Microsoft’s Annual Shareholders Meeting Questions and Responses

Below are questions submitted in advance of and during the Microsoft annual shareholders meeting held Wednesday, December 2, 2020.  We have provided answers to the questions received. Where we received multiple questions on the same topic, we’ve grouped them together and provided one answer. We’ve excluded questions from individual shareholders seeking direct assistance, questions that violate our rules for conduct of the meeting, as well as requests for information that is confidential and not publicly available.

Questions

Topic: Shareholder proposal

* What is the reason or rationale for board’s recommendation against employee representation on the board?
* Why would you suggest an against on a vote for report on BOD representation?
* Is it proper to adjourn the meeting without a shareholder vote?

## Answer:

* *You can listen to the Company's response shared by Dev Stahlkopf at 10:37 in* [*the annual shareholders meeting*](https://www.microsoft.com/en-us/Investor/events/FY-2021/2020-Annual-Shareholder-Meeting) *and find more information in the* [*Company’s 2020 proxy statement*](https://microsoft.gcs-web.com/node/28691/html) *on page 68.*

Topic: Board Diversity and Structure

* Why is there not more diversity in the board?
* Is there an effort to incorporate younger members to the board as part of the diversification strategy?
* Does Board representation represent a diverse and inclusive membership capable of representing Microsoft fully and completely?
* How many people of color are on the board and what percentage of the board is that compared with the people of color working for Microsoft and the US population in general?
* When are you adding a Latin, Asian, and more African American members to your board of directors?
* Good to see women on the Board of Directors. I encourage more women on the board to include at least 50%.
* When will there be a more diverse Board Member introduced?
* Why isn't there a Black American woman on your board?
* What percentage of the Board members are black men, black women, Native Americans, and Latinos? What mentorship programs are in place for persons from traditionally disadvantaged US groups?
* When will the board be representative of the actual mix of population at Microsoft?
* Are there any active initiatives to increase minority representation, in management or on the board of directors?
* Not only specific to your company, but why are so many directors needed for the board? Why not have a shareholder board member representing your small investors?
* What method is used in determining who is recommended to the Board of Directors. Is there an opportunity for someone who is interested?
* Would the Governance and Nominating Committee consider increasing the geographical diversity of those nominated to the Board, and would Mr. Nadella consider increasing the geographical diversity of his Executive team?
* How is the management/Board Protecting Investors during the 2020 Fiscal year causing changes in our work settings and a pandemic health crisis? How will you attract a diverse board with talented skills and balance those compensations while bringing attractive fiscal returns to investors.
* Why does there have to be so many Board of Directors?
* What is the executive directors proposed compensation?
* How much do you compensate your directors?

## Answer:

* *You can listen to John Thompson’s remarks on the subject at 04:30 in the* [*annual shareholders* *meeting*](https://www.microsoft.com/en-us/Investor/events/FY-2021/2020-Annual-Shareholder-Meeting) *and you can also find more information in the* [*Company’s 2020 proxy statement*](https://microsoft.gcs-web.com/node/28691/html) *on page 18.*

Topic: Business Performance/Capital Allocation/Stock Split

* As a shareholder, I suggest that we get paid for voting and being a shareholder of the company like a salary besides dividends paid out?
* Are any acquisitions in your plans for future expansion?
* How better can Microsoft perform?
* When are you going to increase dividends?
* How will EU proposals to limit big tech from future acquisitions affect Microsoft?
* Can shareholder dividends be cancelled in exchange for partial stock shares?
* What is the kind executive team doing to reduce debt?
* What can you say about the constant fall in value of shares I have invested with your product in comparison to other similar investments in the cannabis industry?
* Can Microsoft management move shareholders on to real profitability? With this investment have stood with the choice of MS stocks and have seen the truth of a stock split, 1:4. Now can we continue with real growth?
* Can anyone state why this company remains so stagnant in value of stocks?
* Any plans for stock split?
* Do you think the acceleration of growth through the pandemic is likely to be sustained? Or what will the next few months look like in your opinion?
* Why is Microsoft not able to meet demand for the new game system? It seems like a missed opportunity to gain market share, particularly when the first year is critical to the establishment of a new platform.
* Can we stop doing the share buybacks and instead use that money for dividend increases? I am also curious how many Microsoft employees have died from the Wuhan virus or have suffered disability from it since Washington State has been hit so hard by the pandemic? Any chance that Microsoft will develop a USENET client?
* What can your board of directors do to maintain the growth of the Microsoft company for years to come?
* Can you break out revenue and profit numbers for the intelligent cloud segment?
* How will the decision in the Coca Cola Tax Court case affect Microsoft?
* What is the strategy for stock price growth?
* Canada is now focusing on new taxes for hi tech companies. What are your concerns in this regard?

## Answer:

* *You can listen to Amy Hood’s answer at 41:47 in the* [*annual shareholders meeting*](https://www.microsoft.com/en-us/Investor/events/FY-2021/2020-Annual-Shareholder-Meeting)*.*

## Topic: Microsoft’s future vision

* What are Microsoft’s vision and mission for the next 10 years?
* What vision of the future for Microsoft are you passionate about and why?
* What area or areas do you see the greatest growth in the next decade?

## Answer:

* *You can read more about this in Satya Nadella’s letter as part of* [*Microsoft’s Annual 2020 Report*](https://www.microsoft.com/investor/reports/ar20/index.html)*.*

Topic: Remote work

* Is the virtual workplace the future?
* Will Microsoft institute a permanent policy of working from home?
* How is management planning to manage its corporate borrowing program? Does Microsoft have plans to enter the health technology industry or are they currently partnering with other players?
* Azure is a great platform providing tremendous growth for Microsoft; however, businesses change at a revolutionary speed these days. How is Microsoft adapting to the future by preparing to launch a new product or service to the public before competitors?
* Is Microsoft ready for the next pandemic?

## Answer:

* *You can listen to Satya Nadella’s answer at 32:30 in the* [*annual shareholders meeting*](https://www.microsoft.com/en-us/Investor/events/FY-2021/2020-Annual-Shareholder-Meeting)*.*

Topic:  Gaming

* The progress made so far is great but what else is going to be done to set the Xbox apart from the PS5 to win the console war?
* I know Microsoft is about to launch a new system, how is that expected to affect the company over the next few years?
* Can we get hard numbers on Xbox one consoles sold?
* How will the release of the newest Xbox affect the company?

## Answer:

* *You can listen to Satya Nadella’s answer at 37:15 in the* [*annual shareholders meeting*](https://www.microsoft.com/en-us/Investor/events/FY-2021/2020-Annual-Shareholder-Meeting)*.*

Topic: Privacy

* What more can be done to protect consumers' privacy?

## Answer:

* *You can listen to Brad Smith’s answer at 44:31 in the* [*annual shareholders meeting*](https://www.microsoft.com/en-us/Investor/events/FY-2021/2020-Annual-Shareholder-Meeting)*.*

Topic: LinkedIn

* With the aging population, what are the plans for LinkedIn to maintain a robust database of professionals active in the workforce & remove those retired or passed away?
* Are there any plans to expand the reach of the LinkedIn platform as it now only accounts for about 6% of revenue?

## Answer:

* *You can listen to Satya Nadella’s answer at 48:19 in the* [*annual shareholders meeting*](https://www.microsoft.com/en-us/Investor/events/FY-2021/2020-Annual-Shareholder-Meeting)*.*

Topic: Cybersecurity

* How does Microsoft envision a public-private partnership to provide for better cybersecurity to protect against the huge losses in time caused by hacker attacks?

Answer:

* *You can listen to Brad Smith’s answer at 50:01 in the* [*annual shareholders meeting*](https://www.microsoft.com/en-us/Investor/events/FY-2021/2020-Annual-Shareholder-Meeting)*.*

Topic:  Diversity/Racial Injustice

* How does focusing on social injustice increase shareholder value? Microsoft should stay out of politics.
* What is the strategy to increase workforce diversity that reflects Microsoft’s global customer base?
* What efforts will Microsoft take to increase the diversity of its workforce to include the board? Diversity in this context refers to diversity in background and professional experience as well as identity characteristics?
* Given the use of Microsoft products across all racial, ethnic, and gender groups, what is your definition of diversity? How do reflect diversity across your employees? Do you intend to increase racial and ethnic diversity with members of the board?
* Is Microsoft contributing to BLM?
* Does Microsoft consider diversity at the executive level important to addressing global inequities in emerging technologies?
* Does Microsoft believe in equality of outcome? If so, please explain which company policies address equality of outcome and how, if achieved, it would increase shareholder value.
* Has Microsoft over-rotated culturally resulting in a drag in operational performance? What programs and indicators are the management team using to pursue this balance in the marketplace?

Answer:

* *You can listen to Brad’s answer at 34:20 in the* [*annual shareholders meeting*](https://www.microsoft.com/en-us/Investor/events/FY-2021/2020-Annual-Shareholder-Meeting) *and find more information at* [*Microsoft’s 2020 Diversity & Inclusion report*](https://blogs.microsoft.com/blog/2020/10/21/microsofts-2020-diversity-inclusion-report-a-commitment-to-accelerate-progress-amidst-global-change/)*.*

Topic:  Diversity

* With all the national obsession with inclusion and diversity, will Microsoft be bold enough to make as cooperate policy all hiring, and firing based on merit alone regardless of race or sexual preference?

Answer:

* *We have every confidence that Microsoft’s diversity initiative complies fully with all U.S. employment laws. You can read our response to the OFCCP* [*here*](https://blogs.microsoft.com/on-the-issues/2020/10/06/ofccp-diversity-employment-laws/)*.*

Topic: Board Stock & Compensation

* What is the stock ownership in Microsoft shares by each Board Member?
* How much are the directors paid for their services?

## Answer:

* *You can find this information in the Company’s* [*2020 proxy statement*](https://microsoft.gcs-web.com/node/28691/html#toc31295_26) *on page 27 (director compensation) and page 58 (stock ownership).*

Topic: Compensation (Employee, Exec)

* What will be done to guarantee better talent retention and fairer compensation?
* With the financial success and health of Microsoft at an all-time high, will we see an expansion of the Microsoft benefits package to mirror those available from FAANG companies?
* Why isn't compensation linked to sustainability performance of the company?
* Why aren’t executive salaries limited to a certain percentage of the employee’s average salary?
* Why should any senior executive receive a compensation increase?
* Would management review the wages paid to the lowest level and address if they are fair and livable?

## Answer:

* *You can read more in the company’s 2020 proxy statement on Page 30 here on the* [*Investor Relations website*](https://microsoft.gcs-web.com/node/28691/html)*.*

Topic: Sustainability/ESG

* What is Microsoft's plan to become carbon neutral? Not by investing in offsets but truly becoming carbon neutral, thereby setting the example for the entire industry.
* Please advise how Microsoft is addressing energy use and green options.
* Why is management investing billions in so called green initiatives instead of giving those billions to shareholders so we give to initiatives we support?
* Do you plan to set up Scope 3 emission reduction objectives any time soon? Companies like Philips have also set up CO2 neutral objectives, but they have also included some Scope 3 items such as logistics and business travel. Are you considering doing the same?

## Answer:

* *You can listen to Brad Smith’s answer at 53:20 in the* [*annual shareholders meeting*](https://www.microsoft.com/en-us/Investor/events/FY-2021/2020-Annual-Shareholder-Meeting) *and find more details at www.microsoft.com/environment.*

Topic: Bill Gates

* What is the direction of the company? How involved will Mr. Gates be in leading the company?
* Why is Bill Gates no longer on the Board of Directors?

Answer:

* *You can read more on Bill’s decision to step down from the Board in the* [*press release*](https://news.microsoft.com/2020/03/13/microsoft-announces-change-to-its-board-of-directors/)*.*

Topic: Microsoft Store

* Do you plan on reopening the Microsoft stores?

Answer:

* *We made a strategic change to retail operations and have closed all our stores. We’ll continue to invest in our digital storefronts, including microsoft.com and digital stores in Windows and Xbox.*
* *Our Flagship locations in New York City, Sydney and London will evolve to Microsoft Experience Centers, serving consumer, small business, education, and enterprise customers. Our commitment to growing and developing careers from this diverse talent pool is stronger than ever, with strong support from other leaders across Microsoft.*

Topic: TikTok

* After the failed acquisition talks with Tik Tok management, what are management plans for the development of platforms targeted at such forms of media engagement with Tik Tok like audience?
* Does management see the company taking more of a pivot towards apps like TikTok or continuing to bolster its enterprise solutions with companies like Skype and Github?
* What happened to alleged acquisition of TikTok by Microsoft, globally? Why did Microsoft back out of the running?

Answer:

* *You can read the Company’s statement on TikTok in* [*this blog post*](https://blogs.microsoft.com/blog/2020/09/13/microsoft-statement-on-tiktok/)*.*

Topic: China

* How would US decoupling economy with China affect Microsoft?
* Will Microsoft continue its business policy with regimes like the CCP and others? How far will capitalism go?
* While working in China, are you transferring Microsoft intellectual property to Chinese companies or Government? If so, how do you justify this?
* What are you doing to stop Chinese copies of your systems on apps like Alibaba?
* My question is how many of Microsoft products are made in China?
* Why are there so few Xbox series X and series S consoles available? Is it due to relations with China?
* How can we reconcile commitment to democracy with Microsoft's involvement in China with facial recognition technology?

##  Answer:

* *Our world remains interconnected in ways that are important for innovation, competition, and consumers. We are eager to see the U.S. and China maintain channels for dialogue and cooperation.*

Topic: Public policy engagement

* Will technology industry be fairer in exposing both political parties’ downfalls?
* Microsoft needs to either remove itself from politics or at least make an attempt to ensure it and any vehicle allowed to use the MS name is unbiased. What are your plans to do it?
* How can you direct or redirect Microsoft to be a leader of technology that is designed to enhance our ability to grow and learn without implied biases towards a personal agenda?
* Can you comment on the political climate and the various rules of law under which Microsoft operates?

## Answer:

* *You can read more on these topics in these* [*blog*](https://www.microsoft.com/en-us/corporate-responsibility/public-policy-engagement)[*posts*](https://blogs.microsoft.com/on-the-issues/)*.*

Topic: Product Innovation

* What is the planned strategy, if any, towards approaching Augmented, Mixed or Virtual Reality in games? Where do you think Microsoft can do something and be actually effective for the consumer rather than an enterprise?
	+ *You can listen to Satya Nadella’s answer at 40:08 in the in the* [*annual shareholders meeting*](https://www.microsoft.com/en-us/Investor/events/FY-2021/2020-Annual-Shareholder-Meeting)*.*
* What do revenues look like for the Surface Duo? Who is the target customer for such a device, individuals, businesses and if both, why? How does this change Microsoft’s attitude toward the mobile ecosystem, adopting Google’s Android while also sunsetting its own internal mobile software unit?
	+ *You can read more about Surface Duo at this* [*blog*](https://blogs.windows.com/devices/2020/08/12/available-for-preorder-today-surface-duo-is-purpose-built-for-mobile-productivity/)*.*
* What informed Microsoft's decision to invest $1 billion in OpenAI rather than investing the same amount in Microsoft Research's AI lab?
	+ *You can read about Microsoft’s partnership with OpenAI* [*here*](https://news.microsoft.com/2019/07/22/openai-forms-exclusive-computing-partnership-with-microsoft-to-build-new-azure-ai-supercomputing-technologies/)*.*
* Does Microsoft have any plans to design chips based on ARM to have full control from the chip to software stack?
	+ *Read our latest chip blog* [*here*](https://www.microsoft.com/en-us/research/blog/a-microsoft-custom-data-type-for-efficient-inference/)*.*
* What metric is Microsoft using to gauge profitability in Xbox Gamepass and the Xbox brand in general?
	+ *You can read the relevant gaming sections of* [*Microsoft’s 2020 Annual Report*](https://www.microsoft.com/investor/reports/ar20/index.html)*.*
* What is the percentage increase of Microsoft's patents/trademarks and research and development from the preceding year?
	+ *Information on patents and intellectual property is available in* [*Microsoft’s 2020 Annual Report*](https://www.microsoft.com/investor/reports/ar20/index.html)*.*
* Are the patents in Xbox being infringed upon and how many patents were made in 2020 compared to 2019 and what about 2021?
	+ *Information on patents and intellectual property is available in* [*Microsoft’s 2020 Annual Report*](https://www.microsoft.com/investor/reports/ar20/index.html)*.*

Answer:

*Some questions ask for business sensitive information or roadmaps that we don't share publicly.*

* *For more information, you can listen to Satya Nadella’s answer at 40:07 in the* [*annual shareholders meeting*](https://www.microsoft.com/en-us/Investor/events/FY-2021/2020-Annual-Shareholder-Meeting)*, the product and strategy discussions in Microsoft’s* [*2020 Annual Report*](https://www.microsoft.com/investor/reports/ar20/index.html)*,* [*10-K*](https://view.officeapps.live.com/op/view.aspx?src=https://c.s-microsoft.com/en-us/CMSFiles/MSFT_FY20Q4_10K.docx?version=71873a68-d431-e887-124f-4d24b9ade60c) *and Microsoft’s* [*Investor Relations website*](https://www.microsoft.com/en-us/Investor/events/FY-2021/2020-Annual-Shareholder-Meeting)*.*