

Our Approach to Environmental, Social, and Governance (ESG) Reporting

Microsoft strives to conduct business in ways that are principled, transparent, and accountable to our shareholders and other key stakeholders. We believe doing so generates long-term value for our company, our customers, and our communities. As we work to help everyone achieve more, we are committed to improving our world and reporting our progress.

Our Commitment to Societal Impact

Fundamental to Microsoft's mission is realizing our enormous opportunity and responsibility to create technology that benefits everyone on the planet, as well as the planet itself. To do so, we focus on four, interconnected pillars:

Support inclusive
economic opportunity



Protect
fundamental rights



Create a
sustainable future



Earn trust



Trust and Accountability

Earning the trust of our customers, partners, shareholders, and other stakeholders is the foundation of our business success and is fundamental to realizing our mission to empower every person and every organization on the planet to achieve more. We seek to earn trust by holding ourselves accountable and publicly reporting on our policies, practices, and performance, providing our stakeholders visibility into how we are meeting our commitments and responsibilities. We believe our position in the world demands it, and recognize it is critical to fostering both long-term business success and societal impact.

Centralized ESG Disclosure

Our Reports Hub at Microsoft.com/transparency provides a consolidated, comprehensive view of our ESG reporting and data, ranging from our carbon footprint to workforce demographics to political donations. The Reports Hub hosts broad company reports such as our annual financial filings and proxy statement, overviews of our efforts such as our contributions the UN Sustainability Development Goals, and standalone reports that provide in-depth information on our commitments and progress on topics including environmental sustainability, diversity and inclusion, human rights, privacy, and our Racial Equity Initiative, as well as links to additional data on a wide range of ESG topics.¹

¹Please note that a number of documents on the Reports Hub may include estimates, projections, and other "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, section 27A of the Securities Act of 1933, and section 21E of the Securities Exchange Act of 1934. These forward-looking statements generally are identified by the words "believe," "project," "expect," "anticipate," "estimate," "intend," "strategy," "future," "opportunity," "plan," "may," "should," "will," "would," "will be," "will continue," "will likely result," and similar expressions. Forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties that may cause actual results to differ materially. We describe risks and uncertainties that could cause actual results and events to differ materially in our reports filed with the Securities and Exchange Commission. We undertake no obligation to update or revise publicly any forward-looking statements, whether because of new information, future events, or otherwise.

Reporting Standards

We inform our disclosure strategies with careful consideration of commonly used global standards such as sector-based materiality maps provided by the Sustainable Accounting Standards Board (SASB), the Global Reporting Initiative (GRI), the United Nations Guiding Principles on Business and Human Rights Reporting Framework, and the UN Sustainable Development Goals. We also follow issue-specific standards such as the Greenhouse Gas Protocol and EEO-1 diversity disclosure.

ESG Materiality

Many stakeholders seek to understand how companies prioritize ESG topics of importance to their business and to the world. Our ESG reporting describes those topics which we consider to be the most important to stakeholders when evaluating environmental, social, and governance matters at Microsoft. Therefore, ESG materiality in our reporting does not directly correspond to the concept of materiality used in the securities laws and U.S. Securities and Exchange Commission rules.

Microsoft's prioritization across ESG topics includes a wide range of strategic planning processes by our senior management and many others across the enterprise and includes stakeholder input and careful consideration of the impacts of our core businesses as they evolve. Our Board of Directors also provides insights, feedback, and oversight across a broad range of environmental and social matters, as detailed in our annual proxy statement. In 2021, Microsoft consulted with Business for Social Responsibility to validate our ESG priorities and disclosure strategies. In collaboration with BSR, we currently identify and categorize our top ESG topics as:

- Climate and Energy
- Ethics and Integrity (including governance, responsible competition, responsible AI, responsible policy engagement)
- Human Capital (including culture and development, diversity & inclusion, engagement, and well-being)
- Human Rights
- Natural Resources (water, waste, and ecosystems)
- Privacy and Data Security/Cybersecurity
- Inclusive Economic Opportunity (including accessibility, skilling, racial equity)
- Responsible Sourcing (including product lifecycle management.)

SASB Reference Index

As noted above, the Sustainability Accounting Standards Board (SASB) voluntary industry-specific disclosure standards are among those we consider in shaping our disclosures. Below we provide an index to our current disclosures that most relate to the current SASB Technology and Communications Sector – Software and IT Services Standard. As indicated in the table, we disclose many of SASB's suggested indicators in full or partially, while some we do not currently disclose. We will continue to evaluate and enhance our disclosures over time based on stakeholder feedback. Each disclosure cited is available on the Microsoft Reports Hub at Microsoft.com/transparency unless otherwise specified.

SASB Topic	SASB Accounting Metric [and code]	Related Microsoft Disclosures
Environmental Footprint of Hardware Infrastructure	<ol style="list-style-type: none"> 1. Total energy consumed 2. Percentage grid electricity 3. Percentage renewable [TC-SI-130a.1] 	<p>Numerous metrics related to energy consumption and percentage of renewable energy consumed are disclosed in 2021 Environmental Sustainability Report Appendix D (starting on page 98). Percentage grid electricity is not directly reported but the reported data on electricity use indicate the percentage grid electricity approaches 100% (with a de minimis amount off onsite generation). Note that Microsoft uses the operational control approach for setting organizational boundaries of GHG emissions and energy. This includes global wholly owned and partially owned subsidiaries over which Microsoft has management and operational control, including Microsoft owned and leased real estate facilities.</p>
	<ol style="list-style-type: none"> 1. Total water withdrawn 2. Total water consumed, percentage of each in regions with High or Extremely High Baseline Water Stress [TC-SI-130a.2] 	<p>Disclosed in 2021 Environmental Sustainability Report Appendix D (page 102). Note that Microsoft uses the operational control approach for setting organizational boundaries of water metrics. This includes global wholly owned and partially owned subsidiaries over which Microsoft has management and operational control, including Microsoft owned and leased real estate facilities.</p>
	<p>Discussion of the integration of environmental considerations into strategic planning for data center needs [TC-SI-130a.3]</p>	<p>Described throughout 2021 Environmental Sustainability Report and discussed in Supporting our customers on the path to net zero: The Microsoft cloud and decarbonization – The Official Microsoft Blog</p>

SASB Topic	SASB Accounting Metric [and code]	Related Microsoft Disclosures
Data Privacy & Freedom of Expression	<p>Description of policies and practices relating to behavioral advertising and user privacy [TC-SI-220a.1]</p>	<p>Disclosed in Microsoft Privacy Statement – Microsoft privacy details the</p>

SASB Topic	SASB Accounting Metric [and code]	Related Microsoft Disclosures
Data Privacy & Freedom of Expression	Number of users whose information is used for secondary purposes [TC-SI-220a.2]	The Microsoft Privacy Statement – Microsoft privacy explains the personal data Microsoft processes, how Microsoft processes it, and for what purposes. The company does not specifically disclose TC-SI-220a.2.
	Total amount of monetary losses as a result of legal proceedings associated with user privacy [TC-SI-220a.3]	Disclosed in annual Form 10-K if material; no material losses disclosed for FY2021.
	<ol style="list-style-type: none"> 1. Number of law enforcement requests for user information 2. Number of users whose information was requested 3. Percentage resulting in disclosure [TC-SI-220a.4] 	Disclosed semi-annually in Law Enforcement Requests Report.
	List of countries where core products or services are subject to government-required monitoring, blocking, content filtering, or censoring [TC-SI-220a.5]	Disclosed semi-annually in Content Removal Requests Report

SASB Topic	SASB Accounting Metric [and code]	Related Microsoft Disclosures
Data Security	<ol style="list-style-type: none"> 1. Number of data breaches 2. Percentage involving personally identifiable information (PII) 3. Number of users affected [TC-SI-230a.1] 	The company does not specifically disclose TC-SI-230a.1. However, the Microsoft Digital Defense Report – Microsoft Security aggregates insights, data, and signals from across Microsoft, including the cloud, endpoints, and the intelligent edge to help the global community strengthen the defense of the digital ecosystem.
	Description of approach to identifying and addressing data security risks, including use of third-party cybersecurity standards [TC-SI-230a.2]	Disclosed at Microsoft security operations

SASB Topic	SASB Accounting Metric [and code]	Related Microsoft Disclosures
Recruiting & Managing a Global, Diverse, & Skilled Workforce	Percentage of employees that are: <ol style="list-style-type: none"> Foreign nationals and Located offshore [TC-SI-330a.1] 	The company does not specifically disclose TC-SI-330a.1. The company does disclose employee headcount worldwide, in the U.S., and internationally at Facts About Microsoft – Stories .
	Employee engagement as a percentage [TC-SI-330a.2]	The company does not specifically disclose TC-SI-330a.2. Microsoft discloses data on employee sentiment in the 2021 Global Diversity and Inclusion Report (page 19).
	Percentage of gender and racial/ethnic group representation for: <ol style="list-style-type: none"> Management Technical staff, and All other employees [TC-SI-330a.3] 	Disclosed in Global Diversity and Inclusion Report (starting on page 9).

SASB Topic	SASB Accounting Metric [and code]	Related Microsoft Disclosures
Intellectual Property Protection & Competitive Behavior	Total amount of monetary losses as a result of legal proceedings associated with anticompetitive behavior regulations [TC-SI-520a.1]	Disclosed in annual Form 10-K if material; no material losses disclosed for FY2021.

SASB Topic	SASB Accounting Metric [and code]	Related Microsoft Disclosures
Managing Systemic Risks from Technology Disruptions	Number of: <ol style="list-style-type: none"> 1. Performance issues and 2. Service disruptions 3. Total customer downtime [TC-SI-550a.1] 	The company does not specifically disclose TC-SI-550a.1. Performance issues and service disruptions are among the topics discussed at Home – Microsoft Tech Community .
	Description of business continuity risks related to disruptions of operations [TC-SI-550a.2]	Disclosed in annual Form 10-K (page 31).

SASB Topic	SASB Accounting Metric [and code]	Related Microsoft Disclosures
Activity Metrics	<ol style="list-style-type: none"> 1. Number of licenses or subscriptions 2. Percentage cloud based [TC-SI-000.A] 	Microsoft uses different KPIs to communicate our business performance to investors than those suggested by SASB. Microsoft’s KPIs are included in our annual Form 10-K and quarterly 10-Q filings and available at www.microsoft.com/investor .
	<ol style="list-style-type: none"> 1. Data processing capacity 2. Percentage outsourced [TC-SI-000.B] 	
	<ol style="list-style-type: none"> 1. Amount of data storage 2. Percentage outsourced 3. [TC-SI-000.C] 	