



Brad Smith
President
Microsoft Corporation
One Microsoft Way
Redmond, WA 98502
USA

30 November 2019

Dear Brad,

Carbon Emissions Disclosure

TCI Fund Management Limited manages over \$30 billion across a range of asset classes. Since inception of the business over 15 years ago, cumulative investment returns have substantially outperformed equity index benchmarks.

TCI is a shareholder in Microsoft with a 0.2% holding.

Investment approach and engagement

As part of our investment process we assess a range of ESG factors, particularly climate change risk.

TCI believes that climate change-related risks, in particular a company's greenhouse gas (GHG) emissions, will have a material effect on a company's long-term profitability, sustainability and investor returns. These risks include regulation, taxation, competitive disadvantage, brand impairment, financing, physical asset impairment and litigation.

We actively engage on ESG to help us understand, quantify and influence a company's exposure to climate change-related risks and the way it is managing those risks.

Emissions disclosure

We require companies in which we invest to make appropriate and timely public disclosure of carbon and other GHG emissions. Such disclosure should include targets for emissions intensity reduction and absolute level reduction.

TCI fully supports compulsory disclosure on a standardised basis and the use of the Task Force on Climate-related Financial Disclosure (TCFD) reporting framework (www.tcfhub.org).

7 Clifford Street, London, W1S 2FT Telephone: +44 (0) 20 7440 2330

TCI Fund Management Limited is a private limited company incorporated and existing under the laws of England and Wales with registered number 08898250

Authorised and regulated by the Financial Conduct Authority

In our view, reporting to CDP (www.CDP.net) is the best way to implement TCFD. **We expect all our portfolio companies to make full annual public disclosure to CDP.**

Low-Carbon Transition Plans

We expect companies in which we invest to have a credible, publicly-disclosed plan to reduce GHG emissions. This plan should include measurable science-based targets that align with the Paris Agreement, which requires full de-carbonisation of economies (net zero emissions) by 2050.

Actions that should be included in a low-carbon transition plan are to:

1. Change business processes to reduce the company's carbon footprint;
2. Introduce efficient energy management into buildings and factories;
3. Source low carbon energy through direct generation or power purchase agreements;
4. De-carbonise transport fleets, e.g. through electric vehicles;
5. Offset emissions from corporate travel, e.g. through afforestation;
6. De-carbonise supply chains and helping customers lower their carbon intensity;
7. Advocate for regulations which drive the de-carbonisation of their industry to ensure its sustainability.

Voting

1. **We will typically vote against all directors of companies which do not publicly disclose their emissions and do not have a credible plan for their reduction.**
2. **We will also vote against auditors where the Annual Report and Accounts fail to report material climate risks.**

Divestment

We will also evaluate divestment where a portfolio company refuses to disclose its emissions and does not have a credible plan for their reduction.

Microsoft disclosure to CDP

We are pleased to see that Microsoft has provided disclosure to CDP for 2018 and 2019 and we have carefully analysed these submissions. **For 2018, CDP awarded Microsoft an overall A grade.**

Congratulations, this is the highest overall score achievable and demonstrates Microsoft's strong industry leadership on environmental actions and stewardship, thorough understanding of the risks and opportunities related to climate change and alignment with TCFD disclosure recommendations.

We are particularly impressed with Microsoft's achievements in sustainability, such as:

- The strength and depth of ESG leadership and integration which provides an excellent example of how to frame corporate decision-making on climate resilience;
- The depth of employee involvement on initiatives to improve sustainability, energy efficiency and emissions reduction (including the annual "Hackathon");

- Carbon neutrality since 2012, purchasing clean power equal to your global electricity consumption and targeting 75% reduction in overall carbon emissions by 2030;
- The many innovative products and solutions (e.g. the internal “carbon fee”, Life Cycle Assessments, AI for Earth, Smart Energy Azure IoT stack, Microsoft CityNext) that help users improve sustainability and avoid GHG emissions.

We very much appreciate the time and effort Microsoft has made and the positive example this sets for other companies. We look forward to continuing our dialogue.

Yours sincerely,



Chris Hohn



Philip Green



Sourav Choudhary

