



Principles and Policies for Guiding Microsoft's Participation in the Public Policy Process in the United States

Introduction

Corporate participation in the public policy process is an important and essential means of enhancing shareholder value and is fundamental to free and democratic societies. Microsoft engages with governments around the world on public policy issues that are core to our business. We believe our engagement serves our business interests and also creates stronger, more informed public policies.

Our engagement in the public policy process is grounded in and guided by our unwavering commitment to strong corporate governance.

We respect and adhere to applicable national and local laws and regulations governing the public policy process globally and have established robust internal policies and practices to ensure adherence to the wide range of applicable requirements.

Microsoft works with governments, others in our industry, the broader business community, and civil society to advocate for public policies that support our business goals. Our engagement is guided by our annual Public Policy Agenda.

In the United States, we work to advance that agenda by :1) supporting a government affairs program designed to educate and influence elected officials on key public policy issues directly related to our business; 2) political spending - both directly from corporate funds and through bi-partisan engagement and awareness raising by individual employees through the Microsoft Political Action Committee (MSPAC); and 3) membership in industry and business trade associations and coalitions.

The following principles guide our policies, practices, activities, and reporting and are focused on ensuring compliance with applicable federal and state laws and designed to go beyond compliance to implement what we consider leading practices in corporate accountability, transparency, integrity and responsibility.

Transparency in Public Policy Advocacy

1. Microsoft publishes annual a Public Policy Agenda that guides our participation in the political process and is focused on public policy issues that are core to our business.
2. Microsoft publicly discloses, as required by law, all expenditures of corporate funds used for lobbying at both the federal and state level.

Accountability in Political Spending

1. Political spending by Microsoft will reflect the company's interests and be used to further its annual public policy agenda and not the personal agenda of individual officers, directors, or employees
2. No campaign contribution will be given in anticipation of, in recognition of, or in return for an official act.

Transparency in Political Spending

1. Microsoft publically discloses all contributions made and received in reports filed with the Federal Election Commission and the various state campaign finance commissions, as required by law.
2. Microsoft publishes a semi-annual list of election campaign expenditures, including contributions by the company including in-kind contributions) to candidates, political parties, and political committees; and other politically active tax-exempt organizations, such as those organized under Internal Revenue Code section 501(c) 4, as defined by applicable laws.

Compliance in Political Spending

1. Since July 1, 2010, Microsoft has not paid for any independent expenditure or electioneering communication as those terms are defined by applicable law.
2. Since July 1, 2005, Microsoft has made no corporate contributions to any non-candidate or non-party political committee organized under section 527 of the Internal Revenue Code.

Empowering and Supporting Employees

1. Microsoft sponsors MSPAC, which allows employees to voluntarily pool their resources to support candidates for public office. In compliance with applicable law, MSPAC contributes money to candidates for federal and state office and political parties and committees.
2. Microsoft, as the sponsor of MSPAC, is committed to providing members with a robust range of informational political forums to MSPAC members.
3. Employees will not be reimbursed directly or through compensation increases for personal campaign contributions.
4. From time to time, MSPAC solicits support from employees; at no time will Microsoft coerce employees to make any personal campaign contributions, nor will Microsoft take any retaliatory action against employees who choose not to contribute.

Oversight and Transparency of Trade Association Contributions

1. Like all major corporations, Microsoft is a member of trade associations (organized under section 501(c)(6) of the Internal Revenue Code) in the United States to help advance our public policy agenda and related business goals. We publicly disclose and update annually on our corporate web site a list of those trade associations to which Microsoft's Legal and Corporate Affairs Department pays dues and makes other expenditures.
2. Microsoft will inquire and make a reasonable effort to obtain annually (from those associations where dues and other expenditures through our Legal and Corporate Affairs Department total \$25,000 or more) what portion of the company's dues or payments were used for lobbying expenditures or political contributions that, if made directly by Microsoft, would not be deductible under section 162(e)(1) of the Internal Revenue Code. This information will be publicly disclosed and updated annually on Microsoft.com.
3. Since July 1, 2010, Microsoft informed trade associations to which it pays dues or makes other payments that no Microsoft funds may be used to pay for any independent expenditures or electioneering communications as those terms are defined by applicable law.

Responsibility in Governance and Reporting

1. A bipartisan committee of Microsoft federal and state government affairs professionals are responsible for day to day decisions related to political spending.
2. Outside ethics counsel reviews and approves all political spending decisions and related activities.
3. Management of our participation in the political process in the United States is the responsibility of the Vice President for US Government Affairs. This position reports directly to Microsoft's General Counsel who reports to the company CEO.
4. The Regulatory and Public Policy Committee of the Microsoft Board of Directors is responsible for overseeing the company's public policy work and related activities and receives formal reports semi-annually.

*All materials and reports referenced above are available on Microsoft's corporate web site at:
www.microsoft.com/citizenship/publicpolicy*

as amended and restated September 2012