

4. Stockholder Proposal to Have an Independent Board Chairman

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

Proposal 4 – Independent Board Chairman

Shareholders request that our Board of Directors adopt a policy, and amend our governing documents as necessary to require that the Chairman of the Board of Directors to be an independent member of the Board whenever possible including the next Chairman of the Board transition.

If the Board determines that a Chairman who was independent when selected is no longer independent, the Board shall select a new Chairman who satisfies the requirements of the policy within a reasonable amount of time. This policy is not intended to violate any employment contract but recognizes that the Board has broad power to renegotiate an employment contract.

This proposal topic won impressive 40%-support at the 2019 IBM annual meeting even though it was not a fair election. IBM management put its hand on the scale and spent shareholder money on advertisements to oppose this proposal topic. For a fair election shareholders would have had to take money from their own pockets to match the money IBM took from shareholders to advertise for the management position.

Support for proposals to appoint an independent Board chair received 17% higher support at U.S. companies in 2020. Since management performance setbacks often result in higher support for this proposal topic, the mere submission of this proposal may be an incentive for the Chairman of the Board to perform better leading up to the 2021 annual meeting.

It is also important to have an independent board chairman to help make up for the 2020 devaluation of shareholder meetings with the widespread use of online shareholder meetings using the pandemic as a steppingstone. Online meetings are so easy for management that management will never want to return to in-person shareholder meetings.

With tightly controlled online shareholder meetings everything is optional. For instance company status reporting is optional. Also answers to questions are optional even if management misleadingly asks for questions to be typed on a computer screen.

Goodyear management even hit the mute button right in the middle of a formal shareholder proposal presentation at its 2020 shareholder meeting to bar constructive criticism.

Plus AT&T management would not even allow the proponents of shareholder proposals to read their proposals by telephone at the 2020 AT&T online annual meeting during the pandemic.

Please see: *AT&T investors denied a dial-in as annual meeting goes online* <https://whbl.com/2020/04/17/att-investors-denied-a-dial-in-as-annual-meeting-goes-online/1007928/>

Online shareholder meetings also give management a blank check to make false statements. For instance management at scores of 2020 online annual meetings falsely stated that there were no more shareholder questions. Shareholders were powerless to point out that their questions were not answered.

Please see: Schwartz-Ziv, Miriam, *How Shifting from In-Person to Virtual Shareholder Meetings Affects Shareholders' Voice* (August 16, 2020)

Available at SSRN: <https://ssrn.com/abstract=367998> or <http://dx.doi.org/10.2139/ssrn.3674998>

Please vote yes:

Independent Board Chairman- Proposal 4

YOUR BOARD OF DIRECTORS RECOMMENDS A VOTE AGAINST THIS PROPOSAL.

The Board's flexibility to determine the appropriate Board leadership structure is essential.

One of the most important tasks undertaken by a board is to select the leadership of the board and the company. In order to execute this critical function most effectively and in the best interests of the stockholders, a board must maintain the flexibility to determine the appropriate leadership in light of the circumstances at a given time. Because one size does not fit all situations, your Board has altered its structure at various times in response to the particular circumstances at that time. For example, last year, your Board split the Chairman and CEO roles to ensure a seamless and successful leadership transition from Ginni Rometty, your prior CEO, to Arvind Krishna, your current CEO. This transition was the result of a world-class, multi-year succession process during which the Board considered several candidates, and the splitting of the Chairman and CEO roles was a crucial factor in the plan for a smooth succession.

The Directors and Corporate Governance Committee and the Board continuously evaluate the appropriate leadership structure for IBM. In connection with the retirement of Ginni Rometty, the Board determined that the optimal leadership structure was to once again combine the roles of CEO and Chairman. The Board's review considered the strength of IBM's independent Board and corporate governance practices and determined that the existing board leadership structure of having a management director serve as Chairman, alongside a robust and independent Lead Director, best serves the needs of the Company and the stockholders at this time. Among other factors, the Board considered and evaluated:

- the importance of consistent, unified leadership to execute and oversee the Company's strategy;
- the strength of Mr. Krishna's vision for the Company and the quality of his leadership;
- the strong and highly independent composition of the Board;
- the views and feedback heard from our investors through our ongoing engagement program throughout the years expressing support for IBM's leadership structure; and
- the meaningful and robust responsibilities of the independent Lead Director, as discussed above.

The Board strongly believes that this current structure strikes the right balance of allowing our Chairman to promote a clear, unified vision for the Company's strategy and to provide the leadership critical for effectively and efficiently implementing the actions needed to ensure strong performance over the long term, while ensuring robust, independent oversight by the Board and Lead Director.

The Company's Lead Director role is robust and ensures effective independent oversight at all times. After a rigorous review by the Directors and Corporate Governance Committee and the Board, the Lead Director is elected by the independent members of the Board on an annual basis. The Lead Director has the following robust and meaningful responsibilities serving to ensure a strong, independent, and active Board by enhancing the contributions of IBM's independent directors. In particular, the Lead Director:

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

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

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

IBM's strong, independent Board and commitment to good corporate governance adds further support to the Board leadership structure.

Continued enhancement of the Lead Director position is just one example of IBM's ongoing commitment to strong corporate governance. Independent directors comprise roughly 90% of the Board and 100% of the Audit, Directors and Corporate Governance, and Executive Compensation and Management Resources Committees. After each regularly scheduled Board meeting, both the full Board and the independent directors of the Board meet in executive session, with the independent directors' session chaired by the Lead Director.

In contrast to the exemplary performance and quality of the IBM Board over the years, the proponent provides no evidence demonstrating that the proposal would result in enhanced oversight, let alone increased value for IBM stockholders. Additionally, this proposal has been rejected by a majority of shareholder votes each time it has been voted on by IBM stockholders, most recently last year. In light of this total lack of empirical support, IBM's strong and independent Board, the Lead Director's robust responsibilities and, most importantly, the support of our structure by our stockholders, this stockholder proposal is both inappropriate and unnecessary.

We believe that stockholders benefit when the Board can select the best candidates to run IBM at a given time. **THEREFORE, THE BOARD RECOMMENDS A VOTE AGAINST THIS PROPOSAL.**