



UK Gender Pay Gap Report

April 2022

Introduction

Microsoft published its first gender pay gap report in 2018, in line with the UK government's reporting legislation. The report set out our commitment to Diversity & Inclusion (D&I) and to addressing our gender pay gap. We are now publishing our 2022 update on progress, and as the journey continues, we maintain our approach and strategy. Microsoft fully supports the UK government's focus on the gender pay gap and its effort to shine a spotlight on this critical issue.

Our focused D&I strategy, along with both organic and acquisitional growth in our UK population, has enabled us to reduce both our gender pay and bonus gaps this year. The representation of female employees in the UK year on year has slightly reduced, but that is entirely due to the impact of our acquisition activity. Excluding this activity, our female representation numbers would have continued the long-term trend and improved. Market forces and organisational changes will continue to evolve the shape of our business, yet by maintaining our focus on retaining and developing our female talent, we believe we can continue to grow our female representation. By ensuring we work towards balance at every level in the organisation we will make meaningful progress to close the gender pay gap.

The impact of growth

Microsoft continues to expand its UK employee population. This growth is due to both acquisition activity and the continued natural growth of the business.

- Microsoft continues to invest in improving our internal guidelines and processes, with a particular focus on driving more inclusive and consistent hiring practices. This investment, combined with organic growth, has helped decrease the gender pay gap.
- In addition to organic employee growth, acquisitions continue to affect the make-up of our employee base. The size of our acquisitions over the year reflected in our report has had a greater effect on our data than in prior years. As companies across the technology and engineering industries continue to focus on increasing female representation throughout their organizations, we have found that companies we have acquired have varying representation figures.

Excluding the impact of acquisitions, our data showed a continued increase in female representation and a reduction in the gender pay and bonus pay gaps. When considering the overall picture, including our various acquisitions, our reported figures show a slight decrease in overall female representation, and specifically a decrease in female representation in our lowest two pay quartiles.

The legal and other requirements of our integration approach can also create fluctuations within our data which can take time to address. The data on the proportion of male and female employees receiving a bonus, for example, can be affected by an acquisition depending on the timing of when the company previously paid bonuses relative to Microsoft.

Our gender pay gap results

Our results this year show the gender pay gap and the bonus gap reducing year on year. Two key factors have led to this:

1. The recent organic employee growth has accelerated the effects of the investments we have made in our hiring processes for both external hiring and internal transfers.
2. The demographic make-up of our employee population has changed due to the recent acquisitions.

While we are pleased with the progress we are making, we continue to focus on pay equality alongside our global commitment to increasing female representation across all levels of the organisation. Our efforts remain concentrated on those key factors that will have a long-term influence on our figures, expanding our pipeline of talent, empowering, and retaining our people through an inclusive culture, and supporting our customers and partners.

The analysis below for Microsoft UK Ltd is based on the government's methodology, using hourly rates of pay as of the snapshot date of 5th April 2021, bonuses paid in the 12 months up to 5th April 2021 and organisation demographics for 5th April 2021.

Hourly pay

7.00%
-3.38%*

The **mean pay variance** shown is the difference between the average hourly pay of men and women

6.90%
-3.40%*

The **median pay variance** shown is the difference between the midpoint in the ranges of hourly pay of men and women

Bonus pay

9.41%
-7.13%*

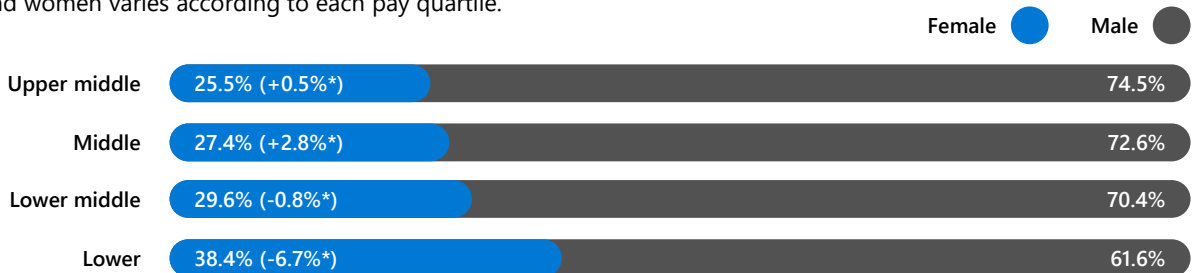
The **mean bonus pay variance** shown is the difference between the average bonus pay of men and women

20.09%
-17.45%*

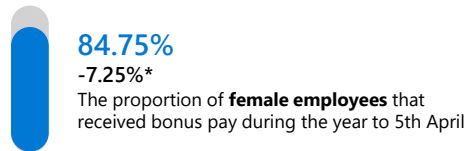
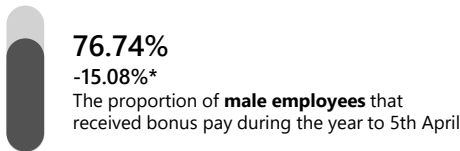
The **median bonus pay variance** shown is the difference between the midpoint in the ranges of bonus pay of men and women

The proportion of employees in each pay quartile according to gender

Consistent with the legislation, we have reported our employee population in order of ordinary base pay from the lowest to the highest, and then divided this into four equal population sizes, to show how the distribution of men and women varies according to each pay quartile.



The percentage of employees receiving a bonus



The government's gender pay gap analysis measures the difference between the average male pay and the average female pay as a proportion of the average male pay within an organisation. This therefore reflects the distribution and relative proportion of men and women across all roles within an organisation. It is unable to take into consideration factors including job level and title.

Workforce representation

Microsoft is committed to increasing the representation of female employees across all professions and levels. Like many companies, we know from our analysis that a key contributing factor to closing the gender pay gap is increasing the number of women being appointed into senior levels in our organisation. We need to acknowledge the industry-wide challenge we face for available skills and maintain our focus on developing and retaining our female talent from early in career through to senior leadership.

Year on year we have seen a slight decrease in female representation of 0.9%, and this is broken down as below. Our female representation in the workforce (as per April 2021):



Equal pay

To provide a more complete picture of our results, we are also sharing Microsoft UK's equal pay figure and gender workforce demographic data.

At Microsoft we are committed to the principle of equal pay for equal work for our employees. The determination for equal pay compares male and female employees carrying out the same or similar work, including factors such as job level and title.

While the numbers will always fluctuate slightly year to year, for Microsoft in the UK we are at parity. For every £1 earned by male employees, our female employees in the UK also earned £1 at the same job title and level.

This equal pay data reflects Microsoft's focus to ensure that all employees, no matter their gender, are compensated equally. We will continue to monitor this data and it will remain a key value and priority for us.

£1
+0.4p*

Earned by women for every £1 earned by men with the same job level and title in the UK

Looking ahead

At Microsoft, we are committed to improving and learning how to increase our representation of all dimensions of diversity, including female representation. We know that it will take us, and others in our industry, many years to achieve equal female representation and therefore close the gender pay gap. That does not diminish our determination to achieve it.

For the next reporting period, we can already see that our efforts to improve compensation practices will continue to deliver improvements to our data. Excluding acquisitions, our underlying data showed progress in increasing our female representation, and we aim to continue our work here. However, with further planned merger and acquisition activity we can expect more fluctuations in our gender pay gap numbers. We know there are challenges with female representation in the technology and engineering sector and the size and shape of our population in the UK will be determined in part by the organisations we acquire. We cannot change the impact this will have on our short-term data; however, we will remain focused on our long-term diversity and inclusion strategy. We are confident that the actions we drive now will achieve the balanced organisation we need to be able to continue to close the gender pay gap in the long term.

Further details of our D&I approach can be viewed in our initial [gender pay gap report from 2018](#) and in our [Global Diversity & Inclusion Report](#). We are continually evolving our inclusive culture, and we will continue to monitor and measure progress against each of these commitments regularly. We strive to create an environment where everyone is respected, safe and able to do their best work.

Authorised signatory

Declaration

I confirm that the data contained within this report is accurate and meets the requirements of the gender pay gap reporting regulations.



A handwritten signature in black ink, appearing to read 'Claire Logan'.

Claire Logan
UK HR Director