

6. Stockholder Proposal Requesting the Company Publish Annually a Report Assessing its Diversity, Equity and Inclusion Efforts

Management has been advised that Nia Impact Capital, 1212 Preservation Parkway, Suite 200, Oakland, CA 94612, the owner of at least 11,508 shares of IBM stock, intends to submit the following proposal at the meeting:

Resolved:

Shareholders request International Business Machines Corporation (“IBM”) publish annually a report assessing IBM’s diversity, equity and inclusion efforts, at reasonable expense and excluding proprietary information. The report should include:

- the Board’s process for addressing the effectiveness of its diversity, equity and inclusion programs, and
- the Board’s assessment of program effectiveness, as reflected in any goals, metrics, and trends related to its promotion, recruitment and retention of protected classes of employees.

Whereas:

Investors seek quantitative, comparable data to understand the effectiveness of IBM’s diversity, equity and inclusion efforts.

Numerous studies have pointed to the corporate benefits of a diverse workforce. These include:

- Companies with the strongest racial and ethnic diversity are 35% more likely to have financial returns above their industry medians.
- Companies in the top quartile for gender diversity are 21% more likely to outperform on profitability and 27% more likely to have superior value creation.¹
- The 20 most diverse S&P 500 companies had an average annual five-year stock return that was 5.8% higher than the 20 least-diverse companies.²

Yet, significant barriers exist for diverse employees advancing within their careers. Women enter the workforce in almost equal numbers as men (48%). However, they only comprise 22% of the executive suite. Similarly, people of color comprise 33% of entry level workers, yet only 13% of the c-suite.³

IBM’s 2019 Corporate Responsibility Report states, “IBM is an innovation company that solves the hardest problems in business and society. This work requires a highly skilled, truly diverse workforce and an inclusive culture that enables people from all backgrounds to thrive.” It also states, “We are committed to continuously and sustainably improving diversity within our global leadership team and at all levels in our organization.” In addition, IBM sells Emb(race) and “Be Equal” merchandise from its website, calling on customers to “proudly promote equality.”

However, IBM has not released meaningful information that allows investors to determine the effectiveness of its workplace diversity programs. Stakeholders may become concerned that IBM’s statements are corporate puffery, language described by the United States Federal Trade Commission as marketing exaggerations intended to “puff up” products and not able to be relied upon by consumers and investors.

Investor desire for information on this issue is significant. As of October 2020, \$1.9 trillion in represented assets released an Investor Statement on the importance of increased corporate transparency on workplace equity data. It stated:

It is essential that investors have access to the most up-to-date and accurate information related to its diverse workplace policies, practices and outcomes.⁴

¹ McKinsey & Company, “Delivering through Diversity”, January 2018 (https://www.mckinsey.com/~media/mckinsey/business%20functions/organization/our%20insights/delivering%20through%20diversity/delivering-through-diversity_full-report.ashx)

² Holger, Dieter, “The business case for more diversity” Wall Street Journal, October 26, 2019 (<https://www.wsj.com/articles/the-business-case-for-more-diversity-11572091200>)

³ McKinsey & Company, “Women in the Workplace 2018”, (<https://womenintheworkplace.com>)

⁴ <https://www.asyousow.org/our-work/gender-workplace-equity-disclosure-statement>

YOUR BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THIS PROPOSAL.

Your Board of Directors has already adopted a policy that implements this proposal.

At IBM, we have long held that in order to solve the hardest problems in business and society, we require a highly skilled, truly diverse workforce and an inclusive culture that enables people from all backgrounds to thrive. In 1899, IBM's predecessor hired its first women and black employees, and in 1935 we established "equal pay for equal work." Less than 20 years later, IBM Chairman Thomas J. Watson wrote Policy Letter No. 4, history's first corporate equal opportunity policy, more than a decade before the U.S. Civil Rights Act. We've expanded our nondiscrimination policy to include sexual orientation (1984), gender identity and expression (2002), and genetics (2005). IBM continues that legacy with programs and policies that set high standards and foster a culture of inclusion in which all IBMers can thrive at work because of who they are, not in spite of who they are. To that end, our Chairman and CEO, Arvind Krishna, wrote an open letter to Congress in 2020, highlighting IBM's historic commitment to diversity and inclusion and committing to work with Congress in pursuit of justice and racial equity.

The Proposal requests a report, published annually, assessing IBM's diversity, equity and inclusion efforts, including "the Board's process for assessing the effectiveness of its diversity, equity and inclusion programs, and the Board's assessment of program effectiveness, as reflected in any goals, metrics, and trends related to its promotion, recruitment and retention of protected classes of employees."

IBM's Board of Directors discussed this proposal and determined that it aligns with IBM's goals of a diverse and inclusive workforce which are regularly reviewed by the Board. Accordingly, in December your Board adopted the following policy:

International Business Machines Corporation ("IBM") shall publish annually a report assessing IBM's diversity, equity and inclusion efforts, at reasonable expense and excluding proprietary information. The report shall include:

- The Board's process for assessing the effectiveness of IBM's diversity, equity and inclusion programs, and
- The Board's assessment of program effectiveness, as reflected in any goals, metrics, and trends related to its promotion, recruitment and retention of protected classes of employees.

IBM has long been at the forefront in its commitment to diversity and inclusion, and we fully intend to remain in that role. **THE BOARD RECOMMENDS A VOTE FOR THIS PROPOSAL.**