Welcome to your CDP Water Security Questionnaire 2022

W0. Introduction

W0.1

(W0.1) Give a general description of and introduction to your organization.

At Microsoft, our mission is to empower every person and every organization on the planet to achieve more. We enable digital transformation for the era of an intelligent cloud and an intelligent edge. We strive to create local opportunity, growth, and impact in communities around the globe, and we're working to ensure that our technology is creating an inclusive, trusted, and more sustainable world.

The scientific consensus is clear: water security and our capacity to safeguard sustainable access to quality freshwater resources are increasingly at risk. There is a global increase in water demand that follows population growth, economic development, and changing consumption patterns. Getting ahead of the world's imminent water crisis will require a reduction in the amount of water used to operate economies and societies while ensuring there is sufficient and clean water for all. This will require a transformation in the way water data is collected and managed and the way we build solutions and approaches to water, as well as a concerted effort for all organizations to properly account for and balance their water use.

We are committed to becoming a water positive company for our direct operations by 2030. We will do this by continuing our water stewardship work across our operations, building on the steps taken to reduce the water consumption in our datacenters and campuses over the past decade. In addition to reductions, we aim to become water positive through expanding access to clean water and replenishing more water than we consume in water-stressed regions where we operate. Microsoft's water stewardship strategy focuses on increasing our understanding of water-related risks and impacts to the business and communities in which we operate. Our approach focuses on improving our water efficiency across operations, collaborating with

non-governmental organizations (NGOs) and corporate partners to invest in projects that generate volumetric and ecological benefits in the communities in which we operate, and using our platforms and products to advance innovative solutions to water challenges.

This is part of a broader company sustainability strategy that focuses on using digital technology and data to address the world's most pressing environmental issues, specifically focusing on water, carbon, ecosystems, and waste. We follow our policies and comply with international environmental laws and regulations and the specific local environmental requirements of each country and region where we do business.

All reported information represents best available data as of and for the reporting year unless otherwise noted. We undertake no obligation to update information contained in this report, whether because of new information, future events, or otherwise.

Forward-looking statements: This report includes estimates, projections, and other "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, section 27A of the Securities Act of 1933, and section 21E of the Securities Exchange Act of 1934. These forward-looking statements generally are identified by the words "believe," "project," "expect," "anticipate," "estimate," "intend," "strategy," "future," "opportunity," "plan," "may," "should," "will," "would," "will be," "will continue," "will likely result," and similar expressions. Forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties that may cause actual results to differ materially. We describe risks and uncertainties that could cause actual results and events to differ materially in our reports filed with the Securities and Exchange Commission. We undertake no obligation to update or revise publicly any forward-looking statements, whether because of new information, future events, or otherwise.

W0.2

(W0.2) State the start and end date of the year for which you are reporting data.

	Start date	End date
Reporting year	July 1, 2020	June 30, 2021

W0.3

(W0.3) Select the countries/areas in which you operate.

W0.4

(W0.4) Select the currency used for all financial information disclosed throughout your response.
USD

W0.5

(W0.5) Select the option that best describes the reporting boundary for companies, entities, or groups for which water impacts on your business are being reported.
Companies, entities or groups over which operational control is exercised

W0.6

(W0.6) Within this boundary, are there any geographies, facilities, water aspects, or other exclusions from your disclosure?
Yes

W0.6a

(W0.6a) Please report the exclusions.

Exclusion	Please explain
Water data from ZeniMax Media Inc. operations	On March 9, 2021, Microsoft completed the acquisition of ZeniMax Media Inc., the parent company of Bethesda Softworks LLC. Given that it was a mid-year acquisition, water data from this acquisition will be included in next year's response.

W0.7

(W0.7) Does your organization have an ISIN code or another unique identifier (e.g., Ticker, CUSIP, etc.)?

Indicate whether you are able to provide a unique identifier for your organization.	Provide your unique identifier
Yes, an ISIN code	US5949181045

W1. Current state

W1.1

(W1.1) Rate the importance (current and future) of water quality and water quantity to the success of your business.

	Direct use importance rating	Indirect use importance rating	Please explain
Sufficient amounts of good quality freshwater available for use	Vital	Important	Direct use: The primary use for good-quality freshwater in our direct operations is for cooling systems for some offices, labs and datacenters. Direct use of water is vital to ensure continuous delivery of customer services and to provide drinking water for employees. Our future dependency on good-quality freshwater is likely to decrease because we're piloting water recycling/reuse technologies to reduce water consumption per megawatt hour (i.e. water intensity) in our direct operations. For example, at our new datacenter region in Arizona, we use zero water for cooling for more than half the year, taking advantage of adiabatic cooling. Our new Silicon Valley campus is operating as the first technology campus with a net zero water certification. Our Herzliya, Israel site uses Watergen's technology to produce fresh drinking water from the humidity in the air. In Hyderabad, India, we're piloting air-to-water generators that will capture the moisture in humid air, purify it, and produce safe drinking water. Indirect use: The primary use of good-quality freshwater by our suppliers includes process and domestic use. Our lifecycle analysis indicates that water quality and quantity are very important for manufacturing magnets, integrated circuits, printed wiring boards, aluminum, enclosures, fabrics, and packaging. We're working to reduce water use in device textiles: in the manufacturing process for our computer palm rests and type covers, we're switching to a solution dye technique, reducing water consumption by 20%. We recognize access to drinking water and sanitation as a human right and require our directly contracted manufacturing suppliers to provide workers with ready access to clean toilet facilities and potable water as a condition of doing business with Microsoft. We do not

			anticipate any change in water dependency for indirect use in the future because sufficient freshwater supply will remain an important component of supplier operations and employee wellbeing.
Sufficient amounts of recycled, brackish and/or produced water available for use	Important	Important	Direct use: The primary use for lower quality water in our direct operations is for cooling systems in our datacenters. We use recycled or industrial water where available unless potable water is required (e.g. with adiabatic cooling). We also use lower quality water for flush fixtures, cooling, and irrigation for some offices and labs globally. Access to lower quality water is important because it reduces our dependency on limited potable water. For example, our LinkedIn headquarters in California is planning to use municipal recycled water for landscaping and internal plumbing, thus saving more than 35 million liters of potable water each year. Our Herzliya, Israel site's landscaping uses 100% of the air conditioning condensate water for its irrigation and cooling towers. New campus developments in Herzliya, Puget Sound, Hyderabad, and Silicon Valley will treat greywater and/or harvest rainwater to use for non-potable water such as in flush fixtures, cooling tower makeup, and irrigation. Because we will be increasing our use of these systems, future dependency on recycled water will increase in our direct operations. Indirect use: The primary use of lower quality water by our suppliers includes process use (e.g. surface treatment, cooling processes) and limited domestic use (e.g. toilet flushing, landscaping). Lower quality water use is important because it reduces demand for potable water—an increasingly scarce resource—and increases resiliency against water scarcity. We expect future dependency on lower quality water for our indirect operations and supplier sites to increase because of efforts we are helping drive at those manufacturing supplier sites to implement waste/wastewater recycling practices, thereby increasing supply resilience and providing significant reputational value in many parts of the world.

W1.2

(W1.2) Across all your operations, what proportion of the following water aspects are regularly measured and monitored?

	% of sites/facilities/operations	Please explain
Water withdrawals – total volumes	100%	We are reporting water withdrawals for 100 percent of our owned and leased facilities (including datacenters, offices, labs, retail). Water withdrawals are based on data from utility bills from our largest sites (and other sites with access to water utility data) and, in some cases, estimations. We have a robust estimation methodology for sites that do not report primary data that accounts for square footage (offices), electricity consumption (datacenters), and cooling type (datacenters). We updated this methodology in FY18 to account for varying withdrawal rates of different cooling types at our datacenters. For most other facilities, utility data at individual sites is collected monthly. The global water inventory, which includes estimations, is aggregated annually.
Water withdrawals – volumes by source	100%	We are reporting water withdrawals for 100 percent of our owned and leased facilities (including datacenters, offices, labs, retail). Water withdrawals are based on data from utility bills from our largest sites (and other sites with access to water utility data) and, in some cases, estimations. We have a robust estimation methodology for sites that do not report primary data that accounts for square footage (offices), electricity consumption (datacenters), and cooling type (datacenters). For most other facilities, utility data at individual sites is collected monthly. The global water inventory is aggregated annually. The vast majority of metered withdrawals come from third-party sources (i.e. municipal utilities). We are working to collect source data from water utilities to understand where their water is coming from (e.g. fresh surface water or groundwater). Where water withdrawals are estimated, we assume they come from municipal sources.
Water withdrawals quality	1-25	At most of our sites (including datacenters, offices, labs, retail), water quality is monitored at the municipal level. We monitor water withdrawals for quality at the site level where required. For example, we engage a third-party organization in China to annually check bacteria levels and other water quality metrics at water dispensers at our Beijing West, Suzhou, and Shanghai Zizhu campuses (offices and labs) as well as our Shanghai Huaxin, Hangzhou, Nanjing,

		Chengdu, Chongqing, Shenzhen Comt, Guangzhou, Fuzhou, JiNan, Shenyang, and Wuxi office sites.
Water discharges – total volumes	100%	Most of our sites (including datacenters, offices, labs, retail) do not have discharge meters. Water consumption is low at many of our office sites; for these sites we know that discharges are close to withdrawals. Where there is water consumption (such as for landscaping, evaporative coolers, cooling towers, settling ponds), we ensure that discharge equals the difference between withdrawals and consumption when we complete our annual water inventory. We use blowdown meters in Beijing to monitor discharge from our heating, ventilation, and air conditioning (HVAC) water treatment system. Where discharges are not metered, we estimate them annually as part of our global water inventory aggregation process. We are continuing to confirm our consumption numbers to establish a solid baseline for reporting and internal goal setting.
Water discharges – volumes by destination	100%	Most of our sites (including datacenters, offices, labs, retail) do not have discharge meters. Water consumption is low at many of our office sites; for these, we know that discharges are close to withdrawals. Where there is consumption (such as for landscaping, evaporative coolers, cooling towers, settling ponds), we ensure that discharge equals the difference between withdrawals and consumption in our annual water inventory. For most Microsoft-owned sites, discharges go directly to the (non-Microsoft-owned) wastewater treatment plant. Thus, monthly utility invoices are a proxy for discharge volumes by destination (wastewater treatment plants) for sites that we own and operate. Where discharges are not metered, we estimate them annually as part of our global water inventory aggregation process. We are continuing to confirm our consumption numbers to establish a solid baseline for reporting and internal goal setting.
Water discharges – volumes by treatment method	100%	The vast majority of Microsoft water discharges go directly to the wastewater treatment plant. Most of our sites (including datacenters, offices, labs, retail) do not have discharge meters. Water consumption is low at many of our office sites; for these sites we know that discharges are close to withdrawals. Where there is water consumption (such as for landscaping, evaporative coolers, cooling towers, settling ponds), we ensure that discharge equals the

		difference between withdrawals and consumption in our annual water inventory. Where discharges are not metered, we estimate them annually as part of our global water inventory aggregation process. Given that most of our discharges go to municipal wastewater treatment plants, we do not currently have information on the treatment method that is used at each location and therefore do not have the volumes disaggregated by treatment method.
Water discharge quality – by standard effluent parameters	1-25	The majority of our discharges (including from datacenters, offices, labs, retail) are conveyed to municipal treatment plants. Water quality is monitored during process use, and discharge quality is monitored where required. Where it is required, we provide this information to the appropriate reporting agency. Water discharge quality is measured inline daily to monthly, depending on the requirements of each individual site. As part of this reporting exercise, we are identifying gaps in reporting capabilities and will be performing an analysis on what it would cost to add infrastructure to have the ability to report on this in the future.
Water discharge quality – temperature	1-25	Where required by a discharge permit, we monitor the discharge water temperature at specific intervals and timing.
Water consumption – total volume	100%	Most of our sites (including datacenters, offices, labs, retail) do not have discharge meters. For these sites, water consumption is assumed to be 10 percent of withdrawals unless they have landscaping that requires irrigation or a water-based cooling system. Our Beijing office site is an example of where we meter consumption; we use a flow meter to regularly monitor water use for the cooling tower system. Where consumption is not metered, we estimate it annually as part of our global water inventory aggregation process.
Water recycled/reused	100%	We measure and monitor reused water at sites that procure recycled water from utilities or that recycle water within the facility. At our owned datacenters that use recycled/reused water, meters collect real-time data on usage. At all other facilities, where applicable, recycled/reused water usage is measured. Our Johannesburg office greywater treatment plant is separately metered to track water reused monthly. Our Silicon Valley office campus is a net zero water facility; we have established a water budget to quantify the amount of water captured, recycled, and reused onsite. Our Herzliya office campus, located in a water-stressed region, will use water collected from air conditioners exclusively to water plants onsite. Our Beijing

		campus has a greywater treatment system that allows the recycling of HVAC condensed water, followed by water purification, to increase water reuse in this water-stressed region. Our UK, Ireland, and Namibia campuses all have plans for rainwater harvesting.
The provision of fully-functioning, safely managed WASH services to all workers	100%	We provide fully functioning water, sanitation, and hygiene (WASH) services for all workers at all our sites (including datacenters, offices, labs, retail). WASH services are cleaned and monitored as part of daily custodial services. In FY19, by joining the United Nations (UN) Global Compact CEO Water Mandate, we formally acknowledged that access to safe water and sanitation is a human right and we have expressed a formal commitment to safely managed water access and sanitation in our offices and datacenters, in alignment with UN Sustainable Development Goal (SDG) 6 (ensure availability and sustainable management of water and sanitation for all). At some sites, we undertake water quality testing at the site level; e.g. we engage a third party in China to annually check bacteria levels and other water quality metrics at water dispensers at our Beijing West, Suzhou, and Shanghai Zizhu campuses (offices and labs) as well as multiple office sites.

W1.2b

(W1.2b) What are the total volumes of water withdrawn, discharged, and consumed across all your operations, and how do these volumes compare to the previous reporting year?

	Volume (megaliters/year)	Comparison with previous reporting year	Please explain
Total withdrawals	7,657	About the same	Water withdrawals are based on data from utility bills from our largest sites and other sites with access to water utility data (including datacenters, offices, labs, and retail); in cases where metered data is unavailable, we use estimations. We have a robust estimation methodology for sites that do not report primary data that accounts for square footage (offices), electricity consumption (datacenters), and cooling type (datacenters). Even so, there exists uncertainty of +/-10 percent in the data due to data gaps, metering/measuring constraints, and extrapolation

			methodology. In FY21, our total measured water withdrawals were approximately the same as reported for the previous reporting period—a change of less than +/- 10 percent—because, although our business has continued to grow, this growth has been balanced by increased water efficiency. We anticipate withdrawals to increase as our business grows over the next several years.
Total discharges	3,179	Lower	Most of our sites (including datacenters, offices, labs, and retail) do not have discharge meters. In most cases, water consumption is low, and so for these sites we know that discharges are close to withdrawals. We estimate discharges at each site by subtracting metered/estimated consumption from total withdrawals. There exists uncertainty of +/-20 percent in the data due to data gaps, metering/measuring constraints, and extrapolation methodology. In FY21, our total measured municipal treatment water discharge was lower than the previous reporting period—a change of greater than 10 percent and less than 50 percent—because we updated how we account for water consumption for water used for irrigation, leading to a higher consumption figure. We anticipate discharges to increase as our business grows over the next several years.
Total consumption	4,478	Higher	Most of our sites (including datacenters, offices, labs, and retail) do not have discharge meters or consumption meters. Therefore, we must estimate consumption for nearly all of our sites. For office facilities, water consumption is estimated as a percentage of withdrawals, based on whether water is used for irrigation at the site. For datacenters, water consumption is estimated as a percentage of withdrawals based on the cooling type of the facility and region. There exists uncertainty of +/-20 percent in the data due to data gaps, metering/measuring constraints, and extrapolation methodology. In FY21, our total measured water consumption was higher than the previous reporting period—a change of greater than 10 percent and less than 50 percent—because we updated how we account for water consumption for water used for irrigation, leading to a higher consumption figure. We anticipate consumption to increase as our business grows over the next several years. We are continuing to focus on water efficiency and decreasing our water use intensity across our operations in support of our 2030 water positive goal (set in FY21).

W1.2d

(W1.2d) Indicate whether water is withdrawn from areas with water stress and provide the proportion.

	Withdrawals are from areas with water stress	% withdrawn from areas with water stress	Comparison with previous reporting year	Identification tool	Please explain
Row 1	Yes	11-25	About the same	WRI Aqueduct	Each year, we conduct water risk assessments that consider the current and near-future water needs for our business facilities (including offices, retail, and labs) and datacenters using the WRI Aqueduct tool because it reveals a broad spectrum of key water-related risks at the level of individual river basins. We consider sites to be in a water-stressed area if they sit in a water basin rated as having at least "High (40-80%)" annual baseline water stress according to the WRI Aqueduct tool. There was a less than 10 percent change in this value from the previous reporting period because our site portfolio and proportion of withdrawals from each location remained consistent. We concluded that we do not have substantive risk at the enterprise level even though we do have several important sites that are being monitored for potential water availability risks in the future and we are currently taking proactive steps to manage those risks, such as reducing water use through investment in efficiencies and innovations and investing in water replenishment projects. In FY19, we adopted a water replenishment target in which we committed to balance our water consumption in our operations by replenishing water in water-stressed basins where we operate by 2030, and we invested in several replenishment projects in the United States and India as part of this commitment. In FY21, we committed to becoming water positive for our direct operations by 2030; to meet this commitment, we will reduce our water use intensity across our direct operations, while replenishing and increasing water access in water-stressed regions where we work. Since

				2019, we have invested in replenishment projects that are expected to generate more than 1.3 million cubic meters of volumetric benefits, bringing us to 21 replenishment projects to date in nine water basins across the globe. Through our partnership with Water.org, we also provided more than 95,000 people with access to safe water or sanitation. Our programs with Water.org account for more than 670 million liters of water benefit per year in areas facing water scarcity and climate challenges that overlap with our business operations in strategic locations. Our risk assessment is based on the location of our facilities, which does not always align with where water is procured from by the local water utility. We are working to collect source data from water utilities to understand where their water is coming from (e.g. fresh surface water or groundwater).

W1.2h

(W1.2h) Provide total water withdrawal data by source.

	Relevance	Volume (megaliters/year)	Comparison with previous reporting year	Please explain
Fresh surface water, including rainwater, water from wetlands, rivers, and lakes	Relevant	41	Much lower	This source is relevant to Microsoft as we capture rainwater at two of our office locations. These withdrawal volumes are metered and decreased in FY21 from the previous year as a result of local reductions in rainfall—a decrease of greater than 50 percent (depending on annual rainfall). We expect future withdrawal volumes from fresh surface water to remain roughly the same.
Brackish surface water/Seawater	Not relevant			This source is not relevant to Microsoft as we do not withdraw any brackish surface water/seawater. We expect future withdrawal volumes

				from brackish surface water/seawater to remain unchanged (that is, we do not anticipate withdrawing from this source in the future).
Groundwater – renewable	Relevant	16	About the same	This source is relevant to Microsoft as we withdraw groundwater at several of our office campuses, such as Bengaluru and Hyderabad. These withdrawal volumes are metered and were about the same in FY21 as the previous year—a difference of less than +/- 10 percent. We expect future withdrawal volumes from renewable groundwater to remain relatively flat.
Groundwater – non-renewable	Not relevant			This source is not relevant to Microsoft as we do not withdraw any nonrenewable groundwater. We expect future withdrawal volumes from nonrenewable groundwater to remain unchanged (that is, we do not anticipate withdrawing from this source in the future).
Produced/Entrained water	Not relevant			This source is not relevant to Microsoft as our operations do not extract, process, or use any raw material that produces water within our company's boundaries.
Third party sources	Relevant	7,600	About the same	This source is relevant to Microsoft because most of our water withdrawals (including for datacenters, offices, labs, retail) come from the local municipal supply. These withdrawals are based on data from utility bills and estimations where metered data is unavailable. In FY21, our total measured withdrawals were approximately the same as reported for the previous reporting period—a change of less than +/- 10%—because, although our business has continued to grow, this growth has been balanced by our increased focus on water efficiency. We anticipate withdrawals to increase as our business grows over the next several years.

W1.2i

(W1.2i) Provide total water discharge data by destination.

	Relevance	Volume (megaliters/year)	Comparison with previous reporting year	Please explain
Fresh surface water	Not relevant			This destination is not relevant to Microsoft as we do not directly discharge any water to fresh surface water sources. We expect future discharge volumes to fresh surface water to remain unchanged (that is, we do not anticipate discharging to this source in the future).
Brackish surface water/seawater	Not relevant			This destination is not relevant to Microsoft as we do not directly discharge any water to brackish surface water/seawater sources. We expect future discharge volumes to brackish surface water/seawater to remain unchanged (that is, we do not anticipate discharging to this source in the future).
Groundwater	Not relevant			This destination is not relevant to Microsoft as we do not directly discharge any water to groundwater sources. We expect future discharge volumes to groundwater to remain unchanged (that is, we do not anticipate discharging to this source in the future).
Third-party destinations	Relevant	3,179	Lower	This destination is relevant to Microsoft, as the water that is not consumed at our sites (including datacenters, offices, labs, and retail) is directly discharged to local municipal treatment plants (we are unaware if municipally treated water is recycled for further use). Most of our sites do not have discharge meters. In most cases, water consumption is low, and so for these sites we know that discharges are close to withdrawals. We estimate discharges at each site by subtracting metered/estimated consumption from total withdrawals. Our total estimated water discharges in FY21 were lower than the previous reporting period—greater than 10 but less than 50 percent—because we updated how we account for water consumption for water used for irrigation, leading to a lower discharge figure. We

				anticipate an increase in water discharge volumes in proportion to withdrawals as our business grows over the next several years.

W1.2j

(W1.2j) Within your direct operations, indicate the highest level(s) to which you treat your discharge.

	Relevance of treatment level to discharge	Volume (megaliters/year)	Comparison of treated volume with previous reporting year	% of your sites/facilities/operations this volume applies to	Please explain
Tertiary treatment	Not relevant				Tertiary treatment of water is not relevant to our operations because we do not have onsite water recycling and treatment plants, as we are not required to conduct onsite tertiary treatment of our discharge by any environmental regulation or standard.
Secondary treatment	Not relevant				Secondary treatment of water is not relevant to our operations because we do not have onsite water recycling and treatment plants, as we are not required to conduct onsite secondary treatment of our discharge by any environmental regulation or standard.
Primary treatment only	Not relevant				Primary treatment of water is not relevant to our operations because we do not have onsite water recycling and treatment plants, as we are not required to conduct onsite primary treatment of our discharge by any environmental regulation or standard.

Discharge to the natural environment without treatment	Not relevant				Discharge to the natural environment without treatment is not relevant to our operations as we discharge 100 percent of our untreated discharge to local municipal treatment plants.
Discharge to a third party without treatment	Relevant	3,179	Lower	100%	Discharge to a third party without treatment is relevant because the water that is not consumed at Microsoft sites (including datacenters, offices, labs, and retail) is discharged to local municipal treatment plants (we are unaware if municipally treated water is recycled for further use). We estimate discharges at each site by subtracting metered/estimated consumption from total withdrawals. Our total estimated water discharges in FY21 were lower than the previous reporting period—greater than 10 but less than 50 percent—because we updated how we account for water consumption for water used for irrigation, leading to a lower discharge figure. We anticipate an increase in water discharge volumes in proportion to withdrawals as our business grows over the next several years.
Other	Not relevant				Other treatment of water is not relevant to our operations. We do not have onsite water recycling and treatment plants, as we are not required to conduct onsite treatment of our discharge by any environmental regulation or standard, and we

				discharge 100 percent of our untreated discharge to local municipal treatment plants.

W1.3

(W1.3) Provide a figure for your organization's total water withdrawal efficiency.

	Revenue	Total water withdrawal volume (megaliters)	Total water withdrawal efficiency	Anticipated forward trend
Row 1	168,088,000,000	7,657	21,952,200.6007575	We anticipate our water withdrawal efficiency figure to increase in the future, because historically our revenue has increased at a faster rate than our water withdrawals (the efficiency figure is automatically calculated by dividing our revenue by our withdrawal volume). Additionally, we will continue to implement water reduction projects and transition to industry-level plumbing fixtures and equipment innovations, which will further increase our water withdrawal efficiency.

W1.4

(W1.4) Do you engage with your value chain on water-related issues?

Yes, our suppliers
Yes, our customers or other value chain partners

W1.4a

(W1.4a) What proportion of suppliers do you request to report on their water use, risks and/or management information and what proportion of your procurement spend does this represent?

Row 1

% of suppliers by number

Less than 1%

% of total procurement spend

1-25

Rationale for this coverage

We focus our requests for reporting on our top suppliers in spend because they represent our areas of greatest reliance and potential supplier carbon footprint and water usage. In FY21, we participated in the CDP Supply Chain water security program, requesting responses from 190 suppliers (representing 100 percent of directly contracted manufacturing supplier spend and some tier 1 datacenter server suppliers), 161 of which responded. Suppliers are incentivized to report through supplier contracts, which require conformance with sustainability standards. We also encourage directly contracted manufacturing supplier participation through our sourcing managers.

Impact of the engagement and measures of success

We request information from these suppliers on water accounting, impacts, and risks. We use this data to understand supplier water usage and risk exposure; for example, for directly contracted manufacturing suppliers, it helps us identify and better understand carbon emission and water usage hot spots, indicators of which suppliers we should partner with first to reduce manufacturing carbon emissions and water usage. We measure success by the CDP response rate. Our preliminary target for hardware manufacturing suppliers was a 100 percent response rate from requested suppliers. In 2021, for the first year, we extended the invitation to all hardware manufacturing suppliers. The total number of suppliers that responded increased 39 percent from 115 to 160 year over year, representing 98 percent of directly contracted manufacturing spend overall.

Comment

W1.4b

(W1.4b) Provide details of any other water-related supplier engagement activity.

Type of engagement

Onboarding & compliance

Details of engagement

Requirement to adhere to our code of conduct regarding water stewardship and management

% of suppliers by number

Less than 1%

% of total procurement spend

1-25

Rationale for the coverage of your engagement

We maintain a supplier audit program for our hardware and packaging suppliers as part of our onboarding and compliance process. Water management requirements are included in the audit program. All directly contracted hardware manufacturing suppliers are included in the audit program because we consider compliance with environmental, health and safety, and labor and ethics (EHS&LE) policies important to our business. Microsoft is committed to responsible sourcing, and we expect our suppliers to adhere to the same standards of conduct and behavior that we expect from our own organization. We start with our directly contracted suppliers, who are expected to then cascade these expectations and requirements to their own supply chain.

Impact of the engagement and measures of success

For our hardware and packaging suppliers, water management requirements in our supplier audit program mainly include water monitoring, water conservation, wastewater treatment, and water contamination prevention. For example, suppliers are required to implement a water management program that documents, characterizes, and monitors water sources, use, and discharge; seeks opportunities to conserve water; and controls channels of contamination. The audit program gives us a clear understanding of suppliers' compliance status and, as a tool, drives closure of findings identified at suppliers' sites. We measure the success of the water management portion of the audit program by assessing the quality of the audits and auditors, mitigating relevant compliance risks, and ultimately driving suppliers' improvement in water protection and conservation.

Comment

Type of engagement

Innovation & collaboration

Details of engagement

Educate suppliers about water stewardship and collaboration

Other, please specify

Provide expertise and support to improve water efficiency

% of suppliers by number

Less than 1%

% of total procurement spend

Less than 1%

Rationale for the coverage of your engagement

We use our supplier Social and Environmental Accountability (SEA) program to drive and guide printed circuit board (PCB) suppliers to continuously improve water management and water efficiency. One supplier located in China's Taihu Lake basin, where very stringent water requirements are in place, has made significant water savings on site. These savings include 14.2 megaliters (ML) of freshwater saved by adopting water-saving methods in production lines and reusing washing water to create a closed loop; exploring opportunities to collect 2.88 ML of condensate water from the air conditioner system to be used in the cooling tower system after treatment; and collecting 5.1 ML of rainwater to be used in production after treatment in its wastewater treatment plant. Together, these actions realized a savings of $13,500 in water costs in CY2020.

Impact of the engagement and measures of success

The PCB category is water intensive in the electronics industry. For the supplier included in this engagement, the initiatives help to ease the pressure of water stress. We measure the success of these initiatives mainly by water recycling rate or volume, based on the proper operation of the onsite treatment systems/rainwater collection system. We promoted water conservation across the whole of our PCB category suppliers through our supplier SEA audit program (more information is available in our Microsoft Devices Responsible Sourcing Report FY21 on microsoft.com).

Comment

Type of engagement

Other

Details of engagement

Other, please specify

Provide expertise and support to improve water recovery

% of suppliers by number

Less than 1%

% of total procurement spend

1-25

Rationale for the coverage of your engagement

We have monitored the water consumption of selected top tier 1 directly contracted manufacturing suppliers since approximately 2016. These suppliers were selected as they represent the majority of our spend from our manufacturing supply chain. Currently, only domestic water consumption is included in the monitoring as process water consumption is very limited at these suppliers' sites.

Impact of the engagement and measures of success

This program enables us to track and understand the water management practices of the participating directly contracted manufacturing suppliers, which are major actors in our Devices supply chain. We collect relevant information from these suppliers once every month. The information is then compiled and analyzed to identify any indications of significant changes in water consumption that may require our attention, based on our understanding of the operations at these supplier sites. We measure the success of this work by the accuracy and sufficiency of information provided by the suppliers and the establishment and continuous improvement of water consumption information tracking and reporting methods/systems. This work gives us a clear understanding of the water consumption amount and trend associated with our production lines at these supplier sites while enabling us to identify potential opportunities to reduce water consumption in our supply chain.

Comment

W1.4c

(W1.4c) What is your organization's rationale and strategy for prioritizing engagements with customers or other partners in its value chain?

Partners we engage with: We activate multisector partnerships with customers, business partners, nongovernmental organizations (NGOs), and other stakeholders to advance solutions addressing water-related challenges, develop new cloud-based solutions, and enable people and organizations to quantify and address water-related risks.

Method/strategy of engagement: In 2020, Microsoft made a commitment to be water positive for our direct operations by 2030. This is made up of three key objectives: (1) Reduction—reduce water use intensity across Microsoft operations; (2) Replenishment—replenish in high-stress priority locations more water than Microsoft consumes across global operations; and (3) Accessibility—provide 1.5 million people with access to clean water and sanitation by 2030. We prioritize engagements that accelerate water digitization, use Microsoft platforms and AI capabilities, or help us implement our water goals. For example, we provided a grant to the Leadership Counsel for Justice and Accountability; it will assimilate data from disparate sources, using Azure resources to host and deploy machine learning models and create a dashboard to provide regulators, advocacy groups, and the public with scientifically informed estimates of the impact of extreme drought events on drinking water availability. Our Planetary Computer provides critical environmental datasets and functions as a computing platform to create data-driven environmental solutions.

Measurement: Success is measured by our ability to quantify our own operational water risks, the number of replenishment projects we support, and the anticipated benefits of those projects. We measure the success of the Planetary Computer through the number of users and petabytes of environmental data available. The Planetary Computer private preview was released as planned in April 2021 and has more than 500 users and 24 petabytes of data available.

W2. Business impacts

W2.1

(W2.1) Has your organization experienced any detrimental water-related impacts?

No

W2.2

(W2.2) In the reporting year, was your organization subject to any fines, enforcement orders, and/or other penalties for water-related regulatory violations?

No

W3. Procedures

W3.3

(W3.3) Does your organization undertake a water-related risk assessment?

Yes, water-related risks are assessed

W3.3a

(W3.3a) Select the options that best describe your procedures for identifying and assessing water-related risks.

Value chain stage

Direct operations

Coverage

Full

Risk assessment procedure

Water risks are assessed as part of other company-wide risk assessment system

Frequency of assessment

More than once a year

How far into the future are risks considered?

More than 6 years

Type of tools and methods used

Tools on the market

Enterprise risk management

International methodologies and standards

Databases

Other

Tools and methods used

WRI Aqueduct

Enterprise Risk Management

IPCC Climate Change Projections

ISO 14001 Environmental Management Standard

Regional government databases

Internal company methods

External consultants

Scenario analysis

Other, please specify

Regulatory restrictions

Contextual issues considered

Water availability at a basin/catchment level

Water quality at a basin/catchment level

Stakeholder conflicts concerning water resources at a basin/catchment level

Water regulatory frameworks

Status of ecosystems and habitats

Access to fully-functioning, safely managed WASH services for all employees

Stakeholders considered

Customers

Employees

Investors

Local communities

NGOs

Regulators

Water utilities at a local level

Other water users at the basin/catchment level

Comment

Multiple business groups across Microsoft, including our corporate Environmental Sustainability (ES) team, perform risk assessments using these tools (with varying frequencies; for example, ISO 14001 assessments are conducted annually, including significant aspect and impacts review process). In 2020, the ES team also conducted a climate scenario analysis aligned with the Task Force on Climate-related Financial Disclosures (TCFD)—which included physical risks, including those related to water—and committed to refreshing the analysis every two to three years. The ES team shares the results biannually with our Enterprise Risk Management team, which identifies, assesses, and prioritizes risks and, through regular reporting and discussion, assists senior management and the Board with governance of risk.

Value chain stage

Supply chain

Coverage

Full

Risk assessment procedure

Water risks are assessed as part of other company-wide risk assessment system

Frequency of assessment

Annually

How far into the future are risks considered?

More than 6 years

Type of tools and methods used

Tools on the market

International methodologies and standards

Databases

Other

Tools and methods used

WRI Aqueduct

IPCC Climate Change Projections

Regional government databases

Internal company methods

External consultants

Other, please specify

Federal Emergency Management Agency (FEMA) data; Proprietary modeled flood data; CDP Supply Chain Program

Contextual issues considered

Implications of water on your key commodities/raw materials

Water regulatory frameworks

Access to fully-functioning, safely managed WASH services for all employees

Stakeholders considered

Suppliers

Comment

Our hardware manufacturing supplier audit program audits suppliers annually, biennially, or triennially based on supplier risk. The CDP Supply Chain program runs annually. Other supply chain risk assessments are completed as required.

Value chain stage

Other stages of the value chain

Coverage

Full

Risk assessment procedure

Water risks are assessed as part of other company-wide risk assessment system

Frequency of assessment

Not defined

How far into the future are risks considered?

More than 6 years

Type of tools and methods used

Other

Tools and methods used

Internal company methods

Other, please specify

Community listening sessions and surveys

Contextual issues considered

Water quality at a basin/catchment level

Stakeholder conflicts concerning water resources at a basin/catchment level

Status of ecosystems and habitats

Stakeholders considered

Customers

Other water users at the basin/catchment level

Comment

Other risk assessments for other stages of the value chain are completed as required. Community listening sessions and surveys to document perceptions (negative or positive) with respect to Microsoft facilities in their communities inform program decisions to contribute to social license to operate, prosperity, and workforce availability (as needed).

W3.3b

(W3.3b) Describe your organization's process for identifying, assessing, and responding to water-related risks within your direct operations and other stages of your value chain.

TOOL APPLICATION

Direct operations:

· **WRI Aqueduct:** annual evaluation of current basin water-related risks

· **Third-party global water stress index:** annual datacenter vulnerability assessments

· **ISO 14001 certification:** annual process to identify risk using the significant aspects and impacts review process by our Devices organization

· **Enterprise Risk Management program:** companywide biannual process used to assess critical risks and, through regular reporting, assist senior management and the Board with governance of risk

· **Physical and transition risk assessment:** TCFD-aligned scenario analyses: (1) high-emissions scenario, where the world warms by over 4°C above pre-industrial temperatures, and (2) 2°C-aligned (using IPCC Climate Change Projections, regional government databases, external consultants, internal company methods)

· **Property risk assessments:** annual assessment by Global Treasury & Financial Services (GTFS) to estimate probable impact from hazards like hurricanes, floods, and supply chain disruptions

Supply chain:

· **CDP Supply Chain program:** annual supplier responses to water security questionnaire

· **Supplier audit program:** internal company methods to assess the water/wastewater compliance status of hardware manufacturing suppliers

· **Climate change physical vulnerability assessment:** for key Microsoft suppliers, based on the IPCC RCP 8.5 scenario, using FEMA flood data, IPCC data on precipitation and sea level rise predictions, WRI Aqueduct tool, downscaled sea level rise estimates provided by regional and local government databases, proprietary modeled flood data, external consultants

Other value chain:

· **Community listening sessions/surveys:** to document perceptions (negative or positive) of Microsoft facilities

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· **Enterprise Resilience program**: annual testing of our critical services to assess continuity risks

DECISION-MAKING PROCESS

In FY21 we conducted facility-level assessments to understand our adaptive capacity to climate risk at those facilities. Annual GTFS property risk assessments represent our risk exposure to underwriters and benchmark the choice of coverages and coverage limits that we purchase. CDP Supply Chain results help us understand supplier water usage and risk exposure. The ISO 14001 certification assessment defines our significant environmental impacts and aspects. Community listening sessions/surveys inform program decisions to contribute to social license to operate, prosperity, and workforce availability. The results of our Enterprise Resilience program testing guide business continuity measures to help ensure continued reliability for our customers.

CONTEXTUAL ISSUES

· **Water availability/quality:** access to potable and non-potable supply is among our criteria when evaluating locations
· **Stakeholder conflicts:** engaging local communities in the areas where our presence has the most impact helps avoid loss of local goodwill and negative effects on our brand value
· **Key commodities/raw materials:** directly contracted manufacturing suppliers' access to freshwater or industrial supply is essential to provide adequate working conditions for supplier employees and as a critical manufacturing input
· **Water regulatory frameworks:** all our facilities are subject to local regulatory frameworks with varying compliance requirements (including for water)
· **Status of ecosystems and habitats:** considered by default based on the federal, state, and local permitting regulations and critical to the health of the communities/local environments in which we operate
· **Access to WASH services:** essential for the well-being of our employees and communities in the areas where we operate

STAKEHOLDERS

· **Customers:** indirectly or directly relevant to everything we do
· **Employees:** access to freshwater is essential to provide fully functioning WASH services for all workers
· **Investors:** increasingly concerned about the environmental performance and impact of the companies in which they invest, including water-related issues
· **Local communities:** engaging local communities in the areas where our presence has the most impact helps avoid loss of local goodwill and negative effects on our brand value
· **NGOs:** if one of our sites were operating with sufficient water but the local community ecosystem were not, we would be subject to criticism from local NGOs that advocate for ecosystem preservation or social justice

· **Regulators:** regulatory requirements (including restrictions, water rights, drought provisions) can affect the availability of local water, essential to the running of our datacenters

· **Suppliers:** water is often an essential input to manufacturing (e.g. of certain integrated circuits) and other supplier activities

· **Water utilities at a local level:** access to sufficient water is critical for our operations, particularly for our datacenters

· **Other water users at the basin/catchment level:** high demand for water (particularly in areas of water stress) from other users could affect the availability of water to run our datacenters

W4. Risks and opportunities

W4.1

(W4.1) Have you identified any inherent water-related risks with the potential to have a substantive financial or strategic impact on your business?

No

W4.1a

(W4.1a) How does your organization define substantive financial or strategic impact on your business?

Microsoft defines substantive strategic or financial impact from water-related risks as follows: an impact that significantly affects our business strategy or our ability to deliver continuous customer services. This applies to both direct operations and supply chain.

Subject matter leadership on water-related risk resides with our Environmental Sustainability (ES) team, led by our Vice President & Chief Environmental Officer. This team assesses Microsoft's water-related risks and opportunities across the business portfolio using quantitative and qualitative scenario analyses (including an assessment of climate-related physical risks conducted in FY17–FY18 and an FY20 TCFD-aligned assessment of climate-related physical and transition risks and opportunities), along with other risk assessments (including the use of WRI Aqueduct and other internal company methods). Water-related risks assessed include both physical risks (such as water stress/scarcity, water quality, and climate-related water risks such as sea level rise, flooding, and increasing severity of storms) and transition risks (such as reputational impacts, regulatory changes, and market changes), for both our direct operations and our supply chain. The results from these analyses are assessed and validated through consultation with subject matter experts across the company and then used to inform Microsoft's formal enterprise risk assessment

process led by the Enterprise Risk Management (ERM) program. In addition, our datacenter site selection process prescreens for a broad range of risks and includes preapproval for water supply and discharge; we meet with key local representatives to determine the likelihood of future potential issues and site viability and ensure that Microsoft operations are not detrimental to surrounding communities.

Our ERM program identifies, assesses, and prioritizes risks and, through regular reporting and discussion, assists senior management and the Board with governance of risk. The ERM program's formal risk assessment process is used to assess the size, scope, financial impact, and relative significance of any risk that Microsoft may face, today and into the future, including those related to water. The process involves categorizing risks according to their inherent impact on a scale of 1 (minimal) to 5 (critical) in four categories: trust or reputational; operational scope; legal, compliance, or environmental; and enterprise value. Risks are then rated according to their inherent likelihood on a scale of 1 (remote) to 5 (expected). These two ratings are used to produce an inherent risk score and are then aggregated with a management action/control effectiveness rating for a residual risk calculation. For water security, the amount of change that indicates a substantive impact depends on the most relevant inherent impact category with a probability over 35 percent that would likely occur and either create a significant loss of trust with customers, partners, members, or shareholders; have a significant impact on business operations within one or more business units or geographies; prohibit the company from conducting business in certain product lines or markets; or cause a significant reduction in market capitalization.

W4.2b

(W4.2b) Why does your organization not consider itself exposed to water risks in its direct operations with the potential to have a substantive financial or strategic impact?

	Primary reason	Please explain
Row 1	Risks exist, but no substantive impact anticipated	Consultation with companywide subject matter experts and water risk assessments have not revealed any substantive water risk across our global portfolio. Our FY20 TCFD-aligned quantitative and qualitative climate scenario analysis revealed that we may experience significant impacts, but these do not exceed our internally defined threshold for substantive impact. In FY21 we conducted facility-level climate risk, resilience, and adaptive capacity site assessments to validate our FY20 scenario analysis results and enhance our understanding of our adaptive capacity. None of the identified risks have the potential to affect our ability to deliver continuous customer services or force a change in our business strategy. For our offices and labs, each local operation is a relatively small contributor, and most functions are mobile. Potential risks include water rationing, which would first affect landscaping and in extreme cases reduce work hours, though remote work locations would be available to employees. Our Johannesburg office provides an example from FY18 where a water rationing incident

reduced work hours; the impact was minimized because employees were able to work remotely, and we installed a system to collect and treat water for non-potable reuse onsite. Access to water is critical for cooling for our datacenters, but central to our cloud services design is geographic redundancy, which inherently reduces our vulnerability to water impacts (from excess water or drought). To reduce our dependence on freshwater, particularly in high water stress regions, we use recycled or reclaimed water where available, unless potable water is required. Our new datacenter region in Arizona has adiabatic cooling, which uses zero water for more than half the year. Ongoing business continuity and resilience strategies, such as monitoring identified risks and implementing business continuity and resilience measures, help ensure continued reliability. We vet capacity and quality with utilities and put service agreements in place prior to construction. Our commitment to replenish water in high water stress regions contributes to increasing water availability in key basins. The results of our assessments inform an executive review process led by our Enterprise Risk Management program, which identifies, assesses, and prioritizes risks and, through regular reporting and discussion, assists senior management and the Board with governance of risk.

W4.2c

(W4.2c) Why does your organization not consider itself exposed to water risks in its value chain (beyond direct operations) with the potential to have a substantive financial or strategic impact?

	Primary reason	Please explain
Row 1	Risks exist, but no substantive impact anticipated	Freshwater is important to our supplier operations. We annually request our top directly contracted manufacturing and some tier 1 datacenter server suppliers to participate in the CDP Supply Chain water security program. For our directly contracted hardware manufacturing suppliers, we also assess supplier performance in environmental, health and safety, and labor and ethics (EHS&LE) areas, including water management, through our supplier audit program (typically on an annual basis, though some supplier audits are biennial or triennial if their risks are low). From these analyses, in combination with business importance and spend and CDP responses from our requested suppliers, we have determined that there are no substantive water risks. For example, in FY21, 75 percent of our directly contracted manufacturing suppliers responding to the CDP Supply Chain water questionnaire reported water-related risks with the potential for financial or strategic impact based on water risk assessments carried out across their direct operations, and 22 percent were able to provide a figure or range for the potential financial impact. However, our overall Devices supply chain is generally not water intensive, our tier 1 suppliers don't use process water (they have assembly lines only), and our supplier pool is sufficiently geographically diversified to

		reduce risk. Based on our analysis of our suppliers' reported risk assessment results and consultation with Microsoft companywide subject matter experts, these risks do not exceed our internally defined threshold for substantive impact (i.e. none of the identified risks have the potential to affect our ability to deliver continuous customer services or force a change in our business strategy). For our datacenter projects, we engage with utilities (water/sewer/power/fiber) prior to construction. Capacity and quality are vetted and service agreements put in place prior to completing the transaction.

W4.3

(W4.3) Have you identified any water-related opportunities with the potential to have a substantive financial or strategic impact on your business?

Yes, we have identified opportunities, and some/all are being realized

W4.3a

(W4.3a) Provide details of opportunities currently being realized that could have a substantive financial or strategic impact on your business.

Type of opportunity

Products and services

Primary water-related opportunity

New R&D opportunities

Company-specific description & strategy to realize opportunity

This opportunity is strategic to our business because it supports our ambition to be the leading provider of technology solutions to environmental challenges. The opportunity is twofold: (1) Provide IT services resilient to physical impacts of climate change, such as flooding from sea level rise/extreme precipitation. With a cloud provider with georedundant datacenters, customers affected by a weather-related disaster can resume operations as soon as they restore internet access. Actions to realize the opportunity: We are investing in cloud solutions across our product lines; two of our most significant services for businesses are Microsoft 365 and Microsoft Azure. Our global cloud service operations are

supported by one of the largest physical networks in the world, with several industry certifications including ISO/IEC 27001:2005 and SAS70 Type II. We use geo-replicated customer workloads to improve reliability. (2) Help accelerate the world's understanding and management of critical water-related resources through technology innovation using Internet of Things (IoT) scenarios and AI models on the Azure platform. Actions to realize the opportunity: Our strategy consists of activating multisector partnerships to advance solutions to water challenges; developing new solutions that take advantage of cloud-based technologies to address water challenges; and enabling people and organizations to quantify and address water-related risks. For example, with a Microsoft AI for Earth grant awarded in December 2018, DHI GRAS began using machine learning and satellite remote sensing to measure the rate of water evaporation from soil and plant surfaces into the atmosphere from fields. They tested the solution on approximately 2,000 hectares of agricultural area in Uganda, and the first results were very positive: they estimate that water consumption in the tested area can be significantly reduced. The expected outcome is to help Ugandan farmers reduce water use by knowing more precisely how much water their crops really need.

Estimated timeframe for realization
Current - up to 1 year

Magnitude of potential financial impact
Low-medium

Are you able to provide a potential financial impact figure?
Yes, an estimated range

Potential financial impact figure (currency)

Potential financial impact figure – minimum (currency)
16,800,000

Potential financial impact figure – maximum (currency)
5,000,000,000

Explanation of financial impact
It is difficult to quantify the potential financial implications. For CDP purposes, theoretically if we were to win—for example—0.1 percent to 3 percent additional business because we offered technology to help organizations and governments manage the water-related impacts of climate

change (through resilient cloud services and AI computing resources), this could lead to a commensurate increase in our revenue. The impact based on our company's FY21 (the reporting period) revenue of $168.088 billion would be a hypothetical increase of $16.8 million to $5 billion. The range of financial impacts expressed here is hypothetical only, and the actual range of possible outcomes may show the opportunity as being more or less than 0.1 percent to 3 percent.

W6. Governance

W6.1

(W6.1) Does your organization have a water policy?

Yes, we have a documented water policy that is publicly available

W6.1a

(W6.1a) Select the options that best describe the scope and content of your water policy.

	Scope	Content	Please explain
Row 1	Company-wide	Description of business dependency on water Description of business impact on water Description of water-related performance standards for direct operations Description of water-related standards for procurement Reference to international standards and widely-recognized water initiatives	Microsoft's global sustainability strategy—including water—is relevant to our operations throughout the world. Our companywide water policy is available on the environmental sustainability portion of our CSR website. In 2020, Microsoft made a commitment to be water positive for our direct operations by 2030, which includes three key objectives: (1) Reduction—reduce water use intensity across Microsoft operations; (2) Replenishment—replenish in high-stress priority locations more water than Microsoft consumes across global operations; (3) Accessibility—provide 1.5 million people with access to clean water and sanitation by 2030. Having a companywide water policy is essential to achieving our objectives. Each of the "Content" elements selected falls within at least one of the objectives of our water stewardship strategy and directly supports our efforts to go beyond regulatory compliance. Each provides guidance to help ensure alignment internally (from the corporate level down to the facility level) and externally (in how our business groups engage suppliers, customers and other partners) in all water-related decisions and actions. For example, our

		Company water targets and goals Commitment to align with public policy initiatives, such as the SDGs Commitments beyond regulatory compliance Commitment to water-related innovation Commitment to stakeholder awareness and education Commitment to water stewardship and/or collective action Commitment to safely managed Water, Sanitation and Hygiene (WASH) in the workplace Acknowledgement of the human right to water and sanitation Recognition of environmental linkages, for example, due to climate change	water-related standards for procurement are reflected in how we require our manufacturing suppliers to provide access to clean toilet facilities and potable water for drinking at their factories. Our commitment to align with public policy initiatives such as the SDGs and drive water-related innovation are supported by our advocacy for the US Infrastructure Investment and Jobs Act, which commits over $8 billion for western water infrastructure and significant funding for water-related and other resilience efforts, and our participation in WaterEurope, the leading association in Europe focused on technology and innovation aspects of water, with a focus on digital water. Included in our company water targets and goals is our commitment to be water positive for our direct operations by 2030 (set in FY21): reducing the water use intensity of our direct operations, replenishing more water than we consume globally in water-stressed regions where we operate, and enabling access for 1.5 million people. Our commitment to become water positive is reflected in our participation in the Water Resilience Coalition (founding member), CEO Water Mandate and California Water Action Collaborative. By including this information on our website, we're also publicly accountable to our objectives and supporting targets and commitments.

W6.2

(W6.2) Is there board level oversight of water-related issues within your organization?

Yes

W6.2a

(W6.2a) Identify the position(s) (do not include any names) of the individual(s) on the board with responsibility for water-related issues.

Position of individual	Please explain
Board-level committee	Board-level responsibility for water-related issues belongs to the Environmental, Social, and Public Policy Committee (formerly Regulatory and Public Policy Committee) of our Board of Directors; the charter for this committee identifies the following (among other topics) in its responsibilities: "review and provide guidance to the Board and management about key environmental and social matters such as climate change, and environmental sustainability." Water fits into this mandate. Each year, our President & Vice Chair and our VP & Chief Environmental Officer present to the committee on these topics. This includes an update on decisions related to our environmental sustainability strategy (including our water positive commitment made in FY21, the reporting period) and on programmatic investments. The committee membership consists of at least two directors of the Board and currently includes five independent directors of the Board, including the Lead Independent Director.

W6.2b

(W6.2b) Provide further details on the board's oversight of water-related issues.

	Frequency that water-related issues are a scheduled agenda item	Governance mechanisms into which water-related issues are integrated	Please explain
Row 1	Scheduled - some meetings	Reviewing and guiding major plans of action Reviewing and guiding strategy Reviewing and guiding corporate responsibility strategy	The Environmental, Social, and Public Policy Committee (formerly Regulatory and Public Policy Committee) of our Board of Directors meets at least three times a year with a varied agenda including updates on the company's commitments to environmental sustainability (which includes water). During at least one meeting each year and on an as-needed basis, our President and Vice Chair and our Vice President and Chief Environmental Officer present to this committee on our overall sustainability agenda and solicit high-level input on major plans of action. The charter for the Environmental, Social, and Public Policy Committee identifies the following (among other topics) in its responsibilities: "review and provide guidance to the Board and management about key environmental and social matters such as climate change, and environmental sustainability." Microsoft's Vice President and Chief Environmental Officer met with the committee once during our FY21 reporting period.

W6.2d

(W6.2d) Does your organization have at least one board member with competence on water-related issues?

	Board member(s) have competence on water-related issues	Primary reason for no board-level competence on water-related issues	Explain why your organization does not have at least one board member with competence on water-related issues and any plans to address board-level competence in the future
Row 1	No, and we do not plan to address this within the next two years	Other, please specify Microsoft expects that each Board member will be able to understand and contribute meaningfully to oversight of the range of material business, risk, and regulatory issues that the company faces.	As the Microsoft Board of Directors strives to maintain a diverse set of skills and attributes, it expects that each member will be able to understand and contribute meaningfully to oversight of the range of material business, risk, and regulatory issues that the company faces. Microsoft's Board includes senior business and government leaders who in the course of their work and Board service engage with technical and policy experts across a range of topics including environmental sustainability.

W6.3

(W6.3) Provide the highest management-level position(s) or committee(s) with responsibility for water-related issues (do not include the names of individuals).

Name of the position(s) and/or committee(s)
President

Responsibility
Assessing water-related risks and opportunities
Managing water-related risks and opportunities

Frequency of reporting to the board on water-related issues
Annually

Please explain

The President & Vice Chair is responsible for our Corporate, External, and Legal Affairs group—the legal, public policy, and social responsibility arm of the company. Each year, our President presents to the Environmental, Social, and Public Policy Committee (formerly Regulatory and Public Policy Committee) of the Board of Directors on the company's policies/programs related to corporate citizenship, including environmental sustainability as appropriate. The President's water-related responsibilities include establishing the breadth, scope, and timing of public-facing water goals and commitments, such as our FY21 commitment to become water positive by 2030. The President monitors water-related issues and the company's progress on water objectives through regular business reviews with the Vice President & Chief Environmental Officer, as well as in individual meetings as appropriate. There is a direct line of escalation to the President and senior leadership team, when required.

Name of the position(s) and/or committee(s)

Other C-Suite Officer, please specify

Vice President and Chief Environmental Officer

Responsibility

Assessing future trends in water demand

Assessing water-related risks and opportunities

Managing water-related risks and opportunities

Frequency of reporting to the board on water-related issues

Annually

Please explain

Our Chief Environmental Officer was appointed in FY19 to lead our overall environmental sustainability vision, strategy, and program execution. This role leads our corporate Environmental Sustainability team, the charter of which includes assessment and management of issues related to water. By focusing on operations, products, partners, and policy, the team strives to reduce our company's environmental footprint while empowering societal change through technology. The Environmental Sustainability team assesses progress on our environmental sustainability programs and supports our overall commitment to environmental sustainability goals, including those related to water. In early FY22, our Chief Environmental Officer moved to report directly to our President & Vice Chair and continued leading the Environmental Sustainability team.

Name of the position(s) and/or committee(s)

Environment/Sustainability manager

Responsibility

Assessing future trends in water demand
Assessing water-related risks and opportunities
Managing water-related risks and opportunities

Frequency of reporting to the board on water-related issues

Annually

Please explain

The Water Program Manager role, within our corporate Environmental Sustainability team, was created in FY18 as a part of Microsoft's efforts to ramp up activities around water stewardship. Part of our Corporate, External, and Legal Affairs (CELA) group, our Water Program Manager leads Microsoft's water stewardship efforts, which include assessment and management of issues related to water. By focusing on operations, products, partners, and policy, the Environmental Sustainability team strives to reduce our company's environmental footprint while empowering societal change through technology. The team assesses progress on our environmental sustainability programs and supports our overall commitment to environmental sustainability goals, including those related to water.

Name of the position(s) and/or committee(s)

Risk manager

Responsibility

Assessing water-related risks and opportunities

Frequency of reporting to the board on water-related issues

Annually

Please explain

Our Environmental Compliance and Climate Risk + Resilience (CR+R) Lead, also part of the Environmental Sustainability team, leads our CR+R Working Group to oversee our CR+R Management Plan. The physical risks assessed as part of the CR+R Management Plan include those related to the projected water impacts of climate change, such as future water stress. The CR+R Working Group contains members that represent key Microsoft business groups.

Name of the position(s) and/or committee(s)

Sustainability committee

Responsibility

Assessing water-related risks and opportunities
Managing water-related risks and opportunities

Frequency of reporting to the board on water-related issues

Annually

Please explain

In FY20, Microsoft established a Climate Council, comprising a number of executives from across the company charged with monitoring climate-related risks and opportunities (including those related to water) and coordinating and providing oversight for sustainability initiatives across the organization.

W6.4

(W6.4) Do you provide incentives to C-suite employees or board members for the management of water-related issues?

	Provide incentives for management of water-related issues	Comment
Row 1	Yes	

W6.4a

(W6.4a) What incentives are provided to C-suite employees or board members for the management of water-related issues (do not include the names of individuals)?

	Role(s) entitled to incentive	Performance indicator	Please explain
Monetary reward	Chief Executive Officer (CEO) Chief Financial Officer (CFO) Other C-suite Officer Chief Environmental Officer	Implementation of water-related community project Other, please specify Progress on sustainability commitments	Details on indicators: The CEO, CFO, and VP & Chief Environmental Officer are accountable for our water-related commitments. In FY19, we committed to replenish more than we consume across our operations by 2030. In FY21, we set a more ambitious commitment to be water positive for our direct operations by 2030. This means we will reduce water use intensity across our operations, replenish more water than we consume across our operations by 2030 with a focus on high-stress locations, and enable access to drinking water and/or sanitation services for 1.5 million people. Rationale for chosen indicators to measure performance: Our Chief Environmental Officer is responsible for our overall environmental sustainability vision, strategy, and program execution, including leading our Environmental Sustainability team, which assesses and manages issues related to water. This role's annual bonus and performance ratings are directly connected to performance against our environmental commitments including progress through water replenishment and accessibility projects in the community. In 2021, we announced that progress on sustainability goals will be a factor in determining executive compensation. Progress on sustainability, including water, is assessed as part of the customers and stakeholders category of the operational assessment component of the cash incentive under the Executive Incentive Plan (for each member of our senior leadership team, including the CEO and CFO).
Non-monetary reward	No one is entitled to these incentives		Our current strategy is not focused on offering non-monetary incentives; this may change in the future as we continue to develop our approach to water stewardship.

W6.5

(W6.5) Do you engage in activities that could either directly or indirectly influence public policy on water through any of the following?

Yes, direct engagement with policy makers

Yes, trade associations

Yes, other

W6.5a

(W6.5a) What processes do you have in place to ensure that all of your direct and indirect activities seeking to influence policy are consistent with your water policy/water commitments?

Our participation in the political process is transparent and based on our principles. We are pleased that Microsoft ranks within the first tier of ratings given by the CPA-Zicklin Index of Corporate Political Accountability and Disclosure for our policies that ensure the accountability and transparency of our public policy engagement. (The corporate social responsibility section of the Microsoft website provides guidelines on our policy engagement and details of campaign contributions and advocacy spending.) Our Senior Director for Global Sustainability Policy (responsible for the company's policy efforts on sustainability issues) and our Water Program Manager (both within our corporate Environmental Sustainability team) communicate regularly to ensure consistency in our policy engagement and that our advocacy work is consistent with our water stewardship and sustainability strategy. Both roles are part of our Corporate, External, and Legal Affairs (CELA) organization, which helps ensure consistency in our water-related programmatic and policy work. Should any inconsistency between Microsoft activities that influence public policy on water and our water stewardship strategy be discovered, we would first ensure that these roles were aware of it and determine whether they could resolve it. If not, the issue would be escalated to the Vice President and Chief Environmental Officer or the office of the President, as appropriate.

W6.6

(W6.6) Did your organization include information about its response to water-related risks in its most recent mainstream financial report?

Yes (you may attach the report - this is optional)

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W7. Business strategy

W7.1

(W7.1) Are water-related issues integrated into any aspects of your long-term strategic business plan, and if so how?

	Are water-related issues integrated?	Long-term time horizon (years)	Please explain
Long-term business objectives	Yes, water-related issues are integrated	> 30	Microsoft can significantly improve water use and stewardship with a cross-company water strategy and specific goals. Our opportunity is to fulfill our broader sustainability commitments to mitigate risk and create long-term value around water stewardship. We consider water in our long-term real estate investments because securing water supply is important for business continuity. These long-lived assets have strategic value, and investment decisions are made on a time horizon >30 years. Our water stewardship strategy includes long-lived assets and facilities as well as technologies and service offerings. In 2020, Microsoft made a commitment to be water positive for our direct operations by 2030. This is made up of three key objectives: (1) Reduction—reduce water use intensity across Microsoft operations; (2) Replenishment—replenish in high-stress priority locations more water than Microsoft consumes across global operations; (3) Accessibility—provide 1.5 million people with access to clean water and sanitation by 2030. The digitization of water data is about making water data credible, transparent, useful, and actionable. It includes the Internet of Things (IoT), cloud platforms, business intelligence, and AI. The cloud and IoT can improve water resource management, including better infrastructure monitoring and more accurate water metering. Our ability to deliver these transformational experiences will be enhanced by our water stewardship efforts.
Strategy for achieving long-term objectives	Yes, water-related issues are integrated	11-15	In expanding our water risk assessment across our operations and supply chain in FY20, we identified ~40 highly stressed water basins where we have operations. These are the focus of our water replenishment initiative. This has enabled us to prioritize resources on the water basins and facilities with the greatest potential for water risk (time horizon 11–15 years) and engage facilities and communities to improve water stewardship and mitigate potential risks. We're focused on reducing

			our water footprint; for example, in 2021 we were the first cloud provider to run two-phased liquid immersion cooling in a production environment, and we're piloting higher server inlet temperatures to reduce cooling hours and water use. We engage stakeholders, including local communities, in high-priority regions facing water risks to address local water supply issues. We joined the California Water Action Collaborative and UN CEO Water Mandate (and co-founded its Water Resilience Coalition) to engage with local communities, NGOs, and other companies in basins facing shared water risks, such as water scarcity. We will continue to identify and pursue these opportunities as part of our corporate water stewardship and datacenter community engagement efforts. Key activities include identifying opportunities for technology innovation, establishing pilot projects, sharing best practices, evaluating scalability, and identifying commercialization opportunities.
Financial planning	Yes, water-related issues are integrated	> 30	We consider water in our financial planning for our facilities through both capital expenditures (such as for water-saving, water reuse, and cooling systems) and operational expenses (both for ongoing maintenance of these systems and for the utility costs of water withdrawals for our sites). Investment decisions are made with consideration of water issues on a long-term time horizon of >30 years, as there is strategic value in our long-lived real estate assets. For example, budgets and resources are allocated to ensure our progress towards our water positive goal, including investments in sustainable building design (such as our net zero water campus in Silicon Valley, which officially opened in 2021 and is now operating as the first technology campus with a net zero water certification) and water replenishment and water accessibility projects in communities where we operate (we have invested in 21 projects to date in nine water basins across the globe; in FY21, we invested in projects that are expected to generate over 1.3 million cubic meters of volumetric benefits). These investments demonstrate our long-term financial planning and investment in water stewardship.

W7.2

(W7.2) What is the trend in your organization's water-related capital expenditure (CAPEX) and operating expenditure (OPEX) for the reporting year, and the anticipated trend for the next reporting year?

Row 1

Water-related CAPEX (+/- % change)

Anticipated forward trend for CAPEX (+/- % change)

Water-related OPEX (+/- % change)

45

Anticipated forward trend for OPEX (+/- % change)

-15

Please explain

Microsoft does not track water-related CAPEX separately. The water-related OPEX change from FY20 to FY21 provided reflects our Cloud Operations + Innovation (CO+I) group only (responsible for the datacenters that power Microsoft cloud services), for all owned datacenter sites and a few leased sites that provide a separate water bill. This change reflects increased datacenter water withdrawals, a result of an increase in the number of datacenters in our fleet. The anticipated forward trend for OPEX reflects projected increased withdrawals from ongoing datacenter growth but at the same time, we are working to increase water reductions across our operations as we work towards achieving our 2030 water positive commitment.

W7.3

(W7.3) Does your organization use scenario analysis to inform its business strategy?

	Use of scenario analysis	Comment
Row 1	Yes	

W7.3a

(W7.3a) Provide details of the scenario analysis, what water-related outcomes were identified, and how they have influenced your organization's business strategy.

	Type of scenario analysis used	Parameters, assumptions, analytical choices	Description of possible water-related outcomes	Influence on business strategy
Row 1	Climate-related	Parameters: In FY20, a physical and transition risk assessment was conducted on 400 of Microsoft's most important facilities. The analysis used has global coverage, spans decadal time periods from 2010 to 2100, and is aligned with the TCFD recommendations. The selection included datacenters, retail stores, and offices. Assumptions: Two scenarios were considered in this analysis: 1) a high emissions scenario where the world warms over 4°C above pre-industrial temperatures and 2) a 2°C-aligned scenario. Analytical choices: The analysis quantified, in financial terms, the top climate-related risks and opportunities. The quantitative climate risk analysis focused on seven physical climate hazards, including drought and water stress.	This analysis revealed that we may experience significant impacts (though these do not exceed our internally defined threshold for substantive impact). These facilities are most vulnerable to temperature extremes, water stress, storm damage, and coastal flooding. None of the identified water-related risks have the potential to affect our ability to deliver continuous customer services or force a change in our business strategy. For our offices and labs, each local operation is a relatively small contributor, and most functions are mobile. Potential risks include water rationing, which would first affect landscaping and in extreme cases reduce work hours, though remote work locations would be available to employees. Following the scenario analysis, in FY21 we completed a series of facility-level climate	Our response to possible water-related outcomes is multifaceted. It is ongoing and will extend beyond 2030. Building resilience to climate events (including those affecting the water cycle), our critical cloud services use geo-replicated customer workloads (running multiple instances of workloads in multiple locations) to improve reliability and provide resiliency assurance. We're also taking new approaches to water collection, treatment, reuse, and reduction at our offices and datacenters. We consider water stress when we relocate older facilities or site new facilities; any construction projects in water-stressed regions prioritize water reduction/reuse strategies. We're increasing capital investment in water conservation. For example, our new Silicon Valley campus is the first technology campus with a net zero water certification. Our Herzliya, Israel

			risk, resilience, and adaptive capacity site assessments to validate our scenario analysis results and enhance our understanding of the facility and staff's adaptive capacity on the ground to prepare for these climate risks, including water stress.	site's landscaping uses 100% of the air conditioning condensate water for its irrigation and cooling towers. In Hyderabad, India, we're piloting air-to-water generators to help offset 4 million liters of groundwater extraction per year. Our LinkedIn headquarters in California is planning to use municipal recycled water for landscaping and internal plumbing. Across our datacenter operations, we're testing new techniques like raising supply air temperatures to reduce water consumption. Our new datacenter region in Arizona uses zero water for cooling for more than half the year, taking advantage of adiabatic cooling.

W7.4

(W7.4) Does your company use an internal price on water?

Row 1

Does your company use an internal price on water?
Yes

Please explain
Microsoft collects an internal water fee to invest in replenishment projects, as we work to make progress against our 2030 water positive commitment. The fee is charged based on annual water consumption projections using a rate based on guidance from experts on the cost of replenishment projects. Our primary objective in charging a fee is to raise internal awareness of our replenishment investments and water stewardship goals.

W7.5

(W7.5) Do you classify any of your current products and/or services as low water impact?

	Products and/or services classified as low water impact	Primary reason for not classifying any of your current products and/or services as low water impact	Please explain
Row 1	No, but we plan to address this within the next two years	Other, please specify Currently investigating opportunities to reduce water impact of our products/services	We're working to reduce our water use intensity (the water we use per megawatt of energy in our operations). We're measuring water use at our datacenters to improve sustainability across the Azure Cloud. Water usage effectiveness (WUE) is a key metric relating to the efficient and sustainable operations of our datacenters and is a crucial aspect as we work toward our commitment to be water positive by 2030. We continue to integrate our standards in water reduction technologies, such as in our Phoenix, Arizona datacenter where we use direct outside air most of the year to cool servers. We otherwise cool through direct evaporation that requires a fraction of the water compared with other conventional water-based cooling systems such as water-cooled chillers. We also have concerted efforts underway to reduce water usage in device manufacturing in our supply chain. One example of this is our investment in new fabric innovations for textiles in our computer palm rests and type covers.

W8. Targets

W8.1

(W8.1) Describe your approach to setting and monitoring water-related targets and/or goals.

Levels for targets and/or goals	Monitoring at corporate level	Approach to setting and monitoring targets and/or goals

| Row 1 | Company-wide targets and goals Business level specific targets and/or goals Basin specific targets and/or goals | Targets are monitored at the corporate level Goals are monitored at the corporate level | We identify and prioritize targets/goals relevant to our water risks, impacts, and opportunities through our Environmental Sustainability governance model (which involves consultation with subject matter experts from across our organization). This process helps ensure that our targets/goals reflect geographic, regulatory, and other contextual factors (e.g. we conduct annual water risk assessments to identify basins in high water stress regions). Our formal motivation for setting water targets/goals is our commitment to actions contributing to global water security as outlined in our water stewardship strategy and aligned with the UN Global Compact CEO Water Mandate (addressing SDG 6: ensure availability and sustainable management of water and sanitation for all) and the Water Resilience Coalition. We understand that water security and our capacity to safeguard sustainable access to good quality freshwater resources are increasingly at risk. There is a global increase in water demand that follows population growth, economic development, and changing consumption patterns. We use the results of our forward-looking water-related risk assessments to guide our decisions on water-related commitments; for example, our FY20 water risk assessment helped to identify high-risk basins that are the focus of our water replenishment work. In FY19 we adopted a corporate-wide target to balance the water consumption in our operations in water-stressed areas by 2030, and in FY21 we expanded our ambition by setting a corporate commitment to become water positive for our direct operations by 2030. We plan to achieve our water positive commitment by continuing our water stewardship work, building on our ongoing investments, and advancing water reduction and replenishment across our operations. In addition to this focus on water availability through reductions and replenishment, we will focus on accessibility by expanding access to clean water and sanitation services. Under our water positive goal, we have established annual replenishment and accessibility targets, and we are taking new approaches to water collection, treatment, reuse, and reduction at our campuses and datacenters across the globe. This includes efficiency measures as well as fit-for-purpose water usage. At the business group level, in FY21, Global Workplace Services (GWS) completed a study generating recommendations and implementable strategies to reduce our water dependence at five sites located in high water stress regions in Asia. |

W8.1a

(W8.1a) Provide details of your water targets that are monitored at the corporate level, and the progress made.

Target reference number

Target 1

Category of target

Other, please specify

Water replenishment

Level

Company-wide

Primary motivation

Water stewardship

Description of target

We announced a target/commitment to balance our water consumption across our operations by 2030, with a focus on water-stressed regions, by investing in water replenishment projects. We are implementing this target by identifying water-stressed and other priority locations annually, using our water data inventory, WRI Aqueduct, and staff insights, and by sourcing water replenishment projects by issuing requests for proposal (RFPs)/requests for information (RFIs) and by engaging project brokers. Progress toward the replenishment target is aligned to the Volumetric Water Benefit Accounting (VWBA) framework. At the corporate level, we are exploring how best to tailor water replenishment investments to varying water conditions and help ensure that we are addressing the most salient issues.

Quantitative metric

Other, please specify

Replenish more water than we consume across our operations with a focus on priority high-stress locations

Baseline year

2020

Start year

2021

Target year

2030

% of target achieved

45

Please explain

The "% of target achieved" listed represents the consumption volume of water balanced through water replenishment projects by the end of FY21. Water replenishment volumes represent total contracted water replenishment projects in FY21. To meet this 2030 target, we developed a linear replenishment target model with annual targets that steadily increase over time. These annual targets are tied to our annual operational consumption, and thus the actual volume that needs to be replenished each year is dependent on our annual operational consumption for that year. The reported water replenishment volume may be adjusted once individual projects are completed and volumes verified. (The baseline, start, and target years refer to our fiscal year, which begins July 1 and ends June 30.)

Target reference number

Target 2

Category of target

Water, Sanitation and Hygiene (WASH) services in the community

Level

Other, please specify

Global

Primary motivation

Water stewardship

Description of target

With 1.1 billion people in the world without access to clean water, it's not enough to simply reduce and replenish—we need to improve people's access to safe, clean water. Our goal is to provide access to safe drinking water and improved sanitation solutions for 1.5 million people where we also operate by 2030. This goal aligns with UN SDG 6: ensure availability and sustainable management of water and sanitation for all.

Quantitative metric

Other, please specify

Number of people with access to safe drinking water and improved water sanitation solutions

Baseline year

2020

Start year

2021

Target year

2030

% of target achieved

6

Please explain

In FY21, we provided more than 95,000 people in India and Indonesia with access to clean water and sanitation services and expect to reach at least 840,000 people by September 2023. Nearly all the beneficiaries are women who live below the poverty line. From the program's inception through calendar year 2021, we have provided 242,988 people with water access and sanitation services in Mexico, India, and Indonesia. This target supports our corporate commitment to become water positive by 2030, announced in FY21. (The baseline, start, and target years refer to our fiscal year, which begins July 1 and ends June 30.)

W8.1b

(W8.1b) Provide details of your water goal(s) that are monitored at the corporate level and the progress made.

Goal

Other, please specify
Water positive

Level

Company-wide

Motivation

Water stewardship

Description of goal

The scientific consensus is clear: water security and our capacity to safeguard sustainable access to quality freshwater resources are increasingly at risk. There is a global increase in water demand that follows population growth, economic development, and changing consumption patterns. Research by WRI projects that by 2030, there will be a 56 percent deficit in water supply relative to demand if no actions are taken to alleviate this. At present, about 25 percent of the global population lives in countries with water stress, and 1 in 10 people lack access to safe drinking water. To tackle these challenges, we have set a goal to be water positive for our direct operations by 2030. As part of this goal, we will reduce water use intensity across our operations, replenish more water than we consume (focusing on high water-stressed regions in which we operate), and increase access to water and sanitation services. This goal is important to Microsoft because it represents the fourth pillar in our broader sustainability strategy (which also includes becoming a carbon negative, zero waste company that is building a new planetary computing platform to transform the way we monitor, model, and ultimately manage Earth's natural systems); we are committed to taking responsibility for our own water use and partnering on technology platforms to help others do the same. This goal is set at the companywide level because it applies to water consumption across our operations.

Baseline year

2020

Start year

2021

End year

2030

Progress

We assess our progress using the following indicators: volume of water replenished and number of people provided with water access. Our threshold for success is 100% replenishment based on water consumption across our operations and providing access to clean water and sanitation services to >1.5 million people by 2030. We are taking new approaches to water collection, treatment, reuse, and reduction at our campuses and datacenters worldwide. This includes efficiency measures as well as fit-for-purpose water usage design—using the right type of water in the right context from campus to datacenters to device manufacturing. We are investing in water projects that protect watersheds, restore wetlands, and improve infrastructure. When sourcing water replenishment projects, we consider contextual conditions of the watershed and aim to invest in projects that align with site-specific water assessments and have local stakeholder support. Progress: In FY21, we invested in replenishment projects that are expected to generate >1.3 million cubic meters of volumetric benefits, bringing us to 21 replenishment projects in nine water basins across the globe. We will work with key partners, including Water.org, to provide 1.5 million people with access to clean water and sanitation services. In FY21, through this partnership, we provided >95,000 people with access to safe water or sanitation. (The baseline, start, and end years refer to our fiscal year, which begins July 1 and ends June 30.)

Goal

Engagement with suppliers to help them improve water stewardship

Level

Business

Motivation

Water stewardship

Description of goal

In FY21, we launched a new Supply Chain Water Stewardship Project in collaboration with the Alliance for Water Stewardship Asia Pacific (AWS A-P). The project aims to pilot the implementation and certification of the AWS International Water Stewardship Standard with selected suppliers. This goal is important to our company as it helps us to improve our supplier water performance. It also helps us understand water-related risks in the supply chain and evaluate opportunities to support suppliers in mitigating these risks in the future. With this project, we aimed to help our supplier improve factory water management, not only for compliance but also for meeting the global benchmark for water

stewardship. This goal is set at the business level because it is specific to our directly contracted manufacturing suppliers. We selected a supplier located in China to take part in the first pilot.

Baseline year

2021

Start year

2021

End year

2023

Progress

We assess our progress against this goal using the following indicators: compliance assurance, water recycled/saved, and AWS certification. Our threshold for success is progress of the factory as shown by the data reported. With the support of Microsoft and AWS A-P, the supplier established a special taskforce and benchmarked its existing water management system and performance against the AWS International Water Stewardship Standard. The supplier completed a study on catchment shared water challenges, carried out stakeholder analysis and supply chain water risk mapping to identify water-related risks and opportunities, and identified improvement actions. Progress: The supplier has now developed its first water stewardship plan. The plan aims to strengthen its internal water and environmental management capability; improve performance across water balancing, water quality, and water, sanitation, and hygiene (WASH) services; and engage the surrounding community and its own upstream suppliers. A third-party audit will be conducted at a later stage of the pilot to independently review and verify pilot outcomes. (The baseline, start, and end years refer to our fiscal year, which begins July 1 and ends June 30.)

Goal

Engagement with suppliers to reduce the water-related impact of supplied products

Level

Business

Motivation

Reduced environmental impact

Description of goal

We have a specific goal to increase the number of Microsoft directly contracted manufacturing suppliers that respond to the CDP Water Security questionnaire. This goal is important to our company as it will help us in our reporting on supplier water engagement. It is relevant to the goal of achieving water security because with supplier water data, we will have better insights into water usage across our whole value chain. This goal is set at the business level because it is specific to our directly contracted manufacturing suppliers. We are implementing it by partnering directly with our suppliers on the topic. We have held a supplier forum during which Microsoft requested suppliers complete the CDP Water Security questionnaire.

Baseline year

2017

Start year

2020

End year

2021

Progress

This is an ongoing goal, measured annually. We assess our progress for this goal based on the number of directly contracted manufacturing suppliers that respond to the CDP Water Security questionnaire. Our threshold for success is that, eventually, all requested directly contracted manufacturing suppliers respond to the CDP Water Security questionnaire. Progress: In 2021, 160 of these suppliers submitted CDP Water Security responses, an increase of 39 percent year over year. These successfully responding suppliers represented 98% of our direct sourcing spend in 2020. (The baseline, start, and end years refer to calendar years, not fiscal years [as with our other targets and goals], to align with the CDP Supply Chain program timeline.)

W9. Verification

W9.1

(W9.1) Do you verify any other water information reported in your CDP disclosure (not already covered by W5.1a)?

Yes

📎 2021 Environmental Sustainability_Report.pdf

W9.1a

(W9.1a) Which data points within your CDP disclosure have been verified, and which standards were used?

Disclosure module	Data verified	Verification standard	Please explain
W1 Current state	Total withdrawal plus total withdrawal in water-stressed areas	Other, please specify Attestation Standards established by the American Institute of Certified Public Accountants/AICPA, AT-C 105 with AT-C 210 for Review Engagements	We engaged Deloitte & Touche LLP to perform a review in accordance with the attestation standards established by the American Institute of Certified Public Accountants (AICPA) of management's assertion that total water withdrawal and total water withdrawal in water-stressed areas included in our 2021 Environmental Sustainability Report are presented in accordance with Disclosure 303-3: Water withdrawal from the GRI Standard: 303 Water and Effluents 2018. W1.2b total withdrawal and W1.2d withdrawal water-stress proportion in this CDP disclosure are included in our 2021 Environmental Sustainability Report.
W1 Current state	Total consumption	Other, please specify Attestation Standards established by the American Institute of Certified Public Accountants/AICPA, AT-C 105 with AT-C 210 for Review Engagements	We engaged Deloitte & Touche LLP to perform a review in accordance with the attestation standards established by the American Institute of Certified Public Accountants (AICPA) of management's assertion that total water consumption included in our 2021 Environmental Sustainability Report is presented in accordance with Disclosure 303-5:

			Water consumption from the GRI Standard: 303 Water and Effluents 2018. W1.2b total consumption in this CDP disclosure is included in our 2021 Environmental Sustainability Report.
W1 Current state	Total discharge	Other, please specify Attestation Standards established by the American Institute of Certified Public Accountants/AICPA, AT-C 105 with AT-C 210 for Review Engagements	We engaged Deloitte & Touche LLP to perform a review in accordance with the attestation standards established by the American Institute of Certified Public Accountants (AICPA) of management's assertion that total water discharge included in our 2021 Environmental Sustainability Report is presented in accordance with Disclosure 303-4: Water discharge from the GRI Standard: 303 Water and Effluents 2018. W1.2b total discharge in this CDP disclosure is included in our 2021 Environmental Sustainability Report.
W1 Current state	Total withdrawal by source	Other, please specify Attestation Standards established by the American Institute of Certified Public Accountants/AICPA, AT-C 105 with AT-C 210 for Review Engagements	We engaged Deloitte & Touche LLP to perform a review in accordance with the attestation standards established by the American Institute of Certified Public Accountants (AICPA) of management's assertion that total water withdrawal by source included in our 2021 Environmental Sustainability Report is presented in accordance with Disclosure 303-3: Water withdrawal from the GRI Standard: 303 Water and Effluents 2018. W1.2h total withdrawal by source in this CDP disclosure is included in our 2021 Environmental Sustainability Report.
W1 Current state	Total discharge by destination	Other, please specify Attestation Standards established by the American Institute of Certified Public Accountants/AICPA, AT-C 105 with AT-C 210 for Review Engagements	We engaged Deloitte & Touche LLP to perform a review in accordance with the attestation standards established by the American Institute of Certified Public Accountants (AICPA) of management's assertion that total water discharge by destination included in our 2021 Environmental Sustainability Report is presented in accordance with Disclosure 303-4: Water discharge from the GRI Standard: 303 Water and Effluents 2018. W1.2i total discharge by destination in this CDP disclosure is included in our 2021 Environmental Sustainability Report.

W10. Sign off

W-FI

(W-FI) Use this field to provide any additional information or context that you feel is relevant to your organization's response. Please note that this field is optional and is not scored.

W10.1

(W10.1) Provide details for the person that has signed off (approved) your CDP water response.

	Job title	Corresponding job category
Row 1	President and Vice Chair	President

W10.2

(W10.2) Please indicate whether your organization agrees for CDP to transfer your publicly disclosed data on your impact and risk response strategies to the CEO Water Mandate's Water Action Hub [applies only to W2.1a (response to impacts), W4.2 and W4.2a (response to risks)].

Yes