

Microsoft Slavery and Human Trafficking Statement

Pursuant to UK Modern Slavery Act of 2015

Fiscal Year 2016

Microsoft's mission is to empower every person and every organization on the planet to achieve more. We can only attain that mission by using good judgment, making ethical choices, and acting with integrity. This statement describes the actions taken by the Microsoft Corporation and its subsidiaries during fiscal year 2016 to prevent modern slavery and human trafficking in our business and supply chain.

Our structure, business and operations

Founded in 1975, Microsoft is a worldwide business with over 110,000 employees in more than 100 countries. We develop, license, and support a wide range of software products, services, and hardware devices that deliver enhanced value to people's lives.

Our products include operating systems; cross-device productivity applications; server applications; business solution applications; desktop and server management tools; software development tools; video games; and training and certification of computer system integrators and developers. We also design, manufacture, and sell devices, including PCs, tablets, gaming and entertainment consoles, phones, other intelligent devices, and related accessories, that integrate with our cloud-based offerings. We offer an array of services, including cloud-based solutions that provide customers with software, services, platforms, and content, and we provide solution support and consulting services. We also deliver relevant online advertising to a global audience. Microsoft's strategy is to build best-in-class platforms and productivity services for a mobile-first, cloud-first world.

In conducting our business, Microsoft has relationships with thousands of suppliers around the globe, spanning both hardware suppliers that manufacture our devices and the components that go into them and indirect suppliers that provide everything from advertising services to office supplies. Microsoft's Manufacturing and Supply Chain Group manages our suppliers of hardware and product packaging; Microsoft's Global Procurement Group manages our spending with indirect suppliers of goods and services. We provide some additional detail on our suppliers and a list of our [top 100 suppliers](#) for our available hardware products in the [Responsible Sourcing](#) section of our Corporate Social Responsibility [\(CSR\) reporting website](#).

Policies in relation to human trafficking

Microsoft's values and continued commitment to ethical business practices and legal compliance are detailed in our [Standards of Business Conduct](#). The Standards of Business Conduct are an extension of Microsoft's values and reflect our continued commitment to legal compliance and ethical business practices. All Microsoft employees are required to comply with the Standards of Business Conduct in all countries where we conduct operations. The Standards of Business Conduct operate to build and maintain trust through a corporate-wide shared commitment to ethical behavior and by acting with

honesty and integrity. Compliance with the Standards is reinforced through annual online training, which all employees are required to take

The Standards establish Microsoft's commitment to respect the human rights of our employees, product users, suppliers and individuals in the communities in which we operate as further described in Microsoft's [Global Human Rights Statement](#). The Statement aligns with the UN Guiding Principles on Business & Human Rights and the Global Network Initiative Principles, and outlines our commitment and approach to respecting human rights. The Statement was first published in 2011 and builds upon the company's formal commitment to respect human rights and labor rights since joining the UN Global Compact in 2006.

The statement articulates how we work to meet our responsibilities to respect human rights by:

1. Clearly stating our human rights policies and advancing these policies through our business operations and practices;
2. Proactively engaging with stakeholders to obtain input to help evolve our approach;
3. Actively participating in relevant human rights-focused collaborative initiatives, such as the Electronic Industry Citizenship Coalition (EICC); and
4. Communicating annually on the work we are doing to meet our human rights responsibilities through our annual Microsoft Citizenship Report and other communication vehicles.

Microsoft's Global Human Rights Statement references our respect for specific international human rights instruments which prohibit forms of modern slavery and human trafficking. These instruments include the International Covenant on Civil and Political Rights, which prohibits slavery, forced servitude and forced labor; and the ILO Declaration on Fundamental Principles and Rights at Work, which requires the abolition of forced labor and the trafficking of children.

Microsoft expects its suppliers to embrace its commitment to integrity and ethical behavior by complying with and training its employees on the Microsoft [Supplier Code of Conduct](#) ("Code"), The Code, which is based on the Electronics Industry Citizenship Coalition's (EICC) Code of Conduct, but which includes additional provision, requires suppliers to train their personnel and subcontractors on its requirements. The Code is incorporated as a mandatory supplier requirement in all supplier contracts.

The Code specifies that we expect our suppliers and their employees, agents, and subcontractors to respect labor rights. The Code, when combined with our due diligence efforts and capacity building programs, provides the key mechanism which we use to prevent and mitigate risks of modern slavery and human trafficking in our supply chain. The Code's requirements for suppliers regarding Labor Practices and Human Rights are:

1. Cooperate with Microsoft's commitment to a workforce and workplace free of harassment and unlawful discrimination. While we recognize and respect cultural differences, we require that Suppliers not engage in discrimination in hiring, compensation, access to training, promotion, termination, and/or retirement based on race, color, sex, national origin, religion, age, disability, gender identity or expression, marital status, pregnancy, sexual orientation, political affiliation, union membership, or veteran status.
2. Use only voluntary labor. The use of forced labor whether in the form of indentured labor, bonded labor, or prison labor by Microsoft Suppliers is prohibited. Also prohibited is support for any form of human trafficking of involuntary labor through threat, force, fraudulent claims, or other coercion.
3. Ensure worker access to work-related documents. Suppliers are prohibited from requiring workers to lodge "deposits", holding employee identity or immigration papers (including but not limited to passports or work permits), or destroying, concealing, confiscating or otherwise denying worker's access to such documents. Workers should be free to resign their employment in accordance with local and national laws or regulations without unlawful penalty. Suppliers who employ workers for manufacturing and Microsoft product packaging operations who are not a national of the country in which the work is taking place, and who was brought into that country for the purpose of working for the supplier, the supplier shall provide return transportation to his/her origin, or reimburse the worker for the cost of such trip upon the end of employment.
4. Comply with all local and national minimum working age laws or regulations and not use child labor. Suppliers cannot employ anyone under the age of 15, under the age for completing compulsory education, or under the legal minimum working age for employment—whichever is higher. Microsoft only supports the development of legitimate workplace apprenticeship programs for the educational benefit of young people and will not do business with those who abuse such systems. Workers under the age of 18 cannot perform hazardous work and may be restricted from night work, with consideration given to educational needs.
5. Not engage in physical discipline or abuse. Physical abuse or discipline, the threat of physical abuse, sexual or other harassment, and verbal abuse or other forms of intimidation are prohibited.
6. Pay applicable legal wages under humane conditions. All workers must be provided with clear and understandable written information about their employment conditions in a language understood by the worker with respect to wages, benefits, location of work, living conditions, housing and associated costs,

including any costs charged to employee and, if applicable, the hazardous nature of any work before they enter employment and as needed throughout their term of employment. Deductions from wages as a disciplinary measure will not be permitted nor will any deductions from wages not provided for by national law or local law be permitted without the express, written permission of the worker concerned. All disciplinary measures should be recorded. Wages and benefits paid for a standard working week must meet local and national legal standards.

7. If employing workers for manufacturing and Microsoft product packaging operations, ensure that any third-party recruitment agencies, if used, are compliant with the provisions of this Supplier Code of Conduct and legal requirements; and be responsible for payment of all recruitment-related fees and expenses. If such fees are found to have been paid by the workers, such fees shall be repaid to the workers.
8. Provide benefits to employees at the levels expected in the industry and in accordance with Microsoft's requirements.
9. Not require workers to work more than the maximum hours of daily labor set by local and national laws or regulations. Suppliers must ensure overtime is voluntary and paid in accordance with local and national laws or regulations. A workweek should not be more than 60 hours a week, including overtime, except in emergency or unusual situations. Workers should be allowed at least one day off per seven-day week.
10. Keep employee records in accordance with local and national laws or regulations and provide in a timely manner, via pay stub or similar documentation, the basis on which employees are paid.
11. Respect workers' rights to freedom of association and collective bargaining in accordance with legal requirements. As noted above, we require that Suppliers not engage in discrimination in hiring, compensation, access to training, promotion, termination, and/or retirement based on union membership.

Other human rights and labor rights requirements contained in the Code, which relate to the prevention of human trafficking in our supply chain, include business ethics, occupational safety & health, environmental protection and intellectual property. These requirements enable Microsoft to identify and mitigate risks associated with systemic causes of human trafficking, for example, corruption and generally poor working conditions.

In addition to our Code, our [Responsible Sourcing of Raw Materials](#) policy extends our Supplier Code of Conduct to the furthest reaches of our upstream supply chain in support of human rights, labor, health and safety, environmental protection, and business ethics.

This commitment is global in scope and applies to all substances used in our devices and packaging, unbounded by materials or geographic origin.

Responsible sourcing in Devices Manufacturing and Supply Chain

Microsoft's Device Supply Chain Group (DSC) established its Social and Environmental Accountability (SEA) Program in 2005 to ensure that hardware and packaging suppliers conform to our Supplier Code of Conduct. In addition to the Code, DSC requires its suppliers to meet additional SEA standards and specifications that address potential human trafficking risks.

The SEA Program applies to all hardware and packaging suppliers with which Microsoft has a direct contractual relationship. This includes both Tier 1 suppliers that are contracted to manufacture Microsoft hardware devices and Tier 2 suppliers that are contracted to provide components or materials to our Tier 1 suppliers. The SEA Program also applies to suppliers that are directly contracted to manufacture customized servers for use in Microsoft data centers, a rapidly growing area of our overall spending and operation.

Our Standards of Business Conduct, Global Human Rights Statement, Supplier Code of Conduct, SEA Requirements, and Responsible Sourcing of Raw Materials Policy are enforced in our supply chain through contracts, manufacturing specifications, supplier assessments and audits, and capability building programs. Together, these components comprise a due diligence process that identifies, monitors and mitigates the risk of human trafficking in our supply chains.

Due diligence processes



Our factory and sourcing managers partner with Microsoft's SEA team to ensure that suppliers conform to all of the Code's requirements, including labor rights, ethics, the environmental protection, and occupational health and safety protections. Specifically, support for any form of human trafficking of involuntary labor through threat, force, fraudulent claims, or other coercion, is prohibited

All new and directly contracted hardware and packaging suppliers undergo initial risk and capability assessments and audits to assess their conformance. Third-party auditors and members of the SEA team conduct these audits and assessments using a checklist

composed of EICC requirements and additional Microsoft requirements. During the review process, auditors examine documentation; visit production lines, dorms, canteens, and waste storage facilities; and conduct face-to-face interviews of workers and factory management. To ensure consistency and quality of third-party audits, Microsoft pre-qualifies third-party auditors through shadow audits and assessments of their onsite audit performance and reports.

After the initial baseline assessment, Microsoft's SEA team monitors the performance of all directly contracted suppliers. Third-party auditors audit SEA conformance with our Tier 1 suppliers annually and our Tier 2 suppliers based on their supply-chain risk. Microsoft's SEA team supplements these third-party audits with regular onsite assessments of Tier 1 factories and high- and medium-risk Tier 2 component suppliers.

If non-conformances are detected, our SEA, Sourcing, and Manufacturing teams work closely with suppliers to develop corrective action plans to resolve detected issues, including building needed capabilities through education and training. Suppliers are required to identify the root cause of the non-conformance, establish a corrective course of action, and implement preventive actions for all issues found. Suppliers must correct issues within specific deadlines based on the severity of the nonconformance or risk termination of our business relationship.

In FY16, we completed 333 third-party audits and Microsoft assessments of 185 factories. We did not find any critical or serious issues related to human trafficking or modern slavery. During these assessments and audits, several improvement opportunities were identified in the areas of labor documentation, policy, contingency planning, and labor agency contracts. In these cases, corrective actions were developed, validated by the DSC team and continuously monitored for effectiveness. **We report the results of these audits and assessments in our annual CSR Report at www.microsoft.com/csr.**

Training

As part of DSC's SEA program, the SEA team trains employees and suppliers regarding the risks and issues around human trafficking. Training for suppliers and third party firms was conducted during the 2015 SEA supplier forum and additional training for Microsoft factory managers and additional external auditors was completed during fiscal year 2016.

Raw material supply chains

As noted in the policies section, our [Responsible Sourcing of Raw Materials](#) policy extends all our provisions of our Supplier Code of Conduct, including those related to prevention of modern slavery and trafficking, to the furthest reaches of our upstream supply chain for all substances used in our devices and packaging, unbounded by materials or geographic origin. DSC drives responsible sourcing through our extended supply chain by surveying our in-scope suppliers' sourcing of raw materials in their upstream supply chains. We also

use tools that include supplier and smelter capability building and support broader industry efforts to promote responsible mining and sourcing. Finally, we conduct audits of our contracted suppliers to verify conformance to Microsoft requirements.

Because Mineral supply chains are complex and many layers deep between end users and where materials are mined. Given this complexity, we believe the fastest and most direct way to have positive impact are collaborative initiatives that aim to up-level the social and environmental standards applied by the entire upstream metals mining industry.

As an example, we engaged with the global charitable group Pact on a pilot project "Children Out of Mining" to address child labor in the Katanga region of the Democratic Republic of Congo to reduce child labor in mining. The report on the results of this project are available at <http://www.pactworld.org/library/children-out-mining>. We are working closely with Pact regarding next steps to apply lessons learned.

More details of our work and partnership related to responsible sourcing of raw materials are provided at <https://www.microsoft.com/en-us/about/corporate-responsibility/responsible-sourcing>.

Reporting and grievance mechanisms

We ensure accountability in these policies by providing multiple routes for employees, suppliers, rights holders and other stakeholders to report their concerns to Microsoft. Microsoft's Global Human Rights Statement expresses our commitment to provide an anonymous grievance reporting mechanism for our employees and other stakeholders who may be impacted by our operations. The Standards of Business Conduct and the Supplier Code of Conduct both identify how concerns can be submitted, including anonymously through use of [Microsoft's Business Grievance Hotline](#). The Hotline provides allows employees and others to ask compliance questions or report concerns regarding Microsoft's business operations or those of its suppliers. We investigate and, where appropriate, take remedial action to address reported incidents. In FY16 the hotline did not receive any inquiries or allegations related to modern slavery or human trafficking.

Giving our directly contracted factory workers a voice to privately and safely express issues and concerns is of the utmost importance to Microsoft. We launched the worker grievance hotline in April 2014 and have received positive feedback and participation. We partnered with a new hotline provider in FY15 to increase the quality and efficiency of the program and the hotline has now been implemented at five Tier 1 and one Tier 2 suppliers. By the end of FY16, we received and resolved 367 total inquiries. The top three inquiries related to wages and benefits, factory procedure and policy, and living conditions. None related to human trafficking.

Responsible sourcing with indirect suppliers

Microsoft's Global Procurement Group is responsible for our indirect suppliers; suppliers which provide goods or services for Microsoft's day-to-day business needs. The Group created a formal Responsible Sourcing program in 2013 to consolidate and enhance its responsible sourcing activities with our indirect suppliers. Over the past several years, the Group has enhanced how we assess and manage social and environmental risks across the full range of our indirect suppliers. Microsoft screens our non-hardware suppliers against 23 different ethical, social, and environmental risks by country and by commodity category, including risks associated with force labor, child labor, and human trafficking.

We apply assurance requirements for suppliers found to pose the highest risks. Among these, we have dedicated supplier training and assurance programs related to anti-corruption, privacy, and security.

The Global Procurement Group's Responsible Sourcing program also monitors our designated top strategic suppliers through quarterly scorecards that are integrated into their business dashboards, and through regular review with Microsoft category sourcing managers. The Responsible Sourcing program also includes onsite assessments of outsourced customer service and support call centers for conformance with the Microsoft Supplier Code of Conduct. In FY16, we completed 65 such onsite assessments.

An Ongoing Commitment

We are committed to meeting our responsibility to respect human rights across our operations and to address risks of forced labor and other human rights risks among our suppliers. We acknowledge that these challenges require ongoing and proactive efforts.

In the spirit of continuous improvement, Microsoft has identified the following next steps to further assess and take action to reduce the risks of slavery and human trafficking associated with our operations and supply chain. In the year ahead, we intend to:

- continue to refine and improve Microsoft's supplier audit procedures and escalation processes of audit findings to further enhance alignment with the [Universal Declaration of Human Rights](#), the [ILO Declaration of Fundamental Principles and Rights at Work](#), and the [UN Guiding Principles on Business and Human Rights](#);
- further increase Microsoft's supplier engagement on topics related to slavery and human trafficking through supplier forums, webinars, trainings, and a resources portal;
- enhance use of business intelligence tools for tracking, evaluating and storing of supplier data, especially regarding to recruitment process and labor agencies;

Efforts to address the root causes of human trafficking

In addition to our efforts to prevent human trafficking in our operations and supply chain, Microsoft participates in a number of broad efforts to address some of the root causes of trafficking and forced labor and contributes to technical and philanthropic efforts to address it. Our activities include:

Industry membership: Microsoft is a longstanding member of various multi-stakeholder initiatives aimed at combatting trafficking. Microsoft is a member of the Thorn Foundation Technology Taskforce which aims to create new technological solutions against the online exploitation of children. The Global Business Coalition Against Human Trafficking (gBCAT) aims to empower the business community to act through resources and thought leadership. The World Economic Forum human trafficking taskforce intends to develop prevention and detection tools in the technology, agriculture and garment & textile industries.

MICs: Microsoft Innovation Centers (MIC) operate in countries with high prevalence of human trafficking, including Brazil, India and Nepal. In recognition of the need for local technology interventions against trafficking, and the increased risks that occur after natural disasters, MIC Nepal held an appathon with 60 young developers in May 2015 to create new anti-trafficking apps specific to Nepal. MIC Nepal is now working with UNICEF and Nepal Police to roll out a nationwide tracking & tracing project.

PhotoDNA: Developed in 2009 with Dartmouth College to help the National Center of Missing and Exploited Children (NCMEC), Microsoft PhotoDNA is a free service which helps to identify and remove online child abuse material. Over 70 social media and photo sharing companies and other organizations use PhotoDNA to reduce child exploitation by detecting illegal images by identifying the unique "hash" values of images and matches that value with a database of known illegal content.

Research: Microsoft Research has investigated the relationship between trafficking and technology and produced a framework for understanding the role between trafficking and commercial sexual exploitation of children in the US, which gives insight into the influence of technology in different stages of the trafficking ecosystem. Furthermore, Microsoft has funded external research through six grants offered in 2011 and 2012 to provide a more scientific understanding of the role of technology.

6degree.org: Launched in June 2015, 6degree.org is an online crowd funding tool developed by Microsoft with the International Organization for Migration (IOM). The tool is the first of its kind through which interested members of the public can contribute to the reintegration costs of specific former trafficking victims in South East

- deepen and broaden training for Microsoft Supply Chain (DSC) employees in how to identify, prevent and combat forced labor and human trafficking; and
- strengthened engagement with relevant industry groups and external stakeholders to define and improve best practices and build supplier awareness related to prevention of forced labor, slavery, and human trafficking.

Microsoft is committed to preventing, combating and helping to eradicate modern slavery and human trafficking. We seek to work in partnership with others across our industry to raise awareness, build capacity, and share knowledge to influence not only our own supply chain but others' as well, furthering Microsoft's mission to *"empower every person and every organization on the planet to achieve more."*

For the latest information, please visit <https://www.microsoft.com/en-us/about/corporate-responsibility/human-rights> and <https://www.microsoft.com/en-us/about/corporate-responsibility/responsible-sourcing> www.microsoft.com/csr.

This statement was approved by Brad Smith, President and Chief Legal Officer and provided to the Regulatory and Public Policy Committee of the Microsoft Board of Directors.