Microsoft Modern Slavery and Human Trafficking Statement

Fiscal Year 2018

Microsoft

Contents

Pursuant to the UK Modern Slavery Act of 2015, this Statement describes the actions taken by the Microsoft Corporation and its subsidiaries during Fiscal Year 2018 (FY18) to prevent modern slavery and human trafficking in our business and supply chain. Our FY18 fiscal year ended on June 30, 2018.

The Microsoft Board of Directors delegated authority to approve this Statement to its Regulatory and Public Policy Committee, which provided approval at its November 26, 2018 meeting. The statement is signed by the Chair of the Committee, Dr. Helmut Panke.

Dr. Helmut Panke
Chair of the Regulatory and Public Policy Committee
Microsoft Corporation Board of Directors

Highlights of FY18 improvements

Due Diligence: 168 factories were audited in the devices hardware and packaging supply chain with 24 major findings in the Freely Chosen Employment category; and 15 factories were audited for the data center hardware supply chain, with 5 major findings in the same category. All factories with major findings were required to correct findings within 60 days. Our FY18 data indicates that the strong partnership between our Social and Environmental Accountability (SEA) team, Manufacturing and Sourcing managers, and suppliers is driving sustained year-over-year improvements.

Capability building: We launched 24 new online courses via our Social and Environmental Accountability (SEA) Academy platform for our supplier factories. A key SEA Academy priority is to improve third-party auditors' capabilities in modern slavery and human trafficking risk assessment, especially in high-risk areas in Southeast Asia.

Worker voice: On-site orientation in how to use our Worker's Voice Hotline program was provided to 2,510 workers. The hotline received and resolved 115 inquiries, mainly concerning wages and benefits, labor contracts, factory procedures, and policy. None of the complaints were related to human trafficking or forced labor.

Governance: A Microsoft human rights core group focused on responsible sourcing was established in FY18 consisting of experts from Microsoft's SEA, responsible sourcing, human rights, corporate and legal affairs, and stakeholder engagement teams.

Introduction

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. 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.

Structure, business and supply chains: Founded in 1975, Microsoft develops and supports software, services, devices, and solutions that deliver new value for customers and help people and businesses realize their full potential.

Our products include operating systems; cross-device productivity applications; server applications; business solution applications; desktop and server management tools; software development tools; and video games. We also design, manufacture, and sell devices, including PCs, tablets, gaming and entertainment consoles, other intelligent devices, and related accessories.

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, but are not limited to, suppliers that provide goods and services to our business units; suppliers that manufacture our devices, packaging materials, and components; and suppliers that provide the server hardware used in Microsoft's data centers.

> More information on our business and operating segments can be found in our 2018 Annual Report.

Preventing modern slavery and human trafficking in our business and supply chain requires the engagement of three key groups:

- Indirect suppliers: The Procurement team within Microsoft's Finance Group manages our human rights responsibilities with our indirect suppliers of goods and services. This team contracts with indirect suppliers that provide everything from advertising services to office supplies.

- Hardware and packaging suppliers: The Social and Environmental Accountability (SEA) team within the Microsoft Experience and Devices Group is responsible for SEA programs that include human rights responsibilities for device packaging and hardware suppliers and for servers used in the Microsoft data centers.

- Cloud Data Centers: Cloud Operations + Innovation (CO+I) is responsible for designing, building and operating our global datacenters that power Microsoft's cloud services. The Compliance, Assurance, Risk, Environment, Safety and Security (CARES2) team within CO+I manages the controls framework and supports supply chain compliance by contracting with direct and indirect suppliers that provide equipment and services required to build, lease, or manage Microsoft Cloud Data Centers.

Approach to human rights, modern slavery and human trafficking

Standards of Business Conduct: At Microsoft, our Standards of Business Conduct 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. The Standards are available in 18 languages and dialects and are reinforced through online training, which is an annual requirement for all Microsoft employees.

Microsoft Global Human Rights Statement: Our commitment to respect the human rights of our employees, customers, suppliers and individuals in the communities in which we operate is embedded in our Standards of Business Conduct and further described in the Microsoft Global Human Rights Statement.

The Global Human Rights Statement, which is available in 12 languages and dialects, 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 Global Human Rights 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, which was first established when we joined the UN Global Compact in 2006.

The Global Human Rights 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 Corporate Social Responsibility (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 child labor.

> Visit the Human Rights page on our CSR reporting website to learn more about how Microsoft respects and promotes human rights.

Microsoft Supplier Code of Conduct: Microsoft also requires suppliers to embrace our commitment to integrity and ethical behavior through the Microsoft Supplier Code of Conduct. Our Code aligns with and, in certain cases, goes beyond the Responsible Business Alliance's (RBA) Code of Conduct, which establishes responsible supply chain standards. Our Code is included as a standard requirement in all our contracts with suppliers.

The Supplier Code of Conduct is available in 23 languages and dialects and specifies that we require our suppliers and their employees, agents, and subcontractors to respect labor and human 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.

All forms of forced labor are specifically banned by the Supplier Code of Conduct. Forced labor can take various forms, such as slavery, bonded labor, or debt bondage; physical confinement in the work location; exploitative practices, such as forced overtime; and lodging of deposits, including financial or personal documents for employment. Indentured, bonded, or prison labor is prohibited. The support of any form of human trafficking or involuntary labor is strictly prohibited.

The Code's Labor Practices and Human Rights requirements mandate that suppliers:

- 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.

- 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 or involuntary labor through threat, force, fraudulent claims, or other coercion.

- 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 workers' 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.

- 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.

- 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.

- 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.

- 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 the 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.

- Provide benefits to employees at the levels expected in the industry and in accordance with Microsoft's requirements.

- 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 shall be allowed at least one day off per seven-day week.

- 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.

- 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.

Our Code contains additional requirements to safeguard working conditions and prevent human trafficking in our supply chain, including in the areas of business ethics, occupational safety and health, environmental protection and intellectual property. These requirements enable Microsoft to identify and mitigate risks associated with the systemic causes of human trafficking, including, for example, corruption and generally poor working conditions.

Responsible Sourcing of Raw Materials (RSRM) Policy: Our Microsoft Responsible Sourcing of Raw Materials (RSRM) policy extends our Code to the furthest reaches of our devices 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.

Social and Environmental Accountability (SEA) Requirements: In addition to requiring all suppliers to meet the Microsoft Supplier Code of Conduct, Microsoft also mandates that devices, components, packaging and server hardware suppliers meet our Microsoft SEA Standards and Requirements. These requirements are contained in our Microsoft Supplier Social and Environmental Accountability Manual and are incorporated into our supplier contracts.

We provide additional details about hardware and packaging suppliers and a list of our top 100 suppliers for our consumer and enterprise hardware products in the Responsible Sourcing section of our CSR reporting website.

Download the Microsoft Supplier Social and Environmental Accountability Manual Excerpt to learn more about how we evaluate supplier policies and procedures related to freely chosen employment to prevent modern slavery and human trafficking.

Preventing modern slavery and human trafficking in the Microsoft business and supply chain

SEA strategy: Since 2005, our sustainable manufacturing strategy is to improve supplier capabilities related to labor rights, human rights, health and safety, and the environment. We have also expanded our investments in renewable energy, reduced process waste, and achieved efficient energy use.

For hardware and packaging suppliers, we categorize all directly contracted hardware and packaging suppliers and related factories according to a three-step model of maturity that we call the SEA Stages. Microsoft SEA experts design and offer capability-building programs according to this level of maturity.

The three stages are:

- Compliance: The supplier factory meets all applicable legal and Microsoft requirements. The factory has not demonstrated its ability to move from reactive risk management to strong management systems. Factories at this stage tend to have repeat findings identified in audits.

- Self-Management: The supplier factory has invested in skilled SEA personnel and demonstrates the willingness to develop its SEA capabilities. The factory has management systems in place that proactively identify, control, and manage risk.

- SEA Culture: The supplier factory demonstrates a culture of continuous improvement, which includes proactively participating in capability-building and training programs.

Microsoft SEA and Sourcing teams support suppliers that show the willingness to build their capabilities and proactively improve their management systems. We provide incentives to show maturity through these SEA Stages, including less frequent audits, recognition at supplier events, and consideration for future business awards. Factories that cannot meet compliance requirements are placed on a compliance watch list and may be restricted from receiving future Microsoft business.

To further embed SEA into our business process and to continuously improve our approach to the identification and management of risks in FY18, the SEA team aligned its strategy to our devices product part sourcing categories for the different tiers of

suppliers. This allowed us to clearly highlight the specific audit, environment, health and safety, labor, and responsible sourcing of raw materials (RSRM) risks for each category.

> Learn more about SEA Stages results and Category Risk Profile in the Devices Sustainability report on our [Responsible Sourcing website](#).

Hardware and packaging audits and due diligence process: We enforce our Standards of Business Conduct, Global Human Rights Statement, Supplier Code of Conduct, Social Environment Accountability (SEA) requirements, and Responsible Sourcing of Raw Materials Policy (collectively referred to as "Microsoft Requirements") 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 modern slavery and human trafficking in our supply chains.

Microsoft factory and sourcing managers and the SEA team partner to ensure that suppliers conform to all of Microsoft's standards and requirements, including labor rights, ethics, environmental protection, and occupational health and safety.

All new and directly contracted hardware and packaging suppliers for our devices, their packaging material and components, and servers undergo initial risk and capability assessments and audits to assess their conformance to our standards and requirements which specifically prohibit any form of modern slavery and human trafficking through threat, force, fraudulent claims, or other coercion.

After the initial baseline assessment, Microsoft's SEA team monitors the performance of all directly contracted suppliers and conducts sustaining audits based on each supplier's risk.

> We classify our hardware and packaging suppliers into tiers:
>
> - Tier 1: Manufacturing partners, system integrators or assemblers with whom Microsoft has a direct contractual relationship to manufacture Microsoft hardware and products.
>
> - Tier 1.5 / 2 / 3: Suppliers with whom Microsoft has a direct contractual relationship to provide consigned parts, components, sub-assemblies, or materials to our Tier 1 suppliers.

Third party auditors and Microsoft SEA experts conduct these audits and assessments to verify conformance to the Microsoft Requirements. During this verification 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 their reports.

Modern slavery and human trafficking can be difficult to detect. Our suppliers' facilities are audited against 36 check points based on SEA requirements, document reviews, and worker and manager interviews. Interviews of migrant workers are conducted in their native language.

To better understand the risk of forced labor in our supply chain, we completed focused labor analyses and surveys in FY18 and identified vulnerable workers, country risks, country laws, and regulations to focus our attention on the regions that pose a higher human trafficking risk.

Download our [FY18 Devices Sustainability Report](#) to learn more about our Audit program.

Remediation: If non-conformances are detected in our supply chain, 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 plan, and implement preventive actions for all issues found.

Suppliers must correct issues within specific deadlines based on the severity of the non-conformance or risk termination of our business relationship.

Findings: Findings are defined by Microsoft as critical, serious, major, and minor; and the level of the finding determines the severity and urgency for corrective action tracking timeline.

Suppliers are required to correct any critical findings within 24 hours of identification. Serious findings must be corrected within 30 days, major findings within 60 days, and minor findings within 90 days.

168 factories were audited in the devices hardware and packaging supply chain with 24 major findings in the Freely Chosen Employment category; and 15 factories were audited for the data center hardware supply chain, with 5 major findings in the same category.

The findings were as follows:

Category	Findings	
	Devices hardware and packaging	Data center hardware
Restriction of workers' freedom of movement	1	-
Retention of worker identity documents	1	1
Forced overtime	1	1
Workers having paid fees for recruitment or employment	3	1
Freely chosen employment policy and procedure that does not prohibit forced labor and human trafficking	6	1
Contractual relationship	12	1

Factories were required to create and implement corrective action plans for all these findings.

During an FY18 audit of a Taiwanese supplier, we found that migrant workers were charged recruitment fees from a labor agency. Although the practice is legal in both the sending and receiving countries, it is prohibited by our Supplier Code of Conduct. The factory was immediately requested to provide remedy and a corrective plan that included changing its recruitment practices and reimbursing the impacted employees.

FY18 results indicate enhanced program focus and improvement. Our data indicates that the strong partnership between our SEA team, Manufacturing and Sourcing managers and suppliers are driving sustained year-over-year improvements.

> Read more about our devices SEA impact and audit findings in the Devices Sustainability report on our [Responsible Sourcing website](#).

Giving workers a voice: Microsoft provides a Worker's Voice Hotline program for hardware suppliers so that workers can report labor violations, which are followed up to ensure conformance. All suppliers are required to provide remediation plans if any situation related to forced labor is identified and to provide immediate escalation to Microsoft.

In FY18, the hotline was managed by a third party in all five of our devices Tier 1 factories and two selected Tier 1.5 factories. On-site orientation was provided to 2,510 workers. The hotline received and resolved 115 inquiries, mainly concerning wages and benefits, labor contracts, factory procedures, and policy. None of the complaints were related to human trafficking or forced labor.

In FY19, we plan to extend the hotline program to all devices factories audited in China and 2 data center server hardware factories. Workers will be able to use the existing toll-free number as well as the new hotline case management tool on the SEA Academy platform. The hotline will allow interviewed workers to report their concerns and grievances to the Microsoft SEA team. This will help us respond in a timely manner to any reported non-conformances and to prevent possible retaliation.

Responsible sourcing of raw materials: We care deeply about the sustainability of our upstream supply chain. Microsoft does not harvest or mine raw materials, but we can influence upstream harvesting and mining though our policies and practices. Our approach to raw materials begins with the Microsoft Responsible Sourcing of Raw Materials (RSRM) policy.

The related RSRM programs are framed by the five steps of the Organization for Economic Cooperation and Development (OECD) [Due Diligence Guidance](#) for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (OECD Guidance) and the UN Guiding Principles on Human Rights.

In FY18, Microsoft implemented new RSRM requirements aligned to the OECD Due Diligence Guidance in our Supplier SEA Manual, which includes the following elements:

RSRM policy, RSRM management system; identify and assess risk in the raw material supply chain; risk management strategy; and audit. The requirements are applicable to all raw materials, including the "conflict minerals" (tungsten, tantalum, tin, and gold - 3TG); cobalt, and other raw materials.

The RSRM requirements are publicly available in our [Microsoft Supplier Social and Environmental Accountability Manual Excerpt](). All directly contracted suppliers within our devices supply chain must adhere to these due diligence requirements by contract and commit to passing the requirements to their sub-tier suppliers. Third-party audits are conducted to ensure conformance. In FY18, Microsoft auditors in China and Southeast Asia were trained on these requirements.

Additionally, in FY18, the SEA team identified several related challenges in growing the RSRM program and meeting its strategic objectives. The challenges included:

- Although organizations, including the Responsible Minerals Initiative (RMI) and the OECD, have developed a robust set of tools for mapping and identifying risks in the 3TG supply chain, these tools are nascent for other materials, like cobalt and magnesium. For example, the Responsible Mineral Assurance Program (RMAP) validates thousands of 3TG smelters; however, for magnesium, extensive individual research and communication is needed to identify even a single entity.

- Many actors in the mineral supply chain are many tiers away from a Microsoft contracted supplier. To improve conditions, Microsoft needs to work with contracted suppliers to ensure Microsoft's standards and requirements are passed on to their sub-tier suppliers and enforced across their supply chain.

- The chain of custody for many minerals is extremely difficult to verify when mineral exchanges are used. For example, the chain of custody is frequently lost when gold is sold to the Shanghai Gold Exchange.

Nonetheless, Microsoft's RSRM program continues to mature and much progress was made through strategic partnerships in FY18. For example, towards the end of FY18, the [Initiative for Responsible Mining Assurance]() (IRMA) launched the Responsible Sourcing Standard for mining with support from Microsoft and other members. This standard includes a map of stakeholders invested in the IRMA standard. Microsoft will pursue a pilot assessment of the IRMA standard with various mining companies in FY19.

Visit our [Responsible Sourcing reporting page](#) to learn more about our Raw Material Risk Assessment strategy. More information is also available on our efforts couple our supply chain program with direct efforts to eradicate child labor in cobalt mining the Democratic Republic of the Congo (DRC) through a constructive [partnership with PACT](#).

Building supplier capabilities: We provided further awareness and additional training in FY18 to build our suppliers' capabilities for correctly identifying forced labor issues in their operations. We also provided training to internal teams within Microsoft. Several training programs, including in-person trainings, online training, and the recently expanded SEA Academy platform, are part of our strategy to improve supplier capabilities.

In FY18, an online training platform and mobile application were developed to scale the SEA Academy trainings. We launched 24 online courses via our SEA Academy platform for supplier factories.

A key SEA Academy priority in FY18 was to improve third-party auditors' capabilities in risk assessment, especially in high-risk areas in Southeast Asia. Microsoft engaged with two training and auditing firms to deliver two 2-day auditor workshops respectively in Suzhou, China and Phuket, Thailand.

The training was developed in partnership with an NGO that specializes in human rights and labor issues and focused on how to identify potential human trafficking and forced labor risks during audits to determine potential non-conformance. Thirty-six auditor representatives from Japan, the Philippines, Singapore, South Korea, Thailand and Vietnam, among others, participated in active discussions about combating the key issues in their respective countries.

The SEA Academy provides various training programs to help suppliers advance through the SEA Stages Program. The SEA Academy is available to supplier management, workers, third-party audit firms, internal Microsoft sourcing managers, factory managers, and new product introduction teams, among others.

Visit our [Microsoft Devices sustainability report](#) to learn more about the SEA Academy program and trainings delivered in FY18.

For indirect suppliers, the Microsoft Procurement group created a formal Responsible Sourcing program in 2013 to consolidate and enhance its responsible sourcing activities,

and we are expanding how we assess and manage social and environmental risks across the full range of our indirect suppliers.

We are also sponsoring the Sustainable Purchasing Leadership Council's Supplier Assessment Working Group to identify and leverage a range of respected company assessment frameworks to evaluate our indirect suppliers' performance against their material sustainability risks.

Dedicated supplier training and assurance programs related to anti-corruption, privacy, and security have been developed for indirect suppliers.

Our Responsible Sourcing site explains how our programs aim to build supplier capability, and how we continue to utilize key metrics and focused capability programs, such as SEA Academy, to drive sustainable behavior change in our suppliers.

Governance: A Microsoft human rights internal core group was established in FY18 to focus on responsible sourcing. Its members include experts representing the Devices SEA team; Indirect Procurement; Cloud Supply Chain and Provisioning (CSCP); the CO+I CARES2 team, the Human Rights Team in Microsoft's Corporate, External, and Legal Affairs (CELA) group as well as experts in corporate affairs, and stakeholder engagement. This group develops cross-company strategies, shares best practices, and builds awareness to facilitate continuous improvement of Microsoft's human rights initiatives across the company and its supply chains.

Addressing the root causes of modern slavery and human trafficking

We recognize that modern slavery and human trafficking are systemic issues with many complex causes. In addition to our efforts to prevent human trafficking in our operations and supply chains, Microsoft also participates in a number of broad efforts to address some of the root causes of modern slavery and human trafficking and contributes to technical and philanthropic efforts to address underlying causes.

Our efforts include but are not limited to:

- 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 3rd party tools they use to perform their jobs" to reduce child exploitation by detecting illegal images by identifying the unique "hash" values of images and matching that value with a database of known illegal content.

- Industry memberships: Microsoft is a longstanding member of various multi-stakeholder initiatives aimed at combatting trafficking. Microsoft is a member of Responsible Business Alliance, a global electronics industry group that creates sustainable value for workers, the environment and business. Microsoft is also a member of the Thorn Foundation Technology Taskforce which aims to create new technological solutions against the online exploitation of children. Microsoft is a member of the Global Business Coalition against Human Trafficking (GBCAT) which is a business-led collaborative initiative working to eliminate human trafficking in global business operations, with a focus on survivor empowerment and employment; small and medium sized enterprise capacity building; and providing resources and guidance. Furthermore, Microsoft is a founding member of Technology Against Trafficking, which is a collaborative effort of global technology companies, civil society organizations, and the UN to further support the eradication of forced labor and human trafficking.

- Microsoft is a member of many supplier diversity organizations, for example the Billion Dollar Roundtable, to advance diverse-owned suppliers in our supply chain. In FY18 we spent $3 billion with businesses led by diverse individuals and rank in the top 20 companies in the world for total diversity spend. Microsoft is also a member of the Global Impact Sourcing Coalition (GISC) which is a business-led collaborative initiative to build more inclusive global supply chains through advancing wide-scale adoption of impact sourcing. We work with GISC to promote inclusive hiring practices with our suppliers.

- Child Finder Service: Thorn and Microsoft have been working together for several years now to detect and prevent child exploitation and human trafficking scenarios. In addition to donating PhotoDNA to Thorn, Microsoft has been donating technology and volunteers in support of a technology called Child Finder Service, which emerged from hackathons projects initiated in 2015 and 2016. These efforts culminated in the donation of this technology to Thorn to incorporate into their flagship Spotlight product. Child Finder Service uses age estimation, gender identification, and facial recognition to identify possible matches between the faces of missing children, and the faces of individuals being advertised for sex online.

An ongoing commitment

Microsoft remains committed to our responsibility to respect human rights across our operations and to minimize the risk of modern slavery and human trafficking in our supply chain and business. We acknowledge that these challenges require ongoing, proactive and multi stakeholder efforts. We invite all readers of this Statement to engage with us in dialogue to help drive improvements in our implementation and performance.

We are continuously learning by doing along with our many partners and employees. In line with our ongoing efforts, we are committed to driving continuous improvement in these areas:

- We will continue to build Microsoft's supplier engagement on topics related to slavery and human trafficking and forced labor through supplier forums, webinars, trainings, and resources for internal and external stakeholders.

- We will further our 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.

- We will promote collaboration, information sharing, and benchmarking across Microsoft to assess human rights risks are assessed in a complimentary and consistent manner.

- CO+I is developing a human rights strategy and management reporting system for our global data center network. That strategy will build upon a human rights impact assessment which will be completed in the first half of FY19. A comprehensive assurance protocol will be developed in the second half of FY19. More information will be provided in the Microsoft Modern Slavery and Human Trafficking Statement for FY19.

- To monitor our indirect supplier's CSR performance, including in respect for human rights, we are establishing requirements that leverage existing reports, frameworks, disclosure tools and rating systems for CSR and sustainability. Using existing tools helps to reduce survey-fatigue, improves efficiency, and promotes convergence towards the best-in-class tools. Our top suppliers will be expected to:

  - Publish a CSR/Sustainability Report that contains disclosures from the Global Reporting Initiative (GRI).

- Obtain an assessment or rating of their CSR including human rights performance from an independent rating agency approved by the Sustainable Purchasing Leadership Council.
- Suppliers that do not achieve high performance must develop and communicate continuous improvement plans.

For more information on our efforts to empower people, strengthen communities, and protect our planet, please visit www.microsoft.com/csr.