

**Microsoft Corporation
UN Global Compact – Communication on Progress
January 2012**

Letter of Commitment from Microsoft's Chief Executive Officer

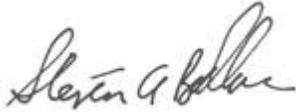
This year marks the five year anniversary of Microsoft's commitment to the United Nations (UN) Global Compact. While much has changed in the world and in our company since then, our commitment to the Compact's ten principles remains firm.

Microsoft's mission is to help people and businesses throughout the world realize their full potential. Our commitment to the Global Compact – as well as our commitment to working responsibly – is a fundamental part of how we fulfill that mission. The Global Compact's principles are embedded within our company's business practices, policies, and operations and help us function as a stronger company every day.

We continue to look to the UN Global Compact as we evolve our Citizenship approach and adapt to the new social and environmental realities created by ever-advancing technologies.

The following document gives a brief summary of some of our progress against the Global Compact principles during fiscal year 2011 (FY2011). For further detail on this progress, see our **2011 Citizenship Report**.

Sincerely,



Steven A. Ballmer
Chief Executive Officer
Microsoft Corporation

UN Global Compact Principle	Microsoft's Position	FY2011 Progress Highlights	Where to Learn More
HUMAN RIGHTS			
<p>Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and</p>	<p>Our commitment to respect the fundamental human rights of our employees, people working for our suppliers, and our customers reflects Microsoft's company mission to help people and businesses throughout the world realize their full potential.</p>	<p>Maintained Human Rights Safeguards within Microsoft We continued to practice strong corporate governance and enforce our Standards of Business Conduct and other human resource policies that ensure non-discrimination and fair employment practices within our workforce. We are gratified that our commitment to how we treat our employees was recognized by the Great Place to Work Institute, which listed Microsoft as #1 on their inaugural ranking of the World's Best Multinational Workplaces.</p>	<p>➤ 2011 Citizenship Report: Integrity & Governance</p>
<p>Principle 2: make sure that they are not complicit in human rights abuses.</p>		<p>Increased Attention to Human Rights in our Supply Chain All Microsoft suppliers are required to follow our Vendor Code of Conduct. This year, we made the first major update to the code in three years, which included strengthening the code's human rights provisions. In addition, in FY2011 we:</p> <ul style="list-style-type: none"> • Conducted human rights assessments of 80 significant suppliers. Overall, monitoring found no instances of child labor or forced labor. It did find six non-conformances to our non-discrimination policies. A corrective action plan was reviewed and approved in all six cases. • Worked with suppliers and industry peers to help prevent conflict minerals from entering our supply chain. In December 2010, the Enough Project rated our efforts on conflict minerals as "on track." <p>Supported Privacy and Freedom of Expression On and Offline Technology has the capacity to increase freedom of expression and access to information. To support technology as a tool for the advancement of human rights, in FY2011 we:</p> <ul style="list-style-type: none"> • Worked closely with the Global Network Initiative (GNI), an organization dedicated to protecting and advancing Internet freedom and privacy, to help identify and share privacy and freedom of expression best practices throughout the ICT industry. • Adopted a company-wide Freedom of Expression policy, based on international human rights standards, including the GNI principles, to guide how we handle decisions on restricting or not restricting content. • Supported freedom of political expression. For example, in late 2010, there were allegations that authorities in Russia had used software piracy charges to confiscate computers and challenge nonprofits that had voiced opposition to the government. Regardless of whether these allegations were true, we wanted to make it clear we opposed any such use of our property rights. We therefore created a new unilateral software license to allow nonprofits in certain countries/regions to use Microsoft software freely and legally. • Worked with governments, law enforcement, nonprofits, and companies to conduct programs and institute policies to help better protect individuals' right to privacy and safety online. 	<p>➤ 2011 Citizenship Report: Responsible Sourcing</p> <p>➤ 2011 Citizenship Report: Privacy and Safety</p> <p>➤ Citizenship Website: Human Rights</p>
LABOR STANDARDS			

<p>Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;</p>	<p>Our 90,000 employees drive our business, and we have a responsibility to create a respectful and rewarding work environment for them. The health, well-being, satisfaction, and diversity of our employees differentiate Microsoft and help us succeed.</p>	<p>Continued Diversity Efforts within Microsoft Within Microsoft, we continue to prioritize diversity and work toward creating a more diverse culture. This year, we:</p> <ul style="list-style-type: none"> • Added new training courses on diversity and inclusion for all employees. More than 42,000 Microsoft employees have already completed the training. • Continued to provide professional development support and training to Microsoft employees of all backgrounds to help them grow their careers. • Spent more than US\$1 billion with woman-owned, minority-owned, or veteran-owned suppliers. This puts us in the top 15 companies worldwide in supplier diversity spending. <p>Strengthened Vendor Code of Conduct As part of the Vendor Code of Conduct update, we strengthened the Code's labor provisions. Changes included a limit of 60 hours of work per week, even if local law allows more, and an explicit prohibition of discrimination against union members.</p> <p>Instituted New Supplier Grievance Process In collaboration with the Fair Labor Association and Clear Voice Hotline, we initiated a new grievance process. Workers in our supply chain now have 24-hour access to a hotline that allows anonymous reporting of grievances and issues of concern.</p>	<p>➤ 2011 Citizenship Report: Our People</p> <p>➤ 2011 Citizenship Report: Responsible Sourcing</p> <p>➤ Citizenship Website: Our People</p> <p>➤ Citizenship Website: Responsible Sourcing</p> <p>➤ Microsoft Diversity and Inclusion Website</p>
<p>ENVIRONMENT</p>			
<p>Principle 7: Businesses should support a precautionary approach to environmental challenges;</p>	<p>Microsoft is committed to software and technology innovations that help people and organizations around the world improve the environment. We see our role as twofold:</p>	<p>Improved Microsoft's Operations We continue to increase the sustainability of our internal operations. For example, in FY2011 we:</p> <ul style="list-style-type: none"> • Opened our most energy-efficient data center ever, which achieves a power use effectiveness of 1.15-1.20 PUE. • Reduced our computer energy use by 27 percent. • Purchased enough wind energy in Europe to cover 100 percent of our Dublin data center's power use. <p>Promoted Greater Industry Environmental Responsibility We work closely with industry, government, and NGOs to identify and promote ways to increase environmental responsibility. For example, in FY2011 we:</p> <ul style="list-style-type: none"> • Co-chaired a working group of the ICT4EE forum in the European Union to develop methodologies, policy solutions, and energy reduction targets for the information and communications technology industry. • Collaborated with information and communications technology companies to launch the Guadalajara ICT Declaration for Transformative Low-Carbon Solutions, which commits our industry to working with governments to use information technology to reach emission targets. • Issued our most comprehensive guidance for optimizing the energy-efficiency of information technology to date called "The IT Energy Efficiency Imperative." The guidelines provide information for individuals at every level of the IT environment, ranging from software developers and hardware manufacturers to Chief Information Officers. 	<p>➤ Citizenship Website: Environmental Sustainability</p> <p>➤ 2011 Citizenship Report: Environmental Sustainability</p> <p>➤ Microsoft Environment Website</p>
<p>Principle 8: undertake initiatives to promote greater environmental responsibility; and</p>	<p>1. Minimize the environmental impact of our business operations and products;</p>		
<p>Principle 9: encourage the development and diffusion of environmentally friendly technologies.</p>	<p>2. Create technology solutions that help individuals and businesses around the world address their environmental impact.</p>		

		<p>Created and Promoted Environmentally Friendly Technologies One of the most important ways we can help solve environmental challenges is by creating and sharing environmentally friendly technologies. In FY2011, we:</p> <ul style="list-style-type: none"> • Developed and distributed new cloud products. Through an FY2011 joint study, we learned that energy use and the carbon footprint of computing are reduced by 30 to 90 percent per user when companies move software to the cloud. To maximize these benefits, we continued to invest in new cloud solutions and in helping more organizations move to the cloud. • Worked in partnership with others to apply the power of information technology to environmental challenges. This included providing citizens and policymakers with access to real-time environmental information through our Eye on Earth network to partnering with companies like Ford and Nissan on electric vehicles and Johnson Controls on building energy management. 	
ANTI-CORRUPTION			
<p>Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.</p>	<p>Our commitment to strong anti-corruption policies and practices is resolute. Microsoft does not tolerate bribery or corruption of any kind within our own company or within our partner companies.</p>	<p>Trained Microsoft Employees in Anti-Corruption Guidelines In FY2011, more than 99 percent of Microsoft employees received training on our Standards of Business Conduct, which addresses corruption and bribery.</p> <p>Increased Attention to Anti-Corruption Efforts in our Supply Chain As part of the FY2011 update to our Vendor Code of Conduct, we strengthened the code's approach to anti-corruption. In FY2011 we also conducted third-party risk assessments of our entire database of vendors to screen for corruption risk factors. We found that we had a risk rate of about half the industry average. We also identified about 100 vendors out of our more than 60,000 suppliers that were not sufficiently implementing anti-corruption practices and either ended those relationships or took corrective action.</p> <p>Worked with Partners to Promote Anti-Corruption Best Practices We work with industry peers and global organizations to identify and promote anti-corruption best practices. For example, in FY2011 we:</p> <ul style="list-style-type: none"> • Participated in the World Economic Forum Partnership Against Corruption Initiative. • Partnered with the United Nations Office on Drugs and Crime to develop a technology tool to help in the fight against corruption and organized crime. 	<p>➤ 2011 Citizenship Report: Integrity & Governance</p> <p>➤ 2011 Citizenship Report: Compliance</p> <p>➤ Citizenship Website: Integrity & Governance</p> <p>➤ Microsoft Integrity Website</p>