

Microsoft Corp.

TICKER:
NASDAQ: MSFT

MARKET CAPITALIZATION:
US\$ 373 billion

HEADQUARTERS:
United States

5 OUT OF 20

Company’s Overall Ranking

57 OUT OF 100

Company’s Overall Score

Microsoft Corp. (Microsoft) provides stronger disclosure of its policies and programs for mitigating forced labor and human trafficking risks in its supply chain than many of its peers. The company ranks fifth on the benchmark overall, with its position driven by leading practices in supplier monitoring and its grievance mechanism, specifically for its suppliers’ workers. In addition, Microsoft demonstrates stronger risk assessment, traceability activities, and remedy programs, all of which are aimed at addressing forced labor risks in its supply chain. Microsoft is encouraged to report on its stakeholder engagement specifically as it relates to topics of human trafficking and forced labor. The company may also consider adopting and disclosing policies and practices related to recruitment in its supply chain. Furthermore, it is encouraged to improve efforts to engage and inform suppliers’ workers on their rights, and ensure supply chain workers’ voices are heard.

THEME LEVEL SCORE

Commitment and Governance	82 out of 100
Traceability and Risk Assessment	63 out of 100
Purchasing Practices	50 out of 100
Recruitment	25 out of 100
Worker Voice	38 out of 100
Monitoring	80 out of 100
Remedy	63 out of 100

LEADING PRACTICES

Grievance Mechanism: In 2014, Microsoft launched an anonymous and factory-independent worker grievance hotline as a pilot project in several factories in China, and, in 2015, it expanded the project in partnership with China Labor Support Network. The hotline launch included training for factory workers on the use of the hotline. In the first year of the hotline’s operation, 232 inquiries were lodged, most of which were related to wages, factory procedures, and living conditions. Microsoft plans to expand the availability of this hotline to its all first- and some second-tier suppliers in China in 2016.

Monitoring: Microsoft conducts risk assessments and capability evaluations of all of its new and directly contracted hardware and packaging suppliers. In addition, it audits these suppliers against its Social and Environmental Accountability standards, including forced labor. This process includes examining documentation, visiting production lines, dorms, canteens, and waste storage facilities, and face-to-face interviews with workers and factory management. These audits may be announced



or unannounced and are completed by its in-house or pre-qualified third party auditors. Notably, Microsoft ensures continuous assessment of its first-tier suppliers and high and medium risk second-tier component suppliers for compliance to its standards that includes third-party audits and the company's onsite assessments.

NOTABLE FINDINGS

Commitment and Governance: Microsoft recognizes that it has a role to play in combatting human trafficking and forced labor that is facilitated through its technology. As a result, the company has invested in research and programs that are aimed at using technology to eliminate human trafficking. Microsoft also aims to prevent forced labor in its supply chain: the company's Supplier Code of Conduct explicitly prohibits not only forced labor but also human trafficking. Microsoft's Citizenship and Public Affairs team, which sits within its Legal and Corporate Affairs Group, develops and implements its responsible supply chain strategies. Its Device and Supply Chain Group, and Global Procurement Team are tasked with enforcement of its responsible supply chain policies on a daily basis. Its Social and Environmental Accountability team trains employees and suppliers on its Code requirements.

Traceability and Risk Assessment: Microsoft traces its supply chain stating that its suppliers are located in 25 countries around the world. In addition, it publicly discloses a list of its top 100 first- and second-tier suppliers involved in its commercial hardware production and a map of its key suppliers' locations.

Remedy: The company has a process to create corrective action plans with suppliers found to be in violation of regulations or the company's standards, with the goal of improving conditions and achieving compliance. Microsoft's Social and Environmental Accountability team supports suppliers in creating corrective action plans and, if necessary, it provides targeted training to increase suppliers' competencies. Notably, findings of critical or serious issues are escalated to Microsoft's senior management and suppliers are placed on restricted status until the issues are resolved.

OPPORTUNITIES FOR IMPROVEMENT

Stakeholder Engagement: The company may consider engaging relevant stakeholders, such as trade unions, local NGOs, and policymakers in countries in which its suppliers operate on human trafficking and forced labor. The company could further improve its performance by also disclosing its participation in multi-stakeholder initiatives focused specifically on the eradication of forced labor and human trafficking in ICT supply chains.

Recruitment: Microsoft is encouraged to develop and disclose an approach to forced labor risk management associated with the recruitment of workers in its supply chain. It may consider adopting a policy requiring suppliers to employ their workers directly rather than relying on recruitment agencies. Alternatively, the company may consider auditing recruiters used in its supply chain to assess risks of forced labor and human trafficking.

Worker Voice: To further strengthen its performance, Microsoft may consider engaging suppliers' workers outside of the context of the factories in which they work, either directly or in partnership with other stakeholders. Furthermore, it may consider encouraging suppliers, which operate in countries where there are regulatory constraints on freedom of association, to provide workplace environments in which their workers are able to pursue alternative forms of organizing.



COMPANY PROVIDED ADDITIONAL DISCLOSURE:

[Yes.](#)

