

CHURCH PROJECT ON UNITED STATES INVESTMENTS IN SOUTHERN AFRICA—1975

Dear Investor,

On the following pages you will find a Proxy Statement soliciting support for a resolution requesting International Business Machines to cease providing computers to the South African Government. Fourteen church bodies have joined in filing this resolution for a vote by IBM stockholders.

We ask that you carefully read this Proxy Statement to better understand why this shareholder resolution was introduced. We feel it is important background material for investors to consider before they vote on this particular resolution.

If you own any stock in IBM, we hope you will vote for the resolution. The resolution will appear on the Proxy Statement mailed to you by the corporation and, if you support it, you should vote for it on the corporation's proxy form. If your stock is held for you by a bank or brokerage house, you can instruct them to vote your shares in favor of the resolution. Alternatively, you can vote on this resolution by clipping out the ballot to be found on the last page and returning it to the Church Project on U.S. Investments in Southern Africa—1975, 475 Riverside Drive, Room 566, New York, N.Y. 10027

Sincerely,
Tim Smith
Project Director

CHURCH PROJECT ON UNITED STATES INVESTMENTS IN SOUTHERN AFRICA—1975

475 Riverside Drive, Room 566, New York, N.Y. 10027 March 15, 1975

INTRODUCTION—This proxy statement is provided by the Church Project on United States Investments in Southern Africa in connection with the Solicitation of proxies for a proposal to be presented at the stockholders meeting of International Business Machines (IBM) calling on IBM to stop selling, leasing or servicing computers and parts or software to the Government of the Republic of South Africa.

This resolution will be submitted to the Annual Meeting by participants in the Church Project for United States Investments in Southern Africa—1975 ("The Project"). The text of the resolution is set forth in Appendix I.

The Project is a cooperative venture of boards and/or agencies of seven Protestant religious denominations, six Roman Catholic orders, the Unitarian Universalist Association and the National Council of Churches. Participants in the Project include:

1. The Committee on Social Responsibility in Investments of the Executive Council of the Domestic and Foreign Missionary Society of the Protestant Episcopal Church in the U.S.A.;
2. The United Church Board for Homeland Ministries; the United Church Board for World Ministries; the Center for Social Action of the United Church of Christ;
3. The World Division of the Board of Global Ministries of the United Methodist Church; the Women's Division of the Board of Global Ministries of the United Methodist Church; the National Division of the Board of Global Ministries of the United Methodist Church;
4. The American Baptist Home Mission Societies;
5. The United Presbyterian Church in the United States of America;
6. The Franciscan Friars of the Atonement;
7. The United Christian Missionary Society of the Christian Church (Disciples of Christ);
8. The Department of Education and Social Concern of the Unitarian Universalist Association (of Churches and Fellowships in North America);

9. The National Council of Churches of Christ in the U.S.A.;

10. The Home Mission Sisters of America (Cincinnati);

11. The Province of St. Joseph of the Capuchin Order;

12. The Reformed Church in America;

13. The Glenmary Home Missionary (Cincinnati);

14. Mt. St. Joseph Female Ursuline Academy, Inc. of Kentucky;

15. Sisters of Charity (Cincinnati).

Not all of the Project participants acted as filers in the IBM resolution. Moreover, each of the 14 religious bodies filing the resolution with IBM has on the national level a variety of boards, agencies, funds, pension plans, etc. No attempt has been made to canvass all these boards, agencies, etc., to invite them to join the Project or support these stockholder resolutions. Participants in the Project are not attempting to speak for or represent any other national boards/agencies, local churches or individual Christians, but only to represent themselves as institutional investors.

The Project itself does not own any stock in corporations, since it is essentially an ad hoc coalition of church agencies concerned about the role U.S. corporations play in Southern Africa. The 14 participants in the Project who filed this stockholder resolution with IBM are as follows (and the shares of IBM common stock listed beside the filers reflect shares held as of January 3, 1975):

1. United Church Board for World Ministries—1,035 shares.
2. American Baptist Home Mission Societies—6,800 shares.
3. Protestant Episcopal Church—10,620 shares.
4. The Province of St. Joseph, Capuchins—250 shares.
5. Christian Church (Disciples)—1,037 shares.
6. National Council of Churches of Christ in the U.S.A.—480 shares.

7. Franciscan Friars of the Atonement—2,028 shares.

8. Reformed Church in America—1,575 shares.

9. Women's Division, Board of Global Ministries, United Methodist Church—11,300 shares.

10. World Division, Board of Global Ministries, United Methodist Church—14,922 shares.

11. National Division, Board of Global Ministries, United Methodist Church—1,875 shares.

12. Mt. St. Joseph Female Ursuline Academy, Inc.—500 shares.

13. Sisters of Charity, Cincinnati—1,613 shares.

14. Home Mission Sisters of America—13 shares.

The resolution will be presented at the IBM annual meeting. It has been submitted to that corporation and will appear on its Proxy Statement. Thus, each shareholder of IBM will have the opportunity to vote for or against that proposal on IBM's own proxy statement. In addition, IBM shareholders may vote for or against the proposal via a special form of proxy presented by the Project, or by attending the annual meeting in person.

PURPOSE OF SOLICITATION

INTRODUCTION—As noted earlier, the Project is providing this proxy statement to solicit support for a resolution to be submitted at the IBM annual meeting. The resolution is in Charter Amendment form and calls on IBM to cease the selling, leasing or servicing of computers, computer parts or software to the Government of the Republic of South Africa or any of its agencies or instrumentalities.

The church bodies filing this resolution have long been concerned about the particular form of racism in South Africa known as apartheid. They believe that apartheid dehumanizes the black majority in South Africa and that any support for this dehumanization whether by a U.S. corporation, or otherwise, must be called into serious question.

THE SITUATION IN SOUTH AFRICA

The Project believes the following is an accurate portrayal of the situation in South Africa. The description is based on a report prepared for the United Nations Unit on Apartheid by Julian R. Friedman entitled "Basic Facts on the Republic of South Africa and the Policy of Apartheid" (August, 1974). Professor Friedman is a professor of political science at Syracuse University, has written books on international law and politics, and has written several background papers for United Nations seminars.

A great deal has been written about the characteristics of apartheid. It is a constant issue at the United Nations. A sizeable majority of the United Nations General Assembly felt so strongly about South Africa and its apartheid system that it called for the expulsion of South Africa from the United Nations. In the Security Council a triple veto by the United States, France, and Great Britain prevented South Africa from expulsion.

It seems clear to the Project that apartheid is an issue of major international importance.

The South African Government categorizes all people by race. There are almost 4 million Whites, over 16.2 million Africans, over 2.1 million Coloured (mixed blood) and almost .7 million Asians. Whites amount to less than 20% of the population, yet make all the national laws that determine the destinies of the black population.

The South African Government has decided that 13% of the land should be set aside as reservations or Bantustans for the 16.2 million Africans. All the rest of the land is considered "white" and Africans live or work there only by permission of the white government.

Obviously, the Bantustans have inadequate land and jobs for the African population. Therefore, the majority of Africans live and work in the cities in the white areas.

To control the influx of Africans into these cities the South African Government has instituted a series of controls.

Africans who are allowed to live and work in the cities face many forms of discrimination. Most public facilities are racially segregated. Most of the best jobs are set aside for whites only.

Africans must live in racially segregated areas often far removed from the cities. They are not allowed to own land or their houses in these areas. Often families are separated, with men coming to work in the cities (they are classed as useful "labor units") and their wives and families forced to stay in the Bantustans. The strain on normal family life is enormous.

African workers are not allowed to form registered trade unions which can represent them in collective bargaining. Strikes are illegal.

Without registered labor unions African workers face extremely low wages, often below the starvation line or Poverty Datum Line.

Africans are not permitted to vote for representatives in Parliament and are prohibited from forming political parties. Two of the major African political parties were banned in the 1960's. In fact Africans who try to organize politically face many severe laws. "Troublemakers" can be arrested and detained for 180 days without trial. Under the Terrorism Act the crime of terrorism is so loosely defined to allow the Government to prosecute anyone it so wishes. Critical books and publications can be banned at the Government's will.

In the opinion of the Project South Africa has many of the markings of a police state where the white minority uses the law to maintain political power and control.

EDUCATION

It seems clear to the Project that the system of education systematically discriminates in favor of whites and against blacks. In 1972, the average expenditure for an African pupil was \$28. For every dollar spent on the education of an African 20 to 25 dollars have been spent on the education of a white child.

INCOME

In 1972, Africans had an annual per capita income of \$154, while whites had a per capita income of \$2,958. The gap between white and black wages has been growing over the last decade. The majority of African families seem in fact to be living below the subsistence level or Poverty Datum Line. Africans working on white farms earn even less than those working in the cities.

All of these facts have led the Project participants to try to assess carefully the ways in which U.S. corporations may be strengthening the system of apartheid or white minority rule.

Since 1970, church stockholders have filed numerous stockholders' resolutions with corporate investors in South Africa. A series of these resolutions requested reports to be sent to shareholders with answers to specific questions about wages, working conditions, relations to the Government in South Africa. Numerous companies agreed to prepare these disclosures.

Based on these disclosures church stockholders have tried to evaluate and assess the role specific companies play in South Africa and whether they have been a force for change and social good or a force supporting the status quo.

SOUTHERN AFRICA

The Project believes that what is happening in South Africa must be seen in the context of events in Southern Africa. Since April 25, 1974, when the Portuguese Government was overthrown, history has moved at a remarkable pace

in Southern Africa.

A transitional government has been established in Mozambique and on June 25, 1975, it will become a fully independent country. This is the culmination of ten years of armed warfare in Mozambique as African nationalists fought for independence.

In another Portuguese colony, Angola, a transitional government leading to independence has also been established.

Both of these newly independent countries bring the reality of independent black African countries just that much closer to South Africa.

In Rhodesia Africans have also taken up arms to fight for majority rule. At present, Africans and the white Rhodesian Government are considering a conference which may lead to a transfer of power.

Finally, in Namibia (South West Africa), which the United Nations and International Court of Justice have declared illegally occupied by South Africa, the South African government is also discussing the granting of independence.

Thus, the rim of white states around South Africa is melting away. South Africa seems deeply concerned about this and has raised its defense budget almost 50%. This reaction, the Project believes, is meant to protect militarily the white minority from losing power.

Therefore, Project participants have been extremely wary of any cooperation by U.S. corporations which could enhance the military strength of South Africa. In addition to IBM, we have also expressed this concern to ITT which services one of South Africa's military installations.

ARMS EMBARGO

Fearful that South Africa may be a threat to world peace, the United Nations Security Council has called for an arms embargo against South Africa. The United States Government has agreed to the principle of that embargo and does not allow the sale to South Africa of any overtly military equipment.

However, the Project believes that there are many products which may have a military use while they are not obviously weapons of war and that the computer is one of these products.

HEARINGS

Based on these concerns, the National Council of Churches convened a special set of Open Hearings in New York City on IBM in the Republic of South Africa in November, 1974. Over a two day period almost 20 witnesses submitted written and oral testimony on the role of IBM in South Africa. Two IBM Vice-Presidents were present, as were economists, computer experts, representatives from the United Nations and Organization of African Unity, the former legal counsel to the House Subcommittee on Africa, a representative of Polaroid Corporation, speakers from South Africa, a professor of ethics.

The hearings sought to assemble the facts regarding IBM in South Africa. Based on these facts, church bodies wished to assess carefully IBM's role there and consider future actions concerning this great American corporation.

At the hearings, a number of pertinent points were brought to the panel's attention. IBM Vice-President W. Burdick testified that IBM was in South Africa for three basic reasons.

"First: IBM is perfectly willing to do business where the United States Government lets us. We don't make U.S. foreign policy. As you know the State Department's position is that U.S. companies should remain in South Africa and it is encouraging businesses there to improve pay scales and working conditions.

"Second: IBM is in South Africa because it makes good business sense. IBM South Africa is profitable and has a potential for future growth.

"Third: IBM has found that it can provide

dignified employment for all its South African employees."

Few participants in the hearings questioned IBM's employment and labor practices. However, it became clear to many church panelists that a serious issue existed in the use of computer products in South Africa. IBM's Vice-President Burdick argued that it was unfeasible and impractical to monitor the use of its computer equipment in South Africa.

However, several church panelists argued that it was unethical to provide the South African Government with equipment which could obviously be used for repressive purposes.

Polaroid's Community Relations Director, Harry Johnson, speaking to the panelists, said: "We have a responsibility for the ultimate use of our product. In response to the charge that our ID identification system was used in the Pass Book program, Polaroid articulated a very strict policy of refusing to do business directly with the South African government. We articulated in 1973 a policy which says that we as a corporation will not sell our product in instances where its use constitutes a potential abridgement of human freedom.

"It seems to me that we can respond to the hopelessness of the violence of apartheid with the equally hopeless comfort of doing business as usual or we can respond and affirm creatively, supportively to the new life among the black majority in South Africa."

Polaroid's testimony, therefore, came down on the opposite side of the fence from IBM and encouraged panelists to believe that corporations can make moral choices about product use and misuse.

IBM itself has expressed a similar concern in advertisements in the U.S.A. One IBM ad in *Foreign Affairs* talks about the Four Principles of Privacy. In the ad, IBM endorses four principles, including: 1) individual access to record-keeping systems; 2) the ability of individuals to "correct or amend an inaccurate record"; 3) their ability "to prevent information from being improperly disclosed or used for other than authorized purposes without his or her consent unless required by law"; 4) the custodian of sensitive data should "take reasonable precautions to be sure that the data are reliable and not misused."

In the opinion of the Project these commendable IBM principles proposed for the U.S.A. are contradicted daily in South Africa since there are a number of ways in which the minority Government can and does use computers in ways that infringe on the privacy of black persons and control their freedom of movement within the country.

The Project believes the passbook system is a key to control of the African population. Every adult African must carry a passbook which must be produced on demand. In this passbook, which is known as a badge of slavery to many Africans, all relevant facts of an African's life are included. In particular, the right to live and work "in a white area" (all major urban centers are classed as white) is stamped in the passbook.

If this stamp is not in order, Africans can be arrested, fined, jailed and sent back to their Bantustans. Literally, hundreds of thousands of Africans are arrested each year on passbook offenses.

This system is set in motion by the white Government to limit the number of blacks who are allowed to live and work in the cities. It is a form of "influx control." Of course, such a ponderous system finds the computer an extremely helpful tool for storing this information and producing vital statistics on a moment's notice. Computers help make the passbook system efficient and effective. Presently, ICL, the British computer company, provides the

computer for the storage of information on millions of Africans.

The passbook system is being expanded. Similar books will be given to Coloured, Asians and Whites. These books are euphemistically called the "Book of Life." To many South Africans, the reality is that they become a book of pain and despair.

An IBM 360/50 computer is storing the information and providing it when requested for the appropriate South African authorities for this expansion of the passbook system.

Since IBM's policy is that it will not restrict or control sales in South Africa, an IBM computer could be converted to do the work pertaining to the African passbook system in lieu of a British computer.

The Project believes that IBM's refusal to set any limits on sales or leases in this area is in direct contradiction to its stated policy in the U.S.A. that IBM is concerned about the rights of privacy of the individual.

The question of invasion of privacy in South Africa and the role of computers in keeping the black population in an oppressed condition was discussed at length during the hearings.

Dr. Charles Powers, ethics professor at Yale University, made the following comments on that subject.

"You've heard a great deal that IBM has considerable concerns about the right of privacy and the misuse of information which can be generated and maintained and kept by computers. Therefore, it seems to me to be recognizing the point that there is some kind of uniqueness to its product which can be used directly for good or for evil. Therefore, to have recognized that within the American context would also require that IBM look quite carefully at the way in which its product is used overseas. . . . By virtue of the very nature of the product the lessor or the buyer must maintain close working relationship with the company. This is necessary in terms of computer programming, with new technological innovations relevant to the product, and servicing which are not present in the case of most other sales and manufacturing. . . . Instead, by virtue of that necessary relationship between customer and corporation, continuing over the whole process, IBM has a very close knowledge of precisely what its products are doing. Therefore, it seems to me to have a much greater responsibility than is the case with most products.

"It seems to me that any company which has declared itself to have concern for the misinformation and the invasion of privacy in this country has a corresponding responsibility for how its products are used in South Africa. And when, in fact, we find that computers are being used as a primary means of keeping track of both the 'Book of Life' and, at the present time, the Pass Laws, we can raise very, very grave questions about the viability of the whole IBM argument there. It seems to me, at the very least, this would be a clear case where you would have the kind of violation of international and domestic laws which relate to health, safety and basic freedoms which we can hold IBM clearly responsible for."

Norman Faramelli of the Boston Industrial Mission argued that we must look at the use of computers in the total context of South African society. He argued in his testimony:

"Perhaps the most significant threats to personal freedom are presented by the inevitable linking of computers to existing surveillance devices for monitoring people and their communications.

"In a word, the advent of the computer means that more knowledge and, therefore, powers are at the disposal of the government for good or evil. It is not a particular IBM 360, but its integration into the total social, economic, and

political fabric that challenges personal freedom.

"The computer is only an instrument that makes democracy a bit more difficult and, conversely, it makes it easier for governments to engage in surveillance, monitoring, manipulation and repression.

"As industrialization progresses in South Africa, the computer will play an increasingly prominent role, just as it has elsewhere. The real impact of IBM in South Africa, however, cannot be seen in tracing the work and impact of one of its 360 computers. The computers IBM sells are just one part of the entire social, cultural, political and economic fabric. It is no surprise over 25% of IBM's business is with the South African Government. . . . that the identity document 'Book of Life'. . . is buttressed by IBM's computers. The white South Africans are concerned that the new system will be an invasion of their privacy. Imagine the concerns that blacks can legitimately express.

"The computer in South Africa gives the apartheid government knowledge and, hence, power to enhance oppression. To speak of the computer being used as a tool to liberate black people is a vain hope. . . . Computers can be used to enable more efficient means of surveillance, monitoring, manipulation, and repression."

The question of providing technology for use by the South African Government was also carefully discussed at the hearings.

Mrs. Golar Butcher, formerly Counsel to the House of Representatives Subcommittee on Africa, spoke about this. She said:

"But, the most pernicious involvement of foreign investment is that which has resulted in a transfer of technology to South Africa, and of this most significant has been that investment which is not just a joint venture capacity with South Africa, but is a handing over to South Africa of the implements of science and technology to do with them as it will.

"International Business Machines, by its presence in South Africa, enables the South African Government to perfect its system of enslavement of the majority. This is through the Pass Laws, Book of Life apparatus, and so forth, which is helped by the computer. . . . It enables the minority to develop and strengthen its military potential with respect to the majority and even more with respect to the neighboring states in the region."

The strategic importance of computers in general was underlined in a January 16, 1975, *New York Times* story which stated that a communist espionage ring against IBM had been broken in West Germany. The *Times* reported that persons had been arrested when they "were caught microfilming computer maintenance manuals in an industrial concern in Frankfurt."

In the end, nine persons were arrested "on suspicion of disclosing secrets about Western electronic data-processing techniques" to East Europe.

It seems obvious to the Project that data-processing techniques are important and strategic. The Project wants to make sure that similar data-processing techniques will not be shared with the South African Government. This is one reason why the resolution has been filed.

Furthermore, the Project is aware that the Atomic Energy Board of South Africa has an IBM 370/155 computer. In filing this resolution, which would stop the sale of computers to all South African Government agencies, including the Atomic Energy Board, the Project wants to insure that IBM computers are not used in any way to assist in building South Africa's nuclear strength.

Several IBM computers are also lodged in the Department of Defense of South Africa. Three computers are reported to be used for personnel, financial, and stock control. The Department of Finance, the Department of Health, the Depart-

ment of the Interior, the Department of National Education, the Department of Prisons, Department of Social Welfare and Pension, Department of Statistics, Department of Transport, Department of Water Affairs, all use IBM computers. Two IBM computers in the Department of the Interior are listed as serving for the "computation of the population register, electoral rolls and immigration statistics."

Computers have numerous other strategic uses that the Project believes assist in building the white minority's military might and aid in oppressing the black majority. For instance, computers are used in many nations in production control of aircraft and military equipment. Furthermore, a computer sold for one purpose might easily be transferred for use for a more strategic purpose.

The Project believes that computers are a growing and essential part of the infrastructure and administration of most agencies of the South African Government. One-third of IBM's sales in South Africa are to the Government. There is a severe manpower shortage in South Africa. One of the major contributing factors is South African law and custom which reserves all senior jobs for whites only. The Government has a plan to use computers to reduce the need to promote blacks to jobs where there are not enough whites to fill them.

MILITARY IMPORTANCE

The Project believes that computer sales to South Africa can be very helpful to the military.

The question of support to the South African military has been an issue of high importance at the United Nations. On August 7, 1963, the United Nations Security Council called on all states "to cease forthwith the sale and shipment of arms, ammunition of all types, and military vehicles to South Africa." The United States supported this resolution and instituted an arms embargo against South Africa.

The Security Council emphasized the arms embargo on a number of other occasions as well.

On July 23, 1970, the Security Council passed a resolution (with the U.S. abstaining) expanding the arms embargo which calls upon all states "to strengthen the arms embargo. . . .

B). . . by withdrawing supply of all vehicles and equipment for use of the armed forces and paramilitary organizations of South Africa. . . .

C). . . by prohibiting investment in or technical assistance for the manufacture of arms and ammunition, aircraft, naval craft, and other military vehicles."

It is the position of the Project that computers can be used for military purposes which violate the spirit of the arms embargo and this Security Council resolution.

IBM computers are being used by the South African Department of Defense. Computers are also very useful in the research and production of weapons. IBM refuses to set any limits on what it will sell beyond restrictions set by the United States Government. It is our belief that the spirit of the arms embargo is undermined by this IBM position.

Furthermore, the Project is aware that Police Departments in South Africa are actively interested in using the computer. At a recent law enforcement seminar in Johannesburg, Sperry Rand made a major presentation to 100 top ranking police and provincial administration officials. A Sperry Rand computer system was displayed to demonstrate the ease of information retrieval and its advantages to law enforcement.

The Project believes that the police departments of South Africa, which are all white run and dominated, serve a very repressive function in that state. It is the white police that enforce the pass laws, plant police informers, make political arrests, help extract confessions from prisoners and, generally, help the white minority

maintain control by spreading an atmosphere of fear. In a society where it is a criminal offense under the Terrorism Act to do anything "to embarrass the affairs of the state," we believe that the police are not merely law enforcement officers, but play a highly political role. There are also numerous charges that police torture prisoners who have been arrested for political purposes.

In a series of widely used advertisements, IBM tells the story to American readers of how its products "are helping find the answers to some of the world's problems."

In an ad appearing in a November, 1974, *Time* magazine, IBM explains that computers can help catch criminals. The section argues: "Wanted criminals are finding out that New Orleans is no place for them to be. When they are arrested in that city, police can tell, almost instantly, if they are wanted for another part of the country."

While this system may be a helpful aid to responsible law officers in the United States, in South Africa such equipment can be used to administer the pass laws and to imprison Africans for purposes that are far different from fighting crime.

The Project opposes the provision of any equipment which would help make this repressive police force work more efficiently.

Computer equipment for police forces does not fall strictly under the arms embargo, but nevertheless plays a role of helping to control the black majority.

The Project believes IBM should not sell equipment in South Africa which may be used for repressive purposes.

SUMMARY

1. The Church bodies filing this resolution are deeply concerned about white minority rule in South Africa.

2. The Project feels duty-bound to examine carefully ways in which U.S. corporations may be partners in the system of apartheid by helping the South African Government maintain its control.

3. In studying IBM's operations in South Africa, the Project felt that computer products could and were being used by the South African Government in questionable ways, in ways that strengthened apartheid and white rule rather than eroded it.

4. Examples of these questionable uses of IBM products include: three IBM computers leased to the South African Department of Defense, one provided to the Department of Prisons, one rented to the Atomic Energy Board, two computers in the Department of Interior.

In addition computers are increasingly used by the South African police and other government departments. The Project believes IBM may well attempt to service these markets in the future.

5. While IBM has refused to regulate or monitor the use of its products in South Africa, the Project is aware that Polaroid Corporation has established criteria in this area and as a result has refused to sell equipment to the South African Government.

6. The Project is aware that the United States has joined in an arms embargo against South Africa and believes that the sale of certain computer products undercuts the spirit of that embargo since computers play such a strategic role.

7. The Project believes it is a reasonable and sensible request to put to IBM that it cease from selling or leasing computer products to the South African Government. This position has been conveyed in numerous meetings and conversations with top IBM management and has been filed as a stockholder resolution for a vote by all shareholders.

The Project has requested each of its participants and their respective staffs, alone or in conjunction with others, to solicit support for each of the resolutions described herein. The cost of solicitation other than donated services is not known but is not expected to exceed \$3,000. The Church Project will seek the support of others in soliciting support for the proposals described herein. In this connection, the Church Project will especially seek such support from other religious denominations or groups, as well as from institutions such as universities, foundations, etc.

The cost of solicitation will be borne by the Project except insofar as participants in the Project and others who may cooperate with the Project in this solicitation may pay their own expenses. The Project derives its own funds from the contributions of participants and of others interested in its work.

The Project will not attempt to disseminate this Proxy Statement to each shareholder of IBM corporation since to do so would be too costly. It will seek to contact selected shareholders of IBM by mail, in person, or otherwise, and when it does so it will furnish a copy of this Proxy Statement.

A copy of the applicable resolution, together with a short statement in support thereof, will appear in the Proxy Statement of International Business Machines, Inc. Consequently each shareholder of IBM will have the opportunity to vote in favor of that proposal by indicating approval in the appropriate box on the corporation's form of proxy and by executing and returning that proxy to the management of the corporation.

Shareholders may attend the annual meeting of IBM corporation and may vote their shares in person at such meeting. In addition, the Project provides its own form of proxy concerning this proposal, which may be executed and returned to the Project. Any person giving a proxy to the Project may revoke it at any time prior to its exercise either by giving notice of revocation to the Project or by executing and returning a subsequently dated proxy. The effect of a shareholder executing and returning the Project's form of proxy after having already executed and returned the corporation's proxy will be to revoke the prior proxy solely as to the proposal described here and will not have any effect on the other matters on which the shareholder has already voted via the corporation's proxy.

Each share is entitled to one vote. The vote of a majority of the shares outstanding will be necessary to amend the Articles of Incorporation. The number of shares entitled to vote at the IBM annual meeting is not known to the Project, but will be found in the corporation's own Proxy Statement. The record date for determining which security holders are entitled to vote at the annual meeting is also to be found in the corporation's Proxy Statement. Any proxies which the Project receives will be voted at the meeting, April 28, 1975, in accordance with the directions given by the shareowner.

APPENDIX I

RESOLVED, that Article Second of the Certificate of Incorporation of the Corporation shall be amended by adding the following new subparagraph at the end thereof:

Notwithstanding the foregoing, neither the corporation nor any of its subsidiaries shall henceforth make or renew any contracts or agreements to sell, lease or service computers, computer parts or software to, or for the use of, the Government of the Republic of South Africa or any of its agencies of instrumentalities.

STATEMENT OF SECURITY HOLDER

Computers themselves are morally neutral and may be used for good or ill.

In South Africa, the black majority is controlled and oppressed by a white minority. Unfortunately, computers have become part of the equipment of oppression.

The United States Government has placed an embargo against arms shipments to South Africa. While not under the literal terms of the embargo, we believe computers sold to the South African Government ostensibly for peaceful purposes are of real assistance militarily and strategically. Thus, the spirit of this arms embargo is compromised. Furthermore, computers markedly increase that government's ability to control its citizens, infringe on their privacy, and implement its policy of white supremacy. For instance, computers are used to control where blacks can live and travel.

IBM management refuses to set any restrictions on computer sales and leases within South Africa, even where equipment obviously helps control and oppress blacks.

However, Polaroid has refused to sell photographic equipment to the South African Government, knowing its products can be used in conjunction with the "pass system" established to control the black population's freedom of movement.

We believe IBM must similarly take moral responsibility for uses of computer equipment in South Africa.

PROXY SOLICITED BY THE CHURCH PROJECT ON UNITED STATES INVESTMENTS IN SOUTH AFRICA FOR THE ANNUAL MEETING OF STOCKHOLDERS OF IBM.

The undersigned stockholder hereby appoints Ms. Florence Little, Mr. Horace Gale, the Rev. Donald Wilson, Dr. Howard Schomer, Mr. Paul M. Neuhauser and Mr. Timothy H. Smith, and each of them jointly and severally, proxies with full power of substitution, to vote on the following matters all shares of Common Stock of the Company which the undersigned is entitled to vote at the 1975 Annual Meeting of Stockholders of the indicated Company and at any adjournment thereof:

IBM CORPORATION

FOR AGAINST

The Shareholder Proposal submitted by 14 religious bodies concerning the Corporation's activities in South Africa.

PLEASE SPECIFY NUMBER OF SHARES

HELD _____

DATED _____ 1975

(Signature(s))

Please sign in the exact manner in which your shares are registered. When signing as attorney, executor, administrator or trustee, or for a corporation, please give your full title. For joint accounts, each owner should sign.

Return this proxy by April 28 to:

Church Project on United States
Investment in Southern Africa-1975
475 Riverside Drive, Room 566
New York, NY 10027