

# Stockholder Proposals

Some of the following stockholder proposals contain assertions about IBM that we believe are incorrect. We have not attempted to refute all of these inaccuracies.

Your Board of Directors opposes the following five proposals for the reasons stated after each proposal.

## 4. Stockholder Proposal Requesting a Public Report on Lobbying Activities

Management has been advised that John Chevedden, 2215 Nelson Ave., No. 205, Redondo Beach, CA 90278, the owner of at least 25 shares of IBM stock, intends to submit the following proposal at the meeting, which is co-sponsored by Reynders McVeigh Capital Management:

### Proposal 4 — Transparency in Lobbying



**Whereas**, full disclosure of IBM’s lobbying activities and expenditures is needed to assess whether IBM’s lobbying is consistent with IBM’s expressed goals and stockholder interests.

**Resolved**, IBM stockholders request the preparation of a report, updated annually, disclosing:

1. Company policy and procedures governing lobbying, both direct and indirect, and grassroots lobbying communications.
2. Payments by IBM used for (a) direct or indirect lobbying or (b) grassroots lobbying communications, in each case including the amount of the payment and the recipient.
3. Description of management’s decision-making process and the Board’s oversight for making payments described above.

For purposes of this proposal, a “grassroots lobbying communication” is a communication directed to the general public that (a) refers to specific legislation or regulation, (b) reflects a view on the legislation or regulation and (c) encourages the recipient of the communication to take action with respect to the legislation or regulation. “Indirect lobbying” is lobbying engaged in by a trade association or other organization of which IBM is a member.

Both “direct and indirect lobbying” and “grassroots lobbying communications” include efforts at the local, state and federal levels.

The report shall be presented to the Audit Committee and posted on IBM’s website.

### Supporting Statement

IBM spent \$67 million from 2010-2022 on federal lobbying. This does not include state lobbying, where IBM lobbied in at least 27 states in 2022 and spent over \$935,000 on lobbying in California from 2010-2022. IBM also lobbies abroad, spending between €1,750,000-1,999,999 on lobbying in Europe for 2021.

IBM deserves credit for refraining from making political contributions. But companies can give unlimited amounts to third party groups that spend millions on lobbying and undisclosed grassroots activity. These groups may be spending “at least double what’s publicly reported.”<sup>1</sup> Unlike many of its peers, IBM fails to disclose its payments to trade associations and social welfare organizations, or the amounts used for lobbying, to stockholders. IBM belongs to the Business Roundtable and US Chamber Commerce, which together have spent over \$2.2 billion on federal lobbying since 1998.

IBM’s lack of disclosure presents reputational risk when its lobbying contradicts company public positions. For example, IBM believes in addressing climate change, yet the Business Roundtable lobbied against the Inflation Reduction Act<sup>2</sup> and the Chamber reportedly has been a “central actor” in dissuading climate legislation over a two-decade period.<sup>3</sup> IBM has attracted scrutiny for avoiding federal income taxes,<sup>4</sup> as the Business Roundtable has lobbied against a new minimum corporate tax.<sup>5</sup> And while IBM does not belong to the controversial American Legislative Exchange Council, which is attacking “woke” investing,<sup>6</sup> it is represented by its trade association, with the Chamber sitting on its Private Enterprise Advisory Council. Reputational damage stemming from these misalignments could harm stockholder value.

Last year, this proposal exceeded 48% support at IBM. Thus, I urge IBM to expand its lobbying disclosure.

<sup>1</sup> <https://theintercept.com/2019/08/06/business-group-spending-on-lobbying-in-washington-is-at-least-double-whats-publicly-reported/>.

<sup>2</sup> <https://www.theguardian.com/environment/2022/aug/19/top-us-business-lobby-group-climate-action-business-roundtable>.

<sup>3</sup> <https://www.washingtonpost.com/politics/2023/08/02/climate-group-pushes-big-tech-exit-nations-largest-business-lobby/>.

<sup>4</sup> <https://www.axios.com/2019/12/16/fortune-500-companies-corporate-income-tax>.

<sup>5</sup> <https://www.washingtonpost.com/business/2023/08/14/biden-corporate-tax/>.

<sup>6</sup> <https://www.wbur.org/hereandnow/2023/03/22/esg-investing-fossil-fuels>.



## **YOUR BOARD OF DIRECTORS RECOMMENDS A VOTE AGAINST THIS PROPOSAL.**

This proposal does not properly consider IBM's well-known disclosures, policies and practices in this area, or the consistent independent third-party recognition of IBM as a leader in lobbying and political spending disclosure. Last year, IBM stockholders rejected an identical proposal. Accordingly, the Board recommends against this Proposal since it is unnecessary and therefore not in the best interests of the Company and its stockholders.

### **Independent Third Parties Consistently Recognize IBM as a Leader in Lobbying and Political Spending Disclosure**

IBM consistently receives high ratings from independent analysts of corporate practices on lobbying and political spending, including the Center for Political Accountability and Transparency International UK. In fact, the Center for Political Accountability's 2023 Report on Corporate Political Disclosure and Accountability gave IBM a score of 98.6 out of 100, naming IBM as one of only 20 companies that fully prohibit the use of corporate assets to influence elections and as one of only 38 companies that prohibit both trade associations and non-profits from using Company contributions for election-related purposes.

### **IBM Already Provides the Disclosure Requested by This Proposal**

This proposal requests disclosure of IBM's policy and procedures governing lobbying, both direct and indirect, and grassroots lobbying communications. It also requests disclosure of IBM's lobbying activities and expenditures, including payments made by IBM for lobbying activities. IBM already provides the disclosure requested on the Company's public policy website (<https://www.ibm.com/policy/philosophy-and-governance-new/>).

Based on stockholder feedback, IBM has further enhanced its disclosure by identifying those trade organizations that are directly engaged in U.S. lobbying through annual payments of \$50,000 or higher. Moreover, on IBM's public policy website the Company provides direct links to where it regularly files periodic reports with the Secretary of the U.S. Senate and the Clerk of the U.S. House of Representatives detailing its U.S. federal lobbying activities and expenditures (including expenditures for "indirect lobbying" via trade associations, as required by law), as well as with the European Union Transparency Register detailing its lobbying activities and expenditures with European Union institutions. In addition to this, IBM files reports with state and municipal governments, where required.

Finally, this proposal requests a description of management's decision-making process and the Board's oversight of lobbying activities and expenditures. The Company provides this information on IBM's public policy website. IBM has established clear oversight over such activities and expenditures through numerous written corporate policies, instructions, and guidelines, all of which are available on IBM's public policy website.

To be clear, IBM's public policy advocacy spans a range of issues relevant to our business, clients, stockholders, employees, communities and other stakeholders. We engage leaders worldwide to promote ideas that can help spur growth and innovation with new technologies, or address societal changes, such as building a skilled and diverse workforce. IBM has always been committed to meaningful management, oversight, and accurate reporting with respect to our public policy engagement, including with respect to trade associations, and we consistently seek to provide our stockholders with relevant data regarding our public policy engagement.

### **IBM Does Not Make Political Contributions of Any Kind**

We have a long-standing policy not to make contributions of any kind (money, employee time, goods or services), directly or indirectly, to political parties or candidates, including through intermediary organizations, such as political action committees, campaign funds, or trade or industry associations.

### **IBM's Lobbying Activities Support Growth and Innovation in the Digital Economy and Comply with All Applicable Laws**

All IBM lobbying activities, including by third parties on behalf of IBM, require the prior approval of the IBM Office of Government and Regulatory Affairs — a globally integrated function providing public policy and government relations expertise in support of IBM's business operations worldwide — and must comply with applicable law and IBM's Business Conduct Guidelines. IBM also complies fully with U.S. state and local lobbying disclosure laws, which vary by jurisdiction, but which do, in most cases, require lobbyists to register and disclose their lobbying activities.

### **IBM Prohibits Trade Associations from Using IBM Funds to Engage in Political Expenditures**

IBM joins trade and industry associations that add value to IBM, its stockholders and employees. Although IBM works to make our voice heard, there may be occasions where our views on an issue differ from those of a particular association. On these occasions, IBM regularly shares its dissenting views within its trade associations and, when helpful to the policy debate, in public fora. We perform comprehensive due diligence on all of our trade associations to confirm they are reputable and have no history of malfeasance. Company policy prohibits them from using any IBM funds to engage in political expenditures, and we implement robust procedures to ensure they comply.

### The Board and Management Exercise Strong Oversight of Public Policy Efforts

As part of the Board's oversight function, the Company's management periodically reports to its Board about IBM's policies and practices in connection with governmental relations, public policy and related expenditures. IBM's senior management, under the leadership of IBM Government and Regulatory Affairs, closely monitors and coordinates all public policy advocacy efforts, as well as lobbying activities.

### Conclusion

For the reasons described above, the Board believes the adoption of this proposal is unnecessary and therefore not in the best interests of the Company and its stockholders.

**THEREFORE, THE BOARD RECOMMENDS A VOTE AGAINST THIS PROPOSAL.**

## 5. Stockholder Proposal Requesting a Public Report on Congruency in China Business Operations and ESG Activities

Management has been advised that National Center for Public Policy Research, 2005 Massachusetts Ave. NW, Washington, DC 20036, the owner of at least 13 shares of IBM stock, intends to submit the following proposal at the meeting:

### Congruency Proposal

**Resolved:** Shareholders request that the Board of Directors commission and publish a third-party review within the next year (at reasonable cost, omitting proprietary information) of whether the Company's activities and expenditures related to doing business in China align with its ESG commitments, including its Human Rights Statement of Principles. The Board of Directors should report on how it addresses the risks presented by any misaligned activities and expenditures and the Company's plans, if any, to mitigate these risks, such as detailing its plans to shift these activities and expenditures to less repressive and hostile regimes.

**Supporting Statement:** IBM's 2022 ESG report touts its environmental and ethical impacts.<sup>1</sup> It advertises the Company's goals of reducing pollution and reaching net-zero greenhouse gas emissions by 2030, as well as policies and practices that it says prioritize qualities such as ethics and accountability.<sup>2</sup> The ESG report also highlights the Company's commitment to human rights and its Human Rights Statement of Principles.<sup>3</sup>

But nothing about doing business in China, which is controlled by the dictatorial and oppressive Chinese Communist Party (CCP), does anything to further these ideals.

China is the world's largest emitter of greenhouse gases, emitting more greenhouse gases than the entire U.S. and the developed world combined.<sup>4</sup> Exceeding more than 27 percent of the world's total global emissions, China's emissions have more than tripled over the last three decades.<sup>5</sup>

Furthermore, China has an abhorrent human rights record. Its abuses against the Uyghurs and other ethnic minorities in Xinjiang has sparked outrage, as evidence of forced labor programs, forced sterilizations, and torture at the hands of the CCP are undeniable.<sup>6</sup> A report by the Office of the United Nations High Commissioner for Human Rights into Xinjiang concluded that "serious human rights violations" against the Uyghur and "other predominantly Muslim communities" have been committed by the country.<sup>7</sup>

U.S. Customs and Border Protection, the agency responsible for enforcing the U.S.'s Uyghur Forced Labor Prevention Act (UFLPA), has detained nearly \$2 billion in goods under the UFLPA since June 2022.<sup>8</sup> The largest amount of goods seized under the UFLPA comes from the electronics industry, with 2,529 shipments detained. Nearly half of all shipments detained (44 percent) have been denied.<sup>9</sup>

IBM nonetheless conducts significant business in China. According to reports, IBM facilitates the Chinese regime's mass surveillance program.<sup>10</sup> It also conducts business in China despite China leading the world in greenhouse gas emissions and committing genocide against ethnic minorities — actions counter to everything that IBM's ESG report says the company stands for. Therefore, it is critical that the Board commission and publish a third-party review that includes experts who are fully aware of the dangers that China poses to the U.S. and its allies around the world, including its military-civil fusion strategy<sup>11</sup> and environmental and human rights abuses, to ensure that IBM's actions as a company live up to its words.

<sup>1</sup> [https://www.ibm.com/impact/files/reports-policies/2022/IBM\\_2022\\_ESG\\_Report\\_and\\_Addendum.pdf](https://www.ibm.com/impact/files/reports-policies/2022/IBM_2022_ESG_Report_and_Addendum.pdf)

<sup>2</sup> *Id.*

<sup>3</sup> [https://www.ibm.com/ibm/responsibility/ibm\\_humanrightsprinciples.html](https://www.ibm.com/ibm/responsibility/ibm_humanrightsprinciples.html)

<sup>4</sup> <https://www.cnn.com/2021/11/01/india-targets-2070-for-net-zero-emissions-china-makes-no-new-commitments.html>; <https://www.cnn.com/2021/05/06/chinas-greenhouse-gas-emissions-exceed-us-developed-world-report.html>; <https://rhg.com/research/chinas-emissions-surpass-developed-countries/>

<sup>5</sup> <https://rhg.com/research/chinas-emissions-surpass-developed-countries/>

<sup>6</sup> <https://www.state.gov/forced-labor-in-chinas-xinjiang-region/>; <https://www.bbc.com/news/world-asia-china-59595952>; <https://www.state.gov/wp-content/uploads/2022/07/Forced-Labor-The-Hidden-Cost-of-Chinas-Belt-and-Road-Initiative.pdf>

<sup>7</sup> <https://www.ohchr.org/sites/default/files/documents/countries/2022-08-31/22-08-31-final-assessment.pdf>

<sup>8</sup> <https://www.cbp.gov/newsroom/stats/trade/uyghur-forced-labor-prevention-act-statistics>

<sup>9</sup> <https://www.cbp.gov/newsroom/stats/trade/uyghur-forced-labor-prevention-act-statistics>

<sup>10</sup> <https://www.top10vpn.com/research/huawei-china-surveillance-state/>; <https://theintercept.com/2019/07/11/china-surveillance-google-ibm-temptation/>

<sup>11</sup> <https://www.state.gov/wp-content/uploads/2020/05/What-is-MCF-One-Pager.pdf>



**AGAINST**

**YOUR BOARD OF DIRECTORS RECOMMENDS A VOTE AGAINST THIS PROPOSAL.**

This Board believes adoption of this proposal is unnecessary and would not provide additional useful information to the Company's stockholders. This proposal was overwhelmingly rejected by IBM stockholders in 2023 with more than 90% of stockholders voting AGAINST.

IBM adheres to the law across all of the countries where we do business, including government controls on the export and use of certain technologies. Further, IBM complies with all laws related to human rights and forced labor, including the US Uyghur Forced Labor Prevention Act and similar rules proposed by the European Commission.

Globally, IBM practices the highest level of social, environmental and ethical responsibility in our global supply chains and we expect the same level of due diligence from our suppliers. The company was a founding member of the Responsible Business Alliance (RBA), a nonprofit industry group that helps its members continuously develop and execute the highest level of ethical standards in global supply chains.

IBM requires our first-tier suppliers of hardware, software, and services to adhere to the RBA Code of Conduct, which contains provisions on labor, health and safety, environmental requirements, ethics, and management systems. We apply the same requirement across IBM's own operations. And our suppliers must establish goals, disclose results, cascade IBM's requirements to their next-tier suppliers, and more.

In addition to the above, IBM has robust processes in place to ensure that our technology is not used in ways that would conflict with our values, our commitment to uphold basic human rights and freedoms, and our long-standing focus on responsible stewardship of powerful innovations. These robust processes are underpinned by our longstanding values relating to ethics and responsible business practices as well as our Principles for Trust and Transparency and include:

- Annual employee certification to the IBM Business Conduct Guidelines;
- IBM's AI Ethics Board, which supports a centralized governance, review, and decision-making process for IBM ethics policies, practices, communications, research, products and services; and
- Technology ethics training programs provided to IBM business partners.

In conclusion, we see no conflict between IBM's business activities in China, which accounts for only a small fraction of IBM's total global revenue, and our commitments to corporate responsibility.

#### **Conclusion**

For the reasons described above, the Board believes the adoption of this proposal is unnecessary and not in the best interests of the Company and its stockholders.

**THEREFORE, THE BOARD RECOMMENDS A VOTE AGAINST THIS PROPOSAL.**

## 6. Stockholder Proposal Requesting a Right to Act by Written Consent

Management has been advised that Kenneth Steiner, 14 Stoner Ave., Great Neck, NY 11021, the owner of at least 100 shares of IBM stock, intends to submit the following proposal at the meeting:

### **Proposal 6 — Shareholder Right to Act by Written Consent**



**FOR**

***Shareholder  
Rights***

Shareholders request that our board of directors undertake such steps as may be necessary to permit written consent by shareholders entitled to cast the minimum number of votes that would be necessary to authorize the action at a meeting at which all shareholders entitled to vote thereon were present and voting. This includes shareholder ability to initiate any appropriate topic for written consent.

Technically 25% of all IBM shares outstanding can call for a special shareholder meeting but unfortunately this translates into 40% of the shares that cast ballots at the annual meeting because many IBM shareholders do not vote. It would be hopeless to expect that the shares that do not have time to vote would have the time for the bureaucratic requirements to call for a special shareholder meeting.

This proposal topic won 42%-support at the 2020 IBM annual meeting.



The 42%-support was all the more impressive because it takes much more IBM shareholder conviction of the merits of a proposal to support a shareholder proposal, and thereby reject the Board of Director's position, than to simply go along with the Board's position.

Written consent can also have the safeguard that all shareholders are given notice.

Taking action by written consent in place of a meeting is a means shareholders can use to raise important matters outside the normal annual meeting cycle like the election of a new director. For instance Mr. Andrew Liveris, who chaired the IBM governance committee, was rejected by 22% of shares in 2023 when a 5% rejection is often the norm for well-performing directors. A shareholder right to act by written consent could give IBM directors more of an incentive to improve their performance.

The IBM Board of course said it preferred a special shareholder meeting to written consent. With the widespread use of online shareholder meetings the IBM Board could take control and allow only one shareholder to speak at an online special meeting.

It is also appropriate that the corporate governance of IBM be improved with this proposal given that IBM stock has been in decline for more than a decade from its \$200 price in 2013.

Please vote yes:

#### Shareholder Right to Act by Written Consent — Proposal 6



**AGAINST**

**YOUR BOARD OF DIRECTORS RECOMMENDS A VOTE AGAINST THIS PROPOSAL.**

Your Board of Directors believes that action by written consent without prior notice to all stockholders is not in the best interest of stockholders and recommends a vote **AGAINST** this proposal.

This proposal has been repeatedly rejected by IBM stockholders, most recently in 2021. This year's version of the proposal once again inaccurately describes the number of shares required to call a special meeting of the stockholders of IBM. IBM's corporate governance provisions call for a threshold of 25% of stockholders to call a special meeting, not 40% of shares that cast ballots at the annual meeting. The Company's by-laws plainly state that "Special meetings of the stockholders, unless otherwise provided by law, may be called at any time by the Chairman of the Board or by the Board, and shall be called by the Board upon written request delivered to the Secretary of the Corporation by the holder(s) with the power to vote and dispose of at least **25% of the outstanding shares of the Corporation**" (emphasis added). The Board recommends a vote against this proposal.

IBM has long demonstrated its commitment to sound principles of corporate governance, working to ensure that its practices protect and further the interests of its stockholders. In addition to stockholders' right to call a special meeting, IBM has:

- a proxy access by-law provision;
- annual election of directors by majority vote;
- the right to remove directors without cause;
- no supermajority provisions in our charter documents;
- annually-enhanced proxy disclosure that gives stockholders extensive insight into the Board's oversight of management; and
- best-in-class, year-round engagement with our stockholders.

IBM's current practices also guarantee that notice and an opportunity to be heard precede stockholder votes, enabling meaningful discourse to occur before important decisions are made affecting your Company. In contrast, this proposal would enable the owners of a bare majority of shares to act by voting in favor of their own proposed action, without a meeting and without ever providing notice to other stockholders or IBM. The Board of Directors believes that the adoption of this proposal would not be in the best interests of its stockholders.

Currently, any matter that IBM or its stockholders wishes to present for a stockholder vote must be noticed in advance and presented at a meeting of stockholders. This transparency and fairness allows all stockholders to consider, discuss, and vote on pending stockholder actions. In contrast, the written consent proposal at issue would permit a small group of stockholders (including those who accumulate a short-term voting position through the borrowing of shares) with no fiduciary duties to other stockholders to initiate action with no prior notice either to other stockholders or to the Company, thus preventing all stockholders from having an opportunity to deliberate in an open and transparent manner, and to consider arguments for and against any action, including IBM's position. Permitting stockholder action by written consent could also lead to substantial confusion and disruption for stockholders, with potentially multiple, even conflicting, written consents being solicited by multiple stockholder groups. For these reasons, the Board does not believe that such a written consent right is an appropriate corporate governance model for a widely-held public company like IBM.

In sum, the Board concludes that adoption of this proposal is unnecessary for the following reasons:

- IBM's long demonstrated history of commitment to high standards of corporate governance and accountability;
- The belief that holding meetings with proper notice whereby all stockholders may deliberate and discuss the proposed actions, receive and consider the Company's position, and then vote their shares is the most transparent and fair way for stockholders to take action;
- The safeguards around the ability to act by a special or annual meeting both promote and protect stockholders' interests; and
- As described in this Proxy Statement, the Company has an established process by which stockholders may communicate directly with IBM's Board or non-management directors throughout the year on any topics of interest to stockholders.

#### Conclusion

The Board views the proposal calling for action by written consent without prior notice to all stockholders as unnecessary and not in the best interests of its stockholders.

**THEREFORE, THE BOARD RECOMMENDS A VOTE AGAINST THIS PROPOSAL.**

## 7. Stockholder Proposal Requesting a Public Report on Climate Lobbying

Management has been advised that James McRitchie, 9295 Yorkship Court, Elk Grove, CA 95758, the owner of at least 15 shares of IBM stock, intends to submit the following proposal at the meeting:



#### Proposal 7 — Report Climate Lobbying Alignment

**Resolved:** Shareholders request the Board of International Business Machines ("IBM" or "Company") annually analyze and report to shareholders (at reasonable cost, omitting proprietary information) on whether and how IBM is aligning its lobbying and policy influence activities and positions, both direct and indirect (through trade associations, coalitions, alliances, and other organizations) with its target of net-zero emissions 2030, including the activities and positions analyzed, the criteria used to assess alignment, and involvement of stakeholders, if any, in the analytical process.

In evaluating the degree of alignment between the Company's emissions goals and its lobbying, IBM should consider not only its policy positions and those of organizations of which it is a member but also the actual lobbying activities, such as legislative comment submissions.

The proponent believes this request is consistent with investor expectations described in the Global Standard on Responsible Climate Lobbying,<sup>1</sup> a valuable resource for implementation.

#### Supporting Statement:

The United Nations Framework Convention on Climate Change asserts that greenhouse gas emissions must decline 45 percent from 2010 by 2030 to limit global warming to 1.5 degrees Celsius. If that goal is not met, even more rapid reductions, at greater cost, will be required to compensate for the slow start on the path to global net-zero emissions.<sup>2</sup>

IBM has publicly committed to achieving net-zero emissions by 2030, supports the Paris Agreement's goals, and believes that all society sectors must participate in climate change solutions.<sup>3</sup> However, IBM does not describe its direct and indirect federal or state lobbying efforts to engage in climate-related policy issues. Corporate lobbying inconsistent with the Paris Agreement and companies' net zero targets presents increasingly material risks to companies and their shareholders.

IBM has disclosed that it spent over \$25 million since 2018 on federal lobbying. This does not include certain undisclosed state lobbying expenditures. IBM provides direct links on its public policy website to where it files quarterly lobbying activity and expenditure reports. Enhancing this by reporting how the company's lobbying activities align with its net-zero targets would fill critical disclosure gaps for shareholders.

Even with the recent passage of the Inflation Reduction Act, critical gaps remain between the United States' Nationally Determined Contributions and necessary climate action. Companies like IBM have an essential role in enabling policymakers to close these gaps, given the increasingly material risks they face with delays in emissions reductions.

Of particular concern are trade associations that say they speak for business but too often present forceful obstacles to addressing climate change. IBM is a member of trade associations, such as the Business Roundtable, engaging with largely negative climate policy positions. Although IBM states that it will share its dissenting views with trade associations in public when it helps the policy debate, stockholders have yet to see such disclosure on climate policy. Shareholders discount hypocritical companies.

#### Add Value: Vote For Proposal 7

<sup>1</sup> <https://climate-lobbying.com>

<sup>2</sup> <https://unfccc.int/news/updated-ndc-synthesis-report-worrying-trends-confirmed>

<sup>3</sup> <https://www.ibm.com/about/environment/energy-climate>



**AGAINST**

## **YOUR BOARD OF DIRECTORS RECOMMENDS A VOTE AGAINST THIS PROPOSAL.**

The Board has reviewed and considered this proposal and determined that it is unnecessary given IBM's history on environmental matters, current disclosures and policies.

### **IBM Has a Long History of Actively Addressing Environmental Matters**

For the past three decades, IBM has been actively addressing environmental concerns. When it comes to climate change, IBM has demonstrable leadership and results. In 1994, IBM began to voluntarily disclose carbon dioxide emissions associated with IBM's consumption of energy and has done so every year since. In 2000, IBM established its first carbon dioxide emissions goal and is now working on its fifth successive goal, with factual achievement every step of the way. In 2001, IBM made its first purchase of renewable electricity and has continued ever since. In 2007, IBM published a formal position on climate change calling for meaningful action on a global basis to stabilize the atmospheric concentration of greenhouse gases. In 2015, IBM stood by this statement when it supported the Paris Agreement and reaffirmed its support in 2017. In 2019, IBM once again demonstrated its commitment to combating climate change by becoming a Founding Member of the Climate Leadership Council and supporting its bipartisan plan for a carbon tax with 100% of the net proceeds returned to citizens as a carbon dividend. Furthermore, IBM has been recognized with numerous awards for its climate leadership. Most recently, for example, IBM was named to Forbes Top 100 Net Zero Leaders 2023 and USA Today America's Climate Leaders 2023.

### **IBM Already Publicly Discloses its Climate Policy and Positions**

IBM's public policy advocacy spans a range of issues relevant to our business, clients, stockholders, employees, communities and other stakeholders. We engage policymakers and leaders globally to promote ideas that can help spur growth and innovation with new technologies or address societal challenges, such as building a skilled and diverse workforce. We do this by developing innovative policy ideas that are aligned with national agendas, through building trusted relationships with government leaders, and through partnerships with academia and civil society. With regards to environmental matters, IBM is committed to addressing climate change through the company's energy conservation and climate protection programs. IBM's climate change policy and positions are already publicly available at our website and in our annual Impact Report: (<https://www.ibm.com/about/environment/energy-climate>).

As an example of our public disclosure of our climate change policy and positions, IBM publicly endorsed the plan outlined by the Climate Leadership Council that would put a tax on carbon dioxide emissions, with the proceeds of that tax — a "carbon dividend" — to be returned to citizens. We did this because we are convinced this represents the most realistic and appropriate opportunity to get a majority of people to agree on a public policy towards carbon emissions that is mindful of both the environment and the economy. This plan would put in place strong economic incentives for energy companies to reduce carbon emissions and for energy consumers to reduce their own energy consumption. More information on this topic is available at our website (<https://www.ibm.com/policy/climate-change/>).

### **IBM Already Provides Robust Disclosure on its Lobbying Activities and it is Recognized for its Transparency by Independent Third Parties**

IBM already discloses robust information with regards to its lobbying activities. In fact, IBM consistently receives high ratings from independent analysts of corporate practices on lobbying and political spending, including the Center for Political Accountability and Transparency International UK. In its latest report, the Center for Political Accountability's 2023 Report on Corporate Political Disclosure and Accountability gave IBM a score of 98.6 out of 100, naming IBM as one of only 20 companies that fully prohibit the use of corporate assets to influence elections and as one of only 38 companies that prohibit both trade associations and non-profits from using Company contributions for election-related purposes.

The additional, prescriptive annual report requested by the proponent focused on a single issue is unnecessary given the extent of IBM's existing lobbying disclosures: (<https://www.ibm.com/policy/philosophy-and-governance-new/>). For example, IBM's disclosures already identify those trade organizations that IBM is a member of and are directly engaged in U.S. lobbying through annual payments of \$50,000 or higher. Moreover, the website also provides direct links to where IBM regularly files periodic reports with the Secretary of the U.S. Senate and the Clerk of the U.S. House of Representatives. These reports detail IBM's U.S. federal lobbying activities (including environmental) and expenditures (including expenditures for "indirect lobbying" via trade associations, as required by law). The reports further display the European Union Transparency Register, which details IBM's lobbying activities and expenditures with European Union institutions. Furthermore, IBM files reports with state and municipal governments where required.

### **Conclusion**

For the reasons described above, the Board believes the adoption of this proposal is unnecessary and therefore not in the best interests of the Company and its stockholders.

**THEREFORE, THE BOARD RECOMMENDS A VOTE AGAINST THIS PROPOSAL.**

# 8. Stockholder Proposal Requesting the Adoption of Greenhouse Gas Emissions Targets

Management has been advised that Green Century Capital Management, Inc., on behalf of the Green Century Equity Fund, 114 State St. Suite 200, Boston, Massachusetts 02109, the owner of at least 150 shares of IBM stock, intends to submit the following proposal at the meeting:

## Target to Reduce Full Operational and Value Chain Greenhouse Gas Emissions

Whereas: Climate change is creating systemic risks to the economy, and immediate, sharp emissions reduction is required of all market sectors and industries.<sup>1</sup> Publicly traded corporations both contribute emissions that augment climate change and are subject to multiple risks created by climate change. Lack of comprehensive efforts to curtail emissions threatens investor value, particularly for diversified holders, for whom climate change poses an undiversifiable and unhedgeable risk.<sup>2</sup>

In response to this systemic risk, more than 6,000 companies, representing a broad range of industries, have set or committed to set science-based greenhouse gas reduction targets covering their Scopes 1-3 emissions aligned with a 1.5 degrees Celsius scenario with the Science Based Targets initiative (SBTi). SBTi provides third-party validation of corporate targets.

IBM has declined to set comparably comprehensive targets or seek third-party validation for its existing targets, raising concerns about the credibility of its commitments. Rather, it has adopted a 2030 net zero target narrowly focused on its operational emissions and a single category of Scope 3 emissions. Of the emissions IBM discloses for 2022, its target covers only half of its carbon footprint.


Meanwhile, Company peers Accenture, Microsoft, Hewlett Packard Enterprise, Salesforce, and SAP have set or committed to set near-term science-based 1.5 degree Celsius-aligned targets with SBTi inclusive of their full Scopes 1-3 emissions. Additionally, Accenture, Hewlett Packard Enterprise, and Microsoft, have committed to set ambitious long-term 1.5 degree Celsius-aligned net-zero by 2050 targets, vetted by SBTi.

IBM’s opposition to setting an emissions reduction target verified by a third party creates business and reputational risks. For example, the Company markets and sells end-to-end sustainability solutions including cloud-based software, Envizi ESG Suite, which helps customers calculate and report Scope 3 emissions, and it notes in a Wall Street Journal ad that, “Companies need tools that can help them do detailed carbon accounting...”<sup>3</sup>

However, in its recent CDP climate report, IBM chooses not to disclose a number of Scope 3 emissions categories indicating that there is no reliable data for reporting the emissions, controverting its stated capabilities of providing detailed carbon accounting. Further, IBM describes Envizi as valuable for customers reporting greenhouse gas emissions data to CDP, or who have committed to the SBTi.

Regrettably, IBM disparages SBTi in its 2022 CDP climate report as “a self-appointed arbiter for judging a company’s goals,” undermining the value of its own services.

**Resolved:** Shareholders request that IBM adopt independently verified short-, medium- and long-term science-based greenhouse gas emissions reduction targets, inclusive of emissions from its full value chain, in order to achieve net zero emissions by 2050 in line with the Paris Agreement’s goal of limiting global temperature rise to 1.5 degrees Celsius.

 **AGAINST**

**YOUR BOARD OF DIRECTORS RECOMMENDS A VOTE AGAINST THIS PROPOSAL.**

This proposal is unnecessarily prescriptive and does not properly consider IBM’s well-known disclosures, policies and practices in this area. Accordingly, the Board recommends AGAINST this proposal since it is unnecessary and not in the best interest of the Company and its stockholders.

**IBM Has a Long History of Actively Addressing Environmental Matters**

For the past three decades, IBM has been actively addressing environmental concerns. When it comes to climate change, IBM has demonstrable leadership and results. In 1994, IBM began to voluntarily disclose carbon dioxide emissions associated with IBM’s consumption of energy and has done so every year since. In 2000, IBM established its first carbon dioxide emissions goal and is now working on its fifth successive goal, with factual achievement every step of the way. In 2001, IBM made its first purchase of renewable electricity and has continued ever since. In 2007, IBM published a formal position on climate change calling for meaningful action on a global basis to stabilize the atmospheric concentration of greenhouse gases. In 2015, IBM stood by this statement when it supported the Paris Agreement and reaffirmed its support in 2017. In 2019, IBM once again demonstrated its

<sup>1</sup> [https://report.ipcc.ch/ar6wg3/pdf/IPCC\\_AR6\\_WGIII\\_FinalDraft\\_FullReport.pdf](https://report.ipcc.ch/ar6wg3/pdf/IPCC_AR6_WGIII_FinalDraft_FullReport.pdf)  
<sup>2</sup> [https://www.unepfi.org/fileadmin/documents/universal\\_ownership\\_full.pdf](https://www.unepfi.org/fileadmin/documents/universal_ownership_full.pdf). Pg4.  
<sup>3</sup> <https://partners.wsj.com/ibm/tackling-tough-business-challenges-together/making-sustainability-goals-achievable-with-the-help-of-data/>



commitment to combating climate change by becoming a Founding Member of the Climate Leadership Council and supporting its bipartisan plan for a carbon tax with 100% of the net proceeds returned to citizens as a carbon dividend. Furthermore, IBM has been recognized with numerous awards for its climate leadership. Most recently, for example, IBM was named to Forbes Top 100 Net Zero Leaders 2023 and USA Today America's Climate Leaders 2023.

#### **IBM's Climate Change Goals Are Transparent, Authentic and Factually Based on Science**

Since its first carbon dioxide emissions reduction goal in 2000, IBM's climate goals have always been transparent, authentic, and, most importantly, based on science. Currently, IBM has 11 voluntary goals pertaining to climate change, including goals for greenhouse gas (GHG) emissions reduction and net zero. These goals are aligned with the scientific recommendations of the United Nations Intergovernmental Panel on Climate Change (IPCC). We establish near-term targets to promote action and accountability and to promote our long-term objectives.

We believe that demonstrable and factual results are what matter most and, for this reason, we avoid opaque representations of achievement. For example, one of IBM's goals is to reduce the company's operational GHG emissions by 65% by 2025 against base year 2010, adjusted for acquisitions and divestitures. As reported in our 2022 Impact Report, as of year-end 2022, IBM had already achieved a 63.3% reduction. This achievement was, and will continue to be, evaluated by an independent third party that reviewed GHG emissions and associated data from the activities under IBM's operational control. It is also worth noting that the 63.3% reduction exceeds the annual rate of reduction recommended by the United Nations IPCC, which in its "Special Report: 1.5 C°" indicated that anthropogenic carbon dioxide emissions must decrease 45% between 2010 and 2030 to limit Earth's warming to 1.5 degrees Celsius above pre-industrial levels. This translates to an annual rate of reduction of 2.25%, while IBM's goal achieves a rate of reduction of 4.3% per year. Further, we do not include the purchase of nature-based carbon offsets to comprise any emissions reduction.

#### **IBM's Climate Change Goals Already Include Our Value Chain**

Scope 3 GHG emissions are the direct emissions of numerous other entities with whom a company interacts. These entities include, for example, all suppliers around the world across all tiers (from the origin of a raw material to a finished product to its disposition), all of a company's customers, and all of a company's employees as those employees commute to a workplace. These entities are collectively referred to as a company's "value chain." Under a voluntary accounting standard named the Greenhouse Gas Protocol, the direct emissions of all the entities described above are also allocated and assigned to the company in question as that company's indirect, estimated Scope 3 emissions. As such, these estimated emissions are typically counted multiple times.

Determining Scope 3 emissions in a factual manner across a company's value chain can be extremely challenging due to a lack of access to primary source data across multiple entities. That is why the majority are estimates of considerable uncertainty. Nevertheless, estimates can help inform where emissions occur in a macro sense across a broad market economy. For this reason, IBM reports in Scope 3 categories where it has relevant data to make estimates, and we offer software and solutions to help interested clients as well.

IBM believes real reductions of emissions are directly and demonstrably achieved when the organization generating the emission takes action to do so. That is why we are committed to achieve net-zero operational GHG emissions by 2030 that includes our Scope 1 and Scope 2 emissions, as well as Scope 3 emissions associated with IBM's electricity consumption (which we control) at co-location data centers. IBM does not, however, include in its operational goals estimates of its global suppliers' and global clients' emissions (Scope 3) that it does not control. Rather than commit to purchase carbon offsets or credits every year to offset these emissions, IBM believes it is much more impactful to invest in emerging solutions for climate change like the IBM Research Division's work to accelerate the discovery of new materials for carbon removal; IBM's Environment Intelligence Suite software for the complex modeling of potential climate impacts; IBM's Envizi software for energy and greenhouse gas emissions management; and IBM's philanthropic Sustainability Accelerator program.

At the same time, we remain closely engaged with our suppliers and clients. Since 2010, IBM has required all of its first-tier suppliers to implement an environmental management system, measure and set goals to reduce their GHG emissions, and publicly disclose their results. Building upon these requirements, in April 2021, IBM enhanced its supplier engagement by establishing a new goal requiring key suppliers in emissions-intensive business sectors to set a goal to reduce their Scope 1 and Scope 2 emissions that is aligned with scientific recommendations from the IPCC to limit Earth's warming to 1.5°C above pre-industrial levels. We also convene an annual Sustainability Leadership Symposium with our suppliers, during which they share innovations and best practices. In addition, we continue to design products and solutions with the environment in mind, as we have done since 1991. For example, IBM servers such as the z16 have been exemplars of energy efficiency, yet we sustain a goal to continually reduce the power consumption per unit of work delivered by our future servers from one generation to the next. We further invest in research and develop solutions with demonstrable environmental benefits to help our clients transform their operations for environmental sustainability.

#### **Conclusion**

There is no one size fits all approach for addressing climate change. For the reasons described above, the Board believes the adoption of this prescriptive proposal is unnecessary and therefore not in the best interests of the Company and its stockholders.

**THEREFORE, THE BOARD RECOMMENDS A VOTE AGAINST THIS PROPOSAL.**