

Microsoft Memo

To: Board of Directors
From: Brad Smith and Kathleen Hogan
CC: Satya Nadella
Date: November 11, 2022
Re: Microsoft Management Implementation Plan – ArentFox Report Follow Up

On January 13, 2022, Microsoft announced that the company would retain a third party, independent firm to review the effectiveness of the company's sexual harassment and gender discrimination policies and practices. This review was in response to an advisory shareholder resolution that passed during the 2021 Annual Shareholders Meeting. [MSBoardPolicy.docx \(live.com\)](#) While the resolution focused on sexual harassment investigations, it also referred to the importance of holding executives accountable for gender discrimination. **Building on the letter and spirit of the shareholder resolution, Microsoft broadened the scope of its review to address fully both sexual harassment and gender discrimination as part of the company's continuous efforts to strengthen culture and increase transparency.**

Microsoft retained the law firm of ArentFox Schiff LLP to perform the independent audit. ArentFox did not have any significant representation of Microsoft prior to the audit and no engagements on labor and employment matters. Outside of an audit relationship, no other engagements are promised or planned. Over the course of nine months, the firm reviewed relevant company policies, procedures, conducted an extensive analysis of investigation files and interviewed key management with responsibility for investigations and employees who participated in the process. **ArentFox provided a final report to the Microsoft Board of Directors with recommendations in November 2022.**

Based on that report, Microsoft management has created a comprehensive implementation plan to act on the recommendations and hereby submits this summary of its plan for Board review. Management's plan encompasses all eleven recommendations from the audit report.

Strengthen Internal Policies & Practices

Comprehensive Policy Review: The company will implement a broad review of key policies critical to culture and compliance to improve employee ease of access, discoverability and awareness, as well as revisit appropriate policy owners in an effort to improve employee education and experience. HR and Legal will implement this recommendation by June 30, 2023.

Targeted Policy Revisions: The company will revise the Anti-Harassment/Anti-Discrimination policy to incorporate recommended language designed to provide employees with greater clarity on workplace behavioral expectations and investigation process. Similarly, the Conflicts of Interest policy will be revised to provide greater clarity on the definition of familial and romantic relationships and set forth an internal process for disclosure of certain consensual relationships. HR and Legal will implement this recommendation by December 31, 2022.

Broaden Awareness of Legal Rights: The company will amplify existing internal communications about employees' rights to seek external relief for concerns raised under the anti-harassment and discrimination policies. HR and Legal will implement this recommendation by December 31, 2022.

Reinforcing Policies with Expanded Training: The company will enhance and expand existing training of new senior leaders and executives. HR and Legal will implement this recommendation by March 31, 2023.

Improvement for Investigations and Employee Experience

Reconsideration Process: Currently, the company reviews requests for reconsideration of an investigation when initiated by an investigation party. Going forward, we will formalize and transparently post on an internal webpage available to all employees, the reconsideration process for investigation parties who identify any new information or information that was not considered during the investigation. The Workplace Investigations Team will implement this recommendation by December 31, 2022.

Investigation Survey: In March 2022, the company launched a survey to request feedback from employees who raise and respond to concerns to learn about their investigation experience. We plan to continue surveying investigation parties and will consider additional questions that will help us understand the employee experience. Utilizing survey data, we will consider potential connections to existing listening systems to improve insights and draw connections. Through our Employee Relations Steering Committee, we will create a regular review of aggregated feedback to inform action planning and continued improvements to our investigations process. The Workplace Investigations Team and the Global Employee Relations Team will implement this recommendation by March 31, 2023.

Investigative Process: In 2021, the company developed new investigation outcomes intended to address behaviors that are inconsistent with Microsoft's values of respect, integrity, and accountability but do not violate the Anti-Harassment and Anti-Discrimination policy. To create greater clarity with our employees on possible investigation outcomes, we will reconsider the terminology for substantiated policy violations and behavioral concerns. We will also provide additional training for Workplace Investigators and Global Employee Relations specialists on communicating those outcomes. The Workplace Investigations Team and the Global Employee Relations Team will implement this recommendation by December 31, 2022.

Post-Investigation Action and Employee Experience: In 2020, the company developed disciplinary guidelines for more principled and consistent decision-making. We will develop an auditing process to ensure that discipline is implemented and/or that HR follow up occurs by March 31, 2023. To reinforce Microsoft's policy prohibitions against retaliation, we want to ensure that complainants in investigations do not fear negative consequences based on having raised a concern or participated in an investigation. We will take additional measures to make our employees aware of our policies. We will also consider ways in which we can strengthen our internal HR processes and communications to address perceptions of negative career impact. The Global Employee Relations Team will implement an auditing process by March 31, 2023, and additional measures with HR and Legal, also by March 31, 2023.

Expanded Transparency & Accountability

Leadership Accountability: We will implement changes to emphasize that senior leaders will continue to be held accountable for substantiated policy violations and behavioral concerns. These changes will include more regular reporting and expanded use of data and analytics by the Workplace Investigation Team and Global Employee Relations Team to earlier identify challenges and trends for use by the corporate Senior Leadership Team in discussions on talent, culture and acceptable leadership behavior. We will also develop a new cross-function process for discipline decision-making in investigations involving senior leaders and implement by December 31, 2022. The Workplace Investigations Team and the Global Employee Relations Team will implement the reporting aspect of this recommendation by March 31, 2023.

Training: We will review and enhance our training tools and reminder practices to facilitate the completion of required training by all employees. We will audit to ensure accountability. HR will implement this recommendation by December 31, 2022.

Transparency: As part of our continued efforts to increase transparency regarding investigations, we will continue to report on investigations to the Board. We will also publish anonymized disciplinary action data on an internal investigations webpage, which will include an informational video on our disciplinary guidelines and ranges of outcomes. Further, we will provide greater transparency to complainants by sharing more specificity about disciplinary actions in circumstances where discipline is otherwise not visible. Finally, we will begin annual public reporting on Microsoft's implementation of our sexual harassment and gender discrimination policies, including the total number of reported sexual harassment concerns, percentage of those substantiated, and types of corrective actions taken (which span coaching and training, formal warnings, compensation impacts, demotion, and termination of employment). The Global Employee Relations Team will implement greater transparency with complainants by December 31, 2022. The Global Employee Relations Team will publish anonymized disciplinary action data and an informational video by June 30, 2023. The Workplace Investigations Team will begin annual public reporting by December 1, 2022.

Gender Diversity in Leadership Roles

The company will continue efforts to increase the percentage of women in leadership roles. We will maintain accountability through external and internal aspirational goals and our continued commitment to highlight, discuss, develop and promote our internal and external female talent. The Senior Leadership Team will also continue with regular discussions on talent with a robust focus on growing and developing future senior leaders. We will also continue to focus on our talent sourcing and bench and our development programs to ensure we are continuing to create opportunities for women. This work is already in progress and a focus on diversity will be an on-going company priority. While there is not an end date for diversity related aspirations like this, HR will report to the Senior Leadership Team on progress at least quarterly and at the end of the fiscal year.

Data & Systems Improvements

Investigations data and systems currently reside in separate tools. We will improve the coordination of the data systems and analytics by developing a plan for integrated tools for reporting and insights across

the Legal Compliance and HR functions. The increased coordination will enable greater insights with speed and informed decision-making regarding investigations and culture. The Workplace Investigation Team and Global Employee Relations Team will implement enhanced coordinated reporting to the Microsoft Board of Directors by December 1, 2022, and improved coordination of data systems and analytics by June 30, 2023.

Accountability and Next Steps

The leader of the Workplace Investigations Team and the leader of the Global Employee Relations Team will be accountable for implementing the plan, with support from other key senior stakeholders in the Human Resources and Legal functions. Microsoft commits to complete this action plan by the close of fiscal year 2023, with some recommendations completed by the earlier dates noted above. The management implementation team will provide progress updates to the Chief People Officer and the company's Vice Chair and President on a quarterly basis and will provide a completion report to the Board of Directors at the conclusion of the fiscal year.