deep incumbency in mission-critical systems, all bolstered by one of the world's leading research organizations.

At year-end 2022, IBM's four business segments were: Software (Hybrid Platform & Solutions and Transaction Processing), Consulting (Business Transformation, Technology Consulting, and Application Operations), Infrastructure (IBM zSystems™, Power Series®, Storage hardware/software, including remanufacturing and remarketing of used equipment with a focus on sustainable recovery services, and integrated technical support), and Financing (Client and Commercial). The information and data included in this report excludes Red Hat®.

IBM's mission

IBM has a strong history of social responsibility demonstrated throughout its 112-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, such as supporting and empowering employees, working with clients and suppliers, and governing our company. Internally, the issue of prevention of modern slavery is a shared responsibility across multiple organisations which collaborate on this and other areas of social responsibility.

IBM's long-term performance strategy integrates economic, environmental, and societal performance and leadership. Our commitment to leave lasting, positive impacts in these areas begins at the highest level with the direction of our Board of Directors. The Board of Directors and its committees have oversight responsibility for ESG-related matters, and receive regular updates from senior management on activities, policies, progress toward goals, and risk management.

Under the guidance and supervision of our Board of Directors, senior management is responsible for the company's environmental and social performance. Our ESG function coordinates day-to-day ESG-related activities and is led by the Chief Impact Officer who reports to the Senior Vice President, Marketing & Communications & Chief Communications Officer. Two groups help to integrate corporate responsibility across the business:

The ESG Executive Steering Committee provides leadership and direction on key corporate responsibility issues and approves organization-wide goals. It meets monthly, chaired by the Vice President, Corporate Social Responsibility & Chief Impact Officer, and includes senior executives from functional areas across the company. Each functional area is responsible for developing its specific goals and strategies. Members include:

- Vice President, Corporate Social Responsibility & Chief Impact Officer
- Vice President and Chief Operating Officer, IBM Research®
- Vice President, Corporate Environmental Affairs and Product Safety & Chief Sustainability Officer
- Director, Labor Relations
- Vice President & Chief Leadership, Culture, and Inclusion Officer
- Vice President & Chief Privacy and Trust Officer
- Vice President, Supply Chain & Chief Procurement Officer
- Vice President & Chief Accountant
- Vice President, Investor Relations
- Vice President, Government and Regulatory Affairs
- Vice President, Assistant General Counsel & Corporate Secretary
- Vice President & Chief Risk Officer

The ESG Working Group maintains awareness of ESG matters occurring across the company, monitors regulators and standard-setters' sustainability-related matters and helps bring the interests of external stakeholders and IBM's value chain forward for discussion. It includes representatives from functional areas across IBM and meets at least monthly to review key policy and strategic issues, and to make recommendations to the ESG Executive Steering Committee. Members are also tasked with monitoring and providing regular updates regarding the developing regulatory landscape surrounding ESG disclosure.

IBM's Corporate Social Responsibility and ESG functions, which report to the Senior Vice President, Marketing and Communications & Chief Communications Officer, coordinate day-to-day ESG-related activities. During 2022, the above matrix organisations have reviewed IBM's internal and external efforts associated with the prevention of modern slavery.

Our supply chains

Across its global operations, Global Procurement has responsibility for all purchases needed to run IBM's business and to fulfil the delivery of our products, software, and services to clients world-

wide. To achieve consistency, IBM has a global / regional structure to select suppliers and commit IBM funds via contracts and purchase orders.

Locally, at year-end 2022, there is a team of approximately 20 sourcing professionals and managers, who are responsible for procurement in accordance with IBM's global charter, to meet the needs of IBM's operations and its clients in country. In 2022, purchases by IBM Australia totalled over \$AUD321m with 230 suppliers across the following broad categories:

- Business Services (for example administrative human resources)
- Facilities (for example maintenance, food service, and security)
- Marketing Communications
- Software
- Technical products (for example non-IBM branded hardware and field maintenance)
- Technical services (for example business and technical human resources)
- Telecommunications (for example mobile communications, office phones, and teleconferencing)
- Travel (for example airline fares, hotels, and rental cars)

IBM also has relationships with suppliers that provide hardware components to IBM's manufacturing sites producing, testing, and customizing logo products for world markets. IBM currently does not manufacture hardware products in Australia. These supplier relationships are managed by purchasing groups in other jurisdictions in Asia Pacific, Europe, and the Americas.

Modern slavery risks

IBM complies with Australian laws applicable to it including those that deal with the prevention of slavery and other exploitative practices like human trafficking, forced labour, child labour and debt bondage such as Sections 270 and 271 of the *Criminal Code Act 1995* (Cth), and relevant sections of the *Migration Act 1958* (Cth) and the *Fair Work Act 2009* (Cth).

For large companies, risk for modern slavery generally tends to reside 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 nearly 20 years when it established 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. The Supply Chain Social Responsibility (SCSR) team is part of the larger global purchasing team, which ensures all its members have direct association with the professionals dedicated to this work. The SCSR team is geographically distributed with members located in China, India, Mexico, Hungary, and the East and West coasts of the United States. This helps ensure cross-qualification of purchasing professionals' ability to monitor the implementation of relevant policies, practices and initiatives in the daily interactions with suppliers to IBM.

Modern slavery prevention and due diligence

Realising attaining sustainable improvements in the supply chain would be a long-term endeavour, in 2004, IBM joined forces with other pioneering electronics companies to create a supply chain

code of conduct. This effort matured into the Electronic Industry Citizenship Coalition (EICC), which released its Version 1.0 Code of Conduct (Code) in late 2004. Since inception, the EICC has grown from eight members to over 170 members. Through its rich and diverse membership, the EICC Code has been continuously 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.

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. During 2022, membership in RBA continued to grow and exceeded 200 global companies. Membership in RBA requires IBM to endorse the RBA Code for its own operations, thus IBM aligned its robust array of internal policies and practices with the Code ensuring its global practices are synchronised across the sector. 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.com/impact/reports-and-policies> and which cover: freely chosen employment, young workers, wages, and benefits and working hours. Additionally, all IBM employees are required to take an annual certification of IBM's Business Conduct Guidelines:

https://www.ibm.com/investor/att/pdf/IBM_Business_Conduct_Guidelines.pdf, affirming their commitment to the Guidelines. The Business Conduct Guidelines are IBM’s internal code of business conduct and ethics for IBM’s directors, executive officers, and employees, and further reinforces IBM’s commitment to ethics and integrity.

IBM communicates the supply chain requirements for direct suppliers of hardware, software, and services to work toward and remain compliant with the RBA Code. Setting this expectation with suppliers begins during on-boarding, where IBM introduces the RBA Code of Conduct and our expectation of full conformance. As part of on-boarding, new IBM suppliers (in all countries) are required to sign a contractual agreement (called the RBA Letter Agreement) to comply with the RBA Code, or a demonstrated equivalent company and/or other third-party code.

The current version (version 7) of the RBA Code contains the following requirements in the Labour section under Freely Chosen Employment (our emphasis added):

Forced, bonded (including debt bondage) or indentured labor, involuntary or exploitative prison labor, 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 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 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.*

Modern slavery prevention effectiveness

In 2022, on-line educational materials were made available to IBM suppliers relating to RBA Code elements (Labor, Health and Safety, Environment, Ethics, and Management Systems). These materials have been developed by the 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. 35 IBM suppliers took advantage of the 2022 online training, with over 120 personnel taking an aggregate of 340 hours of training.

IBM verifies its suppliers' compliance with the RBA Code using a robust annual assessment program that engages a cross-section of companies in countries where the risk of noncompliance is elevated. Through various sources of specific risk analysis, IBM SCSR and Procurement have determined its supply chain in Australia to be of comparably lower risk than our supply chains in other countries. Therefore, in 2022 no social responsibility audits (RBA Validated Audits) were chartered with any IBM suppliers in Australia.

In the period from January through December 2022, IBM received and analysed 60 full RBA audit and 46 re-audit reports from suppliers in: Brazil, Bulgaria, China, Colombia, Czech Republic, Germany, Hungary, India, Japan, Korea, Malaysia, Mexico, Philippines, Romania, Singapore, Taiwan, Thailand, United States and Vietnam. An aggregate summary of nonconformant findings for the 2022 audits is available in the Supply Chain section of the Corporate Environmental, Social, and Governance (ESG) report <https://www.ibm.com/impact> (ESG Report).

Analysis of the 60 full audits indicated that 18 suppliers located in Brazil, Chile, China, India, Japan, Mexico, Philippines, Saudi Arabia, Singapore, South Korea, Taiwan, Thailand, and United Arab Emirates incurred a total of 26 priority, major, or minor nonconformance to the Freely Chosen Employment provision of the RBA Code. The 26 nonconformant findings are summarised as follows:

- (7 findings) Voluntary resignation - Workers financial liability / salary forfeiture for recruitment, transportation, and training costs.
- (5 findings) Prohibited recruitment, transportation, and hiring fees in effect; workers reimbursed within three months
- (3 findings) No policy and/or contract terms on prohibition of Forced Labour, Worker Fees, or Modern Slavery / Human Trafficking
- (2 findings) Workers' reimbursement for prohibited pre-employment fees exceeded three months and RBA Code parameters
- (2 findings) Wage loan repayment exceeded RBA Code parameters
- (2 findings) Worker restrictions on subsequent employment for another company in the sector
- (2 findings) No policy on freedom of movement in the workplace

- (1 findings) No monitoring of policies, procedures, and programme effectiveness
- (1 findings) Labour contracts (a percentage) lacked workers' signatures
- (1 findings) Labour contracts (a percentage) lacked workers' beneficiaries

In these 26 nonconformant findings there were no instances of workers subjected to the worst forms of modern slavery (i.e., human trafficking, wage less bonded labor, or surrender of personal documentation). In 2022, we enhanced our supplier communications and education materials by emphasising the proactive measures suppliers need to take to address all aspects of conformance to this provision of the RBA Code. We feel this was a positive factor in the near 40% reduction of nonconformant findings in this Code provision compared to 2021 audits.

As described in the 2022 ESG Report, IBM judiciously follows the RBA audit process, requiring root cause and corrective actions to be implemented for all Code nonconformance. Corrective Action Plan (CAP) implementation is reviewed by the internal IBM team prior to RBA re-audits performed on all nonconformant findings including those associated with the Freely Chosen Labour provision of the Code. IBM treats all nonconformance as a serious issue and invests considerable time working with its suppliers to advise on best practice to attain and maintain code conformance. IBM recognises the supplier audit results in 2022 are not indicative of our objective to have a fully conformant supply chain. As a result of the nonconformances identified in 2022, we are enhancing supplier education materials by emphasising the proactive measures suppliers must take to address all aspects of compliance to this provision of the RBA Code. Additionally, we are committed to learning more about the patterns of human trafficking on a global basis and specific to Australia. Our learnings will be shared with our Procurement group and external suppliers in Australia during 2023.

In late 2020, IBM partnered with Stop The Traffik (a UK NGO with 15 years of experience in strategies focused on disrupting human trafficking) to rework our internal online training and augmented the course material with a moderated learning support community forum dedicated to tackle human trafficking. In 2021, the courses were migrated to the IBM SkillsBuild education web site. SkillsBuild is a comprehensive online education platform accessible (free of charge) to a global audience through online self-registration. Both courses, "Introduction to Human Trafficking" and "Disrupting Human Trafficking", provide the learner with background, context, and useful tips to assist in the endeavour to end this egregious practice. In 2022, IBM updated and renamed its internal course (Modern Slavery) on the Your Learning platform. This platform (and course) is available to all IBMers and contributes toward annual personal educational objectives. By the end of 2022, all 20 members of the IBM Australia Procurement team had completed the Modern Slavery course. In 2023, IBM plans to encourage other procurement groups around the world to complete this course.

In conjunction with Stop The Traffik, law enforcement agencies, and financial institutions, IBM deployed cloud and artificial intelligence technology to create a growing on-line database to track and counteract the trade of human beings on a global basis. Traffik Analysis Hub (TAH) was formed as a separate non-governmental organisation recognized by the UK charities commission, to enable members to validate and map patterns, trends, and smuggling routes. Since 2019, TAH has grown to more than 100 financial institutions, corporations, research, academic, non-governmental, and law enforcement entities, with data representing over 1.1 million trafficking cases. Authenticated partners upload non-personal data relating to human trafficking; TAH uses AI to aggregate and interpret this data transforming it into information that members can act upon. During 2022, IBM's

corporate supply chain social responsibility team subscribed to TAH and uses this tool to gain additional insight into segments or countries in our supply chain (including Australia) that may have heightened risk for upstream modern slavery. More details can be found at: <https://www.traffikanalysis.org/>