



OFFICE OF THE UNDER SECRETARY OF DEFENSE

4000 DEFENSE PENTAGON
WASHINGTON, DC 20301-4000

NOV 30 2012

PERSONNEL AND
READINESS

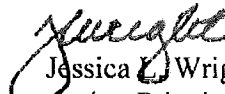
MEMORANDUM FOR ASSISTANT SECRETARY OF THE ARMY (MANPOWER AND
RESERVE AFFAIRS)
ASSISTANT SECRETARY OF THE NAVY (MANPOWER AND
RESERVE AFFAIRS)
ASSISTANT SECRETARY OF THE AIR FORCE (MANPOWER
AND RESERVE AFFAIRS)

SUBJECT: Change to Policy Regarding Officers Serving on Boards of Directors

The attached policy restricts certain military members from serving on the boards of directors of certain companies that do business with the Department of Defense or focus their business principally on military personnel. This is a reissuance of the Under Secretary of Defense for Personnel and Readiness memorandum of September 28, 2011, which expanded preexisting policy limiting such service by officers in the grades of O-9 and O-10, to a broader class of personnel.

While there have been no reported incidents of military personnel being adversely affected by the service of certain military members on company boards, the Department is seeking to avoid any suggestion of impropriety that a military leader's participation in the management of certain outside businesses suggests Governmental endorsement or sanction of those businesses. I ask that you incorporate the prescribed limitations into your appropriate ethics training and education programs.

This is an area of acute interest to the Senate Armed Services Committee and as such you can expect nominees to general and flag ranks will be scrutinized on this aspect of their extracurricular service. Several individuals have already been asked to resign their positions on boards prior to confirmation. Your support in this matter is greatly appreciated.


Jessica D. Wright
Acting Principal Deputy

Attachment:
As stated



LIMITATION TO SERVICE ON BOARDS OF DIRECTORS

As a prerequisite for confirmation, the Senate Armed Services Committee (SASC) currently requires that officers nominated for appointment to the grade of O-10 or O-9, including members of the Reserve components, must resign from service, paid or unpaid, on the boards of directors of companies or other entities that do business with the Department of Defense or focus their business principally on military personnel. After careful study and in consultation with the Military Departments, the Department of Defense is expanding the SASC O-10 and O-9 policy to a broader class of military personnel, to avoid any suggestion of impropriety that a military leader's participation in the management of certain outside businesses suggests Governmental endorsement or sanction of those businesses.

As set forth in detail below, this policy applies in various manners to: (i) Regular component and Reserve component officers at the O-10 and O-9 levels; (ii) Regular component officers at the O-8 and O-7 levels; (iii) Reserve component officers at the O-8 and O-7 levels; and (iv) certain Regular component officers at the O-6 level and below and certain Regular component enlisted personnel at the E-9 level. This policy has no application to Reserve component officers below the O-7 level, or to any Reserve component enlisted personnel. It covers compensated and uncompensated board service on certain for-profit and non-profit entities, including charitable organizations. This policy, however, does not cover board service that is otherwise authorized by law or regulation (e.g., title 10, U. S. C., § 1033).

For questions concerning this policy, personnel are encouraged to consult a local judge advocate or ethics counselor within their respective Service or other organization within the Department of Defense.

Definitions:

1. Companies that "do business" with the Department are those listed on the Department of Defense \$25K list, which is published annually and posted on the Department of Defense Standards of Conduct website. In addition to traditional defense contractors, this list includes a number of other entities such as colleges, universities, think tanks, and non-profits that receive grants or contracts from Department of Defense.
[Http://www.dod.mil/dodgc/defense_ethics/resource_library/contractor_list.pdf](http://www.dod.mil/dodgc/defense_ethics/resource_library/contractor_list.pdf)
2. Companies and other entities that "focus their business principally on military personnel" include, but are not limited to, life, health, auto, and property insurance companies whose clientele is predominately military members and their families, financial planning consulting firms whose clients are predominately military members and their families, and military-focused credit unions or banks.

Regular Component and Reserve Component Officers at the O-10 and O-9 levels

Consistent with current Senate policy, officers in the grades of O-10 and O-9, including members of the Reserve components, may not serve on the boards of directors of companies or other entities that do business with the Department of Defense or focus their business principally on military personnel.

Regular Component Officers at the O-8 and O-7 levels

Regular component officers in the grades of O-8 and O-7 may not serve on the boards of directors of companies or other entities that do business with the Department of Defense or focus their business principally on military personnel.

Reserve Component Officers at the O-8 and O-7 levels

Reserve component officers in the grades of O-8 and O-7 who serve more than 179 days (need not be consecutive) during the immediately preceding period of 365 consecutive days on active-duty, and who serve on the board of a company or other entity that focuses its business principally on military personnel, must resign from such a board.

Reserve component officers in the grades of O-8 and O-7 who serve more than 179 days (need not be consecutive) during the immediately preceding period of 365 consecutive days on active-duty, and who serve on the boards of directors of companies or other entities that do business with the Department of Defense, may be permitted to continue service on such a board, but must seek an ethics determination by the appropriate ethics official of his or her organization of assignment. The ethics determination shall evaluate whether there is an appearance of implied Governmental endorsement or sanction of the commercial entity of the member's board service. If board service does not create the appearance of Governmental endorsement, the Reserve O-8 or O-7 officer may be permitted to serve.

Regular Component Officers (O-6 and below) and Regular Component Enlisted Personnel (E-9) Restrictions

Regular component officers in the grade of O-6 and below and Regular component enlisted personnel in the grade of E-9 who serve in a leadership position that spans an entire installation (e.g., base commander, base command sergeant major) may not serve on the boards directors of companies or other entities that do business with the Department of Defense or focus their business principally on military personnel unless they receive an ethics determination by the appropriate ethics official for the Service member's organization of assignment. The ethics determination shall evaluate whether there is an appearance of implied Governmental endorsement or sanction of the commercial entity by the member's board service. This must be done prior to serving on the boards of the aforementioned organizations.

Effective Date

This policy is effective immediately and applies to military members who currently serve on boards of directors.

Waiver provision

This policy may be waived in writing by the Under Secretary or Principal Deputy Under Secretary of Defense for Personnel and Readiness based on extraordinary circumstances. This authority may not be delegated and must be exercised in coordination with the Department of Defense Standards of Conduct Office.

