We won't just come out of COVID, we'll prepare for what Microsoft, our customers, and the world will need from us in the middle of the decade.

To: The Corporate, External, and Legal Affairs (CELA) Team

From: Brad Smith

Cc: CELA Senior Leadership Team

Date: June 29, 2021

This week we start a new fiscal year. Across Microsoft, this is always an important moment. This year for our team, it's even bigger. While it will take continued persistence and patience in many countries to put COVID-19 in the rearview mirror, we're focused on looking well beyond the next 12 months. We're embarking on the largest expansion of our team since 2010 and our biggest re-organization in 20 years. It's all part of what we call "CELA 2025," as we prepare for what Microsoft, our customers, and the world will need from us in the middle of the decade.

The world is changing, and Microsoft will change with it. While our mission to empower others remains constant, governments and countries today expect more and different things from us. We're clearly entering an era of rapidly expanding global technology regulation. But we've been adapting to new legal obligations for almost two decades. We've learned what it means to change in a responsible and even proactive way. We're well positioned to put our technology to use, so we can do more than ever to help customers grow, succeed, and contribute to a better world. To address all this, we will organize ourselves around three strategic pillars.

First, we must sustain public trust and adapt to the heightened expectations and expanded global regulation of the tech sector.

Second, we need to help Microsoft build the deeper technology solutions that will drive our customers' digital transformation and ensure their long-term competitiveness and success.

Third, we have an extraordinary opportunity to use technology to help address the world's greatest challenges.

I describe each of these in greater detail below, as well as all the details of our re-organization. But first, let me address another critical point.

Renew 2021 – The Need to Recharge, Reconnect, and Get Ready

As we prepare for a new and exciting challenge, it's natural to reflect on the long COVID marathon we've all been running and that is not yet over in much of the world. As a Senior Leadership Team, we

recognize that this is a moment for all of us to pause and catch our individual and collective breath. That's why tomorrow in Redmond we're launching a new initiative to help us all renew ourselves for the opportunities ahead. This program will roll out progressively around the world as vaccination rates increase in each country:

- *Recharge* – We are encouraging people first to take vacations and reunite with families and friends that in many cases have been separated by COVID restrictions. We're taking coordinated efforts as an SLT to support this through several steps, including two "quiet weeks" the first half of August.

- *Reconnect* – Many of us have not seen each other in person in more than 16 months. Roughly 15 percent of our employees have started their jobs since COVID's onset. Many new employees have never even met their manager in person. While many regions are still experiencing higher case rates, tomorrow is the day COVID restrictions lift in Puget Sound. It will mark our first hybrid Town Hall with people participating however they want, including in person if they are in Puget Sound. We'll follow the meeting with food trucks for lunch and building tours for new employees.

  Tomorrow's CELA Town Hall kicks off a series of "Back to the Workplace" events that will roll out around the world as vaccination rates rise, COVID cases fall, and in accordance with local public health rules. It will include a dedicated day for outdoor or other appropriate gatherings for teams to reconnect, and special dinners to welcome and celebrate new employees. In July and the latter half of August in Redmond, the Senior Leadership Team will be in the office for "Reconnect Mondays." While the office doesn't fully reopen until Stage 6 in September, employees are invited to drop in and say hello (and work onsite if they'd like). We'll end each Monday afternoon with happy hour for people to reconnect informally with colleagues and friends.

- *Get Ready* – We have a lot of important work to do to get ready for September, when we enter "Stage 6" in many countries and we embark on a new normal that will combine people in the office with new hybrid ways of working. Perhaps most important, our re-org means that many people will be part of new teams with new leaders. This will create new opportunities for all of us to build on our culture and growth mindset. Each team will have a dedicated initiative for the next two months to bring people together to learn and define more precisely its new goals and activities.

Adapting to a Changing World

Given the need to catch our breath, it's natural to ask whether this is the time to raise our ambition and embark on something new. I believe the answer is a resounding yes, and for a simple reason. The world's expectations for technology and the tech sector are growing and swiftly changing. Just glance at the map below, and the view is clear. The dark shaded countries are considering new technology laws.

Expanded technology regulation is spreading rapidly around the world

Even more remarkable than this broad geographic sweep is the varied range of new laws and regulations. While recent headlines have focused on competition law, change is coming in multiple fields. This includes new privacy, cybersecurity, responsible AI, digital safety, telecommunications, trade, consumer protection, and accessibility regulations. In addition, we expect to see new environmental sustainability regulations by the middle of the decade, if not before.

It's important to think about _why_ all this change in coming. While there will be days when we disagree with aspects of a particular regulatory proposal, the bigger picture is more important than the details.

Regulation is coming for many and understandable good reasons. Government officials are focused on the tech sector's power, importance to society, and impact on economic inequality and democracy itself. In some countries, there are increasing concerns about trust in technology, and we live in an era of rising economic nationalism that is leading to new digital sovereignty requirements. The need for an inclusive recovery is leading to higher public sector tech spending, including for broadband and skilling, while also increasing the focus on tech sector taxes. It's an important and complicated set of issues.

And it provides critical context for the three pillars for CELA 2025.

CELA 2025: Preparing for the Middle of the Decade

Over the last three months, we've spent considerable time as a Senior Leadership Team shaping our plans for the next four years. We've spent time talking with others across the Department and the company, and with external stakeholders. We've gained important insights from leaders in government, business, academia, and the nonprofit sector. This has led us to organize our efforts around three priorities.

Three Priorities

Earn the public's trust and adapt to heightened expectations and expanded global regulation

Build deep technology solutions that drive customer transformation, competitiveness, and success

Pursue an extraordinary opportunity to use technology to help address the world's challenges

We'll talk tomorrow at our town hall about each of these. But let me offer a few thoughts here.

***First*, we must earn the public's trust and adapt to the heightened expectations and expanded global regulation of the tech sector.**

There will be many days when some in the tech sector will complain loudly about the risks of regulation. There are real risks, and they need a fair hearing. But as a company, we will continue to be more focused on adapting to regulation than fighting against it. In part this is because we have been adapting for two decades to antitrust rules for a product like Windows, and we have learned from our experience. While change is never easy, we believe it's possible to adapt to new rules *and* innovate successfully and responsibly.

This was on display just last week. On the same day the House Judiciary Committee in Washington was passing new antitrust legislation for the tech sector, we were announcing proactively for Windows 11 the types of changes legislators are seeking. These include a second app store for Android apps supported by Amazon and the ability for developers to "bring their own commerce engine" and keep 100 percent of their revenue.

While the timing was coincidental, our direction is not. This is a critical time for us to listen closely to the expectations and concerns of technology stakeholders. In recent months, we've announced not only changes to Windows but a new EU data boundary that addresses European privacy concerns, expanded cybersecurity support for federal agencies in Washington, and a French cloud initiative that partners in new ways with key companies in Paris. We will take many similar proactive initiatives in the years ahead.

But the next four years are about much more than proactive initiative. Across the tech sector, Microsoft and other companies will need to adapt to new regulatory rules in multiple legal fields that will be applied in varying ways by many different governments. We live in a world where many healthy markets exist with regulatory guardrails. We take this for granted for the cars that we drive, the airplanes in which we fly, the groceries and medicines we purchase, and the financial services on which we rely. In short, if a product or service is of fundamental importance to society, then regulation is likely a fact of life. Put in this context, what's most remarkable about digital technology is not that regulation is coming, but that it has taken so long to arrive.

But the tech sector's regulatory transition will not be easy. Never has an industry had to adapt so quickly *on a global basis* to changes in so many legal fields. That's why it's so important that we get started quickly and decisively. We will need to build a capability across Microsoft that enables us both to comply with global regulations *and* innovate quickly. This will require tremendous thought based on an openness to learning, including from other industries that have gone before us. It will involve substantial new resources, and it's a major focus of a bigger budget and faster growth for our team. And it will call

on us to create strong governance models that rely on CELA teams to work with regulators and coordinate across the company, while engineering and other teams assume direct responsibility for huge amounts of work that will need to be done.

As much as anything, this explains the multi-year approach we are taking. Just as "Rome wasn't built in a day," our new capabilities won't be created in just one year. Our goal is to build our regulatory capabilities *ahead of* the adoption of new laws, thereby ensuring we can comply fully the day their implementation day arrives. As an SLT, we've looked beyond the next fiscal year in devising our expansion and hiring plans. I'll share more details at our meeting tomorrow.

Second, **we need to help Microsoft build the deeper technology solutions that will drive our customers' digital transformation and ensure their long-term competitiveness and success.**

As we look to the middle of the decade, this work needs to reflect two significant changes in technology markets.

First, as we've talked in recent months about where we're going as a company, Satya has often observed that there are fundamentally two types of technologies and business models. The first set of digital technologies are "factors of production" and are inputs that are used by customers to create more products and services. For example, cloud computing broadly as well as productivity and business software and operating systems fit into this category. Then there are "factors of distribution" which play a role in matching supply and demand and driving efficiencies for the participants. Technologies such as app stores, web search, social network feeds, and digital marketplaces all fall into this category.

Each has a role to play in economic growth for any given country and the world at large. But as Satya has said, "factors of production" are the most important in driving economic growth that is broadly beneficial. And "factors of distribution" are also beneficial if the market maker does not enrich itself with all the surplus created at the expense of customers and suppliers in otherwise competitive marketplaces.

Microsoft has businesses on both sides, but we are predominantly focused on being "factors of production." We want customers to become independent with us, not dependent on us. As Satya said last week, Windows itself "isn't just an operating system; it's a platform for platform creators. It allows for the broadest of design spaces, enabling people to build their own businesses and communities."

Second, the important role that Microsoft plays in providing these "factors of production" is changing *how* we work with customers. No longer is it sufficient to simply provide standardized products and services. Instead, we must create customized solutions. As we learned repeatedly as we worked more closely with customers to sustain their businesses throughout a pandemic, this this requires that we engage with them and understand their business, their goals, and their needs in a much deeper way.

This also changes how we work together across Microsoft. Engineering and sales teams now work closely together as we design specific customer solutions. And it is changing the work of our legal teams as well. Customized solutions need to take account of important intellectual property, data, and privacy issues. They must also reflect regulatory requirements that are often specific to a customer's industry.

All this will increase even further between now and the middle of the decade. Many technology regulations – such as for privacy, cybersecurity, and responsible AI – will apply not only to tech companies but to the use of technology by other industries as well. Our mission of empowering others therefore will take on an added dimension; more than ever it will involve helping customers use technology in a responsible and legally proper way.

All this will require that we change how we work, as we'll discuss more in our town hall tomorrow.

***Third*, we have an extraordinary opportunity to use technology to help address the world's greatest challenges.**

Our role as a company in providing "factors of production" is creating another dimension as well. In the world today, if there's a big problem, there is probably an opportunity for digital technology, data, and artificial intelligence to be part of the solution. We've seen this repeatedly in fighting COVID-19, a mission that obviously isn't yet complete around the world. And given the type of technology we create and the mission we pursue in serving others, I believe no company has a bigger opportunity than Microsoft to use technology to help address the world's greatest challenges.

This has led to substantial change the past three years, and it will lead to even more in the years ahead. We have an even bigger opportunity to deploy technology to address climate change, support humanitarian relief efforts, and advance racial equity. We're using technology to connect and serve people in rural communities around the world and underprivileged urban areas across the United States. We're finding that virtually every person on the planet will need to develop new digital skills in the decade ahead, a role that Microsoft with LinkedIn is uniquely well positioned to address. And more than ever, the protection of democracy and fundamental rights is dependent on the responsible use of technology. As we're learning first-hand, this includes opportunities for us to help support independent journalism and fight disinformation.

Virtually all this work also depends on technology solutions and support for the world's nonprofit organizations. Over the last five years, our Technology for Social Impact (TSI) team has built a market-leading role in supporting non-profit groups. As part of Microsoft Philanthropies, this expanding team combines donations, sales, and technology support under one roof. And with its unique business model, we reinvest its growth in contribution margin back into philanthropic donations and expanded resources for the team.

All this should provide us with inspiration about our opportunity to do even more between now and the middle of the decade. Not only for the work of a group like Microsoft Philanthropies, but for everything we do to advance the needs of our customers and our role in encouraging the responsible use of technology.

Reorganizing for the Future

I appreciate that whenever there is a re-org, people want to "skip ahead" and learn how teams are changing and who is getting a different job. But one key to success is ensuring that we structure teams and fill leadership roles based on the mission and strategies we want to pursue. Not the other way around. (In other words, if you've skipped to this section, please do me a favor, and read everything above this as well.)

We've been working on the design of our new organization for the last few months, and I'm happy today to share the details. I start here with the top level with my direct reports, with details on each team in the appendix below.

We will align most of CELA's regulatory work in two growing teams under established leaders. This will help us move faster to adapt to the new and expanded regulatory obligations we are expecting.

- **Julie Brill** will continue to lead our **Privacy and Regulatory Affairs (PRA)** team and serve as Microsoft's Chief Privacy Officer. In addition, we are moving the teams for responsible AI, digital

safety, accessibility compliance, and a new regulatory governance role into this team. We're also investing substantially in PRA's teams to address the expanded work that will be needed.

- **Tom Burt** will continue to lead our **Customer Security and Trust (CST)** team, in which we are investing substantially. The team's continuing mission is to help strengthen cybersecurity protection for our customers, with expanded and consolidated work to address nation-state attacks, fight ransomware threats, and ensure appropriate lawful access to data. As noted in more detail in the appendix below, we are moving to CST the team that addresses telecommunications regulations, which has been in PRA.

We are making even bigger changes to our legal and field teams. These teams will be at the heart of our changes as a department to drive deeper technology solutions for our customers. They will also support our regulatory changes and help advance our policy efforts to put technology to work to address societal challenges.

- **Lisa Tanzi** is being promoted to General Counsel, leading a new **Customer Experience & Policy (CxP)** team. Over the past few months, I've worked closely with Lisa as she has designed this new team to combine and integrate the CELA groups that support all the engineering and go-to-market groups across Microsoft, including our teams located in 54 countries around the world. I believe this new role and team will provide the right configuration for the future, and there is no one better than Lisa to fill this critical leadership role. In her 25 years at Microsoft, she has served in key legal roles for virtually every engineering area at the company, and the past three years she has successfully led our global sales and policy team.

- **Hossein Nowbar** is being promoted to General Counsel and Corporate Secretary for a new **Corporate Legal Affairs (CLA)** team. This will combine our corporate legal groups, including our intellectual property, litigation, compliance, and competition teams, as well as the teams that support corporate functions such as HR plus Finance and BD. Over his 23 years at Microsoft, Hossein has been the consummate product lawyer, serving successfully as the long-time most senior lawyer for the biggest technology group at the company, Cloud + AI. Throughout his career, Hossein has played an instrumental role in working through thorny legal challenges that cut across the company, and he will pour his deep engineering expertise into his new role as our corporate legal groups work to help address our regulatory, customer, and societal needs.

- **Dev Stahlkopf** is leaving Microsoft to pursue an exciting new opportunity that will be announced later today. As we reach this inflection point and establish our leadership team for the next four years, it's a natural time for Dev to pursue her ambitions and follow in the footsteps of other senior Microsoft lawyers who have become the chief legal officers of Spotify, Workday, and ByteDance. I'm grateful for all the strong legal work Dev has done in her 14 years at Microsoft and my personal opportunity to work and partner with her so closely. I'm also proud that she is taking the top legal position at another leading company, illustrating once again the multiple doors that open for people who succeed to a leadership level in our team at Microsoft.

We are evolving our "societal groups" to help technology meet the biggest challenges of the decade ahead. This has important implications for what will now be three groups.

- **Lucas Joppa** will continue to lead our **Environmental Sustainability (ES)** team but will now report to me directly, reflecting the increasing importance of sustainability and its growing connection with virtually everything we do. Lucas has provided strong leadership for an important and successful

team, and as described further below, we will continue to grow and stretch this team in new ways in the year ahead.

- **Kate Behncken** will continue to lead **Microsoft Philanthropies** as we expand its work, including substantially investing additional resources in the Technology for Social Impact team, supporting its growing business and strengthening our support for nonprofit organizations around the world. We are also expanding our digital skilling work, extending the employee give program globally, and taking other steps to expand our philanthropic efforts around the world.

- **Teresa Hutson** will move over to lead **Technology and Corporate Responsibility (TCR).** With Responsible AI and Environmental Sustainability moving out of TCR, it is an ideal time to envision version 2.0 of the group's mission to use our voice, partnerships, and technology to protect and expand access to the benefits and opportunities technology can bring. The group will continue its vital work around broadband, accessibility, and university and academic relations. It will also add to its work relating to justice reform and racial equity, while taking on new and critical work to advance and protect democracy. This will include our Defending Democracy program, including expanded work to fight disinformation, as well as our growing initiative to promote independent journalism. Teresa has done a terrific job in recent years leading our HR Legal group, and I look forward to what she'll bring to this business leadership role.

- **Shelley McKinley** will move from leading TCR to another key job within Microsoft as the Chief Legal Officer **for GitHub**. Shelley has done a superlative job in leading TCR, and I can't say enough positive things about the leadership role she has played and the team she has helped us create. In her 16 years at Microsoft, Shelley has played ever-increasing roles as a lawyer for both engineering and sales groups, before her work these past four years leading the societal efforts of TCR. As the Chief Legal Officer for GitHub, Shelley will have the opportunity to combine all these roles in an increasingly important part of Microsoft's future.

The other teams that report directly to me are expanding their work, but in ways that involve less organizational change. These include:

- Three of our government affairs teams will continue to report to me directly, with changes that are described in the appendix below. These are:
  - **Fred Humphries**, leader of **U.S. Government Affairs**
  - **Casper Klynge**, leader of **European Government Affairs**
  - **John Frank**, leader of the **UN and International Organizations Affairs**

- **Mary Snapp** will continue to report to me, playing a leadership role on key **strategic initiatives** such as our journalism and rural initiatives.

- **Steve Clayton** is joining CELA to lead our **Public Affairs** team, reporting to me. I'm excited that Steve is moving over from his current role on Frank Shaw Communications LT to lead a team that we're investing in and growing, including with additional senior talent. Steve has long been Microsoft's top storyteller, connecting with leading journalists around the world and infusing across the company the ability to bring our work to life. I'm looking forward to our continued work to partner closely with Frank and for Steve to bring the next wave of innovation to our external communications work.

- **John Kahan** will continue to lead our Data Science team as it evolves its work to address our new priorities.

Finally, I want to make special mention of three other individuals who will continue to play their ongoing indispensable roles.

- **Carol Ann Browne** will continue as my **chief of staff** and lead my **external communications, employee communications, and my external relations**. Carol Ann has been instrumental in the planning for this re-organization, as she has been in all the aspects of CELA's work since becoming chief of staff 18 months ago and overseeing my external communications long before that.

- **Liz Wan** will continue to lead the **HR** team supporting CELA. Liz has been an indispensable partner in this re-org, as she has been on so many other issues.

- **Raj Jhawar** will continue to lead the **Finance** team that supports CELA. Raj pioneered an approach to help design the budget and headcount expansion this re-org will bring to CELA during the next 18 months.

I'm looking forward to talking through all this at our town hall tomorrow and even more excited about the opportunities and challenges we will address together as a team in the years ahead!

Brad