



**WHEREAS:** Climate change poses a growing, systemic risk to the economy. If global climate goals are not met, workers face the likelihood of significant negative impacts to their retirement portfolios. Swiss Re estimates a 4% decline in global GDP by 2050 if global temperature increases are kept below two degrees Celsius but up to an 18% decline without effective mitigation.<sup>1</sup>

Microsoft has taken actions to address climate change, including a goal to become carbon negative by 2030.<sup>2</sup> Yet, while it transitions its business away from fossil fuels, our Company's 401(k) retirement plan ("Plan") invests significantly in companies that contribute to climate change, jeopardizing workers' life savings.

Microsoft offers plan participants BlackRock LifePath funds, which collectively hold the largest segment — 26% — of Plan assets.<sup>3</sup> These target retirement funds invest significantly in fossil fuel companies and companies contributing to deforestation.<sup>4</sup> By investing employees' retirement savings in companies with outsized contributions to climate change, Microsoft is generating climate risk in workers' portfolios, including both transition risk as markets shift towards a low carbon economy and long-term systemic portfolio risk.

Federal law requires the Board to monitor its appointed fiduciaries "to ensure that their performance . . . satisfies the needs of the plan."<sup>5</sup> The Plan's fiduciaries must act in the best interest of their beneficiaries by considering all material risk, including climate risk, which the federal government has recently clarified is an appropriate consideration for fiduciaries.<sup>6</sup> By failing to minimize climate risk, Microsoft's current 401(k) options risk compromising its obligation to select retirement plan investment options in the best interests of its plan participants, particularly those with retirement dates more than a decade out.

In the increasingly competitive employee recruitment and retention landscape, failing to minimize material climate risk in its 401(k) plan options may make it more difficult for Microsoft to attract and retain top talent. Employee polling indicates that firms'

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<sup>1</sup> <https://www.swissre.com/media/press-release/nr-20210422-economics-of-climate-change-risks.html>

<sup>2</sup> <https://query.prod.cms.rt.microsoft.com/cms/api/am/binary/RW14sJN>

<sup>3</sup> <https://investyourvalues.org/retirement-plans/microsoft>

<sup>4</sup> <https://investyourvalues.org/retirement-plans/microsoft>

<sup>5</sup> <https://www.law.cornell.edu/cfr/text/29/2509.75-8>

<sup>6</sup> <https://www.federalregister.gov/documents/2022/12/01/2022-25783/prudence-and-loyalty-in-selecting-plan-investments-and-exercising-shareholder-rights>



environmental records are an important consideration in choosing a job.<sup>7</sup> Employee polling also reveals increasing demand for climate-safe retirement plan options.<sup>8</sup>

Given the threat that climate change poses to employees' life savings, our Company can help ensure employee loyalty and satisfaction, and demonstrate that it is actively safeguarding all employees' retirement savings by minimizing climate risk in its Plan offerings.

**BE IT RESOLVED:** Shareholders request Microsoft publish a report, at reasonable expense and omitting confidential information, disclosing how the Company is protecting Plan beneficiaries with a longer investment time horizon from the increased future portfolio risk created by present-day investments in high-carbon companies.

**SUPPORTING STATEMENT:** The report should include, at Board discretion, an analysis of:

- The degree to which carbon-intensive investments in the Company's current retirement options contribute to greater beneficiary risk and reduced Plan performance over time; and
- Whether carbon-intensive investments in Plan investment options put younger beneficiaries' savings at greater risk than participants closer to retirement.

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<sup>7</sup> <https://www.shrm.org/resourcesandtools/hr-topics/talent-acquisition/pages/climate-change-branding-can-lift-recruitment-and-retention.aspx>

<sup>8</sup> <https://www.cnn.com/2019/04/09/workers-want-elusive-socially-responsible-investments-in-401k-survey.html>