

IBM Australia Modern Slavery Statement

A Message from IBM Australia's Managing Director

IBM is deeply committed to the highest ethical standards in all we do – empowering employees, working with clients and partners, and governing our company.

In the pages that follow, we outline this enduring commitment and the intentional actions we have taken in our pursuit to address and eliminate modern slavery practices. In our first modern slavery statement, we review and reflect on the journey IBM Australia is taking to mitigate potential risks within our operations and supply chains. We are committed to continuing our journey, grounding our business and strategy in the core values of trust, equity and inclusion that have guided IBM throughout our history.

This statement was approved by the Board of IBM Australia Limited.



Katrina Troughton
Managing Director, IBM Australia Limited
June 2021



Introduction

This is the first 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 throughout this statement. It covers IBM's actions throughout IBM's 2020 financial year ending on 31 December 2020. 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 over 175 countries worldwide. IBM Australia Limited was established in 1932.

IBM brings 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 financing 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 organizations.

IBM's mission

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. 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.

Our supply chains

Within IBM, Global Procurement has responsibility for purchases needed to run our business and to fulfil the delivery of IBM's products, software, and services to our clients world-wide. To achieve consistency, IBM has a global

structure to select suppliers and commit IBM funds via contracts and purchase orders.

Locally, there is a team of approximately 30 sourcing professionals and managers, who are responsible for procurement in accordance with IBM's global structure, to meet the needs of IBM's operations and its clients in country. In 2020, purchases by IBM Australia totalled over \$400m AUD with 225 suppliers across the following broad categories:

- Business Services (for example marketing communications and administrative human resources)
- Facilities (for example maintenance, food service, and security)
- 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)

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

IBM takes an active role in supply chain social responsibility (SCSR) dating back to 2004 when IBM founded a specialised department within its Global Procurement operations 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 SCSR group is geographically distributed which assures supply chain social responsibility is integrated into the regional supplier base.

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 labor, child labor 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 global companies like IBM, risk for modern slavery 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.

To address risks 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.

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 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.

As an EICC member, IBM aligned its internal policies and practices with the EICC Code to ensure its global practices are synchronised across the sector. In October 2017, the Electronic Industry Citizenship Coalition (EICC) re-branded itself as the Responsible Business Alliance (**RBA**).

IBM has communicated its requirement for suppliers to work toward and remain compliant with the RBA Code. These communications begin during the on-boarding process of new suppliers to IBM. The RBA Code is provided to suppliers and they are provided an opportunity to identify any areas of their operations which may not be conformant to the Code. Following on-boarding, IBM suppliers (in Australia and all other countries) are required to sign a contractual attachment to comply with the requirements of the Code. This agreement links RBA Code compliance to the commercial terms and conditions of conducting business with IBM. 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 Labor section under Freely Chosen Employment. The current version of the RBA Code sets out:

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.

Within IBM, the RBA Code principles and commitments are reinforced by IBM's Global Employment Standard, which is part of IBM's Policies & Principles published at: <https://www.ibm.org/responsibility/policies#employmentStandards>. This IBM Standard covers IBM's positions on 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.

Modern slavery prevention effectiveness

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, to-date, no social responsibility audits (RBA Validated Audits) have been chartered with any IBM suppliers in Australia.

In the period from January 2020 through December 2020 (the last period of public reporting) IBM received 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 are available in the Supply Chain section of the Corporate Responsibility Report.

Analysis of the 46 full audits indicated that 14 suppliers located in Brazil, China, Mexico, Philippines, South Korea, Taiwan, and 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 noted non-compliances against this Code, there were no instances of workers found to be subject to the worst forms of modern slavery. As a result of the non-compliances identified in 2020, we are acting (in 2021) to enhance 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 noncompliance. Corrective Action Plans are implemented by our suppliers, and RBA closure audits performed on all suppliers with noncompliance to the Code including those associated with the Freely Chosen Labor 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. In 2019 and 2020, online educational materials were made available to IBM suppliers relating to RBA Code of Conduct elements. These materials have been developed by the 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.

In 2019 IBM developed a digital training course "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.

Finally, 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's Corporate SCSR team 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/>