

INTERNATIONAL BUSINESS MACHINES CORP
Form DEFA14A
March 25, 2019

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 X

Filed by a Party other than the Registrant O

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)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
 - (1) Title of each class of securities to which transaction applies:
 - (2) Aggregate number of securities to which transaction applies:
 - (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
 - (4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

o
o

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act

Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

March 2019

Dear IBM Stockholder,

As the independent Lead Director and the Chairs of the Committees of the IBM Board of Directors, we are writing to you on behalf of the entire Board to thank you for your support and your investment in IBM, and to share our perspective on IBM and the Board's role in driving long-term stockholder value.

2018: A Defining Year for IBM

As a Board, we have rigorously overseen the Company's strategy and execution as IBM has taken actions to lead in the emerging, high-value segments of the IT market and deliver long-term value to stockholders. In addition to returning to revenue growth with \$79.6 billion in revenue, IBM had many notable achievements in 2018, including:

- Achieving Strategic Imperatives revenue of nearly \$40 billion, representing 50% of IBM revenue
- Strengthening the Company's position as a leader in cloud and artificial intelligence for the enterprise, generating \$19.2 billion in Cloud revenues with an as-a-Service annual run rate of \$12.2 billion, growing 18% year to year
- Stabilizing gross margin with improvements throughout the year, culminating in year-on-year expansion in the second half
- Generating significant cash from operations, enabling investment while returning over \$10 billion to you, our stockholders, in dividends and gross share repurchases
- Raising the dividend for the 23rd consecutive year - IBM's 103rd straight year of providing one
- Receiving a record 9,100 patents, including more than 3,000 in AI, cloud and quantum computing, making IBM #1 in U.S. patents for the 26th consecutive year

- Announcing plans to acquire Red Hat, enhancing IBM's position as the #1 hybrid cloud provider, and divesting select software and services assets

Active Board Refreshment

We are continually focused on ensuring the Board has the optimal mix of skills and industry experience. In the past few months, we added two new independent directors with deep technology experience: Dr. Martha Pollack, the President of Cornell University, is a computer scientist and leader in the field of artificial intelligence and Admiral Michelle Howard is a former U.S. Navy officer experienced in cybersecurity and technology in the digital age. We have maintained a deliberate mix of new and tenured directors, reflecting our commitment to ongoing, proactive Board refreshment and ensuring that the Board reflects a diversity of backgrounds, talents and perspectives.

Corporate Responsibility and Sustainability

The Board and our committees take seriously the responsibility to oversee IBM's pursuit of the highest standards of corporate responsibility and sustainability. We are proud to oversee a Company with more than 40 years of demonstrated environmental leadership. Your Company is recognized for its leadership in building an inclusive and diverse workforce, and continues to leverage IBM's technology and expertise to create sustainable solutions for the communities where we live and work. More information regarding IBM's corporate responsibility and sustainability practices and accomplishments can be found in our Corporate Environmental Report and Corporate Responsibility Report, on our website at https://www.ibm.com/ibm/responsibility/reports/report_downloads.html.

Strong Leadership Structure: Vote AGAINST Item of Business 6

One of the Board's most important tasks is to ensure that IBM's leadership serves the best interests of the Company and its stockholders. The Board strongly believes that IBM's current leadership structure strikes the right balance of allowing the Chairman and CEO to promote a clear, unified vision for the Company's strategy and to provide the leadership critical for effectively and efficiently implementing the actions needed to drive strong performance over the long term, while ensuring robust, independent oversight by the Board and Lead Director.

In assessing the leadership structure, among other factors, we consider the strength of the Chairman and CEO's character and the quality of her leadership; the meaningful and robust responsibilities of the independent Lead Director; the strong and highly independent composition of the Board, with all directors except Mrs. Rometty being independent; and the views and feedback heard from our investors throughout the years expressing support for IBM's leadership structure.

The Board reviews our leadership structure at least annually to ensure the allocation of responsibilities remains appropriate.

Commitment to Pay for Performance: Vote FOR Item of Business 3

Compensation of IBM's senior leaders is linked with the Company's performance against core business metrics that are closely aligned with its financial and strategic objectives, designed to appropriately balance short and long-term goals, and reward for performance. We set incentive plan targets that are challenging to attain and are consistent with the financial model shared with investors each year, and we ensure they do not encourage an inappropriate amount of risk taking. The rigor of these performance targets is reflected in the payouts; over the last five years, during IBM's multi-year business transformation, the CEO has received between 54% and 89% of target compensation.

Decisions about IBM's executive compensation program are informed by stockholder feedback. After our stockholder outreach in 2018, the Compensation Committee conducted a comprehensive review of our pay program and, taking that feedback into consideration, the Committee enhanced the proxy disclosure on how we tie our executive compensation program to business strategy. Since the beginning of 2018, we have made several adjustments to the executive compensation program to further strengthen the link between executive pay and long-term performance drivers, including the following:

- Updated the Annual Incentive Program adding total IBM revenue as a metric in 2019, replacing Strategic Imperatives

- Utilized a relative Return on Invested Capital modifier for Performance Share Units granted in 2018 and beyond
- Reduced the Annual Incentive Program maximum opportunity for the Chairman and CEO from three times target to two times target beginning in 2018

For these reasons and those discussed in more detail in our proxy statement, the Board believes that our compensation policies and practices are aligned with the interests of our stockholders and designed to reward for performance.

We are proud of IBM's achievements and the enhancements that we have made to our governance practices, executive compensation program and disclosure, and corporate social responsibility efforts, many of which have resulted from feedback from stockholders. We hope to receive your support on all of the Board's recommendations in IBM's 2019 Proxy Statement, specifically by voting FOR Item of Business 3: Management Proposal on Advisory Vote on Executive Compensation (Say on Pay) and AGAINST the Shareholder Proposals calling for an independent board chairman and the right to act by written consent.

Sincerely,

/s/ Michael L. Eskew
Michael L. Eskew
IBM's Lead Director
Chair of IBM's Audit Committee

/s/ Shirley Ann Jackson
Shirley Ann Jackson
Chair of IBM's Directors and Corporate
Governance Committee

/s/ Alex Gorsky
Alex Gorsky
Chair of IBM's Executive Compensation
and Management Resources Committee

[E-MAIL]

Dear IBM Senior Leaders:

Re: Voting Your IBM Shares for the 2019 Annual Meeting

I am writing to remind each of you to make sure to vote all of your IBM shares for the 2019 Annual Meeting. By now you should have received a copy of IBM's 2019 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 2018, IBM returned to full-year revenue growth, generating \$79.6 billion in revenue including \$19.2 billion in Cloud revenues with an as-a-Service exit run rate of \$12.2 billion. We grew our Strategic Imperatives of cloud, analytics, mobile, social and security to nearly \$40 billion, up 9%, with Strategic Imperatives now accounting for about half of IBM's total revenue. We returned \$10.1 billion to you, our stockholders, in dividends and gross share repurchases. We increased our dividend for the 23rd consecutive year, and 2018 was IBM's 103rd straight year of providing one. With help from IBM, our clients are now ready to enter Chapter 2 of their digital reinventions: shifting from experimenting with narrow and disparate AI applications and moving simple workloads to the cloud to true business transformation at scale with AI and hybrid cloud. As a part of this new chapter in digital reinvention, IBM is now moving the world's major enterprises to the next era, which is enhanced by the Company's announcement in October that it would acquire Red Hat, thereby accelerating IBM's high-value business model and reinforcing IBM's position as the #1 hybrid cloud provider. The closing of the Red Hat acquisition is subject to regulatory clearance and continues to be expected in the second half of 2019.

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 casting your vote:**

- **FOR Item of Business 1: Election of our Directors**
- **FOR Item of Business 2: Ratification of our Independent Accounting Firm**
- **FOR Item of Business 3: Say on Pay Proposal**
- **FOR Item of Business 4: Approval of Long-Term Incentive Performance Terms for Certain Executives for Awards Eligible for Transitional Relief Pursuant to Section 162(m) of the Internal Revenue Code**
- **AGAINST Item of Business 5: Stockholder Proposal on the Right to Act by Written Consent**
- **AGAINST Item of Business 6: Stockholder Proposal to Have an Independent Board Chairman**

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 Merrill Lynch, 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 Thursday, April 18, 2019, 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
