

Executive Compensation and Management Resources Committee

Charter

Purpose and Organization

The purpose of the Executive Compensation and Management Resources Committee is to discharge the responsibilities of the Board of Directors relating to compensation of the Company's executives and to produce an annual report on executive compensation for inclusion in the Company's proxy statement, in accordance with applicable rules and regulations.

Members of the Committee are appointed by the Board of Directors, upon the recommendation of the Directors and Corporate Governance Committee. The members of the Committee serve until their successors are duly elected and qualified, and they may be removed by the Board of Directors in its discretion. Members of the Committee are outside directors who are not officers or employees of IBM or its subsidiaries and are not eligible to participate in any of the plans or programs that the Committee administers. In the opinion of the Board, these directors are independent of management and free of any relationship that would interfere with their exercise of independent judgment as members of this committee. Members of the Committee shall also satisfy the independence standards of the New York Stock Exchange, as promulgated from time to time. The Committee meets periodically in executive sessions without members of management or management directors present.

Roles and Responsibilities

1. The Committee is responsible for administering and approving all elements of compensation for elected corporate officers. It also approves, by direct action or through delegation, participation in and all awards, grants, and related actions under the Company's various equity plans, reviews changes in the Company's pension plans primarily affecting corporate officers, and manages the operation and administration of the Executive Deferred Compensation Plan and the Supplemental Executive Retention Plan.
2. The Committee has the direct responsibility to review and approve the corporate goals and objectives relevant to CEO compensation, evaluate the CEO's performance in light of those goals and objectives, and together with the other independent directors determine and approve the CEO's compensation level based on this evaluation. The Committee reviews their determinations with respect to the CEO's compensation level with the independent members of the Board. The Committee also obtains ratification of the Board of all items of compensation for the second highest-paid executive.
3. The Committee reports to stockholders on executive compensation items as required by the Securities and Exchange Commission.

4. The Committee has responsibility for reviewing the Company's management resources programs and for recommending qualified candidates for election as officers.
5. The Committee has the authority to delegate appropriate matters to subcommittees as the Committee may determine in its discretion.
6. The Committee has the sole authority to retain consultants and advisors as it may deem appropriate in its discretion. The Committee has the sole authority to approve related fees and other retention terms.
7. The Committee conducts an annual evaluation of its performance.
8. The Chairman of the Committee reports the actions and recommendations of the Committee to the full Board of Directors after each Committee meeting.
9. The Committee reviews the adequacy of this Charter annually, recommending any proposed changes to the Board of Directors for approval.

Approved January 27, 2004