



Citizenship Report

2013



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Cover: Fashion entrepreneur Johnnie Lovett credits much of his success to Network for Teaching Entrepreneurship (NFTE), a Microsoft-funded high school program that inspires youth from low-income areas to stay in school, identify career opportunities, and focus on their future.



To our stakeholders,

This past year, we took the first big, bold steps forward in our transformation to a devices and services company. In fact, in July 2013, we announced we are rallying behind a single strategy as One Microsoft. We declared that Microsoft's focus going forward will be to create a family of devices and services for individuals and businesses that empower people around the globe at home, at work, and on the go for the activities they value most.

Fiscal year 2013 was a pivotal year for Microsoft in every sense of the word—and that was reflected in our citizenship work. This report describes that work and shares our vision for what lies ahead. Published at the same time as our annual financial report, it provides a full accounting of our citizenship priorities and performance. Our commitment to citizenship is brought to life by the work we do in serving communities, championing the growth of our people, and meeting our commitment to responsible business policies and practices.

This year we celebrated our employees' commitment to making a difference with our 30th employee giving campaign, in which the company matches employee financial and volunteer contributions. In FY13, Microsoft and our employees gave more than \$100 million to more than 18,000 nonprofits worldwide, helping us surpass the \$1 billion milestone of total contributions since our first campaign in 1983.

FY13 also saw the launch of Microsoft YouthSpark, a global initiative to connect hundreds of millions of youth with opportunities for education, employment, and entrepreneurship. In its first year, YouthSpark empowered more than 100 million youth to imagine and build a better future for themselves and their communities.

Through our Technology for Good program, we provided more than 70,000 nonprofits in more than 100 countries with affordable access to technology. We also developed a program to donate Office 365 to nonprofits in 41 countries to help them better serve their communities.

We made strong strides in helping our company and industry address climate change. This year, we met our goal of carbon neutrality by establishing an internal carbon fee to guide responsible choices and practices that help us minimize our environmental footprint.

We also enhanced our transparency practices by releasing our first report of law enforcement requests for Microsoft account user data. This report detailed the number of data requests we received from official legal entities, the number of requests we granted, and the rigor of our review process for each request.

I believe our citizenship commitments and actions will continue to make significant contributions to business and society as we advance our strategy of providing a family of devices and services for the activities people value most.

Thank you for your interest in Microsoft. We welcome your thoughts and suggestions.

Sincerely,



Steven A. Ballmer
CEO, Microsoft Corp.

Citizenship at Microsoft

Our citizenship mission is to serve globally the needs of communities and fulfill our responsibilities to the public.





“Good corporate citizenship plays a vital role in our mission to help people and businesses realize their full potential. We’re inspired every day by our employees’ passion for their communities, and we honor their commitment by driving social change with hundreds of nonprofit partners around the world.”

**Lori Forte Harnick, General Manager,
Citizenship & Public Affairs**

Since the release of our first product in 1975, we’ve demonstrated the promise of computing to change the world. But as we’ve grown as a company, so have the world’s social and economic challenges. We’re responding by applying our technology, ingenuity, and collaborative spirit to help solve these critical challenges and create fulfilling and exciting opportunities for people everywhere.

We focus our commitment to corporate citizenship in two ways: working responsibly in our own business and serving our communities around the world.

Working responsibly

Good corporate citizenship starts at home. To meet our responsibilities as a global company, we’re continually working to create a respectful and rewarding work environment for our nearly 100,000 employees.

We’re also pioneering new ways of reducing our environmental impact. This year, we introduced an internal carbon fee that helped us meet our FY13 goal of carbon neutrality. In addition, we’re continually strengthening expectations for our hardware production suppliers to improve the working conditions and environmental performance of electronics factories around the world.

We recognize the important responsibility we have to respect human rights, and we work to bring the power of technology to bear to promote respect for human rights throughout the world. Through the Microsoft Technology and Human Rights Center, we’re working internally to promote the integration of human rights into the company’s culture, business operations, and strategies. Externally, we’re seeking to advance public understanding of the role business can play in driving respect for human rights.

Microsoft was once again recognized as a corporate citizenship leader with its inclusion in the 2013 Dow Jones Sustainability Indices and the FTSE4Good Index.





Serving communities

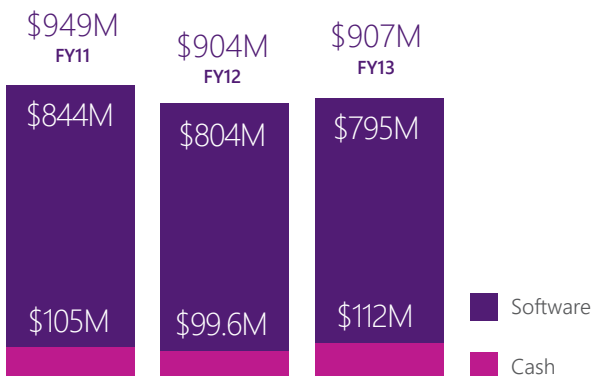
We're active members of the communities everywhere we do business.

At the heart of our efforts is the passion of our employees, who generously donate their time and money to causes around the world. This year, the 30th year of our employee giving campaign, we met an exciting milestone — \$1 billion in employee contributions and Microsoft matching gifts to more than 31,000 nonprofits since 1983.

Launched in September 2012, our Microsoft YouthSpark initiative is also a major focus of our community work. Through partnerships with governments, nonprofits, and businesses, we are working to empower young people to imagine and realize their full potential by connecting them with greater education, employment, and entrepreneurship opportunities.

Furthermore, we donate, on average, \$2 million a day in software to more than 70,000 nonprofits around the world — one of many ways our technology and resources help nonprofit organizations serve individuals and communities in need.

Global giving



Citizenship governance

The Regulatory and Public Policy Committee of our board of directors oversees the company's policies and programs that relate to public policy and corporate citizenship. The committee's oversight includes public issues of significance to Microsoft and our stakeholders that may affect Microsoft's operations, performance, or reputation.

Our Citizenship and Public Affairs team has day-to-day responsibility for all citizenship-related work, including stakeholder engagement. As part of our Legal and Corporate Affairs Group, the 30-plus-person team develops and coordinates our global strategy, supports our local citizenship teams worldwide, and partners with external stakeholders to fulfill our citizenship mission.

More broadly, citizenship at Microsoft relies on the combined efforts of all our employees, including colleagues in dozens of other leadership roles, business and operational groups, and global subsidiaries. Together, they help us identify the societal challenges where Microsoft can add the greatest value, develop and implement new strategies and programs, and monitor our progress.

\$1B

in employee contributions and Microsoft matching gifts to nonprofits since 1983





Setting priorities and stakeholder engagement

We regularly communicate with thousands of stakeholders, including global human rights experts, environmental nongovernmental organizations (NGOs), and parents concerned about their children’s safety and education. Those conversations help inform and guide our citizenship strategies and programs.

Our stakeholder engagement takes several forms. Employees from our business and operational groups regularly identify and engage with stakeholders in the course of their daily work activities. Our Citizenship and Public Affairs team also manages a number of stakeholder engagements and external relationships to help guide our strategies.

We connect with leading thinkers on corporate responsibility issues as participants in groups such as BSR, the Boston College Center for Corporate Citizenship, the Clinton Global Initiative, Net Impact, and the World Economic Forum. In partnership with our colleagues in corporate governance and investor relations, we discuss environmental, social, and governance issues twice a year with our largest institutional investors.

We also work closely with and learn from a range of advocacy groups, socially responsible investors, corporate responsibility rating agencies, and our own employees to identify new and emerging citizenship issues.

External frameworks

Our work is informed by international frameworks such as the Global Reporting Initiative’s Sustainability Reporting Guidelines, the United Nations (UN) Guiding Principles on Business and Human Rights, and the UN Global Compact. This report serves as the annual Communication on Progress of our commitment to the UN Global Compact ([see index on page 103](#)).



Our Company

Our company mission is to help people and businesses throughout the world realize their full potential.





Our business

Microsoft Corporation (NASDAQ: MSFT) was founded in 1975. Our mission is to enable people and businesses throughout the world to realize their full potential by creating technology that transforms the way people work, play, and communicate. We develop and market software, services, and hardware devices that deliver new opportunities, greater convenience, and enhanced value to people's lives. We do business worldwide and have offices in more than 100 countries.

Where we are

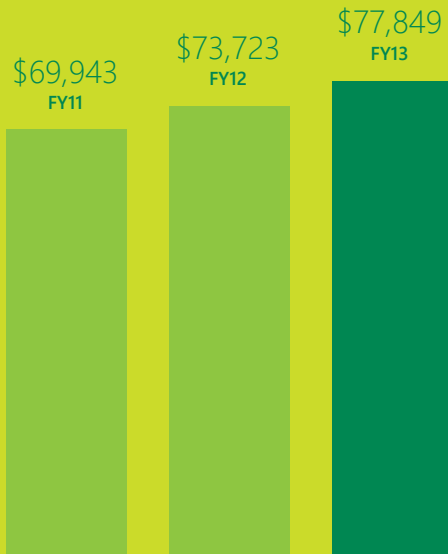
Headquartered in Redmond, Washington, Microsoft employed approximately 99,000 people on a full-time basis in more than 100 countries/regions and territories in FY13. Approximately 58,000 employees were based in the United States, and 41,000 were based in other countries.

Engaging our customers and partners

Our success depends on creating new and compelling products and services, while also building strong relationships with our customers and partners. Listening and responding to customers is core to our business. We keep in touch through online feedback forms, support communities, product satisfaction surveys, usability studies, research forums, and our customer service Twitter account, @MicrosoftHelps. The insights we gain help us understand and respond to our customers' and partners' experiences. We also use information drawn from global customer and partner satisfaction surveys as a measurement for employee, executive, and regional performance.

Our partner ecosystem—approximately 640,000 mostly small to medium-size local businesses around the world—develop, market, sell, and service Microsoft products, supporting millions of jobs and contributing to local and global economic growth.

To learn more about how we connect with customers and partners or to provide feedback, please visit the [Microsoft Customer and Partner Experience website](#).



Revenue (in millions)



Operating income (in millions)



Earnings per share

Revenue by business division

BUSINESS STRUCTURE

FY13

Windows Division

\$19.2 billion

Windows 8 and prior versions of the Windows operating system, Windows Live suite of applications and web services, Microsoft Surface RT and Pro devices, Outlook.com, and SkyDrive

Server and Tools

\$20.3 billion

Windows Server operating systems, Windows Azure, Microsoft SQL Server, SQL Azure, Windows Intune, Windows Embedded, Microsoft Visual Studio, Microsoft Silverlight, Microsoft System Center products, Microsoft Consulting Services, Premier Support services

Online Services Division

\$3.2 billion

Bing, Bing Ads, MSN

Entertainment and Devices Division

\$10.2 billion

Xbox 360 gaming and entertainment console, Kinect for Xbox 360, Xbox 360 video games, Xbox 360 accessories, Xbox LIVE, Skype, and Windows Phone

Microsoft Business Division

\$24.7 billion

Microsoft Office, Microsoft Exchange, Microsoft SharePoint, Microsoft Lync, Yammer, Microsoft Office Project and Office Visio, Microsoft Dynamics ERP and Dynamics CRM, and Microsoft Office 365 (an online services offering of Microsoft Office, Exchange, SharePoint, Lync, and Microsoft Office Web Apps, which are the online companions to Microsoft Word, Excel, PowerPoint, and OneNote)

In July 2013, we announced a change in organizational structure as part of our transformation to a devices and services company. This change in structure is designed to enable us to innovate with greater speed, efficiency, and capability in the fast-changing competitive environment. We expect this change to alter the way we plan, develop, and market our products and services, as we pursue a single strategy to offer a family of devices and services designed to empower our customers to perform the activities they value most.

For detailed financial information, see the [Microsoft 2013 Annual Report](#).



Our products

Our products include operating systems for computing devices, servers, phones, and other intelligent devices; server applications for distributed computing environments; productivity applications; business solution applications; desktop and server management tools; software development tools; video games; and online advertising. We also design and sell hardware, including the Xbox 360 gaming and entertainment console, Kinect for Xbox 360, Xbox 360 accessories, the Surface RT and Surface Pro tablets, and Microsoft PC hardware products.

Beyond our product portfolio, we offer consulting, product, and solution support services. We also train and certify computer system integrators and developers. Our cloud-based solutions provide customers with software, services, and content through the Internet. Revenue from these technologies mainly flows from usage fees, advertising, and subscriptions.

Examples of our cloud-based computing services

- [Microsoft Office 365](#), an online suite that enables people to work from virtually anywhere, at any time, through simple collaboration and communication solutions, including Microsoft Office, Exchange, SharePoint, and Lync.
- [Xbox LIVE](#) service, which enables online gaming, social networking, and access to a wide range of video, gaming, and entertainment content.
- [Microsoft Dynamics CRM Online](#), which provides solutions for sales, service, and marketing professionals through a familiar Microsoft Outlook interface.
- [Bing](#), our Internet search engine, which finds and organizes the answers people need so they can make faster, more informed decisions.
- [Skype](#), which allows users to connect with friends, family, clients, and colleagues through a variety of devices.
- [Yammer](#), a social network for enterprises, allows users to stay connected to coworkers and information, and to collaborate more effectively with team members.
- The Azure family of platform and database services, which helps developers connect applications and services in the cloud or onsite. These services include [Windows Azure](#), a scalable operating system with computing, storage, hosting, and management capabilities, and [Microsoft SQL Azure](#), a relational database.



Investing in innovation

In FY13, we invested \$10.4 billion in research and development—equal to 13 percent of revenue—focused primarily on product development. To stay competitive, we make strategic, long-term investments in research and development across a broad array of technologies, tools, and platforms spanning communication and collaboration, entertainment, business and e-commerce, advertising, and devices.

To drive future growth, we focus our efforts on:

- Initiating and embracing disruptive technology trends
- Entering new product and geographic markets
- Inspiring broad adoption of our products and services

The people who power our innovations drive our success. We compete for talented employees from universities and private companies by offering broad customer reach, a wealth of resources, and competitive compensation.

We also collaborate with top universities through Microsoft Research—one of the world’s largest computer science research organizations—to advance the state of the art in computer science.



Innovating locally to compete globally

More than 1,100 scientists and engineers push the boundaries of computer science in 13 Microsoft research labs in eight countries around the world.

Research and development

R&D	FY11	FY12	FY13
Spending	\$9.0B	\$9.8B	\$10.4B
Spending as % of revenue	13%	13%	13%

More information about Microsoft investment in research and development is available in our [FY13 10-K filing](#).



Innovating for good

Computing innovations continue to yield dramatic benefits to individuals, organizations, and societies, and nowhere is this more evident than in the potential of computing to tackle complex social challenges. In addition to pushing boundaries in the design of Microsoft products, services, and technologies, we pioneer solutions to help improve the health of millions worldwide, preserve endangered cultures, and strengthen communities.



Physicians in New Delhi, India, and around the world are using technology developed by Microsoft to deliver better health care.

Here's a sampling of our social innovations in FY13.

- The team at Microsoft Research Cambridge is working to develop software that helps physicians more accurately and rapidly identify the anatomy of aggressive brain tumors, a feat that will enable better-targeted therapy.
- Microsoft Research and Microsoft Mexico, together with the Universidad Intercultural Maya of Quintana Roo and the government of the state of Quintana Roo, presented a preview of the Project Mayan-Microsoft Translator Hub to help preserve and personalize the Mayan language.
- Microsoft Research helped launch the Queensland University of Technology's Open Source Software Group and Virtual Lab, giving students the resources to create software solutions for real-world problems and encouraging them to participate in projects to better their community.
- Microsoft Research committed to sponsor four more years of partnership with the National Center for Women & Information Technology, which aims to advance diversity and innovation in computing.

Our researchers also apply their talent, technology, and insights to develop solutions that reduce environmental impact and mitigate the effects of climate change. Read more in our [Environment](#) section.

Serving Communities

We're helping create a better future for young people and fostering healthier, more vibrant communities worldwide.

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Microsoft YouthSpark

Today's youth aspire to make a better future — for themselves and the world around them. Microsoft YouthSpark empowers hundreds of millions of future achievers to imagine, explore, and realize their potential by connecting them with greater opportunities for education, employment, and entrepreneurship.

103 million

Youth served globally by YouthSpark




In this section

Empowering youth through technology and education

Inspiring future innovators

Helping youth realize their potential

FY13 performance and FY14 commitments



186

nonprofit organizations receiving YouthSpark grants





Serving Communities / Microsoft YouthSpark

“Young people are taking the lead in driving change in their lives and their communities. We’re inspired by their smarts and their passion, and we’re committed to helping them pursue their dreams every step of the way — not just because it’s the right thing to do, but because the future of the global economy depends on it.”

**Lori Forte Harnick, General Manager,
Citizenship & Public Affairs**

Young people face a world that’s rapidly changing. As economies shift, industries emerge, and technology sets the pace, the gap between those who have access, skills, and opportunities and those who don’t is glaring.

We believe technology can help bridge this opportunity divide and secure the future of young people and the global economy. That’s why we’re empowering youth by increasing access to technology and equipping them with the tools and skills they need to succeed. Through our partnerships, programs, and initiatives, we’re inspiring youth to imagine and build a better future for themselves and their communities.



We’re empowering youth with the technologies and skills they need to build a better future.



Serving Communities / Microsoft YouthSpark

Empowering youth through technology and education

For young people to succeed in today's economy—and help build the economy of the future—they need direct access to both technology and relevant skills, along with support from teachers, leaders, governments, and nonprofits. We're connecting youth with the resources they need to make a real impact for a better tomorrow.

- Helped youth gain new skills, education, and training by providing YouthSpark grants to nonprofits worldwide. As part of our commitment to create opportunities for 300 million youth globally over the next three years, we launched partnerships with the European Youth Forum; the China Foundation for Youth Employment and Entrepreneurship; Trust for the Americas; and the African Centre for Women and ICT, among many other youth-focused nonprofits. In FY13, we awarded grants to a total of 186 nonprofit organizations in 62 countries.
- Accelerated learning and collaboration among students and teachers worldwide through Office 365 for Education, which provides access to Word, PowerPoint, and Excel, and a range of communications tools, including email, instant messaging, group video, and voice chat.
- Fostered shared learning experiences around the world while building global communities for students to meet new people, speak to experts, and share ideas through Skype in the Classroom. Nearly 2 million students worldwide have benefited from the program.

Microsoft is helping transform education by equipping teachers and preparing youth with the technology skills they need to succeed.

- Empowered educators with technology to enhance learning in their classrooms through Partners in Learning. The Partners in Learning Network added 788,000 educators from 134 countries and reached 10 million students in FY13.
- Addressed the urgent need to improve computer science education during K–12 years by placing Microsoft employees into high schools across the United States as part of our Technology Education and Literacy in Schools (TEALS) program. In the 2012–2013 school year, 1,500 students from 35 schools in seven states gained access to computer science courses to help inspire and prepare them for university study.
- Gave educators resources, training, and software to help them teach computing and technical classes through the Faculty Connection program, which reached 5.4 million students in FY13.



Bridging the opportunity divide with Microsoft YouthSpark

Microsoft is providing hundreds of millions of young people around the world with education, employment, and entrepreneurship opportunities to help them secure a brighter future.

73.4 million youth are currently unemployed¹

103 million youth benefited from YouthSpark in FY13 through our partnerships, programs, and initiatives.

"I can't tell you how happy I was to find out I could get Microsoft training for free. I've always wanted to learn IT skills, but thought it was out of my reach."

Yutiao Wang, China
Fuping Development Institute



"Technology has changed my life and the lives of all of the people in my family. If it hadn't been for technology, I would be in some other activity that would not give me the prosperity that I have today."

Josinaldo da Silva Batista, Brazil
Advanced Technical and Vocational Institute (ITEVA)



"A lot more girls need to be educated beyond the high school level. They need the skills to be able to survive in the workplace, know their rights, and emerge as leaders."

Mary Mwende, Kenya
Global Give Back Circle



¹ ILO 2013 Youth Employment Outlook.



Serving Communities / Microsoft YouthSpark

Inspiring future innovators

We're inspiring young people to imagine what's possible for their futures through programs that develop new skills, engage leaders, and ignite imaginations.

- Provided a platform for young innovators to generate groundbreaking ideas and create powerful business solutions through Imagine Cup, the world's premier youth technology competition. More students competed in Imagine Cup worldwide in FY13 than ever before, with an increase of more than 70 percent compared with 2012.
- Created the global Innovate for Good online community, which encourages and enables youth to collaborate, inspire, and support each other's groundbreaking ideas for social change. Launched in 2012, the program brought together

more than 2,200 members in 76 countries in its first year through local events and online engagement tools.

- Championed technology and technology-focused careers for high school girls as part of our DigiGirlz program, which fosters connections with Microsoft employees through hands-on computer and technology workshops.
- Advanced the teaching and learning of technical skills during the critical high school and college years through DreamSpark, which offered more than 12 million students and educators free access to Microsoft designer and developer tools.
- Developed kids' interests in computer programming at an early age with Kodu Game Lab, which teaches youth how to design and build their own video games for free.



A group of students from the United Kingdom won \$50,000 as the first-place winners of the Microsoft Imagine Cup Innovation Competition with their mobile phone application "soundSYNK." The app creates impromptu social networks that allow people to stream music simultaneously through a group of phones, effectively creating a symphony of speakers.



Serving Communities / Microsoft YouthSpark

Turning opportunity into action



Bill Reese, President and CEO
International Youth Foundation (IYF)

IYF prepares young people to be healthy, productive, and engaged citizens. Its programs are catalysts for change that help youth learn, work, and lead.

In September 2013, we released “Opportunity for Action,” a report commissioned by Microsoft to commemorate the one-year anniversary of the company’s YouthSpark initiative. In the report, we analyzed the potential of recent trends in youth entrepreneurship, second-chance education and training, and advanced skills related to information and communications technology, including coding and programming, to turn the global “youth bulge” into an economic and social asset.

The report comes at a critical time, as voices around the globe are echoing an urgent call for action on youth employment. Far too many lack the resources, skills, and opportunities to stay in school, obtain and keep a decent job, and become constructively engaged in their community.

The benefits of youth entrepreneurship and employment are clear. A “youth bonus” could pay out dividends for decades by making people’s lives more productive; contributing to thriving families, communities, and local economies; and building a more peaceful and equitable society.

In “Opportunity for Action,” we emphasize the need for concerted, organized action that will lift us beyond today’s array of pilot youth development programs to a place where significant investments are made in proven practices and programs. Fortunately, corporations like Microsoft are increasingly stepping to the fore, taking the lead in forging public-private partnerships with other corporate, government, and civic leaders to support youth development worldwide.

We’re proud to work with Microsoft on building these multi-stakeholder alliances. Together, we can mobilize the resources to confront poverty and close the opportunity gap for the world’s largest-ever youth cohort.



Serving Communities / Microsoft YouthSpark

Helping youth realize their potential

We're helping young people realize their opportunity in the world by providing access to firsthand work experiences and encouraging entrepreneurship.

- Strengthened fundraising opportunities for youth by launching Give for Youth, a micro-giving site that allows donors to fund and follow the dreams of young people worldwide. Give for Youth has raised more than \$1.4 million for over 600 projects through nearly 4,000 donors since its launch in 2012.
- Helped tech-savvy students launch their careers and pursue their dreams by connecting them with internships and employment opportunities through the Microsoft Students to Business (S2B) program. Students in the program benefit from access to Microsoft's global network of partners, while participating Microsoft partners can find the next generation of young, talented professionals.
- Assisted young, visionary entrepreneurs in starting their new businesses by providing software, support, visibility, and connections to industry players and investors through the BizSpark program. To date, more than 30,000 startups in over 100 countries have graduated from the three-year program. The startups have created thousands of job opportunities for young people and are supported by more than 1,500 BizSpark Network Partners.
- Showcased students on the rise and helped them pursue careers in technology through the Microsoft Student Partners program. Participants conduct demos, build apps, host events, and connect with other students, faculty, and industry experts, helping them gain valuable experience and create networks to improve their job prospects upon graduation.
- Fostered innovation, entrepreneurship, and employability by bringing together students, IT professionals, developers, researchers, and entrepreneurs at our 100+ Microsoft Innovation Centers. The state-of-the-art facilities in 37 countries are designed to accelerate advances in technology and stimulate local software economies through skills and professional training, industry partnerships, and innovation.

Assisted 30,000+
young entrepreneurs

with software, support, and
mentorship opportunities
through the BizSpark program.





Serving Communities / Microsoft YouthSpark

Sparking interest in a brighter future

Jeremy Moore never thought he would go to college. The struggling economy in his rural Kentucky hometown provided Jeremy with few opportunities. But he always loved technology, even without formal instruction. "He learned what he could on his own, but didn't really know where to go from there," says Tammy Moore, Jeremy's mother.

Microsoft founded Technology Education and Literacy in Schools (TEALS) to give high school students like Jeremy the opportunity to succeed in the field of technology. The TEALS program trains and mentors high-tech professionals from Microsoft and other companies and places them in schools as volunteer computer science teachers. The program's team-teaching model also trains existing school faculty, so they can continue teaching the courses on their own.

Jeremy now learns about computers and computer programming every day. "TEALS has been a godsend to us," says William Owens, Lee County Board of Education chairman. "We couldn't afford the teachers and the program, so Microsoft stepped in—and we are very grateful."

The program has been a huge success so far. What started as a one-school, single-volunteer program with 12 students now reaches 1,500 students from 35 schools in seven states. "We wanted to see if we could take the successes we had locally and make



a national impact," says Microsoft Software Engineer Isaac Wilson, who teaches Jeremy remotely from Redmond, Washington.

More important, Jeremy made the honor roll for the first time ever in the 2012–2013 school year, and hopes to attend college and fulfill his dream of becoming a software engineer. "TEALS helped him all around," says Tammy. "The sky's the limit for him now."



Serving Communities / Microsoft YouthSpark

FY13 performance highlights

Goal: Empower 100 million youth to imagine and realize their full potential by connecting them with greater opportunities for education, employment, and entrepreneurship through Microsoft YouthSpark, which partners with governments, nonprofit organizations, and businesses around the world.

We achieved our goal by providing technology and educational opportunities to youth around the world, and partnering with nonprofits, governments, and other businesses to expand digital literacy.

Goal: Launch the Microsoft YouthSpark Hub—an online space where young people can explore and access all the services, programs, and resources provided by Microsoft and our partners for education, skills, employment, and entrepreneurship.

We successfully launched the YouthSpark Hub, creating three separate resource portals for kids ages 6–12, teens from 13–18, and young adults from 19–24.

Goal: Launch Give for Youth, a micro-giving portal that helps individuals fund and follow the aspirations of youth around the world.

Since its launch in 2012, Give for Youth has raised more than \$1.4 million for over 600 projects, with nearly 4,000 donors contributing to the program.

Goal: Ongoing development of Innovate for Good, a global online community of youth dedicated to using technology to make a difference in their communities.

Our global Innovate for Good online community brought together more than 2,200 members in 76 countries in its first year.

FY14 commitments

- Empowering an additional 100 million youth to imagine and realize their full potential through Microsoft YouthSpark
- Continuing to evolve and grow the Microsoft YouthSpark Hub, where young people can explore and access all the youth-focused services, programs, and resources provided by Microsoft
- Continuing to evolve and grow Give for Youth, a micro-giving portal that helps individuals fund and follow the aspirations of youth around the world
- Continuing to evolve Innovate for Good, a global online community that encourages and enables youth to collaborate, inspire, and support each other's ideas for social change



Technology for Good

Nonprofits use technology to better support individuals and communities in need. Donated software and services help these nonprofits magnify the social change they drive around the world.

70,286
Organizations around the world that received Microsoft technology donations in FY13



1/2 million
Refurbished or discounted hardware devices Microsoft made available to nonprofit organizations



In this section

- Donating software and services to nonprofits worldwide
- Improving access to hardware
- Sharing knowledge to deepen impact
- Solutions in action
- FY13 performance and FY14 commitments

\$795 million
Fair market value of software donations to nonprofits around the world



117
Number of countries with Microsoft software donation programs, including new programs in Austria, Indonesia, and Vietnam





Serving Communities / Technology for Good

“Office 365 is vital to the work we do, which by its nature is cross-organizational and spans the globe. Our Malaria Vaccine Initiative is a perfect example, as the software lets us collaborate across geographies and access files no matter where we are in the world.”

Erik Arnold, CIO, PATH

Technology helps nonprofits deliver critical services, engage new supporters, and raise money faster than ever before. We give nonprofits around the world access to software and services, providing them new opportunities to advance their missions and extend their impact.

Donating software and services to nonprofits worldwide

With the right software, nonprofits can provide faster, better service and operate more efficiently. We donate hundreds of millions of dollars in software each year through our Technology for Good program.

- Increased software donations to 13 percent more nonprofits in FY13, empowering 70,286 organizations globally. We now have software donation programs in 117 countries around the world.
- Provided \$795 million worth of software to nonprofits around the world—including matched donations through our employee giving program.
- Launched new software donation programs in Austria, Indonesia, and Vietnam through our partnership with TechSoup Global.
- Developed a pilot program to help nonprofits implement Microsoft Office 365, a cloud-based software solution that provides email, productivity, and collaboration tools in the familiar Microsoft Office format. We will launch the full Office 365 for Nonprofits program in FY14.



Serving Communities / Technology for Good

Improving access to hardware

We partner with organizations to provide PCs and other hardware to the schools, libraries, and non-profits that need them most.

- Gave nonprofits and educational institutions access to half a million refurbished Windows devices by enabling manufacturers to affordably and legally license refurbished PCs through the Microsoft Registered Refurbisher program.
- Enrolled 670 additional nonprofits in our refurbished PC program, which makes restored hardware available to nonprofits at an affordable price. This year, we expanded the program to include Windows MultiPoint Servers, which allow organizations to run multiple workstations through a single central computer.
- Funded the International Computer Refurbishers Summit, which provides training and knowledge-sharing opportunities on how to refurbish used electronics for the benefit of both nonprofit and commercial interests. The summit helps build community capacity by giving participants new insights and workshop skills.
- Piloted an affordable toolkit in partnership with TechSoup and iFixit, allowing NGOs and young entrepreneurs to set up small electronics repair businesses to fix phones, tablets, and PCs. Currently running in Egypt, South Africa, Lebanon, Romania, and the United States, the pilot empowers repair technicians to grow their business with access to free online repair guides, business development wikis, design marketing resources, and more.



WorkVentures Connect IT, a nonprofit Microsoft Registered Refurbisher in Australia, has distributed more than 45,000 refurbished computers since 2003.



\$795 million in global software donations

We donated software with a fair market value (FMV) of \$795 million to more than 70,000 nonprofits worldwide in FY13.¹

USA AND CANADA

\$420.2 million
Software donations

41,476
Nonprofits reached

EUROPE

\$186 million
Software donations

19,486
Nonprofits reached

ASIA PACIFIC

\$78.6 million
Software donations

6,103
Nonprofits reached

MIDDLE EAST AND AFRICA

\$22.6 million
Software donations

693
Nonprofits reached

LATIN AMERICA

\$61.3 million
Software donations

561
Nonprofits reached

¹ The total fair market value of our regional software donations and the number of nonprofits reached do not equal our FY13 global total, as these regional numbers do not fully encompass all FY13 software donations.



Serving Communities / Technology for Good

Sharing knowledge to deepen impact

To complement our technology donations, we help nonprofits and other organizations better understand how technology can advance their work.

- Trained nonprofits around the world on how to use technology and software to increase organizational effectiveness by hosting 53 NGO Connection Days in 32 countries for more than 3,652 NGOs and 5,675 individuals.
- Partnered with TechSoup Global to host nine technology-focused webinars for the nonprofit community. The webinars—which provided demos and training on Microsoft products, including Windows 8, Office 2013, OneNote, and Publisher—garnered 1,250 day-of participants and 1,053 online views.
- Worked with Aidmatrix to develop tools using the Windows Azure cloud platform that make it easier for governments and organizations to communicate disaster relief needs and get aid to the communities and people who need it most. We also supported Aidmatrix in FY13 with an investment of \$175,000.
- Helped develop services and support for nonprofits adopting Microsoft Office 365 through a \$25,000 grant to Tech Impact, an organization committed to helping nonprofits realize their potential through technology.

3,652

NGOs were trained on how to use technology and software to increase effectiveness





Serving Communities / Technology for Good

Technology in the new nonprofit environment

**Beth Kanter, Master Trainer,
Author, and Blogger**

Beth Kanter is a well-established international leader in nonprofit technology capacity building. She was named one of the most influential women in technology by *Fast Company* and one of *BusinessWeek's* Voices of Innovation for social media, and is the co-author of two books: *The Networked Nonprofit: Connecting with Social Media to Drive Change* and *Measuring the Networked Nonprofit: Using Data to Change the World* (winner of the 2013 Terry McAdam Book Award).

The environment in which nonprofits work has changed dramatically. Online networks have become central to our lives and work, and stakeholders want more involvement in our operations. Seeing tangible results from a nonprofit organization's efforts now requires two things: leading with a network mindset and using measurements to learn and continuously improve.

Getting there isn't easy. On the one hand, nonprofits must operate with an awareness of the organization's networks—both online and off—and listen to and cultivate those networks to achieve impact. Technology can play an important role in helping nonprofits achieve this network mindset by helping them accurately measure data and apply it to their decision-making processes.

At the same time, nonprofits must avoid "shiny object" syndrome, in which they embrace the newest cool technology tool without considering strategy, adoption, and transformative use.

Microsoft is well aware of this potential dilemma. In addition to donating software and hardware to nonprofits around the world, Microsoft provides training and information resources to help nonprofits leverage the transformative power of technology for good. Armed with the right tools and knowledge, nonprofits can better engage with internal and external stakeholders and create an organizational environment that embraces openness, transparency, and collective decision making.

Helping nonprofits take incremental steps to absorb new technologies is core to Microsoft's capacity-building efforts—and is playing a major role in helping nonprofits advance their missions and extend their impact worldwide.



Serving Communities / Technology for Good

Solutions in action

We provide ways for nonprofits and individuals to use technology to tackle the world's most pressing social problems.

- Made it easier for people to connect to friends and family during disasters through our [HelpBridge mobile app](#). Supported by Windows Azure, the app also helps people quickly identify disaster relief organizations that need financial and volunteer support.
- Launched the Windows 8 Apps for Social Good contest, which encourages developers to create apps that have a positive impact on the world around them. FY13 winners included an app that helps users locate medicine at a reduced cost, and an app that combats obesity by informing users how to prepare nutritious, healthy meals at home.
- Encouraged students to develop solutions to real social issues with the Imagine Cup Grant program — a three-year, \$3 million competitive program that awards cash, software, and access to resources to a select number of [Imagine Cup](#) worldwide finalists. Team Graphmasters, one of this year's winners, created a traffic navigation system that reduces vehicle carbon emissions, fuel costs, and traffic jams by intelligently routing vehicles based on traffic and weather conditions.

\$2 million per day

Average software donation to nonprofits around the world in FY13.





Serving Communities / Technology for Good

Help made simple

Reaching out to family and friends is typically the first instinct during a crisis. The second is figuring out how to help. But in the chaotic aftermath of a natural disaster, it's hard to know where to start.

James Rooney stripped away the frustration and made it simple to do both—all from a single mobile app. James, Microsoft's Technology for Good program manager, led the team that developed HelpBridge, an app that allows disaster victims to communicate quickly and easily with loved ones while also connecting citizens with opportunities to help. "Microsoft has a long history with disaster response and relief efforts," says James. "We wanted to come up with a new solution to easily help those in need by leveraging the technologies people use every day."

While designing HelpBridge, James and his team focused on how people like to communicate today. The app allows users to alert family and friends to their location and condition by sending a pre-populated message via SMS, Facebook, and email. The app makes it just as easy to contribute to relief efforts. "People can choose to give money, volunteer time, or donate goods from a list of needed supplies," says James. "We try to make it simple."

HelpBridge has made an impression throughout Microsoft. Ben Rudolph, director of Windows Phone evangelism at Microsoft, says HelpBridge skillfully



marries mobile technology with real-world needs. "The app gives people the ability to get up and get involved in whatever way is best for them," says Ben. "Anyone with a smartphone can download this app and easily get involved or get help when they need it most."



Serving Communities / Technology for Good

FY13 performance highlights

Goal: Expand the reach of our software donation programs.

We provided software donations to 70,286 nonprofits in FY13, up from 62,200 in FY12.

Goal: Increase the availability of our nonprofit cloud programs and services for nonprofits.

We developed a pilot program to help nonprofits implement the cloud-based Microsoft Office 365, which provides online access to familiar Microsoft Office tools.

Goal: Help nonprofits understand and adopt new products, including Windows 8, Office, and Windows Server.

We hosted 53 NGO Connection Days in 32 countries to help nonprofits increase organizational effectiveness.

Goal: Create an ecosystem that increases the development and distribution of technology solutions for nonprofits.

We developed a strategy for increasing technology distribution to nonprofits in FY13, and plan to execute it in FY14.

Goal: Promote better coordination of technology delivery by expanding relationships across our industry and the humanitarian response community.

We added geo-mapping leader Esri to our list of disaster response partners. We also worked with groups like Random Hacks of Kindness and Humanitarian Toolbox.

Goal: Continue to expand the technology solutions and services Microsoft can provide in a time of disaster.

We launched the HelpBridge mobile app, which enables citizens impacted by a disaster to register for assistance, reconnect with loved ones, and access critical information.

Goal: Raise awareness for how technology can support personal, community, and organizational preparedness and response.

We used social media to share information on disaster preparedness, and provided technology like cloud-based maps to show a disaster's impact in real time.

FY14 commitments

- Launching the full Office 365 for Nonprofits program in up to 90 countries
- Continuing expansion of and access to the Microsoft Software Donation Program with a goal of 80,000 organizations in FY14
- Supporting the development and distribution of three to five technology solutions for nonprofits
- Creating a community of excellence within Microsoft to better engage and support nonprofit technology initiatives and solutions
- Working with community partners to support the evolution of hackathons and community-driven solutions for good



Employee giving

Communities and charities around the world depend on the engagement and support of individuals. Whether volunteering time or donating money or software, our employees are passionate about giving back to their communities and improving people's lives. We support our employees by matching their contributions of time and money, enhancing their impact.

\$1 billion

Total contributions made by Microsoft and U.S. employees through the matching program since 1983



31,000

Nonprofits served since 1983



In this section

Making a difference

FY13 performance and FY14 commitments

\$100.9 million

Employee donations (including matching contributions) in FY13



430,000 volunteer hours contributed by employees in FY13



[Serving Communities / Employee giving](#)

“From its earliest days, Microsoft employees have been involved in their communities and contributed to their vitality and growth. Thirty years and \$1 billion later, that impact can be felt around the world.”

Bill Gates, Chairman and Co-founder

Employee giving is a cornerstone of our citizenship efforts and an integral part of Microsoft culture. In 2013, we celebrated our 30th annual giving campaign and surpassed \$1 billion in contributions to more than 31,000 nonprofits around the world. The success of our employee giving campaign reflects our respect and appreciation for our employees and our dedication to serving the communities where we live and work.



Chairman and Founder Bill Gates and CEO Steve Ballmer commemorated Microsoft’s 30th employee giving campaign during a town hall event in October 2012.



Serving Communities / Employee giving

Making a difference

Employee giving occurs year-round at Microsoft. We have a special push each October, when we hold a range of campaign kickoff events, such as a 5K run, an online auction, and more than 300 other employee-led activities. In the United States, we match nonprofit donations and volunteering up to \$12,000 per employee each year.

- Contributed \$105 million through our employee giving and company match program in calendar year 2012—an increase of 4.4 percent from 2011.
- Donated more than \$7.1 million in calendar year 2012 through our \$17-per-hour volunteer matching gift program—part of our \$105 million employee giving total. Since the program began in 2006, employees have volunteered more than 2 million hours, which we've matched with more than \$34 million.
- Reached a new high of 64 percent participation in our employee giving campaign among our U.S. employees in calendar year 2012—with 37 percent volunteering more than 60 hours or donating more than \$1,000.
- Provided employees outside of the United States at least three paid days off to volunteer.
- Committed \$4 million through employee contributions and company matching to the American Red Cross and Mayors Fund in the United States, in the wake of Hurricane Sandy.

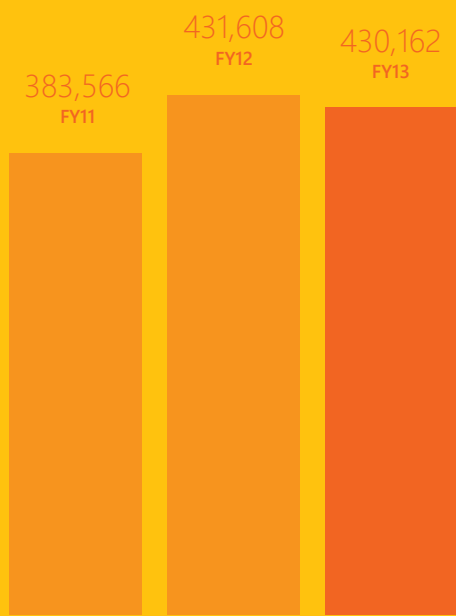
Learn more about giving at Microsoft on our [Employee Giving](#) site.



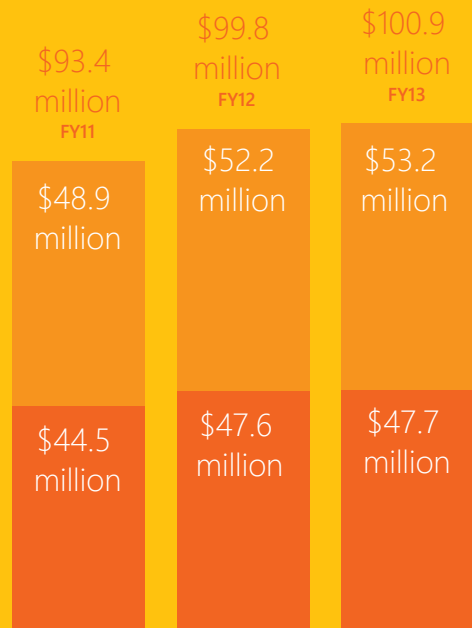
More than 5,300 Microsoft employees volunteered in their communities this year as part of our employee giving campaign.



Serving Communities / Employee giving



Volunteer hours contributed (U.S. only)



Employee giving and company match donations

U.S. employee volunteerism

4,412

total volunteers
7.8% of U.S. workforce in FY11



4,967

total volunteers
8.9% of U.S. workforce in FY12



5,341

total volunteers
10.8% of U.S. workforce in FY13



Each icon represents approximately 250 people.



Serving Communities / Employee giving

Partnering for disaster relief



Gail J. McGovern, CEO
American Red Cross

The American Red Cross exists to provide compassionate care to those in need. It focuses on several key service areas including disaster response and health and safety services.

For more than 130 years, the Red Cross has been alleviating human suffering in the face of emergencies by mobilizing the power of volunteers and the generosity of donors. Innovation and new technologies have made communication and disaster response faster—bolstering our efforts to ensure people are safe, informed, and connected. Our partnership with Microsoft shows how technology combined with compassion helps save lives.

When Hurricane Sandy struck in October 2012, Microsoft's employee giving campaign helped us provide immediate relief and assist local families in rebuilding their lives. When tornadoes hit the Oklahoma City area in May 2013, Microsoft's donations of electronic equipment to our evacuation centers—along with Skype access—helped displaced residents register for assistance and reconnect with loved ones.

Microsoft continues to support our disaster relief activities across the country, and we've worked together to create an efficient disaster volunteer force through the Ready When the Time Comes program. Beginning in Redmond, Washington, and now offered nationwide, the program trains employees on disaster response and mobilizes them as a local skilled-volunteer force when disaster strikes.

Microsoft and its employees are remarkable examples of how the power of partnerships has strengthened the Red Cross and supported the people we serve. Their commitment to our humanitarian mission helps ensure the Red Cross will be there to deliver care, shelter, and hope to people in their times of need.



Serving Communities / Employee giving

FY13 performance highlights

Goal: Make it easier for employees and Microsoft alumni to contribute their skills and expertise to local communities.

We registered more than 5,000 new employees on Volunteer Manager and extended the program to Microsoft alumni, helping them find volunteer opportunities that match their skill set. We also encouraged alumni to participate in the Puget Sound Day of Caring by offering to match their volunteer hours for the day with a donation of \$25,000.

Goal: Support our employees' giving and volunteerism activities worldwide.

We raised awareness and funds for charities worldwide through the 24-Hour Global Give and Go, a fundraising activity in which Microsoft employees raise funds for an hour before passing the torch to employees in a different time zone. We also shared tools and best practices for donating time or money from our U.S.-based offices to help international giving initiatives.

Goal: Champion volunteerism and assist the industry to advance and better adopt skills-based volunteering.

We supported the Taproot Foundation, which brings together industry leaders to define a common language for skills-based volunteerism. We also created a program to tie specific employee skills to related opportunities in community organizations.

FY14 commitments

- Continuing to expand and enhance our employee programs to excite and encourage record levels of employee and alumni giving and volunteering
- Sharing our technology with other corporations, and working with leaders to help scale giving and skills-based volunteering



Humanitarian response

When disaster strikes, every minute counts. Relief agencies rely on quick, accurate communications to help people and businesses get back to normal as quickly as possible. Our technology helps organizations keep vital information flowing during emergencies.



Microsoft helped people connect with humanitarian relief agencies in the area during Hurricane Sandy

When Hurricane Sandy hit the U.S. mainland in October 2012 — destroying thousands of homes and leaving millions without power — the Microsoft Disaster Response team was ready.

As the hurricane was still gathering momentum over the Atlantic Ocean, the team deployed Microsoft ReadyReach, a cloud-based information portal that uses Windows Azure to help emergency-management agencies and relief workers rapidly coordinate response efforts.

In addition to offering cloud-based maps that show the impact of a disaster in real time, the portal makes use of social media to communicate information to disaster victims about shelters, aid, and safe driving routes. It also makes it easier for people to connect with humanitarian relief agencies in the area in need of money, food, or volunteers. The portal received a record 32,766 views during Hurricane Sandy.

The ReadyReach response portal is one of many ways the Microsoft Disaster Response team uses technology to keep vital information flowing during

32,766
recorded views

of the Microsoft ReadyReach
portal during Hurricane Sandy



Serving Communities / Humanitarian response

emergencies—both individually and in tandem with leading humanitarian response organizations and technology partners.

Microsoft also provided a safe location for people to store their family emergency response plans or insurance policies through SkyDrive for Windows or Mac—accessible from any PC or smartphone.

In addition, in partnership with Aidmatrix, the team launched the Notes from the Ground program in late 2012. This web portal delivers eyewitness responder stories to readers via photos, videos, and messages, helping increase awareness of conditions on the ground and rally community support.

“Technology is rapidly changing the way we respond to disasters—allowing us to shift from a top-down driven response to a survivor-centric response.

Microsoft has played a leading role in helping response organizations like ours and survivors navigate this shift through technology solutions like HelpBridge and SharePoint. Their expertise and experience working with large organizations have made them an ideal partner.”

**Gisli Olafsson, Emergency Response Director,
NetHope**



Accessibility

Today's rapid advances in technology give people the opportunities to connect, engage, and contribute more fully to society. Our technologies inspire people of all ages and abilities to make the most of their potential—eliminating barriers, improving lives, and strengthening communities.



National Association of Area Agencies on Aging (n4a) Innovation Award



Created 3-D Soundscape

for the visually impaired

In this section

Expanding opportunity for people with disabilities

Improving wellness for seniors



Helped New York and Los Angeles seniors get fit

using interactive Microsoft gaming technologies



Strengthened rights for people with disabilities in partnership with the United Nations





“We envision a future where technology serves people of all abilities — no matter how different their needs. The goal of creating equal access to technology lies at the heart of Microsoft innovations.”

Rob Sinclair, Chief Accessibility Officer

Technology empowers people—including seniors, people with disabilities, and youth—to participate at the centers of social and political life. We embed accessibility features into our web services, software, and hardware, and we partner with others to advance important causes, helping our customers do more with their talents and interests.

Expanding opportunity for people with disabilities

For people with disabilities or hearing and vision impairments, accessible technologies can eliminate obstacles and broaden opportunities. We strive to build accessibility into many of our products and services, provide resources that open new doors, and partner with others to discover ways of using technology to improve lives.

- Took a leadership role on accessibility by supporting the formation of the International Association of Accessibility Professionals. This group will provide the strategic leadership, international perspective, and operational focus needed to globally elevate the accessibility profession and build a worldwide infrastructure for accessible technology development.
- Worked with UN Human Rights to strengthen provisions in the International Convention on the Rights of Persons with Disabilities. Supported by a study conducted in collaboration with Middlesex University and others, the new provisions also suggest ways that the United Nations could improve its own accessibility.
- Helped address the needs of people with autism by sponsoring and hosting Hack Autism in March 2013. Supported by the Bing Fund, the hackathon brought people together—thinkers, hackers, designers—to develop scenario-specific prototypes to help advance knowledge and develop solutions.



Serving Communities / Accessibility

- Created a set of Microsoft Office templates for families to use after a child has been diagnosed with autism, in conjunction with Autism Speaks. The templates were one of many Microsoft initiatives in support of autism-related causes this year.
- Provided assistance to customers with disabilities or who need support with accessibility features on assistive technologies—such as screen readers, screen magnifiers, or speech-recognition commands—by opening the Microsoft Accessibility Support Desk. Free of charge, the support desk offers specialized assistance from trained agents.
- Improved the accessibility of the Xbox Video service by adding closed-captioning support for Xbox Video across Xbox and Windows 8 devices.
- Explored how Kinect for Xbox 360 could unlock ways for people who use sign language to interact with their computers. In collaboration with the Institute of Computing Technology at the Chinese Academy of Sciences, Kinect uses precise movement recognition to interpret hand gestures. We also began working with the U.S. Air Force in FY13 on a physical-therapy system based on Kinect for Xbox 360.



Mother and child using technology developed with Autism Speaks.



Serving Communities / Accessibility

Sounds that unlock the world

Amos Miller was thrilled. As a managing architect for Microsoft Consulting Services (MCS) in the United Kingdom, Miller—who is blind—had just confirmed that his proof-of-concept innovations for people with visual impairments had succeeded. He had conceived a whole new way to interact with his surroundings.

"It's easy to overlook the level of anxiety blind people face each time they start thinking about a trip outside," Miller noted. "Has the bus stop moved? Is there construction along the way?"

Miller's 3-D Soundscape helps people with visual impairments overcome their anxiety and move about on their own by emitting audio beacons from destinations around town. Rather than a voice saying "Starbucks 20 steps ahead on the left," the 3-D Soundscape sends an audio cue from the actual location to create a more meaningful 360-degree world.

"If you have someone talking in your head, then your focus is on the voice, not the environment," Miller says. "We tried to create a solution that puts users in control of the experience and helps them focus on their environment."

Miller's team also designed the Windows 8 UX app, which allows people to use voice and natural gestures such as swiping, tapping, and scrolling to understand and interact with information appearing on their screen—without using their eyes.



Jarnail Chudge, user experience architect with MCS, said Miller was the guide and inspiration for the project, which also brought in collaborators from Bing, Microsoft Research, and the Developer and Platform Evangelism Division. "The sheer delight on his face when he tested the products was enough for everyone on the team to understand we had made a real difference."



Serving Communities / Accessibility

Improving wellness for seniors

Older adults can live more independent and productive lives with the help of innovative technologies. We partner with community groups and local governments to promote the use of technologies that reduce social isolation, increase wellness, and enhance the quality of life for seniors.

- Broadened our effort to help seniors get fit, socialize, and manage their personal health online with the Exergamers Wellness Club. The program — which employs Microsoft Kinect for Xbox 360, Xbox LIVE, and Microsoft HealthVault — is now offered to senior centers throughout Los Angeles. Participants can take part in friendly video-game competitions while also uploading and tracking important health data, such as blood pressure and glucose readings, through their online profiles.
- Launched a new Exergamers program in New York City in collaboration with New York City's Department for the Aging and Department of Information Technology & Telecommunications. The fitness program is part of the city's Innovative Senior Centers project, a citywide effort to encourage better fitness and wellness among New York City's older adults.
- Received an innovation award for senior programming from the National Association of Area Agencies on Aging (n4a), the leading voice on aging issues. The award recognized our success with the Exergamers Wellness Club, which we developed in collaboration with the City of Los Angeles Department of Aging.



A member of the Exergamers Wellness Club in Los Angeles, California.

Working Responsibly

We're committed to responsible practices in our own operations, with policies and programs that ensure we're acting as a good corporate citizen everywhere we do business.

- | | | | |
|----|------------------------------|----|----------------------|
| 47 | Our people | 68 | Human rights |
| 56 | Environmental sustainability | 80 | Responsible sourcing |
| | | 93 | Governance |





Our people

Our employees' passion fuels our success in a competitive, rapidly changing industry. Staying on top requires hiring the best talent around the world and investing in their potential. To attract and retain exceptional people, we provide a dynamic, diverse work environment that fosters collaboration and celebrates personal and professional growth.

4

Number of senior executive women reporting to the CEO in FY13 — an increase of three from the previous year



89%

of employees feel proud to work at Microsoft




In this section

- Compensation and benefits
- Diversity and inclusion
- Training and development
- Health and safety
- FY13 performance and FY14 commitments

16,908

Employees trained on diversity and inclusion globally, including more than 2,400 managers

Named #1 place to work in 14 countries



“A great company starts with great people. Our priority is to leverage the diverse perspectives of our people to deliver the inventions that the world needs, to create the devices that the world wants, and to offer the services that the world requires.”

**Lisa Brummel, Executive Vice President,
Human Resources**

Our employees are innovators from every corner of the globe. They bring talent, commitment, and diverse life experiences that help us better understand customer needs and deliver exceptional products. We invest in each individual by creating opportunities for them to grow professionally, and we reward their results. We also ask for—and act on—employee feedback in search of new ways to continually advance our status as one of the best places to work in the world.

Compensation and benefits

We attract the world’s best talent through competitive compensation, benefits, and rewards, all of which contribute to a world-class work environment that motivates great people to do great work. Many of our benefits programs are managed at a local level to ensure they are competitive locally and meet the varying interests and needs of our employees around the world.

- Rewarded approximately 95 percent of eligible employees with performance-based bonuses and stock awards.
- Invested in employee retirement readiness by matching contributions to 401(k) plans at up to 3 percent of employee pay. In FY13, 87 percent of our employees participated in our 401(k) plans.
- Continued to provide U.S. health care benefits that rank among the best in the industry—furthering our long-standing commitment of providing the highest-quality care for our employees and their families.
 - Contributed up to \$3,750 per employee (based on dependents) to health savings accounts, which provide employees with tax-advantaged savings for current or future health care needs.
 - Launched a major campaign to educate employees and their families on how to take advantage of Microsoft’s new health plan and supporting benefits. The campaign included video shorts, in-person and online benefits briefings, and an interactive online decision guide.

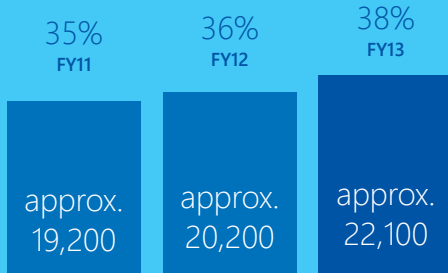


Working Responsibly / Our people

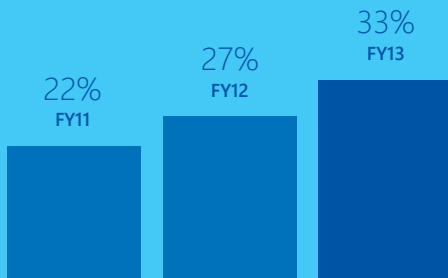
- Supported the health-conscious lifestyles of our employees by implementing new wellness initiatives.
 - Expanded the U.S. Stay Fit benefit to support a wider range of fitness goals. The benefit offers a reimbursement of up to \$800 per year for a large variety of fitness-related expenses, including workout or recreational sports equipment, personal training, fitness classes, or fitness center memberships.
 - Attracted 8,500 participants to Campus Jam 2013, an annual event at our Redmond campus that showcases Microsoft's wellness benefits, with an emphasis on making fitness fun. This year's activities included a 5K campus fun run that attracted 21 percent more runners than last year, wellness seminars, sports clinics, and a variety of other activities and events for employees and families.
 - Opened the Living Well Health Center at our Redmond campus, a full-service health center designed specifically for Microsoft employees that emphasizes convenience, privacy, and comfort. The Living Well Health Center provides employees with preventive care, acute care, physical therapy, chiropractic care, wellness coaching, and a full-service pharmacy.
- Encouraged employees to be more active throughout the day with the Move It! physical activity challenge, a one-month competition across the United States that awards prizes for activities such as taking the stairs, working out, or playing with your kids. Approximately 12,000 U.S. employees registered for the challenge in FY13.
- Promoted healthy eating with our farm-to-fork initiative and made-from-scratch food options in campus cafes.



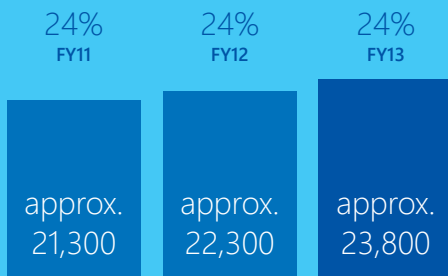
Working Responsibly / Our people



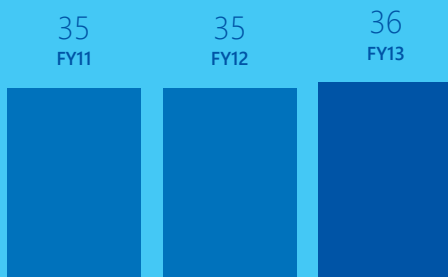
Minorities in the U.S. Microsoft workforce¹



Women and U.S. minorities on the board of directors¹



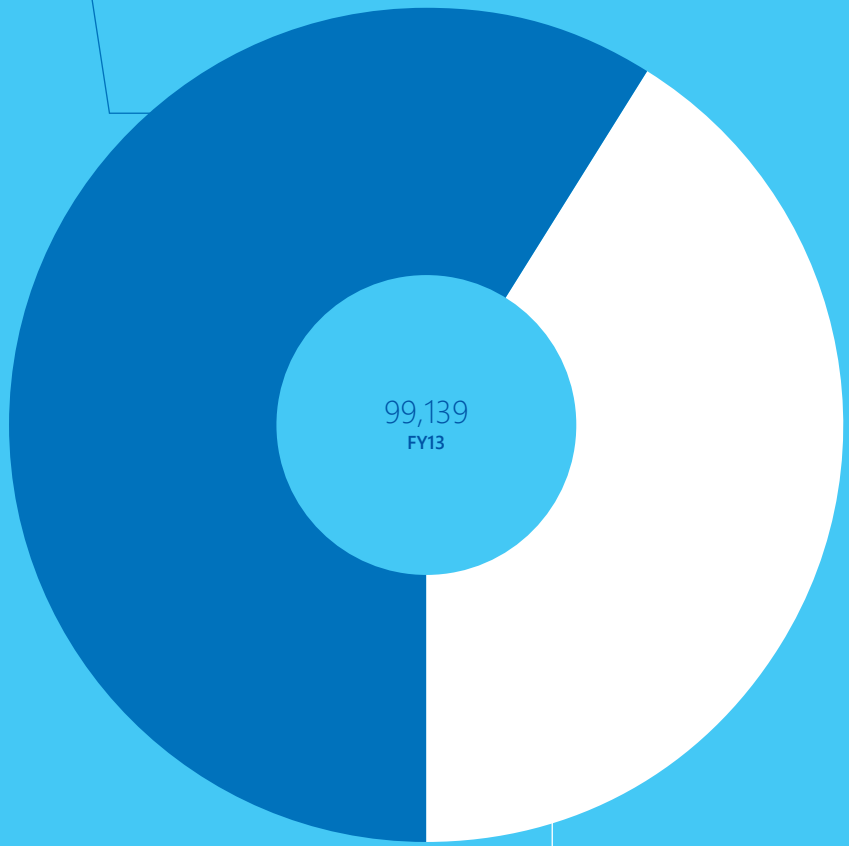
Women in the global Microsoft workforce



Worldwide women and U.S. minorities in executive positions at Microsoft¹



59%
United States
approx. 58,000



Microsoft employees



41%
Other countries
approx. 41,000

¹ U.S. minorities include the following populations: African American/Black, American Indian/Alaskan Native, Asian, Hispanic/Latino(a), Native Hawaiian/Other Pacific Islander.



Working Responsibly / Our people

Diversity and inclusion

Our collaborative energy is fueled by diverse talent working together in an inclusive way. We foster a culture where leaders use the diverse perspectives and backgrounds of our employees to pioneer inventions, products, and services for our customers.

Representation: Building a diverse pipeline of leaders

- Added important new voices to Microsoft's high-level decision making by increasing the number of senior executive women who report to the CEO from one to four.
- Raised the percentage of women and U.S. minorities on the Microsoft board of directors from 27 percent to 33 percent.
- Grew the percentage of minorities in our overall U.S. workforce from 36 percent to 38 percent.

Inclusion: Creating and maximizing employee engagement

- Completed a maturity model assessment across approximately 95 percent of our business groups to help us evaluate current diversity and inclusion engagement, measure successes, and define steps for future growth. Nearly 500 key stakeholders from 44 organizations have completed the model since January 2012.
- Incorporated a Global Diversity and Inclusion Leader Commitment in the business objectives for more than 2,300 Microsoft leaders—making it the first CEO-led action of its kind. The commitment

helps ensure that people and talent development processes are prioritized and integrated into our business approach.

- Trained 16,908 employees on diversity and inclusion globally, including more than 2,400 managers.
- Ranked number 44 out of nearly 900 companies surveyed on *DiversityInc* magazine's Top 50 U.S. companies list for 2013. Microsoft ranked number 4 as the top company for Asian-Americans and number 9 as the top company for people with disabilities.
- Scored 100% on the Human Rights Campaign Foundation's Corporate Equality Index for the ninth consecutive year. The CEI provides an in-depth analysis and rating of corporate policies and practices related to lesbian, gay, bisexual, and transgender employees.

Market innovation: Delivering greater business value to our customers

We also incorporate diversity and inclusion into our business strategy by developing innovative products and services to better serve the needs of a broad range of customers. For example, our Native American Employee Network and a Cherokee Nation team joined forces to add the Cherokee language to Microsoft Office 2013 and the Language Interface Pack for Windows 8.

Read other examples of how we help people of all ages, abilities, and backgrounds live up to their full potential in our [Accessibility](#) section.



Working Responsibly / Our people

Training and development

We provide training that helps advance our employees' careers and supports today's constantly evolving workplace. We make our programs available in the classroom, online, and through video, mobile, and other formats to ensure our employees around the world can successfully meet their training goals.

- Earned an average employee satisfaction rating of 4.31 out of five for our training courses—an overall increase since FY11.
- Launched an online, interactive Career Guide to help employees explore extensive career opportunities and identify and build skills necessary for success.
- Refreshed our HR web portal and invested in support resources to help employees quickly access accurate information on trainings and other development opportunities.

4.31

out of 5 is the average
employee satisfaction rating
for our training courses



Health and safety

We're committed to creating a safe and healthy work environment for our employees by integrating sound safety and health practices within our operations.

- Arranged 1,656 employee enrollments in FY13 in 36 safety training courses.
- Logged an overall recordable incident rate (RIR) of 0.11 per 100 employees—compared with the national average of 0.3 for software companies. The RIR reflects the number of injury cases requiring medical treatment beyond basic first aid in a calendar year.
- Promoted better safety practices and strengthened our internal safety culture by adding three health and safety programs to our existing Employee Safety and Health Manual.
- Scored a 0.01 rating for occupational injury cases that resulted in employee days lost, restricted, or transferred, compared with the U.S. software industry average of 0.1. The rate is based on the number of injury cases per 100 employees in a calendar year.
- Completed baseline health and safety risk assessment immediately upon acquiring our new Perceptive Pixel manufacturing facility, helping ensure compliance with Microsoft health and safety standards.



Working Responsibly / Our people

Microsoft employee poll

Each spring, we ask our employees to share feedback about the Microsoft work experience, including how they feel about their workgroups, organization, and company as a whole. Managers use the poll results to identify ways to enhance the employee experience and develop action plans. We measure our success by the extent to which these plans make significant, demonstrable, and lasting improvements in our employees' daily work lives.

EMPLOYEE POLL RESULTS	2011	2012	2013
Employee response rate	90%	88%	89%
Employees who feel proud to work at Microsoft	86%	90%	89%
Employees who feel they are treated with dignity and respect by their managers	92%	92%	93%
Employees who would recommend Microsoft as a great place to work	83%	86%	85%
Employees who feel their workgroup values diverse opinions	84%	86%	86%
Employees who feel their workgroup speaks openly and honestly, even when news is bad	81%	82%	82%
Employees who have a positive opinion about the degree of flexibility they are given in their job	83%	84%	84%
Employees who feel Microsoft is a good corporate citizen in employees' communities and in the world	91%	93%	94%



94%
of employees feel Microsoft is a good corporate citizen in employees' communities and in the world



Working Responsibly / Our people

Employees around the world creating opportunities for others

Approximately 80 percent of Kenyans don't have access to the Internet. The majority don't even have electricity. Fortunately, the potential to transform lives in Africa — home to six of the 10 fastest-growing economies in the world — has never been more promising.

"We are helping millions of people improve their quality of life by giving them opportunities they wouldn't have had before," says Peter Henderson, chairman of Kenyan Internet service provider Indigo Telecom.

Peter is a key player in the Mawingu White Spaces Broadband Project — an initiative to deliver low-cost, high-speed wireless broadband to Kenya. A partnership between Microsoft, the Kenyan Ministry of Information Communications and Technology, and Indigo Telecom, the pilot project services areas previously lacking even basic electricity through the deployment of combined solar-powered stations and TV "white space" frequencies. The technology — partially developed by Microsoft Research — relies on unused channels in the analog TV spectrum to provide broadband access and power to the communities.

The Mawingu project is part of Microsoft's 4Afrika Initiative, an ambitious program developed by the Microsoft Africa team and U.S.-based African Microsoft employees to boost Africa's global competitiveness. 4Afrika also helps Microsoft realize its global commitment to empowering youth — known as YouthSpark — through initiatives like a



scholarship program for promising African students and "AppFactories" in South Africa and Egypt that hire paid student interns to develop locally relevant apps.

Participants like Bitange Ndemo say Mawingu and 4Afrika will help create new opportunities for commerce, education, health care, and delivery of government services across the country.

"We're beginning to partner with the rest of the world simply by accessing knowledge," says Bitange, permanent secretary of the Ministry of Information Communications and Technology in the Republic of Kenya.



Working Responsibly / Our people

FY13 performance highlights

Goal: Continue optimizing our pay-for-performance culture.

We continued to monitor and adjust our pay and performance programs based on market and employee dynamics, and rewarded employees for their impact to the business.

Goal: Offer learning and development to meet future business needs, support workforce agility, and enhance change-management capabilities.

We enhanced our training tools and resources to meet a variety of learning styles. We also remained focused on helping employees advance their careers and add the skills necessary to be more agile in the workplace.

Goal: Advance efforts to increase diversity in senior-level positions, with a focus on racial minorities in the United States and women globally.

We've maintained steady to slight increases in the percentage of women and minorities in our U.S. and global workforce. At the executive level, we increased the number of senior executive women reporting to our CEO from one to four.

Goal: Enhance managers' skills for engaging a diverse workforce and creating inclusive work environments.

We trained 16,908 total people on diversity and inclusion in FY13. In addition, more than 2,100 employees and managers completed our training on understanding conscious and unconscious bias.

Goal: Build U.S. employees' awareness of and confidence in the value of their employee benefits, including their health coverage.

We provided ongoing support and education for our 58,000 U.S. employees, beginning with open enrollment communications and continuing throughout the year. We also kept employees and their families informed and motivated to optimize their health, wellness, and financial benefits throughout the year.

FY14 commitments

- Continuing to employ a variety of reward programs to reinforce our high-performing culture while adjusting our approach to performance and rewards, as needed, in response to employee feedback and evolving business needs
- Offering industry-leading health care in the United States with no employee premiums, and continuing to provide multi-modal educational materials to teach employees and their dependents how to optimize their health care and overall wellness
- Advancing efforts to increase the diversity of our talent, with a focus on senior-level positions
- Enhancing managers' skills for engaging effectively with employees and customers from different backgrounds and cultures
- Creating learning opportunities to increase employees' capabilities and skills, enabling them to deliver amazing devices and services to customers



Environmental sustainability

Technology can help create a more sustainable future. This year, we modeled a way forward by making our operations leaner and more energy efficient—helping us meet our FY13 goal of carbon neutrality—and reducing the environmental impact of our services and devices.

Carbon neutral in FY13

300,000
metric tons of CO₂ offset by innovative projects

In this section

Making our operations carbon neutral

FY13 performance and FY14 commitments

Developing technologies to reduce environmental impact

FY13 performance and FY14 commitments

Applied company-wide carbon fee

integrating cost of carbon pollution into everyday business decisions

2.3 billion
kilowatt hours (kWh) of renewable energy purchased—more than twice the amount purchased in FY12



Working Responsibly / Environmental sustainability

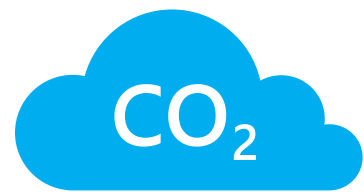
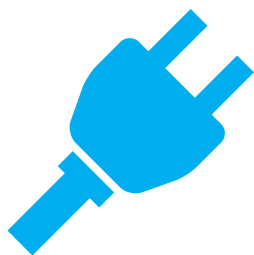
Making our operations carbon neutral

Climate change presents serious global challenges that require bold responses. With our commitment to carbon neutrality, we're taking accountability for the impact of our operations by embedding sustainability into all of our business decisions.

Our approach to carbon neutrality has three pillars.

"We instituted a carbon fee last year because it had the potential to ignite a culture change, and that's exactly what's starting to happen. A carbon price means that we now have a common language for how to drive awareness around and begin to reduce emissions. It's made environmental sustainability an increasingly important part of how Microsoft does business."

Rob Bernard, Chief Environmental Strategist



Be lean

We're setting targets to improve energy efficiency in our data centers, labs, and offices, as well as reduce our use of air travel.

Be green

We're purchasing more renewable energy and establishing goals to reduce our waste and water use.

Be accountable

We're measuring the carbon impact of our operations and charging our business groups a fee for their associated carbon dioxide (CO₂) emissions.



Working Responsibly / Environmental sustainability

Be lean: Driving energy savings internally

Being efficient in our operations is fundamental to our sustainability goals. We're implementing new technologies to reduce energy and water use throughout Microsoft, while encouraging employees to choose more sustainable behaviors.

- Reduced resource use with data centers that use half the energy and between 1 to 3 percent of the water required to cool traditional data centers. We're also tightly integrating resilient software across our cloud services to better manage the data centers, networks, and services hosted within them—helping reduce energy consumption and making them increasingly flexible and reliable.
- Realized energy savings for our data center in Dublin, Ireland, by implementing adiabatic cooling, which reduces our energy costs per megawatt by up to 30 percent. We're also retrofitting existing data centers to be more efficient with harder-working, lower-energy servers, compressor energy reduction, custom light-emitting diode (LED) lighting, and more.
- Dramatically increased insight into our energy use at our 125-building, 500-acre Redmond campus as part of our Energy-Smart Buildings (ESB) initiative, helping us cut energy costs by an estimated 6 to 10 percent. An interconnected energy-management system identifies savings opportunities by collecting 500 million data transactions from 30,000 pieces of equipment per day.
- Reduced our carbon footprint by increasing our use of Microsoft collaboration technology as an alternative to travel. We have tools within our corporate travel reservation site that encourage employees to carefully evaluate the business benefit and environmental impact of travel. Since 2007, we've reduced our carbon footprint from air travel by 30,000 metric tons.
- Expanded The Connector, Microsoft's free commuter bus service for employees at our global headquarters in Washington state's Puget Sound region to 22 routes, 74 buses, and 700,000 annual rides. The service has helped eliminate 46.3 million miles of travel and reduced carbon emissions by 19,936 metric tons since its debut five years ago.

Learn how we achieved our carbon neutrality goals through our [Be Lean + Be Green + Be Accountable strategy](#).



Becoming more efficient

At Microsoft, we're taking it one step further. By committing to carbon neutrality and putting a price on carbon, we are holding ourselves accountable, changing our behaviors, and managing the resources we use. By implementing our Be Lean + Be Green + Be Accountable = Carbon Neutral strategy, we're changing how we make choices throughout the company.



12,000 metric tons

CO₂ saved per year through server and lab consolidation on our Redmond campus

Data centers

Because servers cost more to run in an unmanaged environment, we benefit by consolidating them in centralized data centers — increasing efficiency and lowering carbon emissions for the company.

2,200 pounds

CO₂ generated by the average business trip

Air travel

The carbon fee adds the cost of offsetting a flight's emissions into the price of that trip. We save money and reduce carbon emissions by using virtual collaboration technologies instead of airline travel.

500 million

Data transactions collected daily to identify energy savings on our Redmond campus

Real estate

The carbon fee provides additional funds to invest in energy savings projects across our operations worldwide.



Working Responsibly / Environmental sustainability

Be green: More renewable energy, less waste

Using resources efficiently requires both commitment and investment. We've increased our purchase of green energy while making responsible choices with our energy, waste, and water.

- More than doubled our investment in renewable energy in FY13 by purchasing 2.3 billion kWh of green power globally.
- Recognized by the U.S. Environmental Protection Agency (EPA) as the second largest purchaser of green energy in the United States. Our totals increased nearly 70 percent from last year, and were equivalent to the energy consumed by 204,000 average American homes.
- Offset more than 300,000 metric tons of CO₂ emissions through a growing portfolio of innovative carbon-offset projects.
- Invested \$5.5 million in a demonstration project to power a data center in Cheyenne, Wyoming, using biogas from a wastewater treatment facility, providing ultra-clean, carbon-neutral electricity. Known as the Data Plant, it will be completely independent of the grid and will sustainably power cloud services.
- Helped Turkey put nearly 465,000 megawatt hours of clean electricity back into its national power grid by investing in the 119 wind turbines of the Soma Wind Farm in the Manisa and Balikesir provinces.
- Reduced, reused, or recycled 99 percent of the waste from our Redmond dining facilities by switching to compostable tableware, administering aggressive recycling programs, and adapting our menu to get the most from each item of food served.

Sustainable water use

Our latest air-cooled data centers in Iowa, Ireland, Virginia, and Washington use only 1 to 3 percent of the water required for a traditional data center, and produce no wastewater.





Working Responsibly / Environmental sustainability

Be accountable: Holding ourselves to a new standard

A critical aspect of addressing climate change is holding ourselves accountable. For the first time ever, we've integrated carbon use into the financial decision making of the company. Our internal carbon fee builds a more responsible corporate culture while giving us a new perspective on the external costs of our emissions.

- Held every business group at Microsoft responsible for their emissions with our internal carbon fee—the cornerstone of our commitment to carbon neutrality. Using technologies to measure the impact of our operations, we charge our business groups according to their actual carbon impact, from electricity use to air travel. This adds discipline to our business decisions and helps guide the resource choices made both at our corporate headquarters and through our local subsidiaries.
- Created an internal investment fund for our carbon fee payments. The fund will be used to support a variety of energy-efficiency and carbon-offset projects, helping us reduce net emissions and meet our carbon neutrality goal.
- Improved transparency by measuring emissions with advanced tracking software. We rolled out the cloud-based CarbonSystems Enterprise Sustainability Platform—based on Microsoft technology—to more than 600 facilities in 100 countries, providing visibility into our energy use and emissions.



Working Responsibly / Environmental sustainability

Inside the Microsoft carbon fee

How our carbon fee gives business groups an incentive to reduce their emissions and helps us achieve carbon neutrality.

A business division uses carbon-based energy or air travel. The carbon fee is paid by the division based on the amount of carbon emissions.



Microsoft invests the carbon fund in projects to reduce our footprint. That money goes into Microsoft's carbon fund.

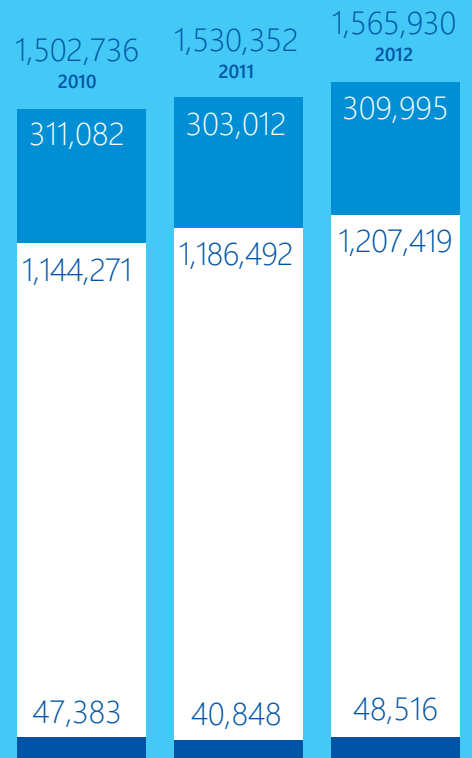


Renewable energy
Wind, solar, and biogas

Energy efficiency
Projects across global facilities

High-quality carbon offsets
Renewables, low-carbon development, and reforestation

- Scope 1: Direct emissions (onsite emissions)
- Scope 2: Indirect emissions (electricity consumption)
- Scope 3: Indirect emissions (air travel only)



CO₂ equivalent emissions (metric tons)¹

¹ This data is provided on a calendar-year basis rather than a fiscal-year basis to facilitate reporting to the Carbon Disclosure Project.



Working Responsibly / Environmental sustainability

Making our operations carbon neutral

FY13 performance highlights

Goal: Achieve carbon neutrality and net-zero emissions for our data centers, software development labs, offices, and employee air travel by increasing energy efficiency and investing in renewable-energy and carbon-offset projects.

From increasing data center efficiency to investing in offset projects to implementing an internal carbon fee, our Be Lean + Be Green + Be Accountable = Carbon Neutral strategy helped us achieve full carbon neutrality in FY13.

Goal: Implement an internal carbon fee that will place a price on carbon, based on current market pricing for renewable energy and carbon offsets, and make the company's business divisions financially responsible for the cost of their carbon emissions.

Our carbon fee established a price for carbon at Microsoft, encouraging business groups to account for energy and travel consumption in business decisions.

Goal: Source more renewable power and continue to implement our more sustainable data center designs.

We purchased 2.3 billion kWh of renewable energy in FY13 — more than double last year's number — while continuing research investments in sustainable energy solutions for our data centers and tightly integrating resilient software across our cloud.

Goal: Roll out an energy-management program to decrease energy use in the buildings on our Redmond campus.

Our interconnected energy-management system helped cut energy costs by an estimated 6 to 10 percent.

FY14 commitments

- Achieving carbon neutrality and net-zero emissions for our data centers, software development labs, offices, and employee air travel by increasing energy efficiency and investing in renewable-energy and carbon-offset projects
- Evolving our internal carbon fee — based on current market pricing for renewable energy and carbon offsets — and making the company's business divisions financially responsible for the cost of their carbon emissions
- Sourcing more renewable power and continuing to implement our more sustainable data center designs
- Extending an energy-management program to targeted U.S.-based Microsoft facilities to decrease energy use



Working Responsibly / Environmental sustainability

Developing technologies to reduce environmental impact

Information technology accounts for up to 4 percent of electricity consumed globally. To keep such power use in line, we're building new efficiencies into our products and services to help our customers reduce their environmental impact. And as our customers and collaborators put their energies into using our products, we're advancing the conversation about conservation and climate change mitigation.



Power management features in Windows 8 help cut PC energy consumption.

Improving energy efficiency in products and services

Much like the cloud has revolutionized business efficiency, we've transformed how efficient cloud storage can be. Through our online products and solutions, we're helping Microsoft users worldwide reduce their own energy consumption.

- Reduced our customers' environmental impact by hosting Microsoft cloud services in our advanced, highly efficient data centers. Small and medium-size businesses that use Microsoft cloud services can reduce their energy use and associated carbon emissions by up to 90 percent compared with on-premises delivery.
- Cut PC energy consumption while driving better performance through power management features built into our hardware and Windows 8.
- Equipped IT managers to better discover, track, and implement potential energy efficiencies with centrally managed tools such as Microsoft's System Center Configuration Manager.
- Helped customers avoid emissions from shipping and packaging through our Digital by Choice program, which offers digital software distribution and dematerializes CD and DVD production.



Working Responsibly / Environmental sustainability

Reducing life cycle impact

Environmental sustainability is core to our hardware design and manufacturing. As part of our Design for Green (DfG) initiative, we're rethinking how we build hardware from the ground up, incorporating such environmental criteria as energy efficiency, recyclability, materials selection, and power type.

- Redesigned our products for improved environmental performance. Windows 8, for example, makes power management seamless and efficient across multiple devices, including laptops, netbooks, desktops, or tablets. We also expanded on the significant battery-life improvements made in Windows 7 and further developed them in Windows 8, such as giving PCs and laptops the ability to instantly switch between low- and high-power modes.
- Introduced an environmental scorecard into our DfG initiative to evaluate energy efficiency, use of recycled or alternate materials, and minimization of packaging earlier in the product inception process.
- Reduced standby power use for the Xbox 360 by a factor of 10 since its launch in 2005. Now using less than three-tenths of a watt, the efficiencies have resulted in a 60 percent reduction in energy use.
- Created a public website and hosted events and programs to foster community knowledge in life cycle sustainability, particularly the environmental choices related to buying, using, and disposing of electronics.
- Enabled our sales teams and encouraged partners to highlight green product offerings by flagging more efficient products and holding EPEAT® training courses in Central and Eastern Europe. EPEAT is a comprehensive environmental rating system that helps identify environmentally preferable electronics.

Significant battery-life improvements

enabling PCs and laptops to instantly switch between low- and high-power modes





Working Responsibly / Environmental sustainability

Informing discussions of climate change

Climate change mitigation requires action and understanding. We're helping collect, study, and manage research into the impact of climate change to support conservation strategies and inform public policy.

- Advocated for large-scale ecosystem modeling through a partnership with the United Nations Environment Programme World Conservation Monitoring Centre. Microsoft's Computational Ecology and Environmental Science (CEES) group and Microsoft Research took on the challenge of creating a vast, data-driven General Ecosystem Model in hopes of enhancing environmental understanding and promoting conservation and biodiversity.
- Worked to restore large aquatic ecosystems—particularly in the Puget Sound region—through a cooperative project with the U.S. EPA. The Microsoft Research Connections team explored how available data and technology can help build relationships between community members, land holders, and decision makers at the county and city level.
- Mapped out threats to endangered wildlife in partnership with the International Union for Conservation of Nature and Natural Resource's Red List of Threatened Species. Our dedicated team of CEES environmental scientists developed software built on SQL Server 2012 and Bing Maps to strengthen research and create a repository of evidence for threats to species.
- Helped preserve threatened plant and animal species in Latin America through LiveANDES, a data collection and processing tool developed by Microsoft Research in collaboration with the Pontifical Catholic University of Chile and the Latin American and Caribbean Collaborative ICT Research Virtual Institute.



Time-lapse image of Tibet's Rongbuk Glacier featured on glacierworks.org—a partnership between filmmaker David Breashears, GlacierWorks, and Internet Explorer. GlacierWorks is telling the story of how climate change is altering the glaciers of the Mount Everest region.



Working Responsibly / Environmental sustainability

Developing technologies to reduce environmental impact

FY13 performance highlights

Goal: Provide guidance to help our industry develop more efficient software.

Many new Windows applications are designed to work in concert with Windows Power Management. We also partnered with cloud developers to make their code as efficient as possible, helping increase data center efficiency.

Goal: Work with partners on customer solutions in five key areas: greener IT, buildings, power and energy infrastructure, transportation, and resource management.

We launched a smart buildings pilot program in Seattle, Washington, modeled after our Redmond Energy-Smart Buildings project. The pilot is expected to produce energy and management savings between 10 to 25 percent in large commercial buildings across Seattle's downtown corridor.

Goal: Collaborate with industry peers to develop new metrics like Carbon Usage Effectiveness (CUE) and Water Usage Effectiveness (WUE) that will help make data centers as efficient as possible.

The Green Grid's proposed CUE and WUE metrics enable operators to quickly assess the relative sustainability of their data centers and determine if energy-efficiency and/or sustainable-energy improvements need to be made.

Goal: Educate customers on how to dispose of old computers and devices sustainably through industry partnerships, collection programs, and outreach efforts.

Through our [Environment website](#), we help customers find Microsoft-supported recycling opportunities in their area. We've also created the [Greener IT Challenge](#), which is designed to help both customers and companies make more environmentally responsible choices and better understand the impact associated with the purchasing, use, and disposal of PCs.

FY14 commitments


- Working with cities around the world to leverage IT and cloud computing to manage resources such as energy and water more efficiently
- Educating customers on how to dispose of old computers and devices sustainably through industry partnerships, collection programs, and outreach efforts




Human rights

Rapid advances in technology create new ways for people to exercise their human rights, yet also introduce new human rights risks. As a global technology company, we are committed to helping people express and protect their fundamental liberties around the world.

Launched Microsoft Technology and Human Rights Center

Provided easier access to the Do Not Track tool in our Web browser



In this section

The power of technology to promote human rights

A global approach

Engagement

Good governance and the rule of law

Privacy and data security

FY13 performance and FY14 commitments

Released 2012 Law Enforcement Requests Report

relating to Microsoft online and cloud services



Championed the free exchange of ideas and information as a member of the Global Network Initiative





“We understand the critical interplay between technology and human rights and our Technology and Human Rights Center will focus on bringing the power of technology to bear in advancing respect for human rights while working across Microsoft to ensure compliance with our Global Human Rights Statement.”

Brad Smith, Executive Vice President and General Counsel, Legal and Corporate Affairs

New technologies create new opportunities for people to promote and express their human rights. Accessing information, supporting worthy causes, and organizing protests—to name just a few—are now possible on a worldwide scale with the touch of a few buttons. But technology can also expose people to unwanted privacy risks, exploitation, and online safety threats.

While technology itself doesn't take sides, technology providers can play a powerful role in promoting human rights and helping people understand the risks and rewards of using technology. We believe companies such as Microsoft have a responsibility to uphold universally accepted standards of human rights and protect people's privacy—starting with the design and manufacturing of our products.

Our Global Human Rights Statement is a powerful beacon for our business—a foundational influence for relevant policies and practices. The statement lays out a common set of human rights principles and helps guide key business decisions in critical areas, such as privacy, security, freedom of expression, labor rights, equality, diversity, and access to education.



Working Responsibly / Human rights

Our Global Human Rights Statement focuses on four key priorities.

- **Creating opportunity:** Our products, services, and devices bring the power of technology to promote respect for human rights and help shape the human rights agendas of governments and business.
- **Acting globally:** Our commitment is based on internationally recognized standards and respect for all human rights, including civil, political, economic, social, and cultural rights.
- **Engaging strategically:** We believe our business can most effectively respect human rights through our presence in, rather than absence from, countries that present significant human rights risks.
- **Promoting good governance:** We will continue to model and promote the rule of law and good governance around the world.

We're also committed to meeting our human rights responsibilities across our global supply chain and employee community. Read more in [Responsible sourcing](#) and [Our people](#).

The power of technology to promote human rights

We believe technology should help people achieve their full potential in accordance with fundamental human rights. In January 2013, we launched the [Microsoft Technology and Human Rights Center](#) at the World Economic Forum 2013 Annual Meeting in Davos, Switzerland. A cornerstone of our human rights activities, the center will help us further integrate human rights into our culture and throughout our operations. We'll also work through the center to advance public understanding of the human rights impacts of information and communications technology (ICT).

Our FY13 actions in this area encompassed two main categories: anti-human trafficking and online safety.

Our Global Human Rights Statement aligns with:

- [United Nations \(UN\) Guiding Principles on Business and Human Rights](#)
- [UN Universal Declaration of Human Rights](#)
- [UN International Covenant on Civil and Political Rights](#)
- [UN International Covenant on Economic, Social, and Cultural Rights](#)
- [International Labour Organization Declaration on Fundamental Principles and Rights at Work](#)



Working Responsibly / Human rights

Anti-human trafficking

- Supported the global fight against human trafficking and helped empower young women to become leaders in computer science by sponsoring the International Women's Hackathon. The crowdsourcing event, which involved 395 women on 11 university campuses worldwide, was aimed at developing technical solutions to advance the missions of three nonprofits: FAIR Girls, Rights4Girls, and The Hindsight Group.
- Advocated increased adoption of anti-child pornography tools like Microsoft PhotoDNA, an image-matching technology used by leading companies, nongovernmental agencies (NGOs), and law enforcement agencies to help stop the redistribution of the worst-known images of child sexual exploitation online.
- Partnered with several organizations to combat human trafficking through the Internet, including the White House Office of Science and Technology Policy, the White House Council on Women and Girls, several U.S. state attorneys general, the UN Global Initiative to Fight Human Trafficking, and local police agencies.
 - Informed California's report "The State of Human Trafficking in California 2012," in partnership with the office of California Attorney General Kamala Harris. Released in November 2012, the report includes information on how organizations can use technology to investigate and prosecute traffickers and assist victims.
 - Helped fight child exploitation by participating in the Thorn Foundation Technology Task Force, a cross-industry collaboration that focuses on the role technology plays in crimes involving child sex trafficking. This year, our contributions included helping establish industry best practices and guidance on how to address the problem of online predators.
- Advanced research to better understand technology's role in enabling human trafficking and also inform potential solutions to the problem. Microsoft Research and the Microsoft Digital Crimes Unit awarded a total of \$185,000 in grants to researchers at Montclair State University, the Center for Court Innovation, the Catholic University of America, the University of New Hampshire Crimes Against Children Research Center, and other organizations. We're on track to release the results in FY14.
- Helped develop an employee resilience guide for Internet service companies whose employees interact with child exploitation content as members of the Technology Coalition.



Working Responsibly / Human rights

Online safety

- Championed the importance of online safety within the ICT industry by naming the industry's first chief online safety officer in March 2013.
- Raised awareness of safer online practices and educated consumers and families about trustworthy online activities by leading or participating in online safety conferences, events, and activities in Australia, Cameroon, Egypt, Ireland, the United Kingdom, and several cities across the United States.
- Took steps to combat online bullying by conducting a worldwide study of negative online behaviors among youth in 25 countries. The study, which revealed that 54 percent of youth are worried they will be bullied online, was released in the summer of 2012, in tandem with new anti-bullying educational materials for parents, educators, and young people.
- Promoted a safer online environment for children by participating in the European Union's CEO Coalition for Child Online Safety.





Human rights

As a global company, we address important human rights issues every day.



We are guided by four principles to help us make sound business decisions.

The power of technology to promote human rights

Technology can empower individuals to achieve their full potential in accordance with fundamental human rights.

A global approach

Businesses should be guided by internationally recognized standards of human rights, such as the UN Guiding Principles on Business and Human Rights and the Universal Declaration of Human Rights.

Engagement worldwide

Businesses can most effectively respect human rights through their presence in—rather than absence from—countries that pose human rights risks.

Good governance and the rule of law

Businesses should respect human rights by modeling and promoting good governance and the rule of law around the world.

How we demonstrated our commitment to respecting human rights in FY13

- Launched the Microsoft Technology and Human Rights Center
- Completed human rights impact assessments on key areas of our business and potential global markets
- Released our first-ever Law Enforcement Requests Report
- Created new tools and trainings to advance Microsoft's internal integration of human rights policies
- Continued membership in the Global Network Initiative to foster freedom of expression around the world
- Built partnerships and led technology research supporting the fight against human trafficking
- Continued advancement of the PhotoDNA software program used to combat child pornography online
- Sponsored the International Women's Hackathon to support the fight against human trafficking



Working Responsibly / Human rights

A global approach

We seek to align all aspects of our business with internationally recognized human rights standards. As an adherent to the UN Guiding Principles on Business and Human Rights, we join with other businesses in embracing universal principles that help shape our business strategy and operations.

Global Network Initiative

The Global Network Initiative (GNI) is an international coalition of technology companies, civil society organizations, investors, and academics dedicated to safeguarding human rights in the face of restrictive governments.

- Demonstrated our ongoing commitment to the free exchange of ideas and information under the Freedom of Expression policy we adopted in FY11 as a member of the GNI. The GNI allows us to participate in discussions about how to provide products and services in the ICT sector in ways that respect, protect, and advance freedom of expression and privacy—particularly in the face of government demands for censorship and disclosure of users' personal information.
- Collaborated with the GNI to define the scope and method of the next phase of an independent assessment of GNI company members. The assessment will include third-party reviews of selected cases where the government asked companies to remove content or demanded user information or content, helping the GNI evaluate the extent to which company members followed its stated policies and procedures.

Impacts, assessments, and best practices

- Increased internal Microsoft understanding of our human rights–related impacts and enabled better business decision making by conducting human rights impact assessments for Microsoft products, services, and potential global markets.
- Fostered understanding and adoption of the UN Guiding Principles on Business and Human Rights, and shared best practices through proactive engagement with a broad range of stakeholders, including investors, human rights organizations, and other corporations.
- Engaged in several third-party forums related to human rights, including presentations at the first annual UN Forum on Business and Human Rights, held in Geneva in December 2012, and the Business and Human Rights: Best Practices in Supply Chain symposium hosted by the Council on Foreign Relations in Washington, D.C., in May 2013.

[Read more](#) about the Global Network Initiative's efforts to advance Internet freedom and online privacy.



Working Responsibly / Human rights

Engagement

One of the most challenging issues we face is how to most effectively advance our values in countries that do not share our commitment to human rights. We believe active engagement in these countries holds the greatest promise for promoting human rights in the long term. Read about our work with BSR on engaging in emerging markets on [page 76](#).



Good governance and the rule of law

Responsible business can serve as a model for sound human rights practices. More than 10 years ago, Bill Gates launched the Trustworthy Computing Initiative, a company-wide effort to limit privacy and data security risks. This initiative continues to inform our internal policies. We also respect the rule of law around the world, helping us promote a criminal justice and security landscape that prioritizes transparency and fairness for all.

- Increased the transparency of Microsoft's data-handling practices by releasing our first-ever [Law Enforcement Requests Report](#). The report details the number of data requests we received from official legal entities, categorizes them by type, and describes the rigor of our review process for each request.
- Continued embedding awareness of human rights issues into our company culture and organizations by including our Global Human Rights Statement in the business ethics and compliance materials we send to all employees globally. We also provided human rights training to key internal groups.
- Worked to ensure Microsoft's commitments to freedom of expression are met by requiring training for software developers, privacy managers, product group attorneys, and other field personnel who receive requests from governments to take down online content.



Human rights due diligence at Microsoft



Faris Natour,
Director, Human Rights
BSR

Faris leads BSR's human rights practice, advising companies on human rights strategy, policy development, human rights impact assessments, and other elements of human rights due diligence.

Over the last two years, BSR has worked with Microsoft to conduct human rights due diligence. Our work began with a corporate-wide mapping to identify relevant human rights issues, assess how Microsoft has been managing these issues, and prioritize Microsoft's operations for more in-depth human rights impact assessments (HRIAs). Following this mapping, BSR has conducted HRIAs of various products, services, business relationships, and markets.

BSR's assessments are aligned with the UN Guiding Principles on Business and Human Rights and guided by Microsoft's Global Human Rights Statement. Through independent research, internal interviews, and external engagement, BSR identified key human rights risks and opportunities, and provided conclusions and recommendations for Microsoft.

Among our work in 2013, we conducted a country-level human rights impact assessment to inform Microsoft's decision on whether and how to enter a new market. This assessment identified key risks, such as the need for more robust "know your customer" due diligence, and identified opportunities, such as using technology to strengthen civil society organizations in the country. Aligned with Microsoft's belief that it can most effectively respect human rights through its presence in—rather than absence from—countries with significant human rights risks, the assessment provided Microsoft with a road map to engage in the country responsibly.

Throughout the due-diligence process, we collaborate closely with Microsoft to merge BSR's human rights expertise and external perspective with Microsoft's technology expertise and understanding of its products, services, and markets. We will continue to conduct human rights impact assessments on additional aspects of Microsoft's business and assist Microsoft in addressing our findings.



Working Responsibly / Human rights

Privacy and data security

Social networking sites, online communities, and other Internet innovations have made it easier than ever for people to share ideas and information, but they've also introduced unprecedented privacy and security risks. We continue to pioneer ways to protect our customers' privacy and help keep their information secure in the design and development of our products.

Privacy

- Upheld our ongoing commitment to customer privacy by enabling Do Not Track in Internet Explorer 10. Do Not Track gives customers more control over how their online activities are recorded and used.
- Increased public awareness of potential online privacy risks and educated customers about how they can use Microsoft technologies to help mitigate these risks through an international education campaign. We also released the online tool Your Privacy Type to help customers better understand their privacy type and align it with their online behavior.
- Improved parental oversight of children's online privacy by strengthening the family-friendly privacy settings for Microsoft Xbox. The settings help parents control who can access their children's personal information when they play online video games, in addition to approving the identities of their online opponents.
- Capped a series of worldwide privacy discussions with the Microsoft Global Privacy Summit in Redmond in September 2012. Insights from the Microsoft Global Privacy Series—which also included events in Washington, D.C., Brussels, Singapore, Sydney, and Sao Paulo—were published in the white paper "Notice and Consent in a World of Big Data" by Indiana University and the University of Oxford.
- Delivered the keynote address at the 34th International Conference of Data Protection and Privacy Commissioners in Punta del Este, Uruguay. Brad Smith, executive vice president and general counsel, Legal and Corporate Affairs at Microsoft, spoke on "Privacy and Technology in Balance."
- Continued investing in our privacy governance program by employing individuals who have formal privacy responsibilities, including many certified information privacy professionals. All are tasked with helping ensure that privacy policies are applied across our products, devices, and services.



Working Responsibly / Human rights

Data and systems security

- Continued our ongoing commitment to customer privacy by enabling Do Not Track in Internet Explorer 10. We believe that one day it will give consumers the increased control over their privacy they expect and deserve.
- Advanced public awareness of online risks by issuing volume 14 of the Microsoft Security Intelligence Report, a comprehensive, up-to-date, and geographically specific analysis of the cyber-threat landscape — including exploits, vulnerabilities, and malware — using data from Internet services and more than 600 million computers worldwide.
- Hosted the second Security Development Conference in San Francisco, California. The event, which attracted more than 270 attendees from 127 global organizations, showcased our ongoing support for the Security Development Lifecycle — Microsoft's security assurance process for software development.
- Helped software developers and IT professionals better understand how installing new applications on Windows systems can alter the threat environment by releasing the Attack Surface Analyzer 1.0. The free tool builds awareness of security threats by highlighting potential weaknesses.

Microsoft Computing Safety Index

Covering more than 20 countries, our second annual [Computing Safety Index](#) helps gauge the extent to which consumers are exercising safer habits and practices when they go online.





Working Responsibly / Human rights

FY13 performance highlights***Goal: Advance our work with partners to fight cyber-crime, online child exploitation, and human trafficking.**

We partnered with the White House Office of Science and Technology Policy to combat human trafficking. Our PhotoDNA image-matching technology continues to be used by leading organizations to help stop online child exploitation.

Goal: Uphold our commitment to human rights as outlined in our Global Human Rights Statement, and annually communicate our progress.

We raised awareness of our commitment to respect human rights, initiated human rights training in key areas, and engaged stakeholders.

Goal: Identify, prevent, and mitigate the human rights risks associated with our products and services.

We completed human rights impact assessments of key areas of our business and potential global markets.

Goal: Conduct a GNI Phase III assessment.

We collaborated with GNI to define the independent Phase III assessment, including describing the types of government requests we receive for content removal or user information.

Goal: Host the sixth U.S.-China Internet Industry Forum, to discuss issues such as free expression.

We cohosted the forum in Beijing in April 2013.

Goal: Maintain a comprehensive privacy program to minimize customer risk, foster compliance, and build privacy into our products and services.

We employed many certified information privacy professionals to help ensure privacy policies are applied across our products, devices, and services.

Goal: Strengthen consumer privacy and online safety by partnering with governments, NGOs, industry partners, and law enforcement.

We hosted the Microsoft Global Privacy Summit in 2012.

FY14 commitments

- Increasing our commitment to transparency by issuing Law Enforcement Requests Report
- Collaborating with privacy stakeholders from around the world to generate new thinking in support of evolved approaches and models to protect privacy
- Developing and deploying technology solutions and applications to advance human rights
- Continuing to meet Microsoft's human rights commitment as outlined in our Global Human Rights Statement
- Advancing public understanding of the human rights impact of information and communications technology through the work of the Microsoft Technology and Human Rights Center
- Performing ongoing assessments of the human rights impacts of our operations
- Advancing internal, targeted human rights trainings

* The FY13 goals were edited slightly from last year's report for space reasons.



Responsible sourcing

We ask our suppliers to uphold the high standards of citizenship to which we hold ourselves. By setting clear expectations in our Supplier Code of Conduct, taking steps to ensure those expectations are met, and sharing best practices with our suppliers, we’re working to advance the health, safety, and well-being of our suppliers’ workers.

Enhanced requirements and efforts

to help hardware and packaging suppliers manage their environment, health, and safety practices



Centralized management

of the responsible sourcing initiatives that apply to our non-hardware suppliers



In this section

Hardware and packaging production

Conflict minerals

FY13 performance and FY14 commitments

Defined and rolled out 80 “model factory” practices

related to worker living conditions for our Tier 1 hardware and packaging suppliers



Made progress in examining our supply chain for conflict minerals

based on reports from 84 percent of our suppliers of components containing tin, gold, tantalum, or tungsten





Working Responsibly / Responsible sourcing

“This year, we have focused on further integrating responsible sourcing into how we manage relationships across our broad base of suppliers, as part of our journey to ensure our suppliers have mature ethical, social, and environmental practices that reflect Microsoft’s values.”

Mike Simms, Chief Procurement Officer

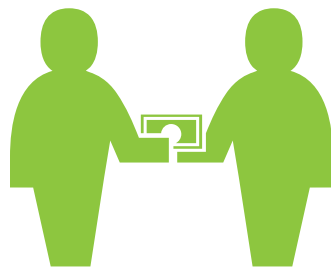
Our supplier network is critical to our business. We require our suppliers to uphold the ethical business, employment, environmental, and worker safety practices outlined in our Supplier Code of Conduct (SCC)—which aligns with the Electronic Industry Citizenship Coalition’s (EICC) responsible supply chain standards. This year, we enhanced our SCC with provisions related to freedom of association and human trafficking.

We have two internal teams devoted to administering our supply chain.

- Our Global Procurement Group oversees our non-hardware suppliers, which number more than 60,000. This group runs such responsible sourcing initiatives as our supplier diversity program, ethics training, and anti-corruption screening programs. In FY13, the group created a new management function solely dedicated to responsible sourcing.
- Our Manufacturing, Supply Chain, and Information Services Group manages our hardware and packaging supply chain. For the last eight years, this group has run a Social and Environmental Accountability (SEA) program to ensure that our hardware and packaging suppliers abide by our SCC and additional program-specific requirements. The SEA program also helps hardware and packaging suppliers enhance their capabilities in areas such as waste management and worker-management communications.

\$1.9B

spent with women- and minority-owned businesses in FY13, placing Microsoft in the top 20 companies for spending with diverse suppliers.





Working Responsibly / Responsible sourcing



Microsoft production supplier locations

Hardware and packaging production

Beginning with the introduction of the Microsoft Mouse in 1982, our hardware business has grown steadily—and has accelerated even more in the past several years. Our hardware and packaging production activities now span 16 countries around the world.

As we transition to a devices and services company, we have reaffirmed our expectations for hardware and packaging production suppliers on issues concerning labor, health and safety, environmental controls, business ethics, and management systems. As we work with an increasingly large and complex set of hardware and packaging production

suppliers, we are continuing to raise the bar with our existing suppliers while onboarding new suppliers to our requirements.

We also recognize the increasing level of public interest in our supply chain management practices, and are therefore expanding the scope of information in this report. Earlier this year, we disclosed [our top 100 hardware production suppliers](#).



Working Responsibly / Responsible sourcing

Our approach to supplier engagement

Our hardware and packaging suppliers are required by contract to follow Microsoft's social and environmental specifications, which include our SCC and other criteria specific to hardware and packaging production. These requirements apply to the following two tiers of suppliers.

- **Tier 1 suppliers** have a direct contractual relationship with Microsoft to manufacture our hardware components and products.
- **Tier 2 suppliers** are contracted by Microsoft to provide components and/or materials to our Tier 1 suppliers for inclusion in our products.

We also require these suppliers to have systems in place to ensure that their own upstream suppliers— those that Microsoft does not contract with directly— conform to our SEA specifications.

"As we pivot to a devices and services business, we aim to set a high bar for ourselves and our suppliers on ethics, labor rights, health and safety, and the environment."

**Brian Tobey, Corporate Vice President,
Manufacturing, Supply Chain, Information,
and Services**



Working Responsibly / Responsible sourcing

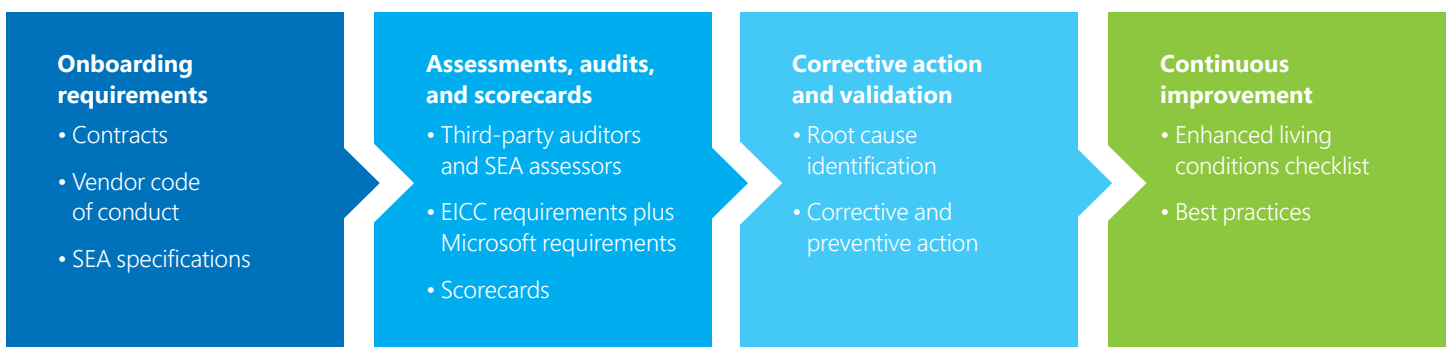
All hardware and packaging suppliers contracting with Microsoft undergo qualification assessments to ensure they meet our standards. Before we start doing business together, all Tier 1 and high- and medium-risk Tier 2 suppliers face initial capability assessments and audits conducted by third-party auditors and/or Microsoft's own SEA team. Once these suppliers are on board, we provide a scorecard that grades each factory on our social and environmental requirements for hardware and packaging suppliers.

On an ongoing basis, third parties audit our Tier 1 suppliers at least annually and audit Tier 2 suppliers based on their risk level. Microsoft's SEA team supplements these third-party audits with onsite assessments of Tier 1 factories and high- and medium-risk Tier 2 component suppliers.

Third-party auditors and the Microsoft SEA team use protocols and tools developed by the EICC that we supplement with additional criteria. Audit criteria include labor, health and safety, environment, ethics, 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.

When auditors or our SEA team find non-conformances with our standards, our SEA team works closely with suppliers on corrective action plans to resolve issues. We require suppliers to identify the root cause, the corrective course of action, and future preventive actions for all the issues found. Suppliers must correct issues within specific deadlines based on the severity of the non-conformance found to avoid restrictions on new Microsoft business or the possibility that we'll terminate our business with them.

Our approach to supplier engagement





Working Responsibly / Responsible sourcing

We also conduct additional inspections of suppliers when audits have identified a considerable number of repeated non-conformances and/or critical/serious non-conformances. These factory inspections include visits from Microsoft executives in conjunction with SEA team members, and require good faith efforts to address major findings. Suppliers that do not address our findings risk termination of business.

While we demand accountability, we seek to work collaboratively to help our contracted suppliers build their capabilities by sharing experiences and best practices, including detailed guidelines on how to improve factory workers' living environments and communities.

Supplier Code of Conduct

The SCC sets our expectations for ethical business and employment practices among all companies doing business with Microsoft, including overseas suppliers and service providers. Our SCC requires, among other things:

- Fair, legal wages under humane conditions
- A safe and healthy work environment
- A workplace free of harassment, discrimination, or abuse
- Freedom of association
- No forced or child labor and new protections against human trafficking
- Environmental and regulatory compliance
- Business, legal, and anti-corruption protections



Working Responsibly / Responsible sourcing

Ensuring supplier accountability

In FY13, we completed 278 third-party audits and Microsoft assessments of 149 Tier 1 and high- and medium-risk Tier 2 suppliers, up from 267 third-party audits and Microsoft assessments of 120 Tier 1 and 2 suppliers in FY12.

Last year, we disclosed in our Citizenship Report the critical/serious non-conformances from labor-related violations. In this year's report, we are building on that disclosure by reporting on critical/serious non-conformances for the broader range of labor, health and safety, environment, and ethics requirements covered in third-party audits and Microsoft assessments of suppliers.

All of the identified critical/serious non-conformances were escalated to Microsoft senior management, and the suppliers were placed on restricted status with no new Microsoft business awarded until they had resolved these issues. In all these instances, the supplier instituted a corrective action plan that was approved by Microsoft—with follow-up audits confirming that the supplier was implementing the corrective action. As we do each year, we analyzed patterns of these non-conformances to improve our supplier capability-building and compliance-training efforts for the next year.

As the charts indicate, the number of audits and assessments conducted year over year increased primarily due to the onboarding of new suppliers; however, the total number of critical/serious labor non-conformances decreased.

Over the past two years, we've found four instances of underage workers in our suppliers' factories due to vulnerabilities in the suppliers' age-verification procedure. Suppliers did not detect the misuse of borrowed identification indicating the employee was older than he or she in fact was. To address this issue, we've worked to help suppliers implement facial-recognition software to screen new employees. This substantially reduces the risk of minors misusing legitimate identification papers to get work. A number of our suppliers now take this additional step to validate potential employees' ages. In the four instances over the past two years where we found an underage worker in a factory, we worked with the supplier to ensure they provided the individual full compensation for their work and a safe journey back home.

Supplier audit and assessment results, labor *Findings of critical/serious non-conformances*

PROVISION	FY12	FY13	YEAR-OVER-YEAR CHANGE
Freely chosen employment	7	2	-5
Child labor avoidance	3	1	-2
Working hours	6	1	-5
Wages and benefits	14	8	-6
Humane treatment	0	1	+1
Non-discrimination	8	3	-5
Freedom of association	0	0	0
Labor subtotal	38	16	-22



Supplier audit and assessment results¹

Findings of critical/serious non-conformances

FINDINGS

Labor		
	On page 86	Labor subtotal 16
Health and safety		
	High-risk health and safety	1
	Occupational safety	1
	Emergency preparedness and response	0
	Occupational injury and illness	0
	Industrial hygiene	2
	Physically demanding work	0
	Machine safeguarding	0
	Dormitory and canteen	0
		Health and safety subtotal 4
Environment		
	Environmental permits and reporting	0
	Pollution prevention and resource reduction	0
	Hazardous substances	0
	Wastewater and solid waste	2
	Air emissions	0
		Environment subtotal 2
Ethics		
	Business integrity	0
	No improper advantage	0
	Protection of intellectual property	0
	Protection of identity	0
		Ethics subtotal 0
Management systems		
	Labor and ethics management systems	0
	Environment, health, and safety management systems	0
		Total critical/serious findings 22

¹ Number of instances found of critical/serious non-conformances by third-party audits and Microsoft SEA assessments in FY13 (which are both based on the EICC audit protocols with additional Microsoft requirements).



Working Responsibly / Responsible sourcing

Supporting women's empowerment and health



Racheal Meiers, Director
HERproject

Racheal oversees the HERproject Factory and HERproject Farm programs, along with the global HERproject team. She also supervises relationships with participating companies, and manages program media relations, partnerships, and expansion.

Women working in factories face a number of personal health risks and challenges, which are often aggravated by gender inequities that impact their lives at home and in their communities. Not being able to practice preventive general and reproductive health — whether due to lack of awareness or reluctance to seek health services — negatively impacts the personal well-being of women, as well as their ability to thrive as employees.

BSR's HERproject (Health Enables Returns) works to address this challenge through factory-based women's health education, using a peer education methodology that also drives empowerment and leadership development. Across nine countries in Asia and Africa, HERproject motivates factory workers to become health ambassadors to their coworkers, their families, and within their communities, training individuals on issues like safe sex and HIV/AIDS, nutrition, cervical cancer and breast cancer, and general health and hygiene. The HERproject also works to demonstrate the business benefits of these program activities to promote long-term factory investments in women's health.

Microsoft and two key suppliers have participated in the HERproject over the past three years. Our collaboration has helped reach more than 5,000 women working in southern China, as well as sensitizing 6,000 male workers to these issues. Follow-up surveys indicate the program has raised awareness of important health issues, but more important, the program has promoted adoption of healthier behaviors.

Microsoft is one of only two electronics companies participating in the HERproject (out of 24 company partners). The company's involvement is an important factor in driving increased attention to and support for women's health and well-being — and women's empowerment more broadly — within the electronics industry.



Working Responsibly / Responsible sourcing

Improving work and living conditions

In FY13, Microsoft's SEA team and manufacturing and sourcing teams gathered input from workers and suppliers to create a "model factory" scorecard that we now use with all our Tier 1 suppliers. The scorecard has the following five categories:

- **Compliance:** Scores based on third-party audits and Microsoft SEA team assessments
- **Living conditions:** Scores from Microsoft's comprehensive living condition checklist of required practices, such as food quality, dorm cleanliness, and recreational facilities and activities
- **Training and career development:** Scores from suppliers' rollout of required employee classes for life skills, ranging from IT training to financial planning and career development courses
- **Environmental, health and safety key performance indicators:** Scores of injury and illness rates and recordable incidences of fire, chemical spills, environmental violations, and greenhouse gases
- **Communication and transparency:** Scores of suppliers' transparency in publishing an annual corporate social responsibility report, and implementing worker-management communication programs and worker-grievance reporting programs

Our efforts to improve working and living conditions are guided by input from workers. For the third year in a row, we conducted anonymous worker surveys through the Fair Labor Association, helping to address worker concerns at our suppliers. This included interviews with more than 2,000 workers making Microsoft products. The findings reveal that we made progress in several areas.

- Improved worker awareness of factory rules and regulations among our hardware and packaging suppliers, with 92 percent reporting they understood their respective factory rules in FY13, compared with 75 percent in FY11.
- Increased average worker satisfaction with work conditions from 60 percent in the FY11 survey to 76 percent in FY13. Worker satisfaction with workplace health and safety increased from 62 to 77 percent.
- Improved satisfaction with working hours, with 60 percent of workers stating their working hours are reasonable, and an average of 18 percent desiring to work even longer hours. Survey results in FY13 showed marked improvement from FY11, when less than half of survey participants stated their working hours were reasonable.

Although good progress has been made, the survey results also identified areas for improvement, including compensation; dining conditions related to food variety, taste, and price; enhanced communications between factory management and workers; and more educational opportunities for career development and personal improvement.



Working Responsibly / Responsible sourcing

Promoting a safe working environment

Health and safety is a top priority for Microsoft. We believe that individuals should be able to work and return safely home each night with no negative impact to their health and well-being. Building on the strong foundation put in place in FY11 and FY12, we continued to work with suppliers to ensure that working environments are safe and healthy.

- Conducted in-depth environmental health and safety assessments at all Tier 1 and some high-risk Tier 2 suppliers, helping us proactively identify areas of high risk within our supplier facilities, such as electroplating and soldering operations and the handling of hazardous chemicals. We then helped our suppliers implement best practices to mitigate health and safety risks by providing safety guidelines, and suggested metrics for monitoring performance and training on recommended practices.
- Expanded our training and capability-building work with suppliers to foster safe working conditions.
 - Partnered with BSR on HERproject (Health Enables Returns) to educate women on such health issues as reproduction, sexually transmitted diseases, and human immunodeficiency virus. This year, the project reached 11,041 workers for a total of 22,082 training hours. The program increased health awareness by 26 percent and adoption of healthier behaviors by 60 percent.
 - Promoted and raised awareness of safer working conditions at a key supplier site in China through our collaboration with the Hong Kong Workers' Health Centre. Through this partnership, 1,831 workers received training, we established a new onsite safety committee, and the factory addressed 223 environmental health and safety suggestions from workers.

Improving women's health

11,041 women in our supplier workplaces were trained on reproduction, sexually transmitted diseases, and other health issues through our partnership with BSR's HERproject.





Working Responsibly / Responsible sourcing

Conflict minerals

Strong collaboration is the key to establishing an industrywide, conflict minerals–free electronics supply chain—a broad effort we’ve been behind since 2007. We took a stand on this issue well before the Dodd-Frank Wall Street Reform and Consumer Protection Act established conflict mineral–reporting requirements in the United States, which will go into effect in May 2014. For instance, we helped pilot the Organisation for Economic Co-operation and Development’s conflict minerals due-diligence process.

As part of our commitment, we supported the launch of the Conflict-Free Sourcing Initiative by the EICC and Global e-Sustainability Initiative in 2010, which aims to identify smelters that can objectively demonstrate that their raw materials do not originate from sources contributing to conflict in the Democratic Republic of the Congo. We also helped fund an early adopter program to make it easier for smelters to get certified.

- Continued identifying each component used in our products containing tin, gold, tantalum, or tungsten, and the suppliers of these components. As of June 30, 2013, 84 percent of our suppliers had sent us information identifying their upstream sources for the minerals in question.
- From the supplier data we received, we identified 156 smelters and refineries producing the types of minerals covered by the survey. The survey revealed that all of the identified tantalum smelters passed the conflict-free smelter audits, although we are still tracing sources for some additional suppliers.

We are active members of the Public-Private Alliance for Responsible Minerals Trade

This leading multi-stakeholder group is devoted to finding supply chain solutions to conflict minerals challenges. [Read more about the PPA.](#)



Working Responsibly / Responsible sourcing

FY13 performance highlights**Goal: Continue to enhance our programs to verify that our suppliers adhere to our Supplier Code of Conduct.**

We developed new “model factory” scorecards for Tier 1 hardware suppliers, and promoted other enhanced supplier-assurance programs for both hardware and packaging suppliers and select categories of non-hardware suppliers.

Goal: Consider further enhancing the transparency of our supplier auditing processes on labor and human rights issues.

We disclosed our top 100 hardware production suppliers and increased our reporting of auditing and assessment findings for our hardware and packaging suppliers in this FY13 Citizenship Report.

Goal: Support industry efforts to identify, reduce, and ultimately eliminate conflict minerals from the technology supply chain.

As of June 30, 2013, 84 percent of our component suppliers had sent us information identifying their upstream sources for tin, gold, tantalum, and tungsten.

FY14 commitments

- Enhancing working and living conditions in our Tier 1 factories through such efforts as implementing our “model factory” program, which includes requirements for standardized living conditions, life skills classes, IT skills training, and enhanced worker-grievance reporting programs
- Reducing environment and health and safety risks by providing additional guidelines on common deficiencies identified in our audits
- Improving overall capabilities of low-performing, high-risk Tier 2 factories by providing consulting and training on identified deficiencies
- Continue working to advance industrywide efforts to achieve a conflict mineral–free electronics supply chain, to implement our own conflict minerals due-diligence processes, and to meet the new public disclosure requirements of the Dodd-Frank Act that go into effect in May 2014



Governance

Public trust in corporations depends in large part on the basic aspects of business character: integrity, values, and transparency. A strong and steady core is the bedrock of both right action and good business.

Engaged in the global public policy process

Our engagement was informed and guided by our FY13 public policy agenda



100%

Independence of directors serving on board committees



In this section

- Corporate governance
- Maintaining strong practices and performance
- Public policy engagement
- Compliance
- FY13 performance and FY14 commitments



We received a rating of 7.5 out of 10 from GovernanceMetrics International




On 2013 World's Most Ethical Companies list





“We’re unified in our intention to operate with integrity. Not only do we comply with all state and federal laws, but we go to great effort to be transparent in our actions as a company.”

**John Seethoff, Vice President and
Deputy General Counsel**

Sound principles, practices, and leaders are critical to good business. Accountability at the highest levels and ethical conduct throughout the company are central to earning and maintaining the public’s trust.

Corporate governance

Corporate governance at Microsoft is designed to promote the long-term interests of our shareholders, maintain internal checks and balances, strengthen management accountability, and foster responsible decision making. Microsoft continues to build on its strong foundation of existing governance practices through the establishment of new policies that further promote these interests.

Engaging proactively with stakeholders

- Updated investors on developments in our corporate governance framework in an annual letter from members of our board’s Governance and Nominating Committee.
- Engaged on a semi-annual basis with investors—including public pension funds and socially responsible investors, which collectively held approximately 35 percent of our outstanding shares—about governance- and citizenship-related topics, and delivered a summary of investor feedback to the board.
- Released a new installment of our director interview series, which we launched in 2009 to inform our shareholders about our directors, their background and experience, and their views about the board’s roles and responsibility in serving the best interests of our shareholders and other stakeholders. The latest installment, which featured lead independent director John W. Thompson, is available on our [Investor Relations board of directors page](#).



Working Responsibly / Governance

Managing risk at the board level

- Our board is responsible for overseeing risk management at the company. The board exercises direct oversight of strategic risks to the company and other risk areas not delegated to one of its committees.
- The Audit Committee reviews and assesses the company's processes to manage financial reporting risk and to manage investment, tax, and other financial risks. It also reviews the company's policies for risk assessment and the steps management has taken to control significant risks, except those delegated by the board to other committees.
- The Compensation Committee oversees compensation programs and policies and their effect on risk taking by management.
- The Regulatory and Public Policy Committee oversees operational risks, including those related to business continuity, security, privacy, and competition law.
- In each case, management periodically reports to the board or relevant committee that provides guidance on risk assessment and mitigation. Each committee charged with risk oversight reports up to the board on those matters.

Board refreshment

- Microsoft has a practice of regularly adding new directors to its board to continuously infuse new ideas and fresh perspective in the boardroom. On average, our board appoints a new director each year.
- The Governance and Nominating Committee of the board focuses on the experience and skill set of each new director in an effort to create a board with diverse viewpoints and expertise while maintaining a strong technology-specific knowledge base.
- With two of our largest shareholders serving on the board—as well as members with deep financial and accounting expertise, proven business operations, marketing and strategy experience, and exceptional technology backgrounds—we continue to focus on maintaining a strong balance that will best perpetuate the success of the company's business.



Working Responsibly / Governance

Maintaining strong practices and performance

- Included on the Ethisphere® Institute’s list of the World’s Most Ethical Companies.
- Received a 2 from Institutional Shareholder Services, Inc. (as of September 1, 2013). A score of 1 indicates a low governance risk, while a 10 indicates a high governance risk.
- Ranked on *CR Magazine’s* list of 100 Best Corporate Citizens, selected from all companies in the Russell 1000® Index.
- Received a 7.5 out of 10 global market rating from GovernanceMetrics International for practices and performance (as of June 19, 2013).

Key governance data

Number of directors	Percentage of independent directors
9	77%
Number of board committees	Independence of directors serving on board committees
4	100%
Separate chairman and CEO	Lead independent director
Yes	Yes
Annual board, committee, and individual member self-evaluations	Number of board meetings held in FY13
Yes	10



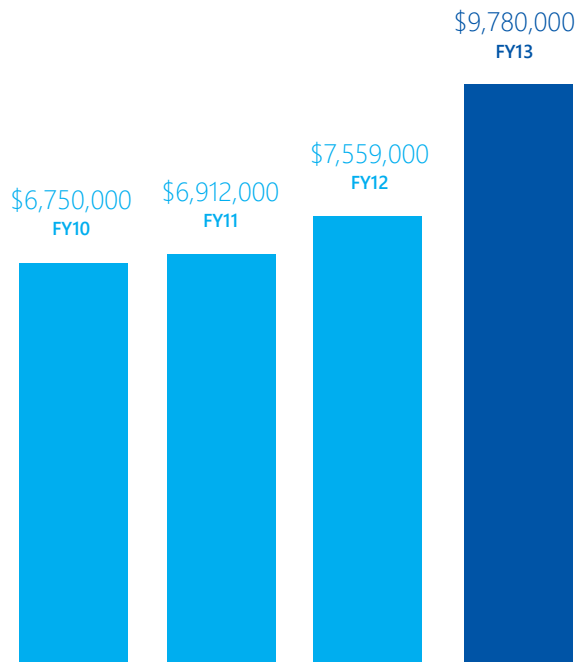
Working Responsibly / Governance

Public policy engagement

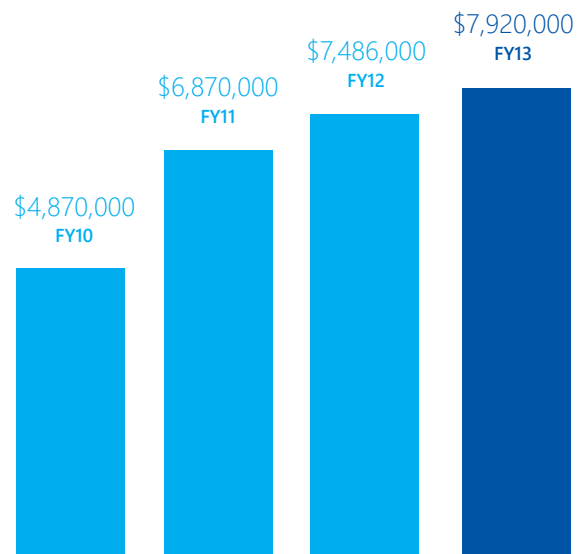
Corporate participation in the public policy process is an important means of enhancing shareholder value and is fundamental to free and democratic societies. Our engagement in the public policy process is grounded in and guided by our unwavering commitment to strong corporate governance—centered on transparency, accountability, and compliance.

- We engage in public policy discussions that relate to our business, and also update our public policy agenda every year to reflect changes in the policy environment and our business. Our FY13 policy agenda focused on accelerating economic growth, addressing social challenges, and working responsibly in the information economy.
- We regularly file reports that detail our advocacy activities in compliance with regulations and our commitment to transparency. Our disclosures include consultant fees, lobbying expenses, and trade-association dues related to advocacy.
- We are a member of a number of trade associations and business coalitions that help us work with industry peers to advance issues that affect our business and society. A full list of the trade associations and business coalitions supported by our Legal and Corporate Affairs Group is available on our [Citizenship website](#). For a complete statement on our involvement with trade associations, please see "[Principles and Policies for Guiding Microsoft's Participation in the Public Policy Process in the United States](#)."

U.S. public policy advocacy



Federal



State

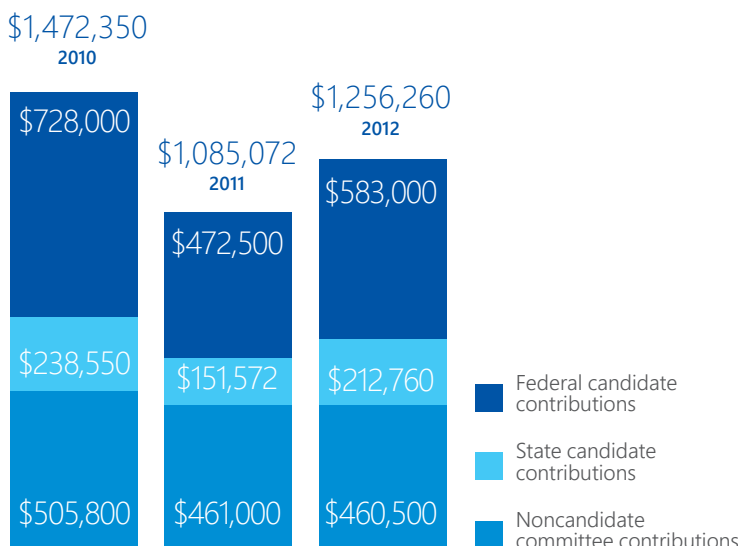


Working Responsibly / Governance

Adhering to strict principles and policies

- Clear principles govern our engagement in the political process in the United States.
- Political spending will reflect the company's interests and be used to further its public policy agenda and not the personal agenda of individual officers, directors, or employees.
- We do not make corporate contributions to any noncandidate or nonparty political committees organized under section 527 of the Internal Revenue Code, which are formed solely to influence elections.
- No campaign contributions are given in anticipation of, in recognition of, or in return for an official act.
- We reaffirmed our stance on not making independent political expenditures or electioneering communications, as permitted under the U.S. Supreme Court's Citizens United ruling.

Microsoft Political Action Committee political contributions (calendar year)



Transparency in political spending

- For the last calendar year, the Microsoft Political Action Committee (MSPAC) made political contributions totaling \$1,256,260. In addition to MSPAC's contributions, our company as a whole contributed \$146,300 to state and local political campaigns in calendar year 2012. We do not support political candidates or campaigns outside the United States.
- The Regulatory and Public Policy Committee of the Microsoft board of directors is responsible for overseeing the company's policies and programs that relate to public policy and corporate citizenship, including public issues of significance to the company and its stakeholders that may affect the company's operations, performance, or reputation.
- Management of our participation in the political process in the United States is the responsibility of the vice president for U.S. Government Affairs. This position reports directly to Microsoft's general counsel, who reports to the company CEO.
- The MSPAC Steering Committee, a bipartisan committee of Microsoft federal and state government affairs professionals, is responsible for oversight and day-to-day decision making related to political spending. The committee's oversight spans corporate fund expenditures as well as employee and shareholder donations made via the MSPAC program.

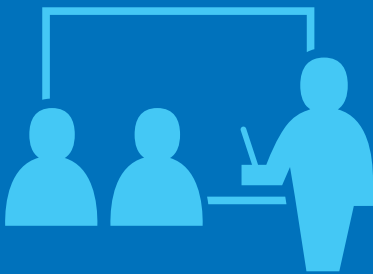


Working Responsibly / Governance

- Microsoft requires individuals who recommend corporate political contributions in the United States to certify their knowledge of and adherence to these policies and practices.
- Outside ethics counsel reviews and approves all MSPAC and corporate political giving activities, filings, reports, and materials.
- We publish MSPAC and corporate political spending reports semi-annually on our corporate website.

99% of employees

We trained our employees on our Standards of Business Conduct, which addresses topics such as anti-corruption, conflicts of interest, and financial integrity.



Compliance

Businesses have a responsibility to operate in full accordance with the law, and we have zero tolerance for failure to adhere to our internal compliance policies and practices.

Competing responsibly within our industry

- We comply with antitrust rulings and apply principles that support innovation, choice, and opportunities for developers regarding new products and services.
- For information about acquisitions or our response to rulings, see our [2013 Annual Report](#).

Ongoing litigation

At any given time, there may be a range of legal actions pending against a company. For more detailed information regarding ongoing litigation involving Microsoft as of the end of FY13, please refer to "Note 17 — Contingencies" in our [FY13 10-K report](#).

Training employees

- In FY13, we trained more than 99 percent of our employees on our Standards of Business Conduct, which addresses topics such as anti-corruption, conflicts of interest, and financial integrity.
- We promote employee awareness of business conduct policies through Microsoft Policy, an online tool and central resource for all relevant information.



Working Responsibly / Governance

FY13 performance highlights

Goal: Maintain or increase dialogue between stakeholders and the company.

We updated investors on developments in corporate governance with an annual letter from the Governance and Nominating Committee of the board. We also engaged semi-annually with a group of investors who collectively hold approximately 35 percent of outstanding shares. And we released a new installment of our director interview series featuring members of our board.

Goal: Engage in cross-industry forums to help us identify and contribute to the development of best practices.

We engaged with a variety of organizations, including the Conference Board Governance Center, the Council of Institutional Investors, the Society of Corporate Secretaries and Governance Professionals, and the Stanford Institutional Investors' Forum.

Goal: Implement the regulatory and disclosure requirements adopted under the Dodd-Frank Wall Street Reform and Consumer Protection Act.

In 2009, we voluntarily submitted our executive compensation to a shareholder advisory vote, which received overwhelming support. At the 2012 Annual Meeting, more than 94 percent of the votes cast supported our say-on-pay resolution. We continue to monitor and implement new regulations as they come out, such as the recently adopted requirements relating to the independence of compensation committees and their advisors.

Goal: Uphold our unwavering commitment to strong corporate governance when participating in the public policy process.

In accordance with the "Principles and Policies for Guiding Microsoft's Participation in the Public Policy Process in the United States," the Regulatory and Public Policy Committee of the Microsoft board of directors exercised oversight of the company's public policy work during FY13, and received formal semi-annual reports on related activities.

FY14 commitments

- Maintaining or increasing dialogue between stakeholders and the company
- Engaging in cross-industry forums to help us identify and contribute to the development of best practices
- Continuing to enhance our corporate governance principles and policies to serve the interests of our shareholders and other stakeholders
- Implementing the regulatory and disclosure requirements adopted under the Dodd-Frank Wall Street Reform and Consumer Protection Act

About This Report



Reporting year

Unless otherwise stated, information in this report is related to fiscal year 2013 (July 1, 2012, to June 30, 2013).

Scope

This report covers Microsoft's nonfinancial performance and impact related to the company's global citizenship work in FY13 across our world-wide operations.

The report covers material citizenship issues based on:

- Internal assessments
- Ongoing engagement with a broad array of stakeholders, ranging from socially responsible investors, nongovernmental organizations, and public officials to our employees
- Requests for information by global reporting and rating agencies

To improve this year's report, we incorporated information that addressed a range of stakeholder requests during FY13.

We used the Global Reporting Initiative (GRI) G3.1 Sustainability Reporting Guidelines to help determine relevant content and metrics. Please see our standalone GRI Index online for more detailed data and additional information.

Additional reporting

This report was released in conjunction with the Microsoft FY13 Annual Report. These reports complement each other and together provide a full picture of Microsoft's performance over the fiscal year.

In addition to these reports, we report on our actions in many other ways throughout the year. These include:

- Ongoing direct dialogue with a broad range of stakeholders, as well as with industry and issue-advocacy organizations and public officials
- Updates to our Citizenship website, blogs, Facebook, and Twitter to reflect recent initiatives and progress
- Research and white papers on specific issues
- Economic impact data and hundreds of local impact stories through the Microsoft Local Impact Map
- An annual submission to the Carbon Disclosure Project
- This report demonstrates our commitment to the United Nations (UN) Millennium Development Goals
- One Report
- Responses to a wide range of surveys covering a broad array of issues

Feedback

We welcome your feedback on this report and on the Microsoft Citizenship approach. Please email your comments to mcitizen@microsoft.com or write to us at the following address:

Microsoft Corporate Citizenship
Microsoft Corporation
One Microsoft Way
Redmond, WA 98052, United States

United Nations Global Compact

Microsoft’s commitment to the UN Global Compact is aligned with and supports our mission to help people and businesses around the world realize their full potential.

Since endorsing the Global Compact in 2006, we continue to view it as an important guide for Microsoft. The Global Compact’s 10 principles related to human rights, labor, the environment, and anti-corruption align with our company’s business

strategies, practices, policies, and operations. Our involvement supports our efforts to demonstrate accountability and ongoing improvement across the broad range of citizenship topics.

This 2013 Citizenship Report serves as Microsoft’s annual Global Compact Communication on Progress. The following table describes the location of information about each principle in this report.

Human rights	
Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and	Our people , Human rights , Responsible sourcing
Principle 2: make sure that they are not complicit in human rights abuses.	Our people , Human rights , Responsible sourcing
Labor	
Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	Responsible sourcing
Principle 4: the elimination of all forms of forced and compulsory labor;	Responsible sourcing
Principle 5: the effective abolition of child labor; and	Responsible sourcing
Principle 6: the elimination of discrimination in respect of employment and occupation.	Our people , Responsible sourcing
Environment	
Principle 7: Businesses should support a precautionary approach to environmental challenges;	Environmental sustainability
Principle 8: undertake initiatives to promote greater environmental responsibility; and	Environmental sustainability , Responsible sourcing
Principle 9: encourage the development and diffusion of environmentally friendly technologies.	Environmental sustainability
Anti-corruption	
Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.	Responsible sourcing , Governance

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