



Microsoft Corporation
UN Global Compact - Communication on Progress
January 2010

The Microsoft endorsement of the United Nations (UN) Global Compact signifies that we are committed to aligning our business operations and strategies with 10 established principles that span human rights, labor, the environment, and business ethics. These principles—which correspond to our global corporate citizenship commitments—help guide our efforts to achieve greater accountability and drive continuous improvement in our business practices. Our involvement in the UN Global Compact also brings new opportunities to partner with other organizations that share our commitments.

Microsoft Corporate Citizenship: www.microsoft.com/citizenship

Microsoft endorsed the UN Global Compact (UNGC) and the Millennium Development Goals (MDGs) several years ago. Since then, these agreements have served as important frameworks as we deepen our involvement in corporate citizenship and sustainable development, and as we review and develop our policy objectives and operational practices. The Microsoft policies and principles on material issues, including technology policy, freedom of expression, environment, and the UNGC are posted on our Web site at <http://www.microsoft.com/about/corporatecitizenship/en-us/our-commitments/principles>.

Guided by the Global Reporting Initiative (GRI) reporting framework, Microsoft reports annually on its corporate citizenship performance. In addition, we provide GRI-based data to analysts using the “One Report” format. The 2009 edition of that report is posted on our Web site. Each year, this report includes detailed sections on environment, labor practices and decent work, human rights, and anti-corruption.

We also report in detail on our impact around the world through the interactive Microsoft Local Impact Map on our Web site, which is updated biannually.

The “UNGC Communication on Progress” is posted on the internal Citizenship Web portal and on our public Web site. For more information about our citizenship performance reporting, visit the Reporting page of the Corporate Citizenship Web site at <http://www.microsoft.com/about/corporatecitizenship/en-us/our-commitments/reporting>.

Human Rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: make sure that they are not complicit in human rights abuses.

The core mission of Microsoft is to help many more of the world's citizens and societies realize their full potential. A key aspect of this mission is to help people take advantage of the capabilities that today's global networks and technology provide, such as access to reliable information, opportunities for self-expression, engagement with public issues, and the ability to connect across borders. In general, Internet communication companies play a valuable role in realizing individual rights to freedom of expression and privacy.

Examples of how Microsoft helps enable the realization of human rights include:

- Microsoft Unlimited Potential aligns Microsoft technologies, partnerships, business, and corporate citizenship efforts to bring the benefits of information and communications technology to everyone who currently do not have access to it. Microsoft is partnering with governments, industry partners, nongovernmental organizations, educators, and academics to enable new avenues of social and economic empowerment for the underserved populations of the world. For more information on Unlimited Potential, visit <http://www.microsoft.com/unlimitedpotential>.
- Microsoft is also committed to bridging development gaps and helping realize basic rights by improving education and providing young people with the skills they need to become productive members of society. Since its launch in 2003, Partners in Learning has touched the lives of more than 121 million students and 5.5 million educators in over 100 countries. By 2013, we plan to have invested US\$500 million in the program and to have reached 250 million students. Read more about Partners in Learning at <http://www.microsoft.com/education/pil/partnersInLearning>.
- Microsoft is an industry supporter of the UN Millennium Development Goals and the Business Call to Action. For more information on the Millennium Development Goals, see <http://www.un.org/millenniumgoals/2008highlevel/index.shtml>.
- We continue our efforts to promote respect for the fundamental rights and well-being of Internet and technology users, to protect children from harm that can arise from the misuse of technology, and to protect users from undue threats to personal privacy. Similarly, working with the Global Network Initiative and other programs, we are taking steps to help protect the rights of users to access information, and to allow freedom of expression. Visit <http://www.globalnetworkinitiative.org> for more information.
- Bing search, Windows Live services such as Hotmail and Windows Live Spaces blogging, and both software and "cloud computing" solutions provide access to information and communications capabilities worldwide. In many respects, the Internet (and its associated services), has probably been the single most powerful catalyst in the human rights arena. It has had a dramatic impact on the speed and degree with which human rights abuses have been identified and publicized.
- Our work on "cloud computing"—including flexible "cloud-plus-client" solutions that combine locally running software and data storage with services that are accessed over the Internet—has the promise not only to provide access to information, but to improve the efforts and services of partners, governments, and nongovernmental organizations at delivering services; to improve the efficiency with which businesses and communities can run IT solutions; and to help deliver a better future for the realization of economic and political rights.

Over the last several years, we have increasingly integrated support and respect for internationally proclaimed human rights into our business operations, and we are implementing the guidelines of the Global Network Initiative to address risks of complicity. Some recent highlights include the following:

- We continue to invest in our work on community engagement, workforce development, skills training, and disaster relief. Notable developments include the launch of the Windows 7 operating system and the concurrent “7 Ways to Change the World” campaign to help identify—through short videos—ways in which Microsoft technology can be used to improve the human condition. For the latest information about these Microsoft programs, see the Community page on the Corporate Citizenship Web site at <http://www.microsoft.com/about/corporatecitizenship/en-us/our-actions/in-the-community>.
- In December 2008, we joined in the celebrations of the Sixtieth Anniversary of the Universal Declaration of Human Rights. We were pleased to join in discussions and celebrations with others at the Business and Human Rights International Seminar in Paris and we posted our own perspective on this important milestone on the Microsoft News Center, which can be accessed here: http://www.microsoft.com/presspass/features/2008/Dec08/12-10UNHD.msp?rss_fdn=Top%20Stories.
- In December 2009, we announced the donation of PhotoDNA software to the National Center for Missing and Exploited Children. With PhotoDNA, authorities are better able to index the worst images that depict sexual crimes against children, by each image’s unique “DNA” or digital signature. Online service providers and others can use that DNA to better prevent these images from circulating—thereby reducing the ongoing violation of rights that occurs through distribution of these horrible images. Read more about PhotoDNA in this entry on the Microsoft on the Issues blog: <http://microsoftontheissues.com/cs/blogs/mscorp/archive/2009/12/15/a-childhood-for-every-child.aspx>.

We also continue to recognize that realizing human rights also involves Microsoft adopting and enforcing policies to ensure that rights are respected within our own company, and to encourage respect for rights in the countries where we do business. The following are examples of such policies:

- Fair employment practices are part of our commitment to responsible business practices and human rights. Microsoft policy prohibits discrimination in hiring, compensation, access to training, promotion, termination, or retirement when such discrimination is based on race, caste, national origin, religion, age, disability, gender, marital status, sexual orientation, union membership, or political affiliation.
- Our Vendor Code of Conduct refers vendors to our own commitments in this regard, and to our commitments regarding legal compliance, privacy and security, corruption, and bribery, and can be downloaded at <http://download.microsoft.com/download/5/e/d/5ed9edad-7ed3-48cf-91bb-d526e54e547b/Microsoft%20Vendor%20Code%20of%20Conduct%20091404.pdf>.
- We have internal policies that are designed to promote respect for free expression and privacy when we respond to government demands to remove content or to provide personal information about our users. These align with the Principles and Implementation Guidelines of the Global Network Initiative.

For additional information about the Microsoft policies that relate to human rights issues, see the “Operating Responsibly” section of the online version of the Citizenship Report at <http://www.microsoft.com/about/corporatecitizenship/en-us/our-actions/operating-responsibly/employees-and-suppliers.aspx>. In addition, view the Trustworthy Computing page at <http://www.microsoft.com/mscorp/twc/default.mspx>.

Labor Standards

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle Four: the elimination of all forms of forced and compulsory labor;

Principle Five: the effective abolition of child labor; and

Principle Six: the elimination of discrimination in respect of employment and occupation.

We understand that the UNGC’s interpretation of freedom of association does not expand or contract rights under United States labor laws. We reserve the right to determine our position on recognition of collective activity or a union of workers and the advisability of bargaining or negotiating collective proposals, agreements, policies, or work rules consistent with such laws and our best judgment of the labor policies that are optimally suited to our workforce and business needs.

We believe in working proactively with the strongest, most responsible, and most productive suppliers that are available to deliver value to our customers, and we expect our suppliers to share our corporate values and operating philosophy. This means adhering to the same honesty, integrity, and commitment to service and quality that we demand from our employees; behaving responsibly toward the environment; ensuring workforce and supplier diversity in their own supply chains; and providing fair and safe working conditions for their employees.

Before we hire suppliers, we conduct audits to check for restricted substances, quality, social, and environmental accountability, and supply chain security. We continue to audit our leading suppliers annually, conduct semiannual review meetings to discuss their performance, and have escalation procedures that we can implement if compliance issues are not resolved.

Our commitment to building a strong, diverse supplier base to reflect the diversity of our customers and employees continues. This creates opportunities for people to succeed—in our products, in our workplace, and among our suppliers.

To ensure that our suppliers understand the depth of our commitment to citizenship and social responsibility, we ask them to carefully review our Microsoft Vendor Code of Conduct, and we routinely monitor code compliance among our top suppliers and hardware manufacturers. The Vendor Code of Conduct is now part of the Microsoft Vendor Program Agreement, the contract that our leading vendors must sign to initiate or renew a business relationship with Microsoft, and vendor guidelines can be viewed here:

<http://www.microsoft.com/About/CompanyInformation/procurement/process/contracting.mspx>.

We train our suppliers on best practices and our expectations and requirements, and we continuously work collaboratively with them to achieve solutions that are practical and innovative. We use teams of external and internal auditors to assess supply chain conditions on-site and measure performance against expectations. This generates opportunities for risk reduction, additional training regarding corrective actions and improvement, and validation of our long-term commitment to responsible business practices.

Microsoft promotes a cooperative and productive work environment by supporting the cultural and ethnic diversity of its workforce and is committed to providing equal employment opportunity to all qualified employees and applicants. Microsoft does not unlawfully discriminate based on race, color, sex, sexual orientation, religion, national origin, marital status, age, disability, or veteran status in any personnel practice, including recruitment, hiring, training, promotion, and discipline. We take allegations of harassment and unlawful discrimination seriously and address such concerns that are raised regarding this policy. For more information about our commitment to diversity and inclusion, visit <http://www.microsoft.com/about/diversity/default.aspx>.

Microsoft has established a number of initiatives to promote and integrate diversity at every level within our organization, and to demonstrate this commitment locally, nationally, and globally. For example:

- Diversity Education Programs - These programs reinforce our commitment to diversity and ensure that our employees have the tools and resources that they need to grow professionally. The emphasis is on understanding and valuing differences, and using them to compete effectively in an ever-changing marketplace.
- People with Disabilities - Microsoft wholeheartedly supports the spirit of the Americans with Disabilities Act. In addition, we provide grants to innovative endeavors that address the technology needs of the disability community and support programs that use technology to increase employment.
- Diversity Advisory Councils –To help foster diversity, Microsoft has a rich community of more than 40 employee affinity groups, including Single Parents at Microsoft; Women at Microsoft; Gay, Lesbian, Bisexual, and Transgender Employees at Microsoft; and Dads at Microsoft.
- Microsoft Outreach - Our company is committed to encouraging the next generation of technology leaders. For example, the Blacks at Microsoft Diversity Advisory Council hosts an annual day to encourage minority students to pursue careers in technology. During the 2007 camp, Microsoft CEO Steve Ballmer announced a US\$5 million grant to assist the National Urban League to reach more than 600,000 African-American children with technology skills training.
- Women at Microsoft - Microsoft is committed to attracting talented women to the company by providing generous work-life balance programs and opportunities for leadership-development and career-development. We have developed relationships with key women and minority professional organizations across the country. We participate in conferences and career fairs, facilitate workshops, and support annual events. Visit the Microsoft careers page at <http://members.microsoft.com/careers/women/default.aspx>.

For more information about Microsoft policies that relate to labor issues, see the Employees and Suppliers page on the Corporate Citizenship Web site at <http://www.microsoft.com/about/corporatecitizenship/en-us/our-focus/operating-responsibly/employees-and-suppliers.aspx>.

Environment

Principle Seven: Business should support a precautionary approach to environmental challenges;

Principle Eight: undertake initiatives to promote greater environmental responsibility; and

Principle Nine: encourage the development and diffusion of environmentally friendly technologies.

Environmental sustainability is a serious global issue that requires a comprehensive response from all sectors of society. To address this challenge, Microsoft is focusing on responsible environmental practices, software and technology innovations, and global partnerships. The company's goal is to reduce the environmental impact of its operations and products and to be a leader in environmental responsibility.

Microsoft is committed to phasing out substances in its consumer hardware electronic products that pose a risk or threatened risk to human health or the environment. We try to restrict the use of such substances, and that is why our starting point is the precautionary principle. The precautionary principle was defined in the UN Rio declaration as, "Where there are threats of serious or irreversible damage, lack of full scientific certainty shall not be used as a reason for postponing cost-effective measures to prevent environmental degradation." We believe that acting preventatively to reach a sustainable use of natural resources and a sound environment creates better products. For information about our adoption of the precautionary principle, download the Precautionary Principle document (http://download.microsoft.com/download/b/0/a/b0a74c2b-185d-47e6-9e42-20d64d63d5ed/Precautionary_Principle.docx). For the latest information about how this is applied to restrict potentially hazardous substances in our products, download the document Restricted Substances for Hardware Products (http://download.microsoft.com/download/1/9/9/199b2229-c731-47b2-b420-a6806027d5d5/Restricted_Substances_for_Hardware_Products.docx).

Microsoft is committed to reducing the impact of our own operations, including energy-efficient design of new buildings and innovation in the design and operation of Microsoft data centers. Microsoft voluntarily measures its carbon footprint, provides annual reports on greenhouse gas emissions to the Carbon Disclosure Project (CDP), and was included in the CDP's 2007 Climate Disclosure Leadership Index. We have also set specific environmental goals, including a goal to reduce our carbon emissions per unit of revenue by 30 percent by 2012 compared with 2007, and to improve the energy efficiency of new data centers. By 2012, we aim to improve the energy efficiency of newly built data centers to an average of 1.125 in Power Use Effectiveness (PUE), which is an industry metric of data center energy efficiency where 1 represents optimal energy use. The data center industry average for PUE is currently 2.

Microsoft also works with customers and suppliers to reduce the environmental impact of our products throughout the value chain. For example, through the Microsoft Authorized Refurbisher programs, we provide low-cost licenses for Microsoft software to help equipment refurbishers extend the useful life of over 500,000 computers per year.

We also take a leadership role in industry efforts to promote sustainability. For example, Microsoft is a board member of the Climate Savers Computing Initiative. Through this group, Microsoft—together with the World Wildlife Fund, Intel, Hewlett Packard (HP), and other software and information technology (IT) companies—is committed to reducing the IT industry's carbon footprint by over 50 million tons a year, the equivalent of taking 11 million cars off the road.

Microsoft believes in the potential of software and technology innovation to help governments, businesses, and individuals reduce carbon emissions and address pressing environmental issues.

To promote energy-efficient computing, Microsoft is helping reduce the impact of computing on the environment through power management at the software and enterprise level. The Windows 7 operating system uses less energy than any previous Microsoft operating system, and it includes tools to identify applications that are unnecessarily using energy. Windows Server 2008 power management and virtualization settings achieve power savings of up to 10 percent over Windows Server 2003 at comparable levels of throughput. With Microsoft System Center, customers can manage the energy use of their data centers, servers, and desktop computers from one central location.

Microsoft also seeks to provide innovative solutions to environmental challenges. Microsoft Unified Communications (UC) solutions streamline communications and collaboration, reducing the need for business travel and commuting. Our ClearFlow feature in Live Maps enables drivers in over 70 cities to find routes based on the least traffic, reducing travel time and pollution. With Microsoft Virtual Earth, customers can visualize data to gain insight into global trends and patterns. Both the United States Environmental Protection Agency and the European Environmental Agency rely on Microsoft Virtual Earth to share environmental information with citizens, scientists, and policymakers.

Microsoft Research, the company's unique basic and applied research group, is committed to delivering breakthrough innovations in research in the areas of energy efficiency and conservation, weather study and prediction, air pollution and quality, climate change, and hydrology. Microsoft Research efforts range from sensor networks to assist scientists in understanding global ecological issues by tracking animals to Web-enabled sensors that could be used in businesses and homes to monitor energy consumption. Microsoft Research also has several projects that are aimed at providing technology expertise and tools to scientists in an effort to improve how data is accessed and used. Such projects include studying how the build-up of greenhouse gases in the atmosphere leads to changes in Earth's climate, and understanding the impact of increased population and industry on rivers and balancing this with the need to conserve wildlife and protect ecosystems.

Microsoft is also partnering with other leading organizations on new tools to promote environmental sustainability. For example, Microsoft and the Clinton Foundation are creating tools to enable cities around the globe measure, track, and improve their greenhouse gas emissions. Using these tools, cities can collaborate and share best practices on the most effective ways to reduce greenhouse gas emissions. At the recent COP15 UN Climate Summit in Copenhagen, we also launched several new partnerships with the European Environment Agency (EEA) to address energy and climate change. These partnerships include the Environmental Atlas of Europe (<http://environmental-atlas.cloudapp.net>), an online digital storytelling platform that includes videos, photos, and data that illustrates the local impact of climate change in Europe. In addition, Bend the Trend (<http://www.eea.europa.eu/cop15/figure-data-sources>) is an innovative online pledging program developed by the EEA that enables individuals to reduce their carbon emissions. We also showcased another EEA partnership, called Eye on Earth (<http://eyeonearth.cloudapp.net>), which provides real-time environmental data to the citizens of Europe using the power of the Windows Azure platform.

For more detailed examples and updated information, visit www.microsoft.com/environment.

Anti-Corruption

Principle Ten: Businesses should work against all forms of corruption, including extortion and bribery.

Corruption promotes poverty, hunger, disease, and crime, and it keeps societies and individuals from reaching their full potential. Corruption is one of the leading obstacles to economic and social development. Microsoft is committed to observing the principles that are set forth in the UN Global Compact, and to full compliance with the anti-corruption and anti-money laundering laws of the countries in which it operates, including the United States Foreign Corruption Practices Act.

Microsoft has adopted and implemented policies that strictly prohibit corruption of government officials and also acts that may promote commercial bribery. These enhanced policies include several procedures and business processes that are designed to help the company prevent corrupt payments.

Microsoft is also committed to taking reasonable steps to ensure that its business partners who represent the company share this commitment to our Standards of Business Conduct and compliance with the anti-corruption laws.

For more information about Microsoft policies that relate to our Standards of Business Conduct, see the Responsible Leadership Web site at <http://www.microsoft.com/About/CorporateCitizenship/US/ResponsibleLeadership/Compliance.mspx>.