

MICROSOFT CORP
Form DEFA14A
November 16, 2015

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

**Proxy Statement Pursuant to Section 14(a) of the
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Microsoft Corporation

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November 16, 2015

Dear Shareholder,

First and foremost, thank you for your continued investment in Microsoft.

As we look ahead to our annual shareholders meeting on December 2, 2015, I would like to update you about developments at Microsoft over the past year, and ask for your support on the proposals that will be presented at our annual meeting. The accompanying presentation provides additional detail on these topics.

2015 Developments

Microsoft continued to make progress on its strategic transformation as our CEO Satya Nadella worked to refine the Company's strategic focus, prioritizing talent and investments in areas where we have differentiation and potential for growth. Throughout this transformation, the Board and management team have remained focused on and committed to executing on our strategic goals and creating value for our shareholders. In fiscal 2015 we increased:

Total revenue 8%

Commercial Cloud revenue 106%

Quarterly dividend 11%

Total cash returned to shareholders by nearly 50% to \$23.3 billion

The Board and leadership team were also responsible for three important developments over the past 12 months:

Evolution of Executive Compensation. Last year in our proxy statement we said we were committed to developing performance metrics and long-term incentives as part of the annual incentive award structure for our executive officers. The Compensation Committee followed through by working with management to implement a new program for our current fiscal year that explicitly ties executive incentives to specific performance measures aimed at driving long-term performance and value creation. These performance measures align with the evolution of Microsoft's business and key long-term objectives and provide greater accountability and transparency. As part of this process, we engaged a wide range of shareholders who provided important input that was considered in constructing the changes for the new program.

Adopted Proxy Access. The Board's decision to adopt proxy access grew out of an open and constructive dialogue with our shareholders and Microsoft's commitment to maintain strong governance practices. The Proxy Access for Director Nominations bylaw permits eligible shareholders to nominate candidates for election to the Microsoft Board.

Nominated Two New Independent Directors. Microsoft has a regular practice of adding new directors who can provide new and diverse perspectives and complementary skills. We have nominated for election at the upcoming meeting Sandra Peterson, Group Worldwide Chairman at Johnson & Johnson, and Padmasree Warrior, formerly Chief Technology and Strategy Officer at Cisco Systems. We are excited about the new experience and insights they will bring to the Board.

Annual Shareholders Meeting Items

At the December 2 annual meeting, our shareholders will vote on three management proposals.

Election of eleven directors. Our director nominees represent an engaged, skilled group of individuals with the experience and expertise to help guide Microsoft through its next chapter of innovation. These nominees include two new independent directors as described above. The average director tenure of the slate of directors is six years. There is more information about all of our Board nominees in our proxy statement and on page 5 of the presentation.

Advisory vote on named executive officer compensation. Our executive compensation program remains heavily weighted toward equity compensation to align our executives with the long-term performance of our company and with our shareholders' interests. With the changes taking effect in 2016, over half of Satya Nadella's pay opportunity will be tied to specific long-term performance metrics. More information about our executive compensation program can be found in our proxy statement and on pages 6 through 11 of the presentation.

Ratification of auditors. The Audit Committee has selected Deloitte & Touche LLP as the independent auditor for fiscal 2016.

*The Microsoft Board of Directors encourages you to vote **FOR** each of these management proposals.*

This year we partnered with iiWisdom to deliver an interactive version of our proxy statement that is available on our Investor Relations website. Our interactive proxy statement improves our shareholders' ability to efficiently access and consume the proxy content they find most important using an interactive, easily navigable framework.

As we approach our annual shareholders meeting, the Board and I invite you to write us at AskBoard@microsoft.com about corporate governance or the board of directors. We sincerely value continued feedback from our shareholders and appreciate the importance of thoughtfully considering a diversity of perspectives as we work to deliver long-term value. This letter and the accompanying presentation is part of our ongoing commitment to transparency and finding methods to communicate with you.

I appreciate the opportunity to serve Microsoft on your behalf.

Sincerely,

John W. Thompson

Chairman of the Board

Microsoft Corporation

