

Microsoft Corp.

TICKER

NasdaqGS:MSFT

MARKET CAPITALIZATION

US\$732 billion

HEADQUARTERS

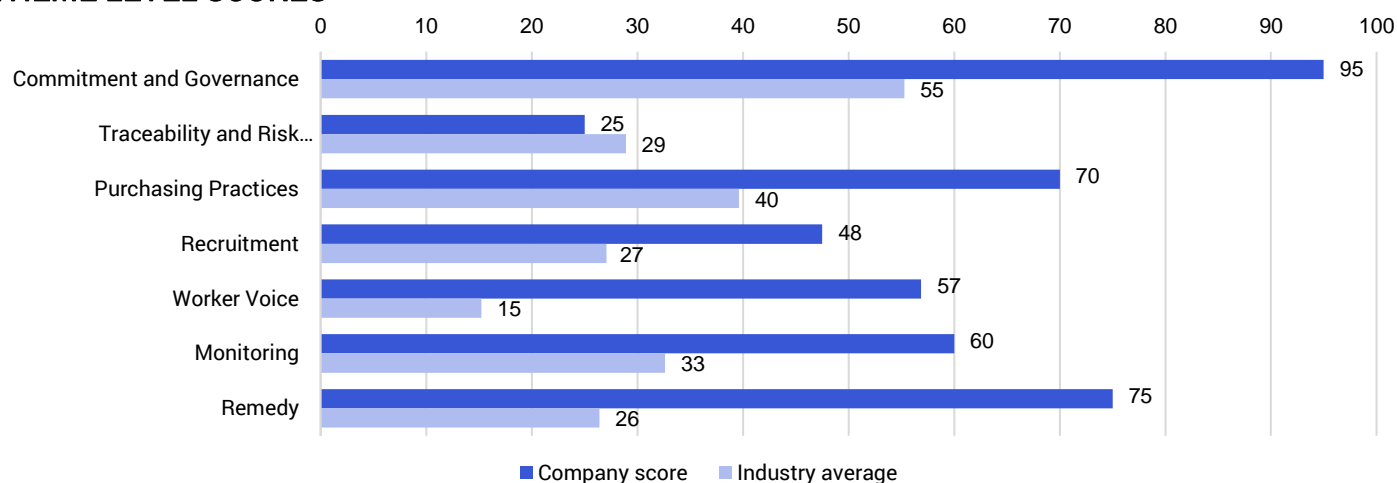
United States

COMPLIANCE
UK Modern Slavery Act: [Disclosure available, but not compliant](#)
California Transparency in Supply Chains Act: [None available](#)
COMMITMENTS
[Yes](#)
OVERALL RANKING
7 out of 40

(2016: 5 out of 20)

OVERALL SCORE
61 out of 100
SUMMARY

Microsoft Corp. (Microsoft) ranks 7th out of 40 companies. It discloses considerably more information on its forced labor policies and practices than its peers on all themes except traceability and risk assessment. The company achieved the second highest score on the theme of worker voice, and the third highest score on the themes of commitment and governance, and remedy. Microsoft has improved its score by four points since 2016 by a) disclosing examples of how it engages with others on forced labor (with its peers, globally and with NGOs in the countries where its suppliers operate), b) including a provision in its code of conduct to cascade standards through supply chains, and c) providing an example of an outcome for suppliers' workers of its remedy process. Additional steps the company could take to address forced labor risks in its supply chains include strengthening its disclosure and practices on the themes of traceability and risk assessment, recruitment, and worker voice.

THEME LEVEL SCORES


LEADING PRACTICES

Purchasing Practices: Microsoft's 'Responsible Sourcing of Raw Materials Policy' extends all provisions of the company's supplier code, which covers human and labor rights, to its entire raw materials supply chain. The raw materials policy includes provisions on freedom of association and collective bargaining, freely chosen employment, working hours, and wages and benefits. The company notes that it enforces this policy "through supplier contracts, supplier assessments and audits, and capability building programs". To improve working conditions in its raw material supply chains, it also partners with organizations that address human rights in the upstream mining and smelter industries.

Grievance Mechanism: Microsoft discloses that piloted worker grievance hotlines at six first-tier suppliers and one second-tier supplier. The company notes that it conducted refresher training and provided education on labor rights on those sites. Further, Microsoft "worked with a small, local training organization that has both intensive manufacturing supply chain experience and psychological training and counselling experience to provide a series of courses to the 11 hotline operators [...] this enabled the suppliers to increase their skills related to basic counselling. Complex cases were referred to an experienced organization that can provide comprehensive and professional psychological telephone counselling services to the workers." The company disclosed the number and types of grievances it received through this pilot project in 2017.

NOTABLE FINDINGS

Commitment and Governance: Microsoft discloses that the Regulatory and Public Policy Committee of its board of directors is responsible for reviewing policies and programs relating to public policy issues including human rights, and that Microsoft's General Counsel oversees the implementation of these policies. The company discloses that employees, including sourcing teams, as well as suppliers and third-party auditors are trained on human trafficking and modern slavery. The company also delivers training to suppliers where non-conformances are identified. For example, in 2017, the company trained 74 suppliers on the protection of student workers. Further, Microsoft operates an initiative called Microsoft Innovation Centers, which operate in countries with high risk of human trafficking, such as Brazil, India, and Nepal. This initiative has created anti-trafficking apps in Nepal, which it is using to roll out a nationwide tracking and tracing project in collaboration with UNICEF. Microsoft further discloses a collaboration with the International Organization for Migration to create an online crowdfunding tool for victims of human trafficking in Southeast Asia.

Monitoring: Microsoft discloses that it arranges for audit all its first-tier suppliers and some high to medium-risk second-tier suppliers. Audits include a review of documentation such as time records and payroll, and visits to production operations, dormitories, canteens, waste storage areas, recreational facilities and other 'common areas'. As part of the audits, workers are interviewed separately from management. The company reports that 402 third-party audits and 210 audits conducted by internal staff were carried out in 2017 and reports details on the audit outcomes.

Remedy: Microsoft discloses that where non-conformances are identified, it works with suppliers to help them improve, for example, by providing education and training. As an example, the company discloses that in response to "finding increasing issues regarding student workers", it increased supplier training on the topic. Regarding "any allegations of violations provided by NGOs or others", the company states that either it or a third-party labor expert conducts specific on-site investigations. The company also discloses an outcome of remedy in the case of a child labor case. "The child was removed from the workplace and returned to his guardian [...] with full compensation to support his education until he reaches legal working age".

OPPORTUNITIES FOR IMPROVEMENT

Traceability and Risk Assessment: Beyond assessing individual suppliers through audits, the company is encouraged to assess and disclose forced labor and human trafficking risks in different tiers of its supply chains. In addition, the company may consider disclosing the addresses of its first-tier suppliers, the sourcing countries of its raw materials, as well as information about its suppliers' workforce.

Recruitment: The company is encouraged provide evidence of the effectiveness of its policies, for example by demonstrating that worker-paid recruitment fees are reimbursed. It may consider ensuring that employment and/or recruitment agencies used in its supply chains are monitored and providing details of how it supports ethical recruitment in its supply chain beyond auditing recruitment agencies. Further, the company may consider developing and disclosing a policy that requires direct employment in its supply chains and to disclose information on the recruitment agencies used by its suppliers.

Worker Voice: To prevent forced labor in its supply chains, the company is encouraged to work with relevant stakeholders to engage with and educate workers in its supply chains on their labor rights. To ensure scalability and effectiveness, the company may consider ensuring that there are worker-to-worker education initiatives on labor rights in its supply chains and measuring and disclosing evidence of the positive impact of such initiatives. To support collective worker empowerment, the company is encouraged to work with suppliers to improve their practices in relation to freedom of association and collective bargaining, and to work with local or global trade unions to support freedom of association in its supply chains.

COMPANY PROVIDED ADDITIONAL DISCLOSURE

[Yes](#)