Empowering others, amplifying our impact

Microsoft Devices Responsible Sourcing Report FY22

About this report

This report on responsible sourcing offers an overview of Microsoft's efforts to improve the sustainability and transparency of the Microsoft Devices supply chain for fiscal year 2022 (July 2021–June 2022).

Microsoft Devices (Devices) is responsible for the design, development, manufacturing, packaging, and distribution of Microsoft's hardware and packaging products.

In 2005, Devices established an industry-leading Responsible Sourcing Program, which works to ensure that our Devices hardware and packaging suppliers meet the standards set out in Microsoft's Supplier Code of Conduct and Social and Environmental Accountability (SEA) requirements. This report describes our strategy, approach, and performance.

Links throughout the document to further information

Find out more elsewhere in this document
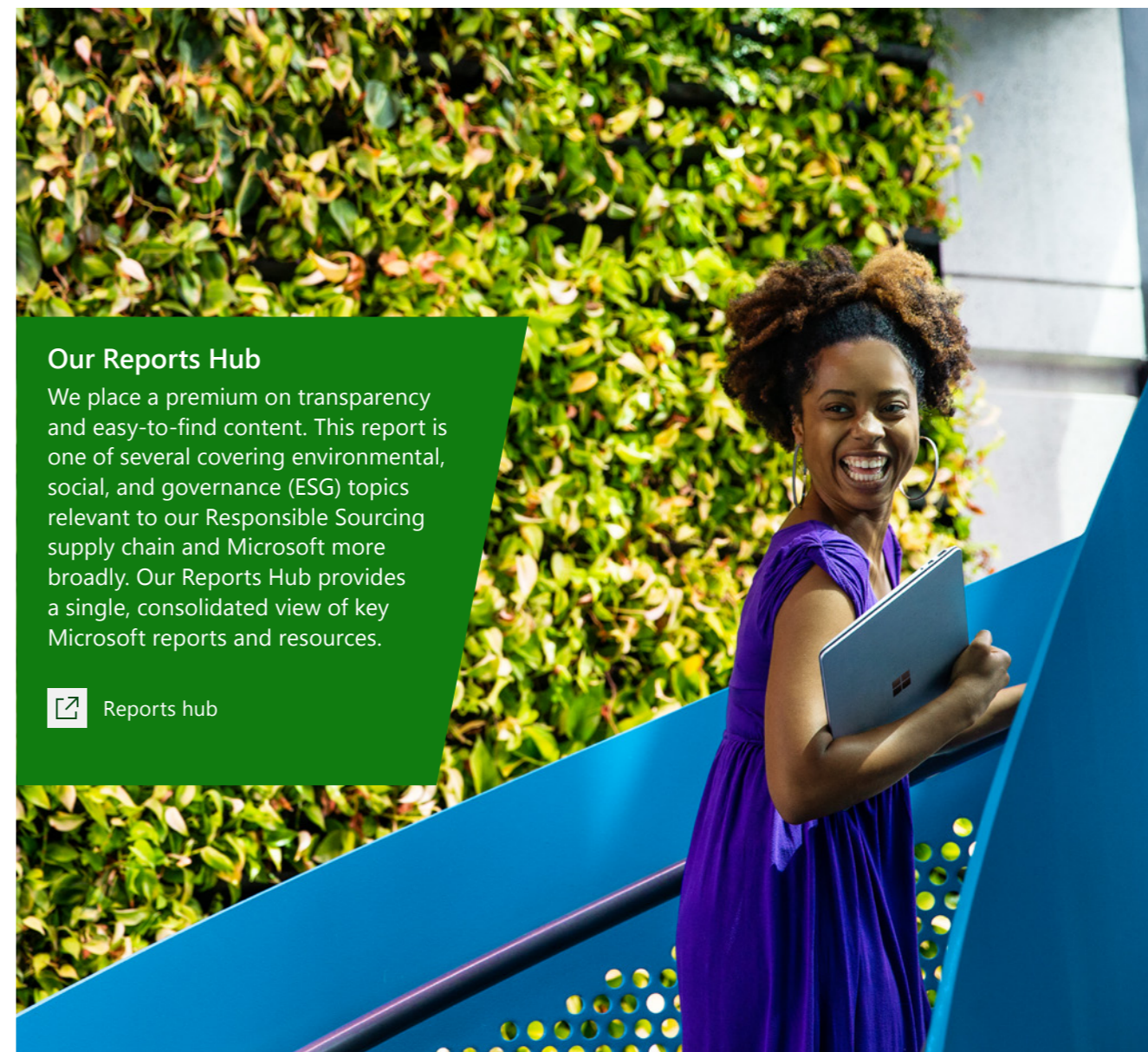
External link to web page

Download

For the best experience, we recommend using the free software Adobe Reader, or iBooks if viewing on an Apple mobile device. Interactive functionality may be limited when viewed in a web browser.

Our Reports Hub

We place a premium on transparency and easy-to-find content. This report is one of several covering environmental, social, and governance (ESG) topics relevant to our Responsible Sourcing supply chain and Microsoft more broadly. Our Reports Hub provides a single, consolidated view of key Microsoft reports and resources.
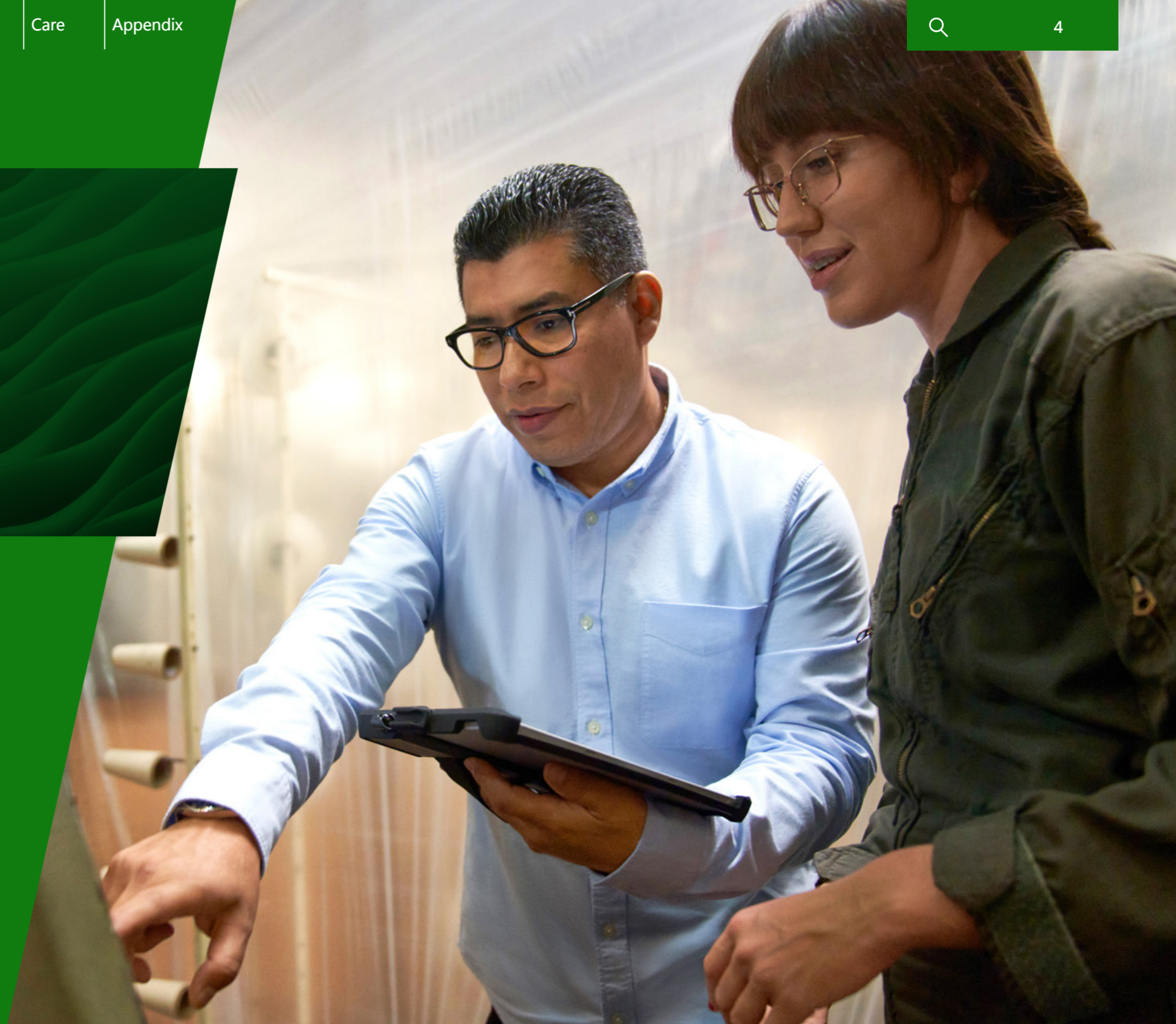
Reports hub

Contents

Overview

Working together to drive change

Contents

Microsoft Devices Responsible Sourcing Report FY22

Message from Panos Panay, EVP & Chief Product Officer

Our commitment to drive a responsible supply chain must be integrated into every aspect of how we design, manufacture, deliver, and sustain our products.

As we build products that empower people and businesses that move the world forward, we know that every single detail reflected in our end-to-end supply chain matters. Our commitment to drive a responsible supply chain must be integrated into every aspect of how we design, manufacture, deliver, and sustain our products. From the partners and suppliers we engage to the materials we use, we integrate strict social and environmental accountability standards that address business ethics, human rights, and environmental impact.

We are continually making strides to uphold and enhance these standards, and we are proud of our FY22 progress, covered by this year's report. These efforts include how we are exceeding supply chain carbon reduction targets, improving factory conditions that keep our workers safe, driving water protection and conservation with our suppliers, reducing the risk of hazardous chemicals and waste in our supply chain, and expanding the scale and scope of our global labor and ethics law and regulatory program. Ultimately, we are ensuring that our products have integrity built in at every stage.

Each year, we challenge our Responsible Sourcing team to meet increasingly ambitious goals, and FY23 will be no exception. We will continue to engage our suppliers to achieve even more. Our FY23 plans include empowering workers in our sourcing communities to achieve carbon reduction targets and improving material traceability across our supply chain to both provide greater visibility of our upstream suppliers and also to enhance our supply chain due diligence to effect positive change. These areas are not only a priority for us as we make products, but an integral part of our Responsible Sourcing values as we continue to enhance sustainability and promote human rights.

We are dedicated to learning and improving as we continue our journey to create and sustain responsible supply chain practices of which we can all be proud. Tackling these complex challenges cannot be done alone. We must engage our suppliers and partners every step of the way. We must also strengthen partnerships across the industry and other sectors to push us all forward in creating and sustaining solutions for the future.

" Our FY23 plans include empowering workers in our sourcing communities to achieve carbon reduction targets and improving material traceability across our supply chain to both provide greater visibility of our upstream suppliers and also to enhance our supply chain due diligence to effect positive change."

Thank you for the partnership that helped accomplish our progress in FY22, and for the commitment that will continue to push us forward in our vision for a better and more sustainable world.

Panos Panay
EVP & Chief Product Officer

Our commitment to responsible sourcing

Global supply chains provide vital income to communities and support economic progress around the world. Creating a responsible supply chain is challenging due to the many tiers of supply chain actors, but this effort is crucial for advancing Microsoft's mission and enabling sustainable development.

We can't just wait for change to happen—we need to lead it.

Thousands of people and many organizations take part in the long, interconnected process that makes up our supply chain—from mining raw materials, to manufacturing components, to transporting products and finished goods. We are deeply committed to working with our suppliers—and their sub-tier suppliers—to protect the environment and ensure that all the people in our supply chain stay safe at work and are treated with dignity and respect.

Through our Responsible Sourcing Program, we aim to address issues relating to human rights, the environment, health and safety, and ethics across the supply chain. We look beyond compliance to find opportunities to build the capabilities of our suppliers and enable change that improves people's lives. We are working to help raise the bar, empower others, and amplify impact, not only within our supply chain, but across the technology sector and beyond.

About our supply chain

At Microsoft, we rely on a worldwide network of suppliers to create our products. As a "downstream" company, we contract with direct suppliers to manufacture products and components we need. In turn, these suppliers source materials from their upstream suppliers, and so on up the supply chain. As a result, there are many different tiers and types of suppliers in the supply chain.
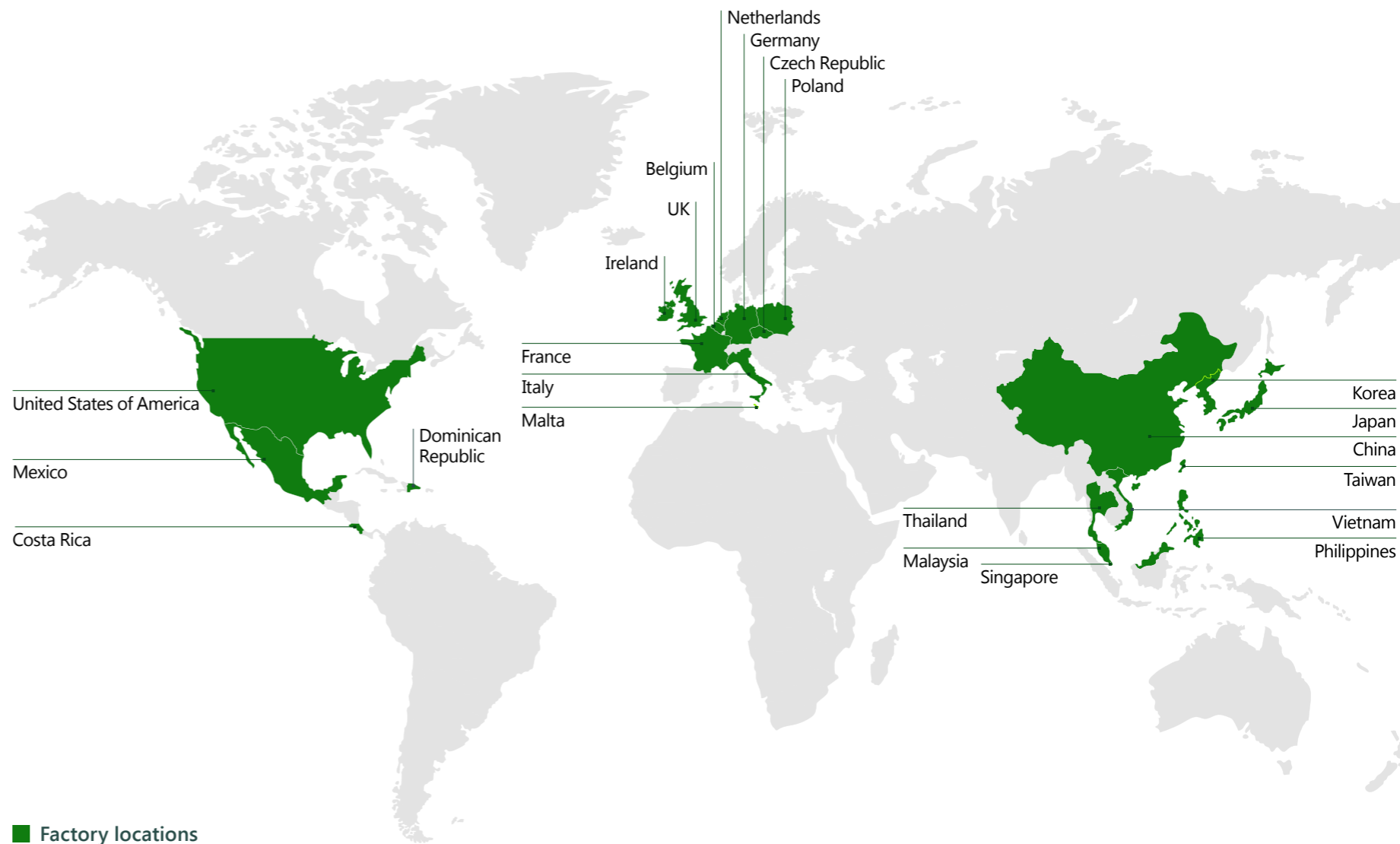
23
countries and regions

411
factories of our directly contracted suppliers

Our factories

Netherlands
Germany
Czech Republic
Poland
Belgium
UK
Ireland
France
Italy
Malta
United States of America
Dominican Republic
Mexico
Costa Rica
Korea
Japan
China
Taiwan
Thailand
Vietnam
Philippines
Malaysia
Singapore

■ **Factory locations**

About our supply chain (continued)

Engagement and collaboration are key to addressing risks in the supply chain, and we use our influence to build supplier commitment and capacity in order to drive change. Our influence is strongest with our direct suppliers, including more than 400 supplier factories contracted by Microsoft Devices to produce our Surface, HoloLens, Xbox, and computer and gaming accessories. We focus our suppliers' due diligence and engagement on these suppliers to achieve the greatest impact.

Our influence lessens at the farthest reaches of the upstream supply chain, including suppliers that extract and process raw materials, because we lack contractual means of direct engagement, which is critical for enabling the influencing of sourcing practices by supply chain actors. For these suppliers, we actively engage in industry collaboration to drive industry-wide change and seize opportunities to increase supply chain transparency through technology solutions.

Responsible Sourcing supply chain

Upstream: Materials needed for production are sourced.

Downstream: Products are produced and distributed.

Mines
Raw materials are harvested and extracted.

Smelters and Refiners
Raw materials are processed.

Upstream Suppliers
Component parts of devices are developed and manufactured.

Manufacturing & Assembly
Products are manufactured.

Microsoft Devices
Responsible for Microsoft hardware, packaging, and related software products, including the Responsible Sourcing Program.

Lesser influence: We rely on partnerships and industry collaborations to influence supply chain.

Strongest influence: We use contractual provisions and direct engagement to influence supply chain.

FY22 highlights

We will always look for new opportunities to source responsibly, but we take pride in the progress Responsible Sourcing has made in FY22.

100%
We assessed risk at 100% of our active, directly contracted Devices factories

511
We completed 511 audits and assessments of those active factories

The Workers' Voice Hotline was available to
227
Devices supplier factories and
313,484
workers, including all Devices hardware final assembly and strategic component manufacturing suppliers

160
cases were received from the Workers' Voice Hotline and
100%
of them have been closed

171 suppliers submitted a Carbon Disclosure Project (CDP) Climate Change questionnaire

Approximately
287
participants including those from
177
supplier factories joined our forced labor prevention and regulation updates training

Five guidebooks and tools were developed to help suppliers build capabilities on high labor risk management and sub-tier supplier management.

276 risks associated with responsible recruitment have been mitigated by selected suppliers

FY22 highlights (continued)

Launched hazardous chemical and waste storage management program:

316

risks in hazardous chemical and wastes storage were mitigated, and 16 chemicals containing Microsoft banned substances were phased out

☑ A brochure and two checklists were developed to enable suppliers to identify and mitigate risks

Two training sessions were delivered to

452

EHS professionals from our supplier factories and

45

auditors from third-party audit firms to enhance their knowledge

20

We funded carbon assessments of 20 suppliers

90k

Suppliers reduced 90k mtCO$_2$e

Delivered quarterly webinars to supplier factories to build their capabilities on SEA management

Achieved reductions in high-risk Environment, Health and Safety (EHS) non-conformances:

Fire protection non-conformance rate decreased by

18%

High-risk EHS operation non-conformance rate decreased by

14%

EHS permit non-conformance rate decreased by

7%

Implemented fire risk mitigation program:

480

fire risks were addressed among battery and packaging suppliers

⚡ All battery and packaging suppliers established fire risk self-check processes, following Responsible Sourcing Program guidelines

The Responsible Sourcing team provided fire risk mitigation training to more than

40

EHS professionals from battery and packaging suppliers

Our Approach

Amplifying our impact through collaboration

Contents

Microsoft Devices Responsible Sourcing Report FY22

Embedding Responsible Sourcing values

Our Responsible Sourcing Program reflects our mission:

To empower every person and every organization on the planet to achieve more.

It is our belief that our devices reflect the people who make them, and we set high expectations both for ourselves and our suppliers.

We strive to be transparent and direct in offering information on our supply chain. More information about our progress on our Devices' supply chain social and environmental issues can be found in the Microsoft CSR Reports Hub.

⬀ Reports hub

Embedding Responsible Sourcing values (continued)

Our values: Integrity, Accountability, Respect

Integrity

We are honest, ethical, and trustworthy

To operate with integrity, we must put the right processes in place and work with our suppliers to uphold high standards and address risks in the supply chain.

Accountability

We accept full responsibility for our decisions, actions, and results

Managing with accountability means defining clear standards and holding ourselves and our suppliers responsible for our environmental and human rights impacts.

Respect

We recognize our responsibility to respect the universal rights of the workers in our supply chains and the communities in which they live

Sourcing with respect means demanding high standards for safety and working together with our suppliers to ensure that all workers in our supply chain are treated with equity and dignity.

Our strategy for real results

We invest heavily in extending our values across our supply chain, focusing on:

Standardized requirements

We require our suppliers to abide by standard contractual terms that are included in all supplier contracts

Assurance and accountability

We validate compliance and increase transparency within our own supply chain and influence better industry-wide transparency through collaboration

Risks and opportunity analysis

We work with our suppliers to create a shared understanding and management of risks

Capability building

We invest in the skills and knowledge of our suppliers, auditors, and employees

Creating shared value

We partner with others to improve global supply chains and help achieve important commitments

Requiring robust governance

Strong governance and frameworks ensure that sustainability is embedded in our actions and that we identify and act on opportunities and risks.

Our end-to-end Devices Responsible Sourcing Program includes legal and market requirements, and some measures which go beyond compliance mandates, leveraging digital technology and documented processes. We take measures to assure our customers and stakeholders adhere to our environmental and social accountability requirements.

Our programs are designed and managed by experts, including:

– Environmental sustainability specialists

– Regulatory program managers

– Manufacturing managers

– Sourcing category managers

– Health and safety managers

– Human rights and labor experts

– Policy experts

– Attorneys

– Auditors

– Sustainability reporting and communications experts

– Suppliers' SEA partners

Our in-house experts partner with each other and external stakeholders to amplify impact through innovation and knowledge sharing. We apply the Microsoft growth mindset to responsible sourcing, empowering others through promoting learning, to create a shared understanding of an identified risk and manage it together with our suppliers. Around the world, our experts speak the local language and understand local culture.

Policies and codes of conduct

Our policies are shaped and guided by the recommendations, frameworks, and standards of leading international organizations and experts, such as:

UNGPs

United Nations Guiding Principles on Human Rights

ILO

International Labour Organization core labor standards

OECD

Organisation for Economic Cooperation and Development guidelines for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas

Organisation for Economic Cooperation and Development guidance for responsible business conduct

Requiring robust governance (continued)

Regulatory and Public Policy Committee

The Environmental, Social, and Public Policy Committee helps the Microsoft Board of Directors oversee Microsoft's legal and corporate commitments to environmental sustainability, human rights, and responsible sourcing. The committee reviews legal, regulatory, and compliance policies, working with Microsoft's CEO, Satya Nadella, his leadership team, and others across Microsoft to establish our standards, policies, and codes of conduct.

Standards of Business Conduct (SBC)

Our Standards of Business Conduct define our values and a corporate-wide commitment to ethical business practices and legal compliance. All Microsoft employees are required to comply with these standards in all countries where we operate. All employees must take part in SBC training every year.

⬀ Standards of Business Conduct | Microsoft CSR

Global Human Rights Statement

The Microsoft Global Human Rights Statement outlines our commitment and approach to respecting human rights in our operations and across our supply chains. It applies to Microsoft and all its subsidiaries and adheres to the Universal Declaration of Human Rights, the International Covenant on Civil and Political Rights, the International Covenant on Economic, Social and Cultural Rights, and the work of the United Nations on good governance and the rule of law.

⬀ Global Human Rights Statement | Microsoft CSR

Supplier Code of Conduct

Microsoft requires all manufacturing suppliers and service providers to embrace our commitment to integrity and ethical behavior through our Supplier Code of Conduct, a standard onboarding and contractual requirement across our entire corporate supply chain. The Code requires suppliers to maintain safe working conditions, treat workers with respect and dignity, and conduct their business in an environmentally responsible and ethical manner. Suppliers are contractually required to apply the Microsoft Supplier Code of Conduct to their direct and sub-tier supply chains, expanding its scope and impact across all levels of the Microsoft supply chain.

⬀ Supplier Code of Conduct | Microsoft CSR

Supplier Social and Environmental Accountability Manual

Microsoft requires suppliers producing Microsoft Devices and packaging to meet our Suppliers' SEA Manual that contains requirements for protecting workers' human rights. The Suppliers' SEA Manual is a standard requirement for all supplier contracts. Suppliers must also include Suppliers' SEA requirements in contracts with their sub-tier suppliers. Those who do not meet the requirements risk business termination with Microsoft.

⬀ Supplier Social and Environmental Accountability Manual | Microsoft CSR

Responsible Sourcing of Raw Materials (RSRM) Policy

The Microsoft RSRM Policy formalizes our values and approach to responsible upstream sourcing and extends the Supplier Code of Conduct to our global Devices and upstream supply chain. It assesses all substances used in our Devices and their packaging and establishes responsible sourcing controls for substances deemed to be of high risk.

⬀ Responsible Sourcing of Raw Materials (RSRM) Policy | Microsoft CSR

UN Sustainable Development Goals (SDGs)

Our mission, to empower every person and organization on the planet to achieve more, aligns strongly with the ambitions of the SDGs. The tech industry is an essential enabler of all 17 SDGs and contributes to more than half of the 231 SDG indicators. Our Responsible Sourcing Program plays an important role in delivering solutions that accelerate progress toward achieving the SDGs, driving meaningful improvements for workers, local communities, and the environment. We track our contribution to the SDGs as part of our commitment to empowering sustainable development and access to the benefits and opportunities of technology. More information is available in our Corporate SDG Disclosure.

⬀ Sustainable Development Goals | Microsoft CSR

International Organization for Standardization (ISO)

We apply ISO management systems to help ensure end-to-end compliance and continuous improvement. For example, our ISO 14001-certified Environmental Management System drives continuous improvement in our environmental compliance programs.

Partnering for change

Microsoft's platform, beliefs, and care mean that we can help transform supply chains on a global scale.

As a downstream purchaser, our influence is greatest among our directly contracted suppliers. Further upstream, we drive improvements using strategic cross-sector partnerships and co-innovation.

Being uniquely positioned and driven by our values, Microsoft is often among the leaders bringing companies together to collaborate on solving challenges. As we actively participate in initiatives across our industry and the broader private sector to address important supply chain issues, we contribute technology, resources, and expertise to scale our impact.

Responsible Sourcing collaborations

Working with individuals, NGOs, governments, enterprises, and industry coalitions, to name a few, helps to amplify our impact and fosters equitable growth in our supply chain. Examples of our collaborations include:

Regulators
Microsoft engages actively with regulators to support development relevant to our business, both directly and through industry associations. We provide feedback to regulators on the implementation of existing and pending laws.

Responsible Business Alliance (RBA)
We actively engage with RBA to understand and influence best practices in responsible sourcing across the manufacturing industry.

Responsible Mineral Initiative (RMI)
As chair of the RMI Steering Committee, Microsoft supports RMI in its work to improve standards and transparency across global minerals supply chains.

Initiative for Responsible Mining Assurance (IRMA)
As a board member and project partner, we actively support IRMA in its mission to protect people and the environment from the impacts of mining.

Responsible Labor Initiatives (RLI)
We leveraged partnerships with RLI to enhance the responsible recruitment capabilities of suppliers located in high-risk countries.

IMPACT
We partner with international NGO IMPACT to equitably improve responsible sourcing of cobalt from the artisanal and small-scale mining sector (ASM) in the Democratic Republic of the Congo (DRC), where we focus on practical solutions that address the root causes of ASM challenges.

Pact
By collaborating with other leading brands through RMI, we support the international NGO Pact in providing community-level initiatives to address child labor and inequalities in DRC mining-affected communities.

Institute of Public & Environmental Affairs (IPE)
We use the Institute of Public & Environmental Affairs system to track environmental noncompliance in our supply base and to drive corrective action and information disclosure.

Global Battery Alliance (GBA)
We support this public-private platform of organizations, founded to help establish a sustainable battery value chain, to leverage technology to increase the traceability of battery materials throughout the supply chain.

Engaging stakeholders

Microsoft's stakeholders are the people, groups, organizations, and institutions that are interested in, impacted by, or have an influence on our business.

They care about our devices and how they are sourced, and their feedback drives us to innovate new solutions and address challenges.

Our stakeholders

Customers

Our customers have requested more transparency on human rights issues, such as responsible sourcing of raw materials, forced labor, and supplier carbon emissions.

Employees

Our employees are crucial to our Responsible Sourcing Program. We ask for and act on employee feedback and offer training to colleagues so that they can consider responsible sourcing in their own decisions.

In FY22, we worked on aligning compliance requirements across Microsoft's supply chain management. We provided training courses on SEA requirements, common supply chain risks, and risk mitigation for newly onboarded employees in Devices, including new product introduction, strategic sourcing, and factory management teams. We also provided annual refresher training to our sourcing managers so that they can reinforce SEA requirements with our suppliers.

Suppliers

Our relationships with suppliers are integral to our ability to achieve our vision and sustainability priorities.

We set clear standards for suppliers and work with them to promote transparency and accountability. We do this through assessments, capability-building workshops, training, and collaboration.

In FY22, we continued to invest in programs to minimize raw materials and human rights risks and to decarbonize our supply chain, including supplier training and capability building.

We also invited suppliers to offer feedback on our labor and ethics programs via anonymous surveys and semi structured interviews.

Their positive feedback showed that over 99% of the attendees would use the training in their daily work. We held quarterly supplier webinars on regulatory and Microsoft policy and procedure developments.

> See page 55 for more detailed information on EHS training

Investors

We actively engage with our investors, including impact investors, to inform our strategies and public communications and reports. We participate in ongoing dialogue with them through our corporate Supply Chain Integrity Team. Investors have provided critical data points that we have used to enhance our Responsible Sourcing Program and respond to new supply chain risks.

Integrity

Reinforcing integrity through due diligence and development

Contents

We operate with integrity using clear standards and robust governance. We also work closely with our suppliers, empowering them to build their capabilities and raise the bar across the industry.

Our risk management approach

Our supply chain involves a vast number of suppliers who operate at different tiers in the chain. To manage this complexity, we use a robust, risk-based approach that reinforces integrity at every step. Developing strong, proactive relationships with suppliers is core to the way we manage risk.

The level of risk in our supply chain, and how we respond to it, depends upon a range of factors:

– Microsoft's social, environmental, and economic impacts

– Spend value

– Supplier location, tier, and function

– Regulation and compliance requirements

– Our ability to influence suppliers

We align our risk management approach with the UN Guiding Principles for identifying human rights issues in order to ensure that the workers who make our devices are kept safe, treated fairly, and shown the dignity every human being deserves.

We base our efforts on robust due diligence. For example, our Responsible Sourcing of Raw Materials Policy is aligned to the Organisation for Economic Cooperation and Development's Due Diligence Guidelines for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas.

In FY22, we assessed our supplier factories against risk indices for policy, environmental, health and safety, and human rights risks, on-the-ground aggregated audit data, and spend data. We then segmented this data by component category, allowing us to communicate opportunities and risks to individual category teams and develop more precise mitigation strategies for each industry segment in which we operate.

Microsoft Devices Responsible Sourcing Report FY22

Managing risk from all angles

We work to manage and mitigate risks in the supply chain and at our suppliers' operations at every point of our relationships.

We start with supplier selection and onboarding and continue with annual risk assessments and social and environmental accountability audits. Global risk assessment and audit programs generate valuable data that we use to drive improvement and transparency.

Onboarding new suppliers

When a new supplier or factory joins our supply chain, they bring new risks and capability building needs. Before Devices engages with a new supplier, the company and its factory are vetted through the Responsible Sourcing Program. The process starts with a pre-onboarding survey that provides risk insights before contracts are signed. Suppliers must receive a positive recommendation from the Responsible Sourcing team in order to be onboarded as a Microsoft supplier.

New suppliers must also undergo an initial capability assessment audit. If we find that a supplier is not meeting our standards, we establish a corrective action plan before production begins. Factories are restricted from doing business with us until all issues are remedied.

Our goal is to help suppliers understand Microsoft's values and expectations from the outset of our relationship. These extend beyond compliance to proactive risk mitigation, supplier accountability, and a commitment to resolving issues sustainably. All new Microsoft suppliers are required to complete Social and Environmental Accountability requirements training, covering labor, health and safety, environment, business ethics, and our management system.

Audits and assessments

We conduct regular assessments and audits of directly contracted hardware manufacturers, packaging suppliers, and repair and refurbishment partners in order to verify compliance with our standards and drive continuous improvement. We use several types of audits and assessments to measure supplier performance and compliance with our standards, including:

– Third-party initial capability assessments
– Sustaining maintenance audits to verify compliance
– Corrective action audits
– Factory visits
– Responsible Sourcing team investigations
– Responsible Business Alliance industry audits

Third-party audits are fundamental to managing supplier performance. They enable us to scale our Responsible Sourcing Program throughout the supply chain, identify risks at our supplier sites, and monitor improvements with objectivity and specialist expertise.
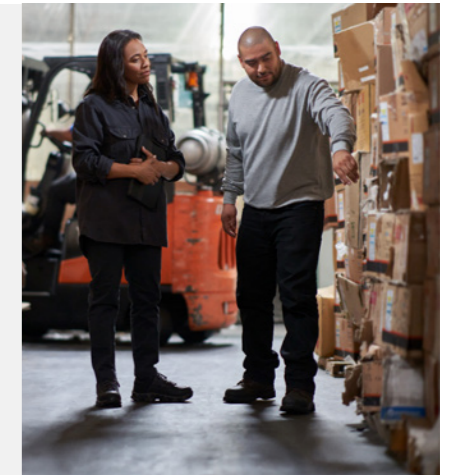
Managing risk from all angles (continued)

To ensure audit quality, only Microsoft-approved auditors conduct SEA audits. We require industry-wide accredited auditors with RBA Labor & Ethics lead auditor qualification and/or SA8000 advanced auditor qualification for labor auditors, and RBA Environment, Health and Safety lead auditor qualification and/or ISO 45001 lead auditor qualification for EHS auditors. We have a strict quality assurance process in place for our third-party audit firms to ensure reliable and accountable results.

Microsoft's Audit Management System (AMS) connects suppliers, audit firms, Microsoft sourcing managers, and the Responsible Sourcing team through a seamless audit reporting tool.

In our upstream raw materials supply chain, we leverage the Responsible Minerals Assurance Program (RMAP), the Responsible Minerals Initiative's industry-level smelter and refiner audit program. We use the RMAP to assess whether critical minerals—including tin, tantalum, tungsten, and gold (or "3TG" minerals) and cobalt—in our devices are sourced from facilities that meet the requirements of OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas. When we find 3TG smelters or refiners in our supply chain that do not conform to RMAP standards, we work with our suppliers to encourage them to comply or we remove them from our supply chain.

Audits in FY22

In FY22, we conducted risk assessments of 100% of our active factories—a supply chain that employs 971,400 workers, including 11,334 international migrant workers. These risk assessments included both environmental and social criteria.

We completed 511 audits and assessments of 411 active factories. This included 228 third-party audits and 283 corrective action audits. We closed 830 cases of major and serious non-conformances across our suppliers.

During the audits, 3,313 workers were interviewed to understand their working conditions and cross-check information from other sources, such as factory documents and records, onsite observations, and public reporting.

We use audits to track supplier compliance and to ensure that necessary corrective actions are implemented and closed. Suppliers must follow strict timelines and provide sufficient evidence to address non-conformances. The timeframe for completion can range from 24 hours to 60 days, based on the level of severity of the non-conformance. Our team reviews each non-conformance to evaluate corrective actions taken by suppliers before closure.

FY22 Top 10 non-conformance results

Category	Count
Working hours	241
Occupational safety	130
Labor management systems	123
EHS management systems	97
Emergency preparedness & response	82
Hazardous substances	51
Wages and benefits	46
Industrial hygiene	43
Freely chosen employment	25
Air emissions	23
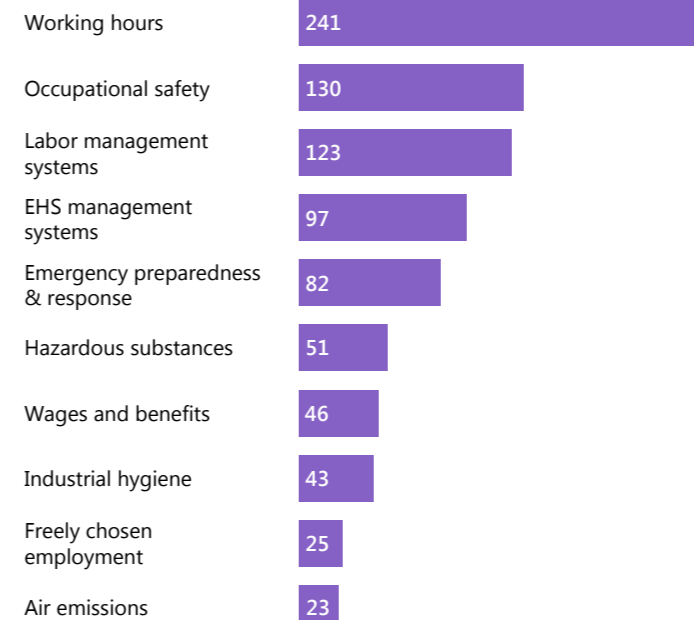
511 audits and assessments

3,313 workers interviewed

Investing in capabilities

We use what we learn from auditing, regulatory trends, and stakeholder feedback to empower our suppliers by building their capabilities.

Responsible recruitment guidance

In FY22, based on supplier audit performance and Workers' Voice Hotline analysis, we found that many suppliers' labor compliance issues were related to their multiple forms of employment. To build suppliers' risk identification and mitigation capabilities, we developed guidebooks and checklists on foreign migrant workers, dispatched workers, student workers, and labor sub-contractor management. We piloted these guidebooks with eight suppliers. In total, 276 risks were mapped out and mitigated by using these guidebooks by the end of FY22. We received positive feedback from the suppliers who stated these tools empowered them to greatly enhance their management system.

Sub-tier supplier management

We closely monitor global regulatory requirements and trends in our suppliers' locations, focusing compliance not only for direct suppliers, but sub-tier suppliers as well. Since FY19, we have enhanced our requirements for sub-tier supplier management and, in FY22, we developed a sub-tier supplier management guidebook and toolkit for our suppliers. We piloted the guidebook with three suppliers and will extend it to more suppliers the following year.

Grievance channel awareness

To ensure that workers are aware of their rights and grievance channels, we developed online courses in FY22 on worker rights, factory grievance channels, and Workers' Voice Hotline information. We require all final assembly suppliers to include this training in their new employee onboarding.

> See the Respect Section for more detailed data on these programs

Investing in capabilities (continued)

EHS training

In FY22, we offered quarterly webinars to further empower our suppliers. Topics included:

- Volatile Organic Compounds (VOCs) treatment facility safety
- Hazardous chemicals and waste storage management
- 2021 Environmental, Health and Safety laws and regulations update
- Institute of Public and Environmental Affairs program introduction
- China VOCs standards legislation and enforcement trends
- 2022 Carbon Disclosure Project (CDP) reporting introduction

Out of the 1,171 webinar attendees from our supplier factories:

95.6%

of those who completed the post-webinar evaluation provided very positive feedback,

99.5%

said they planned to use the webinar information in their daily work.

In addition, a webinar on fire risk mitigation was delivered in December 2021 to Packaging supplier factories located in China, which was to instruct the factories to conduct regular self-inspection to identify fire risks using a checklist developed by Microsoft and then take corrective measures to mitigate the identified risks. The webinar was attended by 30 EHS professionals from 13 factories.

Hazardous chemical and waste storage for auditors

We also launched a hazardous chemicals and waste storage program in FY22 and provided online training for Microsoft's third-party auditors to provide a better understanding of regulatory requirements and strengthen their risk identification skills. Feedback from the 45 participants across three audit firms was very positive, with attendees indicating that the training would have a direct impact on their work.

Machine safeguarding

As the use of automated machines grows, our efforts to identify the safety risks they present must keep pace. In FY22, the Responsible Sourcing team worked with industry experts to customize machine safeguarding training for third-party auditors who conduct SEA audits. Fifty-six auditors from three audit firms took the training, resulting in a significant improvement in their ability to identify machine safeguarding risks. As a result, the safeguarding non-conformance rate increased by 40%, enabling more risks to be resolved, more accidents avoided, and more workers protected.

Responsible Sourcing of Raw Materials

Every year, we survey our in-scope suppliers to help us better understand the origins of key priority minerals used in our devices. Responsible Sourcing offers training so that our suppliers are equipped with the understanding and capacity to meet our reporting expectations. This investment has contributed to a 100% response rate from in-scope suppliers reporting on their use of tin, tantalum, tungsten, and gold (also known as "conflict minerals"). In FY22, Microsoft also funded the development of an industry-wide due diligence playbook by the Responsible Minerals Initiative to help supply chain actors conduct due diligence of their supply chains for additional minerals where existing audit programs may not currently exist at scale.

Safeguarding raw materials supply

A key challenge associated with critical minerals is their finite supply when coupled with rising global demand for technology.

Some critical mineral supply chains are heavily concentrated in a small number of countries, suppliers, and processors, creating choke points that are vulnerable to trade restrictions or other impacts. Threats to global supply chains and increasing competition for resources will continue to create supply continuity challenges. No single company can solve this challenge alone, but we aim to empower others and amplify impact to help drive the agenda globally.
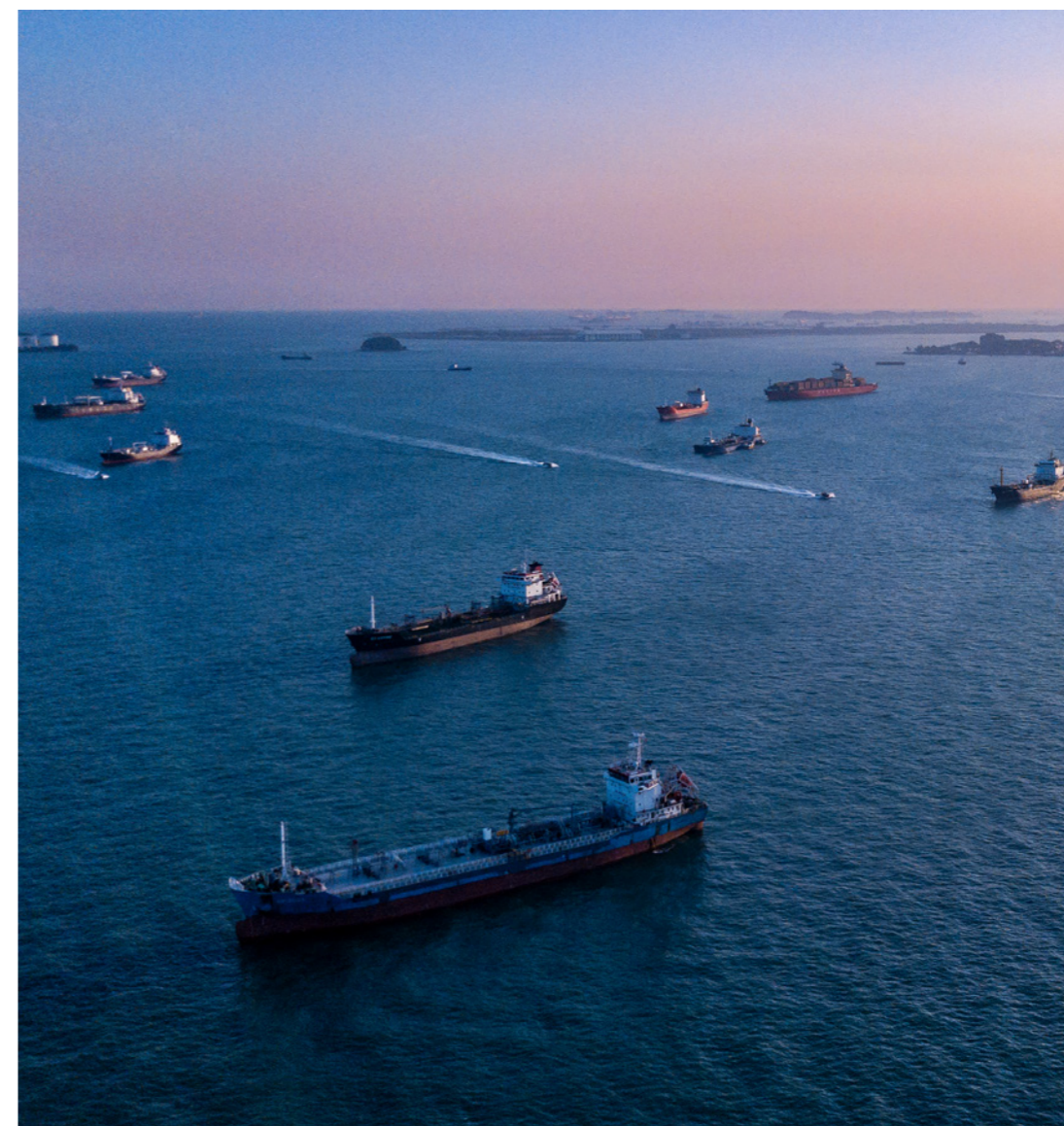
Understanding the impact of global events on our supply chain

The war in Ukraine has fast become a source of unimaginable human suffering. Microsoft has been vocal in its condemnation of the "unjustified, unprovoked and unlawful invasion by Russia,"[1] and was among the first US companies to announce that it was suspending sales in Russia.

Global sanctions against Russia and the war-related shutdown of Ukrainian manufacturers have directly impacted raw materials supply chains.

The conflict has impacted the ability of industry audit programs to conduct necessary audits of Russian-based facilities such as smelters and refiners of critical minerals. This disruption has undermined visibility over these upstream supply chain actors, leading to their exclusion from responsible sourcing programs and ultimately from global supply chains. Beyond impacting the materials within products, the conflict has also impacted materials critical to the manufacturing process.   The global supply of gases such as neon and krypton (necessary for the manufacturing of chips and semiconductors) and key minerals such as palladium (used in batteries) and platinum (used in cables and connectors) has been impacted either by fresh trade restrictions or by the fighting itself.

This conflict and its wide ramifications demonstrate the necessity of broad assessment of geopolitical supply chain risks. In particular, the impact on gases necessary for the production of chips and semiconductors has highlighted the necessity for supply chain risk assessments to be broad in scope, taking account not only of materials contained within products, but of materials required for manufacturing inputs even multiple tiers upstream in the supply chain. These assessments must explore scenarios in which specific elements of the supply chain are uniquely vulnerable to global events, whether they be economic fluctuations, natural disasters, pandemics, trade disputes, or even war.

[1] https://blogs.microsoft.com/on-the-issues/2022/03/04/microsoft-suspends-russia-sales-ukraine-conflict/

Raw materials in our supply chain

We are constantly working to expand the scope and reach of our minerals supply chain due diligence.

Microsoft's standards for responsible sourcing extend to how our suppliers source raw materials. Through our Responsible Sourcing of Raw Materials Policy, suppliers are required to implement a raw materials sourcing policy that follows the steps set out by the OECD's Due Diligence Guidance.

Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas | OECD

The scope of our Responsible Sourcing of Raw Materials Policy includes all regulated "conflict minerals" (tantalum, tin, tungsten, and gold, or "3TG"),[2] in addition to minerals identified by our annual raw materials risk assessment. For now, based on our supply chain risk assessment, we are prioritizing 3TG, cobalt, aluminum, copper, lithium, magnesium, and nickel.

[2] RSRM Policy

Prioritized mineral list

"Conflict" minerals

Material	Notable industrial uses	Top 5 producer countries (with % production share)	Key industry risks — Biodiversity and conservation negative impacts	Child labor	Community and indigenous people's rights	Company-community conflict	Conflict and human rights	Environmental degradation	Financial transparency gaps	Forced labor	Greenhouse gas emissions	Illicit financial flows	Labor rights	Low rate of recycling	Market concentration	Mineral depletion	Occupational health and safety	Pollution	Price volatility	FY22 Update	FY23 Goals
Gold Au	Circuitry PCBs	China 12% Australia 11% Russia 10% Canada 6% US 6%	•	•		•	•	•	•	•		•			•	•	•			Continued to work with our suppliers to source from gold, tantalum, tin, and tungsten smelters and refiners conformant with the RMI RMAP.	Continue to leverage digitization initiatives to improve our annual conflict minerals reporting and to encourage suppliers to source from gold, tantalum, tin, and tungsten smelters and refiners conformant with the RMI RMAP.
Tantalum Ta	Capacitors	DRC 33% Brazil 22% Rwanda 13% Nigeria 10% China 4%	•	•		•	•	•			•	•	•			•	•				
Tin Sn	Display Solder Batteries	China 30% Indonesia 24% Peru 10% Myanmar 9% Bolivia 6%		•		•	•	•			•	•				•	•	•	•		
Tungsten W	Vibration motors	China 84% Vietnam 6% Russia 3% Bolivia 2% Rwanda 1%	•			•	•				•	•		•			•				

Prioritized mineral list (continued)

Industry-wide prioritized minerals

Material	Notable industrial uses	Top 5 producer countries (with % production share)	Key industry risks: Biodiversity and conservation negative impacts	Child labor	Community and indigenous people's rights	Company-community conflict	Conflict and human rights	Environmental degradation	Financial transparency gaps	Forced labor	Greenhouse gas emissions	Illicit financial flows	Labor rights	Low rate of recycling	Market concentration	Mineral depletion	Occupational health and safety	Pollution	Price volatility	FY22 Update	FY23 Goals
Cobalt **Co**	Lithium-ion batteries	DRC 71% Russia 4% Australia 3% Canada 3% Philippines 3%	●	●	●	●	●	●	●		●	●	●		●	●	●			Continued to work with our suppliers to source from cobalt refiners conformant with the RMI RMAP. Expanded our supplier survey to identify, map, and understand the sourcing profile of cobalt in our supply chain, beyond battery suppliers. Supported a pilot study by international NGO IMPACT to study the feasibility of adapting the acclaimed Just Gold methodology for the cobalt sector. Continued to support activities by international NGO Pact to address the root causes of child labor in mining-affected communities in the DRC cobalt-copper belt.	Support IMPACT to further develop targeted programming that engages and empowers cobalt mining communities and seeks to avoid burdening those upstream actors with the cost of due diligence. Continue supporting Pact through broader industry supported programming (coordinated by RMI) to address socio-economic gaps in mining-affected communities. Continue to leverage digitization initiatives to improve our annual conflict minerals reporting and to encourage suppliers to source from cobalt smelters conformant with the RMI RMAP.

Prioritized mineral list (continued)

Microsoft prioritized minerals

Material	Notable industrial uses	Top 5 producer countries (with % production share)	Biodiversity and conservation negative impacts	Child labor	Community and indigenous people's rights	Company-community conflict	Conflict and human rights	Environmental degradation	Financial transparency gaps	Forced labor	Greenhouse gas emissions	Illicit financial flows	Labor rights	Low rate of recycling	Market concentration	Mineral depletion	Occupational health and safety	Pollution	Price volatility	FY22 Update	FY23 Goals
Aluminum Al (and Bauxite)	Enclosures, PCBs	China 66%, India 6%, Canada 6%, Russia 5%, UAE 4%			●		●			●					●					Increased the response rate to our expanded minerals supplier survey further identifying, mapping, and understanding the sourcing profile of additional high-profile minerals in our supply chain, including aluminum, copper, lithium, magnesium, and nickel.	Work with suppliers to implement the Responsible Mineral Initiative new minerals agnostic industry standard Pilot Reporting Template to collect data on aluminum, copper, lithium, magnesium, and nickel in our annual Devices supplier survey. Support RMI to implement new guidance to assist supply chain actors with meeting due diligence expectations for aluminum, copper, lithium, magnesium, and nickel even where industry-wide audit programs are still nascent or under development.
Copper Cu	Circuitry, PCBs	Chile 27%, Peru 10%, China 9%, DRC 9%, USA 6%		●	●	●	●	●				●				●	●	●			
Lithium Li	Lithium-ion batteries	Australia 55%, Chile 26%, China 14%, Argentina 6%, Brazil 2%		●	●		●					●	●		●				●			
Magnesium Mg	Enclosures	China 72%, Brazil 6%, Russia 6%, Turkey 4%, Austria 3%					●	●		●	●	●	●	●				●	●			
Nickel Ni	PCBs	Indonesia 37%, Philippines 14%, Russia 9%, New Caledonia 7%, Australia 6%	●	●			●			●		●					●	●				

Accountability

Building connection and accountability for a better world

Contents

Protecting the environment is an urgent priority for Microsoft. We hold ourselves and our suppliers responsible for our impact and collaborate to find lasting solutions.

Managing environmental impact

We strive to continually improve our environmental performance via our environmental management system and sustainability programs.

Since 2014, Microsoft Windows and Devices has maintained ISO 14001 Certification for its Environmental Management System, an indicator of world-class performance in managing environmental impacts associated with design, quality organizations development, sourcing, and manufacturing.

Reducing air emissions

In FY22, we continued to focus on reducing volatile organic compound emissions as a key part of our commitment to reducing air pollution and protecting the environment.

We have incorporated a material VOC compliance check into our supplier Social and Environmental Accountability audit program to improve our ability to identify gaps and help suppliers meet regulatory and Microsoft requirements. In FY22, these audits identified 57 non-conformances related to VOC management. We require the factories to resolve these non-conformances in a timely manner and verify resolution before closing them, and at the time of reporting, 61% of non-conformances had been closed. We anticipate these will all be closed by the end of 2022.

In FY22, we paid special attention to legislation in China. The country's latest five-year plan prioritizes environmental protection. Some local authorities in areas where our suppliers are located have pushed for stronger VOC limits than required by current national standards to improve air quality. We are monitoring legislation and enforcement trends at both local and national levels in China to provide analysis and guidance to our internal stakeholders and external suppliers.

In FY22, audits identified

57
non-conformances related to VOC management.

61%
of non-conformances had been closed at the time of reporting, anticipating 100% by the end of 2022.

Protecting water supply

Water scarcity is among the world's most pressing environmental problems. Water stewardship ensures that water is used in a way that is socially equitable, environmentally sustainable, and economically beneficial.

Effective water resource management involves all stakeholders who depend on a catchment from a water basin or watershed to drive action.

In China, moderate to extreme droughts affect almost half of the country—most severely, in the northwestern region. In general, Devices suppliers are not heavy users of water resources compared with power generation, the chemical industry, or the textile and leather industry; however, water conservation practices are still critical.

Our Responsible Sourcing water stewardship program focuses on driving suppliers to continuously improve water protection and conservation, including wastewater compliance, water use reduction, storm water pollution prevention, and drinking water quality management.

In FY22, we took action to remediate 53 water-related non-conformances out of 511 third-party SEA audits at supplier factories. That is an improvement from last year (42 non-conformances out of 540 audits, including 242 full audits and 298 CA audits).

In FY22, we took action to remediate

53

water-related non-conformances out of

511

third-party SEA audits at supplier factories.

Developing a responsible minerals supply chain

Consumer electronics rely on critical minerals. However, mining-affected communities—and particularly the Artisanal and Small Scale Mining (ASM) sector—can be especially vulnerable to poverty, insecurity, environmental degradation, and human rights violations, underlining the need for responsible sourcing practices coupled with community empowerment.

Cobalt is a key material in the production of batteries, including those used in Microsoft devices. More than half of the world's cobalt is produced in the Democratic Republic of the Congo which, despite significant natural resource wealth, has struggled to overcome challenges of limited governance, conflict, human rights violations, poverty, and a lack of transparency.

To ensure that cobalt is sourced responsibly, downstream actors are increasingly relying on mine-to-market traceability programs that balance responsible sourcing with inclusivity and market access for ASM suppliers. In FY21 and FY22, Microsoft Devices supported IMPACT, an international NGO, in conducting a feasibility study on adapting for the cobalt sector its acclaimed Just Gold mine-to-market methodology which follows a bottom-up approach that engages and empowers local mining communities.

Microsoft Devices also supported IMPACT in studying the links between women's economic empowerment and the rate of child labor in the ASM cobalt sector in the DRC. This landmark study provides deeper understanding of the drivers for child labor in the sector and establishes that women's economic empowerment plays a pivotal role in decreasing the worst forms of child labor. We expect the study to provide critical insights to guide how child labor issues are addressed in the DRC cobalt mining sector.

Microsoft also continues to support the work of Pact, an international NGO, in addressing child labor in DRC mining. Microsoft first partnered with Pact in 2015 to build awareness and strengthen local systems to sustainably address the root causes of child labor and increase accountability among upstream mineral suppliers. Since 2021, Microsoft has teamed up with several leading brands and the Responsible Minerals Initiative to scale up Pact's work by co-funding initiatives on vocational training and skills development for the youth of mining affected communities.

2021 Environmental Sustainability Report | Microsoft CSR

Reducing carbon emissions

In 2020, Microsoft committed to be carbon negative by 2030.
This means cutting our greenhouse gas (GHG) emissions by over half by 2030 across our value chain, removing the residual emissions, and removing the equivalent amount of our historical carbon emissions by 2050.

Carbon emissions are divided into three categories:

Scope 1
covers direct emissions from sources or sinks inside organizational boundaries that are owned or controlled by the organization, such as fuels used in equipment including boilers, heaters, generators, and company-owned automobiles.

Scope 2
covers indirect emissions from the production of electricity or heat that a company purchases and uses, such as emissions from the traditional energy sources that power office buildings.

Scope 3
covers indirect emissions from sources located outside organizational boundaries for all other company activities. This includes all parts of a company's supply chain, from raw materials, business travel, manufacturing and product lifecycle to the electricity customers consume in relation to the company's products and services.

Scope 3 emission reduction and disclosure is quickly moving from a "nice to have" to a "need to have," becoming a basic expectation for businesses from stakeholders including investors, customers, and employees. The regulatory landscape for emissions is evolving as well. For example, the US Securities and Exchange Commission (SEC) unveiled a proposed rule in March 2022 that would require US-listed companies to disclose their climate change-related risks and GHG emissions for Scopes 1 and 2, including GHG emissions from upstream and downstream activities in its value chain (Scope 3), if material or if a GHG emissions target or goal that includes Scope 3 emissions has been set. The proposed SEC rule is aligned with Task Force on Climate-Related Financial Disclosure (TCFD) recommendations.

As part of its Carbon Negative commitment, Microsoft plans to reduce its Scope 3 emissions by more than half by 2030. To achieve this commitment, we have developed a supply chain decarbonization program.

Decarbonizing our supply chain

The electronics supply chain is the fifth largest emitter of GHG among global supply chains. Scope 3 emissions make up more than 97% of Microsoft's total emissions, with Devices supply chain emissions accounting for a significant portion of these.

The Devices manufacturing supply chain—responsible for the design, development, manufacturing, packaging, and distribution of Microsoft's hardware—accounts for approximately 70% of Surface devices lifecycle emissions and approximately 20% of Xbox devices lifecycle emissions.

Decarbonizing the Devices supply chain therefore has a major role to play in achieving Microsoft's target of reducing Scope 3 emissions. The Devices Supply Chain Decarbonization Program is responsible for reducing Devices Scope 3 emissions.

Our approach includes engaging with carbon-intensive suppliers and empowering and enabling them to measure, report on, and reduce emissions. Our ongoing FY22 supplier engagement pilot program involves 100 suppliers with carbon-intensive processes and low GHG reporting maturity with which Microsoft has a high spend.

↗ 2021 Environmental Sustainability Report | Microsoft CSR

Reducing carbon emissions (continued)

Setting supplier standards

Suppliers are expected to follow Microsoft's Supplier Code of Conduct (SCoC) and Supplier SEA Manual (H02050). The SCoC, updated in July 2022, now requires suppliers to reduce emissions by a minimum of 55% by 2030 or an alternative reduction target pursuant to the baseline established in their supplier contract or in any other writing with Microsoft. The SCoC also requires suppliers, if requested by Microsoft, to provide independent or third-party verification of carbon emissions disclosures.

Our updated Supplier SEA Manual (H02050) outlines additional carbon emissions requirements, including establishing baselines, setting science-based targets (SBTs), and reporting on emissions reductions.

SBTs are carbon reduction targets that are grounded in the available climate science of reducing warming below 1.5°C, which is the decarbonization needed to substantially reduce the effects of climate change according to the Paris Agreement. Global signatories to the Paris Agreement committed to curbing global temperature rise to well-below 2°C above pre-industrial levels and pursuing efforts to limit warming to 1.5°C.

Climate science confirms that the earth's atmosphere is now warming faster than at any point in the history of modern civilization, primarily because of emission of GHGs from human activities. Under current trajectories, global mean temperatures are projected to increase by 2.2°C to 4.4°C by the end of this century.

Microsoft asks suppliers to set SBTs and have them approved by the SBTi, a partnership between CDP, the United Nations Global Compact, World Resources Institute (WRI), and the World Wildlife Fund (WWF).

SBTs show our suppliers how much and how quickly they need to reduce their GHGs to limit warming to 1.5°C.

In FY22,

13
priority supplier science-based targets were approved by SBTi and

15
committed to set science-based targets.

Suppliers are also requested to participate in the Carbon Disclosure Project Climate Change Questionnaire annually.

CDP is a nonprofit organization providing a global system for companies and cities to measure, disclose, manage, and share vital environmental information through annual scored questionnaires.

Suppliers should also commit to implementing carbon reduction initiatives, such as switching to renewable energy or less carbon-intensive refrigerant gases and increasing efficiencies in process heat, transportation, and other chemical inputs.

These supplier expectations are communicated to all our suppliers through the SCoC, H02050, and through 1:1 virtual supplier engagement meetings with Microsoft staff.

Microsoft expects suppliers to cascade these requirements down their supply chains.

In FY22, we expanded our onsite carbon assessment program to include additional supplier types and regions, reaching

20
additional global facilities, including China, Vietnam, Japan, and Korea, representing a

300%
increase over last year. The reports from these carbon assessments have also provided reduction ideas for other suppliers.

Reducing carbon emissions (continued)

Helping suppliers cut emissions

Microsoft has developed educational resources that explain how to set science-based targets and how to calculate GHG emissions. Our master supplier playbook introduces the decarbonization program and points to relevant resources. We have dedicated resources to communicate individually with suppliers to answer questions and facilitate transitions. Educational materials are constantly updated and shared with suppliers.

Microsoft realizes that financing is a barrier to decarbonization and has partnered with the International Finance Corporation (IFC), the private sector arm of the World Bank Group, to offer financing solutions; low-interest loans to Microsoft suppliers in emerging markets, primarily in Asia, to support their decarbonization efforts.

IFC also offers designated Microsoft suppliers advisory services to identify technical solutions for reducing GHG emissions in the manufacturing process.

In March 2022, the IFC issued a request for proposal from eligible Microsoft suppliers for investment-ready projects for reducing carbon emissions.

We also connect factories with experts to identify carbon reduction opportunities in the manufacturing process, and in FY22 our suppliers were already benefiting from this partnership.

Driving transparency

We have significantly improved the transparency of our supplier environmental information using CDP reporting of Scope 1, 2, and 3 carbon emissions.

Our CDP questionnaires are effective in helping us understand our suppliers' climate change policies and carbon emissions profiles. Our analysis shows that carbon emissions data per CDP reporting is not yet consistent year over year, and that not all suppliers currently measure Scope 1, 2, and 3 emissions.

The data helps us monitor suppliers' progress toward carbon targets and assess future opportunities for carbon reduction. We also gain insight into suppliers' actions around water use measurement, risk assessment and management, and water stewardship best practices.

This information allows us to understand water scarcity risks and opportunities in our supply chain at the supplier level, not just at the factory level, which is covered by our SEA audit program.

In FY22, 171 of our Devices hardware suppliers participated in our CDP Climate Change Questionnaire, while 160 suppliers completed our CDP Water Security Questionnaire.

These suppliers, which include all of our Tier 1 assembly suppliers, represent 98% of our direct sourcing spend in 2020. Year over year, 40% more suppliers completed the Climate Change and Water Security Questionnaires in 2021 than in 2020.

In FY22, our annual factory survey included not only the Request For Information (RFI) Questionnaire—a list of sustainability questions to collect factory basic GHG baseline information included in an annual factory survey—but also our Carbon Tracking Questionnaire (CTQ), which helps us collect high-level baseline carbon information to inform engagement and prioritization. The supplier carbon performance data will be housed in a central platform, which will be used to make Devices supply chain sourcing decisions.

In FY22, our newly launched Carbon Tracking Questionnaire had a

60%

response rate, deepening our insights into our supplier's carbon emissions.

Driving transparency (continued)

Partnering for better data

Addressing supply chain emissions requires a concerted effort due to interconnected global supply chains and the methodological challenges of measuring and reporting reductions in Scope 3 emissions. Our Devices manufacturing supply chain shares suppliers with other major global electronic manufacturers, and we take advantage of collaborative opportunities to empower others and amplify impact in driving carbon reductions.

Access to sufficiently granular, accurate, and verified primary data is a key challenge in Scope 3 emissions measurement and reduction. Internally, we have partnered with our Ecodesign team and lifecycle assessment (LCA) experts to guide us in collecting supplier emissions reduction data that can be quantified, and reported.

Microsoft has been a longtime supporter of the World Business Council for Sustainable Development (WBCSD) Partnership for Carbon Transparency (PACT) initiative to enable transparency in the supply chain. Microsoft has been one of the key technology partners developing the data architecture to exchange product carbon footprint across the supply chain. In addition, Microsoft has supported the development of the Pathfinder Framework, a consistent methodology to enable standardized emissions data exchange.

Improving supplier emissions data tracking

In order to measure and connect supplier emissions to Microsoft reduction targets, we are improving our Audit Management System (AMS) to digitize emission data exchange between Microsoft and our suppliers and track supplier commitments for Responsible Sourcing compliance.

Externally, we will continue to use existing platforms, such as Carbon Call, which aim to find and address significant gaps in existing carbon accounting systems. In the coming year, we will continue to increase our efforts to support industry wide supply chain decarbonizations through industry partnerships and coalitions as we work to reduce warming below 1.5°C to avert the devastating impacts of climate change.

Making progress in FY22
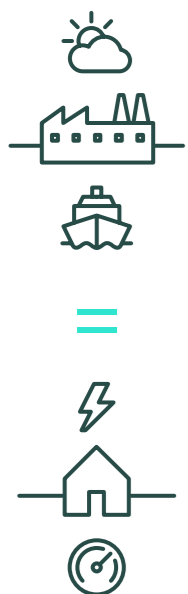
Our suppliers' GHG emissions reduction initiatives amounted to approximately

90k

mtCO$_2$e emissions in FY22.[3]

This is roughly equivalent to

17k

homes' average annual energy usage.

This progress was achieved through supplier carbon reduction interventions, renewable energy alternatives, and manufacturing process improvements.

These reductions include

12

suppliers switching to renewable energy, with six converting to

100%

renewable energy, and that are members of RE100.

In addition, we have avoided further emissions by designing our Surface Laptop Studio to allow for "stamping," a lower-waste manufacturing technique that reduced aluminum scrap rate for the product's base by **at least 25%**, a key contributor to an overall product carbon **reduction of 30%** versus its predecessor, the Surface Book 3.

[3] Measurement used to account for supplier GHG emissions reductions differ from those reflected in Microsoft's corporate disclosure.

Making progress in FY22 (continued)

Pilot study conducted by a supplier shows real carbon reduction results

In March 2022, Microsoft conducted a third-party carbon assessment on a strategically selected pilot study factory in Zhejiang province, China. The assessment showed that the factory's Scope 1 and 2 carbon emissions were around 88,500 mtCO$_2$e in 2021, making it one of the highest carbon-emitting factories in its category. Responsible Sourcing worked with the supplier to establish sustainability commitments, followed by monthly KPI reporting and action tracking. In FY22, the factory had improved across a number of carbon metrics.

FY22 pilot factory key success metrics from the supplier:

Carbon intensity by product weight (kgCO$_2$e/kg) fell

45%

compared to FY21.

Renewable energy (RE) use rose

44%

since FY21.

Purchased

65m

kWh RE resulted in a reduction of approximately

44k

mtCO$_2$e in production.

Achieved Zero Waste to Landfill Platinum Certification from Underwriter Laboratories in April 2022

In April 2022, Microsoft teams and the supplier held an "Earth Month" campaign in which 3,500 supplier employees attended sustainability awareness training. Participants submitted 30 green projects in a competition based on environmental impact and team collaboration. The winning project of FY22, Ano Dye Tank water recycling, offered lessons on how the factory could save 70,800 tons of water per year since it was implemented in October 2021.

Respect

Sourcing with respect for human rights

Contents

Everyone working in our supply chain deserves to be treated with respect and dignity. We enable workers to thrive by setting strict human-rights standards, monitoring performance, and following through with processes to solve problems.

Setting standards for labor and human rights

We believe people should be free to choose their employment and no one should have to pay to get a job. We have zero tolerance for forced or bonded labor, child labor, or inhumane treatment of workers in our operations and supply chains.

Microsoft's Supplier Code of Conduct and Supplier Social and Environmental Accountability Manual are developed and updated based on labor and human rights risk assessments, as well as:

– The Universal Declaration of Human Rights
– The UN Guiding Principles on Business and Human Rights
– The UN Global Compact Principles
– International Labour Organization Core Labor Standards
– Responsible Business Alliance Code of Conduct
– ILO Indicators of Forced Labor

Microsoft expects its suppliers to comply fully with relevant laws and regulations, as well as Microsoft's SCoC, SEA Manual, and our commitment to:

– Respect all human rights
– Provide equal opportunity in the workplace
– Take effective measures to remedy any adverse human rights and fair labor impacts, including the disclosure of any and all potential violations, and fully cooperate in investigations

Microsoft human rights and fair labor standards:

Prohibit discrimination and harassment

Prohibit the use of child labor

Prohibit the use of forced labor, prison labor, and trafficking in persons

Ensure workers have access to identity-related and personal documents

Provide safe housing when the supplier intends to provide accommodations

Provide return transportation for foreign migrant workers

Use appropriately trained recruiters to support compliance

Make conditions of employment clear when hiring

Provide written employment contracts or agreements when necessary

Provide fair compensation

Treat employees with dignity and respect

Meet working hours and rest day requirements

Ensure freedom of association and right to collective bargaining

Provide effective grievance procedures

Monitoring labor rights regulations and deepening labor risk assessment

We closely track evolving regulatory requirements in countries and regions where our suppliers operate in order to ensure a compliant supply chain.

Over the past few years, a considerable number of labor rights regulations have been introduced globally. To adapt to this trend and based on the need to manage a more flexible supply chain, we have worked with labor and human rights experts to deepen our assessment of potential labor risks in our supply chain associated with these regulatory changes. This has enabled us to gain a deeper understanding of the multiple types of regulations, trade agreements, and underlying risks in key countries and regions compared with international standards and best practices. We also reviewed our processes and programs when considering these risks. As the next step, we will further optimize our supply chain management to minimize identified risks and continue tracking updates.

In FY22, we expanded both the scale and scope of our labor and ethics law and regulation program. By June 2022, we established labor and ethics regulation databases for 11 countries and regions, covering over 90% of our in-scope Devices supplier factories.

By working with outside experts, we identified and assessed regulatory risks in countries/regions where major parts of our supply chain are located or may be located in the future. We worked with external experts to review key labor programs, including our labor and ethics law & regulation program, to identify best practices and improvement opportunities and take action.

Identifying human rights risks

We use current tools to continually assess human rights risks and their impacts within the Devices hardware supply chain.

In FY22, the Responsible Sourcing team continued to map existing and newly emerging labor risks in the global supply chain, including risks associated with forced labor, student and juvenile workers, interns, social benefits, working hours, wages, freedom of association, child labor, dispatched/temporary workers, labor outsourcing, discrimination, and humane treatment of workers.

Our work includes closely monitoring regulatory requirements and trends, engaging with labor and human rights experts, and actively engaging supplier management. We identify potential gaps in meeting emerging due diligence requirements in primary sourcing countries and ensure that all manufactured products meet trading countries' due diligence requirements. For example, in FY19, we enhanced our requirements on sub-tier supplier management to cascade our policy on social and environmental accountability, including freely chosen employment, to sub-tier suppliers.

In FY22, we continued taking risks into account in our projects and initiated a sub-tier supplier management system capability building program. We also incorporate risk data from multilateral institutions, government agencies, and risk data platforms and assessment tools provided by specialist research agencies.

We also use worker interview results from our audits and feedback from the Workers' Voice Hotline to understand supply chain risks. In FY22, we interviewed 3,313 supplier workers in our annual audits, and we received 160 worker Hotline cases.

Supply chain risks are complex, so we also consider the following factors to identify and assess suppliers' risks:

- Supplier-inherent risks that are associated with suppliers' hiring and employment processes
- Country risk, based on risk assessment tools and reports such as Maplecroft, Freedom House
- Responsible Business Alliance/World Justice Project and other human rights indicators
- Tier
- Reputation
- Contractual controls
- Audit performance

We analyze key risks to labor rights in Microsoft's device sourcing countries in terms of external expectations and legal standards. These risk identification and assessment efforts represent the beginning of a process required by the UNGP framework. The outcomes complement our existing supply chain risk assessment system.

Risks are constantly changing, so we require all final assembly manufacturers to provide monthly self-reports to closely monitor compliance risks, including human rights risks. When a risk is identified, Microsoft SEA program managers work with the supplier to mitigate it. When in-person verification is required, we conduct follow-up assessments to ensure that all nonconformances have been appropriately corrected, per our Supplier SEA Manual.

Social and Environmental Accountability Manual

Ensuring compliance and conformance

In FY22, we continued to enhance our due diligence process to proactively manage and mitigate human rights and labor issues as defined in our Supplier Code of Conduct and Supplier SEA Manual.

These issues related to forced labor, child labor, or inhumane treatment of workers are monitored and mitigated through supplier contracts, onboarding training, supplier assessments and audits, corrective action and verification, sub-tier management, and the Workers' Voice Hotline.

Other serious issues or risks we monitor and mitigate include, but are not limited to, the following areas:

– Student/juvenile workers
– Interns
– Dispatched/temporary workers
– Labor outsourcing
– Wages and social benefits
– Freedom of association
– Discrimination

With systematic monitoring and investigation of the root cause of any repeated non-conformances, the Responsible Sourcing team collaborates with suppliers, factory management team, and strategic sourcing managers to mitigate issues or risks in our supply chains.

Examples of human rights areas for focused monitoring include:

Prohibition of forced labor

It is explicitly stated in the Supplier Code of Conduct that all suppliers, including recruiters, employment agencies, and sub-agencies, are prohibited from using forced labor and prison labor, trafficking in persons, and engaging in the procurement of commercial sex acts. All forms of forced labor are prohibited, including indentured labor, bonded labor (including debt bondage, trafficked, or slave), or any other form of forced labor. All forms of prison labor are prohibited. Support for or engagement in any form of human trafficking or involuntary labor through threat, force, fraudulent claims, or other coercion is prohibited. The Supplier SEA Manual requires that suppliers shall use only voluntary labor.

Prohibition of child labor

The Supplier Code of Conduct prohibits the use of child labor. Child labor must not be used under any circumstance. The Supplier SEA Manual requires suppliers to comply with all local and national minimum working age laws or regulations and not use child labor. A child refers to anyone under the age of 15, under the age for completing compulsory education, or under the legal minimum working age for employment in the country, whichever is greater.

Prohibition of inhumane treatment of workers

Suppliers are required by the Supplier Code of Conduct to not engage in any harsh or inhumane treatment, including violence, gender-based violence, and sexual or other harassment, including psychological harassment or threats, sexual abuse, corporal punishment, mental or physical coercion, bullying, or public shaming. Verbal abuse or other forms of intimidation are prohibited. The Supplier SEA Manual requires that suppliers shall ensure that company rules and disciplinary procedures are clearly defined, progressive, and communicated to workers (e.g., included in an employee handbook if available). All disciplinary measures shall be recorded. Favoritism or preferential treatment not justified by work-related reasons is forbidden.

Ensuring compliance and conformance (continued)

We conduct assessments of potential new suppliers in the onboarding process to identify risks. Any identified risks are required to be addressed before onboarding. All new suppliers must undergo an Initial Capability Audit by a third-party auditor team. All identified major non-conformances or issues of higher risk level must be mitigated prior to the supplier's qualification for production.

We require existing suppliers to undergo regular audits to continue to closely monitor their compliance and continuous improvement. Responsible Sourcing program managers (PMs) work closely with suppliers, factory management teams, and strategic sourcing managers to drive action plans from the suppliers. Third-party auditors and Responsible Sourcing PMs review and verify supplier action plans of any identified non-conformances to ensure correction occurs within our strict timelines and sufficient evidence is provided for closure.

We also work closely with the third-party operators of our Workers' Voice Hotline (Hotline) to monitor the compliance risks in our supplier chain, including, but not limited to, any issues related to forced labor or bonded labor, child labor, or inhumane treatment. The Hotline operates as a grievance mechanism for factory workers. Workers can report any workplace concerns anonymously and confidentially. Retaliation for reporting is prohibited. Any allegation reported through the Hotline is investigated and followed-up by a third-party audit firm or Microsoft program manager, depending on the risk level. Suppliers are required to remediate any verified issues. Action and follow up are provided to the person who submitted the complaint through the Hotline, and the case is not closed until the grievance is fully addressed.

Preventing forced labor

Microsoft is committed to responsible and ethical sourcing. All forms of forced labor are prohibited by our Supplier Code of Conduct and we actively engage with our suppliers to prevent forced labor in our Devices supply chain through our supplier policies and programs. We monitor our suppliers regularly and we train our auditors to identify possible risks of forced labor, also called indicators of forced labor. These indicators of forced labor include the payment of recruitment fees, the withholding of identification papers, and others defined by the ILO Indicators of Forced Labour.

Through our supplier audit program, if we discover an indicator of forced labor, we investigate and work with suppliers to immediately remediate the indicator of forced labor through corrective action to closure, including taking steps to mitigate worker harm, prevent the impacted goods from being sold or imported, and suspension or termination of the supplier. We do not stop our investigation until we are able to conclusively determine that workers are working voluntarily. We also hold ourselves accountable by reporting any non-conformance or potential risks associated with forced labor. This is identitifed through our audits and Hotline program within our annual Modern Slavery and Human Trafficking Statement.

Building supplier capability

Microsoft's Responsible Sourcing Capability Building Program creates an opportunity to move beyond monitoring, to actively collaborating with suppliers on initiatives to empower others and amplify the impact of their Social and Environmental Accountability performance. The program is driven by the needs identified through due diligence results and external stakeholder feedback.

Supplier due diligence training

We use the SEA Academy Program to build knowledge of SEA standards and cultivate a culture of responsible sourcing for suppliers. All new suppliers are required to complete SEA onboarding training.

We worked with an external consulting firm to provide suppliers with online training on forced labor prevention and relevant regulation updates in June 2022 to increase their understanding and cascade our requirements down the entire supply chain. Approximately 287 people including those from approximately 177 supplier factories attended the training. The attendees responding to surveys reported that the training helped them to better understand regulatory requirements and their obligation to cascade Microsoft requirements on forced labor prevention.

Tailored consultation

We have also launched long-term projects on specific topics that require more in-depth engagement with suppliers to further enhance our supplier due diligence.

Based on analysis of audit records, we concluded that most labor compliance issues are associated with management of foreign migrant workers, dispatched workers, student workers, and labor subcontractor workers. In FY22, we partnered with third-party experts to develop practical guidebooks, toolkits, and technical consultancy on these topics. Suppliers received comprehensive support in addressing these common, yet complex, issues.

Eight suppliers participated in tailored consultation in FY22, and we aim to increase this number in coming years. Using the guidebook and checklist, these suppliers self-assessed their labor management system. A total of 276 risks were mapped out by suppliers and consultants and have been mitigated through this program by the end of FY22.

A total of

276

risks mapped out have been mitigated by the end of FY22.

97%

of risks have been mitigated through this program by the end of FY22.

Building supplier capability (continued)

> " The guidebooks and checklists on student workers, dispatched workers, and labor sub-contractors helped us a lot, which provided detailed and practical reference for us. With the checklist, we can proactively find the risks ourselves. And we also appreciate the consultants' support, which helped us build a system on labor risk management."

Factory HR Manager

Sub-tier supplier management

Eradication of labor risks relies on the commitment and collaboration of suppliers at all tiers in the supply chain. Since FY19, we have strengthened our requirements for supplier management to cascade our policy on social and environmental accountability, including freely chosen employment, to sub-tier suppliers.

Suppliers are required to establish a robust supplier management system to identify and mitigate risks, including policy communication, sub-tier risk assessment and audit, non-conformance management and closure, and audit competency. All onsite suppliers and vendors at our suppliers' facilities, including labor agencies, are audited annually and non-conformance closures must follow Microsoft SEA requirements, which are specified in the Supplier SEA Manual.

In FY22, we found that sub-tier supplier management issues are still a common problem among suppliers. Our Sub-Tier Supplier Management Capability Building Program aims to address this gap by helping our suppliers clearly understand what an effective supplier management system looks like. We have worked with industry experts to develop tools to build our suppliers' skills and knowledge, including a sub-tier supplier management guidebook and toolkit. Improving our suppliers' capabilities will remain a strong focus moving forward.

Giving workers a voice

Workers are some of our most important stakeholders. To ensure that workers are treated with dignity and respect, we create opportunities to hear from them directly through hotlines, interviews during annual assessments, and surveys.
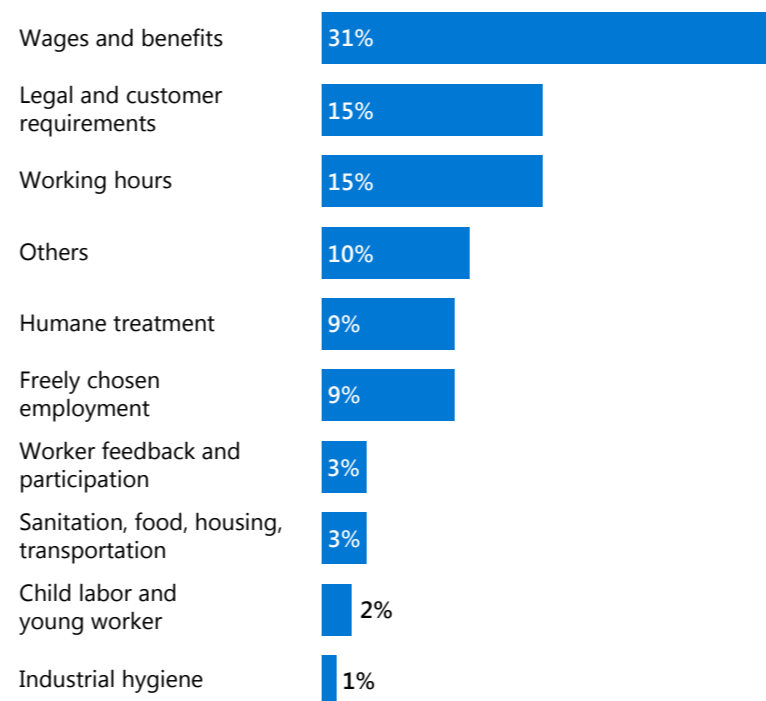
Although all suppliers are required to set up an internal grievance mechanism, the Microsoft Workers' Voice Hotline provides an external channel for workers in our supply chain to report concerns anonymously and without fear of retaliation. The program began in April 2014 with Microsoft Tier 1 suppliers in China. In FY22, it is now available to 227 Devices supplier factories and 313,484 workers, including all Devices hardware final assembly and strategic component manufacturing suppliers.

To ensure that workers are aware of the Hotline, we require it to be included in supplier worker training and leverage third-party SEA audits to provide Hotline information to suppliers. In FY22, 100% of audited factories in China were covered by the program. We developed online courses on worker rights, factory grievance channels, and Microsoft Hotline information as a solution to COVID-19

restrictions. All final assembly suppliers were required to embed the online courses in their new employee onboarding. We also provided posters with worker rights and Hotline information for workplaces.

The Workers' Voice program dealt with 160 cases in FY22. The majority of cases concerned wages and benefits, working hours, humane treatment, freely chosen employment, child labor and young workers, sanitation, and food. We monitored and investigated all reported issues with factory and third-party auditor support. We worked closely with these suppliers to take timely action to correct issues and mitigate risks. All of the FY22 reported cases have been investigated, resolved, and closed.

Top 10 reported cases via the Workers' Voice Hotline in FY22

(All cases have been investigated, resolved and closed.)

Category	Percentage
Wages and benefits	31%
Legal and customer requirements	15%
Working hours	15%
Others	10%
Humane treatment	9%
Freely chosen employment	9%
Worker feedback and participation	3%
Sanitation, food, housing, transportation	3%
Child labor and young worker	2%
Industrial hygiene	1%

Giving workers a voice (continued)

The Workers' Voice Hotline Program has proved to be a valuable supplement to the Responsible Sourcing's Assurance Program, with a comprehensive protocol aligning the two programs. In FY22, we enhanced the connection between them. For example, if a worker grievance related to compliance risks is reported during an ongoing onsite audit, we will pass the compliance risks related information to the auditors to investigate while they are there, which has improved efficiency and opportunities for resolution. Issues reported are categorized by severity of risks that align with SEA and RBA auditable standards. Freely chosen employment issues are specifically tracked with detailed escalation and investigation procedures. At the end of FY22, all non-conformances reported during FY22 were closed.

"

Microsoft Workers' Voice Hotline plays an effective and complementary role in supporting the factory to identify gaps and strengthen our management systems."

Supplier SEA Manager

"

We have finally got back pay from the factory for compensating the production shutdown. So grateful for the Microsoft Workers' Voice Hotline on solving our issues."

Factory Worker

Case study

Using the Microsoft Workers' Voice Hotline to strengthen ethical recruiting

A supplier used a labor agent to recruit workers. In FY22, two workers reported to a Workers' Voice Hotline operator that they had been charged with a small amount of administrative fees from their monthly wage.

Upon receiving the report, the Microsoft Responsible Sourcing team worked with the factory directly and required them to investigate. After the investigation, the factory confirmed the allegation. To correct the issue, the factory took several actions to strengthen their labor agency management system:

- Monitored the agency to repay the deducted fees to workers
- Provided training to the labor agency to emphasize the compliance requirements
- Conducted regular checks on the labor agency's compliance status on labor contract, payment, etc.

After the incident was closed, the Hotline operator received feedback from the workers, who expressed their gratitude: "Thanks to Workers' Voice. You have protected the legitimate rights and interests of our temporary workers. The labor agency has repaid the deducted fees to us. We appreciate your help so much!"
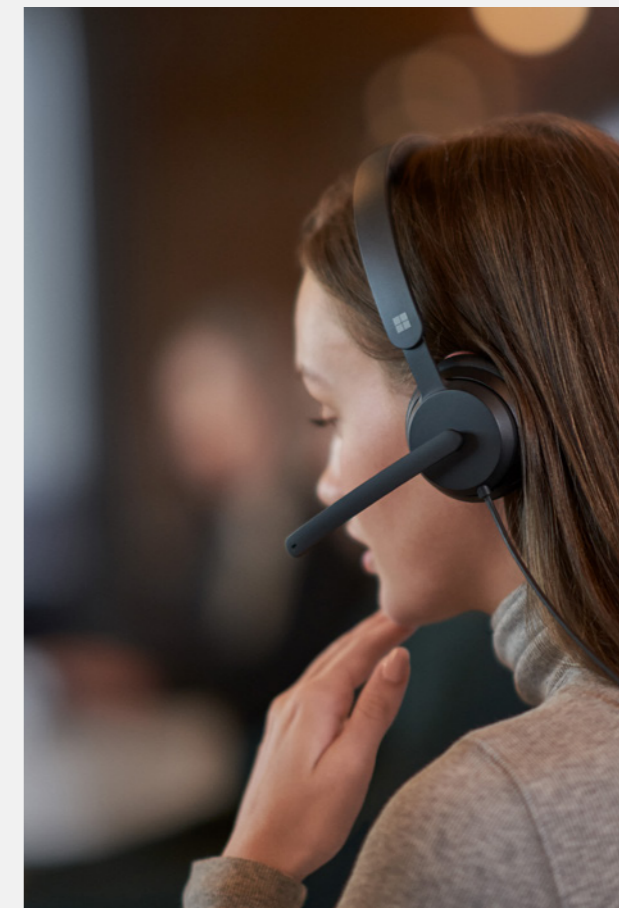
Engaging with stakeholders

It is important to us to track and meet stakeholder expectations. We value any feedback and take immediate action where possible. Our work is evaluated by human rights benchmarks, and our team continually analyzes the results to make improvements. The latest benchmarking results reflect improvements and opportunities to meet increasingly higher expectations from multiple stakeholders.
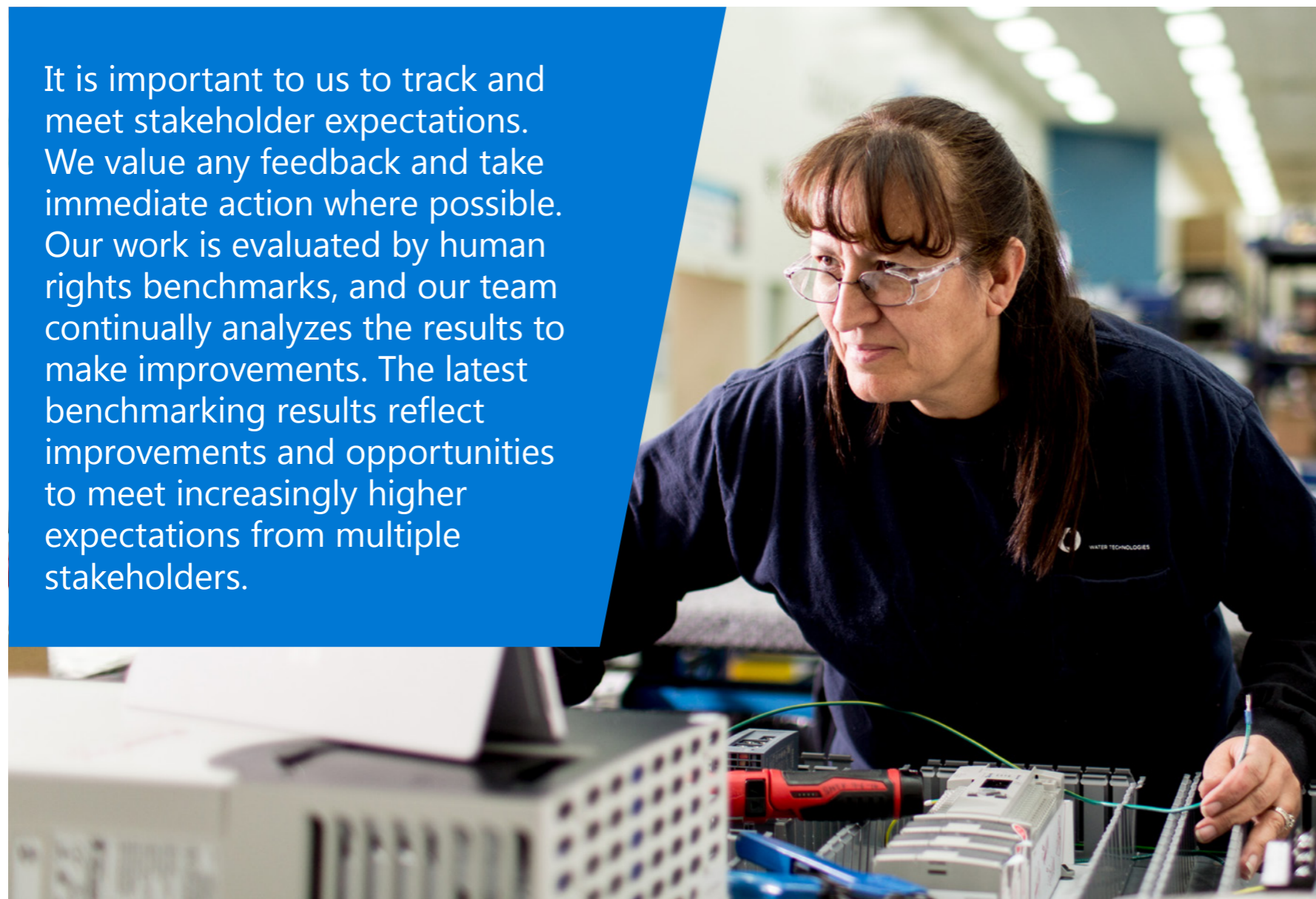
The Responsible Sourcing team is aware of potential social and environmental risks in our Devices supply chain and our responsibility to conduct appropriate human rights due diligence to identify, mitigate, and close any non-conformances. We are working to further strengthen our efforts. We are enhancing our risk identification and monitoring efforts through the use of risk mapping, which enables risks to be mitigated at an early stage. Through these process controls and improvements, we strive to meet existing commitments, efforts, and stakeholder expectations.

We also provide internal stakeholder training to foster consistency and collaboration between Microsoft teams to enhance supply chain management. To ensure that compliance is embedded in procurement decision-making processes, training was given to the Microsoft New Product Introduction Team, Strategic Sourcing Team, and Factory Management Team. In FY22, we delivered SEA training to sourcing managers, factory managers, and manufacturing engineers, as well as the New Product Introduction Team.

Microsoft Devices Responsible Sourcing Report FY22

Care

Caring for people by keeping them healthy and safe

Contents

We show we care by demanding high safety and health standards for the workers in our supply chain. We help our suppliers develop the motivation, knowledge, and skills to foster safe environments.

Analyzing environmental health and safety risks

Responsible Sourcing analyzes supplier environmental health and safety non-conformance data using our Audit Management System (AMS).

Analysis of trends and patterns in this data, which can include high-risk EHS operations, fire protection, machine safeguarding, and permit and pollutant discharge, can help us chart our strategy and make improvements.

Using the analysis to compare FY22 to FY21:

Fire protection non-conformance rate decreased by

18%

High-risk EHS operation non-conformance rate decreased by

14%

EHS permit and EHS non-conformance rate decreased by

7%

Hazardous substance non-conformance rate increased by

28%

Machine safeguarding non-conformance rate increased by

40%

The increased hazardous substance non-conformance rate is due to new regulatory requirements in FY22 that restricted new chemicals. To address this issue, we will roll out a banned-substance program in our supply chain.

Machine safeguarding non-conformance rates have increased for two major reasons:

– As automated machines are more widely used, new risks emerge. However, some suppliers' capabilities to deal with these risks have not kept up.

– Third-party auditors who perform SEA audits have received training in machine safeguarding, improving their ability to identify risks.

We plan to introduce a program to help suppliers improve their ability to determine and mitigate machine safeguarding risks.

Monitoring safety performance

We use OSHA requirements as our reporting baseline to establish best-in-class reporting obligations for all suppliers regardless of where they are located.

We collect data on work-related injuries and illnesses at our key Tier 1 Assembly supplier factories. These factories must record all work-related accidents, injuries, illnesses, and fatalities in line with US Occupational Safety and Health Administration (OSHA) standards.

Since 2014, we have encouraged key Tier 1 Assembly suppliers to report work-related injuries monthly. These records help us prevent similar events from recurring and shape best practices for other suppliers. In FY22, we added three Tier 1 suppliers and collected their OSHA recordable injury rates.

The OSHA recordable rate of injuries and illnesses is calculated using a precise formula: the number of injuries and illnesses multiplied by 200,000 and divided by employee hours worked.

In FY22, our key Tier 1 Assembly suppliers reported zero fire accidents, zero fatality cases, zero occupational diseases, and an OSHA recordable injuries rate of 0.03 on Microsoft production lines, indicating effective risk management. There were zero serious safety accidents leading to shutdowns, zero fire explosion accidents, and zero business disruption accidents within the audit scope across the Devices supply chain.

OSHA recordable injury rate of key Tier 1 Assembly suppliers

	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22
Rate	0.123	0.025	0.028	0.014	0.016	0.017	0	0.016	0.03
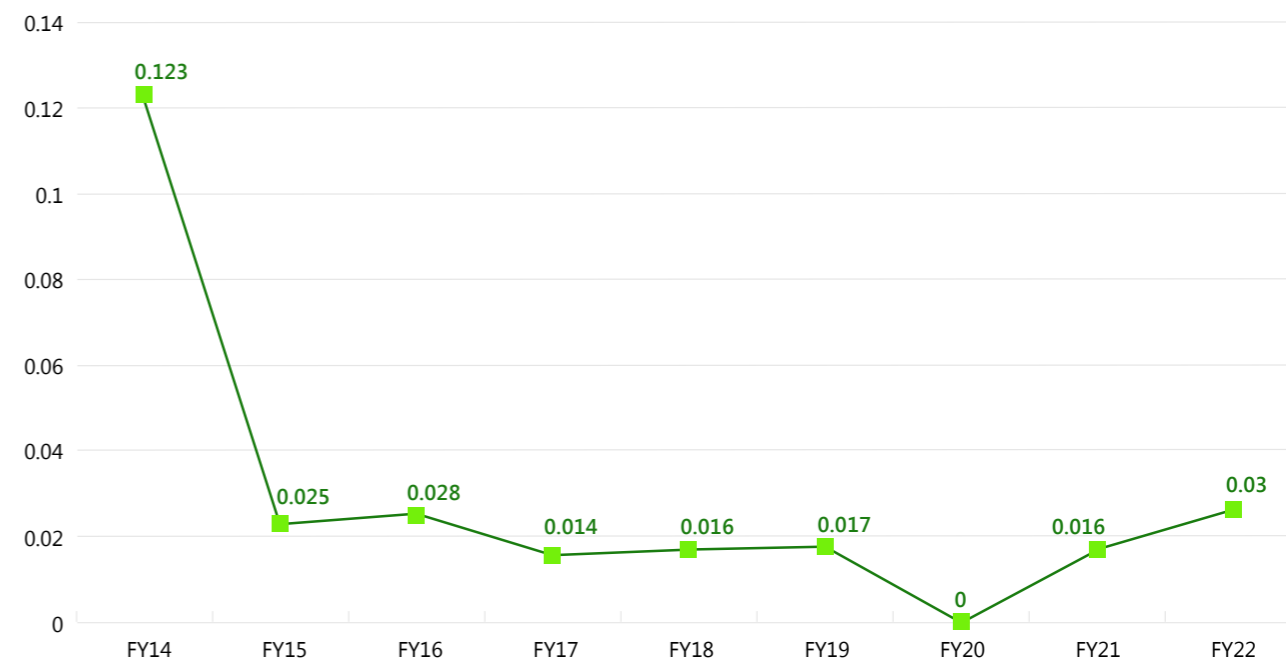
Eliminating banned substances

Microsoft keeps a list of substances that are banned from being used in cleaning agents to protect the health and safety of our supply chain workers.

In FY22,

15

chemicals containing substances banned by Microsoft were identified during our annual audits

5

of which have been replaced and

9

of which are in the process of verification. We will continue to drive the factory to replace the remaining one banned substance.

We also collected information on banned substance use via our annual factory survey in order to early identify risks. Based on the factories' responses in FY22, we eliminated

11

chemicals containing banned substances, with another

4

in the process of being replaced.

Reducing hazardous chemicals and waste risk

Chemical and waste storage is the most prominent issue in chemical lifecycle management, according to analysis of our FY21 audit performance data.

In FY22, we initiated a program to mitigate the risk of hazardous chemical and waste storage in our supply chain. We developed a brochure and checklists to standardize requirements and shared these with suppliers via online training.

All China-based supplier factories engaged in high-risk chemical processes, such as painting, printing, electroplating, anodizing, and chemical coating, were required to use the checklists to self-inspect their procedures for high-risk chemicals. Six key factories were selected for onsite assessment.

In total,

353

risks were identified,

316

(89.5%) of which have been mitigated.

Mitigating fire risk

Given the high fire risks inherent in manufacturing Printed Circuit Boards (PCBs), shown by recent industrial incidents, in FY21 fire risk mitigation programs were prioritized at factories where these components are produced.

In FY22, the Responsible Sourcing team extended this capability by scaling similar programs to other processes that also pose high fire risks, in order to minimize fire risks across the wider supply chain.

Packaging and battery manufacturing, which involve many flammable and combustible materials, are key among these suppliers.

By developing fire risk identification toolkits, with guidance for packaging and battery factories, and providing onsite training for strategic factories, we empowered our suppliers to create safer environments.

Factories have since integrated a checklist into their routine safety inspections and OHS experts have increased their onsite fire risk assessments to supplement third-party audits.

We continue to drive fire risk mitigation programs, focusing on improvement of supplier capability, risk assessment, and resolution, to amplify this impact through FY22 and beyond.

In packaging and battery factories, our fire risk mitigation program identified

480

fire risks, with

97%

of risks resolved by the end of June 2022. Compared to FY21, the fire protection non-conformance rate decreased by
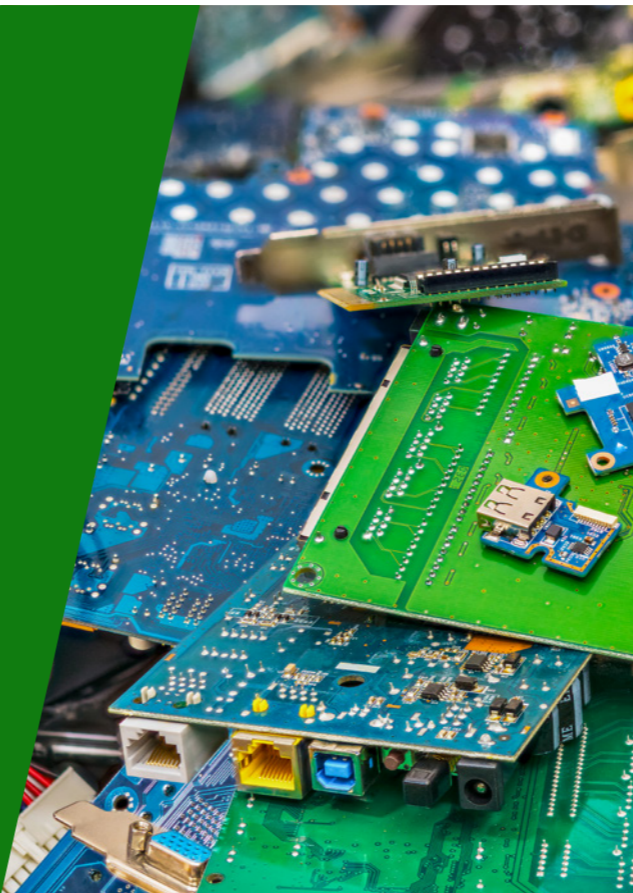
18%

across the supply chain.

Helping suppliers address environmental risks

We use the Institute of Public & Environmental Affairs system to track environmental compliance among our suppliers located in China.

IPE, a nonprofit environmental research organization, collects and analyzes government and corporate environmental information to provide transparency on supplier compliance through its online database.

The Responsible Sourcing team uses this information to monitor our China-based suppliers. Since partnering with IPE, we have resolved 122 violations with corrective action, including two cases in FY22.

We have extended the IPE program to our suppliers' sub-tier and vendor management, providing them with guidance and training. We have also given them a self-assessment tracking checklist, which includes 11 key checkpoints to enable suppliers' to build their own IPE program.

In FY22,

271

suppliers' factory SEA teams attended IPE program training in March 2022,

142

suppliers reported joining the IPE platform so they can automatically receive IPE information and self-track compliance,

109

suppliers reported using the IPE program to check their sub-tier suppliers and chemical vendors, hazardous waste vendors, and/or wastewater treatment stations to extend their supply chain compliance management.

Microsoft also participates in the IPE Green Supply Chain Corporate Information Transparency Index (CITI) and Corporate Climate Actions Transparency Index (CATI) to record annual progress. In February 2022, Microsoft was recognized by IPE for our commitment and contributions to reducing the environmental impacts of our manufacturing supply chain in China.

Helping suppliers address environmental risks (continued)

"

We would like to express our sincere gratitude to Microsoft's commitment and contributions to supply chain environmental management and climate governance in 2021. The past year has been a challenging one indeed, with the increased urgency to address the problem of greenhouse gas emissions and the global difficulties in business operations caused by the pandemic. We are particularly thankful for your continued efforts with us during this past year to reduce the environmental impacts of your manufacturing here in China considering these unprecedented difficulties."

Shanshan Ding
IPE Green Supply Chain Director

How we report

We follow reporting best practices and apply industry frameworks to continually improve our reporting and transparency.

Global Reporting Initiative Standards

These are a set of indicators covering social, economic, and environmental impacts created by experts representing business, labor, investors, NGOs, and accountancy academia, among others. This report has been prepared in accordance with the GRI Core option, including relevant topic-specific disclosures at the Responsible Sourcing Program level.

⬇ Download our GRI Standards Index

UN Sustainable Development Goals

We are actively engaged in supporting the UN Sustainable Development Goals and publicly report how Microsoft contributes to the global effort to achieve them.

⧉ Learn more about our Sustainable Development Goals

Stay connected

AskSEA@microsoft.com | Please get in touch if you have any questions or comments regarding this report.