



IBM United Kingdom – Section 172 Statement

Financial year ending 31 December 2022

The Board of Directors, in line with their duties under s.172 of the Companies Act 2006, act in a way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole and in doing so have regard to a range of matters and stakeholders when making decisions for the long term. Key decisions and matters that are of strategic importance to the Company are appropriately informed by s.172 factors.

The Company's strategy is in line with that of its ultimate parent, International Business Machines Corporation ('IBM'). IBM's group strategy and business model are described on pages 11-15 of IBM's annual report for the year ended 31 December 2022 (which does not form part of this report).

In addition to the governance provided by the Board of Directors, as a subsidiary of IBM the Company is subject to extensive organisational and management systems which enable the Board through its Directors, and through corporate delegations, to organise and oversee governance of the day-to-day operational activities of the Company. Further details of these systems are set out in the Company's Corporate Governance Statement.

The Board recognises that the long-term success of the Company's business is dependent on the way the Company interacts with stakeholders, including employees, clients, suppliers, the community and the environment.

Employees

Through the IBM management system, the Company engages with and listens to employees in many ways, including through the annual employee engagement surveys; town hall meetings; internal publications; updates from the General Manager; round tables; fireside chats and newsletters. Through the same management system, the Company maintains responsibility for safeguarding the interests of employees. In addition, the Company, through the Board of Directors and applicable delegations, manages and oversees the Company's obligations in relation to the employee pension schemes.

During 2022 the Directors and other local leaders were briefed on a range of employment matters, including employee engagement, increasing diverse representation at all levels of the business, talent, sponsorship and mentoring programmes and ongoing focus on mental health and well being.

Employee survey results are analysed, reviewed and action plans developed as a result of the feedback; these surveys give employees an opportunity to express their views on matters of company strategy, management and employee inclusion and experience.

One of the Directors, the UK General Manager, chairs the UKI Inclusion Council. The Council is attended by the Business Resource Group, Community Executive Sponsors and Business Unit Leaders and provides leadership on IBM's Diversity & Inclusion agenda in the UK, considering and representing the diverse communities of employees. Executive Sponsors represent the following communities 1) Women 2) LGBTQ+ 3) Black 4) Asian 5) People with Diverse Abilities 6) Carers 7) Military Veterans 8) Mental Health 9) Men.



In 2022, examples of matters considered by the Council included a review of the 2021 Inclusion Survey feedback and required improvements; and the Race At Work Charter (Business in the Community) to which IBM has signed up and agreed to progress against the 7 pillars of achievement. Subject Matter Experts from various key departments provided the following: 1) Procurement provided an update on the status of the Company's Supplier Diversity programme; 2) HR Employee Concerns provided insights and details of employee enablement; 3) Benefits provided a market review of the Inclusive benefits available to the Company's employees; 4) Talent Acquisition provided an update on the diversity of the Company's 'Early Professional and Professionals' hires; and 5) HR Diversity and Inclusion provided an update on the Company's Reflection rooms signage and usage.

The Council were advised that the Company had been granted the Military Service Community Gold award and Disability Confident Level II, and that the Company had become a Founding Member of Neurodiversity in Business, in addition to the many successful celebrations hosted throughout the year including International Women's day, Pride, National Inclusion Week, World Aids Day and Neurodiversity Month.

Further details on employee matters can be found in the Directors' Report on page 11 and in the Corporate Governance statement on page 14.

Clients

IBM focuses on building strong relationships with its clients and spends considerable time with them to understand their needs and views and how IBM can improve its service to them. In 2022 IBM UK introduced the Client Advisory Council, which meets twice-yearly and includes members of the IBM UK Board of Directors.

The IBM Client Advisory Council comprises a dynamic, dedicated group of senior (C-Suite) executive clients from multiple industries and geographies who are leading the digital evolutions of their enterprises and industries alike. Representing major companies and organisations from the United Kingdom and Ireland, members of the Council contribute first-hand knowledge and diverse executive viewpoints on the market and industry trends driving the transformation of today's business models, and the technical and business architectures required to succeed. Council members include Chief Information Officers (CIOs) / Chief Operating Officers (COOs) and other strategic leaders who are driving the innovation agendas of their companies. They are responsible for Technology and Consulting decision making within their organisations and have an informed opinion about how the Company performs and delivers, how its competitors compare and can comment on any areas of distinction/improvement.

The IBM Client Advisory Council discusses and evaluates the various challenges facing the industry, the Company, and client organisations, relative to digital transformation and business model change that most organisations are undertaking. The Council focuses on topics that reflect the core investment areas for the Company and the priorities of its clients. Active participation from Council members helps prioritise topic areas and shapes agendas, with Council members and the Company contributing to content for each meeting agenda.

Council members are invited to bring a 'burning question' to the table related to AI, Cloud, Quantum, Digital Transformation and more, with a view to discussing this amongst a small network of C-suite peers



in a supportive, conversational and confidential collegiate setting. In some cases, Council members are asked to co-lead a deeper discussion to offer perspectives on a recent experience, specific trend or future investment.

The Council also invites external guest speakers from the industry (from organisations including Tech UK and others).

Suppliers

The Board recognises that the relationship with suppliers is important to the Company's long term success and has signed up and adheres to the Prompt Payment Code. In 2022, the Board also reviewed the Company's Modern Slavery Act obligations and approved the Company's Modern Slavery Act statement for publication given the importance of such matters to the IBM supply chain. In this context, consideration was also given to the impact of the Company's operations on the wider community and the importance to the Company of maintaining its reputation for high standards.

IBM's Procurement organisation is recognised as a leader in sustainable procurement. IBM has in place programmes with which it requires suppliers to comply, which in turn can help those suppliers to develop their own capacity to demonstrate their commitment to achieving social and environmental objectives. These programmes are directed to all IBM suppliers, whether they are global or locally based here in the UK. IBM is also driving the use of Blockchain technology to make it easier for companies to onboard with IBM as a supplier and to help reduce their own costs of managing this process.

Consideration of impact to suppliers of business operations is also reflected in IBM's collaboration with the Responsible Business Alliance and Responsible Minerals Initiative, the principles of which are embedded in local processes. Further details are given in the Corporate Governance Statement.

The Board supports these measures and considers impact to suppliers, through its implementation of the management system and approved IBM Procurement processes. Further details can be found in the Corporate Governance statement, together with those of other UK based supplier support processes and initiatives.

Community and Environment

The Company, as a part of the broader IBM group and supported by the Board, seeks to ensure that it makes a positive contribution to the communities and societies of which it is a part, with a key focus on education and skills.

In October 2021, IBM Chairman and CEO Arvind Krishna said: "Talent is everywhere; training opportunities are not. This is why we must take big and bold steps to expand access to digital skills and employment opportunities so that more people – regardless of their background – can take advantage of the digital economy. Today, IBM commits to providing 30 million people with new skills by 2030. This will help democratize opportunity, fill the growing skills gap, and give new generations of workers the tools they need to build a better future for themselves and society." Since 2021 over 7 million people have enrolled in IBM courses.



There are a number of global education and skills programmes which IBM offers to communities around the world. In the UK the Company focuses on one key education and skills initiative – IBM SkillsBuild.

IBM SkillsBuild is a free digital learning programme which was launched in 2020. It seeks to serve students (ages 13-20 years) and their teachers as well as University students and adults. Content includes badges and STEM focused learning as well as professional skills in order to help learners better prepare for the world of work. Company volunteers and mentors are working with schools and universities to roll SkillsBuild out to as many students and teachers as possible. In addition, the Company has established an IBM SkillsBuild School visit programme where classes of secondary school age students are brought into the Company's IBM London Innovation Studio on a regular basis. During their half-day visit, they experience a range of IBM technology demos as well as hands-on Agile workshops, Career panels and Assessment Centre tasters. In the past year over 500 students have benefited from these visits.

The Company is ensuring that IBM SkillsBuild reaches all parts of the UK and have recently embarked in a partnership with CyberFirst through HOST to reach 1,000 schools in the Manchester and Lancashire regions. IBM SkillsBuild also serves adult job seekers who wish to up-skill and re-skill and has content arranged around career learning paths. The Company is providing enhancements such as online Skills bootcamps and mentoring. In the past year the Company hosted an online Data Analytics bootcamp over a 16 week period with over 150 learners completing the bootcamp and the Company is running an online bootcamp for IT Support Specialists, supporting learners from the National Autistic Society with IBM mentors. Another four online bootcamps are planned for later this year. The Company has partnered with a number of non-governmental organisations to ensure that under-served communities such as veterans, refugees and young people have access and are encouraged to benefit from SkillsBuild opportunities and participate in the project based learning programmes. Other organisations include SaluteMyJob helping ex-military personnel re-skill as Cyber Security professionals and Digital Futures, as well as City & Guilds Foundation. The Company continues to work with many partners to roll out SkillsBuild to as many engaged learners as possible.

A skills and education programme that was established by the Company more than ten years ago is P-TECH. The P-TECH model of schooling seeks to better prepare young people for the rapidly changing world of work and to equip them with digital and technical skills to succeed in an increasingly digital workplace. The first UK P-TECH programme began delivery with three schools in Leeds in 2019 and new students continue to be enrolled each academic year. P-TECH West London was launched in October 2021 at Ada Lovelace School in Ealing, London where all Year Ten students were enrolled onto the programme. All Year 11 students have visited the IBM Innovation Studio and in the past year more than 55 IBM volunteers have run 27 engaging “workplace skills” workshops at the school benefitting over 900 students. The Company welcomed its first cohort of P-TECH Leeds students for their 6-week paid internship in the summer of 2022 and will be repeating this in summer 2023.

IBM has long had a very active community of employee volunteers and the Company seeks to support this voluntary effort in a number of ways. IBMers are encouraged to register any volunteering they do, through the IBM Community Engagement Portal. For each hour of volunteering IBMers are provided with \$10 of credit to give to any eligible charity of their choice. In addition, there is a range of volunteer opportunities listed on the portal from one-hour remote events supporting local charities, to in-person opportunities for teams of IBMers.



Further details of the Company's support to its community and its approach to environmental matters can be found in the Corporate Governance statement and in the Corporate Responsibility Report as well as on the [ibm.org](https://www.ibm.org/responsibility/reports-and-policies) website: <https://www.ibm.org/responsibility/reports-and-policies>.

The Company Board also recognises that trust and responsibility lie at the heart of the Company's business, and that this is the basis upon which that business operates and flourishes. All stakeholders – including employees, clients, suppliers - depend on the integrity by which the Company operates. Each year all Company employees undertake mandatory global business conduct training and commit to following IBM's comprehensive 'Business Conduct Guidelines'. Similarly, all employees undertake mandatory training annually on matters such as cyber security and data privacy.

Principal decisions

In addition to what is outlined above through the IBM management system, in 2022 the Board made the decision to pay a dividend of £150m to its shareholders. In making their decision, the Directors took into account whether the dividend would impact on the achievement of the Company's strategic objectives in the long term and concluded it would not, in light of the strong cash position and net asset position of the Company. The directors also considered the funding position of the Company's pension scheme.

As noted on page 10 of the Directors' report, the financial risk management of the Company is aligned with that of IBM. In keeping with this, the Board of Directors routinely considers the tax impacts for the Company of proposed transactions and other matters. Additionally, regular updates are provided to the Board on the implications of the IBM group tax strategy for the Company's tax position, the relationship with HMRC, and long term strategy. During the year the Board approved the publication of the 2021 UK Tax strategy (in line with statutory requirements) having been briefed on and then considered long term implications and likely impact on the Company's operations.

The Board of Directors approved the integration of Turbonomic (UK) Limited, Sevone UK Limited and Envizi UK Limited. The Board considered that the purchases were likely to promote the success of the Company for the benefit of the shareholders as a whole. These acquisitions enhance the company's hybrid cloud and AI strategy and complement other AI-powered automation capabilities. The Board also approved the sale of its Watson Health business having considered that this would allow increased business focus on its platform-based hybrid cloud and AI strategy.