

INTERNATIONAL BUSINESS MACHINES CORP
Form DEFA14A
April 01, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

International Business Machines Corporation

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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April 1, 2016

Dear IBM Stockholder:

Re: IBM 2016 Proxy Statement

By now you should have received our Annual Report for 2015 and Proxy Statement for our upcoming 2016 Annual Meeting of Stockholders. Our Annual Report begins with a letter from our Chairman, President and Chief Executive Officer, Ginni Rometty, describing the progress of our transformation into a cognitive solutions and cloud platform company. 2015 was a pivotal year in our journey, providing strong confirmation of the strategic direction of our transformation. We are excited and confident about the cognitive future and we are working hard to build it.

In 2015, IBM generated \$81.7 billion in revenue, \$17.7 billion in operating pre-tax income, and operating earnings per share of \$14.92 from continuing operations. We returned \$9.5 billion to you, our stockholders—approximately \$4.6 billion through gross share repurchases and nearly \$5 billion through dividends. We raised our dividend for the 20th consecutive year, and 2015 was IBM's 100th straight year of providing one.

We dramatically accelerated the growth of our strategic imperatives—cloud, analytics, mobile, social and security. Together, our strategic imperatives generated \$29 billion of revenue in 2015, posting double-digit growth for the year, and in every quarter. For the year, strategic imperatives represented 35% of IBM's revenue, up from 22% just two years ago. We continued to invest heavily in research and development and were awarded more U.S. patents than any other company for the 23rd consecutive year. We also announced 15 acquisitions, including population health management leader Phytel, health data management leader Explorys, and medical images firm Merge Healthcare to help build out our new Watson Health business unit, as well as Cleversafe and assets of The Weather Company to enhance IBM's Cloud platform.

We believe that your investment in IBM reflects your confidence in IBM's Board, management and business strategy. **We are asking that you support the Board's recommendations on all of the proposals in our Proxy Statement, voting FOR all of our directors (voting item #1), FOR the ratification of our independent accounting firm (voting item #2), FOR our Say on Pay Proposal (voting item #3), and AGAINST all three of the stockholder proposals—disclosure of lobbying policies and practices, right to act by written consent, and independent board chair (voting items #4, #5 and #6).**

We want to draw your particular attention to proposals #3 and #6:

Proposal #3—Advisory Vote on Executive Compensation (Say on Pay)

- We are asking you to approve the compensation of the named executives as disclosed in our Proxy Statement.

- IBM's compensation strategy supports IBM's ongoing transformation and is designed to pay for performance. The strategy is designed to ensure that executives balance short-term objectives against long-term priorities, to align executive and stockholder interests, and to attract and retain the leadership needed to successfully deliver on our ongoing shift to higher value.
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- At IBM, pay decisions are made in the context of our financial performance, while taking into account the substantial progress we have made in our transformation into a cognitive solutions and cloud platform company.
- For 2015, 90% of the compensation for the named executive officers was performance based.
- Our CEO earned 55% of her annual total target compensation in 2015. The other named executive officers earned 46% to 63% of their annual total target compensation in 2015.
- In 2015, nearly 72% of compensation of the named executive officers was in the form of long-term incentive through Performance Share Units, which are 100% performance based and which pay out nothing if the threshold performance level is not reached.
- In fact, the 2015 payout of Performance Share Units to named executive officers for the period 2013-2015 was approximately 34% of its original award value.
- IBM has also long demonstrated its commitment to sound executive compensation and corporate governance principles, working to ensure that its practices protect and further the interest of stockholders.
- We have also enclosed a presentation demonstrating how IBM's executive compensation is directly linked to IBM performance.

Proposal #6 - Stockholder Proposal to Have an Independent Board Chairman

- We are asking you to oppose this proposal because we believe that you benefit when the Board can select the best candidates and the best leadership structure to run IBM.
- One of the most important tasks undertaken by a Board is to select the leadership of the Board and IBM. Limiting the candidate pool and mandating a split chair/CEO structure as suggested by the proponent does nothing to enhance the ability of the Board to exercise its fiduciary obligation to identify the best leadership for IBM for the long term. This obligation is taken seriously by your Board, a diverse group of leaders in their fields, including current and former Chairmen and CEOs of *Fortune* 500 companies, and leaders of major academic institutions.

- The proposal is an irrelevancy at the current time, and does not ask for any change to the Board's leadership structure to be phased in until the next CEO transition. Our Board has affirmed support for the current leadership structure to see the company through its landmark transformation and you, our owners, have consistently validated the company's leadership, with Mrs. Rometty receiving over 94% support each year since she became Chairman.
 - Your Board has determined that combining the Chairman and CEO roles is in the best interests of the company at the current time. In the past, the Board has split the Chairman and CEO roles during previous CEO transitions to provide seamless and successful leadership transitions that have served as a model for public company succession planning. In either case, the Board is in the best position to decide which leadership structure best serves their business and shareholders at any given point in time.
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- And we already have independent board leadership in the form of our Independent Presiding Director with robust and meaningful responsibilities. For example, we have enhanced our governance practices to ensure that after each Board meeting there is a forum for discussion by our non-management directors by holding an executive session of the non-management directors, led by the Independent Presiding Director. As a result, in 2015, non-management directors met in executive session 9 times. The Independent Presiding Director also acts as a liaison between the Chairman and the independent directors, approves information, meeting agendas and meeting schedules for the Board, and is authorized to call meetings of independent directors at any time.
- IBM is committed to strong corporate governance. Independent directors comprise 85% of the Board and 100% of the Audit, Directors and Corporate Governance and Executive Compensation and Management Resources Committees.

We appreciate your ownership and your support. Please do not hesitate to call Christina Montgomery at 914-499-XXXX or Patricia Murphy at 914-499-XXXX if you have questions or comments.

Sincerely,

/s/ Christina M. Montgomery
Christina M. Montgomery
Vice President and Secretary

/s/ Patricia Murphy
Patricia Murphy
Vice President, Investor Relations

[E-Mail]

Re: Voting Your IBM Shares for the 2016 Annual Meeting

Dear IBM Senior Leaders:

I am writing to remind each of you to make sure to vote all of your IBM shares for the 2016 Annual Meeting. By now you should have received a copy of IBM's 2016 Proxy Statement along with the proxy card. If you hold IBM shares in street name (i.e., through a bank or broker), you will have received a voter instruction form from your bank or broker. We expect that many of you will receive multiple copies of the proxy materials, reflecting different ownership accounts you may have. Please make sure to vote all of the proxy voting cards that you receive.

In 2015, IBM generated \$81.7 billion in revenue, \$17.7 billion in operating pre-tax income, and operating earnings per share of \$14.92 from continuing operations. We returned \$9.5 billion to our stockholders—approximately \$4.6 billion through gross share repurchases and nearly \$5 billion through dividends. We raised our dividend for the 20th consecutive year, and 2015 was IBM's 100th straight year of providing one.

We dramatically accelerated the growth of our strategic imperatives—cloud, analytics, mobile, social and security. Together, our strategic imperatives generated \$29 billion of revenue in 2015, posting double-digit growth for the year, and in every quarter. At year end, strategic imperatives represented 35% of IBM's revenue, up from 22% just two years ago. We continued to invest heavily in research and development and were awarded more U.S. patents than any other company for the 23rd consecutive year. Our investments include the announcement of 15 acquisitions, including population health management leader Phytel, health data management leader Explorys, and medical images firm Merge Healthcare to help build out our new Watson Health business unit, as well as Cleversafe and assets of The Weather Company to enhance IBM's Cloud platform.

It is important that you show your support for IBM and vote your shares. **In particular, we are asking you to support management and the Board of Directors by voting FOR all of our directors (voting item #1), FOR the ratification of our independent accounting firm (voting item #2), FOR our Say on Pay Proposal (voting item #3), and AGAINST all three of the stockholder proposals—disclosure of lobbying policies and practices, right to act by written consent, and independent board chair (voting items #4, #5 and #6).** For the reasons explained in our Proxy Statement, we believe that such votes are in the best interests of our Company and its stockholders.

- If you hold your shares in record name (i.e., directly through our transfer agent, Computershare) and need assistance regarding your record accounts, please contact Bob Wilt at infoibm@us.ibm.com.
- If you hold your shares in street name (e.g., Morgan Stanley, Bank of America, Charles Schwab, or another financial institution), IBM cannot access your account or provide you with a replacement voting instruction form. In this case, you will need to contact your broker directly in order to obtain a replacement voting instruction form.

If you have already voted all of your shares, there is no need to contact us and no further action is required on your part. In case you have not received or have misplaced your proxy voting card, IBM periodically sends a follow-up mailing that includes a proxy voting card.

You may also find additional information at <http://www.ibm.com/investor/proxyinformation>. If you do not receive a copy of the Proxy Statement by Monday, April 11, 2016, please contact Bob Wilt at infoibm@us.ibm.com. Please do not hesitate to call me at 914-499-XXXX if you have questions or comments.

Sincerely,

/s/ Christina M. Montgomery

Christina M. Montgomery
Vice President and Secretary
