

INTERNATIONAL BUSINESS MACHINES CORP  
Form DEFA14A  
April 05, 2017

**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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- No fee required.
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[E-MAIL]

Dear IBM Senior Leaders:

Re: Voting Your IBM Shares for the 2017 Annual Meeting

I am writing to remind each of you to make sure to vote all of your IBM shares for the 2017 Annual Meeting. By now you should have received a copy of IBM's 2017 Proxy Statement along with the proxy card or notice of Internet availability of proxy materials. 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 or follow the instructions on the notice of Internet availability of proxy materials, if applicable.

In 2016, IBM generated \$79.9 billion in revenue remained highly profitable, and returned \$8.8 billion to you, our stockholders including dividends of \$5.3 billion and \$3.5 billion in gross share repurchases. We increased our dividend for the 21st consecutive year, and 2016 was IBM's 101st straight year of providing one. Also in 2016, IBM's total stockholder return increased more than 25%, outperforming the market and more than double the return of the S&P 500. While our transformation continues, a strong foundation is now in place. Our strategic imperatives cloud, analytics, mobile, social and security at \$33 billion, now contribute 41% of IBM's revenue, up from 35% just last year, and grew double digits in 2016. We're on pace to achieve our goal of growing these businesses to \$40 billion by 2018.

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 lobbying disclosure, 10% special meeting provision, and proxy access (voting items #5, #6 and #7).** 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 or notice of Internet availability of proxy materials by

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Thursday, April 13, 2017, 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 Montgomery  
Christina M. Montgomery

Vice President and Secretary

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April 5, 2017

## **LETTER ON BEHALF OF IBM'S BOARD OF DIRECTORS**

Dear IBM Shareholder:

As the Presiding Director of your Company's Board and the Chair of your Company's Executive Compensation and Management Resources Committee, we are reaching out to you directly to share our perspective on the transformation of our business. Further, we want to describe our executive compensation program, including the rationale for a strategic compensation decision we made in January 2016 to grant our CEO, Ginni Rometty, a one-time premium-priced option grant.

### **Driving Performance in a Transformational Period**

In 2016, IBM emerged as the recognized cognitive solutions and cloud platform company. The Company has reinvented its core hardware, software and services franchises and created new ones like IBM Cloud, IBM Analytics, IBM Security, Watson Health, Watson Internet of Things, and others. In short, IBM is well positioned to help clients usher in a new era in both technology and business.

In 2016, IBM generated \$79.9 billion in revenue, remained highly profitable, and returned \$8.8 billion to you — our shareholders — including \$5.3 billion in dividends and \$3.5 billion in gross share repurchases. We increased the dividend for the 21st consecutive year, and 2016 was IBM's 101st straight year of providing one. Also in 2016, IBM's total stockholder return increased more than 25%, outperforming the market and more than double the return of the S&P 500.

While IBM's transformation continues, a strong foundation is now in place. The Company's strategic imperatives — cloud, analytics, mobile, social and security — at \$33 billion, now contribute 41% of IBM's revenue, up from 35% just last year, and grew double digits in 2016. IBM is on pace to achieve a goal of growing these businesses to \$40 billion by 2018.

### **Aligning Executive Compensation with Our Shareholders Through the Transformation**

As stewards of your investment, we believe our long-standing executive compensation program is well-structured to align the interests of our executives with yours, our shareholders. Specifically:

- IBM has long demonstrated its commitment to sound executive compensation and corporate governance principles, working to ensure its practices further the interest of shareholders. As part of our ongoing reviews of governance policies and practices, we carefully consider your feedback. For example, in light of recent discussions

with you, we've clarified in our Proxy Statement that we target the 50<sup>th</sup> percentile of our benchmark peer group for executive compensation.

- IBM also has a reputation of rigorous pay for performance plans and practices. For 2016 and 2017, 69% of the CEO's pay is at risk, and so directly dependent on performance. The rigor of our targets is also apparent in our payouts. Our CEO earned 54% of her annual total target compensation in 2016. In fact, since becoming CEO, Mrs. Rometty's annual incentive payouts have ranged from 0% to 108% and Performance Share Unit payouts have ranged from 32% to 113%.

During our compensation cycle in January 2016 – more than 14 months ago – the Board recognized IBM was at a crucial point in a multi-year historic transformation. This transformation demanded sustained, extraordinary leadership to execute on the Company's portfolio and culture shift. As such, the Board granted Mrs. Rometty premium-priced stock options to ensure continuity of service and alignment with shareholder interests.

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In determining whether to make such a grant, the Board considered the prevalence of one-time stock grants in our industry for leaders navigating companies through periods of transition. Consistent with the Company's compensation strategy, the Board structured this grant with a premium-priced option feature, which aligns our CEO's compensation with increases in the value of your investment over the long term. The grant is also designed so that shareholders recognize value before the CEO. The specific premiums—105%, 110%, 115% and 125%—are rigorous thresholds given stock performance in prior years and the stage of our transformation at the time of the grant. In fact, these premium-priced options yield no value until at least 2019 and then if, and only if, the thresholds are met.

On behalf of the entire Board, we appreciate your ownership and the strong support you have shown for your Company year after year. We take our responsibility to maximize your long-term value seriously. While this requires investing in areas such as research and development and capital expenditures, one of the most important investments is in long-term leadership. The Board is confident that we have the right leadership in place to lead this critical transformation.

We strongly encourage you to support IBM on each ballot item in our Proxy Statement—including a vote **FOR** the Advisory Vote on Executive Compensation.

Sincerely,

/s/ Michael L. Eskew  
Michael L. Eskew  
IBM's Presiding Director

/s/ Sidney Taurel  
Sidney Taurel  
Chair of IBM's Executive Compensation and Management Resources  
Committee