

Microsoft Corporation
Compensation Committee Charter

Role

The Compensation Committee's role is to discharge the Board's responsibilities relating to compensation of the Company's executive officers, the adoption of policies that govern the Company's compensation and benefit programs, oversight of executive development and succession plans, and to fulfill the responsibilities in this Charter.

Membership

The membership of the Committee consists of at least two directors, each of whom shall (a) meet the independence requirements established by the Board and applicable laws, regulations and the listing requirements of the NASDAQ Stock Market, LLC, and (b) be a "non-employee director" within the meaning of Rule 16b-3 under the Securities Exchange Act of 1934. The Board appoints the members of the Committee and the chairperson. The Board may remove any member from the Committee at any time with or without cause.

Operations

The Committee holds meetings at least four times a year. Additional meetings may occur as a majority of the Committee or its chair deems advisable. The Committee will meet in executive session, from time to time, without Company management present. The Committee will cause to be kept adequate minutes of its proceedings, and will report on its actions and activities at the next quarterly meeting of the Board. Committee members will be furnished with copies of the minutes of each meeting and any action taken by unanimous consent. The Committee is governed by the same rules regarding meetings, action without meetings, notice, waiver of notice, and quorum and voting requirements apply to the Board (except that a quorum of the Committee shall consist of no fewer than two members). The Committee is authorized to adopt its own rules of procedure not inconsistent with (a) any provision of this Charter, (b) any provision of the Bylaws of the Company, or (c) the laws of the state of Washington.

Authority

The Committee will have the resources and authority necessary to discharge its duties and responsibilities. The Committee has complete authority to retain and terminate outside counsel, compensation consultants, or other experts or consultants, as it deems appropriate, including complete authority to approve their fees and other retention terms. Any communications between the Committee and legal counsel while obtaining legal advice will be privileged communications of the Company and the Committee will take all necessary steps to preserve the privileged nature of those communications.

Except as otherwise delegated by the Board or the Committee, the Committee will act on behalf of the Board.

The Committee may form and delegate authority to subcommittees and may delegate authority to one or more designated members of the Committee. The Committee may delegate to one or more executive officers the authority to make grants of equity-based compensation to eligible individuals who are not

executive officers and to administer the Company's equity-based compensation plans. Any executive officer to whom the Committee grants such authority shall regularly report to the Committee grants so made and the Committee may revoke any delegation of authority at any time.

Responsibilities

Subject to the Corporate Governance Guidelines, the principal responsibilities of the Compensation Committee are:

1. Board Compensation. Periodically review the compensation paid to non-employee directors and make recommendations to the Board for any adjustments. No member of the Committee will act to fix his or her own compensation except for uniform compensation to directors for their services as a director.
2. Chief Executive Officer ("CEO") Compensation.
 - a. Assist the Board in establishing CEO annual goals and objectives.
 - b. Establish the process for annually reviewing the CEO's performance.
 - c. Recommend CEO compensation to the independent members of the Board for approval.
 - i. In making this recommendation, consider the results of the annual CEO evaluation.
 - ii. The CEO may not be present during deliberations or voting concerning the CEO's compensation.
3. Other Officer Compensation.
 - a. In consultation with the CEO, oversee the performance evaluation of the members of the corporate Senior Leadership Team other than the CEO ("Senior Officers") and approve the annual compensation, including salary and incentive compensation targets and awards, for the Senior Officers.
 - b. Review and approve compensation arrangements for new Senior Officers and retention and termination arrangements for Senior Officers.
 - c. Review the structure and competitiveness of the Company's Senior Officer compensation programs.
4. Development and Succession Planning. Review and discuss with the CEO and report to the Board development and succession plans for Senior Officers, as described under "Development and Succession Planning" in the [Microsoft Corporation Corporate Governance Guidelines](#).
5. General Compensation Oversight. Monitor and evaluate matters relating to the compensation and benefits structure of the Company as the Committee deems appropriate, including:
 - a. Provide guidance to management on significant issues affecting compensation philosophy or policy.
 - b. Provide input to management on whether compensation arrangements for Company executives incentivize unnecessary and excessive risk taking.
 - c. Review and approve policies regarding CEO and Senior Officer compensation.
 - d. Review, approve and administer the Company's executive compensation recovery policy.
6. Equity and Retirement Plan Oversight.
 - a. Administer the Company's equity-based compensation plans to the extent provided under those plans.

- b. Appoint and remove plan administrators for the Company's retirement plans as appropriate and perform other duties that the Board may have with respect to the Company's retirement plans.
- 7. Oversight of Compensation Consultant and Other Advisors.
 - a. Retain and terminate compensation consultants, outside counsel, or other advisors or experts that advise the Committee, as it deems appropriate, including approval of fees and other retention terms.
 - b. Evaluate the independence of the compensation consultant and other counsel or advisors retained by the Committee in accordance with applicable regulations and listing standards before selecting them.
- 8. Disclosure. Discuss with management the Company's Compensation Discussion and Analysis ("CD&A") for the annual proxy statement; based on the review and discussion, recommend to the Board that the CD&A be included in the Company's annual report or annual proxy statement; and produce an annual report of the Compensation Committee on executive compensation for the Company's annual proxy statement in compliance with and to the extent required by applicable Securities and Exchange Commission rules and regulations and relevant listing authority.
- 9. Other Responsibilities.
 - a. Annually review and make recommendations as appropriate to the Governance and Nominating Committee about changes to the charter of the Committee.
 - b. Obtain or perform an annual evaluation of the Committee's performance and make applicable recommendations.
 - c. Annually review the Company's programs for diversity and inclusion and human capital management.
 - d. Oversee the process and review the results of investigations of any sexual harassment complaints against Senior Officers. The Committee will report to the full Board on the conclusions of any investigation that results in a founded determination and the disciplinary and other actions taken.

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