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IBM BUSINESS CONDUCT GUIDELINES

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IBM BUSINESS CONDUCT GUIDELINES

December 2006

A Letter from the Chairman	1
Introduction	2
YOU AND YOUR JOB IN IBM	3
Communication Channels	3
Personal Conduct	3
Work Environment	3
Employee Privacy	3
Protecting IBM's Assets	4
<i>Physical Assets</i>	4
<i>IBM Information and Communication Systems</i>	4
<i>IBM Proprietary Information</i>	4
Inadvertent Disclosure	5
Direct Requests for Information and Contacts with the Media, Analysts, Attorneys and Others	5
Using Proprietary Information	6
<i>IBM Intellectual Property Rights</i>	6
Participation in External Standards Organizations	6
Open Source Software	6
<i>Leaving IBM</i>	6
<i>Legal Remedies</i>	7
Recording, Reporting, and Retaining Information	7
Authority to Make IBM Commitments	7
CONDUCTING IBM'S BUSINESS	8
Avoiding Misrepresentation	8
Dealing with Suppliers	8
<i>Avoiding Reciprocal Dealing</i>	8
Competing in the Field	8
<i>Avoiding False and Misleading Statements about Competitors</i>	9
<i>Selling against Competitive Orders</i>	9
Relationships with Other Organizations	9
<i>Complementary Third Parties</i>	9
<i>Business Contacts with Competitors</i>	9
<i>Prohibitions</i>	10
Acquiring and Using Information about Others	10
Information Owned by Others	10
<i>Receiving Information That May Be Confidential or Have Restrictions on Its Use</i>	11
<i>Acquiring Software</i>	11
Using Trademarks	11
Bribes, Gifts and Entertainment	12
<i>Business Amenities</i>	12
<i>Receiving Gifts</i>	12
<i>Referral Fees</i>	12
<i>Giving Gifts</i>	12
<i>Relationships with Government Employees</i>	13
<i>Public Official and Campaign Visits, Speaking Engagements and Honoraria</i>	13
Complying with Laws	13
<i>Competition</i>	13
<i>Export</i>	14
<i>Antiboycott</i>	14
<i>Import</i>	15
<i>The Environment</i>	15
<i>Public Sector Procurement</i>	15
<i>Lobbying</i>	16
<i>Accounting and Financial Reporting Laws</i>	16

ON YOUR OWN TIME	16
Conflicts of Interest.....	16
<i>Assisting a Competitor</i>	17
<i>Competing Against IBM</i>	17
<i>Supplying IBM</i>	17
<i>Using IBM's Time and Assets</i>	17
<i>Personal Financial Interests</i>	17
Publicly Traded Securities	17
Closely Held Organizations	18
Using Inside Information and Insider Trading	18
Public Service	19
Participation in Political Life	20
<i>Speaking Out</i>	20
Someone Close to You Working in the Industry	20

A Letter from the Chairman

Dear IBMer,

In 2003, we undertook a global, company-wide discussion about the values that define IBM. In addition to finding a common set of qualities that characterize "an IBMer," we also learned something equally important: Almost every one of us thinks our work and choices should be determined by what we value.

This is particularly relevant to what we agree explicitly to do and not do as individuals when conducting IBM's business. Each one of us makes decisions that could affect our company and its reputation--whether with one person or with millions of people.

At one level, the IBM Business Conduct Guidelines are a document of conduct we establish for ourselves to help us comply with laws and good ethical practices. We regularly review and update it as business and the world at large become more complex, and as the need for such guidelines becomes greater.

But this is not just about compliance with the law and general standards of ethics. By establishing these guidelines and giving them the weight of a governing document, we are acknowledging that our choices and actions help define IBM for others. We are ensuring that our relationships--with clients, investors, colleagues and the communities in which we live and work--are built on trust.

In other words, the Business Conduct Guidelines are a tangible example of our values and an expression of each IBMer's personal responsibility to uphold them.

I hardly find it necessary to remind IBMers to "act ethically." I know you feel as strongly as I that anyone doing otherwise does not belong at IBM. But I do ask you to read these Business Conduct Guidelines and commit yourself to them. In addition to establishing a baseline for behavior throughout IBM, they provide some excellent examples of how we live out our values as a company. They are an important part of what it means to be an IBMer.

Sam Palmisano
Chairman, President and Chief Executive Officer

December 2006

Introduction

As IBM employees, we frequently encounter a variety of ethical and legal questions. There are no shortcut formulas or automatic answers to the choices we have to make in business today; however, we should decide these questions in ways that are consistent with IBM's values. In some instances, the Business Conduct Guidelines will only be able to provide a baseline standard for our actions--but underlying these guidelines are the values we share as IBMers:

- Dedication to every client's success
- Innovation that matters--for our company and for the world
- Trust and personal responsibility in all relationships

As simple statements, our values may not provide obvious answers in all instances, but they give--or should give--very clear reasons why we make the choices we do. You will have many opportunities to make such choices in situations that are not covered by these Business Conduct Guidelines. But you will not come across a major decision at IBM where our values would not be applicable. And because of the values we share, you will never encounter a situation where actions contrary to our Business Conduct Guidelines are acceptable for an IBMer.

In IBM, the Chief Executive Officer and senior executives are responsible for setting standards of business ethics and overseeing compliance with these standards. It is the individual responsibility of each IBM employee to comply with these standards.

In all instances every employee must obey the law and act ethically. IBM's Business Conduct Guidelines provide general guidance for resolving a variety of legal and ethical questions for employees of IBM, including its subsidiaries and affiliates. Employees who work in marketing and specialized areas such as government procurement and regulatory matters (e.g., environmental, export, tax and customs) must also comply with additional functional guidelines.

Our industry continues to undergo significant changes. As a whole, these changes make the ways in which we do business more complex. Because of the continuing need to reassess and clarify our practices, the contents of these Guidelines will be kept online and updated as required.

Each section of these Guidelines covers an area in which we have responsibilities to IBM as employees:

- Personal conduct and protection of IBM's assets
- Obligations in conducting IBM's business with other people and organizations
- Conflicts of interest and other considerations affecting IBM that may arise on our own time

Because rapid changes in our industry constantly present new ethical and legal issues, no set of guidelines should be considered the absolute last word under all circumstances. If you have any questions about interpreting or applying these Guidelines--or about guidelines and procedures published by IBM or its operating units, subsidiaries or specific functions, such as the Public Sector Guidelines--it is your responsibility to consult your manager or IBM counsel. A violation of any IBM guidelines can result in disciplinary action, including dismissal.

YOU AND YOUR JOB IN IBM

Communication Channels

If you know of an unlawful or unethical situation, you should immediately tell IBM whatever you know or have heard about it; you can do so in one of several ways. Contacting your manager is the best place to start, but you can also contact IBM counsel, use the "Speak Up" program which lets you raise your concern anonymously, if you choose, or "Open Door" to higher management. IBM will promptly review your report of unlawful or unethical conduct, and IBM will not tolerate threats or acts of retaliation against you for making that report.

Personal Conduct

IBM's reputation for integrity and business ethics should never be taken for granted. To maintain that reputation, you must follow all of IBM's Business Conduct Guidelines and exercise good judgment in your decisions and actions. It's no exaggeration to say that IBM's integrity and reputation are in your hands.

If IBM management finds that your conduct on or off the job adversely affects your performance, that of other employees, or IBM's legitimate business interests, you will be subject to disciplinary measures, including dismissal.

Work Environment

IBM strives to maintain a healthy, safe and productive work environment which is free from discrimination or harassment based on race, color, religion, gender, gender identity or expression, sexual orientation, national origin, genetics, disability, age, or other factors that are unrelated to IBM's legitimate business interests. IBM will not tolerate sexual advances, actions or comments or racial or religious slurs, jokes or any other comments or conduct in the workplace that creates, encourages or permits an offensive, intimidating or inappropriate work environment.

If you believe that you are subject to such conduct, you should let IBM know through IBM's internal appeals process at Tie line 641-4147 or (914) 499-4147 or on Lotus Notes at APPEALS/Armonk/IBM or through any of IBM's other communication channels. Your complaint of such conduct will be reviewed promptly. Employees who are found to have engaged in harassment or discrimination, or to have misused their positions of authority in this regard, will be subject to disciplinary measures, including dismissal.

Other conduct that is prohibited because of its adverse impact on the work environment includes: (1) threats; (2) violent behavior; (3) the possession of weapons of any type; (4) the use of recording devices, including videophones and Web cameras, for other than management approved purposes; and (5) the use, distribution, sale or possession of illegal drugs or any other controlled substance, except for approved medical purposes. In addition, employees should not be on IBM premises or in the IBM work environment if they are under the influence of or affected by illegal drugs, controlled substances used for nonmedical purposes or alcoholic beverages. Consumption of alcoholic beverages on IBM premises is only permitted, with prior management approval, for company-sponsored events.

Employee Privacy

IBM and IBM authorized companies and individuals collect and maintain personal information which relates to your employment, including compensation, medical and benefit information. Because IBM is a global organization with business processes, management structures and technical systems that cross country borders, you acknowledge that, to run its business, IBM and its authorized companies may transfer personal information about you as an IBM employee to any of the countries where we do business. While not all countries have a data protection law, IBM has world-wide policies that are intended to protect information wherever it is stored or processed. For example, access to your personal

information is restricted to people with a need to know. Personal information is normally released to outside parties only with employee approval, except that IBM and authorized companies and individuals may also release personal information to verify employment, to satisfy the legitimate requirements of a company or other entity which is considering acquiring some of IBM's business operations, or for appropriate investigatory, business or legal reasons. Employees who have access to personal information must ensure that the information is not disclosed in violation of IBM's policies or practices.

Personal items, messages or information that you consider private should not be placed or kept anywhere in the IBM workplace, such as in telephone systems, office systems, electronic files, desks, credenzas, lockers, or offices. IBM management has the right to access those areas and any other IBM furnished facilities. Additionally, in order to protect its employees and assets, IBM may ask to search an employee's personal property, including briefcases and bags, located on or being removed from IBM locations; the employee is expected to cooperate with such a request. Employees, however, should not access another employee's work space, including electronic files, without prior approval from management.

Protecting IBM's Assets

IBM has a large variety of assets. Many are of great value to IBM's competitiveness and success as a business. They include our physical assets and our extremely valuable proprietary information, such as IBM's intellectual property and IBM confidential information.

Protecting all of these assets is critical. Their loss, theft or misuse jeopardizes the future of IBM.

You are personally responsible for protecting IBM property entrusted to you and for helping to protect the company's assets in general. To do this, you should be aware of and understand IBM's security procedures. You should be alert to any situations or incidents that could lead to the loss, misuse or theft of company property. You should report all such situations to the security department or your manager as soon as they come to your attention.

What types of assets should you be concerned about protecting? And what are your responsibilities in this regard?

Physical Assets

IBM's physical assets, such as equipment, systems, facilities, corporate charge cards and supplies, must be used only for conducting IBM's business or for purposes authorized by management.

IBM Information and Communication Systems

IBM's information and communication systems, including IBM connections to the Internet, are vital to IBM's business; you should only use them for appropriate purposes. You can use them for conducting IBM business or for other incidental purposes authorized by your management or by applicable IBM guidelines. It is inappropriate to use IBM systems to visit Internet sites that feature sexual content, gambling, or that advocate intolerance of others. It is also inappropriate to use them in a manner that interferes with your productivity or the productivity of others. You are responsible to ensure that your use of IBM systems is appropriate; inappropriate use of IBM systems is a misuse of IBM assets.

IBM Proprietary Information

IBM proprietary information is any information that is owned by IBM, including information in IBM databases. Much, but not all, IBM proprietary information is confidential. It may also be subject to copyright, patent or other intellectual property or legal rights. IBM Proprietary information includes such things as: IBM's technical or scientific information relating to current and future products, services

or research; business or marketing plans or projections; earnings and other financial data; personnel information including executive and organizational changes; and software in object or source code form.

IBM's proprietary information is the result of the ideas, hard work, and innovation of many of your fellow employees and of substantial investments by IBM in planning, research and development. This information, particularly IBM confidential information, gives IBM a competitive advantage in the marketplace, and IBM would be damaged if its competitors discovered it.

The value of IBM's proprietary information is well known not only to IBM's competitors but also to others in the industry, such as security analysts, journalists, and consultants. IBM would be harmed by unauthorized disclosures of its proprietary information to, or the unauthorized use of that information by, any of those people. For example, unauthorized disclosure of an unannounced IBM product can hurt IBM by giving competitors more time to match our product. Another example is unauthorized disclosure of a proposed or an unannounced executive or organizational change which can adversely affect employee morale and can interfere with IBM's plans.

As an IBM employee, you will have access to information that IBM considers proprietary. Given the widespread interest in IBM and the increasingly competitive nature of the industry, you will probably come into contact with someone who is interested in acquiring IBM proprietary information. It is critical that you do not disclose or distribute that information except as authorized by IBM and that you follow all IBM safeguards for protecting that information.

Inadvertent Disclosure

You should be careful to avoid the inadvertent disclosure of IBM proprietary information.

To avoid inadvertent disclosure, never discuss with any unauthorized person proprietary information that IBM considers confidential or which IBM has not made public. Furthermore, you should not discuss such information even with authorized IBM employees if you are in the presence of others who are not authorized--for example, at a trade show reception or in a public area, such as an airplane, or when using a cellular or wireless telephone or an electronic bulletin board or database. You should also not discuss such information with family members or with friends, who might innocently or unintentionally pass the information on to someone else.

Finally, keep in mind that a harmful disclosure may start with the smallest leak of bits of information. Fragments of information you disclose may be pieced together with fragments from other sources to form a fairly complete picture.

Direct Requests for Information and Contacts with the Media, Analysts, Attorneys and Others

IBM's business activities are monitored closely by journalists, consultants and securities analysts. You should not initiate contact with these individuals or groups or respond to their inquiries without authorization as follows:

- Journalists - IBM Communications
- Consultants - IBM Analyst Relations or IBM PartnerWorld
- Securities or Financial Analysts - IBM Investor Relations
- Attorneys - IBM Counsel

Similarly, if you receive a request for information on IBM's business from an investigator or law enforcement official, you should refer the request to IBM counsel; requests from government officials or agencies should be referred to IBM Governmental Programs or IBM counsel. If you do not know what functional area a questioner should be referred to, ask your manager.

Using Proprietary Information

Besides your obligation to protect IBM proprietary information from unauthorized disclosure or distribution, you are also required as an employee to use such information only in connection with IBM's business and only as authorized by IBM management. This obligation applies whether or not you developed the information yourself, and it applies by law in virtually all countries where IBM does business.

IBM Intellectual Property Rights

When you joined IBM, you were required to sign an agreement under which you, as an employee of IBM, assumed specific obligations relating to intellectual property as well as the treatment of confidential information. Among other things in the agreement, you assign to IBM all of your right, title, and interest in intellectual property you develop when you are employed in certain capacities, such as a managerial, technical, product planning, programming, scientific or other professional capacity. The intellectual property you assign includes such things as ideas, inventions, computer programs and documents which relate to IBM's actual or anticipated business, research or development or that are suggested by, or result from, work or tasks you perform for, or on behalf of, IBM. Subject to the laws of each country, this obligation applies no matter where or when--at work or after hours--such intellectual property is created. That intellectual property must be reported to IBM, and the property must be protected like any other proprietary information of the company. However, if you believe that your idea, invention, computer program, or other material neither falls within the area of IBM's actual or anticipated business interests, nor resulted from, nor was suggested by, any of your work assignments in IBM, you should discuss it with your local intellectual property law department. Throughout your IBM employment, you should seek advice and direction from your local intellectual property law department before you file for a patent. You should provide that department with copies of any patent you have applied for or obtained.

Participation in External Standards Organizations

Before you participate or commit IBM in any external standards activity, you must receive management approval and the advice of IBM Intellectual Property (IP) Counsel. You will need to understand your responsibility to protect IBM's intellectual property (especially when making a contribution to an organization), to submit to IBM your standards-related inventions as you do other inventions, to avoid conflicts of interest, to comply with antitrust and other laws, and to understand the commitments you and IBM have to the standards organization.

Open Source Software

You should understand that there is wide variation in Open Source licenses and the obligations you and IBM may have under those licenses. Involvement with Open Source Software may potentially lead to a conflict of interest with IBM and/or the inappropriate transfer of IBM's Intellectual Property rights. Employees involved with or who want to use Open Source Software are required to consult with their management and to comply with IBM's Open Source participation requirements.

Leaving IBM

If you leave the company for any reason, including retirement, you must return all IBM property, including documents and media which contain IBM proprietary information, and you may not disclose or use IBM proprietary information, including IBM confidential information. Also, IBM's ownership of intellectual property that you created while you were an IBM employee continues after you leave the company.

Legal Remedies

Regrettably, there have been significant cases in which IBM's physical or intellectual property assets have been wrongfully taken or misused. In some of these instances, IBM has not limited its response to disciplinary action against offending employees, but has taken legal action as well. Also, a number of individuals, including former IBM employees, have been prosecuted for their actions by government authorities and convicted of crimes for their part in stealing IBM assets.

IBM will continue to take every step necessary, including legal measures, to protect its assets.

Recording, Reporting, and Retaining Information

You must record and report all information accurately and honestly.

Every employee records information of some kind and submits it to the company. For example: an engineer fills out a product test report; a sales representative reports orders; an accountant records revenues and costs; a scientist prepares a research report; and, a client engineer completes a service call report. Each employee must accurately and honestly fill in reports.

One very important report that many employees use is the expense account. Employees are entitled to reimbursement for reasonable expenses--but only if those expenses were actually incurred. To submit an expense account for meals not eaten, miles not driven, airline tickets not used or for any other expense not incurred is dishonest reporting and is prohibited.

Under various laws, such as the Tax Laws or the Foreign Corrupt Practices Act, IBM is required to maintain books and records reflecting IBM's transactions. It is essential that these books and records are accurate. Regardless of whether reporting is required by law, dishonest reporting within IBM, for example to IBM management or IBM auditors or during an internal investigation, or to organizations and people outside the company, such as external auditors, is strictly prohibited. This includes not only reporting information inaccurately but also organizing it in a way that is intended to mislead or misinform those who receive it. Employees must ensure that they do not make false or misleading statements in external financial reports, environmental monitoring reports and other documents submitted to or maintained for government agencies, or status reports on contracts, particularly in situations where IBM is selling goods or providing services to a government client. Dishonest reporting can lead to civil or even criminal liability for you or IBM.

Employees must also comply with the IBM guidelines in the IBM Worldwide Records Management Plan in their retention and disposal of IBM documents. The Plan applies to information in any media, including both hard copy and electronic records such as e-mail. It requires that information defined as "essential" must be retained in a recoverable format for the duration of its assigned retention period. Information that is not essential or whose retention period has expired should be disposed of as soon as possible, unless it is subject to a hold order issued by IBM counsel.

Authority to Make IBM Commitments

IBM's management system and contracting processes are designed to help IBM protect its assets and to provide the appropriate controls needed for IBM to run its business effectively with IBM clients, IBM Business Partners, IBM suppliers and other third parties. Within these processes, well defined authority for pricing and certain other contract terms and conditions may have been delegated to certain organizations and to line management. Making business commitments outside of these processes, through side deals or otherwise, is not acceptable. To be clear, you should not make any oral or written commitments that create a new agreement or that will modify an existing IBM agreement with a third party without approval, consistent with delegation levels, from the appropriate IBM organizations, such as Finance, Legal, the Contracts and Negotiations teams, Procurement or line management. In addition, all such commitments must have visibility to IBM Accounting to help ensure the accuracy of IBM's books and records. If you have any questions about a specific situation with a client or Business Partner,

you can contact your local IBM Finance or IBM Legal representatives; if you have questions about a procurement arrangement, you can contact your local Procurement representative.

CONDUCTING IBM'S BUSINESS

You must be ethical and lawful in all of your business dealings whether you are selling, buying or representing IBM in any other capacity.

Today IBM is engaged in a variety of business relationships with other companies and organizations, including authorized business partners, alliance companies and original equipment manufacturers. No matter what type of organization you are dealing with or what its relationship is to IBM, you should always observe the following general standards.

Avoiding Misrepresentation

Never make misrepresentations or dishonest statements to anyone. If you believe that the other person may have misunderstood you, promptly correct any misunderstanding. Honesty based on clear communication is integral to ethical behavior. The resulting trustworthiness is essential to forming and maintaining sound, lasting relationships.

Dealing with Suppliers

In deciding among competing suppliers, we weigh the facts impartially to determine the best supplier. You should do so whether you are in a purchasing job, a local office or any other part of the business--and whether you are buying millions of parts or just a few, or contracting for a small repair job or any other service.

Whether or not you are in a position to influence decisions involving the evaluation or selection of suppliers, you must not exert or attempt to exert influence to obtain "special treatment" for a particular supplier. Even to appear to do so can undermine the integrity of our established procedures. IBM uses a competitive evaluation process to select the best suppliers. Prices and other information submitted by suppliers and IBM's evaluation of that information are confidential to IBM. Employees and former employees may not use any of this information outside of IBM without written permission from management. It is essential that suppliers competing for IBM's business have confidence in the integrity of our selection process.

Avoiding Reciprocal Dealing

Seeking reciprocity is contrary to IBM policy and may also be unlawful. You should not tell a prospective supplier that your decision to buy its goods or services is conditioned on the supplier's agreement to buy IBM products or services.

This does not mean that an IBM client cannot be an IBM supplier or that IBM can never consider its other relationships with the supplier when it is evaluating the supplier. It simply means that IBM's decision to buy goods and services from a supplier must be made independently from that supplier's decision to buy IBM products and services.

Competing in the Field

IBM will compete vigorously for business. If circumstances require modified pricing or service terms, the modifications must be specifically approved by the appropriate level of management. Never extend any modified service or contract terms to any client without prior authorization.

If you are performing a marketing or service activity, IBM expects you to compete not just vigorously and effectively, but lawfully and ethically as well.

Avoiding False and Misleading Statements about Competitors

It is IBM's policy to sell products and services on their merits. False or misleading statements and innuendoes about competitors, their products or their services are improper. Such conduct only invites disrespect from clients and complaints from competitors.

Be sure that all comparisons to competitors and their products and services are substantiated, and that they are complete, accurate and not misleading whenever they are made. Certain countries prohibit comparative advertising. Advice on this subject is available from your local IBM counsel.

Selling against Competitive Orders

If a competitor already has a firm order (a legally enforceable contract) from a client for the competitor's product or service, it is IBM practice not to market competing IBM products or services to that client until the competitor's product is installed, the service is performed or the firm order is cancelled.

What is a "firm order"? Letters of intent, free trials, conditional agreements and similar arrangements usually are not considered firm orders; unconditional contracts are. Generally, if a firm order does not exist, you may sell to the client. However, this is a complicated subject, and as a result it is often difficult to determine if a firm order actually exists. When a situation is unclear, seek advice from IBM counsel.

Relationships with Other Organizations

Frequently, other organizations have multiple relationships with IBM. A distributor may be both an end user and a competitor. Another organization may be an IBM supplier and client at the same time. A few organizations may even be suppliers, competitors, distributors and end users of IBM products. IBM also has relationships with many other types of organizations that continue to emerge in our industry, such as leasing companies, software houses, banks and other financial institutions, original equipment manufacturers, maintenance companies, systems integrators, third-party programmers and others who compete with, buy from, or sell to, IBM. In any dealings, it is important that you understand each one of the relationships involved, and act accordingly.

Complementary Third Parties

IBM has various relationships with complementary third parties, such as IBM Business Partners and reference organizations, to help IBM market and install IBM solutions. If your responsibilities bring you into contact with these third parties, you must follow the applicable sales, marketing and services guidelines that describe the appropriate conduct for dealing with them. In addition to their complementary offerings, some of these third parties market products or services that compete with IBM. When such a situation arises, you must exercise caution and follow established guidelines for dealing with competitors.

Business Contacts with Competitors

It is important to recognize when a company you are dealing with, as a supplier or a client, is also an IBM competitor. Such relationships require extra care. It is inevitable that you and competitors will, from time to time, meet, talk and attend the same industry or association meetings. Many of these contacts are perfectly acceptable as long as established procedures are followed. Acceptable contacts include: sales to other companies in our industry and purchases from them; approved participation in joint bids; and attendance at business shows, standards organizations and trade associations. But even these contacts require caution. If in doubt, you should seek advice from IBM counsel.

Prohibitions

In all contacts with competitors, do not discuss pricing policy, contract terms, costs, inventories, marketing and product plans, market surveys and studies, production plans and capabilities--and, of course, any other proprietary or confidential information.

Discussion of these subjects or collaboration on them with competitors can be illegal. If a competitor raises any of them, even lightly or with apparent innocence, you should object, stop the conversation immediately, and tell the competitor that under no circumstances will you discuss these matters. If necessary, you should leave the meeting.

In summary, disassociate yourself and IBM from participation in any possibly illegal activity with competitors; confine your communication to what is clearly legal and proper. Finally, report immediately to IBM counsel any incident involving a prohibited subject.

Acquiring and Using Information about Others

In the normal course of business, it is not unusual to acquire information about many other organizations, including competitors. Doing so is a normal business activity and is not unethical in itself. In fact, IBM quite properly gathers this kind of information for such purposes as extending credit and evaluating suppliers. The company also collects information on competitors from a variety of legitimate sources to evaluate the relative merits of its own products, services, and marketing methods. This activity is proper and necessary in a competitive system.

There are, however, limits to the ways that information should be acquired and used, especially information about competitors. No company should use improper means to acquire a competitor's trade secrets or other confidential information. Illegal practices such as trespassing, burglary, wiretapping, bribery and stealing are obviously wrong; so is attempting to acquire a competitor's confidential information by hiring the competitor's employees. Improper solicitation of confidential data from a competitor's employees or from IBM clients is wrong. IBM will not tolerate any form of questionable intelligence-gathering.

Information about other companies should be treated with sensitivity and discretion. Such information is often about individuals. Other companies are rightly concerned about their reputations and the privacy of their people.

In addition, individuals, such as consumers and the employees of clients, business partners and suppliers, are also concerned about their privacy, especially now that Internet use has become so widespread. IBM remains dedicated to protecting the privacy of personal information of others. IBM will only collect, use, process, and disclose an individual's personal information in accordance with IBM's privacy policies and guidelines, including IBM's commercial e-mail guidelines.

When working with sensitive information about other companies and individuals, you should use that information in the proper context and make it available only to other IBM employees with a legitimate need to know. In presenting such information, you should disclose the identity of the organization or individuals only if necessary. If disclosure is not necessary, you should present the information in the aggregate or by some other means.

Information Owned by Others

Other organizations, like IBM, and some individuals have intellectual property, including confidential information, they want to protect. They are sometimes willing to disclose and allow others to use their proprietary information for a particular purpose. If you receive another party's proprietary information, you must proceed with caution to prevent any accusations that IBM misappropriated or misused the information.

Receiving Information That May Be Confidential or Have Restrictions on Its Use

To avoid the risk of IBM being accused of misappropriating or misusing someone's confidential or restricted information, there are certain steps you must take before receiving such information. The receipt of confidential or restricted information (whether oral, visual or written) must not take place until the terms of its use have been formally agreed to by IBM and the other party in a written agreement approved by IBM counsel. Furthermore, unless otherwise delegated, an appropriate IBM executive must approve the receipt of another's confidential or restricted information. Once another party's confidential or restricted information is properly in your hands, you must not use, copy, distribute or disclose that information unless you do so in accordance with the terms of the agreement.

In any case, do not take the status of information for granted. If you have information in your possession that you believe may be confidential to a third party or may have restrictions on its use, you should consult immediately with IBM counsel.

Acquiring Software

Special care should be taken in acquiring software from others. As intellectual property, software is protected by copyright, and may also be protected by patent or trade secret laws. Software includes computer programs in "beta" or finished form, databases and related documentation. The software may be on any tangible media, such as print-outs, DVDs, CD-ROMs or diskettes, or it may be accessible electronically through a network from sources such as online databases, bulletin boards, or Web sites. Before you accept software, access software or data on a network, or accept a license agreement, you must follow established procedures which may include a review with IBM counsel. The terms and conditions of any license agreement--such as provisions not to copy or distribute programs--must also be strictly followed. If you acquire software for your personally owned equipment, you should not copy any part of such software in any development work you do for IBM, place such software on any IBM-owned computer system, or generally bring such software onto IBM premises. This includes any copies of software which reside on any electronic online bulletin boards or databases.

If there is a question of ownership or license rights to software, you should consult your manager before you distribute the software in IBM through any distribution channel, including electronic channels such as conferencing disks or e-mail. Your manager may consult IBM counsel. It is your responsibility to make sure that all third party software you are using is appropriately licensed and that you use it only in accordance with the terms of its license.

Using Trademarks

IBM and many other companies have trademarks--words, names, symbols or devices--that are used to identify and distinguish the company's products. Some trademarks are registered in the U.S. Patent and Trademark Office; others are not. For example, the block plain letters "IBM" and the IBM striped logotype are registered trademarks of IBM Corporation, indicated by an "(R)". There are other trademarks of IBM which are not registered, for example, MVS. Its trademark status is indicated by "TM". There may be additional or different trademark designations outside of the U.S.

In all countries, it is important that you properly acknowledge and use IBM trademarks and the trademarks of other companies. Specifically, you should always ensure that the trademark is spelled correctly and written the way the owner of the trademark writes it. You should not use the trademark as a generic name and should use the trademark only as an adjective. For example, it would be proper to say WebSphere software, but not "WebSphere". Also, you should indicate the first time the trademark is mentioned in a publication that it is a trademark of IBM.

You should consult your local intellectual property law department if you have questions on the proper use of a trademark.

Bribes, Gifts and Entertainment

Gifts offered by employees of different companies vary widely. They can range from widely distributed advertising novelties of nominal value, which you may give or accept, to bribes, which you unquestionably may not give or accept.

Gifts include not only material goods, but also services, promotional premiums and discounts.

The following are IBM's general guidelines on giving and receiving gifts and business amenities. Under these guidelines, senior management may also approve giving or receiving higher value gifts and business amenities provided the gifts and business amenities are not prohibited by law or known client, Business Partner, or supplier business practice.

Business Amenities

With management approval, you may give or accept customary business amenities, such as meals and entertainment, provided the expenses involved are kept at a reasonable level and are not prohibited by law or known client, Business Partner, or supplier business practice. For example, suppliers, including IBM, frequently find it appropriate to provide education and executive briefings for their clients. It is all right to provide or accept some services in connection with this type of activity, such as transportation in IBM's or a supplier's airplane, and food and lodging, if you have management approval.

Receiving Gifts

Neither you nor any member of your family may solicit or accept from a client, Business Partner, or supplier money or a gift that could influence or could reasonably give the appearance of influencing IBM's business relationship with that organization. However, unless IBM has specified to the contrary, you may accept promotional premiums and discounts offered by transportation companies, hotels, auto rental agencies and restaurants if they are based upon membership in bonus programs for individuals and are offered to travelers generally. Furthermore, you may accept a gift of nominal value, such as an advertising novelty, when it is customarily offered to others having a similar relationship with the client, Business Partner, or supplier. If you have any doubts about a particular situation, you should consult your manager.

If you are offered a gift which has more than nominal value or which is not customarily offered to others, or money, or if either arrives at your home or office, tell your manager immediately. Appropriate arrangements will be made to return or dispose of what has been received, and the supplier or client will be reminded of IBM's gift policy.

Referral Fees

When authorized by IBM, you may refer clients to third party vendors such as IBM authorized remarketers, IBM authorized assistants, third party software organizations or financing institutions. However, IBM employees may not accept any fee, commission, or other compensation for this activity from anyone except IBM.

Giving Gifts

You may not give money or any gift to an executive, official or employee of any client, Business Partner, supplier or any other organization if doing so would influence or could reasonably give the appearance of influencing the organization's relationship with IBM. You may, however, provide a gift of nominal value, such as an IBM advertising novelty, if it is not prohibited by law or the organization's known business practices.

Relationships with Government Employees

Acceptable practices in the commercial business environment, such as providing education, transportation, meals, entertainment or other things of value, may be entirely unacceptable, and may even violate certain federal, state, local or foreign laws and regulations, when we are dealing with government employees or those who act on the government's behalf. Therefore, you must be aware of, and adhere to, the relevant laws and regulations governing relations between government employees and clients, Business Partners, and suppliers in every country where you conduct business. You should contact IBM Governmental Programs or IBM counsel for guidance.

You must not give money or a gift to an official or an employee of a governmental entity if doing so could be reasonably construed as having any connection with IBM's business relationship. U.S. and foreign laws often prohibit such actions: for example, the Foreign Corrupt Practices Act (FCPA), a U.S. law, makes it a crime to pay money or to give anything of value to a foreign official to assist the company or another to obtain or retain business with the government, whether the improper payment or gift is made directly by a company or indirectly through someone acting for the company. Any proposed payment or gift to a foreign official, political party or candidate must have prior review by local IBM counsel, even if such payment is common in that country. Keep in mind that foreign officials, under the FCPA, can include executives and employees of government-owned corporations, universities, and other entities. Always ask if you have some doubt regarding government ownership.

In countries where local customs call for giving gifts to clients or others on special occasions, you may, with prior approval from management and IBM counsel, present gifts that are lawful, appropriate, and of nominal value, provided the action cannot be seen as seeking special favor.

Furthermore, certain legal or ethical restrictions may exist with respect to the hiring by IBM of current or former employees of the government or their family members. You should consult with IBM management and IBM counsel before any attempts, even preliminary discussions, are made to hire any such persons.

Public Official and Campaign Visits, Speaking Engagements and Honoraria

IBM encourages public officials to make non-partisan visits to IBM locations to better understand our products, programs and our views on public policy issues. However, such visits should not be permitted within 60 days preceding an election in which the official is a candidate. Political campaigning is not allowed on IBM property. Any exceptions must be approved by IBM Governmental Programs.

Likewise, public officials, candidates and prominent former officials may request or be invited to speak at various IBM events. We generally do not pay honoraria or travel expenses since in many instances such a payment would not be lawful. You must get the approval of IBM Governmental Programs and IBM counsel before inviting these speakers.

Complying with Laws

IBM's policy is to comply with all laws and regulations that apply to its business. As you conduct IBM's business, you may encounter a variety of legal issues, particularly in the areas described below. If you have questions on specific laws or regulations, contact IBM counsel.

Competition

Laws governing competition exist in most of the industrialized countries in which IBM does business. The purpose of competition laws, which also may be known as antitrust, monopoly, fair trade or cartel laws, is to prevent interference with the functioning of a competitive market system. While the purpose of such laws is primarily economic, their effect is often seen as going beyond consumer welfare to protecting other values of society, including individual freedoms.

Under these laws, companies may not enter into agreements with other companies, including their distributors and remarketers, however informally, that unreasonably restrict the functioning of the competitive system, such as price fixing or dividing clients or territories.

Companies also may violate competition laws without acting jointly with other companies by, for example, illegally monopolizing or attempting to monopolize an industry or unlawfully abusing a dominant position.

IBM's policy is to comply fully with competition laws throughout the world. You can help by adhering to all of IBM's business conduct guidelines, by being sensitive to legal concerns under competition laws, and by raising any such concerns with IBM counsel.

Export

IBM is truly a global business, with relationships in most of the world's countries. IBM technology in the form of products, services, and technical data relating to the design, production and use of those products and services is subject to both U.S. and non-U.S. export laws and regulations. Before IBM products and technical data can be exported, reexported or shipped outside of the U.S. or another country, IBM must obtain an export authorization from the U.S. and any applicable non-U.S. government.

You should be aware that your actions may have export implications. Export laws apply to: all international transactions, including international intercompany ones and ones where the recipient is a non-U.S. person located in the U.S.; transactions with clients, suppliers, and original equipment manufacturers; and when we use Business Partners, alliance partners or agents to complete a delivery or provide a service--any relationship where IBM will be involved with the export, reexport, or delivery outside of the U.S. or a non-U.S. country of hardware, components, software, technical data, and technical assistance.

Export laws cover more than just physical shipments. They also cover electronic transfers of technical data, software or technology, or the provision of services over the Internet, an extranet or an intranet; application development and delivery; e-business and e-services activities; travel outside the United States with IBM products or technology; providing technical specifications and performance requirements to suppliers for procurement from non-U.S. sources; and the application of personal knowledge (technical assistance) abroad--all involve activities that are subject to U.S. and other country export laws.

It is against the law to engage in export activities without authorization or to facilitate the unauthorized transfers of IBM technology. Penalties for failure to comply with export laws are severe and can result in fines, loss of export privileges and imprisonment. If you have questions on export-related issues, talk with your manager or your local Export Regulation Coordinator or contact the IBM CHQ Export Regulation Office (w3.ibm.com/chq/ero).

Antiboycott

U.S. law prohibits IBM and its subsidiaries and affiliates and their agents from complying with or supporting a foreign country's boycott of a country which is "friendly" to the United States. IBM is also required to report promptly to the U.S. Government any request to support a boycott or to furnish information concerning a boycott. A foreign country or an entity associated with the country could make such a request in a bid invitation, purchase order or contract, letter of credit or orally in connection with a transaction or in a number of other ways. Examples of improper boycott requests are requests that we refuse to do business with a boycotted country, including its citizens, or with so-called blacklisted companies who do business with the boycotted country or that we provide information about activities in a boycotted country or implement letters of credit with boycott conditions. If you hear of a boycott or receive a request to support a boycott or to provide information related to a boycott, you should contact your manager, IBM counsel or the Export Regulation Office (w3.ibm.com/chq/ero).

Import

As a major importer, IBM must comply with import regulations and requirements when engaging in international trade. Because of the continued globalization of IBM's business, there are many situations, some of them very subtle, in which your work may have import implications. For example, in addition to the obvious one in which you are importing parts or products into the U.S. or another country, there may be import implications in activities, --such as development process activity requiring non-U.S. sourcing, client activity requiring the shipment of parts to another country, the shipment of marketing samples, or the calculation of product intercompany prices for sales to an IBM location in another country. In addition, experience has shown that designing parts and ensuring accuracy of inventory of parts will have import implications whenever those parts will cross international borders. You need to be aware of import regulations and requirements, especially if you are involved in importing. A failure to comply with the law can result in fines, penalties, imprisonment and/or a loss of import privileges. If you have questions about imports, contact your manager, your local Import Requirements Coordinator, the IBM Global Logistics International Trade Compliance organization in Boulder, Colorado or a related IBM Global Logistics organization, or the Import Compliance Office (w3.ibm.com/chq/ico).

The Environment

IBM is committed to worldwide leadership in environmental protection. Not only will we comply with all environmental laws, but if there is no law or if the law does not protect the environment, we will set and adhere to stringent standards of our own. Each of us must comply with environmental laws and IBM's environmental policies.

If you are involved with processes that affect the environment, such as measuring, recording or reporting discharges and emissions to the environment or handling hazardous wastes, you must be sure to comply with environmental regulations and permits. You must also maintain IBM standards and ensure that reports are accurate and complete.

As an employee, you have a role to play in protecting the environment. If you become aware of any violation of environmental law or any action that may appear to conceal such a violation, you should immediately report the matter to your manager or to IBM counsel.

Public Sector Procurement

The purpose of public sector procurement laws is to help public sector clients, such as federal, state, and local governments and agencies and those who act on the government's behalf, to get the products and services they want at fair and reasonable prices. Since these laws vary widely and some are complex, we must be careful in our public sector procurements to comply fully with those laws. During the course of a public sector procurement, you should not try to improperly influence the decisions of the client or obtain restricted information about the procurement.

The following are some examples of specific issues you should be sensitive to in public sector procurements. Procurement laws generally require competitive bidding and permit sole source procurement only in unique circumstances. You may review an advance copy of a solicitation document only if the client has also made it available to other bidders. You may not prepare a solicitation document on behalf of a public sector client, even at the client's request, or submit any anonymous documents, such as white papers, to a public sector client, or encourage a public sector client to sign an agreement before an award is made to IBM. You should never discuss business or employment opportunities that could personally benefit any public sector procurement personnel, and you must not offer or provide gratuities in connection with a procurement activity. If you plan to use a consultant in a government client procurement situation, you may not hire a consultant without proper authorization from your management and with the involvement of IBM Global Procurement or IBM counsel. You must ensure that such consultants are governed by our business conduct guidelines. You must also not engage any consultant where doing so would create a conflict of interest.

Because we are committed to serve the public trust in accordance with the law, you must understand and adhere to all applicable public sector procurement laws and regulations. Additionally, you should immediately report to IBM any actual or possible violation of a public sector procurement law or regulation. This may be done through your manager, IBM counsel, the IBM Speak Up program or any of IBM's other communications channels. IBM will not tolerate retaliation against you for making that report and, subject to any applicable business or legal requirements, IBM will protect your anonymity.

Lobbying

Any contact with government personnel for the purpose of influencing legislation or rule making, including such activity in connection with marketing or procurement matters, is considered lobbying. Some laws also define lobbying even more broadly to include our normal marketing activities. You are responsible for knowing and adhering to all the relevant lobbying laws and associated gift laws, if applicable, and for compliance with all reporting requirements.

You must obtain the prior approval of IBM Governmental Programs and advice of IBM counsel to lobby or authorize anyone else (for example, a consultant, agent, or Business Partner) to lobby on IBM's behalf, including when lobbying involves only normal marketing activities and not influencing legislation or rule making.

Accounting and Financial Reporting Laws

As a public company, IBM is required to follow strict accounting principles and standards, to report financial information accurately and completely, and to have appropriate internal controls and processes to ensure that accounting and financial reporting complies with law. Each of us in IBM must comply with these requirements and do what is needed to help IBM, as a company, comply.

The rules for accounting and financial reporting require the proper recording of, and accounting for, revenues and expenses. If you have responsibility for or any involvement in these areas, you must understand and adhere to these rules. Also, these rules prohibit anyone from assisting others to account improperly or make false or misleading financial reports. Therefore, you must accurately and completely record and report all information, and you must not assist anyone to record or report any information inaccurately or in a way that could be misleading. Additionally, you must never provide advice to anyone outside of IBM, including clients, suppliers and business partners, about how they should be recording or reporting their own revenues and expenses.

Violations of laws associated with accounting and financial reporting can result in fines, penalties, and imprisonment, and they can lead to a loss of public faith in a company. If you become aware of any action related to accounting or financial reporting that you believe may be improper, you should immediately tell IBM; this may be done through your management, IBM counsel, IBM Internal Audit or by informing IBM management using any of IBM's other communications channels. If you wish to report your concerns anonymously, you can use the IBM Speak Up program. If you have any questions, you may contact IBM counsel or IBM Internal Audit.

ON YOUR OWN TIME

Conflicts of Interest

Your private life is very much your own. You are, however, an IBMer both on and off the job and a conflict of interest may arise if you engage in any activities or advance any personal interests, at the expense of IBM's interests. It's up to you to avoid situations in which your loyalty may become divided. Each individual's situation is different, and in evaluating your own, you will have to consider many factors. The most common types of conflicts are addressed here to help you make informed decisions.

Assisting a Competitor

An obvious conflict of interest is providing assistance to an organization that markets products and services in competition with IBM's current or potential products or service offerings. You may not, without IBM's consent, work for such an organization in any capacity, such as an employee, a consultant or as a member of its board of directors. Such activities are prohibited because they could divide your loyalty between IBM and that organization.

Competing Against IBM

Today, many IBM employees are engaged on their own time in routine activities that involve technology, business insight, personal computers, software or other products that IBM offers to its clients. Generally, such activities do not result in a conflict of interest. However, employees should be careful to avoid activities that conflict with IBM's business interests.

Obviously, you may not commercially market products or services in competition with IBM's current or potential product offerings. Such marketing activities are "commercial" if you receive direct or indirect remuneration of any kind. Performing such activities on a noncommercial basis, such as through participation in a management approved Open Source project, is usually permissible, but not if IBM decides that the activities have or may have more than a minimal impact on IBM's current or future business.

Because IBM is rapidly expanding into new lines of business and new areas of interest, the company will constantly redraw lines of acceptable activity. It is unlikely that you will find definitive answers to many of your questions regarding the boundaries of acceptable activity in published guidelines. It is therefore your responsibility to consult with your management or IBM counsel to determine whether your planned activity will compete with any of IBM's actual or potential businesses. This should be done before you pursue any activity that might create a conflict of interest with IBM.

Supplying IBM

Unless approved in advance by senior management and IBM counsel, you may not be a supplier to IBM, represent a supplier to IBM, work for a supplier to IBM or be a member of its board of directors while you are an employee of IBM. In addition, you may not accept money or benefits of any kind for any advice or services you may provide to a supplier in connection with its business with IBM.

Using IBM's Time and Assets

You may not perform non-IBM work or solicit such business on IBM premises or while working on IBM time, including time you are given with pay to handle personal matters. Also, you are not permitted to use IBM assets, including equipment, telephones, materials, resources or proprietary information for any outside work.

Personal Financial Interests

You should not have a financial interest in any organization that IBM does business with or competes with if that interest would give you or would appear to give you a conflict of interest with IBM. Such organizations include suppliers, competitors, clients, distributors and alliance companies. Financial interests in competitors usually will present a conflict of interest.

Publicly Traded Securities

To determine whether an improper interest exists, ask yourself the following questions:

- What is the extent of the competition or the nature of the relationship between IBM and the other company? If the other company is in more than one line of business, how significant is

the part that competes with or supplies IBM?

- What is the size of my investment in relation to my salary and other family income, including income from other investments? Is it significant enough to cause me to take some action as an IBM employee to protect or enhance my investment?
- Given the nature of my job in IBM, could my actions as an IBM employee affect the value of my investment in the other company? Could my actions significantly enhance my investment, even if it is a relatively modest one?

A financial interest is improper if your job, the amount of your investment, or the particular company in which you invested could--when viewed objectively by another person--influence your actions as an IBM employee.

In the case of a supplier or alliance company, if you have anything to do, either directly or indirectly, in deciding whether IBM does business with that company, you should not have any financial interest at all in the company.

Additionally, from time to time, an existing or prospective IBM supplier, business partner or client may offer stock options or other securities to a select small group of investors in connection with the company's initial public offering. You should not accept or buy any of that company's securities in such a situation if there is any question whether the offer was motivated in whole or in part by your IBM employment or if the investment does not meet any other IBM guidelines.

You should not evade these guidelines on investments by acting indirectly through anyone else.

Closely Held Organizations

Investments in closely held organizations--typically, closely held corporations, partnerships or even sole proprietorships--raise additional concerns over those in publicly traded companies because of the closer ties of investors to most closely held organizations. For example, there are generally relatively few investors or owners of such companies, giving each a greater stake in ownership; the investors often have a chance to participate in the company's day-to-day operations; and the investors may be perceived to be closely identified with the company.

This relatively close relationship may give the appearance to competitors of the closely held organization that it derives some benefit from IBM. Such a relationship may also give the appearance to IBM employees that the investing employee is using IBM's time, facilities or confidential information for the benefit of the closely held company. For these reasons, employees may not make any investment in a closely held organization that is a competitor, supplier, distributor or organization that remarks IBM products. Exceptions must be specifically approved by management with the advice of IBM counsel.

Using Inside Information and Insider Trading

In the course of your employment with IBM, you may become aware of information about IBM or other companies that has not been made public. The use of such nonpublic or "inside" information about IBM or another company for your financial or other benefit not only is unethical, but also may be a violation of law. U.S. law makes it unlawful for any person who has "material" nonpublic information about a company to trade the stock or other securities of the company, including options, puts, calls, and any derivatives or to disclose such information to others who may trade. Violation of such laws may result in civil and criminal penalties, including fines and jail sentences. IBM will not tolerate the improper use of inside information. These prohibitions also apply outside the U.S.

Material inside information is information which is not available to the general public and which could influence a reasonable investor to buy, sell or hold stock or securities. While it is not possible to

identify in advance all information that could be viewed as material inside information, some examples might include nonpublic information about: IBM's financial performance including earnings and dividend actions; acquisitions or other business combinations; divestitures; major new product or services announcements; significant advances in research; and, other significant activities affecting IBM. Here are some examples of how you can avoid the improper use of inside information:

- If you know that IBM is considering an alliance or is about to announce a new product or make a purchasing decision that could affect the price of the securities of an IBM supplier or other company, you should not buy or sell the securities of that company until after the information becomes public.
- Similarly, if you know that IBM is about to make an announcement that could affect the price of its own securities, you should not buy or sell IBM securities on the open market until after the announcement.
- You should not buy or sell the securities of a client or alliance company based on any inside information you have about that company.
- If you have nonpublic information that IBM is about to build a new facility or expand an existing facility, you should not invest in land or in any business near the new site.
- You should not disclose inside information to IBM employees who do not have a business need to know or to anyone outside of IBM.

As with investments, you should not evade these guidelines by acting through anyone else or by giving inside information to others for their use even if you will not financially benefit from it.

If you have any doubt about what you can or cannot do in this area, you should consult with IBM counsel.

Public Service

IBM encourages employees to be active in the civic life of their communities. However, such service may, at times, place you in a situation that poses a conflict of interest with IBM. As a board or committee member, you may, for example, be confronted with a decision involving IBM. It might be a decision to purchase IBM equipment or services; or it might be a decision by a board of tax assessors or a zoning board that affects IBM property. In such circumstances, your interest in IBM and your obligation to the civic organization might pull you in opposite directions. The law may require you to abstain, depending on your position in IBM and whether you stand to gain personally from the decision. On the other hand, there may be circumstances in which the law does not permit you to abstain. While you are in the best position to make the decision and bear the responsibility for the decision, before making your decision, you should get advice from the civic organization's lawyer and from IBM counsel. In order to protect IBM from embarrassment or other issues, whether or not you finally abstain, you should make it clear that you are an IBM employee and thereby head off any charges of trying to conceal your association with IBM. And, if you decide to abstain, state clearly that you are doing so because there would be a conflict of interest--or the appearance of one--if you did not.

Participation in Political Life

IBM will not make contributions or payments or otherwise give any endorsement of support which would be considered a contribution directly or indirectly to political parties or candidates, including through intermediary organizations, such as political action committees or campaign funds. For example, IBM will not purchase tickets or pay fees for you or anyone else to attend any event where any portion of the funds will be used for election campaigns. In many countries, political contributions by corporations are illegal. IBM will not make such contributions, even in countries where they are legal. Also, the company will not provide any other form of support that may be considered a contribution.

You must not make any political contribution as a representative of IBM. You may not request reimbursement from IBM, nor will IBM reimburse you, for any personal contributions you make.

In addition, you should recognize that your work time or use of IBM assets is the equivalent of such a contribution. Therefore, you will not be paid by IBM for any time spent running for public office, serving as an elected official or campaigning for a political candidate, unless required by law. You can, however, take reasonable time off without pay for such activities if your IBM duties permit the time off and it is approved by your manager. You also may use vacation time for political activity. You must consult with IBM Governmental Programs before accepting a political appointment to any government entity or running for government office at the local, state, or federal level.

Speaking Out

When you speak out on public issues, make sure that you do so as an individual. Don't give the appearance that you are speaking or acting on IBM's behalf.

Someone Close to You Working in the Industry

With the growth in two-career families and the expansion of the industry, you may find yourself in a situation where your spouse or domestic partner, another member of your immediate family or someone else you are close to is a competitor or supplier of IBM or is employed by one. While everyone is entitled to choose and pursue a career, such situations call for extra sensitivity to security, confidentiality and conflicts of interest. The closeness of the relationship might lead you to inadvertently compromise IBM's interests.

There are several factors to consider in assessing such a situation. Among them are the relationship between IBM and the other company, the nature of your responsibilities as an IBM employee and those of the person close to you, and the access each of you has to your respective employer's confidential information.

If you have any questions about your situation, you should review it with your manager to assess the nature and extent of any concern and how it can be resolved. Frequently, any risk to IBM's interests is sufficiently remote that your manager need only remind you to guard against inadvertently disclosing IBM confidential information. However, in some instances, a change in the job responsibilities of one of the people involved may be necessary.