FisherITS

IBM Authorised SAM Provider Offering

SAM COMMUNITY OPEN Q& A

Questions Collated by FisherITS
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Questions

1. **Audit Exemption Ts & Cs**
   One of the key benefits advertised by the IASP program, based on our interpretation, is that customers will not be audited "subject to Terms and Conditions". Can you provide a copy of the relevant contractual language related to such audit exemption?

- *The terms and conditions of the IASP agreements between IBM and customers are confidential and therefore cannot be shared. However, IBM can confirm that as long as the customer is an active participant in the IASP (i.e. meeting their obligations under the IASP Offering), IBM will not conduct a software license review.*

2. **Treatment on Accidental Deployment**

   Does IBM grant an automatic waiver to customers under IASP on any unintentional/accidental deployments, so long as they are remediated?

   Specifically, if IASP partners identify licence non-compliance caused by unintentional and/or accidental deployment, will IASP customers be allowed to remediate and/or reduce such deployment so that they do not have to pay?

   For additional clarity, we put forward two common examples of non-compliance that are most frequently identified in IBM compliance audits. Can you provide specific comments to each example?

   a) **Accidentally allowing more users to access an IBM Authorised User License Product than entitled.**
      For example, enabling "Everyone" in the access group in **Cognos Business Intelligence**, resulting in providing access to the product to every user in the company (and thus attracting licence liability). If IASP partners were to identify such issue, would they allow customers to disable such user group so that the customers can only report licence position reflecting the post-remediation view to IBM?

   b) **Accidentally enabling additional functionalities / modules to an IBM Product that triggers higher level entitlement liabilities.**
      For example, deploying an instance of **DB2 Enterprise Edition** with additional "Advanced" functionalities accidentally switched on (e.g. Storage Optimization) – in audits, such an instance will be treated as **DB2 Advanced Enterprise Server Edition** install, which is significantly more expensive than DB2 Enterprise Edition.
      If IASP partners were to identify such issue, would they allow customers to disable these "Advanced" functionalities and subsequently report the instance as **DB2 Enterprise Edition** to IBM?

- *IBM expects any accidental deployment to be identified by customers in their IASP reports rather than ignored, even if they are corrected before the report is issued. However, if the client and IBM agree that the client had no historical use or planned future use from the accidental deployment under IASP, IBM will not seek to charge it.*

3. **On-going Sub-capacity Status**

   Another key benefit advertised by the IASP program, based on our interpretation, is that customers will automatically receive "sub-capacity eligible" status regardless of their "historical" IBM License Metric Tool ("ILMT") status. Can you confirm whether such interpretation is correct?

   Our questions, however, relate to the requirements of maintaining sub-capacity post IASP adoption.

   a) Will IASP customers still be bound to the <u>4 sub-capacity eligibility criteria</u> or, would they automatically receive sub-capacity eligibility regardless of whether any of the 4 criteria are met?

   b) If the answer to a) is the latter (i.e. automatic eligibility without having to meet any criteria), can you further confirm that automatic sub-capacity eligibility would include deploying IBM PVU products on technology platforms that are no longer <u>eligible for sub-capacity</u> licensing? For example, deploying PVU product on Windows Server 2003.

   c) If the answer to a) is the former (sub-capacity eligibility criteria are still applied), are IASP partners instructed to calculate PVU licence requirements for instances that do not meet these criteria on full-capacity basis and are the customers required to report such full-capacity liability to IBM?

- *IASP participants are required to comply with all terms and conditions of the applicable agreements. In order to benefit from sub-capacity, the customer must meet all of the eligibility requirements for sub-capacity. If the customer does not meet the sub-capacity eligibility requirements at the point in time they enter the IASP program, and wishes to benefit from sub-capacity pricing, they must take action with the help of the ASP partner to meet the eligibility requirements. Provided they meet the requirements at the time that the report is provided to IBM, software consumption may be reported at sub-capacity and IBM will not pursue retrospective non compliance. The applicable license terms are not modified by participation in IASP. If the customer chooses to not meet the eligibility requirements for sub-capacity, they must entitle at full-capacity.*

4. **Conflict of Interest**

To our knowledge, at least 2 out of 4 current IASP partners are also IBM's global compliance audit partners. For these two suppliers, can you clarify:

   a) what independence controls are put in place to ensure that customer information obtained (prior to and during their IASP agreements) will not be used by these partners (or IBM) for any other purpose such as for future compliance audit targeting?

   b) Whether these two partners are allowed by IBM to sell or provide IASP service after they have conducted a licence compliance audit with the same customer on behalf of IBM.

- *The first question is actually about confidentiality, not independence. Deloitte and KPMG are both regulated entities and subject to strict ethical and professional guidelines concerning confidentiality. In addition, customers are free to enter into non-disclosure agreements with any of the ASPs prior to sharing any confidential information.*

- *Deloitte and KPMG are absolutely allowed to provide IASP service after completing a compliance audit on behalf of IBM. Where a customer elects to enter IASP after an audit, it often makes sense to engage the auditor who will already know their environment and data.*

   (a) have the final authority to alter the report in ways that they prefer before releasing the report to IBM; or
   (b) have IASP partners' agreement on alterations, with any changes/disagreements noted in the report

- *IBM expects that the customer will adhere to the obligations of the IASP Agreement to report its license consumption completely and accurately. The customer is therefore not given authority to "alter the report in ways they prefer". However the client and not the ASP partner holds the authority to issue periodic reports to IBM, as per their IBM IASP Agreement. The Client may provide comments or additional information within the reports if there are concerns about a specific product(s).*

6. **Discount pricing for addressing non-compliance**
   Another key benefit of the IASP (vs. audit) is that customers can settle any non-compliance by purchasing an additional licence with "existing discounts".

   Can you:

   (a) confirm what this "existing discount" means? Specifically, does it mean that customers can acquire licences at their usual "price band" (e.g. Band H) or does it mean that they can negotiate additional discounts beyond their usual "price band"?

   (b) clarify on how this is different to IBM's policy in settling licence discrepancies in a compliance audit?

   (c) confirm that back maintenance is not applicable as the customer is "truing-up" on quarterly basis.

- *Client under IASP will purchase licenses on a normal commercial basis.*

- *In an IBM compliance audit, non-compliance is addressed at Entitled Price ie the price band entitled under IPAA.*

- *License purchases under IASP will be made, if applicable, after receipt of the report demonstrating the licenses in use at that time and will be back dated to the previous report to ensure coverage over the deployment period.*

7. **Revenue Measure**

Is the licensing revenue generated by IASP customers separately measured by IBM and if so, is this used by IBM as a performance indicator of the success of the IASP programme?

- *Revenue generated is not a performance indicator of the success of IASP.*

- *Net promoter score is the primary performance indicator.*

8. **IASP Partner Criteria**

Can you clarify what were the criteria used by IBM to select the current 4 IASP partners and whether IBM has plans to publish these criteria and accept wider supplier participation?

- *A full & thorough global selection exercise was conducted against a set of stringent criteria including depth of knowledge of IBM SW Licensing, SAM, ITAM, both in respect of IBM and other major software publishers, industry certifications, ability to scale globally, to not be a reseller of IBM SW, have no bias when offering the service, standards of integrity and client satisfaction.*

- *At this stage there is no plan to expand the number of vendors who are authorized by IBM to be IASPs.*

We help businesses save money from software licenses and avoid audit penalties. Headquartered in London, most of our team came from vendor audit backgrounds that made us unique poacher-turned-game-keepers.

We are also one of the few specialist consultancies that design and implement comprehensive SAM (Software Asset Management) transformation programmes for Fortune 500 and FTSE 100 clients across North America, Europe and Asia.

Our uniquely independent market position is mandated as being part of HW Fisher, a top audit and advisory firm with over 86 years' history and a member of the Leading Edge Alliance operating across 100 countries globally. This prevents us from ever facing conflicting incentives between software vendors and our client.

We are the Software Asset Management Center of Excellence for the Leading Edge Alliance (LEA). The LEA is the second-largest international accountancy association in the world. It has 220 member firms spanning 2016 countries, with a combined revenue of $3bn.

We are also a member of the ISO Working Group (WG21) that defines and promotes the ISO 19770 standards for software asset management.