

INTERNATIONAL BUSINESS MACHINES CORP
Form DEFA14A
April 02, 2018

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
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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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[E-MAIL]

Dear IBM Senior Leaders:

Re: Voting Your IBM Shares for the 2018 Annual Meeting

I am writing to remind each of you to make sure to vote all of your IBM shares for the 2018 Annual Meeting. By now you should have received a copy of IBM's 2018 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 2017, IBM generated \$79.1 billion in revenue with a 46% gross profit margin, and generated \$11.4 billion in pre-tax income. In the 4th quarter, we returned to revenue growth, growing 4%. We returned \$9.8 billion to you, our stockholders including dividends of \$5.5 billion and \$4.3 billion in gross share repurchases. We increased our dividend for the 22nd consecutive year, and 2017 was IBM's 102nd straight year of providing one. In 2017, our strategic imperatives cloud, analytics, mobile, social and security reached critical mass with revenue of \$36.5 billion growing 11%. They now contribute 46% of IBM's revenue, and we expect 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 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**
- **AGAINST Item of Business 4: Stockholder Proposal on Lobbying Disclosure**
- **AGAINST Item of Business 5: Stockholder Proposal for 10% Special Meeting Provision**
- **AGAINST Item of Business 6: Stockholder Proposal for 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.

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- 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 Thursday, April 12, 2018, please contact Bob Wilt at infoibm@us.ibm.com. Please do not hesitate to call me at 914-499-4825 if you have questions or comments.

Sincerely,

/s/ Christina M. Montgomery
Christina M. Montgomery

Vice President and Secretary

April 2, 2018

Dear IBM Shareholders,

As the independent Presiding 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. We are proud of the substantial progress the Company made as it has undertaken one of the most ambitious reinventions in IBM's history, all while delivering strong performance and ensuring that sound governance and executive compensation practices are in place and transparent to you, our shareholders.

Transformation Yields Results

Over the course of the past five years, propelled by our belief that the phenomenon of data would reorder technology and business, IBM has become a cognitive solutions and cloud platform company. We believe the results achieved in 2017 are a testament to the progress of the transformation of our business and provide a strong foundation for the future.

Notable 2017 achievements include:

- Delivering \$79.1B in revenue and returning to revenue growth in the fourth quarter
- Reaching a critical mass in revenue from our Strategic Imperatives of cloud, analytics, mobile, social and security, growing to \$36.5B, with 22% of IBM revenue in Cloud alone
- Generating significant profit and cash, with a 46% gross profit margin, \$11.4B in pre-tax income and \$16.7B cash from operations
- Returning \$9.8B to you, our shareholders, including dividends of \$5.5B and \$4.3B in gross share repurchases
- Raising our dividend for the 22nd consecutive year – IBM's 102nd straight year of providing one

Active Board Refreshment and Engagement

As a Board, we have been particularly focused on adding fresh perspectives into the boardroom as we have overseen this strategic transformation, and we are proud of our progress. In the last year, we added two new independent directors, Joseph Swedish and Frederick Waddell, who bring expertise in financial services and healthcare, respectively - two important industries for us. As a result, we have maintained a deliberate mix of new and tenured directors, reflecting our commitment to ongoing and proactive refreshment. In addition, the Board amended

its bylaws in 2017 to adopt proxy access, as requested by a majority of our shareholders.

In 2017, we continued our longstanding practice of engaging with stockholders to provide important updates on our business strategy and performance, and to understand stockholders' perspectives on our governance, compensation and sustainability programs and practices. Since our annual meeting last year, senior management and members of the Board met with investors representing more than 55% of institutional ownership. Feedback from all meetings was aggregated, discussed among the full Board and reflected in the enhancements we've made to this year's proxy, including improved design and readability, and expanded disclosure of existing Board practices in key areas such as succession planning, board evaluation, and risk oversight, including cybersecurity.

Strong Leadership Structure

As the independent chairs of IBM's three committees, one of our most important tasks is to regularly review the leadership structure of the Board and management to ensure that IBM's leadership serves the best interests of the Company and its stockholders. In 2018, following our Board self-evaluation process, we continue to believe that the leadership structure of Ginni Rometty as IBM's Chairman and CEO, along with a strong, independent Presiding Director with clearly defined duties and responsibilities is the optimal leadership structure for IBM at this time. In reaching this conclusion, the Board conducted a thoughtful review, considering many factors, including:

- The importance of consistent, unified leadership to execute and oversee the Company's strategy,
- The strong and highly independent composition of the Board,
- The meaningful and robust responsibilities of the independent, Presiding Director, and
- The views and feedback heard from our investors over the years expressing support for IBM's leadership structure.

Further, requiring an independent Chairman at the next CEO transition, as proposed in Item of Business 6: Stockholder Proposal to Have an Independent Board Chairman, limits future IBM Boards from determining the best leadership structure for the Company at that time. Accordingly, we strongly encourage you to support IBM and vote AGAINST Item of Business 6.

Enhancements to Compensation Program

After extensive shareholder outreach, the Compensation Committee conducted a comprehensive review of the pay program and discussed proposed enhancements with stockholders. Taking their feedback into consideration, the Committee has enhanced the disclosure on how we link the executive compensation program to our business strategy and made several adjustments to executive compensation, including:

- Improved the transparency regarding the rigor of our performance goals and link to our business strategy with retrospective disclosure of goals for both the Annual Incentive Program and Long-Term Incentive Plan
- Added a relative Return on Invested Capital modifier to Performance Share Units granted in 2018 and beyond
- Reduced the Annual Incentive Program maximum opportunity for the Chairman and CEO to two times target

The changes we've made over the last year are an indication of the Board's responsiveness to stockholder feedback, and we appreciate the time our investors spent with us in 2017. For a more detailed discussion of our stockholder engagement, including the feedback we heard, please refer to our 2018 Proxy Statement.

Corporate Responsibility and Sustainability

Under the guidance and supervision of the Board, IBM pursues the highest standards of corporate responsibility and sustainability, from how we support, protect and empower our employees, to how we work with our clients, to how we govern the company and connect to our communities. Our corporate responsibility efforts reflect our expansive footprint and span environmental leadership, social responsibility to our workforce, clients and business partners, innovation and a culture of ethics and integrity that promotes transparency. In June, we published our 27th consecutive annual Corporate Environmental Report providing detailed information on our environmental programs and performance. For a

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snapshot of our efforts and progress, please refer to page 83 of the proxy statement. Our comprehensive Corporate Environmental Report and Corporate Responsibility Report can be found on our website at <https://www.ibm.com/ibm/environment/annual/reporting.shtml> and <https://www.ibm.com/ibm/responsibility>.

We are proud of these achievements and the efforts we have made to improve our compensation and governance programs throughout the year and thank our stockholders for the time and effort spent on providing invaluable feedback. We hope to receive your support at this year's Annual meeting on April 24, 2018 and encourage you to submit your vote either online, by phone, or by mail via the previously mailed proxy or voting instruction card.

Sincerely,

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

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

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