



Company Engagement Questions:

KnowTheChain Information and Communications Technology Sector benchmark

Companies can use these questions to provide additional information relevant to KnowTheChain's benchmarking of companies commitments and programs targeted at addressing human trafficking and forced labor in the supply chain.

Please note that answers to these questions will be made publicly available on the [website of Business & Human Rights Resource Centre \(BHRRC\)](#), one of the partners in KnowTheChain. The project will maintain a strict standard of only including information provided via a company's public website or BHRRC's website in the evaluation.

Please send your answers to Annabel Short, Program Director, Business & Human Rights Resource Centre: short@business-humanrights.org, with a cc to Megan Wallingford, Senior Advisor, Advisory Services, Sustainalytics: megan.wallingford@sustainalytics.com.

We encourage companies to answer as many of the questions as possible. You may wish to focus particularly on those for which your company currently does not have information available on its website.

Name of company: Microsoft

Name of respondent: Steve Lippman

Position of respondent: Director of Corporate Responsibility

Respondent's contact information (email): stevlip@microsoft.com

Documents

1. Please share links to any policy statements, reports, or other documents that you would like to be taken into account in a review of your company's approach to managing forced labor risks in the supply chain.

Microsoft Response:

[Microsoft Supplier Code of Conduct](#)

[Microsoft 2015 Citizenship Report](#) (See particularly Chapter 5 on Human Rights and Chapter 6 on Responsible Sourcing and Manufacturing)

[Microsoft Global Human Rights Statement](#)

Microsoft [Responsible Sourcing of Raw Materials Policy](#)

Microsoft 2014 and 2015 Conflict Minerals Reports (available for download [here](#))

Commitment and governance

Awareness and commitment

2. Has your company made a formal commitment (e.g. adopted a policy) to address human trafficking and forced labor? Please include a link to the commitment.

Microsoft Response: Yes, as a signatory to the [UN Global Compact](#), Microsoft is committed to respecting all of the human rights described in 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 [ILO Declaration on Fundamental Principles and Rights at Work](#). The approach, philosophy, key areas of impact, governance, due diligence and remediation is outlined in the [Microsoft Global Human Rights Statement](#).

Microsoft is dedicated to improving people's lives by empowering people and businesses all over the world to achieve more while being a good global citizen. Our commitment to human rights is embodied in this mission (for more information please see our [Microsoft Global Human Rights Statement](#)). We believe that technology can be used in a combat human trafficking and modern slavery. Microsoft has experience in addressing technology-facilitated crime and is investing in research, programs and partnerships to support human rights and advance the fight against human trafficking.

Microsoft implements and fosters human rights policies through all our business operations and processes. As a company with global operations, Microsoft also requires our global manufacturing partners to meet international human rights and social and environmental accountability requirements with respect to their facilities, their workers, and the products they manufacture.

The Microsoft Supplier Code of Conduct states:

- Use only voluntary labor. The use of forced labor whether in the form of indentured labor, bonded labor, or prison labor by Microsoft Suppliers is prohibited. Also prohibited is support for any form of human trafficking of involuntary labor through threat, force, fraudulent claims, or other coercion.
- Not require workers to lodge "deposits" or their identity papers (government-issued identification, passports, or work permits) with their employer. Workers should be free to resign their employment in accordance with local and national laws or regulations without unlawful penalty.

Supply chain standards

3. Does your company have a supply chain standard that requires suppliers to uphold workers' fundamental rights and freedoms, including the elimination of forced labor? Please include a link to the standard, and provide information on how frequently the standard is updated.

Note on EICC membership: Many ICT companies are members of the Electronics Industry Citizenship Coalition, EICC. If your company is a member and provides a link from its own website to the latest version of the EICC Code (i.e. version 5.1 effective January 1, 2016), then that code will be considered by KnowTheChain in reviewing the company's supply chain standards.

Microsoft Response: Yes, Microsoft requires all suppliers doing business with us to uphold the ethical business, employment, environmental, and worker safety practices prescribed in our [Supplier Code of Conduct](#), which is based on the [Electronic Industry Citizenship Coalition's](#)

(EICC's) responsible supply chain standards. These requirements are incorporated into our contracts with directly contracted suppliers. The standards cover the areas of labor, human rights, ethics, environment, health and safety. Microsoft standards protect the fundamental rights and freedom of all workers and do not tolerate the use of child, involuntary or any form of forced labor in any of its factories.

We also require our suppliers to address the issues covered in our Supplier Code of Conduct and Social and Environmental Accountability (SEA) specifications with their own upstream and downstream suppliers—those with whom Microsoft does not directly engage via contract. These standards are reviewed, at a minimum, on an annual basis and updated as needed.

Management

4. Who within your company is responsible for the implementation of your company's supply chain policies and standards relevant to human trafficking and forced labor? Please indicate the committee, team or officer, and describe their scope of responsibility.

Microsoft Response: Within Microsoft, two groups work to ensure that our social, ethical, environmental, health, and safety requirements for suppliers are met. Microsoft's Device and Supply Chain Group (DSC) established its Social and Environmental Accountability (SEA) Program in 2005 to ensure that our hardware and packaging suppliers conform to our Supplier Code of Conduct and additional hardware-related requirements for living conditions, safe working practices, and environmental, health, and safety protection. Microsoft's Global Procurement Group, which manages Microsoft's spending with indirect (that is, non-hardware) suppliers, created a new management function in 2013 to consolidate and enhance responsible sourcing activities based on learnings and best practices from the SEA Program. Together, these two programs promote capacity-building and establish proactive partnerships with suppliers, and embed social and environmental criteria into Microsoft's core purchasing and sourcing decisions.

Microsoft's Board of Directors has ultimate oversight for the company's corporate responsibility efforts. The charter for the Regulatory and Public Policy Committee of our Board of Directors includes the responsibility to "review and provide guidance to the board and management about the company's policies and programs that relate to corporate citizenship, including human rights, environmental sustainability, corporate social responsibility, supply chain management, charitable giving, and political activities and expenditures." It does so on a semi-annual basis. See Microsoft 2015 Citizenship Report

Training

5. Does your company conduct training programs for internal decision-makers and suppliers on risks, policies and standards related to human trafficking and forced labor? Please describe.

Microsoft Response: Yes, the Microsoft Device and Supply Chain SEA program follows a management system approach. As part of the management system, training is provided to all relevant internal decision makers and stakeholders including sourcing managers and factory managers responsible for the implementation of the Social and Environmental Accountability (SEA) program. The training covers human trafficking and forced labor, and these employees are trained to understand SEA risks and Microsoft's SEA strategy, policies and standards. The Microsoft Social and Environmental Accountability team is responsible for strategy, program development and due diligence monitoring. This expert team provides the SEA training to all directly contracted suppliers.

On areas beyond our own supply chain, training to mitigate the risk of human trafficking is also now included in the role compliance training used by Microsoft's public sector sales team. Additionally, a role-based human rights training program prioritized by risk is now being developed across multiple business units. Building on Microsoft's experience of supporting anti-trafficking activities through the use of technology, a new policy is being developed to guide Microsoft in using data analytics and other tools with select international organizations and NGOs to empower their work with a victim-centered, empirical and transparent approach to prevent and address human trafficking.

6. In the last three years, has your company engaged a) with local stakeholders such as NGOs, trade unions or policy makers or b) in multi-stakeholder initiatives on human trafficking and forced labor, especially as it relates to the supply chain? Please describe with whom your company has engaged, the purpose of the engagement, and your company's role.

Microsoft Response: Microsoft is dedicated to achieving extended, responsible sourcing strategies by building capabilities across industry sectors, supporting electronics industry efforts, and exercising supply chain due diligence. We believe collaboration is the best avenue to establish industry-wide, responsible sourcing practices. Related to raw material sourcing, our strategy is outlined in our Responsible Sourcing of Raw Materials Policy. We believe that we can most effectively improve practices associated with mining of metal ores at their source also through participation in collaborative initiatives that aim to up-level the social and environmental standards applied by the entire upstream metals mining industry—regardless of whether the materials are used in Microsoft products.

Microsoft is a member of the Electronic Industry Citizenship Coalition and we participate in multiple workgroups that cover the areas of labor, human rights, ethics, environment, health and safety. In addition, the Device Supply Chain partners with NGOs, industry peers, and other multi-stakeholder organizations. Organizations we have partnered with during FY15 include but not limited to:

- **Pact**: to empower small and medium sized miners to achieve legal, safe and secure livelihoods. We are specifically engaged with **Pact** – a non-governmental organization, on a pilot project to address child labor in the Katanga region of the DRC related to **mining**.
- **Initiative for Responsible Mining**: to establish a global multi-stakeholder and independently verifiable responsible mining assurance system that improves social and environmental performance. Microsoft is on the steering committee of IRMA.
- **Alliance for Responsible Mining**: to create opportunities for small and medium sized gold miners and provide them incentives to become economical, technological and environmental viable economic enterprises in a responsible manner. Microsoft supports ARM's work in the artisanal and small-scale mining (ASM) sector through direct participation and financial assistance and the donation of licenses and products.

In addition, through the Business for Social Responsibility Human Rights Working Group, Microsoft has benefited from engagement with representatives from groups including the Business and Human Rights Resource Center, Ethical Trading Institute, International Corporate Accountability Roundtable, Oxfam America, US State Department, UK Human Rights and Democracy Directorate at Foreign and Commonwealth Office, and Verite.

Traceability and risk assessment

Traceability and risk assessment

7. Please describe your company's supply chain tracing and risk assessment processes. Include any specific examples of when your company has conducted forced labor risk or impact assessments focused on a particular commodity, region or group.

Microsoft Response: Microsoft screens our indirect (non-hardware) suppliers on an ongoing basis against 23 different ethical, social, and environmental risks by country and by commodity category, and applies assurance requirements for suppliers found to pose the highest risks. All new and directly contracted hardware and packaging suppliers undergo a risk assessment and initial capability assessment and audit. These audits cover all aspects of the Microsoft Supplier Code of Conduct including labor risks. We use a combination of third-party auditors and DSC SEA team members to conduct these audits and assessments using a standard checklist composed of Electronic Industry Citizenship Coalition (EICC) requirements and additional Microsoft requirements. After the initial baseline assessment, the SEA team monitors the performance of all directly contracted suppliers. Third-party auditors audit SEA conformance with our Tier 1 suppliers annually and our Tier 2 suppliers based on their risk level. Microsoft's SEA team supplements these third-party audits with regular onsite assessments of Tier 1 factories and high- and medium-risk Tier 2 component suppliers.

Transparency

8. Does your company disclose a) identified forced labor risks b) the names and locations of first-tier suppliers, and c) some information on suppliers beyond the first tier? If yes, please provide a URL.

Microsoft Response: Microsoft publishes annually in the [Microsoft Corporate Citizenship Report](#) the results of our audits and assessments that our labor conditions related requirements. We report on the critical and serious findings as a result of these assessments and audits for all hardware and packaging suppliers. We also disclose our top 100 production suppliers for our commercial hardware suppliers on an annual basis. That list includes both Tier 1 and Tier 2 suppliers. See <https://www.microsoft.com/about/csr/DownloadHandler.ashx?Id=03-05-01>

Purchasing practices

Purchasing practices

9. Does your company make an effort to avoid purchasing practices that increase the risk of human trafficking and forced labor in the supply chain (e.g. short-term contracts, excessive downward pressure on pricing, sudden changes of workload?) Please elaborate.

Microsoft Response: Yes, Microsoft's Supplier Code of Conduct and SEA requirements are incorporated into our contracts with Tier 1 suppliers that manufacture our hardware components and products, and strategic Tier 2 suppliers and other suppliers contracted by Microsoft to provide components and/or materials to our Tier 1 suppliers. We also require these suppliers to address the SEA requirements with their own upstream and downstream suppliers with which Microsoft does not contract directly. Microsoft's factory and sourcing managers partner with our SEA team of experts to ensure that Microsoft's labor rights, ethics, environment, occupational health, and safety requirements are met.

In cases when nonconformances are detected during the assessments and audits, our SEA team works closely with suppliers to develop corrective action plans to resolve detected issues, including building needed capabilities through education and training. Suppliers are required to identify the root cause, establish a corrective course of action, and implement preventive actions

for all issues found. Suppliers must correct issues within specific deadlines based on the severity of the nonconformance or risk termination of our business.

Supplier selection

10. Does your company assess risks of forced labor at potential suppliers prior to entering into contracts with them? Please describe.

Microsoft Response: Yes, all new and directly contracted hardware and packaging suppliers undergo initial risk assessments and initial capability assessments and audits for our Social and Environmental Accountability standards. A combination of third-party auditors and/or members of Microsoft's SEA team conduct these audits and assessments using a checklist composed of the Electronics Industry Citizenship Coalition (EICC) requirements and additional Microsoft requirements on labor, environmental protection, ethics, worker health and safety, and management systems.

During the review process, auditors examine documentation; visit production lines, dorms, canteens, and waste storage facilities; and conduct face-to-face interviews of workers and factory management. To ensure consistency and quality of third-party audits, Microsoft pre-qualifies third-party auditors through shadow audits and assessments of their onsite audit performance and reports.

11. How does your company take into consideration the capacity of suppliers to meet fluctuating demands?

Microsoft Response: Microsoft works closely with the suppliers to ensure that proper planning for capacity is conducted to meet our business needs and consistent with our Supplier Code of Conduct.

12. Does your company integrate its supply chain standards addressing forced labor and human trafficking into supplier contracts?

Microsoft Response: Yes, as noted above, Microsoft's Supplier Code of Conduct and SEA requirements are incorporated into our contracts with Tier 1 suppliers that manufacture our hardware components and products, and strategic Tier 2 suppliers and other suppliers contracted by Microsoft to provide components and/or materials to our Tier 1 suppliers. We also require these suppliers to address the SEA requirements with their own upstream and downstream suppliers with which Microsoft does not contract directly.

13. Does your company have a process to cascade standards on forced labor down the supply chain (e.g. requiring first-tier suppliers to ensure that their own suppliers implement standards that are in line with the company's standards)? Please describe.

Microsoft Response: Yes, as noted above, Microsoft's Supplier Code of Conduct and SEA requirements are incorporated into our contracts with Tier 1 suppliers that manufacture our hardware components and products, and strategic Tier 2 suppliers and other suppliers contracted by Microsoft to provide components and/or materials to our Tier 1 suppliers. We also require these suppliers to address the SEA requirements with their own upstream and downstream suppliers with which Microsoft does not contract directly.

Recruitment

Recruitment approach

14. Please describe your company's recruitment approach, including whether your company requires recruitment agencies in its supply chain to uphold workers' rights, whether it has a policy on direct employment, and whether it requires suppliers to disclose to the company the recruiters that they use.

Microsoft Response: As noted above, for hardware and packaging suppliers, the Microsoft's Supplier Code of Conduct and SEA requirements are incorporated into our contracts with Tier 1 suppliers that manufacture our hardware components and products, and strategic Tier 2 suppliers and other suppliers contracted by Microsoft to provide components and/or materials to our Tier 1 suppliers. We also require these suppliers to address the SEA requirements with their own upstream and downstream suppliers with which Microsoft does not contract directly. The supplier code of conduct outlines the expectations for upholding worker rights including recruiting approaches as described in our answers below.

Recruitment fees

15. Please describe your company's approach to recruitment fees, including whether your company requires that no fees be charged during recruitment processes, and whether and how it ensures that fees paid are reimbursed.

Microsoft Response: For hardware and packaging suppliers, the Microsoft's SEA requirements, which extend the Microsoft Supplier Code of Conduct, outline the expectations for suppliers regarding recruitment fees. These requirements as stated above are verified through audits and assessments. We use a combination of third-party auditors and DSC SEA team members to conduct these audits and assessments using a standard checklist.

The SEA Requirements regarding recruitment fees are as follows:

“Supplier shall implement Compliance Plans including training and awareness, employee/candidate grievance programs and reporting, **prohibiting recruitment fees**, applying same salary structure for residence and non-residence workers, ensuring that any accommodation arranged by supplier meets the host country standards, and establishing procedures to effectively monitor the conformance of their own suppliers with these requirements, and to terminate any supplier that fails to meet these requirements. Suppliers must certify that their programs meet these requirements and shall provide details related to their compliance programs and their action plans to Microsoft upon request. Suppliers are responsible for ensuring that their subcontractors meet these requirements as well.

Supplier shall **not require workers to lodge “deposits”** or surrender their identity papers (government-issued identification, passports, or work permits) as a condition of employment. Workers should be free to resign their employment in accordance with local and national laws or regulations. In absence of such laws the workers shall be free to leave the company after giving a reasonable notice.

Workers shall not be required to pay employers' or agents' recruitment fees or other related fees for their employment. If any such fees are found to have been paid by workers, such fees shall be repaid to the worker.

An employee who is not a national of the country in which the work is taking place, and who was brought into that country for the purpose of working for Supplier, **shall be provided a return transportation to his/her origin, or reimbursed for the cost of such trip**, by the Supplier when employment comes to an end.

Suppliers shall ensure that contracts for workers, and where applicable, employee handbooks, clearly convey the conditions of employment in a language understood by the worker. Each worker must be provided with a copy of their employment contract which must clearly convey the conditions of employment in a language understood by the worker. All contracts must reflect current and applicable labor laws and regulations.”

Recruitment audits

16. Does your company audit recruiters to assess risks of forced labor and human trafficking?

Microsoft Response: All Microsoft hardware and packaging suppliers undergo a risk assessment and initial capability assessment and sustaining audits based on risk. These supplier audits cover all aspects of the Microsoft Supplier Code of Conduct and SEA requirements, including labor risks and recruiting practices, to assess forced labor and human trafficking.

Worker voice

Communication of policies to workers

17. Please describe how your company communicates its human trafficking and forced labor related policies and standards to workers in its supply chain.

Microsoft Response: As noted above, for hardware and packaging suppliers, the Microsoft’s Supplier Code of Conduct and SEA requirements are incorporated into our contracts with Tier 1 suppliers that manufacture our hardware components and products, and strategic Tier 2 suppliers and other suppliers contracted by Microsoft to provide components and/or materials to our Tier 1 suppliers. We also require these suppliers to address the SEA requirements with their own upstream and downstream suppliers with which Microsoft does not contract directly. Suppliers are required to communicate these expectations and policies to the workers in their supply chain.

18. Please describe how your company engages with workers outside of the context of the factories in which the work (whether directly or in partnership with stakeholders).

Microsoft Response: Microsoft has invested in building supplier capabilities through training and sharing experiences and best practices, including detailed guidelines on how to improve factory workers’ living environments and environmental health and safety systems. An example of this is the implementation of our Tier 1 Model Factory Scorecard, created in FY13 with input from worker surveys and suppliers to identify best practices in living and working conditions.

In addition, over the past several years, we also significantly expanded job-related and life skills training opportunities in one or more of our Tier 1 supplier factories, including:

- Creating a factory-specific curricula and delivery model for our China YouthSpark Information Technology (IT) skills training program. By the end of the pilot, December 2013 to December 2014, a total of 6,731 workers (4,451 online and 2,280 classroom) had taken the class.
- Providing reproductive health education programs at all of our Tier 1 suppliers through the HERproject (Health Enables Returns) run by Business for Social Responsibility. In FY15, we trained a total of 7,685 workers, bringing the total number of workers trained since we launched in FY12 to 179,598 workers.
- Piloting line leader capability training to improve front-line supervisors’ communication skills and management effectiveness. The pilot program trained 30 line leaders, each responsible for on average 30 workers (in total affecting 900 workers).

- Rolling out training in parenting programs to support migrant parent workers who may be far away from their families. This program helps the migrant parents build and maintain meaningful relationships with their children to ensure that they are not only materially looked after, but emotionally as well. In FY15, the nine suppliers rolled out the training to all their workers, especially targeting their migrant workers. By the end of June 2015, a total of 1,600 workers participated in this training.

Beyond auditing, learning directly from workers is a key priority. In FY14, we launched an anonymous and factory-independent worker grievance hotline pilot project. This program continued to scale and increase in quality and efficiency in FY15, though a new partnership with China Labor Support Network. In its first year of operation, we rolled out the hotline in five Tier 1 factories and one Tier 2 factory. The hotline launch included worker orientations to encourage use of the hotline and to encourage factory management to consider the hotline as a resource for workplace labor and environment, health, and safety issues. In its first year of operation, the hotline received a total of 232 inquiries. The three most frequent topics were related to wages and benefits, factory procedure and policy, and living conditions. (See Microsoft Citizenship Report)

Worker empowerment

19. Please elaborate on whether and how your company encourages its suppliers to ensure workplace environments where workers are able to organize, including through alternative forms of organizing where there are regulatory constraints on freedom of association.

Microsoft Response: The Microsoft Supplier Code of Conduct requires that our suppliers “respect workers’ rights to freedom of association and collective bargaining in accordance with legal requirements. We require that Suppliers not engage in discrimination in hiring, compensation, access to training, promotion, termination, and/or retirement based on union membership.”

20. Please describe your company's grievance mechanism, including whether it is available to suppliers' workers, and how it is communicated to suppliers' workers.

Microsoft Response: As described in the Microsoft 2015 Conflict Minerals Report, Microsoft’s Global Human Rights Statement includes our commitment to provide an anonymous grievance reporting mechanism for our employees and other stakeholders who may be impacted by our operations. The policy encourages Microsoft and supplier employees to report suspected human rights abuses, including conflict mineral concerns. We investigate and, where appropriate, take remedial action to address reported incidents. We also participate in industry efforts to develop specific grievance mechanisms for conflict minerals-related issues, including PPA’s efforts to establish an in-region hotline.

As described in the Microsoft 2015 Citizenship Report, beyond auditing, learning directly from workers is a key priority. In FY14, we launched an anonymous and factory-independent worker grievance hotline pilot project. This program continued to scale and increase in quality and efficiency in FY15, though a new partnership with China Labor Support Network. In its first year of operation, we rolled out the hotline in five Tier 1 factories and one Tier 2 factory. The hotline launch included worker orientations to encourage use of the hotline and to encourage factory management to consider the hotline as a resource for workplace labor and environment, health, and safety issues. In its first year of operation, the hotline received a total of 232 inquiries. The three most frequent topics were related to wages and benefits, factory procedure and policy, and living conditions.

21. Please describe your companies auditing process including whether the process includes a) scheduled and non-scheduled visits, b) a review of relevant documents, and c) interviews with workers.

Microsoft Response: All new and directly contracted hardware and packaging suppliers undergo initial risk assessments and initial capability assessments and audits for our Social and Environmental Accountability standards. A combination of third-party auditors and/or members of Microsoft's SEA team conduct these audits and assessments using a checklist composed of the Electronics Industry Citizenship Coalition (EICC) requirements and additional Microsoft requirements on labor, environmental protection, ethics, worker health and safety, and management systems. During the review process, auditors examine documentation; visit production lines, dorms, canteens, and waste storage facilities; and conduct face-to-face interviews of workers and factory management. To ensure consistency and quality of third-party audits, Microsoft pre-qualifies third-party auditors through shadow audits and assessments of their onsite audit performance and reports. These audits may be scheduled or unannounced.

Audit disclosure

22. Does your company disclose a) the percentage of suppliers audited annually b) the percentage of unannounced audits c) information on who carried out the audits, and d) a summary of findings, including details of any violations revealed? Please provide a URL.

Microsoft Response: Microsoft publishes annually in the [Microsoft Corporate Citizenship Report](#) the number of audits and assessments conducted. We report on the critical and serious findings as a result of these assessments and audits for all hardware and packaging suppliers. A combination of third-party auditors and/or members of Microsoft's SEA team conduct these audits and assessments using a checklist composed of the Electronics Industry Citizenship Coalition (EICC) requirements and additional Microsoft requirements on labor, environmental protection, ethics, worker health and safety, and management systems.

Remedy

Corrective action plans

23. Does your company have a process for creating corrective action plans? Please describe this process and the elements of a corrective action plan.

Microsoft Response: In cases when nonconformances are detected, our SEA team works closely with suppliers to develop corrective action plans to resolve detected issues, including building needed capabilities through education and training. Suppliers are required to identify the root cause, establish a corrective course of action, and implement preventive actions for all issues found. Suppliers must correct issues within specific deadlines based on the severity of the nonconformance or risk termination of our business.

Remedy

24. Does your company have a process to provide remedy to workers in its supply chain, including for responding to instances of forced labor and human trafficking? If yes, please provide examples of outcomes of this program.

Microsoft Response: As previously noted, in cases when nonconformances are detected, our SEA team works closely with suppliers to develop corrective action plans to resolve detected issues, including building needed capabilities through education and training. Suppliers are required to identify the root cause, establish a corrective course of action, and implement

preventive actions for all issues found. Suppliers must correct issues within specific deadlines based on the severity of the nonconformance or risk termination of our business.