



Department for  
Science, Innovation  
& Technology

**To:** Secretary of State  
**From:** AI Industry Engagement  
Team  
**SCS Clearance:** Imran Shafi,  
Director for AI Policy Directorate  
and Kitty Jenkins, Deputy Director  
for AI Strategy and Risk

## **Meeting Brief: Microsoft AI- Mustafa Suleyman, CEO**

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**10<sup>th</sup> September, 14:00-14:30, 100PS**

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### **Meeting attendees:**

1. Mustafa Suleyman (CEO of Microsoft AI)
2. Simon Staffell, Director Government Affairs, Microsoft

### **Official(s) attendee(s):**

1. Emran Mian - DSIT, Director General, Digital, Technology & Telecoms Group
2. Imran Shafi - DSIT, Director, AI Policy Directorate

### **Agenda:**

1. Introductions and Microsoft AI's presence in the UK
2. Government's approach to AI, including high level regulation update
3. AI Safety Institute
4. Digital Public Services

**Purpose:** This is an introductory meeting to hear from Microsoft AI's CEO, Mustafa Suleyman, and for you to outline the Government's vision for kickstarting economic growth through harnessing the power of AI.

**Context:** Microsoft is one of the UK's most important AI stakeholders and tech sector investors. You are the primary contact Minister for Microsoft and DSIT manages the relationship with the company on behalf of the whole Government. Microsoft AI was established in March after Microsoft hired Suleyman and acquired Inflection AI, the startup he set up in 2022. Recently, on 4 September the CMA cleared Microsoft's hiring of Inflection AI staff, following a "phase 1" merger investigation. There is a separate ongoing merger investigation into Microsoft's partnership with OpenAI which was launched in December last year.

Mustafa met SoS DBT yesterday (9 September) and will also hold a roundtable Q&A with senior officials from HMG (DSIT, No10, HMT and DBT).

**Previous and upcoming Engagement:**

1. **[Upcoming] 06 September 2024** - Imran Shafi, AI Policy Director to meet Simon Staffell, Director Government Affairs, Microsoft.
2. **[Upcoming] 18 September 2024** - [REDACTED] – AI Safety Institute, meeting with Natasha Crampton, Chief Responsible AI Officer, in Seattle, US.
3. **14 August 2024** – You (DSIT Secretary of State) hosted an AI regulation roundtable attended by Amanda Craig (Senior Director of Responsible AI Policy, Microsoft).
4. **08 August 2024** - Chloe MacEwen, Senior Director UK Government Affairs attended the AI Opportunities Action Plan, led by Matt Clifford.
5. **01 August 2024** – You (DSIT Secretary of State) met with Brad Smith (Vice Chair & President, Microsoft).
6. **31 July 2024** – Rachel Reeves (Chancellor of the Exchequer) and Peter Kyle (Secretary of State for Science, Innovation and Technology) hosted a Tech and AI business roundtable attended by Clare Barclay (CEO, Microsoft UK).
7. **28 June 2024** – AI Safety Institute (AISi) held a working level in-person meeting with Owen Larter, Director of Global Government Affairs, and other Microsoft colleagues to discuss research collaborations on AI safety.

**Minister's note page [Officials please leave this section blank]**

## Meeting Brief

### **Objective & Handling:**

This is an introductory meeting with Mustafa Suleyman, CEO of Microsoft AI. It is an opportunity to set out your vision for AI in the UK, including, AI safety and the development of a robust AI ecosystem in the UK, as well as a great opportunity to better understand Microsoft AI's footprint in the UK following their announcement of an AI London Hub in April.

### **Agenda item 1 – Introductions and Microsoft AI's wider presence the UK**

- **Congratulate** Mustafa on his appointment as CEO of Microsoft AI earlier this year.
- **Highlight** that you are proud of the UK tech sector and are committed to further developing your relationship with Microsoft and Microsoft AI.
- **Invite** Mustafa to set out Microsoft AI's footprint in the UK and how they intend to work with government. We are keen to understand how Microsoft AI can support mission delivery going forward, particularly as we focus on kickstarting economic growth.

◦ **Background:** Microsoft launched Microsoft AI and a London AI Hub in Spring 2024, following their acqui-hire of Suleyman's team at Inflection AI.

### **Agenda Item 2 – Government's approach to Artificial Intelligence**

- **State** that AI is at the heart of the Government's plan to kickstart an era of economic growth, transform how we deliver public services, and boost living standards for working people across the country.
- **Highlight** DSIT's mission, serving as the digital centre of government, is to unlock these opportunities and we have commissioned Matt Clifford to conduct the AI Opportunities Action Plan.
- **Note** we are also providing clarity and driving trust with targeted new AI legislation and will be consulting on these proposals before introducing them to Parliament.

### *If asked AI Opportunities Action Plan*

- **Note** we were pleased to see Chloe MacEwen, Senior Director of UK Government Affairs (Microsoft) attend the Action Plan roundtables, and her insights were valuable in informing the Action Plan, which is progressing rapidly.



- **State** that government is committed to continuing to build a strong tech ecosystem. The AI Action Plan, led by AI expert Matt Clifford, will set out how government can support the growth of the AI sector and compete on the global stage, while also including actions designed to boost the responsible adoption of AI across all parts of the economy.

*If asked on AI regulation / legislation*

- **Emphasise** that our proposals will be highly targeted, building on the voluntary commitments agreed at the Seoul and Bletchley AI Safety Summits and formalizing the role of the AI Safety Institute. They will apply to a small number of the developers of the most powerful AI models, with a focus on the AI systems of tomorrow, not today.
- **Note** that we will be consulting on these proposals, before introducing them to Parliament, to ensure regulation is proportionate and supports innovation.

- [REDACTED]

### **Agenda Item 3 – AI Safety Institute**

- **Highlight** constructive interactions with Microsoft at working level – we are eager to expand and deepen conversations and engage in joint research.
- **Highlight** that we speak with their Office for Responsible AI (including Natasha Crampton, Chief Responsible AI Officer) frequently.

- [REDACTED]

### **Agenda Item 4 – Digital Public Services**

- The government already has a stated aim of modernising government operations via use of technology across departments
- **Emphasise** that HMG believes AI holds the potential to revolutionise the delivery of public services, improving responsiveness, transparency, accessibility, citizen-centricity and value for money.
- The government therefore aims to weave AI enhancements into its operations, and is evaluating tools and platforms which improve the lives of civil servants, and UK citizens alike.
- There is an expectation that digital transformation partners understand and support this vision. Furthermore, they will share the risks in delivery and focus on achieving tangible benefits.

*If asked Government stance on Strategic Digital Suppliers*

- HMG is keen to maintain a market for public sector organisations which stimulates competition across the variety of services being consumed
- The strategy is to move all Public Sector organisations into hyperscale public cloud by 2030, the opportunity exists for all players in the market
- DSIT is focusing on strategic digital supplier management through the Chief Digital and Data Office, which acts on behalf of the Public Sector.
- A key component of Government technology strategy is to encourage Small and Medium sized enterprises to cooperate in Government programmes of work. This is especially true of AI programmes.
  - **Ask** Does Microsoft have any upcoming cooperative arrangements with such organisations?

**Defensive Lines & Background**


*[If pressed] on the CMA's work on AI*

- **Note** it would not be appropriate for the Government to speculate or comment on live CMA investigations. The CMA is the UK's independent competition regulator – and that independence is an important feature of the UK's business and investment environment.
- **Background:** On 4 September 2024 the CMA cleared Microsoft's hiring of Inflection AI staff, following a "phase 1" merger investigation. The CMA determined the arrangement qualifies as a merger but is unlikely to lessen competition significantly. The CMA is still gathering evidence on a partnership between Microsoft and OpenAI, but determined its partnership with Mistral AI did not qualify as a merger.

*If asked about non-compete clauses in employment contracts*

- **Note** that extensive research and consultation on the use of non-compete clauses in employment contracts was carried out by the previous Government.
- **Confirm** that the Government is currently reviewing policy decisions made by the previous government and is considering next steps.
- **Background:**
  - Employers insert non-compete clauses (a form of "restrictive covenant") into employment contracts to restrict workers' ability to compete against the employer after they leave.

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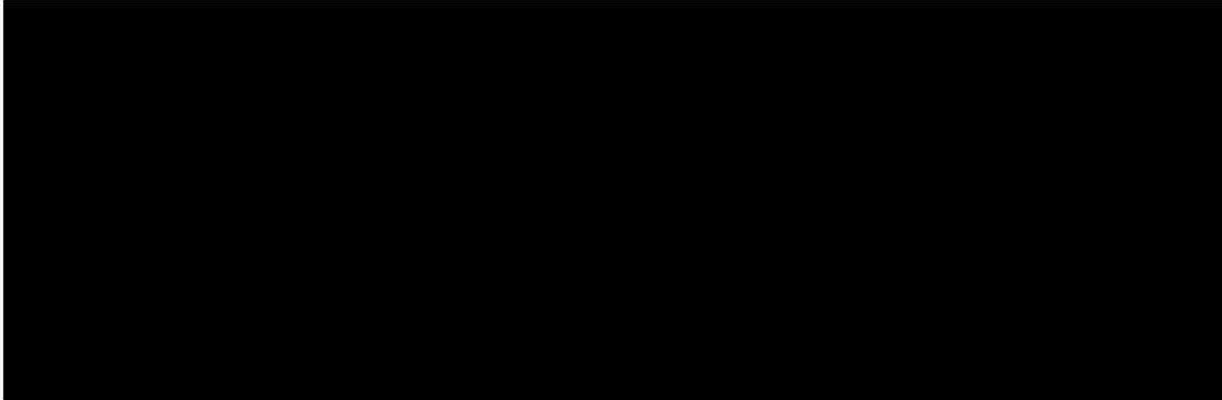
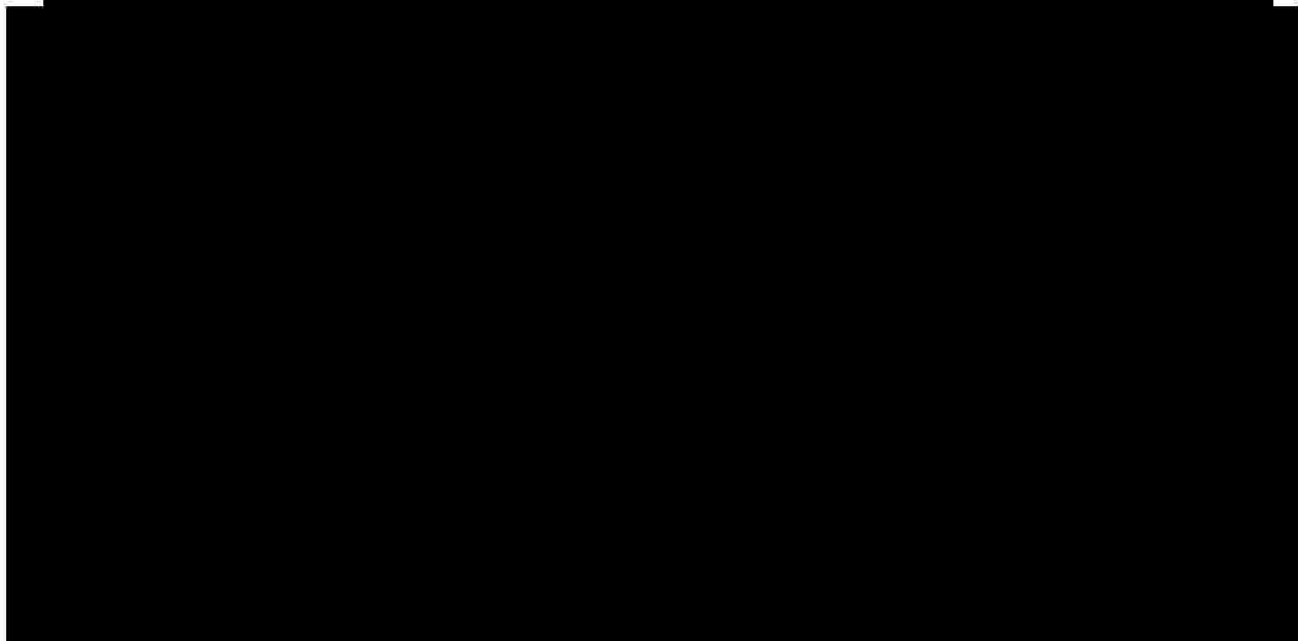
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- There is currently no legislation covering non-compete clauses and under common law there are very few constraints on their use. Our research suggests that they are widely used at various skill levels, with around 5 million employees subject to a non-compete clause in Great Britain and a typical duration of around 6 months.
  - The previous Government committed to introducing a 3 month statutory limit on the length of non-compete clauses. However, this requires primary legislation, and no legislation was brought forward.

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### **Additional lines to take:**



#### **Investments/ UK investment environment**

- Microsoft announced a £2.5bn investment over three years in their next generation data centre clusters announced in November 2023.
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### **Further Background:**

#### Microsoft AI overview:

- Microsoft announced in March 2024 a mass hiring of Inflection AI staff, including co-founders Mustafa Suleyman and Karen Simonyan, alongside a wider organizational restructure to combine and bolster the company's AI efforts.
- Mustafa Suleyman was made CEO of Microsoft AI, a new consumer AI division dedicated to integrating AI into products including Windows, Edge and Bing.

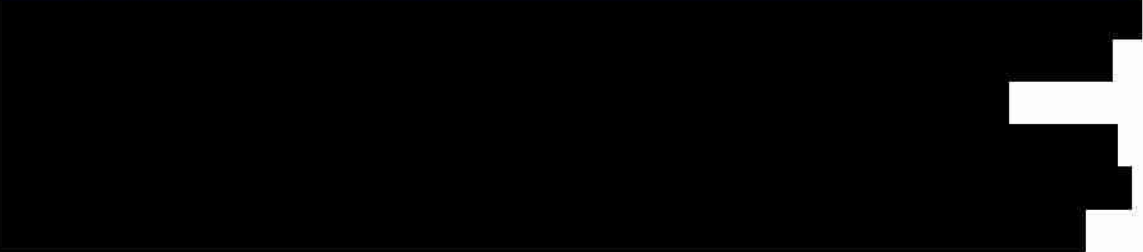
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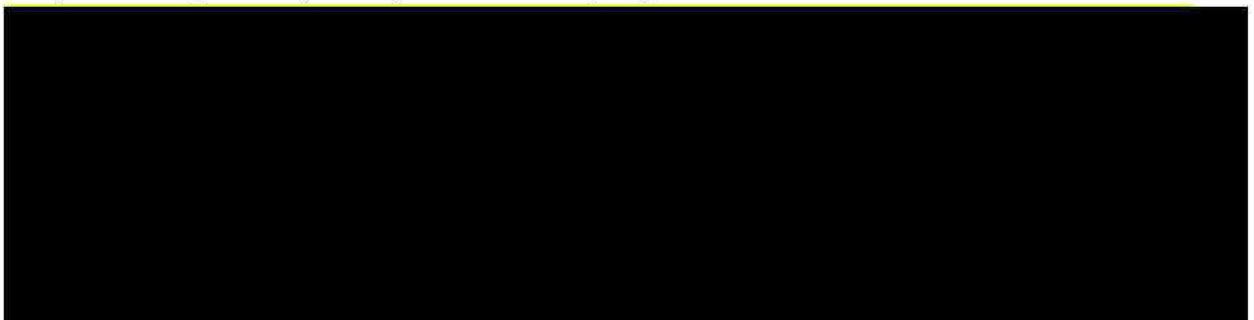
- Soon after his appointment, Mustafa announced that Microsoft AI would open a new AI hub in London to advance language models and AI infrastructure. This included plans to hire leading AI scientists and engineers to join the division in the capital.

#### Company overview:

- As of 5 September 2024, Microsoft was the **second most valuable company in the world**, with a market cap of \$3 trillion. Microsoft made **\$245.1 billion in revenue** worldwide in FY2024 (up 16%), which is comparable to the nominal **GDP of Qatar (\$244bn)**.
- Microsoft generated **\$97.7 billion in revenue from server products and cloud services** in FY2024, which was both its biggest and fastest-growing revenue stream (up 22%). Some of that cloud revenue is driven by sales of AI services.
- Microsoft totalled **£6.4 billion in UK recognised revenue** in 2022 (up 28%). It **employs more than 6,000 staff in the UK**. The vast majority (~86%) of these roles are in sales and distribution.
- Microsoft is **one of the biggest R&D investors in the world**, with \$29.5 billion invested in FY2024 (up 9%). The company does not divulge its UK R&D spending but the proportion of UK staff engaged in R&D (<14%) is significantly lower than Microsoft's global average (33%). Global capital expenditures (infrastructure) stood at \$28.1 bn in 2023.

#### Recent opportunities and challenges:

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- Microsoft worked with the previous government to announce a £2.5 billion investment in critical UK AI infrastructure, including 30,000 advance graphic processing units (GPUs) and AI skills programmes.



[REDACTED]

[REDACTED]

[REDACTED]

## **ANNEX A: BIOGRAPHIES**



Mustafa Suleyman, CEO, Microsoft AI

- Mustafa Suleyman is the CEO of Microsoft AI, a new consumer AI products and research organisation within the company, which was established following the quasi-acquisition of Inflection AI in March 2024.
- Mustafa also co-founded DeepMind, one of the world's most successful AI companies, which went on to be acquired by Google in 2014.
- At DeepMind, Mustafa was Head of Applied AI, leading teams to deploy cutting-edge AI systems in the health and energy sectors, as well as across many Google products. In 2019, Mustafa joined Google full-time as the VP of AI products & AI policy.
- Mustafa is a member of the Board of The Economist. Mustafa is also Senior Fellow at The Belfer Center for Science and International Affairs, at Harvard's Kennedy School.



- Simon Staffell is the UK Government Affairs Manager at Microsoft
- He previously served in the UK government, working primarily on national security issues. He held senior appointments in the Foreign and Commonwealth Office, Home Office and Cabinet Office, and postings in Cairo and Washington DC.
- He is a visiting research fellow at the Department of War Studies, and a fellow at the Royal United Services Institute (RUSI).

Simon Staffell, Director of UK Government Affairs	
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