

Stockholder Proposals

Some of the following stockholder proposals contain assertions about IBM that we believe are incorrect. We have not attempted to refute all of these inaccuracies.

Your Board of Directors opposes the following proposals for the reasons stated after each proposal.

4. Stockholder Proposal on Lobbying Disclosure

Management has been advised that Walden Asset Management, One Beacon Street, Boston, MA 02108, the beneficial owner of over \$2,000 in market value of IBM shares, together with multiple co-filers, whose names, addresses and beneficial holdings are available on request, intends to submit the following proposal at the meeting:

Whereas, we believe in full disclosure of our company's direct and indirect lobbying activities and expenditures to assess whether our lobbying is consistent with IBM's expressed goals and in the best interests of shareholders.

IBM spent approximately \$24.4 million from 2012–2016 on federal lobbying (Senate reports). This total does not include expenditures to influence legislation in states and provides limited information regarding lobbying conducted by third parties.

Resolved, the shareholders of IBM request the preparation of a report, updated annually, and disclosing:

1. Company policy and procedures governing lobbying, both direct and indirect lobbying communications.
2. Payments by IBM used for (a) direct or indirect lobbying or (b) grassroots lobbying communications, in each case including the amount of the payment and the recipient.
3. Description of the decision making process and oversight by management and Board for lobbying expenditures.

For purposes of this proposal, a "grassroots lobbying communication" is a communication directed to the general public that (a) refers to specific legislation or regulation, (b) reflects a view on the legislation or regulation and (c) encourages the recipient of the communication to take action with respect to the legislation or regulation. "Indirect lobbying" is lobbying engaged in by any trade association or other organization of which IBM is a member.

Both "direct and indirect lobbying" and "grassroots lobbying communications" include efforts at the local, state and federal levels.

The report shall be presented to the Audit Committee or other relevant oversight committees and posted on IBM's website.

Supporting Statement

We commend IBM for its thoughtful policy regarding political spending and the *electoral process* prohibiting political contributions with company funds. We believe IBM should also establish high standards for evaluating and disclosing company participation and spending in the *legislative process* through lobbying as well.

IBM does not disclose its memberships in, or payments to, trade associations, or the portions of these payments used for lobbying. In contrast, competitors Microsoft, Xerox and Intel publicly disclose their indirect lobbying expenditures through their trade associations.

IBM sits on the board of the US Chamber of Commerce, which since 1998 spent approximately \$1.4 billion dollars on lobbying. IBM does not disclose its Chamber payments nor the portion used for lobbying.

IBM's statement on climate change policy states that "IBM recognizes climate change is a serious concern that warrants meaningful action on a global basis to stabilize the atmospheric concentration of greenhouse gases (GHGs)." In contrast, the Chamber has publicly attacked the EPA and sued to stop climate change solutions.

IBM is also a member of the Business Roundtable, an organization with approximately 200 CEOs as members. The BRT is leading an attack against shareholder rights to file resolutions. Yet IBM is justifiably proud of its record of engaging shareholders in constructive conversation.

IBM's payments to the BRT & Chamber help fund such attacks.

This resolution received 26.54% vote in 2017. We urge IBM to expand its public disclosure of lobbying.

YOUR BOARD OF DIRECTORS RECOMMENDS A VOTE AGAINST THIS PROPOSAL.

This proposal requests additional disclosure by IBM of lobbying activities and expenditures. IBM already discloses lobbying activities and expenditures, including expenditures made through trade associations, as required by law. Furthermore, IBM has established clear oversight over such activities and expenditures through numerous written corporate policies, instructions and guidelines. This proposal does not appear to properly consider IBM's well-known policies and practices in this area, and the Board recommends against this proposal.

IBM's policy on Lobbying is set forth in the IBM Business Conduct Guidelines under the section entitled "Lobbying," and is published by the Company on its website at:

https://www.ibm.com/investor/att/pdf/BCG_English_Accessible_2018.pdf

Specifically, the IBM Business Conduct Guidelines provide that all lobbying activities, including lobbying activities by third parties on behalf of IBM and grassroots lobbying, require the prior approval of IBM's Government and Regulatory Affairs office — a globally integrated function providing public policy and government relations expertise in support of IBM's business operations worldwide. All IBM employees are required to comply with these guidelines. The IBM Government and Regulatory Affairs office works to advocate the public policy interests of IBM and its stockholders and employees with governments around the world.

The Company provides disclosure on its website about its key public policy positions as well as its policies and practices with regard to public policy matters, including trade and industry associations and lobbying activities and expenditures. See <http://www.ibm.com/investor/governance/public-policy-matters.html> and <https://www.ibm.com/blogs/policy>

Further, IBM's U.S. federal lobbying reports disclose in extensive detail all issues lobbied and total U.S. federal lobbying expenditures made by IBM. Contrary to the proposal's supporting statement, IBM's total reported U.S. federal lobbying expenditures do, in fact, include expenditures for "indirect lobbying" via trade associations, as required by law. These reports are available for public review at <http://disclosures.house.gov/ld/ldsearch.aspx>

IBM also complies fully with U.S. state and local lobbying disclosure laws, which vary by jurisdiction, but which do, in most cases, require lobbyists to register and disclose their lobbying activities. Finally, IBM periodically reports to its Board of Directors about IBM's policies and practices in connection with governmental relations, public policy and related expenditures.

Given all of the foregoing, the Board views the proposal as unnecessary. **THEREFORE, THE BOARD RECOMMENDS A VOTE AGAINST THIS PROPOSAL.**

5. Stockholder Proposal on Shareholder Ability to Call a Special Shareholder Meeting

Management has been advised that John Chevedden, 2215 Nelson Ave., No. 205, Redondo Beach, CA 90278, the owner of at least 25 shares of IBM stock, intends to submit the following proposal at the meeting:

Resolved, Shareowners ask our board to take the steps necessary (unilaterally if possible) to amend our bylaws and each appropriate governing document to give holders in the aggregate of 10% of our outstanding common stock the power to call a special shareowner meeting. In other words this proposal asks for adoption of the most shareholder-friendly version of the shareholder right to call a special meeting as permitted by Delaware law. This proposal does not impact our board's current power to call a special meeting.

This proposal topic won more than 70%-support at Edwards Lifesciences and SunEdison in 2013. A shareholder right to call a special meeting and to act by written consent and are 2 complimentary ways (written consent completely lacking at IBM) to bring an important matter to the attention of both management and shareholders outside the annual meeting cycle such as the election of directors. More than 100 Fortune 500 companies provide for shareholders to call special meetings and to act by written consent.

This proposal is of particular importance to IBM shareholders because IBM shareholders completely lack the ability to act by written consent and do not have the full right to call a special meeting that is available under Delaware law. And this is at a time when IBM stock is slumping.

If shareholders had a more complete right to call a special meeting as called for in this proposal shareholders would have a greater ability to engage our Board to improve the qualifications of our directors since a special meeting can be called in regard to the election of directors.

Sadly IBM had a rooster of directors with no skin in the game. In 2017 it was reported that 8 of 13 IBM directors owned no IBM stock: Alex Gorsky, Andrew Liveris, Hutham Olayan, Joan Spero, Michael Eskew, Peter Voser, Shirley Jackson and Walter McNerney. If our stock slumps further these 8 directors can just smile and collect their \$400,000 for perhaps 400 hours of work.

Kenneth Chenault and Sidney Taurel had 19 or 16 years long-tenure. Long-tenure can impair the independence of a director no matter how well qualified. Michael Eskew and Shirley Jackson were potentially distracted directors with work on 4 boards. And then Michael Eskew was given Lead Director duties. The 4 directors in this paragraph received our highest negative votes in 2017.

Any claim that a shareholder right to call a special meeting can be costly – may be largely moot. When shareholders have a good reason to call a special meeting – our board should be able to take positive responding action to make a special meeting unnecessary.

**Please vote to improve shareholder oversight of our company:
Shareholder Ability to Call a Special Shareholder Meeting – Proposal 5**

✘ YOUR BOARD OF DIRECTORS RECOMMENDS A VOTE AGAINST THIS PROPOSAL.

The Board believes that the adoption of this proposal is unnecessary because of its existing special meeting by-law provision. The current provision, which allows stockholders owning at least 25% of IBM's shares to call a special meeting, can be found in Article II, Section 3 of IBM's by-laws at <https://www.ibm.com/investor/governance/by-laws.html>.

The current 25% threshold is consistent with market practice and already accurately reflects the preference of IBM's stockholders. At IBM's 2010 and 2017 Annual Meetings, the same proponent presented this same proposal seeking to lower the 25% threshold to 10%. On both occasions, a majority of the votes cast voted **against** lowering the threshold, clearly demonstrating the stockholders' support for the 25% threshold.

Lowering the threshold to 10% would allow special interest groups with small minority ownership interests to potentially cause disruption and substantial costs to be incurred by the other 90% of stockholders. Further, a lower threshold is not necessary in light of IBM's history of strong governance policies and practices, including its lead independent Presiding Director and existing procedures giving stockholders the ability to communicate with the Board.

Therefore, the Board believes that the proponent's proposal is counterproductive to IBM's already well-respected corporate governance practices. Additionally, this same proposal has already been reviewed and rejected by a majority of the votes cast at two prior annual meetings. As IBM has an existing by-law permitting stockholders to call special meetings, and this same proposal to lower the threshold failed to receive majority support each time it has been presented, the Board believes that this proposal is unnecessary. **THEREFORE, THE IBM BOARD OF DIRECTORS RECOMMENDS A VOTE AGAINST THIS PROPOSAL.**

6. Stockholder Proposal to Have an Independent Board Chairman

Management has been advised that Kenneth Steiner, 14 Stoner Avenue, 2M, Great Neck, NY 11021, the owner of at least 500 shares of IBM stock, intends to submit the following proposal at the meeting:

Shareholders request our Board of Directors to adopt as policy, and amend our governing documents as necessary, to require henceforth that the Chair of the Board of Directors, whenever possible, to be an independent member of the Board. The Board would have the discretion to phase in this policy for the next CEO transition, implemented so it does not violate any existing agreement.

If the Board determines that a Chairman who was independent when selected is no longer independent, the Board shall select a new Chairman who satisfies the requirements of the policy within a reasonable amount of time. Compliance with this policy is waived if no independent director is available and willing to serve as Chairman. This proposal requests that all the necessary steps be taken to accomplish the above.

Caterpillar is an example of a company recently changing course and naming an independent board chairman. Caterpillar had strongly opposed a shareholder proposal for an independent board chairman as recently as its June 2016 annual meeting. Wells Fargo also changed course and named an independent board chairman in October 2016.

It was reported that 53% of the Standard & Poors 1,500 firms separate these 2 positions (2015 report). This proposal topic won 50%-plus support at 5 major U.S. companies in 2013 including 73%-support at Netflix

An independent board chairman would have more time to cure weaknesses in our board members after 2018. David Farr and Joan Spero were tainted by a bankruptcy at another company where they served. Kenneth Chenault had 19-years long tenure and received our highest negative votes – as much as 5-times as many negative votes as other IBM directors. Sidney Taurel had 16-years tenure. Long-tenure can impair the independence of a director no matter how qualified. Independence is all-important for a director.

In response to this proposal top management could name one step it took to advance shareholder oversight of our company in 2017.

The fact that our Lead Director cannot call a special shareholder meeting may be a red flag that our Board does not believe in a strong lead director to counter-balance the powerful dual role of our current CEO.

**Please vote to enhance oversight of our CEO:
Independent Board Chairman — Proposal 6**

 **YOUR BOARD OF DIRECTORS RECOMMENDS A VOTE AGAINST THIS PROPOSAL.**

One of the most important tasks undertaken by a board is to select the leadership of the board and the company. In order to do that job most effectively and in the best interests of the stockholders, a board should have the flexibility

to combine or split the Chairman and CEO roles. Because one size does not fit all situations, your Board has altered its structure at various times depending upon the particular circumstances. For example, your Board split the Chairman and CEO roles during previous CEO transitions. These seamless and successful leadership transitions have served as a model for public company succession planning. We already have independent board leadership in the form of our Presiding Director, IBM's lead independent director. We do not believe that requiring these roles always be split, or that the Chairman always be a non-management director, is in the best interest of IBM, and we recommend a vote against the proposal.

There is little doubt that selection of IBM's Chairman and CEO is one of the most important functions for the Board. The responsibility 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 and philanthropic institutions. The Board is uniquely positioned to see the opportunities and challenges IBM faces, and to test personally the candidates for the Chairman and CEO positions over time, in order to select the leadership needed for IBM for the long term. Limiting the candidate pool as suggested by the proponent will do nothing to enhance the ability of the Board to exercise its fiduciary obligation to identify the best leadership for IBM.

IBM already has an independent director holding the position of Presiding Director. The Presiding Director is elected by the independent members of the Board, with the following robust and meaningful responsibilities that serve to enhance the contributions of IBM's independent directors. The Presiding Director:

- presides at all meetings of the Board at which the Chairman is not present, including executive sessions of the independent directors,
- serves as liaison between the Chairman and the independent directors,
- approves information sent to the Board,
- approves meeting agendas for the Board,
- approves meeting schedules to assure that there is sufficient time for discussion of all agenda items,
- has authority to call meetings of the independent directors, and
- if requested by major stockholders, ensures that he or she is available, as necessary after discussions with the Chairman and Chief Executive Officer, for consultation and direct communication.

In addition to these core responsibilities, the Presiding Director engages in other regular activities including:

- one-on-one debriefs with the Chairman after each meeting;
- spending time with senior management outside of Board meetings to ensure a deep understanding of the business and strategy of the Company; and
- attending certain other committee meetings in addition to the committee he chairs.

The Presiding Director position is just the latest example of IBM's continued commitment to strong corporate governance. Independent directors comprise more than 93% of the Board and 100% of the Audit, Directors and Corporate Governance and Executive Compensation and Management Resources Committees. After each regularly scheduled Board meeting, both the full Board and the non-management directors of the Board meet in executive session, with the non-management directors' session led by the independent Presiding Director.

In addition, the Board has a history of proactively responding to stockholder issues, such as implementing proxy access, a majority voting policy for director elections and granting stockholders owning at least 25% of the outstanding shares of the Company the power to call a special meeting of stockholders. In contrast to the exemplary performance and quality of the IBM Board over the years, the proponent provides no evidence demonstrating that separating the roles of Chairman and CEO at IBM would result in increased value for IBM stockholders. In light of this total lack of empirical support, IBM's strong and independent Board, and IBM's Presiding Director structure, this stockholder proposal is both inappropriate and unnecessary.

We believe that stockholders benefit when the Board can select the best candidates to run IBM at a given time.

THEREFORE, THE BOARD RECOMMENDS A VOTE AGAINST THIS PROPOSAL.