

IBM Australia – Modern Slavery Statement 2023

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.

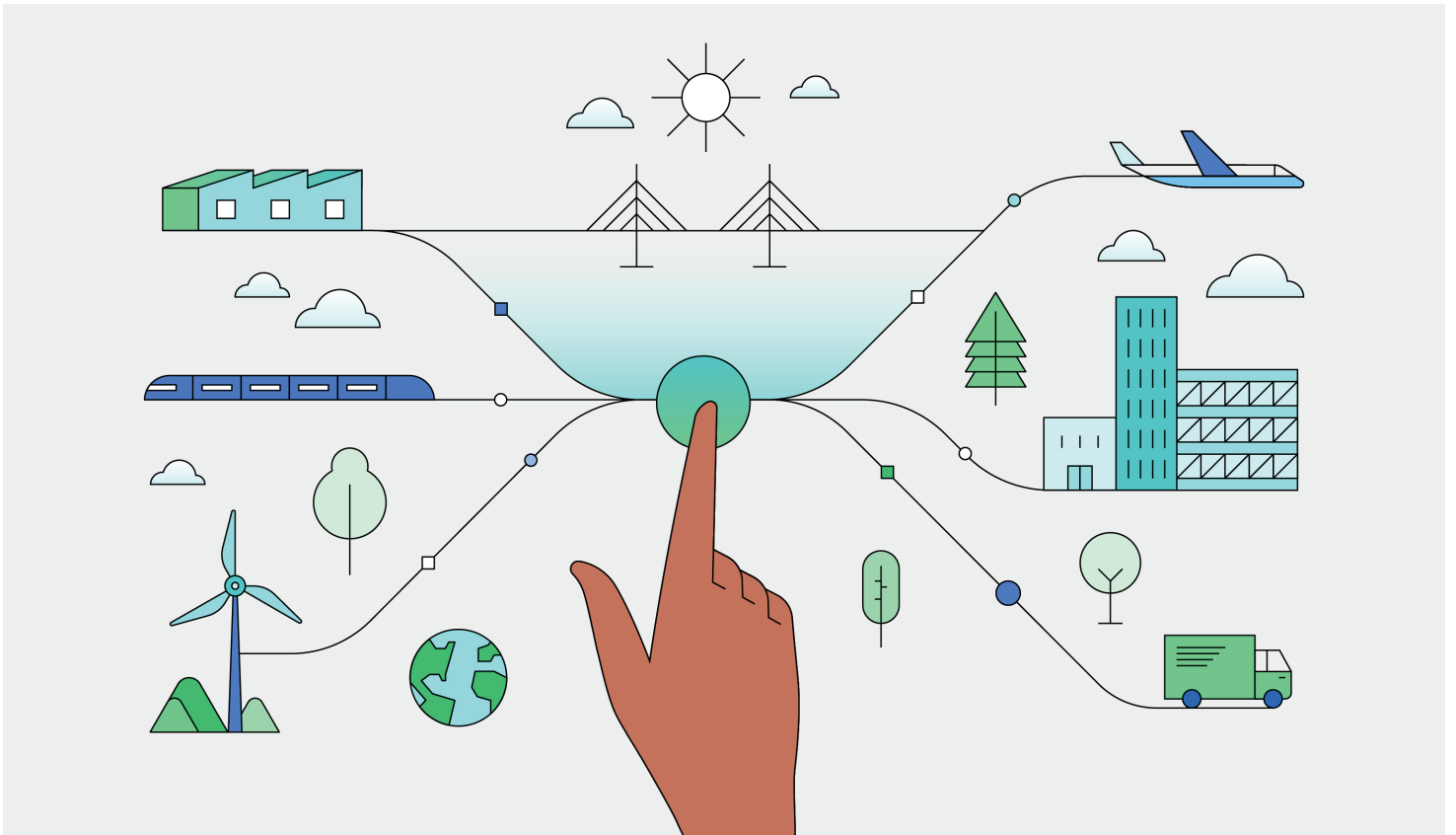
In our 2023 Modern Slavery Statement, we reflect on our processes and reaffirm our commitment to address and eliminate modern slavery practices. This statement outlines how we continue to work to mitigate potential risks within our operations and supply chains, to ensure we uphold our commitment to the highest ethical standards.

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



Robin Lautemann
IBM Australia Limited
May 2024





Introduction

This is the fourth 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 2023 financial year ending on 31 December 2023. It was prepared by IBM's local procurement team in consultation with local legal and the global Supply Chain Social Responsibility team, based 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 2023, 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 113-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 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 structure, business operations and supply chains

Our principles and governance

IBM's long-term performance strategy integrates economic, environmental, and societal performance and leadership. The IBM Board of Directors oversees IBM's long-term business strategy and is actively engaged in ensuring that IBM's culture reflects its commitment to integrity, trust, transparency, and inclusion. Under the guidance and supervision of our Board and its committees, IBM senior management is responsible for the company's environmental and social performance and regularly reports to the Board and its committees on IBM's Environmental, Social, and Governance (ESG) activities. Our ESG function coordinates day-to-day ESG and corporate responsibility-related activities and is led by the Vice President & Chief Impact Officer who reports to the Senior Vice President, Marketing and Communications & Chief Communications Officer. The following two groups work to integrate ESG activities across the business:

The ESG Executive Steering Committee provides leadership and direction on key corporate responsibility issues and 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:

- Chair: 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, Chief Procurement Officer
- Vice President & Controller, Environmental, Social, and Governance
- Vice President & Global Head of Product Management and Strategy, IBM Sustainability Software
- Vice President, Investor Relations
- Vice President, Government and Regulatory Affairs
- Vice President, Assistant General Counsel & Corporate Secretary
- Vice President & Chief Risk Officer

■ IBM structure, business operations and supply chains

The ESG Working Group executes and 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. During 2023, the above matrixed governing-forums have 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 ethically and sustainably. A roster of relevant documents for 2023 are listed on the IBM Reports and Policies website: <https://www.ibm.com/impact/reports-and-policies>. In 2019, we adopted a Human Rights Statement of Principles that represent our commitment to respect all human rights in line with international standards such as the UN Guiding Principles on Business and Human Rights, the Universal Declaration of Human Rights, and the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work.

- In particular, IBM addresses its stance on the prevention of modern slavery through its Global Employment Standard (Freely Chosen Employment provision) - Corporate Instruction HR-114. HR-114 is the internalisation of the Responsible Business Alliance (RBA) Code of Conduct, and our means of integrating that Code into IBM's global operations. These two standards are embedded in the practices across the countries in which IBM operates in.
- All employees and external stakeholders have access to these standards.
- On an annual basis all IBM employees are required to take an on-line certification of IBM's Business Conduct Guidelines https://www.ibm.com/investor/att/pdf/IBM_Business_Conduct_Guidelines.pdf.
- In 2021 and 2022, we worked with a nonprofit sustainability and human rights organisation to identify the salient human rights issues across our business (including the supply chain). This assessment prioritized areas for future due diligence and informed the development of our human rights strategy, including the formation of a role dedicated to overseeing our human rights initiatives.

■ IBM structure, business operations and supply chains

Our supply chains

Across IBM's 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. IBM has an effective global/regional procurement structure responsible to select suppliers and commit IBM funds via contracts and purchase orders.

Locally, at year-end 2023, there is a team of 25 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 2023, purchases by IBM Australia totalled over \$AUD256m with 266 suppliers across the following broad categories:

- Facilities (for example maintenance, food service, and security)
- HR Services (for example administrative human resources)
- Logistics (for example transportation of hardware products for customer installation)
- 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)

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. Hardware 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, the risk of modern slavery typically resides 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. IBM's internal hiring and engagement practices are robust and existing procedures are designed to ensure that no modern slavery exists within our organisation. Externally, IBM has taken an active role in social responsibility in the supply chain dating back 20 years when it established a dedicated department to focus exclusively on the establishment of policies, practices, and initiatives to identify and take measurable action on areas of concern in the supply chain. The Supply Chain Social Responsibility (SCSR) team is part of the Global Procurement organisation - which ensures all buyers have a direct association with the professionals dedicated to this work. The SCSR team is geographically distributed with members located in China, India, Hungary, Mexico, and the East and West coasts of the United States. This ensures cross-qualification of purchasing professionals' abilities to help extend vigilance of the RBA Code into their daily interactions with suppliers to IBM.

Modern slavery prevention and due diligence

IBM joined forces with other pioneering electronics companies in 2004 to create a voluntary supply chain code of conduct to harness the collective wisdom and resources of companies operating at multiple tiers in the industry. This effort matured into the Electronic Industry Citizenship Coalition (EICC), which released its Version 1.0 Code of Conduct (Code) in late 2004. Since its inception, the EICC has grown from 8 members to over 160 members. Making EICC unique among industry groups was 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.

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 2023, membership in RBA continued to grow and included nearly 230 companies.

Membership in RBA requires IBM to endorse the RBA Code for its 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 aforementioned Global Employment Standard, which is part of IBM's Policies & Principles as published at: <https://www.ibm.com/impact/reports-and-policies>.

IBM requires its direct suppliers of hardware, software, and services to work toward and remain conformant with the RBA Code. Setting this expectation with new suppliers begins during onboarding, where IBM introduces the RBA Code of Conduct and our expectation of full conformance. As part of onboarding, new suppliers (in all countries) are required to sign a contractual agreement (called the RBA Letter Agreement) to comply with the RBA Code, or to demonstrate equivalency through a respective code and practices. 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 8.0, effective January 1, 2024, further modifying this section that is contained in the Labour section, renamed Prohibition of Forced Labor (previously Freely Chosen Employment):

Forced labor in any form, including but not limited to, 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, or in a language the worker can understand, 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 shall be voluntary, and workers shall be free to leave work at any time or terminate their employment without penalty if reasonable notice is given, which shall be clearly stated in workers' contracts. Participants shall maintain documentation on all leaving workers. 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. Notwithstanding the foregoing, employers can only hold documentation if necessary to comply with the local law. In this case, at no time shall 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 2023, online educational materials were made available to IBM suppliers relating to the RBA Code of Conduct elements (Labor, Health and Safety, Environment, Ethics, and Management Systems). These materials have been developed by RBA with input from various members and external stakeholders. We enhanced our supplier communications and education materials by emphasising the proactive measures suppliers need to take to address all aspects of conformance to the RBA Code. IBM targeted these courses to its suppliers undergoing audits as further investment in growing the capabilities of our suppliers in terms of social responsibility. 20 IBM suppliers took advantage of the online training, with over 75 people taking an aggregate of 366 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 2023 no social responsibility audits (RBA Validated Audits) were chartered with any IBM suppliers in Australia.

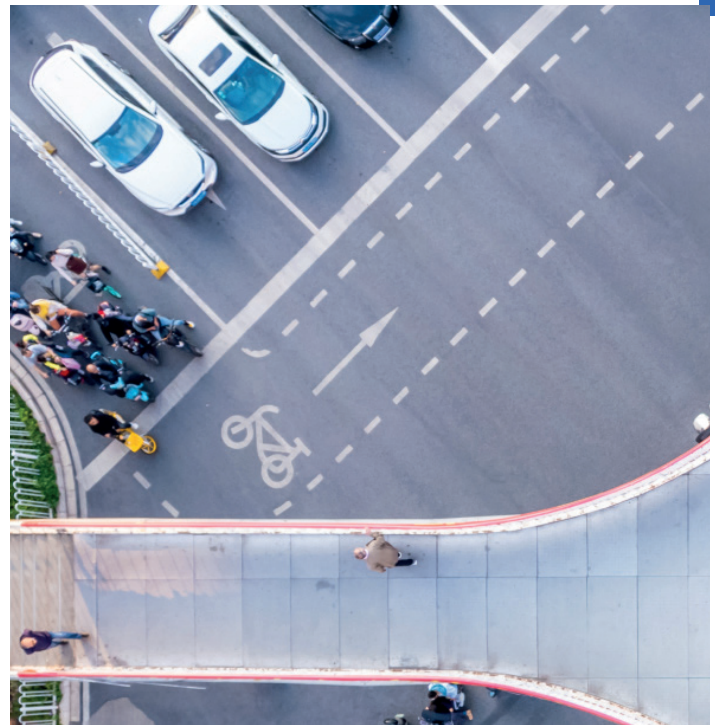
In the period from January through December 2023, IBM received and analysed 82 full RBA audit and 48 re-audit reports from suppliers in: Brazil, Bulgaria, Chile, China, Colombia, Czech Republic, Germany, Greece, Hungary, India, Italy, Japan, Korea, Malaysia, Mexico, Philippines, Romania, Singapore, Taiwan, Thailand, United Arab Emirates, and the United States. An aggregate summary of nonconformant findings for the 2023 RBA supplier audits is available in the Supply Chain section of the 2023 IBM Impact report <https://www.ibm.com/impact> (ESG Report).

Analysis of the 82 full audits indicated that 24 suppliers located in Chile, China, Czech Republic, Germany, Greece, Hungary, India, Italy, Japan, Malaysia, Philippines, Singapore, South Korea, Taiwan, and United Arab Emirates incurred a total of 41 priority, major, or minor nonconformance to the Prohibition of Forced Labor provision of the RBA Code. The 41 nonconformant findings are summarised as follows:

- (6 findings) No policy on prohibition of any form of forced, bonded (including debt bondage), involuntary or exploitative prison, trafficked, slave labour, nor employment fees charged to prospective workers
- (5) No policy on freedom of movement in the workplace
- (4) Penalties for workers' departure from employment exceed parameters stipulated by the RBA Code
- (4) No management system to monitor, identify, and ensure compliance with applicable labour laws, regulations, customer requirements, and/or RBA Code parameters established
- (4) A management system to monitor, identify, and ensure compliance with applicable labour laws, regulations, customer requirements, and/or RBA Code parameters is established; however, no risk analysis is performed
- (3) Workers' voluntary termination period exceeded the 30 days stipulated by the RBA Code
- (2) Workers' prohibited pre-employment fees were reimbursed within the three-month parameter in the RBA Code
- (2) Workers' reimbursement for prohibited pre-employment fees exceeded the three-month parameter in the RBA Code
- (2) No policy prohibiting employers, agents, and sub-agents from holding or otherwise destroying, concealing, or confiscating identity or immigration documents, such as government-issued identification, passports, or work permits.
- (2) A management system to monitor, identify, and ensure compliance with applicable labour laws, regulations and customer requirements is established, but management reviews were not conducted quarterly as stipulated by the RBA Code
- (2) Wage loan repayment exceeded RBA Code parameters
- (1) A policy prohibiting employment fees charged to prospective workers exists; however, there is no evaluation that fees were not charged
- (1) Labour contracts stipulated overtime was not voluntary
- (1) Workers' probation period in employment offers did not match period stipulated in government issued work permits
- (1) Workers' contracts contained restrictive clause regarding wage payments that were not removed once the practice was terminated by the auditee
- (1) Labour contracts were missing from subcontract workers' employment records

In these 41 nonconformant findings there were no instances of workers subjected to the worst forms of modern slavery (i.e., human trafficking, wage-less bonded labour, or surrender of personal documentation). IBM carefully 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 Prevention of Forced Labor provision of the Code. IBM treats all nonconformances seriously and invests time working with its suppliers to advise on best practices to attain and maintain code conformance. Corrective Action Plans are in place with the 24 suppliers to address and remediate these nonconformant findings. Through April 16, 2024, nearly 30 percent of the noted nonconformant findings have been remediated by Corrective Action Plans and validated by re-audits, with the remainder to close during the year.

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 further develop our internal online training. We also augmented the course material with a moderated learning support community forum dedicated to tackling 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. During 2023 the Australia team completed Procurement training which contains the Modern Slavery course. As additional training content, during mid-2023, IBM created an online course for its Procurement groups focusing on specific aspects of Forced Labor prevention as a complement to the broader-focused prevention of Modern Slavery course. This new course was featured in IBM's 2023 Finance and Operations dedicated all-day training events for employees in the US, Europe, and Canada. In 2024, deployment is planned for procurement groups in targeted countries.



A parallel avenue of engagement is the work IBM completed to apply leading-edge technology to this challenging issue. In conjunction with the coalition Stop The Traffik (STT), law enforcement agencies, and financial institutions, IBM deployed cloud and artificial intelligence technology to create an on-line data analytics application Traffik Analysis Hub (TAH) to track and counteract the trade of human beings on a global basis. 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 in the prevention of modern slavery. Since 2019, TAH has grown to more than 250 financial institutions, corporations, research, academic, non-governmental, and law enforcement entities, with data representing over 1.1 million trafficking cases. TAH also powers STT's Exploitation Analytics intelligence reporting. During 2023, IBM's SCSR team subscribed to TAH and used this tool to gain additional insight into supply chain countries (including the UK) that have heightened risk for upstream modern slavery.

More details can be found at: <https://www.traffikanalysis.org/>

