

Microsoft Slavery and Human Trafficking Statement

Pursuant to UK Modern Slavery Act of 2015

Fiscal Year 2017

Microsoft's mission is to empower every person and every organization on the planet to achieve more. We strive to create local opportunity, growth, and impact in every country around the world.

This statement describes the actions taken by Microsoft Corporation and its subsidiaries during fiscal year 2017 to prevent modern slavery and human trafficking in our business and supply chain.

Our structure, business and operations

Founded in 1975, Microsoft operates in over 190 countries. We develop, license, and support a wide range of software products, services, and devices that deliver new opportunities, greater convenience, and enhanced value to people's lives. Our platforms and tools help drive small business productivity, large business competitiveness, and public-sector efficiency. They also support new startups, improve educational and health outcomes, and empower human ingenuity.

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 design, manufacture, and sell devices, including PCs, tablets, gaming and entertainment consoles, 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.

In conducting our business, Microsoft has relationships with thousands of suppliers around the globe. These relationships include hardware and packaging suppliers that manufacture our devices, packaging material and components, and the servers used in Microsoft's data centers. Microsoft's Devices Group manages the Microsoft Social and Environmental Accountability (SEA) Program for these suppliers. We provide additional details about these suppliers and a [list of our top 100 suppliers](#) for our consumer and enterprise hardware products in the [Responsible Sourcing](#) section of our [Corporate Social Responsibility \(CSR\) reporting website](#).

Microsoft's Procurement team manages our indirect suppliers of goods and services. This team contracts with indirect suppliers that provide everything from advertising services to office supplies.

Policies in relation to human trafficking

Microsoft's [Standards of Business Conduct](#) ("Standards") define our values and continued commitment to ethical business practices and legal compliance. All Microsoft employees are required to comply with the Standards of Business Conduct in all countries where we operate. The Standards of Business Conduct build and maintain trust and integrity through a corporate-wide commitment to ethical behavior. Employees' understanding of the Standards is reinforced through online training, which is an annual requirement for all Microsoft employees.

The Standards establish Microsoft's commitment to respect the human rights of

our employees, customers, suppliers and individuals in the communities in which we operate. This commitment is further described in Microsoft's [Global Human Rights Statement](#) ("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, first published in 2011 and most recently updated in 2016, builds upon the company's formal commitment to respect human rights and labor rights established when we joined the [UN Global Compact](#) in 2006.

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

- Clearly stating our human rights policies and advancing these policies through our business operations and practices;
- Proactively engaging with stakeholders to obtain input to help evolve our approach;
- Actively participating in relevant human rights-focused collaborative initiatives, such as the Responsible Business Alliance (formerly the Electronic Industry Citizenship Coalition); and
- Communicating annually on the work we are doing to meet our human rights responsibilities through our CSR reporting website and other transparency vehicles.

Microsoft's Global Human Rights Statement references our respect for specific international human rights instruments, which prohibit all 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 calls for the elimination of forced or compulsory labor and of child labor.

Microsoft requires suppliers to embrace our commitment to integrity and ethical behavior through the Microsoft [Supplier Code of Conduct](#) ("Code"). Our Code aligns with and, in certain cases, goes beyond the RBA's responsible supply chain standards. The Code is included as a standard requirement in all our contracts with suppliers. In addition, Microsoft's Social and Environmental Accountability (SEA) specifications prescribe adherence to certain manufacturing practices and product compliance requirements and are incorporated into our contracts with hardware and packaging suppliers.

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

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 that 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 were brought into that country for the purpose of working for 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 are 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.

The Code contains additional requirements related to business ethics, occupational safety and 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.

Our [Responsible Sourcing of Raw Materials policy](#) extends our Code 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 Microsoft Devices supply chain

Microsoft's Devices Group established its SEA Program in 2005 to ensure that hardware and packaging suppliers conform to our Supplier Code of Conduct. In addition to the Code, Microsoft requires its directly contracted hardware and packaging suppliers to meet detailed SEA standards and specifications that address potential human trafficking and forced labor risks. Through contractual provisions, these suppliers are required to incorporate our requirements into their own supplier management programs implementing the Microsoft SEA requirements deeper into the supply chain.

Due diligence processes

We enforce our Standards of Business Conduct, Global Human Rights Statement, Supplier Code of Conduct, SEA specifications, and Responsible Sourcing of Raw Materials Policy through supplier contracts, 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 or forced labor in our supply chains.

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, environmental protection, and occupational health and safety. Specifically, we prohibit any form of human trafficking or involuntary labor through threat, force, fraudulent claims, or other coercion.

All new and directly contracted hardware and packaging suppliers for our servers, devices, and their packaging material and components 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 RBA 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 with workers and factory management. To ensure consistency and quality of third-party audits, Microsoft 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. This includes Tier 1 suppliers: manufacturing partners with whom Microsoft has a direct contractual relationship to manufacture Microsoft hardware components and products. It also includes contracted Tier 2

suppliers. These are suppliers with whom Microsoft has a direct contractual relationship to provide components or materials to our Tier 1 suppliers.

Third-party auditors evaluate 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 FY17, we completed 402 third-party audits and Microsoft assessments of 210 factories. We did not identify 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 SEA team and continuously monitored for effectiveness. We publicly report the results of these audits and assessments through our [CSR reporting website](#).

Training

As part of the Microsoft Devices SEA program, employees and suppliers are trained on the risks and issues associated with human trafficking. In FY17, to increase awareness of human trafficking and modern slavery risks, Microsoft provided related training to its sourcing team, suppliers, third party auditors, and other interested groups through in-person training and online training sessions in the US and China.

Raw material supply chains

As noted in the Policies section of this statement, our Responsible Sourcing of Raw Materials policy extends the 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. Microsoft drives responsible sourcing through our extended supply chain by surveying our in-scope suppliers' sourcing of raw materials in their own 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 directly contracted suppliers to verify conformance to Microsoft requirements.

Given the complexities of the global mineral supply chain, Microsoft has developed a holistic and multifaceted approach to promoting safe, ethical working conditions. Our supply chain due diligence efforts align with the Organization for Economic Cooperation and Development (OECD) Due

Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas. Five strategies underpin our efforts to accomplish our policy: Risk Analysis, Standardized Requirements and Verification, Capability Building, Transparency and Partnerships. (This strategy is described in detail in our [FY17 Microsoft Devices Social and Environmental Accountability Report](#) on pages 23-26).

Microsoft believes that improving practices associated with raw material sourcing requires participation in collaborative initiatives. We partner closely with organizations that address human rights and environmental concerns in the upstream mining and smelter industries. We believe the integrated approach is the most effective way to improve conditions for the people working in raw material supply chains.

For example, since 2014, Microsoft has partnered with [Pact](#), an international development nonprofit, in the Watoto Inje ya Mungoti, or "Children out of Mining" program in the Democratic Republic of Congo (DRC). The program works to reduce or eliminate child labor in mining through a holistic intervention that touches on all areas relevant to the child labor in mining phenomenon, including policy awareness, law enforcement education access, economic alternatives, social and cultural norms, and child protection. By October 2016, Pact reported that there had been a 77-97 percent reduction in children working in the mines over the course of the project to date, with variation influenced by seasonal factors and the influx of new conflict-displaced families among other factors.

Based on these early successes, Microsoft has deepened its partnership and support of Pact. Specifically, we have [made a three-year investment](#) to fund Pact's program to expand to cobalt mines in the Katanga region, and are also working with Pact to leverage Microsoft's Power BI data visualization technology.

This partnership supports critical elements of the "Children out of Mining" program. The first phase of the project focused on two specific areas:

- Increasing awareness of worst forms of child labor and the roles of all stakeholders in contributing to developing local solutions; and
- Training caregivers to make informed decisions about children's wellbeing.

The second phase of the project is focused on addressing the needs of particularly vulnerable children in the mines and to enhancing the technical and institutional capacities of government, civil society, and aid groups to further protect children and sustain the advances made. The project will also build supplier capability to eliminate the use of child labor in their supply chains.

More details of our work and partnership related to responsible sourcing of raw materials are provided on our [Responsible Sourcing webpage](#).

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 Conduct Hotline](#). The Hotline allows employees and others to ask compliance questions and report concerns regarding Microsoft's and its suppliers' business operations. We investigate and, where appropriate, require remedial action to address reported incidents. In FY17, the hotline did not receive any inquiries or allegations related to modern slavery or human trafficking.

In addition, giving our directly contracted factory workers a voice to privately and safely express issues and concerns is of the utmost importance to Microsoft. In 2014, we launched an anonymous and factory-independent worker grievance hotline pilot project that we continue to scale. Since then, our provider has implemented the hotline at six Tier 1 and one Tier 2 supplier in our supply chain for Microsoft devices. In FY17, we conducted a refresher orientation to workers in these selected sites and provided education on labor rights.

In FY17, the worker grievance hotline received and resolved 119 inquiries. The top three inquiries received were related to wages and benefits, factory procedure and policy, and living conditions. None of the inquiries were related to modern slavery or human trafficking. We continue to improve the overall operations and scale this program.

Responsible sourcing with indirect suppliers

Microsoft's Procurement team is responsible for our indirect suppliers: those suppliers which provide goods or services for Microsoft's day-to-day business operations. Microsoft Procurement created a formal Responsible Sourcing Program in 2013 to consolidate and enhance responsible sourcing activities with our indirect suppliers. Microsoft continues to enhance 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 forced labor, child labor, and human trafficking.

We apply assurance requirements for suppliers found to pose the highest risks. For high-risk suppliers, we implement dedicated supplier training and assurance programs related to anti-corruption, privacy, and security.

The Procurement Team's Responsible Sourcing Program supports the [Sustainable Purchasing Leadership Council's Supplier Assessment Working Group](#). This represents a collaborative effort designed to help purchasers engage indirect suppliers on sustainability issues by leveraging a range of respected company rating systems. In addition to these assessments, 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 FY17, we completed 39 such assessments. Finally, the Procurement Responsible Sourcing Team is helping victims of trafficking achieve more through an impact sourcing program which

connects trafficking victims to empowering career opportunities.

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 supports a number of efforts to avert the root causes of trafficking and forced labor. Our activities include:

- **Industry memberships:** 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. We also belong to the [Global Business Coalition Against Human Trafficking](#) (gBCAT), which aims to empower the business community to act through resources and thought leadership.
- **Project Intercept:** In 2016 Microsoft employees held a hackathon in support of a non-profit called [Seattle Against Slavery](#). The result is a platform which offers services directly to victims, while educating and deterring prospective sex buyers. Microsoft continues to provide support through funding and technology grants, and the platform is now scaling up to disrupt the supply and demand for sex trafficking in other regions in the US through local non-profits.
- **[Global Emancipation Network](#):** This global non-profit uses data analytics to identify patterns, find victims and stop traffickers. Through Microsoft Philanthropies' Azure donations program, Global Emancipation

Network uses Azure to collect raw data from a multiple source and extend the reach and effectiveness of their work.

- Child Finder Service: Beginning with a Microsoft hackathon where employees volunteered their time and skills to help find missing children, this technology was donated to the Thorn Foundation for its work in identifying victims of online child sex abuse. Ongoing grants and Microsoft volunteer support are now helping Thorn to scale this service.
- Microsoft Innovation Centers: [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 has been 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. Hundreds of organizations and technology companies around the world are using PhotoDNA either directly through our cloud service, or indirectly through integrations with the third-party tools they use to detect illegal images.

- 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 United States, which gives insight into the influence of technology in different stages of the trafficking ecosystem. Microsoft has also funded external research 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 Asia.

An ongoing commitment

Microsoft is committed to meeting our responsibility to respect human rights across our operations and minimize the risk of forced labor and other human rights risks in our supply chain among our suppliers. We acknowledge that these challenges require ongoing and proactive efforts, and so we commit to the following initiatives:

- Continue to build Microsoft's supplier engagement on topics related to slavery and human trafficking through supplier forums, webinars, trainings, and resources;
- Engage 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;

- Further enhance use of business intelligence tools for tracking, evaluating and storing of supplier data, especially regarding the recruitment process and labor agencies; and
- Deepen and broaden training for Microsoft employees in how to identify, prevent and combat forced labor and human trafficking.

For the latest information on our efforts related to Responsible Sourcing and protecting human rights, please visit www.microsoft.com/csr.

A handwritten signature in black ink, appearing to read 'Brad Smith', with a stylized, flowing script.

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