Annual General Meeting

Company Participants

- Amy Hood, Executive Vice President and Chief Financial Officer
- Brad Smith, President
- Dev Stahlkopf, Corporate Vice President and General Counsel and Corporate Secretary
- John W. Thompson, Board Chair
- Mari Schwartzer, Director of Shareholder Activism and Engagement
- Mike Spencer, Head of Investor Relations
- Satya Nadella, Chief Executive Officer

Presentation

Operator

Today's presentation may contain forward-looking statements, which are any predictions, projections or other statements about future events based on current expectations and assumptions. Actual results may differ materially from these forward-looking statements because of a variety of risks and uncertainties about our business, which are discussed today or described in our filings with the Securities and Exchange Commission including our Forms 10-K and 10-Q. We do not undertake any duty to update forward-looking statements. This presentation is held in accordance with local health and safety guidelines. Precautions are in place to ensure the safety of our employees. Portions of this presentation are pre-recorded.

(Video Presentation).

John W. Thompson {BIO 5976951 <GO>}

Welcome, I'm John Thompson Chair of the Board of Microsoft. Today we're holding our Annual Shareholder Meeting in a virtual format. In doing so we strive to make the meeting as inclusive as possible by offering the same opportunities to participate as provided at in-person meetings. We really appreciate your participation today.

In addition to the live webcast of today's meeting shareholders and other stakeholders have the option to view the meeting through Microsoft Teams on the Investor Relations website. The team's broadcast will use Microsoft translator and Azure service that uses cognitive services for real-time translation in several languages. I'd like to share with you the presenters for our meeting. Speaking will be Satya Nadella, our Chief Executive Officer; Amy Hood, our Executive Vice President

and Chief Financial Officer; Dev Stahlkopf, our Corporate Vice President and General Counsel and Corporate Secretary.

Dev will address the business and procedural portion of the meeting, followed by Amy, who will review Microsoft financial results, and finally Satya will reflect on our progress over the past year and the opportunities that lie ahead. Following Satya's remarks, we'll have a live Q&A session where Microsoft's President and Chief Legal Officer, Brad Smith will join us. This past fiscal year included a time of unprecedented societal and business challenges on a global scale. Through it all Microsoft work to serve our customers, employees, shareholders and communities throughout the world and I'm proud of how the company delivered. Microsoft achieved strong financial results and returned $35 billion to our shareholders in the form of share repurchases and dividends. We look forward to the opportunities ahead as we remain committed to the long-term interest of Microsoft shareholders.

I'd like to take a moment to address questions we received from several shareholders about the makeup and diversity of the Board of Directors. I'll take a moment to talk about the composition of the Board and how we think about diversity. We have an ongoing commitment to creating a balance and effective Board with diverse viewpoints and deep expertise. This year's Board nominees represent a wide range of backgrounds and experience with skills that contribute to the Board's effectiveness in managing risk and providing guidance to manage.

Of our 12 Board nominees, 11 are independent, which includes me as Board Chair and all committee members. Microsoft's Board of Directors is one of the most diverse of any company in the technology sector today. Seven of 12 or 58% board members represent gender, ethnic, geographic or cultural diversity; and 5 of 12 over 40% of our Board members are women. Further, 3 of our 4 committee chairs are chaired by diverse directors, and 2 of the 4 Board committees are chaired by women.

Finally, as we continue to seek diverse representation on the board, we actively seek highly qualified women and individuals from racial and ethnic minority groups to include in the pool from which we select our candidates. As we look to the year ahead, we remain focused on the opportunities Microsoft has in terms of its business, shareholder value creation and the positive impacts the company can have at a global scale. Our engagement with shareholders is not limited to this meeting. Throughout the year, the Board and management consider shareholder feedback we receive from a variety of sources. What we learn helps us prioritize our efforts and identify areas of emerging interest for the Board. Thank you for the trust you placed in us and the opportunity to serve you and our company as a Director.

And now I'd like to call the 2020 Annual Shareholder Meeting to order. I'll be serving as the Chair of the meeting and Dev will be serving as the Secretary. As Chair of the meeting, I have adopted an agenda that will govern the Order of business and the Rules of Conduct for the meeting. Copies of the agenda and rules are available on the virtual meeting site as well as the annual meeting page on the Investor Relations website. The rule of conduct also govern the Q&A session. Dev

will now report the notice of the meeting, the proxies received and present the matters to be voted on. Dev?

Dev Stahlkopf {BIO 20589252 <GO>}

Thank you, John and welcome everyone. I'll walk us through the short formal meeting and then, as John said, you'll hear from Amy and Satya followed by a Q&A session, but first let's attend to a few formalities. The polls are now open for those who have not voted and will close a few minutes after the presentation of our business matters. If you previously voted via the Internet, phone or mail, you do not need to take any additional action.

If you previously voted and wish to change your vote, please do so before the closing of the polls using the voting buttons on the portal. After the polls close we will release the preliminary results of the votes. The Board of Directors has appointed Broadridge Financial Solutions to serve as Inspector of Election. A representative of Broadridge is participating by conference call and serving as the Inspector. Joining us today by conference call are Mike Thomson and Chris Webber representing Deloitte & Touche, our Independent Auditors. In order to provide our shareholders with the broadest opportunity to ask questions, we've had the shareholder question portal opened since October 20th on the proxy vote website and have received over 200 questions from shareholders.

Shareholders wishing to ask a question may do so on the virtual meeting portal. We will be taking both pre-submitted and live questions during the Q&A session. We are committed to answering your questions and will address as many as time allows during the Q&A session. We will also post a summary of all of the questions we received that are applicable to Microsoft business with the answers on our Investor Relations website.

The notice of the meeting and Internet availability of the proxy materials were mailed by Broadridge Corporation beginning October 20th, 2020 and it went to all shareholders of record as of October 8th, 2020. As a result, the meeting is being held pursuant to proper notice. We have received proxies representing more than 86% of the roughly 7.6 billion shares of the company's stock that are eligible to vote. This means that we do have a quorum present and the meeting is duly constituted and will proceed. Today, we have three management proposals and one shareholder proposal for you to consider. They were all described in the proxy statement for today's meeting.

The first item is the Election of Directors. The following 12 people have been properly nominated by the Board. Reid Hoffman, Hugh Johnston, Teri List-Stoll, Satya Nadella, Sandra Peterson, Penny Pritzker, Charles Scharf, Arne Sorenson, John Stanton, John Thompson, Emma Walmsley and Padmasree Warrior. The Board recommends a vote for each nominee. Our Board nominees are attending today's meeting via Microsoft Teams.

The second item is an advisory vote to approve executive compensation as disclosed in the Company's proxy statement. The Board, excuse me, the Board recommends a vote for this proposal.

For the third item, we ask that you ratify the selection of the Company's independent auditor Deloitte & Touche for fiscal year 2021. The Board recommends a vote for that proposal.

The fourth item is a shareholder proposal. Requesting a report on employee representation on the Board of Directors. The shareholder proposal and its supporting statement are set forth in the proxy statement. The proposal has been submitted by NorthStar Asset Management.

I recognize Mari Schwartzer, Director of Shareholder Activism and Engagement with NorthStar Asset Management, who submitted an audio presentation in support of the proposal. Please play Mari's presentation.

Mari Schwartzer {BIO 20356237 <GO>}

Good morning. My name is Mari Schwartzer of NorthStar Asset Management, a socially responsible investment firm, representing 61,659 shares of Microsoft common stock. Today, I'm presenting the shareholder resolution on employee representation on the Board of Directors. Never before in our lifetimes have our company or our employees faced such uncertainties as posed by the current global pandemic. As our company works to navigate these unpredictable time, employees and their relationship to our company can be the guiding force that allows us to not only emerge safely, but also stronger and more competitive.

However, recent history has exposed numerous incidents in which Microsoft employees have taken their frustrations public and spoken out against projects that they believe go against the values of the Company. From protest against the Company's work with ICE, amid a national outcry over the separation of immigrant children from families to demands that Microsoft halt the military HoloLens project, which an employee later described as "crossing the line into weapons developments" and requested the company not bid on the Department of Defense contract for the JEDI projects. Microsoft employees have repeatedly gone public to voice their concerns. Not only that, but in the past five years, Microsoft has had to face pending lawsuits from thousands of current or former employees, who've alleged gender discrimination and sexual harassment within the Company.

This shareholder proposal seeks to help the Company's (inaudible) by asking for an exploration of the ways in which non-management employees to attain membership on the Board of Directors. We believe that more efficient communication between employees and the Board could lead to increased engagement and retention, faster alerts to potential pending crisis, more efficient expression of employee assessments and workforce morale directly to the Board and much more.

We believe that all employees are critical to our company's continued success and deserve a voice. We also believe that employees with a seat at the table are more likely to remain engaged and committed to the company.

Our employees are the driving force of our company, but if their trust in management falters due to disenfranchise or missteps, our company may suffer. To prevent this we suggest allowing and encouraging representation on the Board by non-management and non-executive employees. We believe that employee representation on the Board is a key way to ensure that our employees are most crucial resource remain fully engaged in the long-term growth of our company and help to ensure operational excellence. We urge shareholders to vote for this proposal.

Dev Stahlkopf {BIO 20589252 <GO>}

Thank you, Mari. The Board recommends a vote against the proposal for the reasons stated in the company's proxy statement. Microsoft's Board of Directors has a strong interest in ensuring the company has a work environment enable Microsoft and its employees to thrive and seize the company's cultural transformation as a key element behind our success over the past several years. Microsoft employees are thoughtful and passionate and we think it's a sign of a healthy culture that employees are comfortable sharing their diverse views. For context though, I'd point out that as of last month Microsoft had more than 160,000 employees around the world. Earlier this year, nearly 87% of our global workforce participated in our confidential employee engagement survey, which we call MS Poll. A few highlights include 95% said they are proud to work for Microsoft, 92% said they'd recommend it as a great place to work and 93% report having a positive working relationship with their manager.

The Board engages in understanding and providing oversight of workplace culture and employee experience through many mechanisms, including considering comprehensive poll data from MS Poll. As a result, the Board does not believe that the steps called for in this proposal are the best way to meet its important responsibility. The discussion of the matters for shareholder consideration is now closed and the polls also are now closed.

Now I'll share with you the preliminary voting tabulation. First, all 12 director nominees on the ballot are elected with over 98% of votes cast. They'll serve until the next Annual Shareholders Meeting and until their successors are elected and qualified. Proposal to the advisory vote on executive compensation has been approved by more than 94% of votes cast. Proposal threem ratification of the company's auditor Deloitte & Touche has been approved by over 96% of votes cast. Finally, the shareholder proposal on employee representation on the Board of Directors was not approved, receiving less than 6% votes cast. We expect to post the details of the final voting results on all of these matters on our Investor Relations website later today. We'll also report the results in a Form 8-K that will be filed with the Securities and Exchange Commission within four business days. With that, we've completed the formal portion of the meeting and the meeting is now adjourned.

Let me hand it over to our Chief Financial Officer, Amy Hood.

Amy Hood {BIO 18040963 <GO>}

Thank you, Dev. Hello, everyone, and thank you for joining us today. As John mentioned, the past fiscal year was unprecedented, transforming the way our employees, customers, partners and communities live and work. In a challenging environment, we were able to deliver record results with consistent execution, strong customer demand and our ability to address our customers' evolving business needs. Revenue grew 14% to over $143 billion, operating income grew 23% and earnings per share grew 21%. Even in these changing times, our focus has remained on strategically positioning the company for the future, with decisions optimized for delivering greater customer value and long-term growth and profitability.

To further enhance our talent and capabilities and strategic growth areas, we completed 15 acquisitions in FY '20. Our acquisition of affirmed networks alongside our FY '21 purchase of Metaswitch enables us to further extend Azure to the network edge, expanding our offerings for telecom partners as they move to 5G. We strengthened our security and compliance portfolio with three acquisitions including CyberX, which will help secure customers IoT deployments. And we added to our robotic process automation offerings with the purchase of stock motive. As we continue to invest in M&A and organic growth in FY '20, we also maintained our commitment to capital return, which included total cash return of over $35 billion. In September, we announced a 10% increase to our quarterly dividend and we continue to execute against our current $40 billion buyback authorization.

Now, let me share a few highlights from last fiscal year. As customers accelerated their digital transformations, we saw strong demand for differentiated cloud and hybrid solutions, resulting in increased customer commitment to our platform and higher usage. Our commercial cloud business surpassed $50 billion in revenue, growing 36% year-over-year. Even at the scale, we saw strong growth across our key services. Office 365 grew 24%, Azure grew 56% and Dynamics 365 grew 42%. Importantly, we also continue to deliver on our commitment to make significant improvement in the commercial cloud gross margin percentage, which expanded 4 points year-over-year to 67%. Throughout the sustained efforts of our engineering, sales and marketing teams, we were able to drive expansion even with the revenue mix shift to Azure, and increased usage to support our customers remote work scenarios. Our server products and cloud services business reached over $41 billion, up 27% with strong customer demand for our trusted, differentiated, hybrid offerings. From both the technology and licensing perspective, we continue to address our customers need for flexible and high-value solutions as they digitally transform.

Now let's turn to progress across Microsoft 365. Throughout the year users continue to realize the mission critical nature of the PC, driving demand for Windows and our productivity apps. Windows 10 surpassed 1 billion monthly active devices. Our office business saw double-digit revenue growth, even as we helped more commercial and consumer users around the world to be more productive, collaborative and secure. And as service, revenue grew to over $6 billion as we innovated across our existing

portfolio, with the latest Surface Pro, Laptop, Go, and Book devices, as well as the new Surface Duo, dual screen device, adding to our family of category-creating devices.

In LinkedIn, revenue exceeded $8 billion and grew 20% and in a challenging job market, platform engagement continued to increase as members turn to the network to connect and learn. In gaming, revenue exceeded $11 billion as we continue to expand our opportunity to reach the world's 3 billion gamers. We saw record levels of engagement and monetization across the platform and strong momentum in our Game Pass subscription services, as new fans took advantage of content for over 100 studios.

Now a few comments on the current fiscal year. First, we announced our plans to acquire ZeniMax Media, the parent company of the Bethesda Softworks. One of the largest privately-held game developers and publishers in the world. This addition, which we expect to close in the second half of this fiscal year will further bolster our first-party content and fast growing subscription services. Second, we are off to a strong start in the first quarter of FY '21, highlighted by commercial cloud revenue growing 31% to over $15 billion, reflecting consistent execution by our sales teams and partners and continued investment in strategic growth areas and even in this challenging and competitive environment, we expect another year of double-digit revenue growth in our commercial segments. These results would not be possible without the contributions of more than a 160,000 Microsoft employees around the world. Looking forward, we believe the highest shareholder value comes from investing for the future and creating differentiated high value solutions for every organization and person to achieve more. With that we remain committed to investing with significant ambition across strategic growth -- high-growth opportunities.

We will continue to aggressively expand our cloud infrastructure to support growing usage and demand across our cloud offerings and we will continue to deepen our engagement with customers and partners. Given our strong financial position and free cash flow generation, we will do all of this while supporting our commitment to capital return. Microsoft does well when our customers do well, and our increasing competitive differentiation and ability to consistently execute, position us for continued growth as we remain focused on our customer's success.

With that please join me in welcoming our Chief Executive Officer, Satya Nadella.

Satya Nadella {BIO 3224315 <GO>}

Thank you, Amy, and thank you to all our shareholders for joining today. Thank you for your continued investment in Microsoft. 2020 has been a year like no other. We saw world come to a near standstill confronted by compounding challenges of public health and an economic crisis, persistent issues of racial injustice and inequity and the devastating effects of climate change.

I want to extend my deepest gratitude to everyone who is working tirelessly to get us through especially those in the front lines across healthcare, education, public sector, critical manufacturing, grocery and retail. Amid this disruption, I'm proud of how our ecosystem has stepped up to help people and organizations apply technology to build resilience and transform.

To share just a few examples, in Italy, the University of Bologna moved courses for 80,000 students online in just three days with Teams, our first in the schools 900 plus year history. In healthcare, Dr. Amanda Randles at Duke University used Azure to conduct hundreds of millions of simulations to help more patients have access to ventilators. And the NBA and the NFL have used our technology to reimagine the game experiences for fans. As Amy mentioned amidst this rapid change, we have delivered strong results. And as we look ahead, our opportunity has never been greater. The next decade of economic performance for every business will be defined by the speed of their digital transformation. Across our technology stack, we are accelerating our innovation to help our customers improve time to value, increase agility and reduce costs. More than ever organizations are relying on Azure to stay up and running and support critical workloads from healthcare triage with the AI assist bots to digital twins in manufacturing to e-commerce and retail. We are building Azure as the worlds computer to support them with 67 datacenter regions, more than any other cloud provider.

Azure is the only cloud that extends to the edge, enabling us to meet the customers' needs, wherever they are. At the data layer, Azure brings together limitless data and unmatched analytics so companies can manage. discover and gain insights from day data in real time. And in AI we have the most comprehensive portfolio of tools, frameworks and infrastructure enabling organizations to build applications that see, hear, speak, search, understand and accelerate decision-making.

Developers are critical to value creation in every industry and their productivity is key to business performance. We have the most used and loved tools to help developers to go from idea to code and code to cloud from Visual Studio to GitHub, which now has more than 50 million users. We are empowering domain experts so that they can increase the rate of digitization in their organizations.

More than 10 million citizen developers and business decision makers now use Power Platform to create apps, build Virtual agents, automate workflows and analyze data. With Dynamics 365, we are helping organizations in every industry go from reactive to proactive and make every part of their operations remote, from manufacturing to supply chain management to sales and customer service, including new scenarios such as contactless shopping. And with LinkedIn more than 722 million professionals can connect, learn and plan for the future. There is no question that the way we work, learn and experience events has changed dramatically over the last year.

With Microsoft 365 and Teams we are empowering people and organizations to be more productive and secure as they adapt to new ways of working and learning. The PC has become mission critical to sustained productivity in a remote everything [ph]

world. Windows 10 monthly active devices are up double digits year-over-year and Teams now has more than a 115 million daily active users. Teams is the only solution with meetings, calls, chat, content collaboration with Office, as well as business process workflows, and we are accelerating our innovation shipping more than 100 new Teams capabilities in the last six months. Identity, security, management and compliance underlie our entire stack, more than ever this is a strategic priority for every organization and we are the only company that offers the end-to- end capabilities to protect and manage data, devices, identities and infrastructure enabling a zero trust architecture.

Finally, people everywhere are turning to gaming to sustain human connection, while practicing social distancing. Xbox Game Pass now has over 15 million subscribers. Our pending acquisition of ZeniMax will add iconic franchises to more than 100 games already available. And our new consoles are the most powerful and affordable ones available. Along with our expanding opportunity, we recognize our responsibility to help solve the world's challenges, not create new ones. We view this as four interconnected pillars. First, we must ensure economic growth is inclusive. This requires that we keep everyone with the opportunity to pursue the jobs of a changing economy. That's why we are helping 25 million jobseekers gain skills for in demand roles.

Second, we unequivocally support the fundamental rights of all people from defending democracy to addressing systemic racial injustice and inequity for the Black and African-American community in the United States and for vulnerable communities globally. Third, we must protect the planet by working towards a more sustainable future. We have set ambitious goals to be carbon negative, zero waste and water positive by 2030. And we have created a $1 billion fund to accelerate the development of carbon reduction and renewable technologies. Finally, we are committed to building trust in technology and its use spanning privacy, security and responsible use of AI and transparency.

In closing, over the next decade, technology spending as a percentage of GDP is projected to double and we are uniquely positioned to not only participate in that growth, but drive it by expanding our impact in building technologies that empower every person and every organization on the planet to achieve more. Thank you all very much.

(Video Presentation).

Questions And Answers

A - Mike Spencer {BIO 20838577 <GO>}

Welcome to the Q&A portion of the meeting, I'm Mike Spencer, Head of Investor Relations here at Microsoft. I'm joined today by Satya, Amy and John, as well as Microsoft President, Brad Smith. We want to thank you for all the questions you submitted in advance and during the meeting. We will try to get to as many as we candidate. If we don't get your question in today's meeting, we will post document

after meeting with responses on our Investor Relations website. As we reviewed the submissions, there were several questions asked on similar topics, so we've selected a representative question from those submitted to answer today. So with that, let's go ahead and get started.

Satya, Our first question is from Samuel J and one that has been on everybody's mind this year, is remote work and learning the future?

A - Satya Nadella {BIO 3224315 <GO>}

First of all thank you all for joining today's meeting. Mike you're absolutely right, I mean 2020 has been unlike any other year, any of us have seen. And the constrains the pandemic is put on us being together as families or in the workplace are severe and yet in spite of that, the fact that we been able to sustain the level of economic activity in connectedness is pretty stunning to me. In fact, thanks to I think the current generation of digital infrastructure that has been put in place in particular cloud technologies, that has been allowing us to do what we are doing, whether it's remote education or remote everything, right, whether its sales or your ongoing operations have all been able to sustain a level of productivity that's pretty unprecedented.

But to your question, I think we definitely are going to have real structural change. So, when we remove the pandemic constraints, I don't think we just go back to where things were in the beginning of 2020 or late 2019, what that difference is going to be is going to be different by geography, by function, by business type and industry. But one thing is certain digital technology is going to be key to any company dealing with even future tail events are both from a resilience perspective and the agility with which you adapt to change is going to be driven by digital technology. And so that's I think perhaps the bigger awakening coming out of even this particular crisis.

A - Mike Spencer {BIO 20838577 <GO>}

Thanks Satya. We received over 20 questions on issues relating to diversity and racial injustice and a shareholder asks, how does focusing on racial injustice increased shareholder value? Brad, why don't you start?

A - Brad Smith {BIO 1721351 <GO>}

Well, we fundamentally believe that the work we're going to address racial injustice serves Microsoft well and serves our shareholders well. We're doing three things. We're focused on building the diversity of African-American and black individuals in our workforce and then we're working externally as well. And there is a couple of things that I think are really important to think about. We have long not just believed, but known that we do our best work when we have an employee population that reflects the diversity of the customers that we need to serve. And in the United States today 14.6% of the people who live here are black or African-American. We're nowhere near close to that inside Microsoft.

So we have important work to do and we believe that this is the kind of work that will enable us to better serve a very large and important group of customers. Think about this, there are 48 million black citizens in the United States, that's more people live in Australia or in Canada or in Spain, and those are large and important markets for Microsoft. As we become more diverse inside the company, we will do a better job of serving these customers. And then there's the other aspects of our work with our business ecosystem, in our communities where we're working to help address the fundamental systemic racial structures that continue to hold back black Americans.

This is fundamentally important to us as a company we believe because we cannot be successful company unless we live in healthy communities and healthy country. We can't do it all, no company can, but we do believe we can make a difference. Just to give you one example, every data point today shows that if you're growing up as a black students in the United States, you are far less likely to even have the opportunity to study computer science in school. And with our (inaudible) Program, technology education and literacy in schools, we will bring computer science to over 500 schools -- high schools in the United States in the next five years that predominantly serve black and African-American students, that is the kind of area where we believe we can do what we do best. We can contribute to helping address an important problem and we can contribute to a more healthy country that will benefit us as a more successful company.

A - Mike Spencer {BIO 20838577 <GO>}

Thanks, Brad. Our next question is for Satya and a shareholder asks, what is being done to set Xbox apart from the PS-5 to win the console war? And can you provide an overview of our gaming strategy, Satya?

A - Satya Nadella {BIO 3224315 <GO>}

Sure. First thing, we are very excited about the new console launches in the market. We always have sort of focused on ensuring that our gamer community that count on us to produce the best consoles has a new generation of consoles, which are powerful and really great for game play and we are supporting it with the best content, with the best community. But the broader vision we have is to ensure that the 3 billion gamers out there are able to play their games, anywhere they want with all the content they want and with whom they want to, and that's really what we are building our strategy around. You've seen us double our content portfolio with ZeniMax acquisition, you see us make advances in our community efforts and our subscription offers with Game Pass and that's what you can expect from us. We are absolutely very, very much focused on gaming and ensuring that all the 3 billion gamers around the world get the best content, best community and the best cloud services to power their gaming experiences going forward.

A - Mike Spencer {BIO 20838577 <GO>}

Great. Thanks Satya. For Brad, we have another question on diversity, Maryann Hayes [ph] asks what is the strategy to increase workforce diversity to reflect Microsoft's global customer base, Brad?

A - Brad Smith {BIO 1721351 <GO>}

Well, from a strategic perspective, we're focused on a couple of things, one is on growing diverse representation on many different in this year, not just in the US, but around the world, and fundamentally by focusing on recruiting, retaining, developing and promoting people as they rise through the ranks. And we have a host of tactical and programmatic aspects that support all of these things. One example is in our recruiting, we really strive to ensure that way we interview candidates, we have a diverse slate, diverse by gender, diverse by race and the like. We then really focus on fostering a more inclusive workplace because after all we get this enormous benefit of having people who can think creatively and differently, but we only maximize that benefit when we learn from each other, when we listen to each other. So we have a variety of programs led by the HR in the whole company that helps us do that. And then finally, I would say if there is one thing we've learned, is that this is the type of exercise that requires a determined, sustained, persistent approach over time. This is not a goal that one realizes in one or two years, but we do know this. When we stick to it year-after-year and get better and better, we will make major strides and that's what we're determined to do.

A - Mike Spencer {BIO 20838577 <GO>}

Thanks, Brad. Satya, we've got a question asking about augmented reality, virtual reality and edge computing. Could you talk about our strategy on cloud and edge computing and what we're seeing as new patterns of growth for the cloud?

A - Satya Nadella {BIO 3224315 <GO>}

Sure. One of the most exciting things that's happening in technology is how computing is getting embedded in the real world. And that's what we mean when we talk about the cloud and the edge as the distributed computing fabric that really is now part and parcel of every factory, every hospital, every retail space, all connected to the cloud, creating this opportunity for us to create amazing new experiences and applications.

In fact, HoloLens is one such. When you think about augmented reality, what you're really doing is you're taking, what you see and super impose in it, augmented objects or holograms. And that means reconstructing that reality and making it digital and virtual. And HoloLens essentially is an edge device for Azure, and that notion of distributed computing has been something that we've been focused on. We have always led with hybrid computing as a core differentiator for Azure. And you see it today with whether with HoloLens or Azure Stack or even Azure Sphere, which is there in every Starbucks coffee machine today. So that's really our vision, which is to be able to ensure that Azure as distributed across the cloud and the edge, and truly powerful experiences such as HoloLens and augmented reality and mixed reality is something that customers can use for training too, even gaming.

A - Mike Spencer {BIO 20838577 <GO>}

Thanks, Satya. Our next topic is on capital return, which Amy take. We received over 20 questions on the topic and we were asked, are you going to increase dividends in

the future? And could you help us understand your overall capital return strategy, Amy?

A - Amy Hood {BIO 18040963 <GO>}

Thanks, Mike. As I talked about in my comments a bit earlier, which we're proud and consistent, balanced and comprehensive approach we've taken to capital return over the past few years. And in fact, we really think about it having four priorities. The first and the most important is to invest in ourselves for innovation, for product differentiation and to create value in long-term growth, including funding many of the things you've heard Satya and Brad talk about earlier.

Second, our most important -- our second priority is really constructing inorganic opportunities, like ZeniMax, GitHub, LinkedIn that we've talked about to help us accelerate or expand our addressable markets. And then finally, we think about the other two key distributions as part of capital return, dividends and share buyback. And as we have over the years, we remain committed to supporting long-term shareholder return to the inclusion of all four of these priorities.

A - Mike Spencer {BIO 20838577 <GO>}

Thanks, Amy. We have another question here for Satya. We received 14 questions relating the product innovation and our differentiated strategy. And a shareholder asked, any plans to increase your security compliance and identity footprint, Satya?

A - Satya Nadella {BIO 3224315 <GO>}

Absolutely. In fact, this has been a breakout year for our security and compliance portfolio, especially in a pandemic this has become a top priority for our customers and we are seeing increased adoption across the entire portfolio. And really we have most comprehensive view on what it takes to have both the security infrastructure and the operational security posture. Starting with identity, with endpoint in devices, application security and infrastructure security and the ability for any organization out there, whether they're in the private sector or in the public sector, irrespective of their size, they can count on our services to help them implement what -- the world talks about a zero trust architecture.

And to me we have made tremendous progress, we have a fantastic roadmap, but you can absolutely count on us to ensure that the power of the security and compliance solutions is something that we truly democratize in terms of access. No matter what devices you're using, what applications you're using or even what cloud infrastructure you're using, you can count on Microsoft to be there, providing you the right services for security and compliance.

A - Mike Spencer {BIO 20838577 <GO>}

Thanks, Satya. I'm going to turn to Brad for this next one. And we have received several questions related to privacy, including one from the shareholder who asked, what more can be done to protect consumers privacy, Brad?

A - Brad Smith {BIO 1721351 <GO>}

Well, I think it's a great question and it's such evident importance to so many customers and shareholders around the world. I would start with the tenant that really guides everything we do, when it comes to privacy. That when our customers store their data with us, it's still belongs to them. It's your data not ours. It's our responsibility to act as a steward, who really protects the privacy and the security of the information you entrust with us.

I think it's a great question, because it's sort of certain challenges us. The question is what more can we be doing? And I would point to three things. First, we constantly need as a company to keep adding more technology tools and protections that will enable people to not just safeguard, but actually manage their personal information the way people want and we've been very focused on doing this. If you use our services and if you are a shareholder, I hope you do, go to account.microsoft.com/privacy. And what you can do is entering your account name, your password and what you'll see is a variety of very easy to use, but very powerful and robust tools. So you can see the data that you've entrusted with Microsoft and you can control how the privacy of that data is managed. And you'll see us continue to take new steps that add new privacy controls and features, but I think that as you can see, we need to create them, but they're going to be effective only if you as a shareholder or a customer decides to use them. It's a little bit like a safety belt or a seat belt in your car, you need to buckle up if you want to be safe.

Now the second thing we're focused on is not just our technology, but our business practices and the other steps that we can take and we're taking more all the time. One of the things we appreciate is, how important the privacy issue is. There are many people in Europe today. It's important to everywhere, but I'd say it is of even greater attention there. And that's what led us just a couple of weeks ago to take some additional steps to protect the privacy of our enterprise and public sector customers in Europe. We plan to step, we would undertake efforts to go to court if need be, whenever we have a lawful basis to do so, to defend the data that belongs to these customers from being obtained by a foreign government without their knowledge and approval.

So you're going to see us take more steps in this category as well and then there's a final area, I think it's an area of importance for all of us. We need good laws, modern laws that protect people's privacy. And this is probably the most important in the United States for a very simple reason. There are 110 countries around the world that have a National Comprehensive Privacy Law, but the United States is not one of them. So we have been working very closely with Republican and Democratic leaders alike in the Senate, where there is a major effort to pursue privacy legislation and we're hopeful that 2021 will be the year when we see it in active. I think you put those things together, what really underscores is this need for us to be thinking broadly and acting comprehensively, you can see, that's what we're striving to do.

A - Mike Spencer {BIO 20838577 <GO>}

Thanks, Brad. Our next question is about LinkedIn, it comes from Fritz Eikelberg [ph]. He asks, with the aging population, what are the plans for LinkedIn to maintain a robust platform of younger professionals entering the workforce? Satya, can you take that one?

A - Satya Nadella {BIO 3224315 <GO>}

Sure, absolutely. LinkedIn, and our core mission with LinkedIn is to make sure that everybody, irrespective of their age is able to find economic opportunity and realize their economic potential. With the strength of the social network, they build on LinkedIn and beyond that's really the core for us, because as population ages, we do need to make sure that both the younger population as well as the older population can both find the economic opportunity that's really the pressing need of our times and we are very focused on that. Specifically for some of the younger folks who are joining our LinkedIn, we're making sure, for example, the engagement tools like the news feed have new modalities. Story is something we just launched this fall. We're very excited about that, but the key purpose of LinkedIn is to help you build that social network, that professional network, that can mentor you to help you grow the skills and the credentials to find your economic opportunity.

So that's at the core of LinkedIn and skilling. If you think about what even coming out of this pandemic, one of the most important things is, how are you able to continuously get the new skills, the new credentials that will lead to your next economic opportunity. So we are very much focused on LinkedIn Learning, LinkedIn social engagement to build those mentor networks and the professional networks that really help you realize your economic opportunity.

A - Mike Spencer {BIO 20838577 <GO>}

Thanks Satya. Our next question is for Brad. A shareholder asked, how does Microsoft envision public-private partnerships for better cyber security to protect against hacker attacks?

A - Brad Smith {BIO 1721351 <GO>}

Well, I think that we live in a time where the only way to protect customers from these kinds of cyber attacks is in fact to have a strong partnership between the public and private sectors. We need governments to move with strong laws. We need international collaboration between governments. So they're sharing information with each other, that they are doing the kinds of things that only governments can do including holding other nations accountable, when we see nation state cyber attacks. As we are this year, for example, with the unfortunate, almost tragic increase in the kinds of cyber attacks, we're seeing against a wide variety of public health organizations and even hospitals.

But this is in the area where the private sector has a large role to play. It's different from I think a lot of other national security or public safety issues for a very simple reason. So much of our digital infrastructure is in the hands of the private sector, whether it's the cables that go underneath the ocean or data centers or servers and in many ways that even extends to individuals and enterprises because after all, we all have devices that we carry around with us that are connected all the time. So what

we've been focused on doing is taking more steps, not just individually, but as an industry to increase what we're doing.

At Microsoft, we sponsored and really help champion two years ago, what's called the Tech Accord [ph], it now has a 147 signatories from roughly 25 countries around the world, where we work together as an industry to strengthen cyber security defenses and then partner with governments by sharing information and coordinating our responses. So the last thing I'll say is, this continues to be an area where we need new kinds of institutions to play a significant role. That's why one of the things we're excited about as a company is the role we have the opportunity to play and helping along with lots of others create a new non-governmental organization, the cyber peace Institute, which is now headquarter in Geneva, Switzerland and it is the kind of organization that can help bring both the public and private sectors together because it has experts, they enable the sharing of data to identify the kinds of changes in the cyber security landscape that are important.

They're sharing best practices to harden our defenses really on a global basis and they are helping the public and private sectors come together to really advance stronger international laws, which we have also long championed in this space. So we really do believe that this not only remains one of the critical issues of our time, but it is the kind of issue that calls almost uniquely for this kind of public and private sector collaboration.

A - Mike Spencer {BIO 20838577 <GO>}

Thanks, Brad. Our last question is one of four received on the topic of environmental sustainability and governance and it comes from Robin R, who asks what is Microsoft plan to become carbon-neutral, not by investing in offsets, but truly becoming carbon-neutral, thereby setting the example for the entire industry? Brad, do you want to take this one?

A - Brad Smith {BIO 1721351 <GO>}

Sure. It's a great question, because I think it really asks us to think about two things. One is what is the level of ambition we need to pursue. And then second, frankly, what is the conversation we need to have in order to achieve it. Now, when it comes to our ambition, it is not Microsoft's goal simply to be carbon-neutral. We put a huge stake in the ground when this year began. Satya Amy, and I have the opportunity to stand up together. The entire Board of Directors really stood behind us and we said that as a company, Microsoft will be carbon negative by the end of this decade. What that means is that we want to remove from the environment every year beginning by 2030, more carbon then we emit. We won't be on that, we then said goodbye 2050 we would remove from the environment, all of the carbon that Microsoft has emitted since the company was founded in 1975.

And that continues as we approach the end of the year to be I think the kind of brand goal, the world needs and it's a goal that we're still hoping other companies will step forward and match. I think it's worth thinking about what does it mean to be carbon negative, well in part, it really requires that we reduce our own carbon emissions so that we're emitting less. And this is where Amy part of the company has

really led the way in my view with a host of operational improvements. We have an internal carbon tax that now applies to all of the various carbon emissions, we have not just directly, but indirectly from our supply chain and from the use of our products. We've rolled out new reporting expectations for everybody in our supply chain. We have new initiatives to work with our suppliers to help them reduce their emissions and we've created a new coalition to net zero, where we're partnering with customers to really champion work [ph] from each other's best practices, that's how we reduce emissions. But the removal piece is also really important and this is a key part, I think of this question, which is why I think it's interesting. In the past, say 2015, Microsoft was a typical company that was active in this space.

We spent money on what we've called offsets. What's an offset? Well, a lot of times it means that you're paying say somebody with trees, not to cut them down. That's a good thing, but when you think about it, what are you really paying somebody to do. You're paying them to do nothing and when we think about the magnitude of the climate crisis the world needs to address, it's just so clear, this is not a problem that we will solve by doing nothing. That's why when we rolled out our new initiative in January, we said we won't pay for those kinds of offsets anymore. We will only paid for the active removal of carbon from the environment and that can be nature based techniques, which can be paying somebody to do something by planting trees, that would otherwise not be planted. And really sort of the future what it means is using new technology to remove carbon, whether it's from (inaudible) is manufactured or from the air or from the water, this is where the billion dollar Climate Innovation Fund will help spur the kinds of innovations that will then make use of as a company to pay for the removal of carbon.

And this July in some ways, I think quite possibly, we took the single most important step over the last 12 months. We issued in our faster proposal as a company to purchase the removal of a million metric tons of carbon, not in the next decade, but in the next year. And already, we're seeing that this is having a pretty dramatic effect in the marketplace around the world. It's sending a signal, if you will, that where we go, others will go. There is a demand for services to remove carbon from the environment and I think that's the kind of thing that the private sector across the board can continue to help spur. So it's not about neutrality. Neutrality, as we set to ourselves is not enough. It is about becoming carbon negative as a company and ultimately becoming net zero as a planet by the middle of this century meeting that what we're removing globally as a planet matches what we're emitting every year. So we're excited about it. It was a big step in January. You'll see us give you an update next month, next year in January when we have another report on what we're doing.

A - Mike Spencer {BIO 20838577 <GO>}

Thanks, Brad. And this concludes today's Q&A session and wraps up our Annual Shareholders Meeting. Thank you for joining us today and your participation in our meeting. If you have any further questions, please visit our Investor Relations website. Thanks.