

Microsoft 2016 Corporate Social Responsibility

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Letter from our CEO



At Microsoft, our mission is to empower every person and every organization on the planet to achieve more. We also care deeply about how we achieve that mission and our lasting impact on the world and the communities where we operate.

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In this year's annual letter to [shareholders](#), I devoted my closing thoughts to the important role technology can play in spreading economic opportunity more evenly around the world. I believe we must continue to dedicate ourselves to the challenges humankind faces, the role technology can play, and the unique contributions Microsoft can make.

We live in a time of digital transformation. Breakthroughs in data, cloud computing and artificial intelligence will advance health, education, communications, individual empowerment and economic growth around the world. We have a responsibility to ensure everyone benefits, not just a few. To truly live up to our mission, we must make a quantifiable difference in the lives of everyone, everywhere.

The impact of today's far-reaching and rapid change creates its own challenges for business and society. When I meet with government leaders around the globe, they raise concerns about the online and physical safety of their citizens, as well as the long-term future of work and economic growth for those communities most at risk.

To address those urgent concerns, we are working with policymakers and industry partners around the world to harness the social and economic benefits of cloud computing in a way that ensures the promise of technology can be used to benefit everyone, not just the fortunate few. We've defined this aim as a **cloud for global good**: one that's trusted, responsible and inclusive.

As we share these ideas with others, we recognize these concepts start at home. This past year we released enhanced privacy principles and actively fought for the rights of our users against unreasonable government surveillance. We work to make our cloud responsible and accountable with protections for online safety, work to balance privacy and free expression with public security, and are committed to operating a carbon-neutral cloud that is increasingly powered directly with renewable energy. And we work to make our cloud inclusive with investments to expand affordable internet connectivity, build next-generation skills, and ensure the accessibility of our technologies.

We took further steps to spread economic opportunity to every corner of the planet this past year with Microsoft Philanthropies' three-year commitment to donate \$1 billion in public cloud computing for nonprofits around the world. Already, we're seeing progress. Nonprofits big and small are tapping Microsoft cloud services to accelerate their own digital transformation and have an even bigger impact on the communities they serve.

One nonprofit partner taking advantage of Microsoft's cloud services, [CONIN](#), is working to eradicate child malnutrition in Salta, a remote region in Argentina. CONIN uses Microsoft Azure to more deeply understand on-the-ground realities and pinpoint those families and children at greatest risk. An app in Azure triggers an alert whenever the nonprofit- and government-run community census identifies a child in need. Now it is able to reach more at-risk families with better solutions before they fall through the cracks.

Another Microsoft Philanthropies grantee using our cloud is FIRST Robotics, a small U.S.-based nonprofit that provides robotics education and experience to youth across the country. With a limited budget and a tiny engineering staff, FIRST Robotics uses Azure to harness the power of big data to strategically channel resources where they are needed most, freeing up precious staff time to help more students develop real-world technology skills and create the next generation of STEM leaders. And we're making cloud services available to all eligible nonprofits.

In addition to our work to promote a trusted, responsible and inclusive cloud, we also continued our focus on advancing young people's access to education and opportunity through our YouthSpark program. Last year we committed to invest \$75 million over three years in programs to increase access to computer science education for all youth, and especially those from under-represented backgrounds. We are well on track to meet that commitment, with \$28 million invested in FY16.

I'm also deeply humbled and inspired by the generosity of our employees. In FY16, Microsoft employees contributed \$133 million to more than 18,000 nonprofits worldwide through our matching funds employee giving program. That's in addition to the more than \$1 billion in technology donations Microsoft provided to more than 100,000 nonprofit organizations around the world.

I've often said that our customers and society expect us to maximize the value of technology and deliver the latest innovations while also preserving timeless values such as privacy, security and opportunity. Our work to promote a cloud for global good reflects that dynamic balance, as does many of our other commitments to corporate social responsibility.

That commitment also includes being transparent in how we report our progress and performance so that others can judge for themselves how we're doing. The report that follows details our progress over the past decade-plus and outlines our principles and the high expectations we have set for ourselves, and that our customers and the communities we serve expect from us.

It is truly amazing what we can accomplish when employees, customers and partners in both the public and private sectors come together with a shared sense of purpose. We welcome your interest, feedback and partnership as we continue our work to ensure the digital transformation underway includes and empowers everyone and opens doors to opportunity for those who need it most.

Sincerely,

Satya Nadella
Chief Executive Officer

We work to earn the consistent trust and confidence of the public, our customers, partners, employees and shareholders.

Overview

At Microsoft, our mission is to empower every person and every organization on the planet to achieve more. To realize that mission requires more than providing products and services that let our customers do great things. It requires us to be thoughtful about the impact of our own business practices, policies, and investments in communities.

And it's not a mission we can achieve alone. It requires partnerships to apply our technologies to address some of the world's toughest challenges.

In short, we see corporate responsibility as both a responsibility and an opportunity to work together to advance technology and societal needs at the same time.

The [charter for the Regulatory and Public Policy Committee](#) of our Board of Directors includes the responsibility to "review and provide guidance to the board and management about the company's policies and programs that relate to corporate citizenship, including human rights, environmental sustainability, corporate social responsibility, supply chain management, charitable giving, and political activities and expenditures."

Microsoft's Business and Corporate Responsibility (BCR) team is part of our Corporate, External, and Legal Affairs group. BCR works in collaboration with leaders across Microsoft's business and operations to help us consistently earn the trust and confidence of the public, our customers, partners, employees and shareholders. The Corporate Vice President of Business and Corporate Responsibility reports directly to Microsoft's President and Chief Legal Officer, who reports to CEO Satya Nadella and sits on Microsoft's Senior Leadership Team.

Learn more about the committee of the Board of Directors responsible for overseeing the company's policies and programs, including public policy and corporate citizenship.

[Visit the Regulatory and Public Policy Committee Charter](#)

Stakeholder engagement

We know that our decisions can affect our employees, customers, partners, shareholders, suppliers, and communities. So, we seek to ensure that their voices are considered as we make decisions. Microsoft gets input from millions of people each year, ranging from individual customers to policymakers and global human rights specialists.

We bring outside perspectives into the company and inform our business decisions through a variety of feedback channels. In addition to using formal channels, we proactively engage and talk to key stakeholders, advocacy groups, widely recognized experts, CSR rating agencies and CSR-focused investors, and many others. We also work to share our learnings and practices to generate industry dialogue, inform public debate, and advance greater progress.

↓ The downloadable paper [Microsoft Stakeholder Engagement in the Governance of Corporate Social Responsibility](#) shows the types of stakeholders we engage, how we engage with them, and examples of results.

Alignment with global standards and reporting frameworks

Microsoft works to align our CSR commitments and CSR reporting with relevant global standards:

- We endorsed the [United Nations Global Compact](#) in 2006 and file an annual [Communication on Progress](#) implementing the UNGC's 10 principles.
- We were among the first companies to align our human rights work with the [UN Guiding Principles on Business and Human Rights](#) and to adopt the [UN Guiding Principles Reporting Framework](#).
- We are actively engaged in supporting the UN Sustainable Development Goals.
- We base our CSR reporting on the Global Reporting Initiatives' Sustainability Reporting Guidelines.

CSR materiality assessment

Corporate responsibility experts increasingly call on companies to focus their reporting on “material CSR issues,” though they differ on how they define the term.

We apply the [Global Reporting Initiative’s G4 Sustainability Reporting Guidelines](#) to our CSR materiality assessment to define our most significant CSR issues as those ranking highest in both business importance to Microsoft and in importance to our key stakeholders. This aligns with how we set our CSR strategies and commitments to drive positive impact to our business and to society.

We identified the top citizenship issues, using this approach. It reflects input gathered from our stakeholder engagement processes, consultation with Business for Social Responsibility (BSR) and other external experts, and consideration of the impact that Microsoft’s core businesses have.

Top issues:

- Access to technology and economic opportunity
- Climate change and energy
- Corporate governance
- Data privacy and security
- Device lifecycle impacts
- Environmental/social applications of technology
- Ethical business practices
- Human capital
- Human rights
- Responsible sourcing and manufacturing

Beyond this analysis, our President and Chief Legal Officer, Brad Smith, clearly articulated how we prioritize our CSR issues and their link to our business success in a [keynote speech](#) at the launch of A Cloud for Global Good, where he noted:

- Technology is creating new jobs, but automation can challenge and even replace some traditional jobs. There are new challenges to privacy rights. here are new questions about income inequality. There are new opportunities but also challenges for people with disabilities.
- If we don’t acknowledge explicitly, at the outset, that this new era creates both opportunity and challenge, the truth is we’ll do less than we should to make the most of the promise that lies ahead. We need to ensure that we move technology forward without leaving people behind.
- This requires that we accept a sense of shared responsibility. Those of us who work in the tech sector and the private sector have an important role and responsibility, as do people across civil society, and as do governments around the world.
- To fulfill that responsibility, we need to ensure that the cloud is trusted, responsible and inclusive. Microsoft’s efforts here include:
 - o Our human rights commitments, and our commitments to privacy and data security work to ensure that our cloud is trusted.
 - o Our commitments to environmental sustainability, responsible sourcing, and empowering our employees to ensure that our cloud is responsible.
 - o And our commitments to accessibility, global diversity and inclusion, and empowering communities to ensure that our cloud is inclusive.

Read the full story of how Microsoft is working to create a trusted, responsible, and inclusive cloud.

[↓ Download the PDF version: A Cloud for Global Good](#)

Microsoft is committed to transparency for two reasons: To help our users make informed choices about how they use our products and services, and to help our stakeholders evaluate how we are meeting our commitments to corporate social responsibility (CSR).

About our site

Our CSR site is designed to be a living, reporting medium that seeks to provide both comparable year-over-year data and access to important developments in our policies and practices throughout the year. Unless otherwise stated, information across this site covers all of Microsoft's global operations during our fiscal year 2016 (July 1, 2015 to June 30, 2016). This reporting site replaces the previous single PDF and print versions, which were published annually.

Our focus is to provide updates throughout the year to ensure that you, our stakeholders, have access to the most recent information available. We will update the site content on an ongoing basis with any breaking news or content; yet, some specific, significant content refreshes will happen at specific times throughout the year. The current plans are outlined below, but are subject to change based on availability of data or business events.

Standards

This site contains Standard Disclosures from the [Global Reporting Initiative's G4 Sustainability Reporting Guidelines](#), which were used to prepare this report content. Please see our online GRI G4 Index for detailed data and additional information.

The human rights-related disclosures are based on the UN Guiding Principles on Business and Human Rights Reporting Framework (RAFI). In addition, this report serves as Microsoft's annual Communication on Progress under the [United Nations \(UN\) Global Compact](#). The following table describes the location of relevant report content for each of the UN Global Compact's 10 principles.

UN Global Compact Index

Human Rights

Principle 1:

Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2:

Make sure they are not complicit in human rights abuses.

Labor

Principle 3:

Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4:

The elimination of all forms of forced and compulsory labor;

Principle 5:

the effective abolition of child labor; and

Principle 6:

the elimination of discrimination in respect of employment and occupation.

Environment

Principle 7:

Businesses should support a precautionary approach to environmental challenges;

Principle 8:

undertake initiatives to promote greater environmental responsibility; and

Principle 9:

the effective abolition of child labor; and

Principle 6:

encourage the development and diffusion of environmentally friendly technologies

Anti-corruption

Principle 10:

Businesses should work against corruption in all its forms, including extortion and bribery.

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Human rights are the inherent rights that belong to all people. At Microsoft, we endeavor to respect and champion human rights in the way we do business. And we work with some of the world's leading human rights organizations to apply the power of technology to advance human rights.

The Microsoft Global Human Rights Statement details our commitment to respect and promote human rights. [Read the full statement](#)

Our commitment

Since 2006, Microsoft has had a formal commitment to respect human rights as a signatory of the [United Nations Global Compact](#).

The Global Compact is the most widely recognized corporate social responsibility (CSR) framework for businesses to respect human rights and labor rights, and to ensure environmental protection and combat corruption. Microsoft enhanced this commitment when we published our Global Human Rights Statement in 2012.

Our [Global Human Rights Statement](#) is itself grounded in the [United Nations Guiding Principles on Business and Human Rights](#), which establishes that in their work to respect human rights, companies "should avoid infringing on the rights of others and should address adverse human rights impacts with which they are involved." This is now a global standard of conduct expected of all businesses.

Our Statement explains our intention to respect the rights defined in:

[Universal Declaration of Human Rights](#) >

[International Covenant on Civil and Political Rights](#) >

[International Covenant on Economic, Social and Cultural Rights](#) >

[International Labour Organization's Declaration of Fundamental Principles and Rights at Work](#) >

To achieve our mission of empowering every individual and every organization, we recognize that some human rights and some specific groups require a special focus. Several conventions help Microsoft identify how we can better support some of the world's most vulnerable groups and the extra efforts we can take to maintain their trust. These include:

[Convention on the Elimination of All Forms of Discrimination against Women](#) >

[Convention on the Rights of the Child](#) >

[Convention on the Rights of Persons with Disabilities](#) >

Microsoft revised its Global Human Rights Statement in 2016 to reflect changes to our business, and to meet our increased standards and responsibility to respect human rights. The revisions were developed through:

- An assessment process with the internal teams that are responsible for our salient and supplemental human rights issues
- Discussions with external subject matter experts who are closely associated with Microsoft or the field of Information Communication Technology (ICT) and human rights
- Review and approval by Microsoft's President and Chief Legal Officer

In addition to being publicly available in twelve languages, the Statement is shared among all employees globally through our [Standards of Business Conduct](#). The Standards are based on Microsoft's values and continued commitment to ethical business practices and legal compliance, which applies to all employees, directors, and executive officers of Microsoft and its subsidiaries and Controlled Affiliates. Employee compliance with the Standards of Business Conduct is reinforced through annual, corporate-wide, online training.

Our approach

All human rights are indivisible, interdependent, and interrelated: The improvement of one right enables advancement of others.

Our human rights-based approach to business recognizes that rights-holders are individuals – real people, from all communities – who have rights that Microsoft must respect. Rights-holders are also considered to be our partners in the realization of human rights, either directly or through representative organizations.

Microsoft is a diverse, worldwide business with billions of users and customers. We develop, license, and support a wide range of software products, services, and devices. We have over 100,000 employees and tens of thousands of suppliers. We touch a vast spectrum of rights holders and their needs.

Businesses are expected to determine their salient human rights, which are defined as the rights “at risk of the most severe negative impact through the company’s activities and business relationships.” Determining our salient human rights allows us to act on and report on the most critical human rights needs connected with our business.

Microsoft’s salient human rights issues are:

- **Accessibility:** Creating and delivering technology that is accessible and functional for people of all abilities.

[Learn more about our commitment to accessibility >](#)

- **Online safety:** Protecting the safety and security of vulnerable groups online.

[Find resources and research about online safety >](#)

- **Freedom of expression and privacy:** Respecting peoples’ right to freedom of expression and their right to freedom from arbitrary and unlawful interference with privacy online.

[Learn about our work to advance freedom of expression >](#)

- **Privacy and data security:** Incorporating privacy considerations into our design and development processes, offering our customers meaningful privacy choices, and responsibly collecting, managing, and using the customer data that we store.

[Discover more about our commitment to privacy and data security >](#)

We recognize that there are additional areas where we must support the needs of rights holders. We regard these as our supplemental human rights issues:

- **Responsible sourcing:** Upholding ethical business, employment, environmental, and worker safety practices in our global supply chains.

- **Corporate governance and ethics:** Sharing ethical behavior and acting with integrity in everything we do.

- **Diversity and inclusion:** Creating a global workforce and culture without discrimination.

- **Philanthropy:** Empowering communities by implementing our philanthropic activities worldwide, led by our Microsoft Philanthropies group.

Learn how we determine and understand our salient and supplemental human rights issues.

Microsoft’s strategy for the future is to build best-in-class platforms and productivity services for a mobile-first, cloud-first world.

As such, Microsoft is investing in three integrated ambitions:

- Reinventing productivity and business processes

- Building the intelligent cloud platform that is trusted, responsible, and inclusive of everyone

- Creating more personal computing

As Microsoft adapts and grows within the changing ICT landscape, we expect our salient and supplemental human rights issues to remain consistent in the near term, and we will continue to monitor the salience and importance of our human rights issues so that we maintain an appropriate focus.

Crucially, our salient human rights issues are a mixture of challenges. Some relate to our own business conduct, while other issues relate to third-parties misusing our products and services, or actions of governments restricting freedom of expression or demands that conflict with privacy rights. Our responsibility to respect human rights requires us to act upon impacts we are associated with. Therefore, in addition to respecting human rights within our own business conduct, it is also important that we apply leverage wherever possible to maximize respect for rights holders.

Human rights governance

Microsoft's internal governance on human rights issues seeks to ensure that our human rights commitments are met across our global and diverse business. We achieve that commitment through:

- **Shared responsibility:** Everyone within our business, including our partners, has a responsibility to respect human rights. This responsibility is established in the UN Guiding Principles on Business and Human Rights, and is reflected in the Microsoft Global Human Rights Statement.
- **Focus on impact:** Across our company, we have teams with dedicated responsibility to drive decisions that demonstrate respect for customers' and end users' human rights. These teams have an immediate impact on rights holders by ensuring that their needs are reflected throughout Microsoft's products, operations, and partnerships as a result of the policies and management systems they establish in product or service design, sales, business and employment practices, and by working with rights holders to achieve the realization of their rights.

Two groups with the greatest focus on Microsoft's salient human rights issues both report directly to Microsoft's President and Chief Legal Officer:

- **The Business and Corporate Responsibility Team (BCR)** houses our policy efforts towards meeting our accessibility commitments and privacy.
- **The Regulatory Affairs Team** houses our policy efforts towards meeting freedom of expression commitments and our online safety standards.

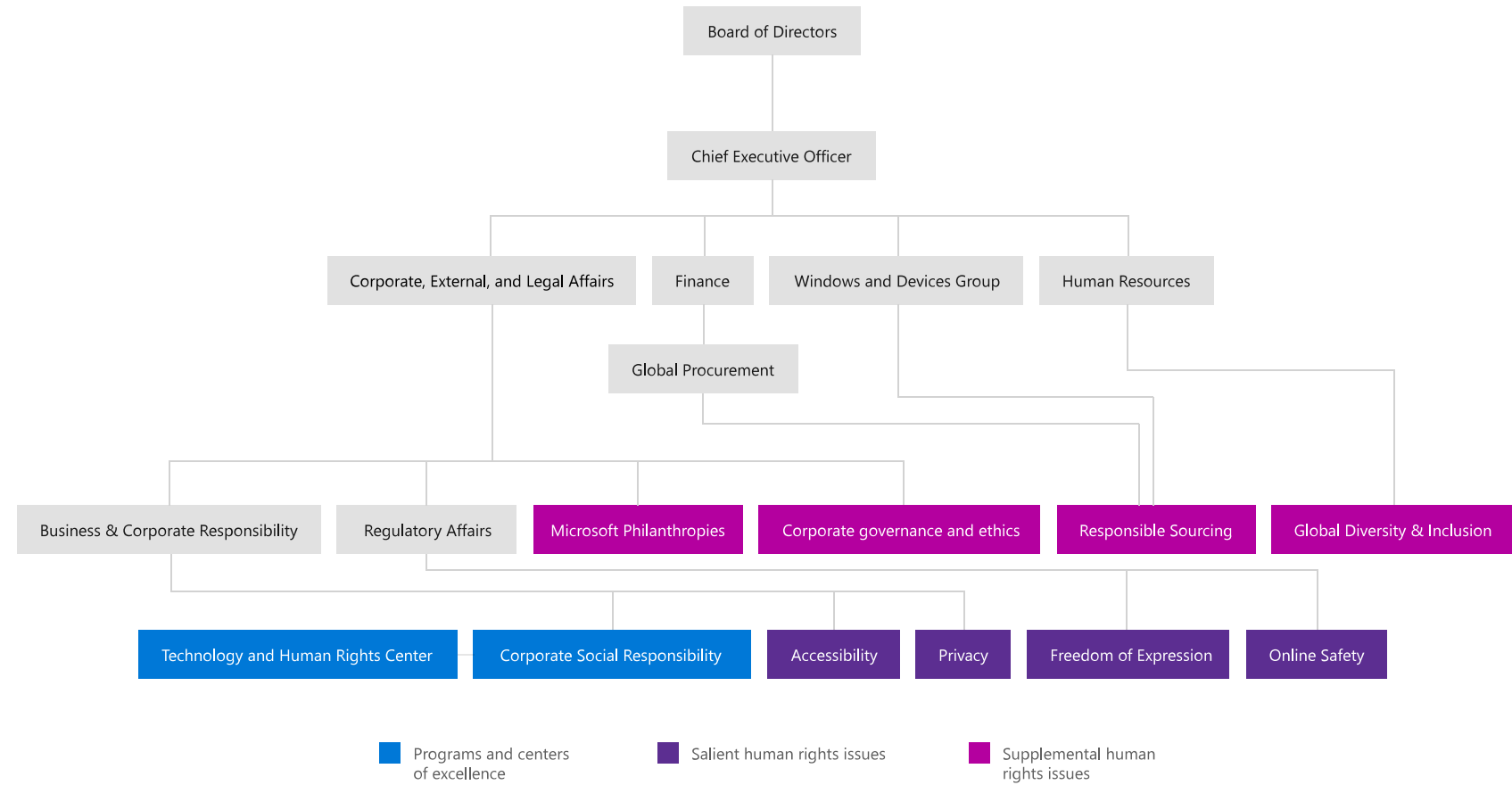
Many groups within Microsoft manage our broad range of supplemental human rights issues. The **Microsoft Philanthropies** team and our business ethics and anti-corruption work sit within the Corporate, External and Legal Affairs (CELA) group. The responsible sourcing program supports both the Windows and Devices Group (WDG), which is responsible for Microsoft's software platform, apps, games, store and devices that power the Windows ecosystem, and the Global Procurement Group, which sources the goods and services supplied to the Microsoft business. The topic of global diversity and inclusion in our workforce is managed by the **Human Resources** division, which implements the policies and programs to recruit, retain, and develop employees and to advance our cultural transformation.

- **Programs and centers of expertise** manage Microsoft's human rights program by providing business guidance on human rights in the form of policies, due diligence, training, and transparency.

Within Business and Corporate Responsibility, the **Corporate and Social Responsibility Team (CSR)** houses our human rights program management, responsible sourcing, transparency and reporting, and coordination of our overall engagement with key international organizations including United Nations agencies. The CSR Team also operates the Microsoft Technology and Human Rights Center. The Center prioritizes and coordinates human rights due diligence, identifies emerging risks and opportunities related to human rights, and promotes harmonized approaches to human rights across Microsoft. The Center also fosters dialogue to advance understanding of the human rights impacts of ICT. Through the Center, Microsoft engages with a broad range of human rights groups, academics, and industry groups globally to share Microsoft's experiences and lessons learned.

The work of the Technology & Human Rights Center is amplified by Microsoft's CELA group, led by the President, Chief Legal Officer and Chief Compliance Officer of Microsoft. This group includes more than 1,300 business, legal, and corporate affairs professionals in 55 countries who are responsible for Microsoft's legal, intellectual property portfolio, patent licensing, philanthropic, government affairs, public policy, corporate governance, and social responsibility work.

Shared responsibility to respect human rights



Additional reporting

Regular and transparent disclosure on our efforts to respect human rights is essential for internal conversations, identifying opportunities for improvements in our corporate responsibility, and for ongoing dialogue with groups directly affected by or interested in our operations. These include customers and users, employees, suppliers, governments, civil society, investors and others.

Using the [United Nations Guiding Principles Reporting Framework](#), we can transparently disclose our activities in the Technology and Human Rights Center and in each of our salient human rights issues in the previous fiscal year through an additional downloadable report.

Further reporting is available for the supplemental issues of:

[Responsible sourcing](#) >

[Corporate governance and ethics](#) >

[Diversity and inclusion](#) >

[Our philanthropic activities](#) >

We recognize privacy as a fundamental human right. We support that right through our corporate operations and actions.

Privacy principles

We offer our users meaningful privacy choices, and we responsibly manage and protect the customer data that we store.

In 2016 we updated our company-wide **Privacy Principles** and the **Microsoft Privacy Statement** to communicate how seriously we approach matters of privacy at Microsoft and the effort we make to protect our customers' personal data and their right to privacy.

[Learn more about our Privacy Principles >](#)

[Read our Privacy Statement >](#)

Our commitment to privacy is based on six core principles:

Control

We put users in control of their privacy with easy-to-use tools and clear choices.

Transparency

We are transparent with users about data collection so that they can make informed decisions.

Security

We protect the data users entrust to us through strong security and encryption.

Strong legal protections

We respect our customers' local privacy laws and fight for the legal protection of privacy as a fundamental human right.

No content-based targeting

We do not use customer email, chat, files, or other personal content to target ads.

Benefits

When we do collect data from users, we use it to improve their experience.

Privacy in design and development

The International Association of Privacy Professionals (IAPP) has recognized us for having the 'second largest number of certified privacy professionals (CIPP) of any company.

Dedicated privacy professionals are embedded into each of our product and service groups. These professionals help our groups to incorporate privacy considerations into our design and development processes. This is one of the many ways we demonstrate our commitment to customer security and privacy.

We've also been among the first in our industry to adopt a number of privacy protections. These include:

- Making the commitment to not scan email services for the purposes of targeting online advertising.
- Being one of the first companies to sign the Student Privacy Pledge. This pledge was developed by the Future of Privacy Forum and the Software & Information Industry Association to establish a common set of principles to protect the privacy of student information.
- Adopting, with independent verification, the world's first international standard for cloud privacy (ISO/IEC 27018). This standard, developed by the International Organization for Standardization, establishes a uniform, international approach to protecting privacy for personal data stored in the cloud.
- Being among the first companies certified under the EU-US Privacy Shield program.

We've also created new processes to help put victims back in control of their online imagery and their privacy, with a new [approach](#) to non-consensual pornography on our consumer services.

[Learn more about Microsoft's privacy protections and transparency on the data we do collect >](#)

Addressing government information requests

We do not provide any government with direct and unfettered access to our customers' data, nor do we provide 'back door' access.

As we have publicly disclosed, if a government wants our customers' data, it must serve us with the appropriate warrant, court order, or subpoena targeted at specific accounts and identifiers. We reject requests that don't meet these requirements, and we only provide the data specified in the legal order.

Our transparency practices help to protect your privacy.

We are transparent about how we handle government requests for user information in a series of **Law Enforcement Requests Reports** and **National Security Request Reports** that we publish every six months. To expand the information that we can legally share in those reports, we brought and settled a suit with the U.S. government allowing us to disclose the number of legal national security requests we receive. We currently have a case pending against the U.S. government challenging the growing number of search warrants with secrecy orders that would prohibit us forever from letting users know that the government had obtained their e-mail.

[Read our Law Enforcement Requests Reports >](#)

[Read our National Security Requests Reports >](#)

We are working to reform government surveillance practices.

To stand up for our users' rights, we and others in our industry are pushing for reform in government surveillance. We have publicly advocated that governments must create a new international legal framework to ensure that governments seek information about private citizens of other participating countries only pursuant to legal rules and due process. We successfully challenged an effort by the U.S. government to use search warrants unilaterally to reach beyond U.S. borders.

This legal victory is important for three reasons. It ensures that:

- People's privacy rights are protected by the laws of their own countries.
- The legal protections of the physical world apply in the digital domain.
- Better solutions to address both privacy and law enforcement needs can be developed in the future.

[Watch Microsoft President and Chief Legal Officer Brad Smith urge that Congress must update our outdated privacy laws >](#)

We work to build and maintain trust through a shared commitment to ethical behavior and to act with integrity in everything we do.

Corporate governance

Through oversight, review, and counsel, Microsoft's Board of Directors establishes and promotes our business and organizational objectives.

Corporate governance at Microsoft:

- Establishes and preserves management accountability to company owners by appropriately distributing rights and responsibilities among Board members, managers, and shareholders.
- Provides a structure for management and the Board to set objectives and monitor performance.
- Strengthens and safeguards our culture of business integrity and responsible business practices.
- Encourages the efficient use of resources, and requires accountability for stewardship of those resources.

Our progressive corporate governance framework

Our corporate governance framework is designed to ensure our Board has the necessary authority and practices in place to review and evaluate our business operations and to make decisions independent of management. Our goal is to align the interests of directors, management, and shareholders, and comply with or exceed the requirements of the NASDAQ Stock Market and applicable law. This framework establishes the practices our Board follows with respect to:

- Board composition, director selection and director compensation
- Board refreshment and succession planning
- Independent Board leadership
- Board meetings and involvement of senior management
- CEO performance evaluation
- CEO and senior executive development and succession planning
- Board committees

- Board and committee evaluations
- Shareholder engagement
- Risk oversight

[Learn more about Microsoft's Board and its committees >](#)

Shareholder engagement

Microsoft believes that effective corporate governance should include regular, constructive conversations with our shareholders. We actively engage with our shareholders as part of our annual corporate governance cycle. Communicating governance policies and practices to all shareholders and other stakeholders is an important part of our commitment to transparency. With over 3.5 million Microsoft shareholders, using both direct dialogue and 'one-to-many' communications are necessary to reach all shareholders.

[Learn more about our Shareholder Outreach and Corporate Governance Cycle >](#)

Policies and guidelines

Corporate governance at Microsoft is designed to promote the long-term interests of our shareholders, maintain internal checks and balances, strengthen management accountability, inspire public trust, and foster responsible decision making and accountability. Our corporate governance framework consists of our Articles, Bylaws, and a set of policies and guidelines. The Board routinely reviews evolving practices to determine those practices that will best serve the interests of our shareholders.

[Review our Corporate Governance documents >](#)

[Learn more about Microsoft in our Corporate Governance FAQs >](#)

[Read our Corporate Governance Fact Sheet >](#)

Ethics and standards of business conduct

Building a fabric of trust is paramount to realizing our mission to empower every person and every organization on the planet to achieve more.

We build trust by making ethical choices and acting with integrity in our dealings with customers, partners, competitors, shareholders, suppliers, representatives, regulatory agencies, and government officials. We are committed to engaging all of these groups in a respectful, ethical manner and in compliance with all legal requirements. Trust is fundamental to succeeding in our ambitions to reinvent productivity and business processes, build the intelligent cloud platform, and create more personal computing.

We apply our rigorous code of conduct to everything we do.

Microsoft's Standards of Business Conduct are the foundation of our commitment to ethical business practices and legal compliance. Our Standards of Business Conduct help us live our values, which include fulfilling our commitment to the highest ethical and legal behavior. These standards are endorsed by the Microsoft Board of Directors and apply to all employees, directors, and executive officers of Microsoft and its subsidiaries and controlled affiliates (where Microsoft directly or indirectly owns more than 50 percent of the voting control).

[Learn what our CEO, Satya Nadella, has to say about our Standards of Business Conduct >](#)

Training our employees in ethical business decision-making helps ensure high standards of conduct

All Microsoft employees must complete annual training on our Standards of Business Conduct. The training course is available in 16 languages. In FY16, as in previous years, we achieved a completion rate for the course of greater than 99 percent. In addition, a variety of mandatory role-specific trainings address the compliance risks of particular roles and business functions, and Microsoft provides employees with a wide range of additional optional training and guidance to ensure awareness of our policies and expectations for ethical behavior.

Business conduct and compliance program

Microsoft's Office of Legal Compliance is responsible for our Business Conduct and Compliance Program, working closely with the rest of Microsoft Corporate, External and Legal Affairs, Finance, Human Resources, Internal Audit, and other groups focused on ensuring compliance. We have more than 50 people whose primary role is investigating potential breaches of company policy, and an additional 120 people whose primary role is compliance. In addition, we sometimes retain outside law firms to conduct or assist with investigations. This is a reflection of the size and complexity of our business and the seriousness with which we take meeting our obligations.

Across Microsoft, we:

- Promote a culture of ethics and integrity
- Build, enhance, and monitor internal controls to identify and mitigate risks of unethical and non-compliant conduct.
- Perform regular internal audits.
- Require multiple levels of approval for contracting and expenditures.
- Maintain internal compliance scorecards that affect key leaders' performance compensation.
- Train our employees.
- Identify, investigate, and remediate concerns, risks, and improper conduct.
- Require partners and suppliers to adhere to the highest standards of ethical behavior and regulatory compliance.

Corporate governance and ethics

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To support our [compliance program](#), we make it easy for employees and third parties to report for any compliance concerns, using easy-to-access reporting methods. These include the following:

- Calling a toll-free telephone integrity hotline that is staffed 24 hours a day, 7 days a week by a third-party vendor (operators are available to receive calls in 49 languages).
- Submitting an online report through a publicly available website (www.micro-softintegrity.com) operated by the vendor (the landing page for the site is in 16 languages and the online reporting tool is in 37 languages).
- Emailing the Office of Legal Compliance directly at buscond@microsoft.com.
- Calling, writing, or faxing the Office of Legal Compliance directly.

Retaliation is prohibited (Safe to Report)

Preventing retaliation is critical to the Business Conduct and Compliance Program. Microsoft maintains and communicates a non-retaliation policy that strictly prohibits retaliation against complainants who raise a compliance concern in good faith or refuse to do something that violates Microsoft's Standards of Business Conduct, policies, or the law, even if the refusal results in the loss of business to Microsoft. Microsoft is committed to handling all inquiries discreetly and making every effort to maintain confidentiality or anonymity within the limits allowed by the laws.

Anti-corruption

We prohibit corruption of government officials and the payment of bribes or kick-backs of any kind. This applies whether in dealings with public officials or individuals in the private sector.

We have the highest possible standards for ethical conduct.

Microsoft's Standards of Business Conduct and [Anti-Corruption Policy for Representatives](#) include strong commitments to observing the standards of conduct set forth in the US Foreign Corrupt Practices Act and the applicable anti-corruption laws of all the countries in which we operate.

We expect our partners to comply with our ethical standards.

While conducting business with Microsoft customers, Microsoft expects its Partners to commit to operating in full compliance with all applicable laws and regulations, and to adhere to the principles outlined in the [Partner Code of Conduct](#).

Microsoft provides all partners with a free, online anti-corruption training course, in multiple languages. Partners must provide their own anti-corruption training or Microsoft's training to their employees.

Microsoft also expects its Suppliers to commit to operating in full compliance with all applicable laws and regulations, and to adhere to the principles outlined in the Supplier Code of Conduct. Microsoft's Supplier Code of Conduct includes strong ethics and anti-corruption provisions, which are highlighted in an online Supplier Code of Conduct Training that suppliers must take and is available in multiple languages.

We engage only with legitimate businesses.

Beyond clearly communicating our expectations, Microsoft vets certain partners and suppliers to help ensure that we only engage legitimate businesses with a reputation for integrity. We conduct risk assessment to identify higher-risk representative types, which were then vetted along with many other representative types. This includes channel partners, consultants, lobbyists, and other third parties engaged by Microsoft and its subsidiaries and joint ventures worldwide. In addition, we continue to have third-party reviews conducted for all new suppliers. Since the vetting program's inception, Microsoft has screened nearly 100,000 representatives and suppliers to enable Microsoft to monitor the risk profile and drive risk mitigation efforts accordingly.

Microsoft is recognized as a leader in accountability and transparency of our engagement in the public policy process.

Our approach

Corporate participation in the public policy process is an important and essential means of enhancing shareholder value. It is also fundamental to free and democratic societies.

We strive to ensure that our participation in the political process is open, transparent, and based on reasons that are clear and justifiable to our shareholders and the public. Microsoft and our employees participate in the United States political process in a variety of ways, including:

- **Joining corporate government affairs programs** designed to educate and influence elected officials on key public policy issues related to the company's business.
- **Giving individual political employee donations** through the Microsoft Political Action Committee (MSPAC).
- **Helping to advance our business objectives** through memberships in trade associations.

Microsoft is recognized as a leader for policies that ensure the accountability and transparency of our public policy engagement. During FY16, we received the second highest rating in the 2016

[CPA-Zicklin Index of Corporate Political Accountability and Disclosure](#) >

Policy agenda

In October 2016, Microsoft launched a cloud policy roadmap that seeks to maximize the opportunities and minimize the challenges that cloud computing brings. This roadmap covers fifteen policy areas and provides a comprehensive set of 78 recommendations and considerations grounded in three core principles: We need a trusted cloud; we need a responsible cloud; and we need an inclusive cloud to ensure nobody is left behind.

The roadmap presents our perspectives on policies to harness the social and economic benefits of cloud computing to benefit everyone, not just the fortunate few. It outlines policies to ensure cloud computing is:

- **Trusted** with policies addressing personal privacy, government access to data, cross-border data flows, and cybercrime prevention.

- **Responsible** with policies that balance human rights and public safety, prevent technology fraud and online exploitation, promote environmental sustainability, and address Artificial Intelligence.

- **Inclusive** with policies enabling affordable and ubiquitous access, digital literacy, next generation skills, including people with disabilities, and supporting businesses of every size.

[Read our cloud policy roadmap](#) >

Responsible governance

- The Regulatory and Public Policy Committee of the Microsoft Board of Directors is responsible for overseeing the company's public policy work and related activities. The committee receives regular, formal reports.

- Management of our participation in the political process in the United States is the responsibility of the Vice President for US Government Affairs, who reports directly to Microsoft's General Counsel, who reports to the company CEO.

- The Microsoft Political Action Committee (MSPAC) Steering Committee, a bipartisan committee of Microsoft federal and state government affairs professionals, is responsible for oversight and day-to-day decision making related to political spending. Oversight of the committee spans corporate fund expenditures as well as employee and shareholder donations made via the MSPAC program.

Microsoft requires that those individuals who recommend corporate political contributions in the United States certify as to their knowledge of and adherence to these policies and practices. Outside ethics counsel reviews and approves all MSPAC and corporate political giving activities, filings, reports, and materials. Microsoft publishes MSPAC and corporate political spending reports semi-annually on the corporate website.

Public policy engagement

Our approach

Principles

People

Planet

Resources

More about MSPAC

Microsoft sponsors MSPAC to enable Microsoft employees and shareholders to participate more effectively in the U.S. political process. The committee, created in 1988, informs its members about important issues and government decisions that can affect Microsoft business. It also provides an opportunity for members to collectively support public policy positions that are important to Microsoft and the software industry.

As a bipartisan organization that contributes to the campaigns of federal, state, and local candidates, MSPAC typically supports candidates who share Microsoft's views on public policy, serve as congressional or legislative leaders, represent districts or states where Microsoft has a major business presence, or serve on committees that have jurisdiction over legislation that is important to the company.

The MSPAC Steering Committee evaluates candidates' public policy positions on issues that are relevant to Microsoft business or are of particular interest to the computer software industry. The committee—composed of senior managers in Legal and Corporate Affairs at Microsoft—then decides which candidates and campaigns MSPAC will support.

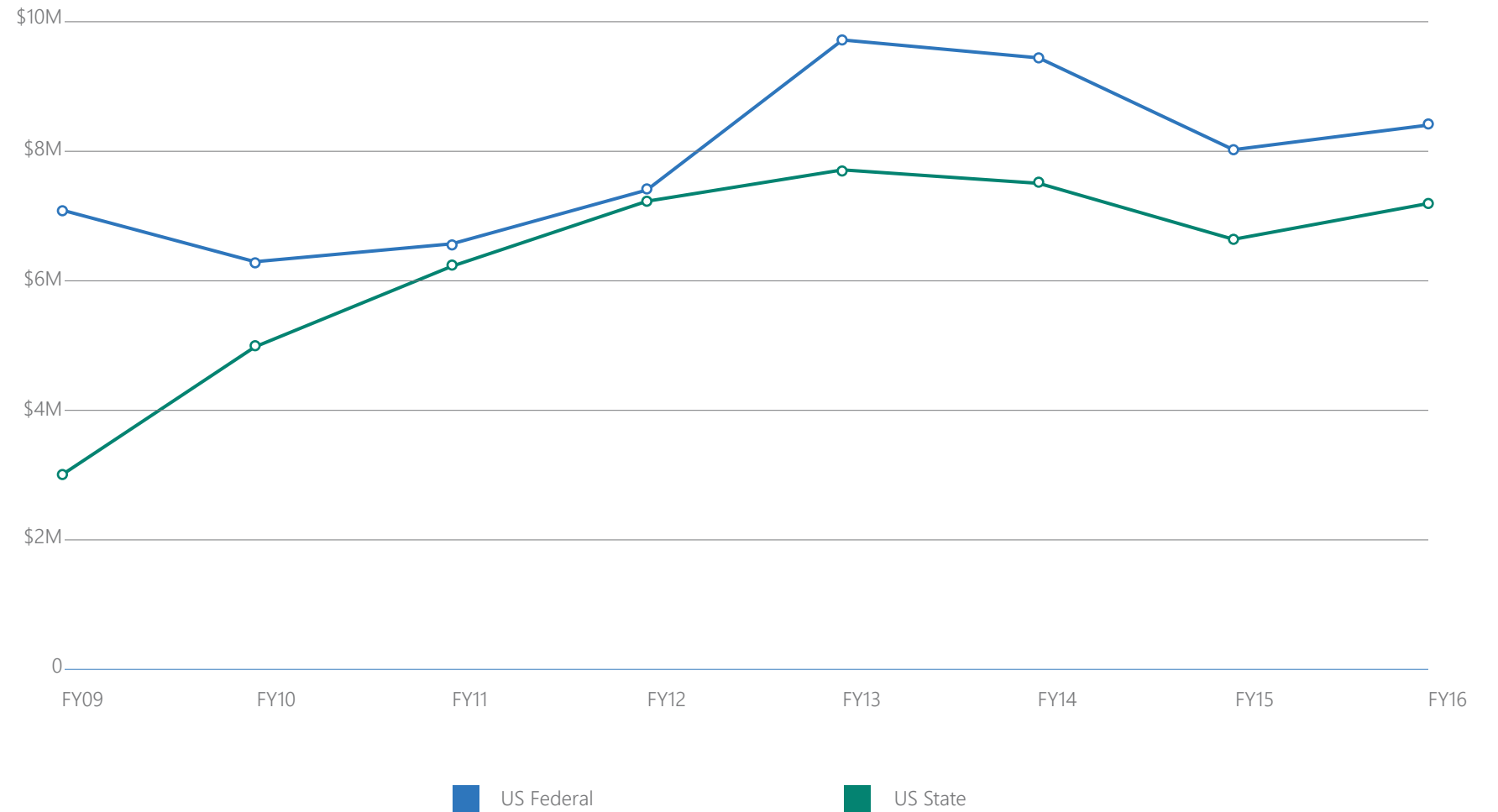
MSPAC Committee Members

Stephanie Peters	Director of Government Affairs
Anne Gavin	Director of Government Affairs
Matt Gelman	Managing Director of Government Affairs
Ed Ingle Managing	Director of Government Affairs
Brian Burke	Director of Government Affairs
Mike Egan	Director of Government Affairs
John Sampson	Director of Government Affairs
Andrew Wise	Director of Government Affairs

Transparency in public policy advocacy

Microsoft regularly files and publishes reports that detail our advocacy activities. Our disclosures include consultant fees, lobbying expenses, and trade association dues spent on advocacy.

Public policy advocacy spending



In addition, Microsoft has adopted [Principles for Engagement in the Public Policy Process in the United States](#). These principles address issues specific to the U.S. political and fundraising system.

Under these policies, we commit to disclosing a semi-annual list of election campaign expenditures, including financial and in-kind contributions by the company and MSPAC to candidates, political parties, political committees, and other politically active tax-exempt organizations, such as those organized under Internal Revenue Code section 501(c)(4), as defined by applicable laws.

To uphold our commitment to the transparency of our political spending and contributions, we do not make corporate contributions to any non-candidate or non-party political committees organized under section 527 of the Internal Revenue Code, which are formed solely to influence elections. We also make no independent political expenditures or electioneering communications, as permitted under the US Supreme Court's Citizens United ruling, and we inform our trade associations that no Microsoft funds may pay for their independent expenditures or electioneering communications.

To find reports detailing Microsoft's political contributions including MSPAC contributions, corporate contributions, and trade association memberships, please visit the [2016 Reports Hub](#).

Trade association membership contributions

Like all major corporations, Microsoft is a member of a number of trade associations (organized under section 501(c)(6) of the Internal Revenue Code) in the United States to help advance our public policy agenda and related business goals. We publicly disclose and update annually a list of those trade associations to which Microsoft pays dues and makes other expenditures through our Legal & Community Affairs group. Each year, Microsoft inquires and makes a reasonable effort to obtain information about what portion of the company's dues or payments were used for lobbying expenditures or political contributions from those associations where our dues and other expenditures total \$25,000 or more. This information is publicly disclosed and updated annually.

We strive to ensure that our suppliers uphold high standards for responsible business practices and how they treat the people who work for them.

Our commitment

Microsoft sets high standards for responsible business practices among our suppliers. We work hard to help our suppliers meet them.

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 building construction and maintenance.

Regardless of the type, we expect all suppliers who do business with Microsoft to uphold the human rights, labor, health and safety, environmental, and business ethics practices prescribed in our Supplier Code of Conduct. This code aligns with, and in certain cases exceeds, the Electronic Industry Citizenship Coalition's (EICC's) responsible supply chain standards. The Supplier Code of Conduct and other Social and Environmental related requirements are incorporated into our supplier contracts.

- We advance our responsible sourcing commitments through:
- Analysis of risks and opportunities
- Assurance and accountability
- Capacity building
- Creating shared value

Microsoft's Device Supply Chain group (DSC) and indirect purchasing group oversee dedicated programs to ensure that our standards are met and to build partnerships with suppliers that advance social and environmental goals. For example:

- Since 2005, Microsoft's Device and Supply Chain group has operated an industry-leading Social and Environmental Accountability (SEA) program to ensure that our hardware and packaging suppliers conform to our Supplier Code of Conduct and additional device-related requirements for living conditions, safe working practices, and environmental, health, and safety protection. DSC also operates the DSC Environmental Management System (EMS), a cross-company, ISO 14001 certified environmental management system that applies to all aspects of Microsoft's hardware and packaging manufacturing supply chain, management and operations.

- Microsoft's Global Procurement Group created a formal responsible sourcing function in 2013 to consolidate and enhance its responsible sourcing activities with our indirect suppliers (our suppliers outside those that make our hardware devices and the components and raw materials that go into them.)

Microsoft also recognizes the role we play to enable and empower people to achieve the [UN Sustainable Development Goals](#). In the Microsoft Device Supply Chain group, we outline the contributions we have made in the last year towards meeting the Sustainable Development Goals set by the UN to improve people's quality of life, protect the environment, and foster equitable growth.

Microsoft seeks to hold our suppliers to high standards for responsible sourcing.

[↓ Download a list of our top 100 production suppliers](#)

All suppliers who do business with Microsoft must uphold responsible practices.

[Read Microsoft's Supplier Code of Conduct >](#)

Learn about our actions to prevent modern slavery and human trafficking in our business and supply chain.

[↓ Download Microsoft's Slavery and Human Trafficking Statement for fiscal year 2016](#)

Learn how Microsoft is working to help realize important goals set forth by the UN.

[↓ Download DSC Contributions to Achieving Select UN Sustainable Development Goals](#)

Risk Assessment

We approach our efforts around responsible sourcing based on the social and environmental opportunity and risk in our supply chain.

We apply a risk-based approach to focus our efforts across our global base of suppliers, considering but not limited to the following:

- Their social and environmental risks
- Our spend and influence with them
- Their connection to our products and services

We also ask our suppliers to disclose the material composition for 100 percent of each device and packaging component they provide us. Today more than 100,000 device and packaging components have been evaluated for compliance. In addition, our Microsoft's Device Supply Chain group suppliers are required to provide validation test results showing compliance with all global substance restrictions per our specifications. This digital data set is accessed by software that provides product-specific analyses of key metrics. This smart database allows us to use environmental engineering time efficiently to track and eliminate substances according to global regulations, market requirements, and our voluntary efforts. This process is a gating item in all new product development.

To monitor and evaluate the Microsoft Device Supply Chain group's social and environmental performance of our suppliers we use an Audit Management System (AMS) built using Microsoft technologies/tools: Visual Studio, Visual Studio Team Services, Microsoft.NET, Azure SQL, and Azure blob storage. The tool is hosted on Microsoft Azure. Using Microsoft Power BI with AMS provides the ability to build greater visual insight into the data. The AMS allows us to have "one source of truth" and, with the use of workflows, has enhanced our audit database of supplier sustainability assessments to allow for better analysis of corrective actions and individual and cumulative results.

Recognizing the vast number of raw materials and the complexity of our supply chain, Microsoft uses a risk-based approach to assess our raw material sourcing. This considers the following dimensions: risk to Microsoft's supply chain, material-specific social and environmental risks and Microsoft's ability to influence and impact production of those materials to assess and prioritize addressing the social and environmental risks associated with raw materials.

Microsoft production supplier locations



Over the past several years, we also 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. 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.

Microsoft sparked the creation of the Committee on Supplier Ratings, a new collaborative effort designed to help purchasers engage indirect suppliers on sustainability issues by leveraging a range of respected company rating systems.

[Read this article in Forbes magazine: Microsoft's Committee on Supplier Ratings Takes Sustainability to the Supply Chain >](#)

Accountability

We engage our directly-contracted hardware packaging suppliers, and our indirect suppliers, in our accountability process.

We systematically engage all of our contracted hardware and packaging suppliers with the goal to move them from compliance, to self-management, to an embrace of a culture that fosters social and environmental accountability.

Each of our suppliers is expected to demonstrate compliance with all applicable laws, regulations, and our specifications. To ensure continuous performance, suppliers must evolve their focus from reactive risk management to the development of strong management systems, and progression to a preventive mindset. This transformation allows them to proactively mitigate risks, monitor performance, and continuously improve.

Ultimately, we want our suppliers to institute a Social and Environmental Accountability (SEA) culture by integrating SEA into their overall business management. This involves engagement at all levels of the supplier organization and making SEA part of their company DNA.

Learn more about Microsoft's raw materials sourcing strategy and programs.

[↓ Download our policy on Responsible Sourcing of Raw Materials \(PDF\)](#)

At the core of Microsoft's responsible supply chain sourcing efforts is our Social and Environmental Accountability (SEA) program.

[↓ Download the Microsoft Hardware Supplier Audit Approach and Findings](#)

Supplier SEA Engagement Approach

We systematically and proactively engage with our hardware and packaging suppliers to communicate our requirements and expectations. Our four-step Social and Environmental Accountability engagement approach includes an initial assessment and audit as part of our onboarding process, as well as ongoing engagement and monitoring.

Step 1: Onboarding Requirements

- Contracts
- Supplier Code of Conduct
- SEA specifications

Step 2: Assessments, audits, and scorecards

- Third-party auditors and Microsoft SEA assessors
- EICC requirements plus Microsoft requirements
- Scorecards

Step 3: Corrective Action and Validation

- Root cause identification
- Corrective and preventive action

Step 4: Continuous Improvements

- Safety and high risk management guidance
- Enhanced living conditions checklist
- Grievance hotline
- Training, coaching, and best practice sharing

This approach spans multiple tiers of our directly contracted suppliers:

- **Tier 1 suppliers:** Manufacturing partners with whom Microsoft has a direct contractual relationship. They manufacture Microsoft hardware components and products.
- **Contracted Tier 2 suppliers:** Suppliers with whom Microsoft has a direct contractual relationship to provide components or materials to our Tier 1 suppliers.
- We also require contracted suppliers to ensure that their direct suppliers conform to our specifications, which allows Microsoft to indirectly push its principles further upstream to sub-tier suppliers with whom we do not have contractual relationships.

DSC Manufacturing, Strategic Sourcing, and SEA teams work with our suppliers to ensure that the corrective action plans to remedy audit and assessment findings address the identified risks and root causes and are implemented in a timely manner. Follow-up audits are conducted to ensure that corrective actions are implemented and closed.

Where needed, we also provide suppliers with best practices to help them build necessary capabilities and apply sustainable solutions to identified issues. Our primary motivation is to push for continuous improvement of the SEA program and supplier performance. Where improvement is not possible, we may restrict further business to the factory and phase out the factory from our active supplier list.

Microsoft is dedicated to achieving extended, responsible sourcing strategies by building capabilities in and partnering with NGOs, the electronics industry sector, and other industry sectors. We believe collaboration is the best avenue to establish global, and industry-wide, sustainable design and responsible sourcing practices. In addition, these groups offer us the diverse points of view that test and up-level our thinking.

Responsible sourcing is an important focus within our indirect supplier program.

Among our indirect suppliers, our Responsible Sourcing program 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 compliance assessments of outsourced customer service and support call centers. In FY16, we completed 65 such onsite assessments.

To advance transparency, we also require our Tier 1 contract hardware manufacturers and operators of customer service and support call centers to issue their own public corporate social responsibility reports based on the requirements in the [Global Reporting Initiative](#).

We've pioneered a new approach in the U.S. to set standards for suppliers to provide employees with paid time off.

As a special initiative, in FY16 we began integrating our new procurement standards into the contract renewal process to ensure that our suppliers in the U.S. provide their employees who handle our work with at least 15 days of paid leave each year. We believe we were the first large company to take this approach, and we gained significant attention for the move from the media, policymakers, and other companies. We are working to be thoughtful to ensure that these changes don't undermine the breadth and diversity of our suppliers.

[New York Times: From Microsoft, A Novel Way to Mandate Sick Leave >](#)

Read about the organizations that the DSC group partnered with in the last fiscal year.

[Download the Microsoft DSC Collaborations document](#)

Capacity building

While our auditing and assessment efforts provide insight to risks and act as assurance mechanisms, they are only effective for a point in time unless we are able to build long-term expertise and systems. This long-term view toward factory sustainability is exemplified through model factories and other purpose-driven programs.

We focus on building supplier capabilities through training and sharing experiences and best practices. Explore examples in the sections below.

Environmental, health, and safety (EHS) capability building

Factory worker health and safety is a top priority for Microsoft. Over the past four years, we have significantly expanded our engagements to help directly contracted hardware suppliers create and maintain safe working environments:

- Microsoft's SEA team has designed 42 EHS training courses and provided onsite consultation to help build suppliers' capabilities.
- In FY16, 330 EHS professionals from Microsoft suppliers attended our SEA in-house training, representing factories with more than 30,000 workers.
- We also continued to emphasize the need for competent and experienced EHS professionals in the factory to define and implement the programs necessary to build a culture of health and safety. To date, we have worked with 37 suppliers on gaining certification of safety culture programs.

Safety Culture Program

The Safety Culture project requires suppliers to conduct a self-assessment of eight key areas of the safety commitment, including risk control and accident prevention, worker participation, and training. Directly contracted hardware suppliers are given two quarters to work on the areas they have identified, and then a formal assessment is conducted by the SEA program manager at the supplier site. Since the pilot program in FY14, we continued to implement this program with 37 suppliers.

Chemical Management Program

The Process Chemical Management Program restricts and drives the phase-out of certain chemicals from the manufacturing processes of our directly contracted hardware suppliers. In FY16, we worked to further evaluate potential impacts to the workers and environment by chemicals and substances used in manufacturing and disposal, and then expanded our list of banned chemicals. We also worked closely with suppliers on systems and approaches that will enable more effective management and evaluation of chemical usage.

We will continue to proactively restrict identified and evaluated harmful process chemicals, as well as actively support our suppliers in their phase-out process. In FY16, we continued to evaluate potential impacts to the workers and environment by chemicals and substances used in manufacturing and disposal, and then expanded the list of banned chemicals. In the meantime, we worked closely with suppliers on systems and approaches that will enable more effective management and evaluation of chemical usage.

Model Factory Scorecard

For the past three years, we worked closely with all Tier 1 hardware suppliers to meet requirements of our Model Factory program. Through the Model Factory scorecard, we have seen significant improvements in the suppliers' performance in the critical areas of their sustainability programs. The objective of this scorecard is to achieve a higher standard in compliance, living conditions, worker training and development, Environment, Health and Safety management, communication, and transparency.

Carbon emissions reporting

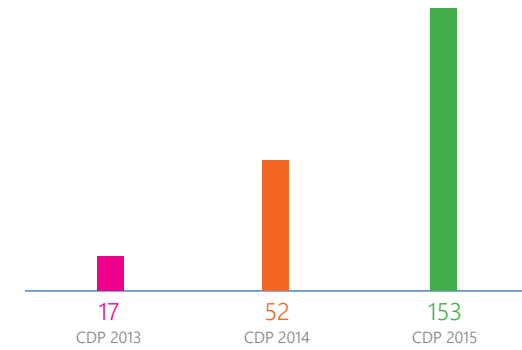
Microsoft's Carbon Disclosure Project (CDP) report includes emissions associated with our direct manufacturing and, at a minimum, 80% of our suppliers by spend. For indirect suppliers, we engage the CDP Supply Chain Program to provide our suppliers a standardized platform to understand the risks and opportunities that climate change presents to them.

Over the last two years, Microsoft has increased its indirect supplier response to the CDP Supplier questionnaire nine-fold, from 17 to 153 respondents (Figure A). The 153 suppliers that disclosed in 2015 reported \$4 billion invested in emissions reduction activities, reducing their collective footprint by 5.6 million metric tons of carbon dioxide equivalents (CO₂e) and saving them \$865 million.

Code of Conduct and ethics training

We provide supplier development and training resources including our Supplier Code of Conduct Training Program across our broad base of indirect suppliers. This online training is mandatory for external staff to ensure that they understand and follow ethical business practices in accordance with our Supplier Code of Conduct. In FY16, 49,997 employees at 10,817 suppliers completed this training.

Carbon emissions reporting



9x increase in indirect suppliers disclosing climate change impact

The carbon reduction made by our indirect suppliers is equivalent to the annual emissions of 750,670 American households.

[Household Emissions Calculator Assumptions and References >](#)

Sourcing of raw materials

Microsoft's [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.

Raw material supply chains are complex due to the multiple levels of processing and the diverse usages across different industries. Given this complexity, we are focusing our efforts to influence social and environmental improvements in the extractive industries through strategic collaborations that achieve our goal at scale. Microsoft actively works with other companies, global and local non-governmental organizations, and industrial associations to support standards-setting, align industry-wide and cross-industry efforts, and exchange best practices.

Examples of our collaboration and capability building efforts include Microsoft's support and participation in the work of several industry and NGO organizations directly related to our upstream supply chain, such as Pact and the Initiative for Responsible Mining and Alliance for Responsible Mining, which are listed among the groups we collaborated with in FY16 in our document listing partnerships with NGOs and industry groups.

Conflict minerals

We have collaborated with our suppliers and other hardware companies since 2007 to address conflict minerals.

As directed by the Dodd-Frank Act, the Securities and Exchange Commission (SEC) requires registrants whose products contain certain "conflict minerals" (tungsten, tin, tantalum, or gold, referred to as "3TG") to report annually whether those minerals originate from the Democratic Republic of the Congo (DRC) or an adjoining country. The act seeks to remove one of the main motives for armed conflict in this region—control of lucrative mines.

Microsoft has published a Conflict Minerals Report annually since 2014. Our latest Conflict Minerals Report, published in May 2016, demonstrates meaningful efforts and progress toward establishing a "conflict-free" supply chain. The number of certified conflict-free smelters in our supply chain increased from 148 to 213, due to enhanced supplier outreach and the maturation of the Conflict Free Smelter Program (CFSP), of which we were an original participant and remain a strong supporter.

Our conflict minerals tracking efforts are aligned to the Organization for Economic Cooperation and Development (OECD) [Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas](#). Microsoft's full material declarations database for our hardware products enables us to identify every component in our current device portfolio containing tin, gold, tantalum, or tungsten. We then identify the suppliers of these components with the assistance of Sourcing and Manufacturing and educate the suppliers regarding the conflict-minerals issue.

Find more detailed results of our conflict minerals due diligence process and findings.

[Download our latest Conflict Minerals Report](#)

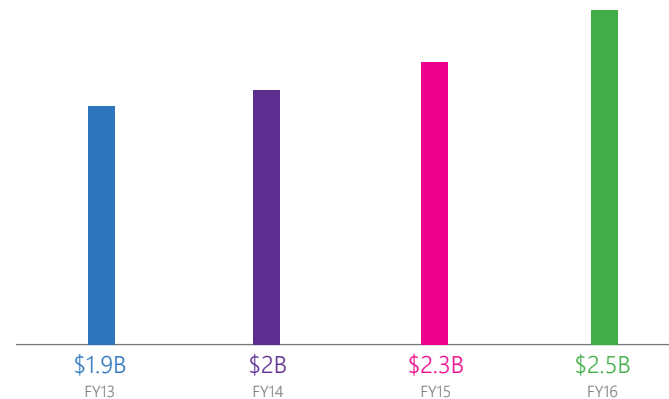
Creating shared value

We seek to collaborate with our supply chain on partnerships that benefit Microsoft, our suppliers, and those who work for them. We also actively seek ways to improve the lives of the people and communities who help to further our work.

Microsoft has a long-standing and strong commitment to source from historically disadvantaged groups.

Our Procurement team is committed to increasing our spending with diverse suppliers as part of our Supplier Diversity Program. We also have focused programs in place to encourage diversity among the law firms we do business with and to increase the diversity of banks and financial institutions we use.

Microsoft spending with businesses owned by minorities, veterans, and women



We invest in worker and community learning opportunities to improve the lives of people in our supply chain.

Among the ways we are helping to advance the UN Sustainable Development Goals is leveraging our supplier relationships to promote greater access to education and technology skills.

Through the Microsoft YouthSpark Supplier Community Technology Center (CTC) program, we collaborate with suppliers to further extend the reach of Microsoft's YouthSpark initiative. We provide curriculum and support to help our suppliers use their facilities to host technology skills trainings for their employees and to local community members. These trainings provide participants an opportunity to receive a no-cost Microsoft Digital Literacy certificate, a key qualification for many technology jobs. To date, 16 suppliers have launched centers at 26 locations in 14 countries and trained 60,000 participants to achieve a Microsoft Digital Literacy Certificate.

We have also worked closely with our Tier 1 hardware factories to ensure workers have access to a broad range of onsite and online career development and life skills classes. Over the past two years, 214,574 workers had participated in these training programs. These include the [HER Women Health](#) project, Migrant Parenting training, and YouthSpark computer training.

We are committed to helping suppliers hire and train disadvantaged workers.

This practice is called **impact sourcing**. In FY16 we continued our collaboration with the Rockefeller Foundation to research and promote best practices in impact sourcing" with suppliers who proactively seek to provide work and training opportunities to high-potential but disadvantaged individuals.

Here are some examples of how we're addressing this challenge:

- The corporate Customer Service and Support group is integrating impact sourcing with their strategic, multinational contact center suppliers, which is impacting thousands of disadvantaged workers.
- Our Real Estate and Facility organization works with neurologically and physically disadvantaged workers in their supported employability program.
- Some of our software groups are engaging neurologically and physically disadvantaged workers to perform application testing services.
- Finally, we continue to build more inclusive and productive supply chains beyond Microsoft by participating in over 20 Rockefeller sponsored business cases, publications, and conferences. This includes participating in the founding of the Global Impact Sourcing Coalition (GISC) to promote best practices in impact sourcing.

We encourage and recognize suppliers who have made exceptional impact in social and environmental areas.

One way we do this is through our supplier awards program for indirect suppliers. These are highlighted as examples to attendees of our annual supplier summit. In 2016, these included a Supplier Diversity Award, Impact Sourcing Leadership Award, and Climate Performance Leadership Award.

In FY16, Microsoft supported impact sourcing projects in 11 countries including the United States, Kenya, Uganda, and India for services such as back-office work and facilities management.

People

33 Empowering our employees

37 Accessibility

39 Empowering communities



Our leadership is focused on bringing out the best in people, so that everyone brings their “A” game and finds deep meaning in their work.

Our approach

Perhaps the most important driver of our success is culture. We fundamentally believe that we need a culture founded in a growth mindset. It starts with the beliefs that:

- Everyone can grow and develop.
- Potential is nurtured, not predetermined.
- Anyone can change their mindset.

We strive to exercise our growth mindset every day by being:

Customer-obsessed

We learn about our customers and their businesses with a beginner’s mind and then bring solutions that meet their needs. We look to learn from the outside and bring that knowledge into Microsoft, while still innovating to surprise and delight our customers.

Diverse and inclusive

The world is diverse. We serve everyone on the planet by representing everyone on the planet. We seek to be open to learning our own biases and changing our behaviors so we can tap into the collective power of everyone at Microsoft. We don’t just value differences, we seek them out and invite them in. And as a result, our ideas are better, our products are better and our customers are better served.

One Microsoft

We are a family of individuals united by a single, shared mission. We build on the ideas of others and collaborate across boundaries to bring the best of Microsoft to our customers.

We are committed to respecting the human rights of all

Through Microsoft’s Global Human Rights Statement and as a signatory to the UN Global Compact, we’re committed to respecting the following human rights covenants and declarations:

[Universal Declaration of Human Rights >](#)

[International Covenant on Civil and Political Rights >](#)

[International Covenant on Economic, Social, and Cultural Rights >](#)

[International Labor Organization \(ILO\) Declaration on Fundamental Principles and Rights at Work¹ >](#)

¹Those ILO principles are freedom of association and the effective recognition of the right to collective bargaining; elimination of all forms of forced or compulsory labor; effective abolition of child labor; and elimination of discrimination in respect of employment and occupation.

In addition, our Microsoft Standards of Business Conduct incorporates the following commitments to:

- Communicate respectfully with each other.
- Provide for diversity and equal employment opportunity at all levels of our organization.
- Protect the safety and health of our employees.

Microsoft’s global Human Resources (HR) team advances our policies and programs to recruit, retain, and develop exceptional people. This team includes groups focused on compensation and benefits, talent and organizational capability, and diversity and inclusion. In addition to a central team, HR professionals are embedded within each group in Microsoft to ensure that every employee has a clear point of contact and support on HR issues, from executive managers to individual contributors.

Employee feedback counts

We ask for—and act on—employee feedback in multiple ways and through multiple listening systems. This includes an annual poll of all our employees around the world by a third-party vendor to protect employee anonymity. In FY15, nearly 85 percent of our more than 117,000 employees responded.

The poll asks employees to share feedback about their experience working at Microsoft, Microsoft's Senior Leadership Team, and our culture. Individual managers use the poll results to further improve on areas of strength and address opportunities for improvement. We supplement the poll with additional quarterly "pulse" polls covering additional issues.

Our employees feel proud and respected

Indicator	FY14	FY15	FY16
Employee response rate	87%	84%	85%
Employee who feel proud to work at Microsoft	90%	90%	92%
Employees who feel they are treated with dignity and respect by their manager	93%	92%	93%
Employee who would recommend Microsoft as a great place to work	86%	84%	87%

Compensation and benefits

Our Performance and Development program applies to Microsoft employees globally at every level of the organization to the extent permitted by local law. Stock-based compensation is a key component of our rewards programs at Microsoft, as it provides an ownership stake in the company's success. Over 85 percent of Microsoft employees are eligible for an annual stock award. In addition, 90 percent of Microsoft's employees are eligible for a cash bonus. Bonuses focus on an individual's business impact over the past year.

Due to local law, local conditions, and employee preferences, some benefits vary by location, but [we offer a wide assortment of flexible benefits](#).

Workforce diversity and inclusion

For more than two decades, our Global Diversity and Inclusion Office has evolved and enhanced the company's diversity and inclusion initiatives so that we can continue to meet the changing needs of our workforce and business. We are deeply committed to creating an inclusive environment where all employees can do their best work.

Our commitment is based on:

Strengthening our diversity and inclusion acumen.

Deepening leader and manager understanding of our diversity strategy and its value proposition.

Increasing senior leader accountability for their diversity plans.

We know that Microsoft, like the rest of the tech industry, must do more to fully reflect the diversity of the global population. As a result, this past fiscal year, we've put renewed focus and thought into advancing the diversity and inclusion agenda within the company. We developed and rolled out key priorities, resulting in our FY16 Global Diversity and Inclusion Strategy, which was reviewed and approved by our Board of Directors.

Workforce diversity

Our emphasis on diversity is not purely a conversation about the numbers—it is as much a focus on our attitudes and behaviors as leaders that drive the numbers. That being said, it is important that we track and report on our diversity data. Through our [Global Diversity and Inclusion website](#), we provide detailed breakdowns of our workforce diversity in tech and non-tech positions and the EEO-1 data we report each year to the US government.

We realize there is still hard work ahead to make our commitment and focus on diversity and inclusion a truly integrated part of the company's standard business practices. We are inspired by the opportunities that lie before us and believe that the diversity of our workforce and inclusiveness of our culture will continue to play a critical role in helping us deliver innovations that will bring ultimate value to our customers.

For more on our strategy, visit our [Global Diversity and Inclusion website](#).

Employee wellness and occupational health and safety

Microsoft is committed to supporting our employees' well-being with comprehensive benefits to help employees maximize their physical, financial, and social wellness, including:

- The Microsoft Ergonomics Program, offering employees ergonomic assessment and training programs and special furniture, equipment, and software for medical needs.
- The Microsoft CARES employee assistance program, offering free access to services including personal and family counseling, stress management, and referrals for child/elder care.
- Fitness benefits that fund gym memberships or fitness-related equipment and activities and onsite recreational and fitness opportunities.
- Free onsite "Know Your Numbers" health screening events, providing employees and their adult dependents with screening for risks of heart disease, diabetes, high cholesterol, and high blood pressure as well as onsite mammography screenings.
- Healthy dining options, including a new Real Easy Wellness labeling system used in all Microsoft cafes with color coding to flag healthier and less healthy options.
- Access for Microsoft employees and their dependents to weight management, tobacco cessation, and chronic disease management programs.
- An onsite health clinic at our Redmond, Washington headquarters campus, offering comprehensive health and wellness services and clinics at some other locations.

In addition to our wellness programs, Microsoft's Health and Safety program integrates appropriate safety and health practices into our operations, and works for continual improvement in employee health and safety. As part of this commitment, health and safety professionals assess the safety risks of Microsoft work activities and engage with workers and management to implement safe work practices, hazard controls, and training to minimize safety risks. They also assess new workspaces as they are constructed and existing workspaces periodically to ensure sound design-for-safety principles are followed and needed controls are implemented effectively. As part of this approach, Microsoft involves employees and managers in Health and Safety Committees specific to our datacenters, retail operations, and our manufacturing facilities.

Over the past several years, we have worked to enhance our capacities to protect employee health and safety as the diversity of our operations has grown and exposed our employees to new types of workplaces. In FY16, our manufacturing facilities had an injury-incident rate of 0.14 and a lost-day rate of 0.11 (our 12-month rolling average for July 1, 2015—June 30, 2016 based on US OSHA rules for recordkeeping).

There are no limits to what people can achieve when technology reflects the diversity of everyone who uses it.

Our commitment

Microsoft is committed to ensuring that our products and services are designed for everyone.

In fact, we've found that many of our accessibility-focused innovations and features allow us to deliver richer and more flexible user experiences for a considerably wider range of people, not just those with disabilities.

We've established three guiding principles to lead the way on our accessibility journey:

- **Transparency:** We are open with our plans to ensure our products are accessible.
- **Accountability:** We will, going forward, prioritize inclusive design and accessibility in the development of all products and services upstream in the process.
- **Inclusivity:** We want everyone to be empowered—not only through our products, services, and technology, but within our culture at Microsoft.

Accessible products and inclusive design

The Microsoft Accessibility Standards are a company-wide policy that drives consideration for accessibility into every stage of production, including:

- Design
- Development
- Evaluation
- Release

Windows, Office, Microsoft Edge, Xbox, and our other products and services include accessibility features and controls such as the Ease of Access Center in Windows or the Accessibility Checker in Office.

Accessibility and inclusivity are part of our design process—from the very beginning. Our approach to inclusive Design enables our product managers, engineers, and designers to partner with individuals who have a range of abilities across visual, hearing, speech, mobility and cognitive spectrum, and we share our learnings broadly so that other companies can benefit from them as well.

Our [Inclusive Design](#) website offers resources, including a 20-minute documentary about Inclusive Design, as well as a few short videos. Select the Practices tab to access the toolkit, activities, and case studies.

[Explore our Inclusive Design website and resources >](#)

Providing resources

Beyond its own accessibility features, Microsoft Office also includes an Accessibility Checker that helps users author accessible documents and presentations. And Microsoft offers guidance on accessibility to our users with accessibility help content available in over 40 languages.

Microsoft Disability Answer Desk

This service offers free technical support for Windows and Office to persons with a disability or customers who have questions related to accessibility. The support team is trained in using many popular assistive technologies and can offer assistance in English, Spanish, and French through phone or online chat, and American Sign Language (ASL) via videophone in the U.S.

We also work to raise the awareness of accessibility issues in the technology industry. The Microsoft Accessibility Developer Center provides guidance, tools, and technologies for developing accessible applications and web content.

We also seek to provide tools and guides that help governments, schools, and businesses to integrate technology for individuals with disabilities. For instance, Microsoft is a signatory to the [Global Initiative for Inclusive Information and Communications Technology \(G3ict\) Charter](#), which encourages governments to increase digital inclusion for citizens by incorporating accessibility criteria into their procurement policies.

To encourage governments to consider accessibility in their purchasing, we provide self-declarations of conformance to external purchasing standards, including:

[Declarations for accessibility requirements suitable for public procurement of ICT products and services in Europe \(EN 301 549\) >](#)

[Web Content Accessibility Guidelines \(WCAG 2.0\) >](#)

[US Section 508 of the Rehabilitation Act >](#)

Inclusive hiring

Inclusive hiring isn't optional or a "nice to do"—it's vital to deliver on our strategy of having a diverse workforce and inclusive culture, which in turn will help us to ensure that our products and services empower all of our customers.

To facilitate this, we recently created a Microsoft Inclusive Hiring site to provide potential candidates with one place to find information on job opportunities. We also promote this practice to other organizations and were proud to host 25 companies at our Ability Career Fair this year.

[Find out more about our inclusive hiring for people with disabilities >](#)

[Read about Microsoft's unique hiring program, which opens more doors for people with autism >](#)

[Learn how you can be who you are, every day, at Microsoft >](#)

Empowering others

Microsoft Research and product teams also collaborate with disability experts to create new uses for technologies that can dramatically benefit people with a range of abilities. This includes working to improve the experience of people who use eye tracking technology to communicate more easily, as well as utilizing machine learning to show how computer vision can empower a person to experience their physical surroundings in new ways.

Specific examples include:

- The introduction of [Learning Tools for OneNote](#), a toolbar add-in that improves the reading and writing experience, especially for those with dyslexia.
- The [Cities Unlocked](#) research project, which uses Microsoft 3D soundscape technology to help people with vision loss navigate around town more easily.

[See how former NFL player Steve Gleason worked with Microsoft to use technology to empower him and others with ALS >](#)

Through community and philanthropy programs and our products, we seek to empower everyone in the world.

Products and services

Microsoft works to drive greater inclusion and empowerment of people around the globe with all the assets at our disposal.

These assets include:

- Access to technology through the products and services we provide.
- Strategic programs to reach specific communities.
- Philanthropic contributions.

Here are just a few examples of how nonprofit groups, innovative companies, governments, and individuals are using Microsoft technology to improve lives in their communities.

Lagos Solar Project

The [Lagos Solar project](#) in Nigeria uses batteries that are charged by solar panels, along with intelligent inverters connected to [Microsoft Azure Internet of Things](#) technology. This technology converts the battery power into usable electricity and allows for remote monitoring and maintenance, ensuring that clinics and schools across the state of Lagos have access to electricity when they need it.

Partners in Health

[Partners in Health](#) is using Microsoft Azure and Office 365 to communicate and share information with specialists as they provide life-saving healthcare for marginalized populations in remote parts of the world.

Financial access through the cloud

International software provider Temenos relies on Microsoft Cloud services to reach people across Myanmar who lack access to banking, giving them opportunities for more [financial stability and access to microcredit](#) and other financial services.

Communicating across languages

Microsoft localizes product user interfaces, documentation, proofing tools, and market-specific keyboards, fonts, and content for Windows in 111 languages, Office in 91 languages, and across many languages and markets for Azure, Bing, and MSN services.

Microsoft also offers a wide range of translation products and features. These include Skype Translator and Microsoft Translator, a cloud-based automatic translator that supports over 50 languages for text translation. The Translator system provides text-to-text translation; speech interpretation (audio-to-audio or audio-to-text) using Microsoft's speech service tuned for conversational content; and speech synthesis for a variety of voices and genders. Translator is used by many Microsoft products including Bing, Skype, Cortana, and Office. Apps for iOS, Android, and Windows are also available.

The video series [Thinking beyond the limitations](#) profiles how Skype Translator is being used to empower people across the planet to achieve their dreams.

Programs

[Microsoft's 4Afrika Initiative](#) provides a set of programs to empower African youth, entrepreneurs, developers and business and civic leaders by:

- Helping people of this continent develop world-class skills
- Providing access to technology
- Supporting innovation

The [MySkills4Afrika program](#) invites Microsoft employees from all over the world to contribute their time, talent, and deep expertise to help build a promising future for Africa by working with new businesses, students, non-governmental organizations (NGOs), Microsoft partners, and governments across the continent.

The [Microsoft Affordable Access Initiative](#) seeks to empower the billions of people worldwide who do not have affordable access to the Internet. We believe we can spark global change by fueling innovation at the local level. Through partnerships, grants, investments, education, and advocacy, this project helps to create technology solutions, business models, and policies that help close the digital divide.

[Learn about our grant recipients >](#)

[Watch these videos about our affordable access programs and partnerships >](#)

Through [CityNext](#), Microsoft and its partners empower cities and citizens to unlock their potential by delivering innovative digital services that can help them lead safer and healthier lives, enriched by high-quality education. CityNext helps cities engage their citizens, empower city employees, optimize city operations and infrastructure, and transform and accelerate innovation and opportunity.

Philanthropy

[Microsoft Philanthropies](#) is investing our greatest assets—our technology, people, grants, and voice—to advance a more equitable world where the benefits of technology are accessible to everyone. Through Microsoft Philanthropies, we seek to ensure that no one is excluded from the empowerment and opportunity that the technology revolution brings.

We've been hard at work at this mission for the past 30 years, and recently made a one billion dollar (U.S.) pledge to donate our cloud services to serve the public good. Through our programs and partnerships, we invest in, convene, and empower people and organizations to advance a future that is for everyone. For more information, see [Microsoft Philanthropies](#).

Data factsheet

Microsoft is committed to publish information on our investments in initiatives to advance a more inclusive and equitable world. Our 2016 factsheet includes data covering the past three fiscal years.

[Download the Microsoft 2016 Data Factsheet: Donations and Volunteerism](#)

Planet

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Our environmental commitment

We believe that technology can empower all of us to achieve a more sustainable future for our planet.

Our approach

Principles

People

Planet

Resources

Guiding principles and policies

Microsoft envisions a world in which technology can help enable people and organizations to accelerate innovation in and deployment of clean energy technologies, achieve more sustainable economic growth, and drive a transformation toward smarter use of resources. Microsoft is committed to taking responsibility for and mitigating our impact on the environment.

Microsoft has made important progress on sustainability as a company since the start of this decade. We have operated carbon neutral across the company, including our datacenters, since 2012. We are committed to accelerating the transition to a clean energy infrastructure. To that end, last year we purchased more than 3.2 billion kilowatt hours of zero-carbon power and worked with our utilities and suppliers to improve the access and affordability of renewable energy. We also look for ways to increase energy efficiency across our facilities and our supply chain.

But we know that there's much more work to do to address climate change and advance sustainability, as the datacenter industry is an increasingly large consumer of natural resources.

[Learn more about our datacenter energy usage](#)

Today, large operators like Microsoft consume as much energy as small states, and by the middle of the next decade, they will rank among the largest users of electrical power on the planet. From FY15 to FY16, in North and South America combined, our datacenter energy consumption grew from 1,900,000 MWh to 2,400,000 MWh; in Europe, Middle East, and Africa, our datacenter consumption grew from 450,000 MWh to 600,000 MWh; and in Asia Pacific, our datacenter consumption grew from 200,000 MWh to 300,000 MWh. To minimize the impact of our growth on the climate, we have therefore increased our commitment to make our energy mix less carbon-intensive.

We believe in building a responsible cloud. For Microsoft, this means moving beyond datacenters that are already 100 percent carbon neutral to also having those data centers rely on a larger percentage of wind, solar, and hydro power electricity over time. Today, roughly 44 percent of the electricity used by our datacenters comes from these sources. Our goal is to pass the 50 percent milestone by the end of 2018, to top 60 percent early in the next decade, and then to keep improving even further from there. We're committed to continuous improvement on an ongoing basis.

Environmental management

Our commitment to environmental sustainability touches every aspect of our company.

We seek to advance sustainability through our own business practices, the products and platform capabilities we offer our customers and partners, and our global partnerships with governments, academics, and nonprofits.

Microsoft's commitments to environmental sustainability are articulated in our environmental principles and embedded in other corporate policies:

[Climate Change Policy Statement >](#)

[Environmental Compliance Specifications for hardware >](#)

[Responsible Sourcing of Raw Materials >](#)

See how we have infused a focus on environmental sustainability across our business:

Our organization

Today, large operators like Microsoft consume as much energy as small states, and by the middle of the next decade, they will rank among the largest users of electrical power on the planet. From FY15 to FY16, in North and South America combined, our datacenter energy consumption grew from 1,900,000 MWh to 2,400,000 MWh; in Europe, Middle East, and Africa, our datacenter consumption grew from 450,000 MWh to 600,000 MWh; and in Asia Pacific, our datacenter consumption grew from 200,000 MWh to 300,000 MWh. To minimize the impact of our growth on the climate, we have therefore increased our commitment to make our energy mix less carbon-intensive.

Our goals

We meet our goal for corporate carbon neutrality, and we have made a commitment to powering our datacenters with at least 50 percent wind, solar and hydropower by the end of 2018, exceed 60 percent early in the next decade, and keep improving further on an ongoing basis from there.

Our operations

Microsoft has been carbon neutral since June of 2012, and we're committed to lean, green, and accountable business practices. We have implemented an internal carbon fee, which puts a price on carbon. The fees we collect are used to improve energy efficiency, increase our purchase of renewable energy, and fund community projects that offset carbon and advance sustainable development around the world. Microsoft has also invested in programs that reduce environmental impact across its worldwide business operations, from facilities to commuting to recycling our food waste.

Microsoft's manufacturing is certified to the International Organization for Standardization (ISO) 14001 Environmental Management System. This includes our European Operations Center, all Microsoft-owned manufacturing sites, and all the contract manufacturing facilities of our Tier 1 hardware suppliers. Microsoft also earned a cross-company, corporate-level ISO 14001 certification for hardware and packaging manufacturing supply chain management and operations.

Data factsheet

Microsoft is committed to publish information on our greenhouse gas emissions, energy consumption, and carbon offset purchases.

[Download the Microsoft 2016 Environmental Data Factsheet](#)

Microsoft is committed to remaining carbon neutral and to increasing our energy efficiency and use of renewable energy.

Carbon neutrality

Since July 1, 2012, Microsoft's global operations have been carbon neutral. Our commitment to carbon neutrality spans operations in more than 100 countries. To deliver on our commitment, we created a program to ensure company-wide accountability for carbon, charging an internal carbon fee to our business groups for the cost of reducing the carbon emissions associated with their energy use and air travel. Funds collected from the business groups help support:

- Internal energy efficiency investments.
- Purchases of renewable energy equal to 100 percent of our consumption.
- Externally certified carbon offset projects.
- Support for e-waste recycling and renewable energy innovation.

Since the inception of the carbon fee, Microsoft has:

- Purchased more than 14 million megawatt-hours (MWh) of green power.
- Reduced company-wide emissions by more than 9 million metric tons of carbon-dioxide equivalent (mtCO₂e).
- Supported the lives of more than 7 million people in emerging nations through carbon offset community projects.

Our purchase of green energy through this program has earned us recognition from the U.S. Environmental Protection Agency (EPA) as a 2016 Climate Leadership award winner, and our work has been recognized by the United Nations Framework Convention on Climate Change (UNFCCC) as a 2015 Lighthouse Activity winner in the Momentum for Change initiative.

For the past several years, Microsoft has published white papers that provide an update on our progress and impact to date. This year, we are evolving our program to go "beyond carbon neutral" and promote local and global good. We are focusing on developing new renewable energy projects, supporting sustainable development through community projects, advancing energy and efficiency innovation through Climate Grants, and expanding our reporting to better measure our impact.

Learn more about our plans to go beyond carbon neutral.

[Download our whitepaper: Expanding beyond our carbon neutral operations to accelerate global and local good \(PDF\)](#)

Carbon footprint

Transparency is important to our customers, investors, and partners. Microsoft has a longstanding history of disclosing our carbon footprint, and we have reported voluntarily on our carbon emissions through CDP (formerly the Carbon Disclosure Project) since 2005. Data on our carbon emissions are available on the [CDP website](#).

Microsoft can have even more impact by influencing the sustainability of our supply chain. Toward that end, we encourage our contracted hardware suppliers to report their emissions to CDP and encourage all of our indirect suppliers to report as well. In recognition of our climate efforts, CDP has included Microsoft on its Climate A List for climate performance leadership for 2013 – 2016.

Renewable energy

We have more than 100 datacenters around the world that are delivering a secure, trusted, and responsible cloud. In May 2016, we announced a commitment to increase the percentage of wind, solar, and hydro energy we use to power these datacenters.

As of 2016, roughly 44 percent of the electricity used by our datacenters comes from wind, solar, and hydropower energy sources. Our goal is to pass the 50 percent milestone by the end of 2018, and to top 60 percent early in the next decade.

In addition to purchasing more clean energy, we are also committed to:

- **Maintain carbon neutrality.** Through investments in energy efficiency and procurement of renewable energy and carbon offsets, we will continue to be 100 percent carbon neutral in our operations and business air travel.
- **Invest in new energy technologies.** We will continue to invest in new energy technology, such as our biogas and fuel cell work, that has the potential to accelerate the availability of different types of energy and drive efficiency.
- **Support public policies that help enable new renewable energy sources.** We will continue to support public policies that accelerate the availability of renewable and clean energy in markets where we operate.
- **Site our facilities with access to renewable energy.** Availability of renewable energy is among the criteria that we consider in where to locate our datacenters.

- **Retire all green attributes from projects generated from our contracted assets:** Any time we purchase green energy, we will not sell the renewable energy certificates (RECs, or international equivalents) or any other green “attributes” for others to claim.

These commitments build on our work to advance renewable energy in our own operations and beyond:

- In November 2015, we reaffirmed our commitment to renewable energy by joining RE100, a collaborative initiative of influential businesses committed to purchasing 100 percent renewable electricity.
- In FY15 we purchased more than 3.2 million megawatt-hours (MWh) of renewable energy, and in January 2015 the U.S. Environmental Protection Agency ranked us as the second-largest user of green power in the United States.
- In December 2015, we supported the global negotiations which led to the Paris climate agreement, through our participation in the American Business Act on Climate initiative and our long-term climate pledge.
- We have purchased electricity from projects that reduce our datacenters’ reliance on fossil fuels, including the 175-MW Pilot Hill Wind Project in Illinois, which came online in FY16, and the 110-MW Keechi Wind Farm project in Texas, which has operated since FY15.
- In March 2016, we announced a unique public-private partnership between Microsoft, the Commonwealth of Virginia, and Dominion Virginia Power to bring 20 MW of new solar energy onto the grid in Virginia.
- In April 2016, we joined Amazon, Apple, and Google in filing an amicus brief that supports the implementation of the Clean Power Plan (CPP) and its goal of expanding clean energy in the U.S. electricity sector.

Microsoft’s latest wind deal marks progress towards our goal and unlocks new innovations.

[As datacenters grow, Microsoft invests in more clean energy to power them >](#)

Energy efficiency

Our investment in new energy technologies drives new efficiencies in datacenters.

Compared to conventional chiller solutions, the air cooling techniques we employ at our datacenters result in 20-30 percent lower energy consumption and 90 percent lower water consumption. Our broader energy efficiency strategy is focused on changes that we can make in the future that will have even greater gains:

- We are experimenting with ways to integrate fuel cells into our datacenters to improve efficiencies and reduce transmission losses.
- We are working with industry partners and the U.S. Department of Energy to pilot and commercialize new energy technologies that we hope will be foundational to the next generation of efficient datacenter designs. This includes our multi-year partnership with the University of Texas at San Antonio and the school's Texas Sustainable Energy Research Institute to identify economically viable technologies that reduce the environmental footprint of datacenters.
- We contributed new, innovative hardware specifications to the Open Compute Project, which is focused on engineering the most efficient hardware for cloud and high-scale computing via open collaboration.

Energy efficiency in buildings: We invest to reduce carbon and save energy.

Through our carbon program, we have invested over \$3.1 million in our real estate facility projects that reduced our associated carbon emissions by over 18,000 metric tons and saved over \$3.6 million in annual energy costs – paying for themselves in under a year.

With one of our partners, Iconics, Microsoft leveraged our corporate campus to help create an analytical software solution that prioritizes maintenance and repairs our 125 Puget Sound buildings based on energy and cost savings potential. Generating energy savings of 10–11 percent, the Puget Sound system paid for itself in less than two years, and we've now also implemented the solution on our Silicon Valley and Las Colinas campuses, with additional deployments on other campuses underway.

We are sharing our results with government and industry leaders from around the globe and making similar solutions available through partners to our customers (such as through [Microsoft CityNext](#) offerings).

Learn more about our plans to design the datacenters of the future.

[Microsoft Green Blog: Energy Efficiency and Designing the Datacenters of the Future >](#)

Data factsheet

Microsoft is committed to publish information on our greenhouse gas emissions, energy consumption, and carbon offset purchases.

[Download the Microsoft 2016 Environmental Data Factsheet](#)

We seek to be responsible stewards of water resources, and to minimize the impact of our waste.

Water use

Microsoft is focused on responsible water stewardship in our office buildings, datacenters and manufacturing sites. We report on our water use, risk, and governance annually through CDP.

Microsoft uses outside ambient air to cool most of its datacenters for the majority of the year, and during hot summer months we inject water into the airstream as supplemental cooling to take advantage of evaporation. Compared to conventional chiller solutions, the air cooling techniques we employ at our datacenters result in 20-30 percent lower energy consumption and 90 percent lower water consumption. We also recently completed a [research project](#) to determine the feasibility of a subsea datacenter, which uses ocean water to cool the facility.

Beyond datacenters, Microsoft continues to invest in water-saving fixtures in our office buildings and smart landscape irrigation practices that conserve water. In India, we capture rainwater for irrigation, and on our Hyderabad campus, we treat sewage for use in landscaping, resulting in zero sewer discharge. Our Paris office also uses captured rainwater for irrigation and flush fixtures.

Learn more about Microsoft's environmental efforts beyond what this report provides.

[Explore our Environmental Sustainability site >](#)

Waste management

Microsoft Real Estate and Facilities teams around the world implement waste minimization programs, including office supply reuse, recycling, and in many cases, composting. Our Redmond, Washington dining facilities divert 99 percent of the waste from the landfill by recycling, using compostable tableware, and adapting our menu to minimize food waste.

We've also achieved a goal of zero waste from our global headquarters facilities in Puget Sound, Washington, which currently represents approximately 45 percent of our total real estate portfolio. Consistent with zero waste certification, we divert 90 percent of our Puget Sound campus waste from landfills, and we are working to increase that number and extend that goal to additional campuses in the U.S. and around the globe. We also continue to work on reducing the amount of waste that we generate in the first place.

In addition to promoting [recycling](#) of our products worldwide, we have a zero landfill policy for the electronic waste (e-waste) that our internal operations generate. The Microsoft IT Asset Disposition Program (ITAD) supports the recycling and reuse of e-waste, helping reduce life-cycle energy consumption and greenhouse gas emissions, and minimizing hazardous waste. In FY15, this program avoided over 4,000 metric tons of carbon dioxide equivalent (mtCO₂e); in FY16, the program expanded to cover 70 countries.

When we do generate waste, we recycle whenever possible, and dispose of any remainder as required by local regulations. We have also developed an auditing program to verify that any facility that handles our waste for recycling or disposal does so responsibly, in compliance with environmental regulations.

Data factsheet

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[↓ Download the Microsoft 2016 Environmental Data Factsheet](#)

Through our products and our collaboration with others, we seek to help the world tackle pressing environmental challenges.

Sustainable devices

At Microsoft, we think every product should be made with the environment in mind, from initial design to use to end of life.

See how we:

- Incorporate sustainability into product [design](#).
- Incorporate sustainability into [materials selection](#).
- Promote energy efficiency in our [products](#).
- Reduce impacts from [packaging](#).
- Seek to keep products and their components out of landfills at the end of their life cycle by [recycling them](#).

Learn more about Microsoft's environmental efforts beyond what this report provides.

[Explore our Environmental Sustainability site >](#)

Enabling digital transformation through our products and services

We seek to provide products and services that create solutions for environmental challenges.

Cloud services

Microsoft Cloud and Azure offer organizations energy-efficient alternatives to running their own private datacenters. One study found that moving to Microsoft [cloud services](#) for Microsoft Exchange, SharePoint, and Dynamics CRM capabilities can help businesses reduce energy use by 30 to 90 percent per user compared to running on-premises. With [Microsoft Azure](#), businesses can use Microsoft's carbon-neutral datacenters for on-demand computing and storage, helping save energy costs and reduce carbon emissions while also reducing capital costs associated with purchasing hardware and infrastructure.

Devices ranging from appliances and fixtures to equipment, vehicles, and charging stations generate massive amounts of information on resource use, dramatically expanding opportunities for data-driven sustainability. This data represents a significant opportunity to make more accurate decisions, achieve greater efficiencies, and become more sustainable in areas like energy, water, buildings, and transportation. Microsoft is investing to help customers manage resources more effectively using big data through tools for [Windows Server and Windows Azure](#).

For example, to increase the use of renewable energy, data can help grid operators understand and anticipate energy demand, production capabilities of renewable and non-renewable energy sources, and consumption in almost real time. By better balancing these resources, utilities can enable more responsive energy generation. Microsoft recently partnered with [Agder Energi](#) on a pilot project using technology to make energy distribution more responsive, and manage both end uses and renewable sources more effectively.

Microsoft CityNext

Microsoft CityNext partners provide solutions spanning buildings, energy, and transportation to help make cities more sustainable by minimizing their resource use and environmental impact.

Microsoft and its partners deliver these solutions for urban sustainability through:

Buildings, infrastructure, and planning: Microsoft partners are delivering cloud-based solutions that lower building energy consumption and improve the performance of buildings. By using cloud-based analytics and business intelligence capabilities, buildings can be smarter and more efficient and save 10-20 percent of energy costs per year.

Energy: Microsoft partners use digital technology to integrate and manage distributed energy supply and demand data, improving the reliability, security, and efficiency of the electric system.

Transportation: Microsoft partners are helping to improve the design and operation of transport networks and run real-time data systems that can facilitate cleaner and more efficient transport choices.

Over 150 CityNext [partners](#) are delivering more than 360 sustainability solutions in countries around the world.

Partnerships

Microsoft partners with governments, policymakers, and NGOs around the world to address key environmental issues that affect our business, employees, and the communities we serve.

Microsoft's [Climate Change Policy Statement](#) recognizes that climate change is "a serious challenge that requires a comprehensive and global response from all sectors of society." Microsoft is working to [advance public policies](#) that promote the use of information and communication technology (ICT) to advance energy efficiency, spur innovation and economic opportunity, and contribute to practical strategies for mitigating climate change.

For the past six years, our annual Global Public Policy Agenda has included a section with supporting government policies that promote technological advances and innovation to reduce energy use and limit the effects of climate change. In October 2016, we reaffirmed this commitment with the launch of a [cloud policy roadmap](#) that seeks to maximize the opportunities and minimize the challenges that cloud computing brings. This roadmap covers fifteen policy areas to harness the social and economic benefits of cloud computing to benefit everyone. It also identifies how a global cloud infrastructure provides an important opportunity to accelerate the development of renewable energy, to develop and deploy new clean energy technologies, and to drive further improvements in energy efficiency.

We have also supported industry and multi-stakeholder initiatives to address climate policy. Among these:

- Microsoft sits on the board of [Advanced Energy Economy](#) and organizations focused on making energy secure, clean, and affordable.
- We are a signatory to the [Climate Declaration](#), a nonpartisan statement from the business community developed by Ceres and its Business for Innovative Climate & Energy Policy (BICEP) coalition, which has declared that "tackling climate change is one of America's greatest economic opportunities of the 21st century."
- We are a founding member of the [Digital Energy & Sustainability Solutions Campaign \(DESSC\)](#), a coalition of leading ICT companies and environmental NGOs. DESSC is committed to advancing public policies that help drive sustainable economic growth through ICT-enabled energy efficiency and clean energy innovation.
- We serve on the board of the Global e-Sustainability Initiative (GeSI), a collaborative effort between leading IT companies and the United Nations Environment Programme and International Telecommunication Union.

- We participate in the [RE100](#), a collaborative, global initiative of influential organizations committed to 100% renewable electricity, and we have been 100% powered by renewable energy since 2014. In 2016, we signed an [amicus brief](#) with other technology companies in support of the Clean Power Plan and its goal of expanding clean energy in the U.S. electricity sector.

- We work with Rockefeller's [100 Resilient Cities](#), which helps cities around the world address 21st-century physical, social, and economic challenges.

- In September 2016, we became a founding member of the [White House Partnership for Resilience and Preparedness](#), a public-private group focused on using data to build climate resiliency.

- In September 2016, we joined over 500 countries, cities, and companies to call for an amendment to the [Montreal Protocol](#) to phase out hydrofluorocarbons (HFCs), a powerful pollutant.

Through Microsoft Research and groups that we sponsor, we are also working to apply information technology to address large-scale environmental challenges. Microsoft Research's Earth, Energy, and Environment collaboration focuses on the development and adoption of technologies for scientific visualization and data management—especially technologies that accelerate insight into environmental and earth sciences.

Data factsheet

Microsoft is committed to publish information on our greenhouse gas emissions, energy consumption, and carbon offset purchases.

[↓ Download the Microsoft 2016 Environmental Data Factsheet](#)

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Our commitment to transparency

Microsoft provides a number of disclosures to help stakeholders evaluate how we are meeting our commitments to corporate social responsibility.

Download complete reports

Microsoft provides a number of disclosures to help stakeholders evaluate how we are meeting our commitments to corporate social responsibility. Download any of our full reports.

Digital trust reports

[Law Enforcement Requests for User Data](#)

[U.S. National Security Orders for User Data](#)

[Content Removal Requests](#)

Environmental sustainability

[2017 CDP Climate Change Response](#)

[2017 CDP Water Response](#)

[CDP Climate Reports – CDP.net](#)

[CDP Water Reports – CDP.net](#)

[2016 Data Factsheet: Environmental Indicators](#)

[Microsoft 2015 Citizenship Report Environmental Data Addendum](#)

Responsible sourcing

[Conflict Minerals Report](#)

[Microsoft top 100 production suppliers for hardware products](#)

[Microsoft Slavery and Human Trafficking Statement FY16](#)

Human rights

[Salient Human Rights Issues Report](#)

[Microsoft Report on the GNI Independent Assessment in 2015-2016](#)

[GNI Annual Report](#)

[Microsoft responses: Business & Human Rights Resource Center](#)

Workforce diversity and inclusion

[EEO-1 Report](#)

[Workforce demographic data](#)

United Nations Global Compact

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Microsoft CSR archived reports

2015	2011	2006
2014	2010	2005
2013	2009	2004
2012	2007-2008	2003

Corporate contributions

H2-2016	H1-2014	2011
H1-2016	H2-2013	2010
H2-2015	H1-2013	2009
H1-2015	H2-2012	
H2-2014	H1-2012	

Advocacy and Trade Memberships

2016	2013	2010
2015	2012	2009
2014	2011	

Microsoft State Candidate Contributions

H2-2016	H1-2014	2011
H1-2016	H2-2013	2010
H2-2015	H1-2013	2009
H1-2015	H2-2012	
H2-2014	H1-2012	

MSPAC Federal Candidate Contributions

H2-2016	H1-2014	2011
H1-2016	H2-2013	2010
H2-2015	H1-2013	2009
H1-2015	H2-2012	
H2-2014	H1-2012	

MSPAC Non-Candidate Committee Contributions

H2-2016	H1-2014	2011
H1-2016	H2-2013	2010
H2-2015	H1-2013	2009
H1-2015	H2-2012	
H2-2014	H1-2012	

Global Reporting Initiative Index

The Global Reporting Initiative (GRI) provides the leading framework that corporations use to guide their reporting on Corporate Social Responsibility efforts. It is based on input from a wide range of civil society organizations, labor groups, businesses, academics, and other experts.

As of October 2016, the content throughout our Microsoft Corporate Social Responsibility web site contains Standard Disclosures from the GRI's G4 Sustainability Reporting Guidelines for FY16. We provide the GRI Content Index below to allow our stakeholders to readily find the disclosures throughout our reporting site content.

[↓ Download Microsoft 2016 GRI G4 Content Index](#)

Microsoft and the UN Sustainable Development Goals

In September 2015, the UN General Assembly agreed to [17 global Sustainable Development Goals](#) (SDGs) to reach by 2030. The goals and specific targets under the goals seek to end poverty, protect the planet, and ensure prosperity for all.

Microsoft’s mission to empower every person and every organization on the planet to achieve more aligns strongly to the UN SDGs. To better understand how we and other information technology companies can advance the goals, Microsoft was a lead sponsor of a report by the Global E-Sustainability Initiative (GeSI) and Accenture called “[#SystemTransformation](#).” The report found that digital technology can help put all the SDGs within reach by enabling a broad range of economic and social opportunities worldwide.

In September 2016 we produced a white paper to identify ways in which Microsoft contributes to the global effort to achieve the SDGs. (Read the report [here](#).)



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