

INTERNATIONAL BUSINESS MACHINES CORP
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

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SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

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- Preliminary 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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IBM Notice of 2016 Annual Meeting and Proxy Statement

International Business Machines Corporation

Armonk, New York 10504

March 7, 2016

DEAR STOCKHOLDERS:

You are cordially invited to attend the Annual Meeting of Stockholders on Tuesday, April 26, 2016 at 10 a.m., in the Savannah International Trade & Convention Center, Savannah, Georgia.

We are very pleased that Mr. Mark Fields, president and chief executive officer, Ford Motor Company, and Ms. Hutham S. Olayan, principal, director and senior executive, The Olayan Group, are new nominees for the Board this year. Mr. Alain J.P. Belda and Dr. William R. Brody are not nominees for election, and their terms on the Board will end in April. We are very grateful to them for their many valuable contributions and will miss their participation.

At this year's Annual Meeting, you will once again be asked to provide an advisory vote on executive compensation. The Board's FOR recommendation on this item is set forth in the proposal, and your support is important.

Stockholders of record can vote their shares by using the Internet or the telephone. Instructions for using these convenient services are set forth on the enclosed proxy card. You also may vote your shares by marking your votes on the enclosed proxy card, signing and dating it, and mailing it in the enclosed envelope. If you will need special assistance at the meeting because of a disability, please contact the Office of the Secretary, International Business Machines Corporation, 1 New Orchard Road, Armonk, NY 10504.

Very truly yours,

Virginia M. Rometty

Chairman of the Board

YOUR VOTE IS IMPORTANT.

Please vote by using the Internet, the telephone,

or by signing, dating, and returning the enclosed proxy card.

NOTICE OF MEETING

The Annual Meeting of Stockholders of International Business Machines Corporation will be held on Tuesday, April 26, 2016 at 10 a.m., in the Savannah International Trade & Convention Center, Savannah, Georgia. The items of business are:

1. Election of directors proposed by IBM's Board of Directors for a term of one year, as set forth in this Proxy Statement.
2. Ratification of the appointment of PricewaterhouseCoopers LLP as IBM's independent registered public accounting firm.
3. Advisory vote on executive compensation.
4. Three stockholder proposals if properly presented at the meeting.

These items are more fully described in the following pages, which are a part of this Notice.

Christina M. Montgomery

Vice President and Secretary

This Proxy Statement and the accompanying form of proxy card are being mailed beginning on or about March 7, 2016 to all stockholders entitled to vote. The IBM 2015 Annual Report, which includes consolidated financial statements, is being mailed with this Proxy Statement.

Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to be held on April 26, 2016: The Proxy Statement and the Annual Report to Stockholders are available at www.ibm.com/investor/material/.

Websites throughout this Proxy Statement are provided for reference only. Websites referred to herein are not incorporated by reference into this Proxy Statement.

IBM Notice of 2016 Annual Meeting and Proxy Statement

International Business Machines Corporation

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GENERAL INFORMATION

IBM BOARD OF DIRECTORS

IBM's Board of Directors is responsible for supervision of the overall affairs of IBM. To assist it in carrying out its duties, the Board has delegated certain authority to several committees. Following the Annual Meeting in 2016, the Board will consist of 14 directors. In the interim between Annual Meetings, the Board has the authority under the by-laws to increase or decrease the size of the Board and to fill vacancies. The Board held nine meetings during 2015. The Board and the Directors and Corporate Governance Committee recognize the importance of director attendance at Board and committee meetings. In 2015, overall attendance at Board and committee meetings was over 97%. Attendance was at least 75% for each director. Information about Board attendance at IBM's 2015 Annual Meeting of Stockholders and IBM's policy with regard to Board members' attendance at annual meetings of stockholders is available at <http://www.ibm.com/investor/governance/director-attendance-at-annual-meeting.html?subtabs=open>.

IBM's Board of Directors has long adhered to governance principles designed to assure the continued vitality of the Board and excellence in the execution of its duties. Since 1994, the Board has had in place a set of governance guidelines reflecting these principles, including the Board's policy of requiring a majority of the Board to be comprised of independent directors, the importance of equity compensation to align the interests of directors and stockholders, and regularly scheduled executive sessions, including sessions of non-management directors without members of management. An executive session with independent directors is held at least once a year, and the non-management directors met in executive session nine times in 2015. The IBM Board Corporate Governance Guidelines reflect IBM's principles on corporate governance matters. These guidelines are available at <http://www.ibm.com/investor/governance/corporate-governance-guidelines.html?subtabs=open>.

The Directors and Corporate Governance Committee is responsible for leading the search for qualified individuals for election as directors to ensure the Board has the right mix of skills, expertise and background. The Board believes that the following attributes are key to ensuring the continued vitality of the Board and excellence in the execution of its duties: experience as a leader of a business, firm or institution; mature and practical judgment; the ability to comprehend and analyze complex matters; effective interpersonal and communication skills; and strong character and integrity. Each of IBM's directors has these attributes. In identifying potential director candidates, the Committee and the Board also focus on ensuring that the Board reflects a diversity of experiences, backgrounds and individuals.

The IBM Board is composed of a diverse group of members, all leaders in their respective fields. Many of the current directors have leadership experience at major domestic and international companies with operations inside and outside the United States, as well as experience on other companies' boards, which provides an understanding of different business processes, challenges and strategies. Other directors have experience as presidents of significant academic, research and philanthropic institutions, which brings unique perspectives to the Board. Further, IBM's directors also have other experience that makes them valuable members, such as prior public policy or regulatory experience that provides insight into issues faced by companies.

The Directors and Corporate Governance Committee and the Board believe that the above-mentioned attributes, along with the leadership skills and other experiences of its Board members described below, provide IBM with the perspectives and judgment necessary to guide IBM's strategies and monitor their execution.

1. ELECTION OF DIRECTORS FOR A TERM OF ONE YEAR

The Board proposes the election of the following directors of IBM for a term of one year. Below is information about each nominee, including biographical data for at least the past five years. If one or more of these nominees become unavailable to accept nomination or election as a director, the individuals named as proxies on the enclosed proxy card will vote the shares that they represent for the election of such other persons as the Board may recommend, unless the Board reduces the number of directors.

KENNETH I. CHENAULT

Chairman and Chief Executive Officer, American Express Company, a financial services company

Qualifications:

Director since: 1998

- Global business, technology and information management experience as chairman and chief executive officer of American Express Company
- U.S. Government service (member of the President's Council on Jobs and Competitiveness)
- Affiliation with leading business and public policy association (member of the executive committee of the Business Roundtable)
- Experience as a university trustee
- Outside board experience as a director of The Procter & Gamble Company

Mr. Chenault, 64, joined American Express in 1981 and was named president of the U.S. division of American Express Travel Related Services Company, Inc. in 1993, vice chairman of American Express Company in 1995, president and chief operating officer in 1997 and chairman and chief executive officer in 2001. He is a director of The Procter & Gamble Company.

MICHAEL L. ESKEW

Retired Chairman and Chief Executive Officer, United Parcel Service, Inc., a provider of specialized transportation and logistics services

Committees: [Chair](#), [Audit](#); [Executive](#)

Qualifications:

- Global business experience as former chairman and chief executive officer of United Parcel Service, Inc.
- Outside board experience as a director of Allstate Corporation, Eli Lilly and Company and 3M Company
- Chairman of a charitable organization

Director since: [2005](#)

IBM Presiding Director

Mr. Eskew, 66, is IBM's Presiding Director. Mr. Eskew joined United Parcel Service in 1972. He was named corporate vice president for industrial engineering in 1994, group vice president for engineering in 1996, executive vice president in 1999, vice chairman in 2000, and he was chairman and chief executive officer from 2002 until his retirement at the end of 2007. Mr. Eskew remained on the board of United Parcel Service until the end of 2014. He is a director of Allstate Corporation, Eli Lilly and Company and 3M Company. In addition, he is chairman of the Annie E. Casey Foundation.

DAVID N. FARR

Chairman and Chief Executive Officer, Emerson Electric Co., a diversified manufacturing and technology company

Committees: [Audit](#)

Director since: [2012](#)

Qualifications:

- Global business experience as chairman and chief executive officer of Emerson Electric Co.
- Affiliation with leading business and public policy association (former director of the US-China Business Council)
- Outside board experience as former director of Delphi Corporation

Mr. Farr, 61, joined Emerson in 1981 and subsequently held various executive positions. He was named senior executive vice president and chief operating officer in 1999, chief executive officer in 2000 and chairman and chief executive officer in 2004. Mr. Farr was named chairman, president and chief executive officer in 2005 and chairman and chief executive officer in 2010. He is a member of the Executive Committee of the National Association of Manufacturers and a former director of the US-China Business Council.

MARK FIELDS

President and Chief Executive Officer, Ford Motor Company, a global automotive and mobility company

Committees: [Directors and Corporate Governance](#)

Director since: [2016](#)

Qualifications:

- Global business experience as president and chief executive officer of Ford Motor Company

- Affiliation with leading business and public policy association (chairman of the US-China Business Council)
- Technology and innovation experience pursuing emerging opportunities through Ford's business model expansion into mobility

Mr. Fields, 55, joined Ford in 1989 and subsequently held various executive positions in the company. He was named vice president, president and chief executive officer, Mazda Motor Corporation in 1999, group vice president, chairman and chief executive officer, Premier Automotive Group in 2002 and executive vice president and chief executive, Premier Automotive Group and Ford of Europe in 2004. Mr. Fields was named executive vice president and president, The Americas in 2005, chief operating officer in 2012, and president and chief executive officer in 2014. He is also a director of Ford and chairman of the US-China Business Council.

ALEX GORSKY

Chairman and Chief Executive Officer, Johnson & Johnson, a global healthcare products company

Committees: [Executive Compensation and Management Resources](#)

Director since: [2014](#)

Qualifications:

- Global business experience as chairman and chief executive officer of Johnson & Johnson
- Affiliation with leading business and public policy associations (member of the Business Roundtable and The Business Council)

Mr. Gorsky, 55, joined Johnson & Johnson in 1988. In 2001, he was appointed president of Janssen Pharmaceutical Inc., and in 2003 he was named company group chairman of the Johnson & Johnson pharmaceutical business in Europe, the Middle East and Africa. Mr. Gorsky left Johnson & Johnson in 2004 to join the Novartis Pharmaceuticals Corporation, where he served as head of the company's pharmaceutical business in North America. Mr. Gorsky returned to Johnson & Johnson in 2008 as company group chairman for Ethicon. In early 2009, he was appointed worldwide chairman of the Surgical Care Group and member of the executive committee. In September 2009, he was appointed worldwide chairman of the Medical Devices and Diagnostics Group. Mr. Gorsky became vice chairman of the executive committee in January 2011. He was named chief executive officer and joined the board of directors in April 2012 and was named chairman in December 2012. Mr. Gorsky also serves on the boards of the Travis Manion Foundation, Congressional Medal of Honor Foundation and the National Academy Foundation.

SHIRLEY ANN JACKSON

President, Rensselaer Polytechnic Institute, a leading science and technology university that brings technological innovation to the marketplace

Committees: [Chair, Directors and Corporate Governance; Executive](#)

Director since: [2005](#)

Qualifications:

- Leadership position as president of Rensselaer Polytechnic Institute
- Industry and research experience as a theoretical physicist at the former AT&T Bell Laboratories
- U.S. Government service (former chairman of the U.S. Nuclear Regulatory Commission, co-chair of the President's Intelligence Advisory Board, member of the International Security Advisory Board to the United States Secretary of State and a former member of the President's Council of Advisors on Science and Technology)
- Regulatory experience (former member of the board of governors of the Financial Industry Regulatory Authority (FINRA))
- Affiliation with leading business and public policy associations (member of the Council on Foreign Relations and former university vice chair of the Council on Competitiveness)
- Outside board experience as a director of FedEx Corporation, Medtronic, Inc. and Public Service Enterprise Group Incorporated
- Leadership and teaching positions at a research university

Dr. Jackson, 69, was a theoretical physicist at the former AT&T Bell Laboratories from 1976 to 1991, professor of theoretical physics at Rutgers University from 1991 to 1995, and chairman of the U.S. Nuclear Regulatory Commission from 1995 until she assumed her current position in 1999. Dr. Jackson is a director of FedEx Corporation, Medtronic, Inc. and Public Service Enterprise Group Incorporated. She is co-chair of the President's Intelligence Advisory Board and a member of the International Security Advisory Board to the United States Secretary of State. Dr. Jackson is a fellow of the Royal Academy of Engineering (U.K.), the American Academy of Arts and Sciences, a trustee of the Brookings Institution and a past president of the American Association for the Advancement of Science. She is a member of the Council on Foreign Relations, the National Academy of Engineering, the American Philosophical Society and the Board of Regents of the Smithsonian Institution. Additionally, during the past five years, she served as a director of NYSE Euronext and Marathon Oil Corporation.

ANDREW N. LIVERIS

Chairman and Chief Executive Officer, The Dow Chemical Company, a materials, polymer, chemicals and biological sciences enterprise

Committees: [Executive Compensation and Management Resources](#)

Director since: [2010](#)

Qualifications:

- Global business experience as chairman, president and chief executive officer of The Dow Chemical Company
- U.S. and international government service (member of the Australian government's Industry Growth Centres Advisory Committee, Thailand's Board of Investment and the President's Export Council and former co-chair of the President's Advanced Manufacturing Partnership)
- Affiliation with leading business and public policy associations (vice chairman of the executive committee of the Business Roundtable and executive committee member and former chairman of The Business Council)
- Outside board experience as a former director of Citigroup Inc.
- Experience as a university trustee

Mr. Liveris, 61, joined Dow in 1976 and subsequently held various executive positions, including vice president of specialty chemicals from 1998 to 2000, business group president for performance chemicals from 2000 to 2003, and president and chief operating officer from 2003 to 2004. Mr. Liveris was named president and chief executive officer of Dow in 2004 and chairman in 2006. In 2016 he relinquished the president role and remains chairman and chief executive officer. Mr. Liveris serves as vice chairman of the Executive Committee of the Business Roundtable, co-chair of the President's Advanced Manufacturing Partnership, an Executive Committee member and former chairman of The Business Council and a member of the President's Export Council. Mr. Liveris is also a trustee of the Herbert H. & Grace A. Dow Foundation, the California Institute of Technology and the United States Council for International Business (USCIB). Additionally, during the last five years, he served as a director of Citigroup Inc.

W. JAMES MCNERNEY, JR.

Retired Chairman and Chief Executive Officer, The Boeing Company, an aerospace company and manufacturer of commercial airplanes and defense, space and security systems

Committees: [Executive Compensation and Management Resources](#)

Director since: [2009](#)

Qualifications:

- Global business experience as former chairman and chief executive officer of The Boeing Company
- Manufacturing and technology experience as former chairman and chief executive officer of 3M Company and senior executive of General Electric Company
- U.S. Government service (former chairman of the President's Export Council)
- Affiliation with leading business and public policy association (member and former chairman of the executive committee of the Business Roundtable)
- Outside board experience as a director of The Procter & Gamble Company
- Experience as a university trustee

Mr. McNerney, 66, joined Boeing as chairman and chief executive officer in 2005. In 2015 he stepped down as chief executive officer and remained chairman until his retirement in 2016. Mr. McNerney also served as president of Boeing from 2005 through 2013. Beginning in 1982, he served in management positions at General Electric Company, including as president and chief executive officer of GE Aircraft Engines from 1997 to 2000. From 2001 to 2005, he served as chairman and chief executive officer of 3M Company. Mr. McNerney is a former chairman of the President's Export Council. He is also a director of The Procter & Gamble Company.

HUTHAM S. OLAYAN

Principal, Director and Senior Executive, The Olayan Group, a private, family-owned multinational enterprise that is a diversified global investor and operator of industrial and commercial businesses in the Middle East

Committees: [Directors and Corporate Governance](#)

Director since: [2016](#)

Qualifications:

- Global business experience as principal, director and senior executive of The Olayan Group
- Affiliation with leading business and public policy associations (member of the Council on Foreign Relations, the Peterson Institute for International Economics and the Carnegie Middle East Center)
- Outside board experience as a director of Morgan Stanley
- Experience as a university trustee

Ms. Olayan, 62, has been a principal and director since 1981 of Olayan Investments Company Establishment, the parent company of The Olayan Group. She is president and chief executive officer of Olayan America. Ms. Olayan is a director of Morgan Stanley. She is also a member of the Executive Advisory Board of General Atlantic. She serves on the boards of the American University of Beirut, the MasterCard Foundation, the Memorial Sloan-Kettering Cancer Center and the Peterson Institute for International Economics. Ms. Olayan is also a member of the Council on Foreign Relations and international advisory bodies affiliated with the Belfer Center for Science and International Affairs of Harvard University and the Carnegie Middle East Center.

JAMES W. OWENS

Retired Chairman and Chief Executive Officer, Caterpillar Inc., a manufacturer of construction and mining equipment, diesel and natural gas engines and industrial gas turbines

Committees: [Audit](#)

Director since: 2006

Qualifications:

- Global business experience as former chairman and chief executive officer of Caterpillar Inc.
- Experience as a former senior advisor at KKR & Co. L.P., a global asset management company
- U.S. Government service (former member of the President's Economic Recovery Advisory Board)
- Affiliation with leading business and public policy associations (chairman of the executive committee of the Peterson Institute for International Economics, former director of the Council on Foreign Relations and former chairman of The Business Council)
- Outside board experience as a director of Alcoa Inc. and Morgan Stanley
- Experience as a university trustee

Mr. Owens, 70, joined Caterpillar in 1972 as a corporate economist and subsequently held various management positions, including chief financial officer. He was named group president in 1995 and vice chairman in 2003. Mr. Owens served as chairman and chief executive officer of Caterpillar from 2004 until his retirement in 2010. He is a director of Alcoa Inc. and Morgan Stanley. Mr. Owens is chairman of the executive committee of the Peterson Institute for International Economics, chairman of the board of trustees at North Carolina State University and was a member of the President's Economic Recovery Advisory Board.

VIRGINIA M. ROMETTY

Chairman, President and Chief Executive Officer, IBM

Committees: [Chair, Executive](#)

Qualifications:

Director since: [2012](#)

- Global business experience as chairman, president and chief executive officer of IBM
- Affiliation with leading business and public policy associations (member of the Business Roundtable, the Council on Foreign Relations and the Peterson Institute for International Economics)
- U.S. Government service (member of the President's Export Council)
- Experience as a university trustee

Mrs. Rometty, 58, joined IBM in 1981. She was elected senior vice president of Global Business Services in 2005, senior vice president of Sales and Distribution in 2009, senior vice president and group executive of Sales, Marketing and Strategy in 2010, president and chief executive officer in early 2012 and chairman in late 2012. She is a member of the Business Roundtable, the Council on Foreign Relations, the President's Export Council, the Board of Trustees of Northwestern University and the Board of Overseers and Managers of Memorial Sloan-Kettering Cancer Center.

JOAN E. SPERO

Adjunct Senior Research Scholar, Columbia University's School of International and Public Affairs

Committees: [Audit](#)

Qualifications:

Director since: [2004](#)

- Experience as senior research scholar, Columbia University's School of International and Public Affairs
- Research experience with national non-profit service organization (former visiting fellow at the Foundation Center)
- Leadership position as former president of the Doris Duke Charitable Foundation
- Business experience as a former senior executive of American Express Company
- U.S. Government service (former U.S. Under Secretary of State for Economic, Business and Agricultural Affairs and former U.S. Ambassador to the United Nations for Economic and Social Affairs)
- Affiliation with leading business and public policy association (member of the Council on Foreign Relations)
- Outside board experience as a director of Citigroup Inc. and International Paper Company
- Experience as a university trustee and former university professor

Ms. Spero, 71, served as U.S. Ambassador to the United Nations for Economic and Social Affairs from 1980 to 1981. From 1981 to 1993, she held several positions with American Express Company, the last being executive vice president, corporate affairs and communications. From 1993 to 1996, Ms. Spero served as U.S. Under Secretary of State for Economic, Business and Agricultural Affairs, and from 1997 through 2008, she was president of the Doris Duke Charitable Foundation. She is a director of Citigroup Inc. and International Paper Company. From 2009 to 2010, she was a visiting fellow at the Foundation Center. She is a member of the Council on Foreign Relations and the American Philosophical Society, a trustee emeritus of Columbia University, an honorary trustee of the Brookings Institution, and a trustee of the Wisconsin Alumni Research Foundation and the International Center for Transitional Justice. Additionally, during the past five years, she served as a member of the supervisory board of ING Group.

SIDNEY TAUREL

Chairman, Pearson plc, a provider of digital education products and services

Committees: **Chair, Executive Compensation and Management Resources; Executive**

Qualifications:

Director since: 2001

- Global business experience as chairman of Pearson plc and former chairman and chief executive officer of Eli Lilly and Company
- Private equity management and investment banking experience as former senior advisor of Capital Royalty L.P. and senior advisor of Moelis & Company
- U.S. Government service (former member of the Homeland Security Advisory Council, the President's Export Council and the Advisory Committee for Trade Policy and Negotiations)
- Affiliation with leading business association (graduate member of The Business Council)
- Outside board experience as a director of McGraw Hill Financial, Inc.
- Member of a university oversight board

Mr. Taurel, 67, joined Eli Lilly in 1971 and held management positions in the company's operations in South America and Europe. He was named president of Eli Lilly International Corporation in 1986, executive vice president of the Pharmaceutical Division in 1991, executive vice president of Eli Lilly and Company in 1993, and president and chief operating officer in 1996. He was named chief executive officer of Eli Lilly and Company in 1998 and chairman of the board in 1999. Mr. Taurel retired as chief executive officer in early 2008 and as chairman in late 2008. He is a director of McGraw Hill Financial, Inc. and chairman of Pearson plc. He is also a senior advisor at Moelis & Company, a member of the Board of Overseers of the Columbia Business School, a graduate member of The Business Council and a trustee of the Indianapolis Museum of Art.

PETER R. VOSER

Chairman, ABB Ltd., a global group of power and automation companies

Committees: **Directors and Corporate Governance**

Qualifications:

Director since: 2015

- Global business experience as chairman of ABB Ltd. and former chief executive officer of Royal Dutch Shell plc
- Affiliation with leading business and public policy associations (former member of the European Round Table of Industrialists and member of The Business Council)
- Outside board experience as a director of Roche Holding Limited and Temasek

Mr. Voser, 57, joined Shell in 1982 and held a variety of finance and business roles including chief financial officer of Oil Products. In 2002, he joined the Asea Brown Boveri (ABB) Group of Companies as chief financial officer and a member of the ABB Group executive committee. Mr. Voser returned to Shell in 2004 becoming a managing director of The Shell Transport and Trading Company, p.l.c. and chief financial officer of the Royal Dutch/Shell Group. He was appointed chief executive officer of Royal Dutch Shell plc in 2009 and held that position until his retirement in late 2013. Mr. Voser was named chairman of ABB Ltd. in 2015. He is chairman of Catalyst, and a director of Roche Holding Limited and Temasek. Mr. Voser is also active in a number of international and bilateral organizations, including The Business Council.

CORPORATE GOVERNANCE

Under the IBM Board Corporate Governance Guidelines, the Directors and Corporate Governance Committee and the full Board annually review the financial and other relationships between the non-management directors and IBM as part of the annual assessment of director independence. The Directors and Corporate Governance Committee makes recommendations to the Board about the independence of non-management directors, and the Board determines whether those directors are independent. The independence criteria established by the Board in accordance with New York Stock Exchange (NYSE) requirements and used by the Directors and Corporate Governance Committee and the Board in their assessment of the independence of directors is available at <http://www.ibm.com/investor/governance/director-independence-standards.html>. Applying those standards for the non-management directors including those not standing for election, the Committee and the Board have determined that each of the following directors has met the independence standards: A.J.P. Belda, W.R. Brody, M.L. Eskew, D.N. Farr, M. Fields, A. Gorsky, S.A. Jackson, A.N. Liveris, W.J. McNerney, Jr., H.S. Olayan, J.W. Owens, J.E. Spero, S. Taurel and P.R. Voser. The Committee and the Board have determined that K.I. Chenault does not qualify as an independent director in view of the commercial relationships between IBM and American Express Company in 2013. As a result, Mr. Chenault does not participate on any committee of the Board and does not participate in the determination or approval of the compensation level for IBM's CEO. IBM holds an executive session of the Board at least once a year that includes only independent directors. Otherwise, Mr. Chenault continues to participate fully in the Board's activities and to provide valuable expertise and advice. Mr. Eskew's son is employed by IBM and is not an executive officer. He was hired over a year before Mr. Eskew joined IBM's Board, and his compensation and other terms of employment are determined on a basis consistent with IBM's human resources policies. Based on the foregoing, the Board has determined that this relationship does not preclude a finding of independence for Mr. Eskew.

As noted below, the Directors and Corporate Governance Committee is responsible for the continuing review of the governance structure of the Board, and for recommending to the Board those structures and practices best suited to IBM and its stockholders. The Committee and the Board recognize that different structures may be appropriate under different circumstances. Mrs. Rometty serves as IBM's Chairman and CEO and Mr. Eskew serves as Presiding Director, a structure which the Directors and Corporate Governance Committee and the Board believe is in the best interests of IBM and its stockholders. The Presiding Director has the following responsibilities:

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

The Directors and Corporate Governance Committee and the Board as a whole believe that this leadership structure provides IBM with the benefits of combining the leadership role of Chairman and CEO, while also recognizing the unique strengths and capabilities of IBM's Board members. An independent Presiding Director with these clearly defined duties and responsibilities further enhances the contributions of IBM's independent directors, which have been and continue to be substantial. Mr. Eskew, the Presiding Director, has significant global business,

leadership and oversight experience as the former chairman and chief executive officer of United Parcel Service, Inc., the current chairman of the Annie E. Casey Foundation, and a board member of Allstate Corporation, Eli Lilly and Company and 3M Company.

In recent years, much attention has been given to the subject of risk and how companies assess and manage risks across the enterprise. At IBM, we believe that innovation and leadership are impossible without taking risks. We also recognize that imprudent acceptance of risk or the failure to appropriately identify and mitigate risks could be destructive of stockholder value. Senior management is responsible for assessing and managing IBM's various exposures to risk on a day-to-day basis, including the creation of appropriate risk management programs and policies. IBM has developed a consistent, systemic and integrated approach to risk management to help determine how best to identify, manage and mitigate significant risks throughout IBM. The Board is responsible for overseeing management in the execution of its responsibilities and for assessing IBM's approach to risk management. The Board exercises these responsibilities periodically as part of its meetings and also through the Board's three committees, each of which examines various components of enterprise risk as part of their responsibilities. The Audit Committee periodically reviews IBM's enterprise management framework, including IBM's enterprise risk management processes. In addition, an overall review of risk is inherent in the Board's consideration of IBM's long-term strategies and in the transactions and other matters presented to the Board, including capital expenditures, acquisitions and divestitures, and financial matters. The Board's role in risk oversight of IBM is consistent with IBM's leadership structure, with the CEO and other members of senior management having responsibility for assessing and managing IBM's risk exposure, and the Board and its committees providing oversight in connection with those efforts.

The process by which stockholders and other interested parties may communicate with the Board or non-management directors of IBM is available at <http://www.ibm.com/investor/governance/contact-the-board.html?subtabs=open>.

COMMITTEES OF THE BOARD

Name	Audit	Directors and Corporate Governance	Executive Compensation and Management Resources	Executive
A.J.P. Belda*		X		
W.R. Brody*		X		
M.L. Eskew	Chair			X
D.N. Farr	X			
M. Fields		X		
A. Gorsky			X	
S.A. Jackson		Chair		X
A.N. Liveris			X	
W.J. Mc Nerney, Jr.			X	
H.S. Olayan		X		
J.W. Owens	X			
V.M. Rometty				Chair
J.E. Spero	X			
S. Taurel			Chair	X
P.R. Voser		X		

* As noted above, Mr. Belda and Dr. Brody are not nominees for election, and their terms on the Board will end in April.

As explained above, Mr. Chenault does not qualify as an independent director; therefore, he does not participate on any committee of the Board.

Audit Committee

The Audit Committee is responsible for reviewing reports of IBM's financial results, audits, internal controls and adherence to IBM's Business Conduct Guidelines in compliance with applicable laws and regulations including federal procurement requirements. The Committee selects the independent registered public accounting firm and reviews its selection with the Board. In addition, at the beginning of each year, the Audit Committee approves the proposed services to be provided by the accounting firm during the year. Any additional engagements that arise during the course of the year are approved by the Audit Committee or by the Audit Committee chair pursuant to authority delegated by the Audit Committee. The Committee also reviews the procedures of the independent registered public accounting firm for ensuring its independence with respect to the services performed for IBM.

Members of the Committee are non-management directors who, in the opinion of the Board, satisfy the independence criteria established by the Board, the standards of the Securities and Exchange Commission (SEC) and the NYSE. The Board has determined that Mr. Eskew qualifies as an Audit Committee Financial Expert as defined by the rules of the SEC. The Committee held seven meetings in 2015. The IBM Board of Directors has adopted a written charter for the Committee, which is available at <http://www.ibm.com/investor/governance/audit-committee-charter.html>. The Business Conduct Guidelines (BCGs) are IBM's code of ethics for directors, executive officers and employees. Any amendment to, or waiver of, the BCGs that applies to our directors or executive officers may be made only by the IBM Board or a Board committee and would be disclosed on IBM's website. The BCGs are available at <http://www.ibm.com/investor/governance/business-conduct-guidelines.html?subtabs=open>.

Directors and Corporate Governance Committee

The Directors and Corporate Governance Committee is devoted primarily to the continuing review and articulation of the governance structure of the Board of Directors. As discussed above, the Committee is responsible for recommending qualified candidates to the Board for election as directors of IBM, including the slate of directors that the Board proposes for election by stockholders at the Annual Meeting. The Committee recommends candidates based on their business or professional experience, the diversity of their background, and their talents and perspectives. The Committee identifies candidates through a variety of means, including information the Committee requests from time to time from the Secretary of IBM, recommendations from members of the Committee and the Board, suggestions from IBM management, including the CEO and, from time to time, a third-party search firm. Any formal invitation to a director candidate is authorized by the full Board. The Committee also considers candidates recommended by stockholders. Stockholders wishing to recommend director candidates for consideration by the Committee may do so by writing to the Secretary of IBM, giving the recommended candidate's name, biographical data and qualifications.

The Committee also advises and makes recommendations to the Board on all matters concerning directorship practices, and on the function and duties of the committees of the Board. In addition, the Committee makes recommendations to the Board on compensation for non-management directors. The Committee currently retains Frederic W. Cook & Co., Inc. (Cook & Co.) to assess trends and developments in director compensation practices and to compare IBM's practices against them. The Committee uses the analysis prepared by the consultant as part of its periodic review of IBM's director compensation practices. Other than services provided to IBM's Directors and Corporate Governance Committee and IBM's Executive Compensation and Management Resources Committee, Cook & Co. does not perform any other work for IBM. The Committee determined that Cook & Co. is free of conflicts of interest. The Committee is responsible for reviewing and considering IBM's position and practices on significant issues of corporate public responsibility, such as workforce diversity, protection of the environment and philanthropic contributions, and it reviews and considers stockholder proposals, including those dealing with issues of public and social interest. Members of the Committee are non-management directors who, in the opinion of the Board, satisfy the independence criteria established by the Board. The Committee held four meetings in 2015. The IBM Board of Directors has adopted a written charter for the Committee, which is available at <http://www.ibm.com/investor/governance/director-and-corporate-governance.html>.

Executive Compensation and Management Resources Committee

The Executive Compensation and Management Resources Committee has responsibility for defining and articulating IBM's overall executive compensation philosophy, and administering and approving all elements of compensation for elected corporate officers.

The Committee approves, by direct action or through delegation, participation in and all awards, grants and related actions under IBM's various equity plans, reviews changes in IBM's pension plans primarily affecting corporate officers, and manages the operation and administration of the IBM Supplemental Executive Retention Plan. The Committee has the direct responsibility to review and approve the corporate goals and objectives relevant to the Chairman and CEO's compensation, evaluate her performance in light of those goals and objectives and, together with the other independent directors, determine and approve the Chairman and CEO's compensation level based on this evaluation. The Committee also has responsibility for reviewing IBM's management resources programs and for recommending qualified candidates to the Board for election as officers. The Committee reviews the compensation structure for IBM's officers and provides oversight of management's decisions regarding performance and compensation of other employees. In addition, the Committee monitors compliance of stock ownership guidelines. All equity awards for employees other than senior management are approved by senior management, pursuant to a series of delegations that were approved by the Committee, and the grants made under these delegations are reviewed periodically with the Committee.

The chair of the Committee works directly with the Committee's compensation consultant to provide a decision-making framework for use in making a recommendation for the Chairman and CEO's total compensation. In addition, IBM's Chairman and CEO and the IBM Senior Vice President of Human Resources (SVP HR) review the self-assessments of the Senior Vice Presidents and evaluate the information, along with comparisons to market compensation levels for cash compensation and total direct compensation, potential for future roles within IBM and total compensation levels relative to internal peers before and after any recommendations. Following this in-depth review, and in consultation with the SVP HR, the Chairman and CEO makes compensation recommendations to the Committee based on her evaluation of each senior executive's performance and expectations for the coming year.

The Committee has the sole authority to retain consultants and advisors as it may deem appropriate in its discretion, and the Committee has the sole authority to approve related fees and other retention terms. The Committee retains Frederic W. Cook & Co., Inc. (Cook & Co.) as its compensation consultant to advise the Committee on market practices and specific IBM policies and programs. Cook & Co. reports directly to the Compensation Committee Chairman and takes direction from the Committee. The consultant's work for the Committee includes data analyses, market assessments, and preparation of related reports. Other than services provided to IBM's Executive Compensation and Management Resources Committee and IBM's Directors and Corporate Governance Committee, Cook & Co. does not perform any other work for IBM, and the work done by them for the Committee is documented in a formal agreement executed by Cook & Co. and the Committee. See Section 1 of the 2015 Compensation Discussion and Analysis for additional information about the Committee's consultant.

The Committee reports to stockholders as required by the SEC (see 2015 Report of the Executive Compensation and Management Resources Committee of the Board of Directors below). Members of the Committee are non-management directors who, in the opinion of the Board, satisfy the independence criteria established by applicable regulations and by the Board. Committee members are not eligible to participate in any of the plans or programs that the Committee administers. The Committee held five meetings in 2015. The IBM Board of Directors has adopted a written charter for the Committee, which is available at <http://www.ibm.com/investor/governance/executive-compensation-and-management-resources.html>.

Compensation Committee Interlocks and Insider Participation

Messrs. Gorsky, Liveris, McNerney and Taurel served as members of the Executive Compensation and Management Resources Committee in 2015. All members of the Committee were independent directors, and no member was an employee or former employee of IBM. During 2015, none of our executive officers served on the compensation committee or board of directors of another entity whose executive officer served on our Executive Compensation and Management Resources Committee or Board. Therefore, there is no relationship that requires disclosure as a Compensation Committee interlock.

Executive Committee

The Executive Committee is empowered to act for the full Board in intervals between Board meetings, with the exception of certain matters that by law may not be delegated. The Committee meets as necessary, and all actions by the Committee are reported at the next Board of Directors meeting. The Committee did not meet in 2015.

CERTAIN TRANSACTIONS AND RELATIONSHIPS

Under IBM's written related person transactions policy, information about transactions involving related persons is assessed by the independent directors on IBM's Board. Related persons include IBM directors and executive officers, as well as immediate family members of directors and officers, and beneficial owners of more than five percent of IBM's common stock. If the determination is made that a related person has a material interest in any IBM transaction, then IBM's independent directors would review, approve or ratify it, and the transaction would be required to be disclosed in accordance with the SEC rules. If the related person at issue is a director of IBM, or a family member of a director, then that director would not participate in those discussions. In general, IBM is of the view that the following transactions with related persons are not significant to investors because they take place under IBM's standard policies and procedures: the sale or purchase of products or services in the ordinary course of business and on an arm's-length basis; the employment by IBM where the compensation and other terms of employment are determined on a basis consistent with IBM's human resources policies; and any grants or contributions made by IBM under one of its grant programs and in accordance with IBM's corporate contributions guidelines.

From time to time, IBM may have employees who are related to our executive officers or directors. As noted in the discussion above on General Information Board of Directors, Mr. Eskew's son is employed by IBM. He is an executive of IBM (not an executive officer). In addition, a brother-in-law of Mrs. V.M. Rometty (Chairman and CEO) and the wife of Mr. M. Jetter (Senior Vice President, IBM

Global Technology Services) are employed as executives of IBM. The wife of Mr. R.J. Picciano (Senior Vice President, IBM Data and Analytics Platforms) and the daughter of Mr. R.J. LeBlanc (Senior Vice President, IBM Cloud) are also employed by IBM in non-executive positions. None of the above-referenced family member employees are executive officers of IBM. Each employee mentioned above received compensation in 2015 between \$120,000 and \$850,000. Additionally, in 2015, the above-referenced family members of Mrs. Rometty and Messrs. Eskew and Jetter each received equity grants. The compensation, equity grants and other terms of employment of each of the family member employees noted above are determined on a basis consistent with IBM's human resources policies.

CERTAIN INFORMATION ABOUT INSURANCE AND INDEMNIFICATION

IBM has renewed its directors and officers indemnification insurance coverage. This insurance covers directors and officers individually where exposures exist other than those for which IBM is able to provide indemnification. This coverage runs from June 30, 2015 through June 30, 2016, at a total cost of approximately \$6.3 million. The primary carrier is XL Specialty Insurance Company.

2015 DIRECTOR COMPENSATION NARRATIVE

Annual Retainer: In 2015, non-management directors received an annual retainer of \$300,000. Chairs of the Directors and Corporate Governance Committee and the Executive Compensation and Management Resources Committee received an additional annual retainer of \$20,000 and the chair of the Audit Committee received an additional annual retainer of \$25,000. The retainer for the Presiding Director position is a total of \$50,000, inclusive of any committee chair retainer received. For 2015, Mr. Eskew, the Presiding Director and the chair of the Audit Committee, received \$25,000 for the Presiding Director role and \$25,000 for the Audit Committee chair role.

Under the IBM Deferred Compensation and Equity Award Plan (DCEAP), 60% of the total annual retainer is required to be deferred and paid in Promised Fee Shares (PFS). Each PFS is equal in value to one share of IBM's common stock. When a cash dividend is paid on IBM's common stock, each director's PFS account is credited with additional PFS reflecting a dividend equivalent payment. With respect to the payment of the remaining 40% of the annual retainer, directors may elect one or any combination of the following: (a) deferral into PFS, (b) deferral into an interest-bearing cash account, and/or (c) receipt of cash payments on a quarterly basis during service as a Board member. IBM does not pay above-market or preferential earnings on compensation deferred by directors. Under the IBM Board Corporate Governance Guidelines, within five years of initial election to the Board, non-management directors are expected to have stock-based holdings in IBM equal in value to five times the annual retainer initially payable to such director. Stock-based holdings mean (i) IBM shares owned personally or by members of the immediate family sharing the same household, and (ii) DCEAP PFS. Stock-based holdings do not include unexercised options.

Payout under the DCEAP: Upon a director's retirement or other completion of service as a director (a) all amounts deferred as PFS are payable, at the director's choice, in either cash and/or shares of IBM's common stock, and (b) amounts deferred into the interest-bearing cash account are payable in cash. Payouts may be made in either (a) a lump sum payment as soon as practicable after the date on which the director ceases to be a member of the Board, (b) a lump sum payment paid in February of the calendar year immediately following the calendar year in which the director ceases to be a member of the Board, or (c) between two and ten annual installments, each paid beginning in February following the calendar year in which the director ceases to be a member of the Board. If a director elects to receive PFS in cash, the payout of PFS is valued using the closing price of IBM common stock on the NYSE as follows: for payouts made in an immediate lump sum, IBM stock will be valued on the date on which the director

ceases to be a member of the Board and for lump sum payments made in February of the calendar year immediately following the calendar year of separation or for installment payouts, IBM common stock will be valued on the last business day of the January preceding such February payment.

Termination of IBM Non-Employee Directors Stock Option Plan (DSOP): Prior to January 1, 2007, non-management directors who had been elected or reelected as a member of the Board as of the adjournment of the Annual Meeting of Stockholders received, on the first day of the month following such meeting, an annual grant of options to purchase 4,000 shares of IBM common stock. The exercise price of the options was the average of the high and low sales prices of IBM common stock on the NYSE on the date of grant. Each option has a term of ten years and became exercisable in four equal installments commencing on the first anniversary of the date of grant and continuing for the three successive anniversaries thereafter. All options granted under the DSOP have vested. Effective January 1, 2007, the DSOP was terminated. Therefore, the 2015 Director Compensation Table does not include any option awards. However, the table below entitled *Aggregate Number of Option Awards Outstanding for Each Director at Fiscal Year-End* reflects any options outstanding under the DSOP as of year-end 2015.

IBM's Matching Grants Program: Non-management directors are eligible to participate in IBM's Matching Grants Program on the same basis as IBM's employees based in the United States. Under this program, IBM will provide specified matches in cash or equipment in connection with a director's eligible contributions to approved educational institutions, medical facilities and cultural or environmental institutions. IBM matches eligible contributions in cash on a 1-to-1 basis and in equipment on a 2-to-1 basis. Each director is eligible for a Company match on total gifts up to \$10,000 per calendar year. Amounts shown in the 2015 Director Compensation Table for matching grants may be in excess of \$10,000 because such amounts include Company contributions on gifts that were made by directors in previous years.

2015 DIRECTOR COMPENSATION TABLE

Fees Earned or Paid in Cash (column (b)): Amounts shown in this column reflect the annual retainer paid to each director as described above. A director receives a pro-rated amount of the annual retainer for service on the Board and, if applicable, as Presiding Director or a committee chair, based on the portion of the year the director served.

All Other Compensation (column (c)): Amounts shown in this column represent:

- Dividend equivalent payments on PFS accounts under the DCEAP as described above.
- Group Life Insurance premiums paid by IBM on behalf of the directors.
- Value of the contributions made by IBM under IBM's Matching Grants Program as described above.

Name (a)	Fees Earned or Paid in Cash (\$) (b)	All Other Compensation \$(1) (c)	Total (\$) (d)
A.J.P. Belda	\$ 300,000	\$ 60,694	\$ 360,694
W.R. Brody	300,000	70,682	370,682
K.I. Chenault	300,000	118,318	418,318
M.L. Eskew	350,000	97,042	447,042
D.N. Farr	300,000	24,642	324,642
A. Gorsky	300,000	6,360	306,360
S.A. Jackson	320,000	86,732	406,732
A.N. Liveris	300,000	40,825	340,825
W.J. McNerney, Jr.	300,000	59,381	359,381
J.W. Owens	300,000	70,341	370,341
J.E. Spero	300,000	101,267	401,267
S. Taurel	320,000	122,833	442,833
P. Voser	300,000	3,830	303,830

Ms. Olayan joined the Board in January 2016 and Mr. Fields joined the Board in March 2016; therefore, they are not included in the table above.

(1) Amounts in this column include the following: for Mr. Belda: \$60,578 of dividend equivalent payments on PFS; for Dr. Brody: \$70,566 of dividend equivalent payments on PFS; for Mr. Chenault: \$118,202 of dividend equivalent payments on PFS; for Mr. Eskew: \$96,926 of dividend equivalent payments on PFS; for Mr. Farr: \$14,526 of dividend equivalent payments on PFS and \$10,000 contributed by IBM under the Matching Grants Program; for Dr. Jackson: \$86,616 of dividend equivalent payments on PFS; for Mr. Liveris: \$40,709 of dividend equivalent payments on PFS; for Mr. McNerney: \$44,265 of dividend equivalent payments on PFS and \$15,000 contributed by IBM under the Matching Grants Program; for Mr. Owens: \$70,225 of dividend equivalent payments on PFS; for Ms. Spero: \$96,151 of dividend equivalent payments on PFS; for Mr. Taurel: \$115,217 of dividend equivalent

payments on PFS.

AGGREGATE NUMBER OF OPTION AWARDS OUTSTANDING FOR EACH DIRECTOR AT FISCAL YEAR-END

As described above, until the termination of the DSOP effective January 1, 2007, non-management directors received an annual grant of options to purchase 4,000 shares of IBM common stock. All options in the following table are fully exercisable. Because Dr. Brody, Messrs. Belda, Farr, Fields, Gorsky, Liveris, McNerney, Voser and Ms. Olayan joined the Board after the termination of the DSOP, they did not receive any options and therefore are not included in the following table. In addition, Dr. Jackson and Mr. Owens had no options outstanding at the end of 2015; therefore, they are not included in the table.

K.I. Chenault	4,000
M.L. Eskew	4,000
J.E. Spero	4,000
S. Taurel	4,000

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

IBM believes that all reports for IBM's executive officers and directors that were required to be filed under Section 16 of the Securities Exchange Act of 1934 were timely filed.

Ownership of Securities

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS The following sets forth information as to any person known to IBM to be the beneficial owner of more than five percent of IBM's common stock as of December 31, 2015.

Name and address	Number of Shares Beneficially Owned	Percent of Class
Warren E. Buffett (1) Berkshire Hathaway Inc. (1) 3555 Farnam Street Omaha, NE 68131	81,042,450	8.4%
National Indemnity Company (1) 1314 Douglas Street Omaha, NE 68102		
The Vanguard Group (2) 100 Vanguard Boulevard Malvern, PA 19355	58,796,441	6.06%

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BlackRock, Inc. (3) 55 East 52nd Street New York, NY 10022	51,114,644	5.3%
State Street Corporation (4) State Street Financial Center One Lincoln Street Boston, MA 02111	49,621,358	5.1%

(1) Based on the Schedule 13G/A filed with the Securities and Exchange Commission on February 16, 2016 by Warren E. Buffett, Berkshire Hathaway Inc., National Indemnity Company, together with relevant subsidiaries and members of the filing group. Warren E. Buffett reported that he had sole voting and dispositive power over 9,000 shares beneficially owned and shared voting power over 81,033,450 shares beneficially owned. Each of the other members of the filing group reported that it had shared voting and dispositive power over the shares it beneficially owned. The Schedule 13G does not identify any shares with respect to which there is a right to acquire beneficial ownership. The Schedule 13G states that the shares were acquired and are held in the

ordinary course of business and were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of IBM.

(2) Based on the Schedule 13G filed with the Securities and Exchange Commission on February 10, 2016 by The Vanguard Group and certain subsidiaries (Vanguard). Vanguard reported that it had sole voting power over 1,673,648 shares, shared voting power over 93,100 shares and sole and shared dispositive power over all shares beneficially owned. The Schedule 13G does not identify any shares with respect to which there is a right to acquire beneficial ownership. The Schedule 13G states that the shares were acquired and are held in the ordinary course of business and were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of IBM.

(3) Based on the Schedule 13G filed with the Securities and Exchange Commission on February 10, 2016 by BlackRock, Inc. and certain subsidiaries (BlackRock). BlackRock reported that it had sole voting power over 43,414,713 shares and sole dispositive power over all shares beneficially owned. The Schedule 13G does not identify any shares with respect to which there is a right to acquire beneficial ownership. The Schedule 13G states that the shares were acquired and are held in the ordinary course of business and were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of IBM.

(4) Based on the Schedule 13G filed with the Securities and Exchange Commission on February 16, 2016 by State Street Corporation and certain subsidiaries (State Street). State Street reported that it had shared voting and dispositive power over all shares beneficially owned. The Schedule 13G does not identify any shares with respect to which there is a right to acquire beneficial ownership. The Schedule 13G states that the shares were acquired and are held in the ordinary course of business and were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of IBM.

COMMON STOCK AND STOCK-BASED HOLDINGS OF DIRECTORS AND EXECUTIVE OFFICERS

The following table sets forth the beneficial ownership of shares of IBM's common stock as of December 31, 2015 (except as otherwise noted), by IBM's current directors and nominees, the executive officers named in the 2015 Summary Compensation Table, and such directors and all of IBM's executive officers as of December 31, 2015 (except as otherwise noted), as a group. Also shown are shares over which the named person could have acquired voting power or investment power within 60 days after December 31, 2015. Voting power includes the power to direct the voting of shares held, and investment power includes the power to direct the disposition of shares held.

Name	Common Stock(1)	Stock-based Holdings(2)	Acquirable within 60 days	
			Options and RSUs(3)	Directors DCEAP Shares(4)
A.J.P. Belda	0	0	0	13,633
W.R. Brody	0	0	0	15,673
K.I. Chenault	6,995(5)	6,995	4,000	25,404
M.L. Eskew	0	0	4,000	21,268
D.N. Farr	3,608	3,608	0	3,722

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M. Fields (6)	400	400	0	0
A. Gorsky	0	0	0	2,533
S.A. Jackson	0	0	0	19,036
J.E. Kelly III	59,978(7)	129,001	14,076	N/A
A.N. Liveris	0	0	0	9,574
W.J. McNerney, Jr.	0	0	0	10,300
H.S. Olayan (8)	0	0	0	0
J.W. Owens	3,282(9)	3,282	0	15,100
M.D. Rhodin	22,715(10)	101,634	0	N/A
V.M. Rometty	172,521	216,223	21,456	N/A
M.J. Schroeter	18,191	83,551	891	N/A
J.E. Spero	1,000	1,000	4,000	20,900
S. Taurel	15,487	15,487	4,000	24,878
B.A. van Kralingen	2,890	75,697	0	N/A
P.R. Voser	0	0	0	2,016
Directors and executive officers as a group	743,464(11)	1,587,854	67,811(11)	184,037(11)

(1) This column is comprised of shares of IBM common stock beneficially owned by the named person. Unless otherwise noted, voting power and investment power in the shares are exercisable solely by the named person, and none of the shares are pledged as security by the named person. Standard brokerage accounts may include nonnegotiable provisions regarding set-offs or similar rights. This column includes 112,643 shares in which voting and investment power are shared. The directors and officers included in the table disclaim beneficial ownership of shares beneficially owned by family members who reside in their households. The shares are reported in such cases on the presumption that the individual may share voting and/or investment power because of the family relationship. The shares reported in this column do not include 244,806 shares held by the IBM Personal Pension Plan Trust Fund, over which the members of the IBM Retirement Plans Committee, a management committee presently consisting of certain executive officers of IBM, have voting power, as well as the right to acquire investment power by withdrawing authority now delegated to various investment managers.

(2) For executive officers, this column is comprised of the shares shown in the Common Stock column and, as applicable, all restricted stock units including retention restricted stock units, officer contributions into the IBM Stock Fund under the IBM Excess 401(k) Plus Plan, and Company contributions into the IBM Stock Fund under the Excess 401(k) Plus Plan. Some of these restricted stock units may have been deferred under the Excess 401(k) Plus Plan in accordance with elections made prior to January 1, 2008, and they will be distributed to the executive officers after termination of employment as described in the 2015 Nonqualified Deferred Compensation Narrative.

(3) For non-management directors, this column is comprised of shares that can be purchased under the IBM Non-Employee Director Stock Option Plan within 60 days after December 31, 2015 (see 2015 Director Compensation Narrative for additional information). For executive officers, this column is comprised of (i) shares that can be purchased under an IBM stock option plan within 60 days after December 31, 2015, and (ii) RSU awards that vest within 60 days after December 31, 2015.

(4) Promised Fee Shares earned and accrued under the IBM Deferred Compensation and Equity Award Plan (DCEAP) as of December 31, 2015, including dividend equivalents credited with respect to such shares. Upon a director's retirement, these shares are payable in cash or stock at the director's choice (see 2015 Director Compensation Narrative for additional information).

- (5) Includes 1,619 shares in which voting and investment power are shared.

- (6) Amounts reflect beneficial ownership of shares of IBM common stock as of March 1, 2016, the effective date of Mr. Fields joining the Board, and include 400 shares in which voting and investment power are shared..

- (7) Includes 23,840 shares in which voting and investment power are shared.

- (8) Ms. Olayan joined the Board in January 2016.

- (9) Voting and investment power are shared.

- (10) Includes 15,560 shares in which voting and investment power are shared.

- (11) The total of these three columns represents less than 1% of IBM's outstanding shares, and no individual's beneficial holdings totaled more than 1/10 of 1% of IBM's outstanding shares.

EXECUTIVE COMPENSATION

2015 REPORT OF THE EXECUTIVE COMPENSATION AND MANAGEMENT RESOURCES COMMITTEE OF THE BOARD OF DIRECTORS

Set out below is the Compensation Discussion and Analysis, which is a discussion of the IBM's executive compensation programs and policies written from the perspective of how we and management view and use such programs and policies. Given the Committee's role in providing oversight to the design of those programs and policies, and in making specific compensation decisions for senior executives using those policies and programs, the Committee participated in the preparation of the Compensation Discussion and Analysis, reviewing successive drafts of the document and discussing those with management. The Committee recommended to the Board that the Compensation Discussion and Analysis be included in this Proxy Statement. We join with management in welcoming readers to examine our pay practices and in affirming the commitment of these pay practices to the long-term interests of stockholders.

Sidney Taurel (chair)

Alex Gorsky

Andrew N. Liveris

W. James McNerney, Jr.

2015 Compensation Discussion and Analysis

EXECUTIVE SUMMARY

2015 marked IBM's second year of a multi-year transformation into a cognitive solutions and cloud platform company. IBM continued to successfully shift the business portfolio, while improving free cash flow. While some financial metrics fell short of target, there was progress on many fronts – from a significant increase in our strategic imperatives revenue, to growth in revenue across Systems Hardware, Global Technology Services and multiple countries, to landmark partnerships, and the 23rd consecutive year of patent leadership. In addition, IBM launched multiple businesses leveraging our cognitive capabilities – including Watson Health and Watson Internet of Things.

Specific highlights of performance include:

- Generated \$81.7 billion in revenue, down 1% at constant currency excluding divested businesses, and \$14.7 billion in operating net income, down 12% year over year.
- Continued gross margin expansion with operating margin increase of 20 basis points year over year to 50.8%.
- Delivered \$13.1 billion of free cash flow while at the same time investing 6% of revenue on R&D and announcing the acquisition of 15 companies, including Cleversafe and assets of The Weather Company.
- Achieved \$29 billion of strategic imperatives revenue – analytics, cloud, mobile, social, and security growing at 26% year over year, at constant currency excluding the System x divested business, and these businesses now represent 35% of IBM's total revenue at year-end, up from 22% just two years prior.
- Increased Cloud revenue by 57%, at constant currency and excluding the System x divested business, to \$10 billion, making IBM the largest cloud business in the world with 46 cloud data centers giving our Cloud business global scale, and exited 2015 with an annual run rate of \$5.3 billion for cloud delivered as a service.
- Expanded high-growth businesses while at the same time, continued to bring innovation to the businesses clients have long valued and relied on. Global Services grew signings and backlog, which at \$121 billion increased 1% year over year at constant currency.
- Grew Global Technology Services revenue at constant currency excluding divested businesses and Global Business Services, in partnership with Apple, delivered more than 100 MobileFirst for iOS applications, helping reimagine the way work gets done across 14 industries and 65 professions.
- Launched the Systems Hardware flagship z13 and delivered mainframe growth of 35% at constant currency, and Power Systems returned to full year growth at constant currency for the first time since 2011.
- Maintained market leadership position in software and services.

- Closed the previously announced divestiture of our Microelectronics business to GLOBALFOUNDRIES. In addition, divested 7 additional smaller businesses all supporting IBM's shift to higher value.

Our compensation strategy supports IBM's ongoing transformation. It is designed to ensure that executives balance short-term objectives against long-term priorities, to align executive and stockholder interests, and to attract and retain the leadership needed to execute our transformation successfully into a cognitive solutions and cloud platform company. Pay decisions were made in the context of our financial performance relative to our goals, while taking into account the substantial progress made in repositioning the portfolio and IBM for the future.

For 2015 performance, the Board approved an annual incentive payment of \$4.5 million for Mrs. Rometty, which represented 90% of target. The payout level considered a balanced view of performance, including financial results lower than planned, but strong growth in strategic imperatives revenue, leading to a faster remix towards the business portfolio of the future while also progressing the core portfolio of systems and services. Taking into consideration the actual salary, annual incentive payout and long-term incentive award for the period 2013-2015, Mrs. Rometty earned 55% of her annual total target compensation in 2015.

For 2016, the independent members of the Board made no change to Mrs. Rometty's base salary, target annual incentive or annual long-term incentive award value, relative to 2015.

In recognition of the Board's strong confidence in Mrs. Rometty's leadership of IBM and its strategic direction, as well as the importance of management continuity in a multi-year transformation, the Board granted Mrs. Rometty a one-time award of 1.5 million nonqualified, premium-priced stock options that vest three years from the date of grant. Please see Chairman and CEO Compensation Decisions for 2015 and 2016 for more detail on this award.

In addition, as previously disclosed, the Committee approved Retention Restricted Stock Unit awards for the named executive officers, excluding Mrs. Rometty, to support the need for leadership stability as we transform IBM in the fast-moving technology industry. Please see the 2015 Summary Compensation Table and the 2015 Grants of Plan-Based Awards Table for more details on these awards and total direct compensation.

Note: Revenue at constant currency excluding System x and customer care divested businesses, strategic imperatives revenue at constant currency excluding the System x divested business, Cloud revenue at constant currency excluding the System x divested business, z Systems revenue at constant currency, Global Business Services revenue adjusted for currency and System x and customer care divested businesses, operating net income on a continuing operations basis, operating gross profit margin on a continuing operations basis and free cash flow referenced above, within this Compensation Discussion and Analysis and Proxy Statement are non-GAAP financial measures. For reconciliation and other information concerning these items refer to Non-GAAP Supplemental Materials and related information in the Form 8-K submitted to the SEC on January 19, 2016 and to page 33 of IBM's 2015 Annual Report, which is Exhibit 13 to the Form 10-K submitted to the SEC on February 23, 2016.

Stockholder Engagement

IBM continually reviews its corporate governance and executive compensation structure. As part of this review, it is IBM's longstanding practice for our executives to meet with a significant number of our largest investors to solicit their feedback on a variety of topics. In 2015, IBM once again engaged with over 100 institutional investors.

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IBM considered the results of the management Say on Pay proposal presented to the stockholders for approval in 2015. In light of the support the proposal received, IBM's compensation policies and decisions, explained in detail in this Compensation Discussion and Analysis, continue to be focused on long-term financial performance to drive stockholder value. IBM has indicated that it will provide an advisory vote on executive compensation (Say on Pay) on an annual basis. The table below highlights practices that IBM embraces in support of our pay-for-performance philosophy:

What We Do

Tie a significant portion of pay to company performance

Mitigate risk taking by emphasizing long-term equity incentives, placing caps on potential payments, and maintaining robust clawback provisions

Require significant share ownership by the Chairman and CEO, Executive Vice President and Senior Vice Presidents

Utilize noncompetition and nonsolicitation agreements

What We Don't Do

No individual severance or change-in-control agreements

No excise tax gross-ups

No dividend equivalents on unearned RSUs/PSUs

No hedging/pledging of IBM stock

No stock option repricing, exchanges or options granted below market value

No guaranteed incentive payouts

No accelerated vesting of equity awards

No above-market returns on deferred compensation plans

SECTION 1:

EXECUTIVE COMPENSATION PROGRAM DESIGN

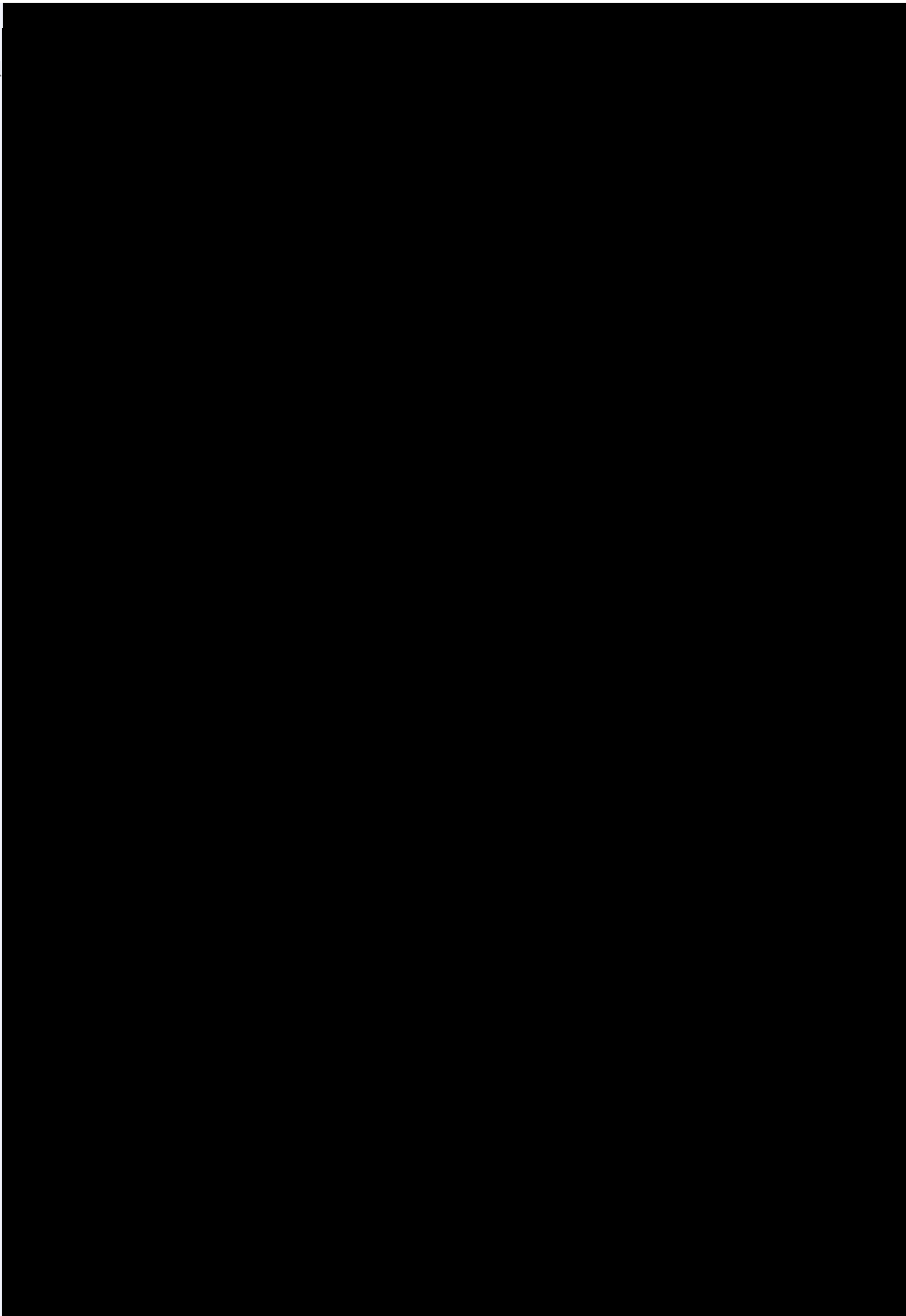
Trust and personal responsibility in all relationships – relationships with clients, partners, communities, fellow IBMers, and investors – is a core value at IBM. As a part of maintaining this trust, we well understand the need for our investors – not only professional fund managers and institutional investor groups, but also millions of individual investors – to know how and why compensation decisions are made.

To that end, IBM’s executive compensation practices are designed specifically to meet five key objectives:

- Ensure that the interests of IBM’s leaders are closely aligned with those of our investors by varying compensation based on both long-term and annual business results and delivering a large portion of the total pay opportunity in IBM stock;
- Balance rewards for both short-term results and the long-term strategic decisions needed to ensure sustained business performance over time;
- Attract and retain the highly qualified senior leaders needed to drive a global enterprise to succeed in today’s highly competitive marketplace;
- Motivate our leaders to deliver a high degree of business performance without encouraging excessive risk taking; and
- Differentiate rewards to reflect individual and team performance.

The specific elements of IBM’s executive compensation programs are:

Type	Component	Key Characteristics
Current Year Performance	Salary Annual Incentive	[Redacted]
Long-Term Incentive Plan	Performance Share Units (PSUs)	

Retention	Annual Stock-Based Grants	
	Stock-Based Grants & Cash Awards	
	Supplemental Executive Retention Plan (closed)	
Pension & Savings Plans	Pension Plans (closed)	
	Savings Plan	
	Deferred Savings Plan	
Other Compensation	Perquisites and Other Benefits	

Senior Leadership Team Personal Stake in IBM's Future through Stock Ownership Requirements

Investors want the leaders of their companies to act like owners. That alignment, we believe, works best when senior leaders have meaningful portions of their personal holdings invested in the stock of their company. This is why IBM sets significant stock ownership requirements for IBM's Chairman and CEO and Senior Executives (comprised of the Executive Vice President and the Senior Vice Presidents (SVPs)). The following table illustrates which equity holdings count towards stock ownership requirements:

What Counts

IBM shares owned personally or by members of the immediate family sharing the same household

Holdings in the IBM Stock Fund of the 401(k) Plus Plan and the Excess 401(k) Plus Plan

Shares of IBM stock deferred under the Excess 401(k) Plus Plan

What Does Not Count

Unvested equity awards, including PSUs, RSUs and RRSUs

Unexercised stock options

The Chairman and CEO and Senior Executives are all required to own IBM shares or equivalents worth three times their individual total target cash compensation within five years of hire or promotion. Unlike the majority of the Fortune 100 companies who establish ownership guidelines using a multiple of only base salary, IBM uses a multiple of base salary plus target annual incentive. This ensures that meaningful ownership levels are accumulated based on each executive's annual cash compensation opportunity. As of December 31, 2015, as a group, the Chairman and CEO and Senior Executives owned shares or equivalents valued at over \$128 million; in fact, as of that date, this group held, on average, almost twice the amount of IBM shares or equivalents that IBM requires.

Setting Performance Targets for Incentive Compensation

Compensation of our senior leaders is linked with IBM's performance against core business metrics. These metrics and their weightings are aligned with IBM's financial and strategic objectives and are designed to appropriately balance short- and long-term goals. Targets are set for both the annual and long-term incentive programs at aggressive levels each year. These targets, individually and together, are designed to be challenging to attain and are consistent with our financial model shared with investors each year. As part of IBM's ongoing management system, targets are evaluated to ensure they do not encourage an inappropriate amount of risk taking.

For 2016, IBM will continue to measure five key financial metrics:

IBM shares its financial model each year with investors in the context of its long-term strategy. IBM is also in a highly competitive fast-moving industry that competes for clients, talent and investment opportunities including acquisitions. As such, we do not disclose specific targets under the annual and long-term plans because it would signal IBM's strategic focus areas and impair IBM's ability to leverage these areas for competitive advantage. For example, disclosure of our free cash flow targets would provide insight into timing of large capital investments. Knowledge of the targets could also be used by competitors to take advantage of insight into specific areas to target the recruitment of key talent from IBM. Disclosing the specific targets and metrics used in the qualitative assessment made by the Chairman and CEO would give our competitors our insight to key market dynamics and areas that could be used against IBM competitively by industry consultants or competitors targeting existing customers. Finally, IBM has a specific acquisition and divestiture strategy that could be negatively impacted if the specific targets were disclosed.

Our financial model is clearly communicated to investors, and our performance targets are based on this model. We also describe annual performance in our discussion of named executive officer compensation decisions. Finally, outlined below is a description of the specific metrics and weightings for the Annual Incentive and the Performance Share Unit Programs.

Annual Incentive Program

IBM sets business objectives at the beginning of each year which are approved by the Board of Directors. These objectives translate to targets for IBM and for each business unit for purposes of determining the target funding of the Annual Incentive Program. Performance against business objectives determines the actual total funding pool for the year which can vary from 0% to 200% of total target incentives for all executives. Each year the Compensation Committee and the Board of Directors review IBM's annual business objectives and set the metrics and weightings for the annual program reflecting current business priorities. The metrics and weightings for 2015 and 2016 are listed below.

Financial Metric	2015 and 2016 Weighting in Overall Score
Operating Net Income	40%
Strategic Imperatives Revenue	20%
Operating Cash Flow	40%

At the end of the year, performance for IBM is assessed against these predetermined financial metrics. The performance results against these targets may be adjusted for extraordinary events if deemed appropriate by the Chairman and CEO and Compensation Committee. This adjustment can be either up or down. For example, adjustments are usually made for large divestitures and acquisitions. In addition, the Chairman and CEO can recommend an adjustment, up or down, based on factors beyond IBM's

financial performance, for example, client experience, market share growth and workforce development. Taking such matters into account for 2015, the Chairman and CEO recommended and the Compensation Committee approved a downward adjustment to the score. The Compensation Committee reviews the financial scoring and qualitative adjustments and approves the Annual Incentive Program funding level. Once the total pool funding level has been approved, a lower-performing executive will receive as little as zero payout and the most exceptional performers are capped at three times their individual target incentive (payouts at this level are rare and only possible when IBM's performance has also been exceptional).

Performance Share Unit Program

For Performance Share Units, the two metrics are operating EPS and free cash flow. The targets for the Performance Share Unit program are set at the beginning of each three-year performance period, taking into account IBM's financial model shared with investors and the annual budget as approved by the Board, including the impact our share buyback program has on operating EPS. In addition, for Performance Share Unit awards made in 2016 and beyond, the Committee has determined that actual operating EPS results will be adjusted to remove the impact of any change from the budgeted share count, including share repurchase transactions. This method formalizes the Committee's longstanding intention of not having unplanned share repurchase practices affect executive compensation. At the end of the three years, the score is calculated based on results against the predetermined targets, with the following weights:

Financial Metric	2015 and 2016 Weighting in Overall Score
Operating Earnings Per Share	70%
Free Cash Flow	30%

The scoring for the Performance Share Unit Program takes into account extraordinary events. For example, in 2015, operating EPS reflected the impact of the Microelectronics divestiture.

The Compensation Committee approves the determination of actual performance relative to pre-established targets, and the number of Performance Share Units is adjusted up or down based on the approved actual performance from 0% to 150%. There is no discretionary adjustment to the Performance Share Unit program score.

SECTION 2:

HOW AND WHY COMPENSATION DECISIONS ARE MADE

At any level, compensation reflects an employee's value to the business—market value of skills, individual contribution and business results. To be sure we appropriately assess the value of Senior Executives, IBM follows an evaluation process, described here in some detail:

1. Making Commitments

All IBM employees, including the Chairman and CEO and Senior Executives, develop goals, both qualitative and quantitative, they seek to achieve in a particular year in support of the business. Beginning in 2016, IBM has adopted a more nimble and real-time approach to managing employee performance. Employee's performance goals will be discussed with each individual's manager regularly and updated as necessary throughout the year. The Chairman and CEO's performance goals are reviewed directly by the Board of Directors. As part of this process, many factors are considered, including an understanding of the business risks associated with the performance goals.

2. Determining Compensation for the Chairman and CEO – Research, Recommendations and Review

The chair of the Compensation Committee works directly with the Committee's compensation consultant, Frederic W. Cook & Co. (Cook & Co.), to provide a decision-making framework for use by the Committee in determining incentive plan payouts and setting target compensation opportunities for the Chairman and CEO. This framework considers the Chairman and CEO's self-assessment of performance against commitments in the year, both qualitative and quantitative, and also considers progress against strategic objectives, an analysis of IBM's total performance over a multi-year period, a competitive benchmark analysis, and other relevant information. The Committee considers all of this information in developing its recommendations, which are then presented to the independent members of the IBM Board of Directors for further review, discussion and final approval.

3. Determining Senior Executive Compensation

Evaluation of Results by the Chairman and CEO

Employees at all levels, including executives, work with their managers throughout the year to evaluate their own results against their stated goals.

The self-assessments of the Senior Executives are reviewed by the Senior Vice President of Human Resources (SVP HR) and the Chairman and CEO, who evaluate the information, along with the following:

- Comparisons to market compensation levels for cash compensation and total direct compensation;
- Potential for future roles within IBM; and
- Total compensation levels relative to internal peers before and after any recommendations.

Following this in-depth review and in consultation with the SVP HR, the Chairman and CEO makes compensation recommendations to the Compensation Committee based on an evaluation of each Senior Executive's performance and expectations for the coming year.

Evaluation of Results by the Compensation Committee

The Compensation Committee decides whether to approve or adjust the Chairman and CEO's recommendations for the Senior Executives.

The Committee evaluates all of the factors considered by the Chairman and CEO and reviews compensation summaries that tally the dollar value of all compensation and related programs, including salary, annual incentive, long-term compensation, deferred compensation, retention payments and pension benefits. These summaries provide the Committee with an understanding of how their decisions affect other compensation elements and the impact that separation of employment or retirement will have.

4. Ensuring Competitive Pay Approach to Benchmarking

IBM participates in several executive compensation surveys that provide general trend information and details on levels of salary, target annual incentives and long-term incentives, the relative mix of short- and long-term incentives, and mix of cash and stock-based pay. Given the battle for talent that exists in our industry, the benchmark companies that are used by the Compensation Committee to guide its decision making have included a broad range of key information technology companies, to help us identify trends in the industry. We also include companies outside our industry, with stature, size and complexity that approximate our own, in recognition of the fact that competition for senior management talent is not limited to our industry. The surveys and benchmark data are supplemented by input from the Compensation Committee's outside consultant on factors such as recent market trends. The Committee reviews and approves this list annually.

The Compensation Committee re-examined the benchmark group for 2015 and determined that companies which meet the following criteria should be included in the 2015 benchmark group:

- Companies in the technology industry with revenue that exceeds \$15 billion, plus
- Additional companies (up to two per industry if available) in industries other than technology, with revenue that exceeds \$40 billion and that have a global complexity similar to IBM.

For the 2016 benchmark group, the Committee approved the same list of companies from 2015.

2015 and 2016 Benchmark Group

Accenture	EMC	Oracle
Amazon.com	ExxonMobil	PepsiCo
Apple	Ford	Pfizer
AT&T	General Electric	United
Boeing	Google	Technologies
Caterpillar	Hewlett-Packard	UPS
Chevron	Intel	Verizon
Cisco Systems	Johnson & Johnson	Xerox
Dow Chemical	Microsoft	

The data from compensation surveys and related sources form the primary external view of the market. In consideration of size and complexity, IBM's philosophy is to apply a range from the 50th to the 75th percentile of the market cash and total compensation for comparable job roles at companies within our benchmark group.

We generally compare the compensation for business unit leaders to executives of similarly-sized business units as indicated by the survey reference points. Owing to the size and scope of our business overall, our Chairman and CEO and corporate function heads are generally compared to the 75th percentile of the benchmark group because IBM's revenues are near this reference point, and the Committee therefore views such positioning as representative of a size-adjusted market rate.

For individual compensation decisions, the benchmark information is used together with an internal view of longer-term potential, individual performance relative to other executives and recognizing that the skills and experience of our senior executives are highly sought after by other companies and, in particular, by IBM's competitors. Because factors such as performance and retention, as well as size and complexity of the job role, are considered when compensation decisions are made, the cash and total compensation for an individual named executive officer may be higher or lower than the target reference point of the relevant benchmark group.

5. Compensation Committee Consultant

The Committee enters into a consulting agreement with its outside compensation consultant on an annual basis. The Committee has retained Cook & Co. as its compensation consultant to advise the Committee on market practices and specific IBM policies and programs. Cook & Co. reports directly to the Compensation Committee Chairman and takes direction from the Committee. The consultant's work for the Committee includes data analyses, market assessments and preparation of related reports. From time to time, the Committee seeks the views of the consultant on items such as incentive program design and market practices. The work done by Cook & Co. for the Committee is documented in a formal agreement which is executed by the consultant and the Committee. Cook & Co. does not perform any other work for IBM, other than services provided to IBM's Directors and Corporate Governance Committee. The Committee determined that there is no conflict of interest with regard to Cook & Co.

CHAIRMAN AND CEO COMPENSATION DECISIONS FOR 2015 AND 2016

The Compensation Committee made recommendations for Mrs. Rometty's 2015 and 2016 compensation following the process and using the pay components described above.

In addition to the overall IBM performance detailed in the Executive Summary, the Compensation Committee noted the following personal leadership achievements for Mrs. Rometty, all of which are clear signposts of progress in the business's transformation:

- Realigned and organized IBM to support its strategic direction.
- Launched IBM as the pre-eminent Cognitive Business and defined a new era of business and technology with IBM Watson as the showcase. Additionally, created two new supporting Cognitive Businesses – Watson Health and Watson Internet of Things.
- Repositioned and transformed the Systems Hardware business.
- Returned the Global Services backlog of \$121 billion to growth.
- Executed with speed the shift to Cloud. As an example, Bluemix, IBM's Platform-as-a-Service grew to one million users.
- Shifted \$5 billion of spend to accelerate strategic imperatives across cost, expense and capital expenditures.
- Continued focus on organic innovation – ranked #1 in patents for the 23rd consecutive year, continuing our leadership in technology and innovation, while accelerating new technology commercialization.
- Assembled a diverse, senior leadership team of technical and industry experts, including over 20 top level executive hires.
- Inspired a workforce to all-time high levels of employee engagement.

For 2015 performance, the Board approved an annual incentive payment of \$4.5 million for Mrs. Rometty, which represented 90% of her target opportunity. This payout considered her outstanding personal leadership through a landmark transformation and the significant growth in new business areas, balanced against select financial metrics that fell short of target. Taking into consideration the actual salary, actual annual incentive payout and actual long-term incentive award for the period 2013-2015, Mrs. Rometty earned 55% of her annual total target compensation in 2015.

For 2016, the independent members of the Board made no change to Mrs. Rometty's base salary or target incentive. She was granted an annual long-term incentive award valued at \$13.3 million, flat compared to the prior year. This grant is comprised 65% of 2016-2018 Performance Share Units and 35% of Restricted Stock Units. For 2016, 69% of Mrs. Rometty's annual total target compensation is tied to performance-based incentives.

Finally, in recognition of the Board's strong confidence in Mrs. Rometty's leadership of IBM and its strategic direction, as well as the importance of management continuity, on January 26, 2016, Mrs. Rometty was granted 1.5 million nonqualified, premium-priced stock options divided equally into four tranches. The award will vest three years from the date of grant, provided that she is an employee of IBM on that date, and will expire 10 years from the date of grant. The exercise prices of each tranche are 105%, 110%, 115% and 125%, respectively, of the average of the high and low prices of IBM common stock on the date of grant. The purpose of this award was to align Mrs. Rometty's compensation closely with increases in shareholder value over the long-term, ensure her continued leadership through a critical period in IBM's transformation, and when combined with her ongoing compensation, enable the delivery of a market-competitive total compensation opportunity in a highly performance-based manner.

2015 ANNUAL INCENTIVE DECISIONS FOR MR. SCHROETER, MR. RHODIN, MRS. VAN KRALINGEN AND DR. KELLY

The Compensation Committee also made decisions for the following named executive officers, noting overall corporate performance as described in the Executive Summary and the following key points:

Martin J. Schroeter,

Senior Vice President and Chief Financial Officer

- Exceeded growth targets for the strategic imperatives.

- Managed the IBM portfolio, including the announcement of 15 key acquisitions to drive the strategic imperatives and the completion of the divestiture of the Microelectronics business.
- Returned \$9.5 billion to stockholders through \$4.6 billion in gross share repurchases and nearly \$5 billion of dividends. The quarterly dividend increased 18%, marking the 12th straight year of double-digit increases.
- Implemented a communication strategy to clearly articulate IBM's business model through regular investor, analyst and client outreach.

Michael D. Rhodin,

Senior Vice President, IBM Watson

- Grew the Watson business by expanding its platform and key products. Delivered more than 30 cognitive application program interfaces (APIs) on Bluemix.
- Built Watson for long-term growth by extending its ecosystem, which consists of 80,000 developers, startups and more than 500 Watson partners.
- Signed significant transformation partnerships demonstrating leadership in the era of cognitive computing.
- Extended the long-term capability of Watson by delivering natural languages beyond English including Japanese, Spanish, Brazilian Portuguese and Arabic.
- Successfully launched and grew Watson Health and enhanced IBM's capabilities with content acquired through population health management leader Phytel and health data analytics provider Explorys, in addition to Merge Healthcare.

Bridget A. van Kralingen,

Senior Vice President, IBM Global Business Services

- Continued to shift Global Business Services to drive the progress of IBM's strategic imperatives; revenue from the strategic imperatives grew strong double digits at constant currency.
- Strengthened partnership with Apple that delivered more than 100 MobileFirst for iOS applications, helping to transform the way work gets done across 14 industries and 65 professions.
- Drove new signings by embedding Research expertise and technology innovation in Global Business Services client engagements in growth areas.
- Revenue for Global Business Services declined 12%, down 4% adjusting for currency and divested businesses.

John E. Kelly III,

Senior Vice President, Solutions Portfolio & Research

- Successfully formed and launched IBM's Solutions Portfolio set of business units.

- Led IBM Research to maintain the #1 position in Cognitive/Artificial Intelligence.
- Achieved #1 patent position for 23rd consecutive year, once again breaking the 7,000 barrier, with 31% of new patents in cloud, analytics and cognitive.
- Delivered more than double-digit growth, at constant currency, in analytics, mobile, social and security.
- Forged five major partnerships for Watson Health and announced its new global headquarters in Boston which will provide technology, tools and talent to create and launch new products and businesses based on Watson's cloud-delivered cognitive intelligence.

Following the process outlined above and based on business and individual performance, the Compensation Committee approved the 2015 annual incentive payouts below for these named executive officers:

	2015 Annual Incentive Payouts
M.J. Schroeter	\$ 881,100
M.D. Rhodin	728,800
B.A. van Kralingen	637,700
J.E. Kelly III	850,500

Taking into consideration the actual salary, annual incentive payout and long-term incentive award for the period 2013-2015, these named executive officers earned from 46%-63% of their annual total target compensation in 2015.

2016 COMPENSATION DECISIONS FOR MR. SCHROETER, MR. RHODIN, MRS. VAN KRALINGEN AND DR. KELLY

The Committee also approved the following compensation elements for 2016: base salary, annual incentive target, Performance Share Unit (PSU) and Restricted Stock Unit (RSU) grants under the Long-Term Performance Plan. To align better with market practice, the mix of Long-Term Incentive Plan vehicles is now set at 65% PSUs, 35% RSUs.

	2016 Cash(1)		2016 Long-Term Incentive Awards(2)	
	Salary Rate	Annual Incentive Target	Performance Share Units	Restricted Stock Units
M.J. Schroeter	\$ 783,000	\$ 1,057,000	\$ 3,250,000	\$ 1,750,000
M.D. Rhodin	675,000	911,000	2,925,000	1,575,000
B.A. van Kralingen	691,000	934,000	3,006,000	1,619,000
J.E. Kelly III	809,000	1,091,000	3,575,000	1,925,000

(1) The 2016 salary rates for Mr. Schroeter, Mrs. van Kralingen and Dr. Kelly will be effective July 1, 2016 and the 2016 annual incentive targets were effective January 1, 2016.

(2) The PSUs will be granted on June 8, 2016 to the named executive officers, including the Chairman and CEO. The actual number of PSUs granted on this date will be determined by dividing the value shown above by a predetermined, formulaic planning price for the second quarter 2016. The performance period for the PSUs ends December 31, 2018, and the award will pay out in February 2019. The restricted stock units will vest 25% per year on each anniversary of the date of grant.

SECTION 3: ADDITIONAL INFORMATION

COMPENSATION PROGRAM AS IT RELATES TO RISK

IBM management, the Compensation Committee and the Committee's outside consultant review IBM's compensation policies and practices, with a focus on incentive programs, to ensure that they do not encourage excessive risk taking. This review includes the cash incentive programs and the long-term incentive plans that cover all executives and employees. Based on this comprehensive review, we concluded that our compensation program does not encourage excessive risk taking for the following reasons:

- Our programs appropriately balance short- and long-term incentives, with approximately 71% of 2016 total target compensation for the Chairman and CEO and Senior Executives as a group provided in equity.
- 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.
- Our incentive plans include a profit metric as a significant component of performance to promote disciplined progress toward financial goals. None of IBM's incentive plans are based solely on signings or revenue targets, which mitigates the risk of employees focusing exclusively on the short term.
- Qualitative factors beyond the quantitative financial metrics are a key consideration in the determination of individual executive compensation payments. How our executives achieve their financial results, integrate across lines of business and demonstrate leadership consistent with the IBM values are key to individual compensation decisions.
- As explained in the 2015 Potential Payments Upon Termination Narrative, we further strengthened our retirement policies on equity grants for our senior leaders beginning in 2009 to ensure that the long-term interests of IBM continue to be the focus even as these executives approach retirement.
- Our stock ownership guidelines require that the Chairman and CEO and each Senior Executive hold a significant amount of IBM equity to further align their interests with stockholders over the long term.
- IBM has a policy that requires a clawback of cash incentive payments in the event that an executive officer's conduct leads to a restatement of IBM's financial results. Likewise, IBM's equity plan has a clawback provision which states that awards may be cancelled and certain gains repaid if an employee engages in detrimental activity. To further reinforce our commitment to ethical conduct, the IBM Excess 401(k) Plus Plan allows the clawback of certain IBM contributions if a participant engages in detrimental activity.

We are confident that our compensation program is aligned with the interests of our stockholders, rewards for performance and represents strong executive compensation governance practices.

EQUITY AWARD PRACTICES

Under IBM's long-standing practices and policies, all equity awards are approved before or on the date of grant. The exercise price of at-the-money stock options is the average of the high and low market price on the date of grant or, in the case of premium-priced stock options, for example, 10% above that average, or as specified by the Compensation Committee.

The approval process specifies the individual receiving the grant, the number of units or the value of the award, the exercise price or formula for determining the exercise price, and the date of grant. In the case of planned grant value, the number of shares granted is determined by dividing the planned value by the predetermined, formulaic planning price in effect for the quarter. IBM's planning price is computed each quarter using a consistent statistical forecasting procedure based on historical IBM stock price data. IBM uses the quarterly planning price to aid in establishing the overall size of the equity plan and to give more consistency across equity grants made at different points in the quarter.

As with all compensation decisions, the independent members of the Board approve all equity awards for the Chairman and CEO and ratify all equity awards for the Chief Financial Officer. In addition, all equity awards for Senior Executives are approved by the Compensation Committee. All equity awards for employees other than the Chairman and CEO and Senior Executives are approved by the Chairman and CEO and Senior Executives pursuant to a series of delegations that were approved by the Compensation Committee, and the grants made pursuant to these delegations are reviewed periodically with the Committee.

Equity awards granted as part of annual total compensation for senior leaders and other employees are made on specific cycle dates scheduled in advance. IBM's policy for new hires and promotions requires approval of any awards before or on the grant date, which is typically the date of the promotion or hire.

IBM does not have any plans, programs or agreements that would provide any payments to any of the named executive officers upon a change in control of IBM, a change in the named executive officer's responsibilities or a constructive termination of the named executive officer.

ETHICAL CONDUCT

Every executive is held accountable to comply with IBM's high ethical standards: IBM's Values, including Trust and Personal Responsibility in all Relationships, and IBM's Business Conduct Guidelines. This responsibility is reflected in each executive's performance goals, and is reinforced through each executive's annual certification to the IBM Business Conduct Guidelines. An executive's compensation is tied to compliance with these standards; compliance is also a condition of IBM employment for each executive. Annual cash incentive payments are also conditioned on compliance with these Guidelines.

IBM's equity plans and agreements have a clawback provision—awards may be cancelled and certain gains repaid if an employee engages in activity that is detrimental to IBM, such as violating IBM's Business Conduct Guidelines, disclosing confidential information or performing services for a competitor. To further reinforce our commitment to ethical conduct, the Excess 401(k) Plus Plan allows the clawback of certain IBM contributions if a participant engages in activity that is detrimental to IBM.

In addition, approximately 1,900 of our key executives (including each of the named executive officers) have agreed to a non-competition, nonsolicitation agreement that prevents them from working for certain competitors within 12 months of leaving IBM or soliciting employees within two years of leaving IBM.

The Committee has also implemented the following policy for the clawback of cash incentive payments in the event an executive officer's conduct leads to a restatement of IBM's financial results:

To the extent permitted by governing law, IBM will seek to recoup any bonus or incentive paid to any executive officer if (i) the amount of such payment was based on the achievement of certain financial results that were subsequently the subject of a restatement, (ii) the Board determines that such officer engaged in misconduct that resulted in the obligation to restate, and (iii) a lower payment would have been made to the officer based upon the restated financial results.

HEDGING AND PLEDGING PRACTICES

IBM has two senior leadership teams: the Performance Team and the Growth and Transformation Team (G&TT). The Performance Team consists of approximately 60 of our senior leaders who run IBM business units and geographies and includes the Chairman and CEO and each Senior Executive. The team is accountable for business performance and the development of cross-unit strategies. The G&TT, which includes all members of the Performance Team, consists of a select group of approximately 340 executives. This team is charged with supporting IBM's continued transformation through their leadership initiatives to engage their teams and promote innovation, speed and simplicity in service of our clients.

IBM does not allow any member of the G&TT, including any named executive officer, to hedge the economic risk of their ownership of IBM securities, which includes entering into any derivative transaction on IBM stock (e.g., any short-sale, forward, option, collar). Further, IBM does not allow any member of the G&TT to pledge IBM securities at any time, which includes having IBM stock in a margin account or using IBM stock as collateral for a loan.

TAX CONSIDERATIONS

Section 162(m) of the U.S. Internal Revenue Code of 1986, as amended, limits deductibility of compensation in excess of \$1 million paid to IBM's CEO and to each of the other three highest-paid executive officers (not including IBM's chief financial officer) unless this compensation qualifies as performance-based. Based on the applicable tax regulations, taxable compensation derived from certain stock appreciation rights and from the exercise of stock options by Senior Executives under IBM's Long-Term Performance Plans should qualify as performance-based. The IBM Excess 401(k) Plus Plan permits an executive officer who is subject to Section 162(m) and whose salary is above \$1 million to defer payment of a sufficient amount of the salary to bring it below the Section 162(m) limit. In 1999, IBM's stockholders approved the terms under which IBM's annual and long-term performance incentive awards should qualify as performance-based. In 2014, as required by the Internal Revenue Code, the stockholders approved the material terms of the performance criteria under which long-term performance incentive awards should qualify as performance-based. These terms do not preclude the Committee from making any payments or granting any awards, whether or not such payments or awards qualify for tax deductibility under Section 162(m), which may be appropriate to retain and motivate key executives.

2015 SUMMARY COMPENSATION TABLE NARRATIVE

Salary (Column (c))

Amounts shown in the salary column reflect the salary amount paid to each named executive officer during 2015.

- IBM reviews salaries for each named executive officer annually during a common review cycle. In 2015, salary increases for the named executive officers took effect on July 1. For Mrs. Rometty, this was her first salary increase since her appointment as CEO in January 2012.

Bonus (Column (d))

No bonuses were awarded to the named executive officers in either 2014 or 2015. Dr. Kelly received patent issuance and invention achievement awards in 2013. All employees are eligible for these awards. Payments under the IBM Annual Incentive Program are included under column (g) (Non-Equity Incentive Plan Compensation).

Stock Awards (Column (e))

The amounts shown are the aggregate grant date fair values of Performance Share Units (PSUs) and Retention Restricted Stock Units (RRSUs) granted in each fiscal year shown, computed in accordance with accounting guidance (excluding any risk of forfeiture as per SEC regulations). The values shown for the PSU awards are calculated at the Target number, as described below. The values shown for the PSUs and RRSUs reflect an adjustment for the exclusion of dividend equivalents.

Performance Share Units (PSUs)

The following describes the material terms and conditions of PSUs as reported in the column titled Stock Awards (column (e)) in the 2015 Summary Compensation Table and in the 2015 Grants of Plan-Based Awards Table under the heading Estimated Future Payouts Under Equity Incentive Plan Awards (columns (f), (g) and (h)).

General Terms

- One PSU is equivalent in value to one share of IBM common stock.
- Executive officers are awarded a number of PSUs during the first year of the three-year performance period. PSUs are generally paid out in IBM common stock after the three-year performance period.
- Performance targets for cumulative three-year attainment in operating earnings per share and free cash flow are set at the beginning of the three-year performance period. These targets are approved by the Compensation Committee.
- At the end of the three-year performance period, the Compensation Committee approves the determination of actual performance relative to pre-established targets, and the number of PSUs is adjusted up or down based on the approved actual performance.
- PSUs granted to U.S. executives on or after January 1, 2013 vest on December 31 of the end of the performance period. Awards granted prior to such date vest on the payout date. Payout for all PSUs is in the February following the end of the performance period.
- There are no dividends or dividend equivalents paid on PSUs.

Vesting and Payout Calculations

- The performance period for the awards granted in 2015 is January 1, 2015 through December 31, 2017, and the awards will pay out in February 2018. PSU awards granted in 2015 will be adjusted for performance, as described below.
- Outstanding PSUs are typically cancelled if the executive's employment is terminated. See the 2015 Potential Payments Upon Termination Narrative for information on payout of unvested PSUs upon certain terminations.
- Payout will not be made for performance below the thresholds, as described below.
- See Section 1 of the 2015 Compensation Discussion and Analysis for information on performance targets for the PSU program.

Threshold Number:

The Threshold number of PSUs (listed in column (f) of the 2015 Grants of Plan-Based Awards Table) is 25% of the Target number.

The Threshold number of PSUs will be earned for achievement of 70% of both business objectives (operating earnings per share and free cash flow).

If only the cumulative operating earnings per share target is met at the Threshold level (and the free cash flow target is not met), the number of PSUs earned would be 70% of the Threshold number.

If only the cumulative free cash flow target is met at the Threshold level (and the operating earnings per share target is not met), the number of PSUs earned would be 30% of the Threshold number.

Target Number:

The Target number of PSUs (listed in column (g) of the 2015 Grants of Plan-Based Awards Table) will be earned if 100% of the objectives are achieved.

Maximum Number:

The Maximum number of PSUs (listed in column (h) of the 2015 Grants of Plan-Based Awards Table) is 150% of the Target number.

The Maximum number of PSUs will be earned for achieving 120% of both business objectives.

Restricted Stock Units (RSUs)

RSUs may include RRSUs. In 2015, RRSUs were granted to all named executive officers, excluding Mrs. Rometty. RRSUs granted in previous years to any named executive officer and outstanding at the end of 2015 are included in the 2015 Outstanding Equity Awards at Fiscal Year-End Table. In addition, the column titled Stock Awards in the 2015 Option Exercises and Stock Vested Table includes previously-granted RRSUs.

General Terms

- One RSU or RRSU is equivalent in value to one share of IBM common stock. RSUs and RRSUs are generally paid out in IBM common stock at vesting.
- Dividend equivalents are not paid on RSUs or RRSUs granted on or after January 1, 2008.

Vesting and Payout

- Vesting periods for RSUs typically range from one to four years.
- Vesting periods for RRSUs typically range from two to five years. These awards are typically given to select senior executives for the purpose of providing additional value to retain the executive through the vesting date.
- Payout of RSUs and RRSUs at each vesting date is typically contingent on the recipient remaining employed by IBM through that vesting date. See the 2015 Potential Payments Upon Termination Narrative for information on payout of unvested RSUs upon certain terminations.
- All deferred shares, comprised of shares that were deferred by the participant (Deferred IBM Shares), in the 2015 Nonqualified Deferred Compensation Table may include certain previously-granted RRSUs. Executives have not been allowed to defer payment of RSUs.
- From time to time, special performance-based RSUs may be granted with performance contingent vesting.

Option Awards (Column (f))

- There were no option awards granted to the named executive officers in the years shown in the 2015 Summary Compensation Table. Market-priced and premium-priced options granted in previous years to the named executive officers and outstanding at the end of 2015 are included in the 2015 Outstanding Equity Awards at Fiscal Year-End Table.

Non-Equity Incentive Plan Compensation (Column (g))

Amounts in this column represent payments under IBM's Annual Incentive Program (AIP).

General Terms

- All named executive officers participate in this program. The performance period is the fiscal year (January 1 through December 31).
- See Section 1 of the 2015 Compensation Discussion and Analysis for information on performance targets for AIP.

Payout Range

- Mrs. Rometty had a target of \$5 million for 2015. The other named executive officers had targets of 135% of their salary rate for 2015. See column (d) of the 2015 Grants of Plan-Based Awards Table for the target payout.
- Threshold payout for each named executive officer is \$0 (see column (c) of the 2015 Grants of Plan-Based Awards Table).
- Maximum payout for each named executive officer is three times the target (see column (e) of the 2015 Grants of Plan-Based Awards Table).

Vesting and Payout

- In addition to performance against corporate-wide and business unit goals, which determine the funding pool for the year, individual performance against commitments set at the beginning of the year determine payout amounts.
- An executive generally must be employed by IBM at the end of the performance period in order to be eligible to receive an AIP payout. At the discretion of appropriate senior management, the Compensation Committee, or the Board, an executive may receive a prorated payout of AIP upon retirement.
- AIP payouts earned during the performance period are paid on or before March 15 of the year following the end of such period.

Change in Retention Plan Value (Column (h))

- Amounts in the column titled Change in Retention Plan Value represent the annual change in Retention Plan Value from December 31, 2014 to December 31, 2015 for each named executive officer, other than Mr. Schroeter.
- See the 2015 Retention Plan Narrative for a description of the Retention Plan.

Change in Pension Value (Column (h))

- Amounts in the column titled Change in Pension Value represent the annual change in Pension Value from December 31, 2014 to December 31, 2015 for each named executive officer.
- See the 2015 Pension Benefits Narrative for a description of the IBM Personal Pension Plan and IBM Excess Personal Pension Plan.

Nonqualified Deferred Compensation Earnings (Column (h))

- IBM does not pay above-market or preferential earnings on nonqualified deferred compensation.
- See the 2015 Nonqualified Deferred Compensation Narrative for a description of the nonqualified deferred compensation plans in which the named executive officers participate.

All Other Compensation (Column (i))

Amounts in this column represent the following as applicable:

Tax Reimbursements

- Amounts represent payments that IBM has made to the named executive officers to cover taxes incurred by them for certain business-related taxable expenses.
- These expenses for a named executive officer may include: tax equalization payments related to international assignments, cost of family travel to and attendance at business-related events, business-related local lodging and incidental expenses, and business-related ground transportation expenses (see Ground Transportation below).

IBM Contributions to Defined Contribution Plans

- Amounts represent IBM matching and automatic contributions to the individual accounts for each named executive officer.
- Under IBM's 401(k) Plus Plan, participants hired or rehired by IBM U.S. before January 1, 2005, including Mrs. Rometty, Mr. Rhodin, Mrs. van Kralingen and Dr. Kelly, are eligible to receive matching contributions up to 6% of eligible compensation. Participants hired or rehired by IBM U.S. on or after January 1, 2005, including Mr. Schroeter, who complete the plan's service requirement, are generally eligible for up to 5% matching contributions. A participant's hire/rehire date is measured by a participant's most recent U.S. hire date. Mr. Schroeter rejoined IBM U.S. in 2011 after working for IBM Australia from April 1, 2005 to June 30, 2011. In addition, for all eligible participants, IBM makes automatic contributions equal to a certain percentage of eligible compensation, which generally depends on the participant's pension plan eligibility on December 31, 2007. In 2015, the automatic contribution percentage was 4% for Mrs. Rometty; 2% for Mr. Rhodin, Mrs. van Kralingen and Dr. Kelly; and 1% for Mr. Schroeter.
- Under IBM's Excess 401(k) Plus Plan, IBM makes matching contributions equal to a percentage of the sum of (i) the amount the participant elects to defer under the Excess 401(k) Plus Plan, and (ii) the participant's eligible compensation after reaching the Internal Revenue Code compensation limits. Participants hired or rehired by IBM U.S. before January 1, 2005, including Mrs. Rometty, Mr. Rhodin, Mrs. van Kralingen and Dr. Kelly, are eligible to receive matching contributions up to 6% of eligible compensation. Participants hired or rehired by IBM U.S. on or after January 1, 2005, including Mr. Schroeter, who complete the plan's service requirement, are eligible for up to 5% matching contributions. In addition, for all eligible participants, IBM makes automatic contributions equal to a percentage of the sum of (i) the amount the participant elects to defer under the Excess 401(k) Plus Plan, and (ii) the participant's eligible compensation after reaching the Internal Revenue Code compensation limits. The automatic contribution percentage generally depends on the participant's pension plan eligibility on December 31, 2007, and in 2015, the automatic contribution percentage was 4% for Mrs. Rometty; 2% for Mr. Rhodin, Mrs. van Kralingen and Dr. Kelly; and 1% for Mr. Schroeter.
- For purposes of calculating the matching contribution and the automatic contribution under the 401(k) Plus Plan, the participant's eligible compensation excludes the amount the participant elects to defer under the Excess 401(k) Plus Plan.

- See the 2015 Nonqualified Deferred Compensation Narrative for additional details on the nonqualified deferred compensation plans.

Life and Travel Accident Insurance Premiums

- Amounts represent insurance premiums paid by IBM on behalf of the named executive officers.
- These executive officers are covered by life insurance policies under the same terms as other U.S. full-time regular employees.
- Life insurance for executives hired or rehired by IBM U.S. before January 1, 2004, including Mrs. Rometty, Mr. Rhodin and Dr. Kelly, is two times salary plus annual incentive program target, with a maximum coverage amount of \$2,000,000. Life insurance for executives hired or rehired by IBM U.S. on or after January 1, 2004, including Mr. Schroeter and Mrs. van Kralingen, is one times salary plus annual incentive program target, with a maximum coverage of \$1,000,000.
- In addition, IBM provides Travel Accident Insurance for most employees in connection with business travel. Travel Accident Insurance for all eligible employees and executives is up to five times salary plus annual incentive target with a maximum coverage amount of \$15,000,000.

Perquisites

The following describes perquisites (and their aggregate incremental cost calculations) provided to the named executive officers in 2015.

Personal Financial Planning

In 2015, IBM offered financial planning services with coverage generally up to \$15,000 annually for senior U.S. executives, including each named executive officer.

Personal Travel on Company Aircraft

General Information

- Amounts represent the aggregate incremental cost to IBM for travel not directly related to IBM business.
- IBM's security practices provide that all air travel by the Chairman and CEO, including personal travel, be on Company aircraft. The aggregate incremental cost for Mrs. Rometty's personal travel is included in column (i) of the

2015 Summary Compensation Table. These amounts also include the aggregate incremental cost, if any, of travel by her family members or non-IBM employees on both business and non-business occasions.

- Additionally, personal travel or commutation in 2015 on Company aircraft by named executive officers other than Mrs. Rometty, and the aggregate incremental cost, if any, of travel by the officer's family or non-IBM employees when accompanying the officer on both business and non-business occasions is also included.
- Also, from time to time, named executive officers who are members of the boards of directors of certain other companies and non-profit organizations travel on Company aircraft to those outside board meetings. These amounts include travel related to participation on these outside boards.
- Any aircraft travel by named executive officers for an annual physical under the corporate wellness program is included in these amounts.

Aggregate Incremental Cost Calculation

- The aggregate incremental cost for the use of Company aircraft for personal travel, including travel to outside boards, is calculated by multiplying the hourly variable cost rate for the specific aircraft by the number of flight hours used.
- The hourly variable cost rate includes fuel, oil, parking/landing fees, crew expenses, aircraft maintenance (based on the hourly operation of the aircraft) and catering.
- The rate for each aircraft is periodically reviewed by IBM's flight operations team and adjusted as necessary to reflect changes in costs.

- The aggregate incremental cost includes deadhead flights (i.e., empty flights to and from the IBM hangar or any other location).
- The aggregate incremental cost for any charter flights is the full cost to IBM of the charter.

Ground Transportation

General Information

- IBM's security practices provide that the Chairman and CEO be driven to and from work by IBM personnel in a car leased by IBM or by an authorized car service.
- In addition, under IBM's security practices, the Chairman and CEO may use a Company-leased car with an IBM driver or an authorized car service for non-business occasions. Further, the family of the Chairman and CEO may use a Company-leased car with an IBM driver or an authorized car service on non-business occasions or when accompanying the Chairman and CEO on business occasions.
- Other named executive officers may use a Company-leased car with an IBM driver or an authorized car service for business-related transportation, travel to outside board meetings, and an annual executive physical under IBM's corporate wellness program. Family members and non-IBM employees may accompany named executive officers other than the Chairman and CEO in a Company-leased car with an IBM driver or an authorized car service on these occasions.
- Amounts reflect the aggregate incremental cost, if any, for the above-referenced items.

Aggregate Incremental Cost Calculation

- The incremental cost for the Company-leased car with an IBM driver or an authorized car service for commutation and non-business events is calculated by multiplying the variable rate by the applicable driving time. The variable rate includes a driver's salary and overtime payments, plus a cost per mile calculation based on fuel and maintenance expense.
- The incremental cost for an authorized car service is the full cost to IBM for such service.

Personal Security

General Information

- Under IBM's security practices, IBM provides security personnel for the Chairman and CEO on certain non-business occasions and for the family of the Chairman and CEO on certain non-business occasions or when accompanying her on business occasions.
- Amounts include the aggregate incremental cost, if any, of security personnel for those occasions.
- In addition, amounts also include the cost of home security systems and monitoring for the Chairman and CEO and any other named executive officers, if applicable.

Aggregate Incremental Cost Calculation

- The aggregate incremental cost for security personnel is the cost of any commercial airfare to and from the destination, hotels, meals, car services, and salary and travel expenses of any additional subcontracted personnel if needed.
- The aggregate incremental cost for installation, maintenance and monitoring services for home security systems reflects the full cost to IBM for these items.

Annual Executive Physical

- IBM covers the cost of an annual executive physical for the named executive officers under IBM's corporate wellness program.
- Amounts represent any payments by IBM for the named executive officers under this program, if applicable.

Family Travel and Attendance at Business-Related Events

- Business-related events attended by the named executive officers and their family members may include meetings, dinners and receptions with IBM's clients, executive management or board members.
- Amounts represent the aggregate incremental cost, if any, of commercial travel and/or meals and entertainment for the family members of the named executive officers to attend business-related events.

International Assignments

- IBM sends employees on international assignments. These assignments provide valuable opportunities to transfer knowledge across borders and develop future leadership.
- Amounts represent any payments that IBM has made to, or on behalf of, a named executive officer related to an international assignment and may include relocation expenses, such as cost of living adjustments, housing payments, tax preparation services, and/or moving expenses.

Other Personal Expenses

- Amounts represent the cost of meals and lodging for the named executive officers who traveled for their annual executive physical under IBM's corporate wellness program.
- Amounts also include expenses associated with participation on outside boards other than those disclosed as Personal Travel on Company Aircraft and Ground Transportation.
- Amounts also include home office equipment, items relating to business events and administrative charges incurred by executives.

2015 Summary Compensation Table

Name and Principal Position (a)	Salary (b)	Bonus (c)	Stock Awards (d)	Option Awards (e)	Non-Equity Incentive Plan Compensation	Change in Retention Plan Value	Change in Pension Value	Nonqualified Deferred Compensation	All Other Compensation	Total (j)
					(2)	(3)	(4)	(5)	(6)(7)	
Year (b)	(\$) (c)	(\$) (d)	(\$) (e)	(\$) (f)	(\$) (g)	(\$) (h)	(\$) (h)	(\$) (h)	(\$) (i)	(\$) (j)
V.M. Rometty Chairman, President and CEO										
2015	\$ 1,550,000	\$ 0	\$ 12,905,329	\$ 0	\$ 4,500,000	\$ 0	\$ 0	\$ 0	\$ 866,621	\$ 19,821,950
2014	1,500,000	0	12,460,409	0	3,600,000	295,985	1,106,740	0	381,991	19,345,125
2013	1,500,000	0	11,703,869	0	0	0	0	0	761,808	13,965,677
M.J. Schroeter (9) Senior VP and CFO										
2015	692,500	0	11,425,266	0	881,100	N/A	1,295	0	112,191	13,112,352
2014	660,000	0	3,616,006	0	747,600	N/A	8,481	0	80,812	5,112,899
M.D. Rhodin (9)(10) Senior VP, IBM Watson Business Development										
2015	630,000	0	11,425,266	0	728,800	0	8,690	0	2,766,099	15,558,855
B.A. van Kralingen (9) Senior VP, IBM Global Business Services										
2015	665,000	0	11,425,266	0	637,700	0	2,202	0	2,089,103	14,819,271
J.E. Kelly III (10) Senior VP, IBM Cognitive Solutions & IBM Research										
2015	675,500	0	11,887,195	0	850,500	0	42,393	0	184,207	13,639,795
2014	638,000	0	3,909,248	0	791,100	1,043,296	92,989	0	96,193	6,570,826
2013	625,000	850	4,941,039	0	0	0	0	0	128,016	5,694,905

(1) Amounts in this column reflect the total Performance Share Units (PSUs) and Retention Restricted Stock Units (RRSUs).

Amounts reflect the aggregate grant date fair values of PSU awards at the Target number (described in the 2015 Summary Compensation Table Narrative), calculated in accordance with accounting guidance; these amounts reflect an adjustment for the exclusion of dividend equivalents. At the Maximum number, these values for Mrs. Rometty would be: 2015: \$19,357,994; 2014: \$18,690,613; 2013: \$17,555,803; for Mr. Schroeter: 2015: \$6,549,863; 2014: \$5,424,009; for Mr. Rhodin: 2015: \$6,549,863; for Mrs. van Kralingen: 2015: \$6,549,863; and for Dr. Kelly: 2015: \$7,277,472; 2014: \$5,863,960; 2013: \$7,411,656.

Amounts also reflect the aggregate grant date fair values of RRSUs granted to Mr. Schroeter, Mr. Rhodin, Mrs. van Kralingen and Dr. Kelly in 2015, calculated in accordance with accounting guidance; these amounts reflect an adjustment for the exclusion of dividend equivalents. For assumptions used in determining the fair value of stock awards, see Note R (Stock-Based Compensation) to IBM's 2015 Consolidated Financial Statements.

(2) There were no option awards granted to any of the named executive officers in the years shown in the 2015 Summary Compensation Table.

(3) Assumptions can be found immediately after the 2015 Retention Plan Table. Although accruals under the Retention Plan stopped on December 31, 2007, changes in Retention Plan Value can occur based on changes to

participants' ages and actuarial assumptions. For 2014 and 2015, Change in Retention Plan Value for the eligible named executive officers was due to their age, changes in the discount rate, interest crediting rate, and mortality table. For 2015, the change in Retention Plan Value for the eligible named executive officers resulted in the following negative amounts: for Mrs. Rometty: \$(18,082); for Mr. Rhodin: \$(47,311); for Mrs. van Kralingen \$(19,917); and for Dr. Kelly \$(584,946). For 2013, the negative change in Retention Plan Value was primarily due to increases in the discount rate and the interest crediting rate which resulted in the following negative amounts: for Mrs. Rometty: \$(130,705) and for Dr. Kelly: \$(602,593).

(4) Assumptions can be found immediately after the 2015 Pension Benefits Table. Although accruals under the IBM Personal Pension Plan stopped on December 31, 2007, changes in Pension Value can occur based on changes to participants' ages and actuarial assumptions. For 2014 and 2015, Change in Pension Value for the named executive officers was due to their age, changes in the discount rate, interest crediting rate, and mortality table. For 2015, the change in Pension Value for the named executive officer resulted in the following negative amount for Mrs. Rometty: \$(118,735). For 2013, the negative change in Pension Value was due to increases in the discount rate and the interest crediting rate which resulted in the following negative amounts: for Mrs. Rometty: \$(499,471) and for Dr. Kelly: \$(17,511).

(5) IBM does not provide above-market or preferential earnings on deferred compensation. See the 2015 Nonqualified Deferred Compensation Narrative for information about deferred compensation.

(6) Amounts in this column include the following for 2015: for Mrs. Rometty: tax reimbursements of \$32,610 and IBM contributions to defined contribution plans of \$515,000; for Mr. Schroeter: IBM contributions to defined contribution plans of \$86,406; for Mr. Rhodin: tax reimbursements of \$2,571,856 and IBM contributions to defined contribution plans of \$100,960; for Mrs. van Kralingen: tax reimbursements of \$1,930,083 and IBM contributions to defined contribution plans of \$102,760; and for Dr. Kelly: IBM contributions to defined contribution plans of \$117,328.

(7) Amounts in this column also include the following perquisites for 2015: for Mrs. Rometty: personal financial planning, personal travel on Company aircraft of \$248,827, ground transportation, personal security, annual executive physical, family attendance at business-related events, and other personal expenses; for Mr. Schroeter: personal financial planning, ground transportation, personal security, annual executive physical, family attendance at business-related events, and other personal expenses; for Mr. Rhodin: personal financial planning, personal travel on Company aircraft of \$52,639, ground transportation, annual executive physical, family attendance at business-related events, international assignments, and other personal expenses; for Mrs. van Kralingen: personal financial planning, personal travel on Company aircraft, ground transportation, family attendance at business-related events, international assignments, and other personal expenses; and for Dr. Kelly: personal financial planning, personal travel on Company aircraft of \$49,568, ground transportation, personal security, family attendance at business-related events, and other pe