

Resolution: Tax Transparency

RESOLVED: Shareholders request that the Board of Directors issue a tax transparency report to shareholders, at reasonable expense and excluding confidential information, prepared in consideration of the indicators and guidelines set forth in the Global Reporting Initiative's (GRI) Tax Standard.

Supporting Statement

Profit shifting by corporations is estimated to cost the US government \$70 - 100 billion annually.¹ Globally, the OECD estimates revenue losses of \$100 – 240 billion.² The PRI, representing investors with \$89 trillion assets under management, states that tax avoidance is key driver of global inequality.³

With the COVID-19 pandemic resulting in large deficits for many governments, there has been increased government and community focus on whether corporations are paying a “fair share” of tax and contributing to societies where profits are earned. 90% of companies believe that the financial impacts of the pandemic may lead to more tax disputes, while 38% expect authorities to become more rigorous in tax examinations.⁴

In October 2021, 136 countries agreed to a framework for global tax reform.⁵ In the US, increases in infrastructure and social spending are linked to tax reforms.⁶ The proposed Disclosure of Tax Havens and Offshoring Act will require public country-by-country reporting (CbCR) of financial (including tax) data by SEC-registered companies. In November 2021, the European Union approved a directive to implement a form of public CbCR for multinationals operating in the European Union with group revenue of over \$860 million.⁷

Currently, Microsoft does not disclose revenues or profits in non-US markets, and foreign tax payments are not disaggregated, challenging investors' ability to evaluate the risks to our company of taxation reforms, or whether Microsoft is engaged in responsible tax practices that ensure long term value creation for the company and the communities in which it operates. Microsoft's approach to taxation has been repeatedly challenged by tax authorities globally.⁸ In 2020, an Irish subsidiary recorded profits of \$315 billion, despite having no employees.⁹

The GRI Standards are the world's most utilized reporting standard.¹⁰ The GRI Tax Standard was developed in response to investor concerns regarding the lack of corporate tax transparency and the impact of tax avoidance on governments' ability to fund services and support sustainable development.¹¹ It is the first comprehensive, global standard for public tax disclosure and requires public reporting of a company's business activities, including revenues, profits and losses, and tax payments within each jurisdiction.¹²

¹ <https://thefactcoalition.org/trillions-at-stake-behind-the-numbers-at-play-in-u-s-international-corporate-tax-reform/>.

² <https://www.washingtonpost.com/us-policy/2020/11/19/global-tax-evasion-data/>

³ <https://www.globalreporting.org/about-gri/news-center/backing-for-gri-s-tax-standard/>

⁴ <https://www2.deloitte.com/content/dam/Deloitte/global/Documents/dttl-tax-beps-survey-2021-report.pdf>

⁵ <https://www.oecd.org/tax/international-community-strikes-a-ground-breaking-tax-deal-for-the-digital-age.htm>.

⁶ <https://thefactcoalition.org/international-tax-reform-in-build-back-better-act-a-promising-start/>

⁷ <https://www.internationaltaxreview.com/article/b1vf7yc65qzcd/this-week-in-tax-eu-on-track-for-public-cbcr-by-2023>

⁸ <https://www.propublica.org/article/the-irs-decided-to-get-tough-against-microsoft-microsoft-got-tougher;>
<https://www.theguardian.com/australia-news/2015/apr/08/google-apple-and-microsoft-defend-tax-set-up-that-shifts-revenue-offshore>

⁹ <https://www.theguardian.com/world/2021/jun/03/microsoft-irish-subsidiary-paid-zero-corporate-tax-on-220bn-profit-last-year>

¹⁰ <https://assets.kpmg/content/dam/kpmg/xx/pdf/2020/11/the-time-has-come.pdf>

¹¹ <https://www.globalreporting.org/about-gri/news-center/backing-for-gri-s-tax-standard/>

¹² <https://www.globalreporting.org/standards/media/2482/gri-207-tax-2019.pdf>

This proposal would bring our company's disclosures in line with leading companies who already report using the Tax Standard.¹³ Our company already reports CbCR information to OECD tax authorities privately, so any increased reporting burden is negligible.

¹³ <https://www.globalreporting.org/about-gri/news-center/momentum-gathering-behind-public-country-by-country-tax-reporting/>