

April 16, 2004

Dear IBM Supplier,

IBM's commitment to social responsibility is part of our heritage and is reflected in the recently published Corporate Responsibility Report, which I encourage you to access via the Internet:

<http://www.ibm.com/ibm/responsibility/>.

With respect to our supply chain relationships, we know that our company's purchase base is a unique resource and comes with a responsibility to hold ourselves--and our suppliers--to high standards of behavior. At a minimum, this means conducting business in compliance with all applicable laws and regulations. More importantly, however, it means striving for continuous improvement.

To this point, we are initiating IBM's Supply Chain Social Responsibility program. This program formalizes a number of past initiatives into a comprehensive plan that will be implemented across our global network of suppliers in a staged fashion. Details on this program are being communicated via the Global Procurement Web site:

<http://www-1.ibm.com/procurement/proweb.nsf/ContentDocsByTitle/United+States~Global+Procurement>.

Core to our Supply Chain Social Responsibility program is the establishment of a set of Supplier Conduct Principles which outline the requirements for doing business with IBM. We intend to work with you to help you achieve full compliance to these principles. We expect you to apply these principles not only in your own company but to your extended sources of supply engaged in the production of goods and services for IBM.

These principles are embedded in our supplier selection process, and we will actively monitor suppliers' existing performance against them as a means to promote sound business practices across IBM's extended supply chain. IBM plans to use the services of an independent third party to review supplier facilities and to report to IBM on your compliance with these principles.

Strong social responsibility in the supply chain is very important to IBM. As an organization, we are eager to make gains in the area of supply chain social responsibility, and we look forward to pursuing this with you, our valued suppliers.

Additional information and resources will be forthcoming. In the meantime, I encourage you to read and embrace our Supplier Conduct Principles. If you have questions regarding our program or wish to share with us details of your existing supply chain social responsibility program, please contact John Gabriel, manager, Supply Chain Social Responsibility at: jmg548@us.ibm.com.

Thank you.

John Paterson
Vice President and Chief Procurement Officer