Corporate Citizenship @ Microsoft

Addressing Societal Needs in the Global Community



Microsoft Mission

To help people and businesses throughout the world realize their full potential.

Contents

Welcome	2
Partnering to Address Societal Needs	
Extending the Benefits of Technology: Microsoft Unlimited Potential	Z
Transforming Education	5
Fostering Local Innovation	5
Enabling Jobs and Opportunities	5
Responsible Business Practices	7
Environmental Stewardship	8
Preserving Freedom of Expression	8
Helping People and Communities in Crisis	g
Supporting Local Communities	10
Investing in Innovative R&D	10
Advancing Privacy, Internet Safety and Security	11
Protecting Intellectual Property and New Innovations	12
Interoperability: Enabling Technologies to Work Better Together	12
Looking Ahead	

Report Scope:

This document provides an overview of Microsoft's worldwide citizenship programs and activities. For additional information about corporate citizenship at Microsoft, please visit our Web site at www.microsoft.com/citizenship. In addition, Microsoft provides responses for many of the Global Reporting Initiative G3 Sustainability Reporting Guidelines through the data provider OneReport. These responses are available to analysts at www.one-report.com.







Welcome



At Microsoft, our mission is to help people and businesses around the world realize their full potential. Our commitment to achieving this mission is reflected in the many ways our products and services enable information to be used, managed and shared. And it is underscored by our efforts to increase access to technology in order to help people improve their lives, particularly in underserved communities.

As the world's largest software company—with more than 90,000 employees in over 100 countries—Microsoft has an important role to play in helping to advance social and

economic opportunities in the communities where we work, live and do business. We work closely with governments, community organizations and other businesses around the world to support efforts to transform communities through the expertise and knowledge of our local employees as well as the financial and software resources of the company.

Particularly in today's volatile economic environment, it's important that businesses, governments, community organizations and individuals work together to provide the training, infrastructure and technology that enable expanded opportunities and sustainable economic growth and prosperity. With the support of our employees and in alliance with our many partners, I am optimistic that Microsoft will continue to make positive and lasting contributions to society.

Steven A. Ballmer

Chief Executive Officer Microsoft Corporation

Partnering to Address Societal Needs

n many parts of the world, information and communications technology (ICT) has enabled people to communicate, collaborate and share knowledge in exciting and remarkable new ways. These advances have led to increased productivity in business and government and have created millions of new jobs in developed and developing countries alike. The next generation of innovations—such as Microsoft's Software-plus-Services offerings—promise even greater possibilities to expand the benefits of software and the Internet.

Yet, despite the potential for technology to help create a truly interconnected global community, its benefits are still largely unknown to 80 percent of the world's population. It's no coincidence that many of society's most persistent and pervasive challenges—limited education, inadequate healthcare, unemployment—are especially hard-hitting in these underserved communities.

These social and economic problems are too great for any single government, charitable organization or business to solve alone. As the world's largest software company, Microsoft is committed to doing its part to help address them through the skills and commitment of our employees, the capabilities of our products, and financial contributions.

Just as partnership is central to Microsoft's business strategy, it is also the foundation of our approach to corporate citizenship. In the more than 100

countries where we do business, we work with and through governments and development and community organizations to address societal needs.

Our citizenship investments reflect a belief that social and economic opportunity go hand in hand. When individuals, communities and governments are empowered and enabled, they thrive, thus creating a virtuous cycle of socioeconomic opportunity.

"The opportunities for innovation are incredible. And the Millennium Development Goals can guide the search for new discoveries by showing us where innovation can bring the biggest returns."

—Microsoft Chairman Bill Gates Remarks to the UN General Assembly September 2008

Microsoft Supports UN Millennium Development Goals

In September 2008, Microsoft renewed its support for the United Nations Millennium Development Goals (MDGs), a global framework for human development that unites many governments, NGOs and businesses. The goals include:

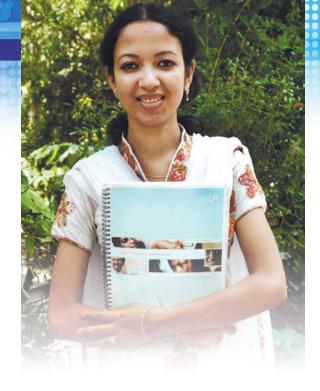
- Eradicating extreme poverty
- Reducing child mortality
- Combating diseases such as malaria and HIV/AIDS
- Extending primary education to all children
- Providing jobs for all who seek them

We are applying technology expertise as well as financial and volunteer support to help achieve the MDG targets.



microsoft.com/mdg





The goal of Microsoft
Unlimited Potential
is to deliver technology that
is relevant to people's social
and economic needs, is
readily accessible by
individuals and
communities, and is
affordable to people with
little or no income.

Extending the Benefits of Technology:

Microsoft Unlimited Potential

echnology has tremendous potential to empower local communities, create jobs and facilitate healthy, sustainable growth. However, individuals and communities underserved by technology are increasingly at risk of being pushed to the economic, educational and social margins of the global community.

Microsoft Unlimited Potential, launched in 2007, aims to help address this inequity by weaving together the company's software innovations, business strategies and citizenship efforts to reach the 5 billion people who today have little or no access to technology and the opportunities it affords.

Unlimited Potential focuses on actions to **transform education**, **foster local innovation** and **enable jobs and opportunities**. Working across these three areas with a global network of partners in the public, nonprofit and private sectors, we seek to create a virtuous cycle of sustained social and economic development that encompasses all communities.



Transforming Education

A good education is essential for people to achieve their personal potential and to contribute socially and economically to the growth of their community. Since 2004, Microsoft has worked to reach more than 100 million students and to help improve the quality of education through efforts such as Partners in Learning (PiL), a 10-year, US\$500 million program aimed at increasing schools' access to technology, fostering innovative approaches to teaching, enhancing teachers' professional development and providing education leaders with the tools to envision, implement and manage change. Over the next five years, PiL plans to reach 10 million teachers with guidance on how to impart basic digital literacy skills, integrate technology into teaching and share their knowledge with other educators.

We are also helping to broaden access to technology in the learning environment through product offerings such as the Microsoft® Student Innovation Suite, an affordable and reliable software package available to qualifying governments that purchase PCs for students to use at school and at home.

Fostering Local Innovation

To help foster innovation and economic development in local communities, Microsoft collaborates with business organizations, educators and government leaders on programs that help new companies get started and grow. In more than 60 countries, 110 Microsoft Innovation Centers offer courses in business skills for

entrepreneurs, software and hardware resources for IT developers, employment programs for students, and valuable partnership and development opportunities for emerging businesses. Another program, Microsoft BizSpark™, helps software startups get off the ground by providing affordable access to Microsoft tools and technologies, along with support from entrepreneurial experts and marketing visibility from Microsoft. We also work closely with governments to make technology more broadly available to first-time PC users in underserved countries.

Enabling Jobs and Opportunities

Local communities need a skilled workforce to help companies compete globally, attract new business investments and create sustainable economic growth. Microsoft works with local partners to deliver programs that accelerate technology skills development, expand entrepreneurship and increase the pool of qualified job candidates available to employers. Through our Community Technology Skills Program, for example, we support more than 1,000 nongovernmental organizations (NGOs) that provide ICT skills training to people in underserved communities. These skills help people to enter and advance in the workforce as well as become more confident in using computers to achieve their personal goals.



Students at the Chitralada School.

MultiPoint Extends IT Resources to Reach Young Learners

At the Chitralada School in downtown Bangkok, Thailand, a dozen students cluster around a single laptop PC to begin their English lesson. When teacher Sutima Pongpunngam turns on the laptop, a projection screen at the front of the room comes alive with a dozen mouse cursors pointing in every direction.

Sutima and her students are making optimal use of the school's scarce technology resources with the help of software built on Microsoft's MultiPoint™ technology, a suite of tools that allow developers to extend the reach of a single PC by enabling multiple input devices—such as mice, keyboards or game controllers—to be used simultaneously. Advisers from the Microsoft Partners in Learning initiative are working with Thailand's Ministry of Education to expand use of the application, particularly in underserved communities with limited access to computers.

"Our children come from poor families," says one instructor. "Computers let them travel the world."

microsoft.com/multiptcs

Changing Lives Around the World

Underserved Moroccans Learn Computer Skills on Refurbished PCs

In the ancient city of Fez, Morocco, Abdul Samadi Labkar runs an Internet café that at first glance is typical of many in developing countries. But this one is unique. In a culture that hasn't yet fully embraced the possibilities for people with disabilities, Labkar offers low-priced computer courses for the disabled.

Labkar also uses refurbished PCs provided by Assoclic—an alliance of NGOs and private companies that are committed to providing technology access and skills training to underserved populations in Morocco.

As a key member of Assoclic, Microsoft has provided IT skills training curriculum and funding to train computer instructors for Labkar's computer center and many others in Morocco. And in line with its efforts to increase the reuse of older but still functional computers, Microsoft has provided the center with affordable genuine Windows® software through the Community Microsoft Authorized Refurbisher program.





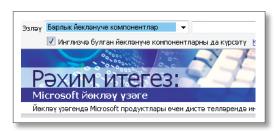
Abdul Samadi Labkar, Morocco.

Localized Software Translation Helps Keep Tatar Language Alive

Located 500 miles east of Moscow, the Tatarstan Republic is one of the most economically developed regions of Russia. But the region's native language, Tatar, has been at risk of becoming obsolete as Russian has become more favored. While Tatar is taught in all of the region's 2,400 schools, a lack of supporting technology has prevented many teachers from implementing Tatar-based lessons using computers.

In 2005, the Tatarstan Republic government began working with Microsoft Russia to develop and expand a Local Language Program (LLP) technology tool that solves this challenge. The Tatar Language Interface Pack (LIP) technology provides a Tatar translation of Microsoft Windows XP at no charge. Available as a simple download from the Web, the LIP brings Tatar-based ICT tools to more than 5 million people in Russia. Microsoft Russia has also delivered a Tatar version of Windows Vista® and the 2007 Microsoft Office system in the republic.





Tatar Language Interface Pack.

Opening ICT Career Opportunities to Brazil's Disadvantaged Youth

Without basic computer skills, many young adults in Brazil and other Latin American countries face even greater challenges finding jobs. As part of our Community Technology Skills Program, Microsoft is partnering with the nonprofit Oxigenio and the Brazilian Ministry of Labor to provide ICT skills training for disadvantaged young people. Oxigenio's network of 1,500 community technology centers is on track to serve more than 980,000 people throughout Brazil. Supported by donations of cash, software and training from Microsoft, Oxigenio provides training in computer hardware repair and maintenance along with courses in installing and configuring software. Students also learn to use the Internet as well as word processing, spreadsheet, presentation and database applications. Once students complete the training, Oxigenio provides job placement assistance to help put their new skills into action.





Students at an Oxigenio technology training center.

Responsible Business Practices

A Microsoft, our commitment to responsible business practices is reflected in our culture of **business integrity**, **accountability and transparency** and in our approach to corporate governance. Governance at Microsoft starts with an independent board of directors that establishes, maintains and monitors companywide standards and policies for ethics, business practices, compliance and financial controls.

All employees are responsible for understanding and complying with the Microsoft Standards of Business Conduct, including participating in training that explains the regulatory requirements and internal practices that guide our corporate decision making and activities. Our vendors are expected to adhere to the highest standards of ethical behavior and regulatory compliance and operate in the best interests of Microsoft.

Building on this foundation, Microsoft works to be a responsible leader across a range of policy areas and programs, including environmental sustainability, human rights, disaster response and humanitarian relief, protecting customers' privacy and security, and building more interoperable technologies.





UN Global Compact Aligning Business and Citizenship

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

microsoft.com/humanrights



Microsoft's Global Economic Impact

\$120 billion

The amount that more than 500,000 hardware, software, services and other companies in the Microsoft ecosystem were projected to invest in their local economies in 2008.

42 percent

Total IT employment that Microsoft and its partner ecosystem accounted for globally in 2007.

7.79 units

Average amount of revenue that local partners earn for every unit of revenue that Microsoft earns.



Source: IDC Economic Impact Studies for Microsoft, 2007

Environmental Stewardship

As the world's largest software company, Microsoft is committed to reducing the environmental impact of its operations and products. We are also using the power of software innovation to help others reduce their environmental footprint. And we are supporting global action through alliances with governmental, nongovernmental, academic and industry organizations.

New Microsoft-owned facilities, designed to meet or exceed LEED Silver energy efficiency standards, consume at least 20 percent less energy than traditional buildings. At our headquarters campus in the U.S., a free bus service for employees is eliminating more than 6.7 million car miles and nearly 3,200 tons of carbon emissions annually.

But beyond minimizing our own footprint, Microsoft's most important contributions in this area could come from software innovations. Windows Vista is Microsoft's most energy-efficient operating system to date. According to the Natural Resources Defense Council, the energy-saving features of Windows Vista could cut users' energy bills by more than US\$50 per PC per year, thereby eliminating 3 million tons of carbon emissions from electric power plants each year in the United States alone.



A free Connector bus shuttles employees to the Microsoft campus in Redmond, Washington.

Other Microsoft solutions, such as our unified communications software, enable businesses to streamline communications and conduct virtual meetings online, thereby helping to reduce the need for business travel, commuting and physical document transfers and printing. Through a partnership with the Clinton Foundation, we also offer software tools that enable cities to easily track, manage and report on their greenhouse gas emissions and build action plans to reduce their carbon footprint.



microsoft.com/environment

Working with other companies in the Climate Savers Computing Initiative, we have set a goal to reduce the carbon footprint of computer use by 54 million tons per year by 2010.

Preserving Freedom of Expression

Support for basic human rights is essential to building healthy communities and fundamental to how Microsoft does business. As a worldwide Internet content and services provider, we are particularly attentive to preserving free expression and broad access to information on the Web so that the Internet and related communications technologies remain a platform for open, diverse and unimpeded content and commerce.

We recognize that the use of these technologies raises issues that often justify government attention,



UN Photo/Brendan McDonald

Victim of Myanmar disaster, 2008.

Web Portal Helps Relief Agencies Coordinate Resources

Immediately after a cyclone and heavy flooding devastated Myanmar in May 2008, killing several hundred thousand people, Microsoft's Disaster Assistance and Response Team arrived in the region to help the UN Office for the Coordination of Humanitarian Affairs and other relief organizations assess how technology could assist aid workers. Microsoft and several partners teamed up to develop and deploy the Humanitarian Information Center (HIC), a Web-based portal built on Microsoft SharePoint® Server 2008 that provides public information and collaboration workspaces for each of the humanitarian relief organizations responding to the needs of Myanmar's people. This site gives organizations a single source of reliable data about the situation in Myanmar and a platform for coordinating the response efforts on a daily basis.

myanmar.humanitarianinfo.org

especially on matters of privacy, national security and the protection of children. In addressing these issues, governments around the world make differing judgments about the legal standards and policy tradeoffs appropriate to their own cultures and national circumstances. In doing so, governments should act in a manner that fulfills their duty to protect internationally recognized human rights, such as the rights of privacy and freedom of expression.

We also recognize that company operations and responses to government regulation can have an impact on the realization of these rights. In response, Microsoft has joined with a diverse coalition of organizations to launch the Global Network Initiative, which has established principles and guidelines for how companies can respond to regulatory demands and make business decisions in ways that can help protect these rights. The goals of the initiative also include collaborating with others to promote laws, policies and practices that respect freedom of expression and privacy, and to develop credible systems of accountability among participants in the initiative.



Helping People and Communities in Crisis

Microsoft and its employees actively assist individuals and communities affected by natural disasters and other crises, such as the May 2008 earthquake in southwest China. In response to that tragedy, we donated more than US\$1.7 million toward relief efforts and pledged another \$1.4 million over two years to

help rebuild schools in Sichuan Province.

Our primary focus is on providing software and technology expertise to help strengthen the emergency response capabilities of NGOs. We work with NetHope, a consortium of 25 leading NGOs dedicated to emergency response and international development, on innovative uses of technology to help them better prepare for and support communications and response during times of crisis. Microsoft has contributed more than US\$42 million in software and cash to NetHope member organizations over the past three years.

Since 1999, we have worked closely with the Office of the UN High Commissioner for Refugees (UNHCR) to provide displaced people in dozens of countries with access to technology tools, skills training and other essential services. Microsoft has also helped launch two programs designed to help protect the rights of detainees in the U.S. immigration system. Volunteer Advocates for Immigrant Justice (VAIJ), created in 2003, provides pro bono legal representation to detained immigrants in Washington State. In October 2008, Microsoft joined with UNHCR Goodwill Ambassador Angelina Jolie to launch Kids in Need of Defense, a national initiative modeled after VAIJ that focuses on helping unaccompanied immigrant children in the U.S. immigration system.



supportkind.org



Nasa Koski and Brian Bain.

Tragedy Inspires Employee to Help Rescue Others

In the fall of 2007, Microsoft employee Nasa Koski received the terrible news that a close friend was aboard a small plane that had disappeared near Mount Rainier in southwest Washington. When her worst fears were realized, Nasa knew what she had to do. She and her husband, Brian Bain, who also works at Microsoft, became King County Search and Rescue volunteers. They have since devoted hundreds of hours to helping people in danger. The couple is among thousands of Microsoft employees who contribute to their community as volunteers.

microsoft.com/employeevolunteers

Supporting Local Communities

Since 1983, Microsoft and its employees have donated more than US\$3.4 billion in cash, services and software to communities around the world. Our R&D activities are distributed globally as part of an effort to engage with the brightest minds and support the growth of local expertise. Through monetary donations as well as contributions of software, IT training curricula, technology expertise and volunteer hours, Microsoft and its employees directly support more than 16,000 programs serving communities worldwide. In the 2008 fiscal year, these contributions of cash and in-kind grants totaled nearly US\$500 million.

In the United States, Microsoft Volunteer Connection helps employees to find service opportunities that match their interests and skills. Microsoft provides a matching grant of US\$17 per volunteer hour to the eligible organizations that our U.S. employees serve. Employees in other countries receive three days of paid leave each year to volunteer at their organization of choice.

We also work with NGOs such as NPower in the United States and TechSoup worldwide to deliver software and technical guidance to help nonprofit organizations increase their capacity to serve clients through technology. In addition, the Microsoft Authorized Refurbisher program helps NGOs channel used but functional computers to eligible nonprofits, community centers and academic institutions that work with underserved clients.



Investing in Innovative R&D

Microsoft's global research and development (R&D) investments underscore our long-term commitment to innovation. Our R&D activities are distributed globally as part of an effort to engage with the brightest minds and support the growth of local expertise. More than 32,000 employees across the company—over a third of our global workforce—are dedicated to research and development; in fiscal year 2008, we invested more than US\$8 billion in R&D.

In addition, our six Microsoft Research labs in the U.S., Europe and Asia employ more than 800

Microsoft Web Site Empowers NGOs

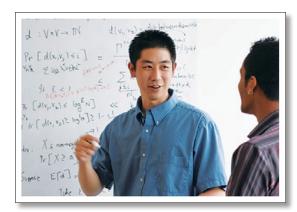
NGO Connection is Microsoft's one-stop resource for eligible nonprofit organizations worldwide to access free and discounted software and low-cost computers and hardware. NGO Connection also includes discussion forums and resources to access software support, technology training and certification materials. Microsoft also hosts NGO Connection Days around the world where organizations can share best practices and learn how technology can help them achieve their goals.



researchers, including some of the world's finest computer scientists, sociologists, psychologists, mathematicians, physicists and engineers. Working across more than 55 areas of research—from software and hardware development, networking and machine learning to security, knowledge management and human-computer interaction—our research teams are helping to define and advance the computing experience for millions of people. As part of these efforts, Microsoft works with researchers and universities around the world on projects that are helping to support the development of local ICT expertise.

The results of our R&D commitment are embodied in products that are designed to increase productivity, empower individuals, and spur economic growth and social advancement.





Microsoft researchers at work.

Advancing Privacy, Internet Safety and Security

As people depend more on technology and the Web to be successful, Microsoft is committed to helping protect customers' personal information and shielding their computers from viruses and spyware. We recognize the challenges that organizations face in managing the growing volume of personal and confidential data. And we understand that parents are concerned about protecting their children from exposure to inappropriate content and potentially troubling interactions on the Web.

Microsoft works closely with other industry leaders, governments, law enforcement agencies and communities worldwide on legislation and programs to address these issues. And we work continuously to develop technologies that help safeguard users' personal information and strengthen networks against intrusions.

Within our own company, we have established strong policies to help protect the privacy of personal data that we collect from customers, particularly in connection with online advertising and search results. We also advocate for more effective privacy legislation, contribute to numerous government and industry forums on security and privacy issues, and collaborate with law enforcement agencies in combating cybercrime.

microsoft.com/securityprivacy

Guidelines Respect Privacy in Cybercrime Investigations

In the course of working with law enforcement agencies to fight cybercrime, Microsoft and other Internet service providers (ISPs) must take into account the potential impact on privacy, as well as other implications, of sharing data about customers' online activities. As a partner in the Council of Europe (COE) Project on Cybercrime, we have contributed to a set of voluntary guidelines for cooperation between ISPs and law enforcement investigators. These include a call for all parties to "promote a culture of cooperation" through regular training and sharing of practices, and to protect the fundamental rights of citizens in accordance with European and international human rights standards.



microsoft.com/internetfreedoms





2008 Imagine Cup winners, Paris.

Student Competition Sparks World-Changing Ideas

Expanding the potential of computers to help solve real-world challenges is the objective behind Imagine Cup, Microsoft's annual technology competition for students around the world. In 2008, the Imagine Cup contest invited young innovators to "imagine a world where technology enables a sustainable environment" as the inspiration for their contest entries.

Team SOAK of Australia—university students David Burela, Dimaz Pramudya, Ed Hooper and Long Zheng—won first place in Imagine Cup's worldwide Software Design finals for creating an integrated hardware and software platform that could help farmers conserve water as they irrigate their fields. The Victorian Farmers Federation is among those interested in helping the students commercialize SOAK, which stands for Smart Operational Agriculture toolkit.



Protecting Intellectual Property and New Innovations

Our commitment to innovation and responsible leadership includes support for incentive systems that promote intellectual property (IP)—inventive and creative works ranging from software to literature. The incentives at the basis of IP enable innovators to bring their creations to market, encourage investment in local economies and help emerging countries compete globally.

We also provide opportunities for companies to license IP from Microsoft as a component of their unique products and services, which can lead to greater choice in the market as well as a larger base of innovative businesses that can generate jobs and economic growth. For example, Microsoft's IP Ventures program spins out and licenses Microsoft Research technology to entrepreneurs and companies in order to foster innovation and new product development.



microsoft.com/intellectualproperty

Interoperability: Enabling Technologies to Work Better Together

Given the central and growing role that technology plays in connecting people, businesses and governments around the world, helping different ICT systems to work together is vital. We work closely with customers and partners to understand their technical interoperability needs, and we work with other technology companies to make our respective

products work more effectively together. For example, the Windows Vista operating system supports thousands of applications and hardware devices from other vendors. We also collaborate with customers, partners and competitors—including open source software companies—through our Interop Vendor Alliance to solve shared challenges.



microsoft.com/interop

Global Community Promotes Innovation

Microsoft helped establish Voices for Innovation (VFI) as a global community in which Microsoft partners, technology professionals, business leaders and academics can learn about and work together on public policy issues and challenges related to technology. VFI members advocate for public policies that promote innovation, economic development and choice. In addition, members promote the positive impact of small and midsized enterprises in local and global economies.



voicesforinnovation.org

Looking Ahead



Just as success in business requires constantly reinventing and rethinking strategies, our work as a corporate citizen has matured over the last decade and will continue to evolve in the years ahead.

One thing that won't change, however, is our long-term commitment to using our technologies, our business expertise, and the passion and goodwill of our employees to help make the world a better place. We say this knowing that for all that Microsoft and our partners

have accomplished thus far, there is so much more work to do to address social, economic and educational challenges in the global community.

Led by our employees and inspired by our global partners and the work of other industry leaders, we aim to take our corporate citizenship commitment even further in the years to come.

Panela S. Parman

Pamela S. Passman Corporate Vice President Global Corporate Affairs Microsoft Corporation

There is so much more work to do to address social, economic and educational challenges in the global community. 22

More information about Microsoft's citizenship programs and investments worldwide can be found at www.microsoft.com/citizenship. We also encourage you to e-mail comments and questions to us at microsoft.com.

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