



American Express Company
General Counsel's Office
200 Vesey Street
49th Floor
New York, NY 10285

February 24, 2004

Mr. Michael Courlander
Public Affairs Officer
United States Sentencing Commission
One Columbus Circle, N.E.
Suite 2-500, South Lobby
Washington, DC 20002-8002

Dear Mr. Courlander:

I am writing to respond to the request for public comment on the proposed amendments to Chapter Eight of the sentencing guidelines for organizations. I previously wrote to the Ad Hoc Advisory Group on October 4, 2002, to address the need for confidential reporting in any revision to the Commentary to the Organizational Guidelines and to discuss how we at the American Express Company accomplish that goal, in part, with our ombuds program.

In reviewing the recommendations and report from the Advisory Group, I note that while they have cited a great deal of authority on the need for confidentiality, the recommendation for a new section 8B2.1(b)(5)(c) does not contain any reference to confidentiality. I understand that the Advisory Group may have felt that referring to ombuds programs would be too restrictive, but such programs are responsive to the need for confidentiality cited by the Advisory Group. Moreover, they demonstrate that confidentiality can be achieved consistent with other legal requirements. I am enclosing the 2003 Annual Report of the American Express Office of the Ombudsperson to provide the Commission with a better sense of just how this type of program can be implemented to provide a confidential resource for employees who are concerned about misconduct. The composite scenarios included in the report are particularly revealing of how this program fits into our overall efforts to foster "an organizational culture that encourages commitment to compliance with the law."

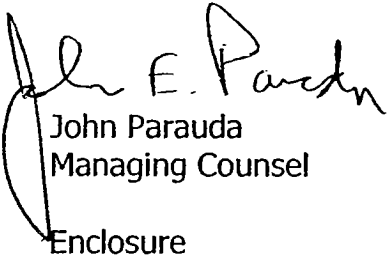
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Mr. Michael Courlander
Public Affairs Officer
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Other organizations may have other good ways to permit employees to raise issues confidentiality. Even though one specific solution such as an ombuds program may not be appropriate for all organizations, some provision for confidentiality should be included in the new guidelines. The ideal answer would be to add the word "confidential" to the end of the section to require "...mechanisms to allow for *confidential* and anonymous reporting. This would be consistent with the language used in the Sarbanes-Oxley Act of 2002. Even if the Commission were not willing to make that change, it could amend the recommendation for the beginning of that section to provide that a system allow employees and other agents to "report or *confidentially* seek guidance...." Such an amendment also would be responsive to the need for confidentiality while steering clear of the legal tangle involving "confidential reporting."

Regardless of which of these two approaches the Commission may take, I urge the Commission to address the need for confidentiality in its final recommendations to Congress.

Very truly yours,


John Parauda
Managing Counsel
Enclosure

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AMERICAN
EXPRESS

®

10th
year
1994-2004OFFICE
OF THE

OMBUDSPERSONS

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"We urge you to raise any issues that prevent us from achieving our employee, customer, and shareholder goals and from ultimately winning in the marketplace."

Ken Chenault

Dear Colleagues:

2004 marks the tenth year since the Office of the Ombudspersons was established at American Express. The Office was created in 1994 to meet a need for an alternative channel of communication where American Express people could discuss concerns in a confidential environment and without fear of retribution. Since that time, we have provided assistance to more than 25,000 people, helping to raise issues that might not have surfaced through the formal channels. Individuals were able to put aside their fears and consequently, the organization was able to appropriately address the concerns. In the past ten years,

we have also shared trends with leaders in many markets and helped to influence policy and practice changes when necessary.

As we move through the rest of 2004, we will continue to focus on raising issues that could negatively impact corporate governance and the American Express brand. We will also ensure our communications clearly articulate the types of issues to bring to our Office and utilize opportunities to reinforce our confidentiality based on the feedback you gave us in our 2003 survey.

In the meantime, we encourage you to read the Code of Conduct, become familiar with the Company's policies and take responsibility to speak up when you become aware of unethical or inappropriate actions. Sometimes our culture and beliefs may go against speaking up, however American Express fosters a global work environment that encourages employees to voice concerns, and supports those who come forward. We each have a duty to report Code of Conduct and policy violations, so that the Company can take steps to rectify the problem and prevent recurrence. The formal resources in the organization, including management and Human Resources, are available to assist; however, you

can also speak informally and confidentially with an Ombudsperson.

We invite you to read more about how our Office can help the people of American Express in the following pages.

As always, you have our commitment for continued assistance in a neutral, informal and confidential environment, utilizing our worldwide team of Ombudspersons.

Cordially,

Wendy E. Friede
Corporate Ombudsperson

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For more information please visit: www.aexp.com/ombudsperson



Wendy Friede—Minneapolis



Tom Barnette
Greensboro



Beatriz Barciela Dale
Miami Lakes



Jan Sullivan-Chalmers
Brighton



Pradeep Chatterjee
Singapore

Office of the Ombudspersons

WHAT IS THE OFFICE OF THE OMBUDSPERSONS?

The Office of the Ombudspersons is a confidential, informal and neutral resource where you can air work-related issues with confidence that your concerns will remain off the record and without fear of retribution.

The Office is an alternative resource available to all American Express full time, part time and temporary employees; vendors; and independent contractors.

WHAT DOES THE OFFICE DO?

We listen, coach, and assist in developing options within the Company's processes and structures to help move issues to resolution. For example, an Ombudsperson can:

- Provide coaching on how to approach your leader or other formal channels within the company to resolve your issue.
- Help you pass on information to your leader or other formal channel while protecting your identity.
- Identify alternative options when you have already approached your leader or other formal channel with your issue but reached no resolution.

IS THE OFFICE AN ADVOCATE FOR EMPLOYEES?

An Ombudsperson does not take sides. We are a designated neutral; neither an advocate for the inquirer,* coworker, manager nor any other party involved. The Office is an advocate for a fair process.

The Ombudsperson listens without passing judgment, assists in identifying resolution options within the Company and does not take sides as to the outcome.

The Office is an independent function that reports to the Office of the Chairman and to the Audit Committee of the Board of Directors.

Our Office does not report to or form part of any business unit or staff function.

*Consistent with our commitment to neutrality, we call the persons who contact us "inquirers" rather than any other term that might suggest we are advocates for any party in an issue.

HOW IS THE OFFICE INFORMAL?

- The Office is not part of the Company's management structure and therefore does not make policy, make management decisions, or conduct formal investigations.
- Contacting the Ombudsperson does not put the Company on formal notice.
- Conversations with the Ombudsperson are confidential and considered off the record.

WHAT SHOULD I EXPECT WHEN I CONTACT THE OFFICE?

The Office of the Ombudspersons will:

- Listen to your concerns with an open mind.
- Remain impartial to all individuals involved.
- Keep information confidential.
- Help you identify approaches in communicating the situation.
- Identify alternative resolutions within the Company.
- Assist in achieving outcomes consistent with fairness, the Blue Box Values, and the Code of Conduct.

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HOW CAN I BE SURE THAT MY CONTACT WITH THE OFFICE IS CONFIDENTIAL?

Confidentiality is the cornerstone of our practice. Conversations with the Ombudsperson are privileged, off the record and made with the understanding that they will be kept confidential. This agreement to maintain confidentiality is what makes the Office so unique as an alternative channel of communication.

- The Ombudsperson will not use an individual's name or raise an issue on his or her behalf unless in the course of our discussions we are granted specific permission.
- Our telephones are separate from the Company's phone system and the phone numbers we contact are not accessible in the billing data provided to the Company.
- We maintain a private computer network separate from that of the Company's.

- The Office keeps no documents or permanent records that identify individuals; we retain only demographic statistics on people who contact us and the types of issues they raise, enabling us to identify trends or concerns within business units or geographic areas.
- We are available, by appointment, to speak with individuals when they are away from work, including evening calls if necessary.
- Individuals may contact the Office anonymously or work with an Ombudsperson to have an issue raised within the Company anonymously.

IS THE OFFICE THE ONLY PLACE I CAN RAISE WORK-RELATED ISSUES?

The Office complements but does not replace the formal issue resolution resources you are encouraged to use when raising issues or concerns at American Express. The primary resource is usually a direct one: your leader. Other

resources include: Line management, Human Resources (Employee Online Services), Compliance, Audit, Employee Assistance Program, Employee Representative Bodies, Security, and the General Counsel's Office.

As a guideline, we are an informal and confidential place to go if you:

- Want to discuss suspicions of violations of the Code of Conduct
- Suspect fraud or improper business practices
- Want to discuss possible harassment or discrimination
- See something that presents a potential security risk or conflict of interest
- Want to discuss a concern about improper leadership behavior

THE OMBUDSMAN CODE OF ETHICS

The Ombudsman, as a designated neutral, has the responsibility of maintaining strict confidentiality concerning matters that are brought to his/her attention unless given permission to do otherwise. The only exception at the sole discretion of the Ombudsman, is where there appears to be imminent threat of serious harm.

The Ombudsman must take all reasonable steps to protect any records and files pertaining to confidential discussions from inspection by all other persons, including management.

The Ombudsman should not testify in any formal judicial or administrative hearing about concerns brought to his/her attention.

When making recommendations, the Ombudsman has the responsibility to suggest actions or policies that will be equitable to all parties.

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11th
year
1994-2004

1994
US Offices Established

1997
Worldwide
Toll-Free Lines Available

1996
1st Annual Report
& Survey Published

1997
Total Inquirers
Reach 5000

1996
International
Offices Established

ORIGIN OF SCENARIOS

While the Office cannot discuss specific cases, we can provide representative scenarios reflecting the kinds of situations we handle. These scenarios are composite examples and do not represent actual cases.

CHANGING TRENDS - THEN & NOW

Below are the population demographics of people using the Office of the Ombudspersons:

	1994-1996	2003
Female	65%	64%
Male	35%	36%
Exempt	30%	46%
Non-Exempt	70%	64%

Following are the kinds of issues brought to the Office, expressed as a percentage of the total.

Leadership	48%	35%
Communication		
Respectfulness		
Change Management		
Collaboration & Influence		
Job Itself	21%	32%
Counseling		
Company Practices		
Meritocracy	16%	11%
Compensation		
Severance		
Company Assets	15%	22%
Business Process Control		
Financial Control		
Compliance		
Workplace Policy		
Safe & Healthy Workplace		
Fraud		
Theft & Embezzlement		

ALLIANCES CAN BE TRICKY

Andrew had recently been assigned to a project team for developing a new alliance partner in the rich but emerging market of Zoukai. This market had recently gained independence and the country was at a stage where its constitution and governance structures were still evolving. There were however, many wealthy business groups who had built their businesses through traditional trading of commodities for which their country was famous.

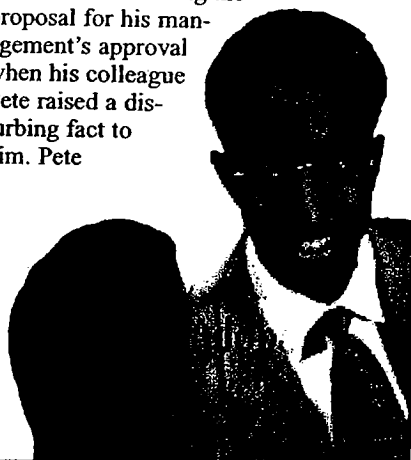
Andrew met several of these potential partners who wine and dined him very well. They were more than willing to provide personal favors to establish an alliance with American Express. After several rounds of meetings, Andrew zeroed in on one firm: Zebbellin Pte. They had a strong balance sheet, excellent connections with government regulators, the resources to deal with difficult market situations or competitors, and a history of over 25 consecutive years in profitable businesses.

Andrew was drafting the proposal for his management's approval when his colleague Pete raised a disturbing fact to him. Pete

informed Andrew he had heard from his connections in Zoukai and that this group's real source of cash flow was drugs, narcotics, and gambling. The hotels, designer boutiques, spas, fine dining restaurants, and finance companies were nothing but a front to cover up their real activities. Andrew was distressed upon hearing this information but felt nonetheless that he could still form a strong, profitable alliance with Zebbellin Pte.

Pete was concerned with Andrew's decision to pursue this proposal and decided to talk confidentially with an Ombudsperson. Pete explained that he was aware of a proposal for alliance with a potential business partner that should not be acceptable under Amex's standards and values. He wanted to report the matter, but was unsure as to who could investigate it. The Ombudsperson and Pete reviewed several options for Pete to report his concerns. Pete decided to give permission to the Ombudsperson to anonymously alert the Head of Business Alliance and the General Counsel's Office. The Ombudsperson relayed the information that Pete had provided.

An independent investigation established that Pete's information was correct. Andrew's proposal was not approved. Andrew was counseled by his leader and scheduled for Brand Training. Pete was very satisfied that no one ever knew that he had reported the issue.



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2001

Office Vacated
Callers Rerouted
Improved Customer Service

2002

Scandals In Other Companies
Brings Focus to
Corporate Governance

2003

Total Inquirers
Reach 25,000

Scenarios

"CAN'T LOOK THE OTHER WAY"

When Max finally worked up the courage to call the Ombudsperson he still wasn't sure he had a legitimate issue. Several weeks earlier, Max had observed some behavior at a social event for his work unit that made him very uncomfortable. It was well known within the group that two colleagues, Alan and Samantha had been involved with each other but Samantha had recently broken off the relationship. Alan and others had been drinking at this event and began rating their co-workers based on their bodies and sex appeal. The group became loud and boisterous and Max became quite disturbed by the comments being made. At one point Alan said very negative personal things about Samantha as well as about her work performance. Samantha heard these comments and left the event, obviously upset. The tough part of this for Max was that Alan and Max's boss, Henry, had heard the whole thing and did nothing.

When Max brought these events to the attention of the Ombudsperson, they discussed options for escalating Max's concerns. They discussed either going to Human Resources, to Henry's boss or to Henry himself. After discussing the pros and cons of each option, Max decided that the fair thing to do was to let Henry know how uncomfortable he was with these events. Max hoped Henry would take appropriate action. Max understood

that if Henry didn't address the events, he still had the option of going to Human Resources or to Henry's boss. Max agreed to follow up with the Ombudsperson after his discussion with Henry.

A few days later, Samantha also called the Ombudsperson to discuss the event she witnessed. The Ombudsperson did not reveal that she already knew about the situation because she had to maintain the confidentiality of the discussion with Max. After reviewing her options, Samantha decided she would directly report the incident to Human Resources who investigated the incident. Alan was given a final warning and Henry was reprimanded, as the Senior Leader, for not taking action to stop the inappropriate behaviors. The Amex Code of Conduct document was also re-distributed to the unit.



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2003 RESULTS

- Increased percentage of issues that were high impact/company asset related from 13% in 2001 to 21% in 2003
- Implemented initial stages of a global servicing model
- Visited over twenty Amex locations to build awareness of the Office listen to concerns and share trends with business leaders
- Implemented first stages of a plan to build awareness of the Office within third party vendors
- Directed inquirers with concerns around harassment and discrimination to appropriate formal resources
- Helped surface issues about:
 - Travel and expense violations
 - Leadership span of control issues
 - Behaviors of joint venture leaders inconsistent with the Blue Box Values
 - Overspending on consultants
 - Security concerns in handling cash
 - Privacy and confidentiality of employee & customer data
 - Improper sales practices
 - Conflicts of interest with external vendors

Scenarios

CORPORATE GOVERNANCE

Conflicts of interest, deceptive sales practices, harassment, and discrimination are just some of the practices that violate the Company's ethical standards and in some cases, break the law.

Effective corporate governance is critical to protecting the American Express Brand. It is every employee's responsibility to speak up when they become aware of unethical and inappropriate actions. However, fear of retribution and perceived lack of management support can cause people to be reluctant to act.

If you are in doubt about any situation or behavior, the formal resources of the organization, including management and HR, are available to all employees who wish to discuss their concerns. You can also speak informally and confidentially with an Ombudsperson.

YOU CAN'T LIE, ESPECIALLY TO AN AUDITOR

Muriel is a Senior Cashier at an International Operating Center where Cardmembers can pay their monthly Card statement and transact other services such as buying Travelers Cheques and Emergency Check Cashing. At a department staff meeting, her supervisor Robert announces that an audit of the department is starting. Robert tells all the cashiers that if the auditors ask them questions, they should just reply that they don't know, and will get back to them with the answer. When the meeting ended, Robert asked Muriel to stay for a minute. He told her not to say anything about the \$20,000 cash Travelers Cheques purchased ten days before by the important restaurant owner, an Amex high spending Cardmember. The VP of Marketing had ordered the Travelers Cheque transaction be completed quickly, as the Cardmember had arrived with a suitcase full of cash. In the rush, the appropriate cash exception reports had not been prepared. He also told Muriel, "Be sure not to mention the backlog in the ledger account reconciliation either,

but don't worry because the auditors may not detect anything and there is no risk since the VP of Marketing knows the Cardmember very well."

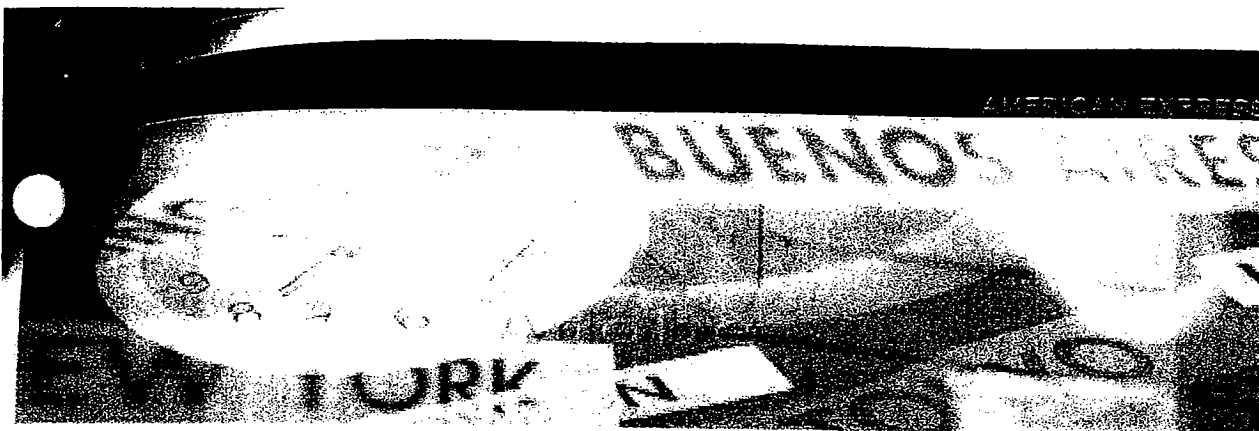
Muriel was surprised by the supervisor's message and became worried that the auditors might question her. She had recently attended the Code of Conduct Training session conducted by Compliance, and she decided to call the Ombudsperson to discuss the situation.

She explained her concerns to the Ombudsperson, and they discussed in detail each of the possible options available where Muriel could report this policy violation:

- Compliance
- Controller
- Audit
- Internal Control
- Human Resources
- Her Department's Boss' boss

Muriel decided that she would report the situation to the Controller. The Ombudsperson gave her the telephone number and email address, and Muriel sent an email reporting the incident. The Controller and the auditors investigated discreetly, and the appropriate actions were taken to correct the control weaknesses and to reinforce policy. It was soon announced that Robert was no longer with the Company. Muriel knew she had done the right thing by not keeping quiet.





Scenarios

AMERICAN EXPRESS' BLUE BOX VALUES

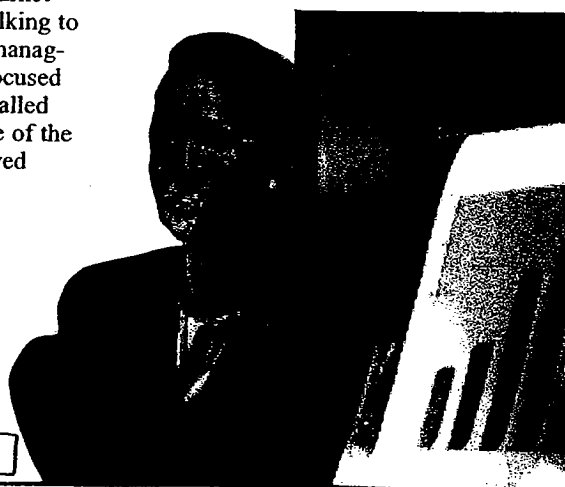
"DISCOUNTING" THE BRAND

Raul couldn't have been happier last month when his employer got a contract to handle a telephone sales function for American Express. He had a lot of industry experience and was convinced that the Company offered the best product in the marketplace. Now he and his colleagues had a chance to use their excellent sales skills to produce outstanding results for American Express and provide a quality product to customers.

But Raul was concerned about the sales technique of one of his colleagues, Sam, who was producing the most sales on the team. Raul noticed that his colleague was consistently departing from the standard sales script when speaking with customers. He overheard Sam using words like "deal", "discount" and "bargain" when making his sales presentation. Raul remembered from training that such language could damage the American Express brand in the marketplace. Raul wasn't comfortable talking to Sam directly or approaching his manager. The manager appeared to be focused entirely on closing sales. Raul recalled some information about the Office of the Ombudspersons that he had received

during orientation to the Amex account. He decided to give the Office a call for an appointment.

That same night, Raul spoke anonymously with the Ombudsperson. After listening carefully to his concern, the Ombudsperson offered to encourage the Amex Vendor Relationship leader to partner with Raul's management team to do some joint quality control monitoring. Raul gave his permission for the Ombudsperson to proceed and within a few days he noted a decidedly positive change in Sam's approach to potential customers.



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Customer Commitment

We develop relationships that make a positive difference in our customers' lives.

Quality

We provide outstanding products and unsurpassed service that, together, deliver premium value to our customers.

Integrity

We uphold the highest standards of integrity in all of our actions.

Teamwork

We work together, across boundaries, to meet the needs of our customers and to help the company win.

Respect for People

We value our people, encourage their development and reward their performance.

Good Citizenship

We are good citizens in the communities in which we live and work.

A Will to Win

We exhibit a strong will to win in the marketplace and in every aspect of our business.

Personal Accountability

We are personally accountable for delivering on our commitments.



Contacting the Office of the Ombudspersons

To arrange a confidential discussion with an Ombudsperson, dial the secure and toll free number listed for your country. Once connected and if you are comfortable doing so, you will be asked by an assistant to provide the following information:

1. Your name (can be fictional if you don't wish to be identified).
2. Your location and business unit.
3. Home or work telephone number where the Ombudsperson can call you.
4. A convenient time for the Ombudsperson to phone - this can be during or after normal working hours, Monday through Friday.
5. The general nature of your issue - this will help the Assistant determine if the Ombudsperson is the most appropriate channel to help you.

The Assistant can also arrange an interpreter if required.

Alternatively, you may request an appointment via fax or e-mail*.

* Because of limitations of current technology, confidentiality cannot be assured when using e-mail. As a matter of prudent practice, an Ombudsperson does not discuss issues via e-mail. However, you may contact us via e-mail to request an appointment.

U.S. & CANADA

Toll Free:

1-800-297-1010

Confidential Fax:

1-212-267-1626

E-mail: amexombud@aol.com

LATIN AMERICA

Toll-free numbers:

Argentina 0 800 5554 288 + 888 231 0373

Brazil 0 800 890 0288 + 888 231 0373

Chile 123 00 312 + 888 231 0373

Mexico 001 800 658 5454 + 888 231 0373

Uruguay 000 410 + 888 231 0373

USA (including Puerto Rico) 888 231 0373

AT&T Direct Services work from home or public phone. The toll-free number is not available from American Express office locations that have satellite connection to the U.S.

Confidential Fax:

1-305-231-0372

E-mail Address:

ombudspersonLAC@aexp.com

EUROPE, MIDDLE EAST, AFRICA

Freefone Numbers:

Austria 0800 201 821

Bahrain* 8000 44

Belgium 00 800 297 12345

Czech Republic* 00 42 00 44 01

Denmark* 800 1 02 90

Egypt* 365 36 44 (Cairo)

02 365 36 44 (Elsewhere)

Finland 0800 11 0440

France 00 800 297 12345

Germany 00 800 297 12345

Greece 00 800 4412 0013

Hungary 00 800 12630

Ireland 00 800 297 12345

Italy 800 780045

Lebanon* 425 044

Luxembourg 00 800 3496

Netherlands 00 800 297 12345

Norway 00 800 297 12345

Poland 00 800 441 1269

Russia 737 08283

Slovakia* 08000 044 01

South Africa* 0800 99 0144

Spain 900 99 8913 (Spanish speaking Ombudsperson 900 99 00 11/888 231 0373)

Sweden* 00 800 297 12345

Switzerland 00 800 297 12345

Turkey* 00 800 44 1177

U.A.E.* 800 11 44

UK 00 800 297 12345

For all other countries:

+44 1273 577000

*To contact our office, dial the access code as quoted for the country you are in. When prompted by a recorded message OR when asked by an Operator for account number and pin, use this number 235 965 916 386, and you will be connected to the Office of the Ombudspersons.

Confidential Fax:

+44 1273 600392

E-mail Address:

ombudsperson.emea@aexp.com

JAPAN, ASIA, PACIFIC, AUSTRALIA

Direct Phone:

+65 6392 8390

Confidential Fax:

+65 6298 0640

Toll Free Numbers

Australia 1800 999 616

PR China 00 800 297 12345**

(Shanghai, Beijing
Guangzhou, Shenzhen)
108 650* (other cities)

Hong Kong 001 800 297 12345**

Indonesia 0800 178 1234

India 1600 33 0555

(BSNL and MTNL lines only)

Japan 00531 61 0004 (English speaking only)

0044 2261 2122 (Japanese voicemail)

Malaysia 00 800 297 12345**

New Zealand 00 800 297 12345

Pakistan 00 800 11065*

Philippines 00 800 297 12345**

South Korea 00368 610 0001

Sri Lanka 430 800* (Colombo metropolitan area)

01 430 800* (Outside

Colombo metropolitan area)

Taiwan 00 800 297 12345**

Thailand 001 800 297 12345**

*Your call will initially be answered by an operator or a recorded message - please follow the instructions below for quick connection to the Office:

- Operator - ask for connection to "MTF 6298 0555".
- Recorded Message - select 2 for Enhanced International Toll Free Service and then enter this number: 6298-0555#.

**Service may only be available from phones with International Direct Dial facility (IDD).

E-mail Addresses:

ombudsperson.japa@aexp.com

ombudsperson_japa@hotmail.com

ombud-mailhub1