

INTERNATIONAL BUSINESS MACHINES CORP
Form DEFA14A
March 22, 2012

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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March 23, 2012

Dear IBM Stockholder:

Re: IBM 2012 Proxy Statement – Say on Pay Vote

As of year end, your firm was one of IBM's top owners. By now you should have received our Annual Report for 2011 and Proxy Statement for our 2012 Annual Meeting of Stockholders. Our Annual Report includes a letter from our new President and CEO Ginni Rometty that describes IBM's 2011 performance and our growth strategies in connection with IBM's 2015 Road Map; it also has a letter from Chairman Sam Palmisano on the lessons of IBM's transformation.

As explained below, we are writing to ask that you support our Say on Pay proposal. IBM has been a leader in its commitment to compensation practices that drive long-term performance, creating significant value for our stockholders. IBM is unique because of our 100-year history, leadership position in the global marketplace, record of tying executive compensation to performance, and distinct focus on long-term achievement. We believe that your investment in IBM reflects your confidence in IBM's Board, management and business strategy.

In 2007, we published our first long-term roadmap for investors, projecting EPS in the range of \$10 to \$11 by the end of 2010. As you know, we exceeded the high end of that range by \$0.52. In May 2010, we formally launched our 2015 roadmap for investors, projecting operating (non-GAAP) EPS of at least \$20 per share by the end of 2015, with a detailed discussion of the different factors contributing to this performance over time.

IBM's results evidence our success in designing our compensation program to motivate superior business performance over the long term.

- IBM had another strong year in 2011, continuing to outperform our industry and the market at large. The company delivered record revenue, profit, free cash flow and earnings per share.
- IBM's total stockholder return was approximately 27% in 2011; in contrast, the S&P 500 only achieved a total return of about 2%.
- IBM continues to deliver substantial returns to our stockholders over the long term.

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o Between January 2007 and the end of 2011, our total stockholder return was more than 100%; in contrast, the S&P 500 total return was about flat.

o During that five year period, we created about \$135 billion in value for our stockholders, increasing our market capitalization by \$70 billion, returning \$50 billion to stockholders in the form of share repurchases and paying \$14 billion in dividends.

- Our pay programs reflect our long-term orientation and alignment with investors. As explained in our Proxy Statement, 90% of the annual compensation for the Proxy 5 group was performance based. In fact, the only equity vehicle used for IBM senior executives is Performance Share Units, a program that sets specific EPS and cash goals over a three-year period.

- IBM also continued its leadership position as the premier globally integrated enterprise, capitalizing on our growth market country strategy in a challenging economic environment. In addition, we continued our leadership in technology and innovation, earning more U.S. patents than any other company for the 19th consecutive year.

For all these reasons, we ask that you for vote FOR our Say on Pay proposal.

Our Proxy Statement also contains information about the proposed election of IBM's Board of Directors, as well as the company's proposal on the ratification of appointment of IBM's independent accountants. We ask that you vote FOR all our directors (voting item #1) and FOR the ratification of our independent accountants (voting item #2). Finally, our statements in opposition to three shareholder proposals -- cumulative voting, political contributions trade associations policy, and lobbying policies and practices -- are included in the Proxy Statement; we ask that you vote AGAINST these proposals (voting items #4, 5 and 6, respectively).

Attached is a copy of our Say on Pay proposal, which is voting item #3 in our Proxy Statement. Also attached is the Generating Higher Value at IBM insert from our 2011 Annual Report. Please do not hesitate to call Michelle at 914-499-xxxx or Patricia at 914-499-xxxx if you have questions or comments.

Sincerely,

/s/ Michelle H. Browdy

Michelle H. Browdy

Vice President & Corporate Secretary

/s/ Patricia Murphy

Patricia Murphy

Vice President, Investor Relations

Voting Item #3

Management Proposal on Advisory Vote on Executive Compensation

The Company is asking that you APPROVE the compensation of the named executive officers as disclosed in this Proxy Statement.

The Company's named executive officers are identified in the 2011 Summary Compensation Table, and the compensation of the named executive officers is described on pages 20 through 69. IBM has long demonstrated its commitment to sound executive compensation and corporate governance principles, working to ensure that its practices protect and further the interests of shareholders.

As discussed in the 2011 Compensation Discussion and Analysis, the Company's executive compensation programs are designed to:

- Ensure that the interests of IBM's leaders are closely aligned with those of our investors;
- Attract and retain highly qualified senior leaders who can drive a global enterprise to succeed in today's competitive marketplace;
- Motivate our leaders to deliver a high degree of business performance without encouraging excessive risk taking;
- Differentiate compensation so that it varies based on individual and team performance; and
- Balance rewards for both short-term results and the long-term strategic decisions needed to ensure sustained business performance over time.

IBM's executive compensation programs and practices continue to be designed to motivate our leaders to deliver superior business performance that balances annual results and long-term sustained performance. Our executive compensation program pays for performance against financial targets that are set to be challenging to motivate a high degree of business performance, with an emphasis on longer-term financial success and prudent risk management. These targets are set within the parameters of IBM's long-term financial model with profit expansion and growth objectives aligned with our disclosed financial roadmap to 2015.

Annual compensation for the named executive officers as a group varies year to year based on business results and individual performance. For 2011, 90% of the compensation for the named executive officers was performance based. Our annual incentive is a cash payment that is designed to reward for the most recent year's revenue, net income and cash flow. For 2011, this incentive comprised 24% of the group's compensation. Nearly 66% of compensation for 2011 was in the form of long-term incentive, which is 100% performance based and delivered through Performance Share Units (PSUs). The payout of PSUs is based on IBM's three-year cumulative performance against EPS and cash flow targets. PSUs will pay out nothing if the threshold performance level is not reached.

For the reasons expressed above, the Executive Compensation and Management Resources Committee and the IBM Board of Directors believe that these policies and practices are aligned with the interests of our stockholders and reward for performance.

We are therefore requesting your nonbinding vote on the following resolution:

Resolved, that the compensation of the Company's named executive officers as disclosed in this Proxy Statement pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the Compensation Discussion and Analysis, the executive compensation tables and the narrative discussion, is approved.

THE IBM BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THIS PROPOSAL.

Note: The Company is providing this advisory vote as required pursuant to Section 14A of the Securities Exchange Act (15 U.S.C. 78n-1). The stockholder vote will not be binding on the Company or the Board, and it will not be construed as overruling any decision by the Company or the Board or creating or implying any change to, or additional, fiduciary duties for the Company or the Board.

[E-Mail]

Re: Voting Your IBM Shares for the 2012 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 2012 Annual Meeting. By now, you should have received a copy of IBM's 2012 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.

As you know, IBM had another strong year in 2011, continuing to outperform our industry and the market at large. The company delivered record revenue, profit, free cash flow and earnings per share. In addition, IBM's total stockholder return in 2011 increased approximately 27%.

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 IBM's director nominees (voting item #1), FOR the ratification of our independent accountants (voting item #2), and FOR the Advisory Vote on Executive Compensation (voting item #3). Further, we are asking you to vote AGAINST the three stockholder proposals, which are voting item #4 (Cumulative Voting), #5 (Political Contributions Trade Associations Policy) and #6 (Lobbying Policies and Practices). For the reasons explained in our Proxy Statement, we believe that such votes are in the best interests of our Company and its stockholders.

o 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.

o On the other hand, if you hold your shares in street name (e.g., Morgan Stanley Smith Barney, 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.

In either case, if you have already voted all 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. The first follow up mailing is scheduled to occur shortly.

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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 2, 2012, 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/ Michelle H. Browdy
Michelle H. Browdy
Vice President & Corporate Secretary
