3. MANAGEMENT PROPOSAL ON ADVISORY VOTE ON EXECUTIVE COMPENSATION

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

In 2014, IBM made tremendous progress in repositioning our business portfolio and making investments in support of our strategic focus on enterprise information technology. The Company generated $92.8 billion in revenue and $21.1 billion in operating pre-tax income from continuing operations. Our revenue declined from the prior year due to a substantial currency translation impact, a planned reduction from the divestitures undertaken to continue our shift to higher value businesses, and the net impact of strong growth in our strategic imperatives (cloud, analytics, mobile, social and security) and lower revenues in some of our transactional businesses (including the mainframe and POWER product cycles). Without the effects of currency and divestitures, our continuing operations delivered revenue that was down 1% for the year. While net income and free cash flow declined for the full year on a continuing operating basis, pre-tax income margins expanded 30 basis points, we generated $16.2 billion of operating cash flow, invested $5.5 billion in research and development and $3.8 billion in capital, acquired six companies, and returned approximately $17.9 billion in capital to stockholders through $4.3 billion in dividends and $13.7 billion in gross share repurchases, which reduced our average outstanding share count by over 8%.

The centerpiece of IBM's strategy is our business portfolio shift into five strategic imperatives that we believe are important to the future of enterprise information technology. In 2014, we made significant investments in these areas, launched new businesses such as the Watson Group, and forged landmark partnerships with Apple, Twitter and Tencent to drive long-term growth. Taken together, these five strategic imperatives now constitute 27% of IBM's revenues, posting double-digit growth for the year, as they did in every quarter in 2014.

At the same time, we repositioned and restructured the Systems and Technology business through both divestitures and the introduction of new offerings, including POWER8 and OpenPOWER. We accomplished all of this while maintaining the #1 market position in middleware and services, and earning the highest number of U.S. patents by a considerable margin over any other company.

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 successfully deliver on our shift to higher value. Pay decisions were made in the context of our financial performance relative to our goals, while taking into account the substantial progress in repositioning the portfolio and the Company for the future.

For 2014 performance, the Board approved an annual incentive payment of $3.6 million for Mrs. Rometty, at 90% of target. The payout level considered a balanced view of performance, including financial results that were lower than target, substantial actions taken to reposition the Company in higher value businesses, and market-leading client satisfaction levels. This incentive payment follows a year in which Mrs. Rometty recommended forgoing her annual incentive, which the independent members of the Board accepted. For the other named executive officers, their incentive awards for 2014 ranged from 70% to 90% of target, reflecting Company and Unit performance against predetermined objectives and individual contributions to the transformation.

The Company's named executive officers are identified in the 2014 Summary Compensation Table, and the compensation of the named executive officers is described on pages 20 through 68. IBM has long demonstrated its commitment to sound executive compensation and corporate governance principles, working to ensure that its practices protect and further the interests of stockholders.

As discussed in the 2014 Compensation Discussion and Analysis, the Company's executive compensation programs are designed to:

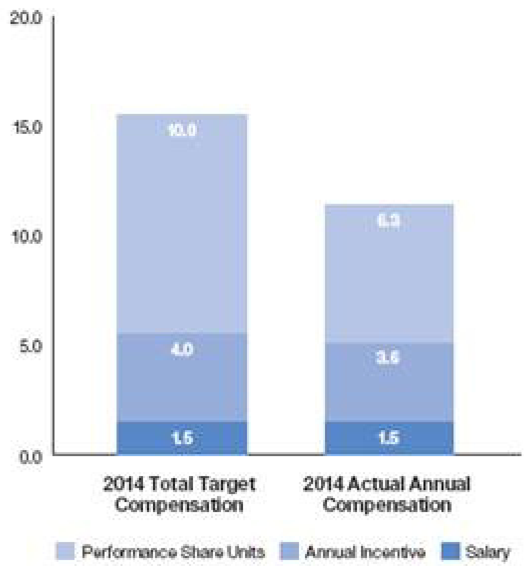
- Ensure that the interests of IBM's leaders are closely aligned with those of our investors by varying compensation based on long-term and annual business results;
- Attract and retain highly qualified senior leaders who can drive a global enterprise to succeed in today's competitive marketplace;
-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

Compensation of our named executive officers is linked with Company 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 set within the parameters of our financial model shared with investors each year. As part of IBM's ongoing management system, targets are evaluated to ensure they do not include an inappropriate amount of risk.

Annual compensation of the named executive officers as a group varies year to year based on business results and individual performance. For 2014, 90% of the compensation of the named executive officers was performance based. Our annual incentive is a cash payment that is designed to reward executives for the most recent year's revenue growth, operating net income and free cash flow. For 2014, this incentive comprised 17% of the group's compensation. Nearly 73% of compensation for 2014 of the named executive officers was in the form of long-term incentive, which is 100% performance based and delivered through Performance Share Units (PSUs). The payout of PSUs is based on IBM's three-year cumulative performance against operating EPS and free cash flow targets. PSUs will pay out nothing if the threshold performance level is not reached. Because it is paid in shares, the value of the award is also impacted by the share price. The 2014 payout for the period 2012–2014 was 63% of its original award value.

Taking into consideration the actual salary, actual annual incentive payout and actual long-term incentive award for the period 2012–2014, Mrs. Rometty earned 74% of her annual total target compensation in 2014. As for the other named executive officers, actual total compensation for 2014 ranged from 68% to 91% of annual total target compensation.

For 2014, Mrs. Rometty earned
74% of her total target compensation
Values in Millions ($)



Our overall executive compensation philosophy remains the same. We continue to align pay with the interests of our investors, while at the same time attracting and retaining top leadership talent.

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

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

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

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

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