

H02050 EXCERPT

# Microsoft Supplier Social and Environmental Accountability Manual



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# 1. Social and Environmental Accountability (SEA) Program

Microsoft requires all suppliers doing business with Microsoft to uphold the environmental, health and safety, labor, and ethical practices prescribed in the Microsoft Supplier Code of Conduct—which is based on the Responsible Business Alliance (RBA), formerly known as the Electronic Industry Citizenship Coalition (EICC's) responsible supply chain standards, and adheres to Microsoft's [Responsible Sourcing of Raw Materials policy](#). At the core of Microsoft's manufacturing sustainability efforts is its Social and Environmental Accountability (SEA) Program, established in 2005, which ensures that Microsoft hardware and packaging suppliers conform to Microsoft's Supplier Code of Conduct and additional requirements for worker living conditions, safe working practices, responsible sourcing of raw materials, and environmental, health and safety protection. These requirements are incorporated into Microsoft contracts with directly contracted suppliers. Microsoft also requires our suppliers to address the issues covered in our SEA specifications with their own upstream and downstream suppliers—those with whom Microsoft does not directly engage via contract. We apply risk-based approaches for the responsible management of our suppliers. We also work collaboratively with our suppliers on proactive initiatives to positively impact their workers, the communities in which they operate, and their own businesses.



Environmental



Health and safety



Labor



Ethical

## 2. SEA Requirements Specification

### 2.1 Purpose

The purpose of this specification is to provide Microsoft's directly contracted suppliers with operational requirements to ensure full conformance with Microsoft's Supplier Code of Conduct and SEA, RSC, and ODC requirements. This specification sets forth a minimum set of requirements that suppliers must meet. This specification is not intended to create new and additional third-party rights, including those for workers. Use of the word "shall" or "must" in this document means that the requirement is a mandatory requirement.

Microsoft requires its worldwide suppliers to comply with all applicable laws and regulations with respect to labor, ethics, occupational health and safety, and protection of the environment. Laws and regulations define minimum, and not maximum, standards. Suppliers are encouraged to go beyond legal compliance in the areas of ethics, labor management, environmental, and health and safety topics by committing to meet relevant international standards (i.e. International Labor Organization and relevant United Nations conventions) and to commit to a process of continuous improvement. Suppliers are required to source responsibly, especially with regard to raw materials where certain social and environmental risks may be higher than other materials. This specification outlines specific areas where suppliers have responsibilities in accordance with international standards and expectations from Microsoft customers, officers and shareholders.

Implementation of industry standards and best practices is an effective means to ensure conformance. This specification incorporates the Responsible Business Alliance (RBA) Code of Conduct, as well as additional requirements which Microsoft deems applicable. Suppliers and their sub-tier suppliers are expected to comply with all applicable laws and regulations and to

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implement and conform to this specification. Where any requirement in this document differs from the RBA Code of Conduct, this specification takes precedence.

Microsoft will select and retain only those business partners that commit to conforming to this specification. A failure by a supplier or any sub-tier supplier to conform to this specification while engaged as a Microsoft supplier may constitute a breach of the suppliers' contractual agreements with Microsoft.

## 2.2 Access to factory and records

Suppliers shall allow Microsoft and/or any of its designated representatives (such as third-party auditors) full and unrestricted access to its facilities and to all relevant records at all times in order to demonstrate conformance to this specification. Suppliers shall allow full and complete access to all areas under the same business license or legal entity and the following:

- Documentation and records that accurately reflect the conditions of the factory and employee conditions such as working hours and payroll, health and safety and worker's records
- Workers, for interview purposes, without factory management oversight or attendance
- SEA and RSC audit results of facilities under the same corporate ownership.

Microsoft has the right to disclose previous SEA and RSC audit results, including nonconformances, of supplier-owned factories to its third-party auditors.

## 2.3 Management systems

Microsoft requires its suppliers to utilize management systems designed to ensure compliance with applicable laws and regulations and customer requirements related to this specification. Management systems should also identify and mitigate operational risks and facilitate continuous improvement. Management system elements shall include but are not limited to the areas covered in **Sections 2.3.1 to 2.3.11** below.

### 2.3.1 Company commitments

Corporate labor, ethics, occupational health and safety, and environmental policy statements affirming supplier's commitment to compliance and continual improvement, endorsed by executive management.

### 2.3.2 Management accountabilities

Management accountabilities should include:

- Clear identification of supplier representative(s) responsible for ensuring implementation of the management systems and associated programs,
- Appropriately defined and documented labor, ethics, occupational health and safety and environmental responsibilities and authorities for managers, supervisors and workers, and
- Senior management responsible for assessing the status of the labor, ethics, occupational health and safety, and environmental management system to identify improvement opportunities on at least an annual basis.

### **2.3.3 Monitor legal and customer requirements**

Suppliers must have an adequate and effective compliance process to monitor, identify, understand and ensure compliance with applicable laws and regulations and customer requirements pertaining to labor, ethics, occupational health and safety, and environmental issues. A formal, documented system is needed to track laws and regulations and customer requirements that apply to the operations of the facility, including:

- A review of new laws/regulations on at least a quarterly basis.
- A document summarizing the applicable laws and regulations and the key customer requirements that impact the operations that is updated at least on a quarterly basis.
- A responsible person, with a good understanding of the labor laws, regulations and customer requirements that apply to the factory's operations, assigned to manage this process.

### **2.3.4 Risk assessment and management**

A formal risk assessment process is needed to identify the most significant risks, including applicable legal and regulatory requirements and customer requirements. This process shall ensure adequate identification of labor practices risks and implementation of appropriate controls to minimize identified risks and to ensure regulatory compliance.

### **2.3.5 Improvement objectives**

A process is needed for establishing labor, ethics, occupational health and safety, and environmental performance objectives, targets and implementation plans as well as plans to improve factory's labor performance. The facility must conduct regular reviews of progress towards achieving objectives, and adjust the process, as needed, should progress be off-track.

### **2.3.6 Training**

The management system must include programs for training managers and workers to implement supplier's policies, procedures and improvement objectives and to meet applicable legal and regulatory requirements.

### **2.3.7 Communication**

Adequate and effective worker/employee, supplier and customer communication/reporting process must be in place for labor, ethics, occupational health and safety, and environmental policies, practices and performance.

### **2.3.8 Worker feedback and participation**

An adequate and effective worker grievance/complaint process must be established where workers can confidentially communicate labor, ethics, occupational health and safety, and environmental related grievances or complaints without fear of reprisal or intimidation.

The process must include a means to evaluate and improve employee satisfaction. A company of substantial size (in other words, having headcount exceeding 100) shall have an employee satisfaction program based on employee opinion surveys and shall take actions based on the results of the program.

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Ongoing processes must be in place to assess employees' understanding of and to obtain feedback on practices and conditions covered by this specification and to foster continuous improvement.

### **2.3.9 Audits and assessments**

An adequate and effective audit process must be in place to annually assess conformance with customer requirements and compliance with applicable laws and regulations pertaining to labor, ethics, occupational health and safety, and environmental issues.

### **2.3.10 Root cause analysis, corrective and preventive action process**

Suppliers shall have a process to effectively investigate the root causes, corrective and preventive actions of deficiencies and non-conformances identified via internal or external assessments, inspections, employee suggestions, customer or other stakeholder concerns, investigations, and reviews.

Management shall verify the effectiveness of corrective and preventive actions to address identified deficiencies and non-conformances.

If the factory has been subject to labor, ethics, occupational health and safety, and environmental regulatory actions where monetary penalties have been assessed or formal corrective actions have been mandated by the regulatory agency or legal entity, the supplier must demonstrate that these violations have been corrected or that they are on track for correction, and all fines and penalties have been paid or settled.

### **2.3.11 Documents and records**

Facilities shall maintain adequate labor, ethics, occupational health and safety, and environmental management system documents and records to ensure legal and regulatory compliance and conformance with customer requirements, including this specification.

## **2.4 Supplier responsibilities**

Suppliers shall establish and implement an effective program to ensure that their supply chains are in conformance with this specification.

### **2.4.1 Sub-tier supplier management guidelines**

A sub-tier supplier is defined as a manufacturer that supplies components or materials to a Microsoft contracted supplier for incorporation or use with Microsoft branded devices. Sub-tier suppliers do not have a direct contractual relationship with Microsoft.

Each of Microsoft's directly contracted suppliers is expected to have a supplier management system for its sub-tier suppliers that covers, but is not limited to the following aspects:

- At the beginning of each program, suppliers are required to provide Microsoft with the Bill of Materials (BOM) that lists all suppliers and factory locations that provide strategic and consigned parts used for Microsoft products. The BOM must be kept current and any changes must be provided in a timely manner. If a sub-tier supplier is found to be restricted for not meeting Microsoft requirements, the contracted supplier shall work to remedy this situation or find an alternative sub-tier supplier.
- Suppliers shall have a Code of Conduct which defines the expectations of sub-tier suppliers with respect to labor, ethics, and environment, health and safety. Suppliers must

demonstrate that the Code of Conduct is substantially equivalent to Microsoft's Code of Conduct.

- A communication mechanism that requires all suppliers to meet Microsoft Supplier Code of Conduct and labor, ethics and environment, health and safety requirements.
- Labor, Ethics, Health and Safety, and Environmental professionals trained and capable of managing sub-tier supplier program planning, risk assessments, audit execution and reporting, and corrective action closure.
- An annual risk assessment of all sub-tier suppliers to demonstrate risk-based approach to supplier management; at a minimum, risk assessment should include location risk, labor risks, EHS process risks, previous audit performance and media reports.
- Sub-tier supplier SEA audits with the following coverage:
  - Sub-tier suppliers that produce parts with Microsoft logo and Microsoft's trademark must receive an annual SEA full audit by a Microsoft approved third party audit firm using Microsoft approved audit protocol.
  - All sub-tier suppliers should receive a full audit to verify all requirements in this specification at the following audit cadence:
    - High-risk sub-tier suppliers must receive an annual SEA full audit.
    - Medium risk sub-tier suppliers should receive a biennial SEA full audit.
    - Low risk sub-tier suppliers should receive a triennial SEA full audit.
  - At a minimum, the audit should meet the following conditions:
    - Scope should follow the same areas documented in this specification
    - Audit must be conducted on-site and include document review, factory tour, management interviews and worker interviews.
    - Audit finding evidence should be triangulated through site observation, document review, management interviews and worker interviews to justify a finding of conformance or nonconformance.
    - Audit checklist should include all standards in this document.
- Auditors must demonstrate general auditing competencies, including:
  - Demonstrated Labor and Ethics (L&E) and/or EHS competencies.
  - Two years of experience or combination of experience or education equaling four years.
  - Passed at least one of the RBA pre-approved RBA Code training courses, or equivalent training course.
  - Performed at least five L&E and/or EHS full audits.

If the minimum conditions are not met, Microsoft may require a third-party audit to be conducted. The RBA VAP audit may be acceptable for the sub-tier suppliers that produce parts without a Microsoft logo or Microsoft's trademark.

- Closed-loop corrective and preventive action process, policies and procedures:
  - Non-conformance closure should follow the same timeline based on NC severity outlined in this documentation.
  - On-site verification is needed to close non-conformities with severity of major or above.
  - Demonstration of timely closure of non-conformances based on determined and agreed upon processes.
- Documented process that considers suppliers' labor, health and safety, environmental and ethics performance in business award decisions.
- Quarterly review of sub-tier audit program performance during Business Reviews with Microsoft (may be more frequent as defined by the business).

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- Business continuity plans.
- Incident response mechanism.
- Supplier capability building programs, as required.

Microsoft expects that all aspects of the supplier management system described above are documented, accessible, maintained systematically, verifiable, and available for review by Microsoft and its designated representatives upon request. Microsoft requires a supplier to take corrective actions if non-conformances are identified. Microsoft places a supplier on restricted status if the supplier fails to close the open non-conformance within the required timeline.

#### **2.4.2 Fabless supplier management guidelines**

A fabless supplier is defined as a supplier that has a direct contract with Microsoft, and designs, develops, and/or sells hardware components, and outsources the manufacturing of such hardware components to other suppliers. A fabless manufacturer is defined as a factory that a fabless supplier outsources to.

Fabless suppliers are required to participate in Microsoft assessments and verification to guarantee its policies and procedures are in conformance with Microsoft Supplier Code of Conduct, specifications, SEA Supplier Manual, and Microsoft's Responsible Sourcing of Raw Material Policy.

All fabless suppliers are expected to have a supplier management system which includes, but is not limited to the following aspects:

- Ensuring that their fabless manufacturers are in conformance with Microsoft Standards and Requirements.
- Sharing the following with Microsoft: Factory name(s) and location(s) for all parts outsourced for Microsoft.
- A due diligence program, which covers:
  - Annual risk assessments of all fabless manufacturers to demonstrate risk-based approach to supplier management.
  - Audit plans that are based on risk posed by fabless manufacturers. At minimum, fabless manufacturers that produce parts with Microsoft logo and Microsoft's trademark must receive an annual SEA full audit by a Microsoft approved third party audit firm using Microsoft approved audit protocol.
  - Closed-loop corrective and preventive action process, policies and procedures.
  - Support for Microsoft's right to audit its fabless manufacturers.
- Authorizing and supporting Microsoft requests to include fabless manufacturers in assessments, trainings and SEA Programs.

#### **2.4.3 Sustainability metrics reporting**

Suppliers are required to provide sustainability metrics for benchmarking environmental and social impacts relating to the production of goods and performance of services for Microsoft. Data requirements include greenhouse gas (GHG) emissions, power utilization, use of renewable energy sources, water management, generator fuel consumption, packaging, recycling and waste prevention, labor, health and safety, and other social and environmental impacts. Suppliers will participate in supplier reviews to explore continuous improvement opportunities and to establish demonstrable improvement plans to mitigate environmental and social impacts over the duration of the agreement. Upon request, suppliers should

accurately report on these sustainability metrics, through Microsoft system(s) and/or designated industry initiatives and standards such as the Carbon Disclosure Project (CDP) and the Global Reporting Initiative (GRI).

## 2.5 Labor

Suppliers shall comply with all applicable local, national and international legislation relating to employment practices. Management shall be well-informed about and continuously monitor the development of legislation related to this area.

### 2.5.1 Freely chosen employment

Suppliers shall use only voluntary labor.

- Any type of forced, involuntary prison, indentured, bonded (including debt bondage, trafficked or slave) labor is prohibited.
- Any form of human trafficking of involuntary labor through threat, force, fraudulent claims, or other coercion is prohibited.
- Suppliers shall implement compliance plans for foreign migrant workers, including but not limited to:
  - Providing training to its workers and agencies to prevent any use of forced labor.
  - Providing confidential processes to migrant workers for reporting exploitation or any illegal employment activities.
  - Ensuring that any accommodation arranged by supplier meets host country standards and legal requirements.
  - Establishing procedures to effectively monitor the conformance of sub-tier suppliers with these requirements, and to terminate any sub-tier supplier that fails to meet these requirements.
  - Ensuring that their programs meet these requirements and providing details related to their compliance programs and their action plans to Microsoft upon request.
  - Using recruitment agencies that are legally registered and ensuring that all contracts with the agency specify that recruitment fees will not be charged to workers.
  - Establishing a remediation procedure which clearly describes the actions to be taken to make sure workers are treated with equity and dignity in case a situation of forced labor is found in the supplier premises.
- Suppliers shall not require workers to pay employer's or agent's recruitment fees or other employment related fees, such as for skill tests, additional certifications or medical exams/screening. If any such fees are found to have been paid by workers, suppliers shall repay such fees to workers. Suppliers shall not require foreign migrant workers to pay any fees, including but not limited to:
  - Pre-departure fees and costs.
  - Documentations/permits and associated costs.
  - Transportation and lodging costs.
  - Arrival, orientation or on-boarding costs.
  - Deposits or bonds, including those required or not required by law.

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- Skill tests, additional certifications, and medical exams/screening costs.
- Suppliers shall not require workers to lodge “deposits” or surrender their identity papers (government-issued identification, passports, or work permits) as a condition of employment.
- Suppliers shall ensure that contracts for workers and, where applicable, employee handbooks clearly convey the conditions of employment in a language understood by workers. In addition:
  - Workers shall be informed prior to employment (in the case of migrant workers, before they leave their home country/region), of the key employment terms and conditions either verbally or in writing via employment letter/agreement/contract as required by law in their native language.
  - Workers shall be provided with a copy of their employment contract or other formats of notification in accordance with applicable laws and regulations, clearly conveying the conditions of employment in a language understood by workers.
  - All contracts shall reflect current and applicable labor laws and regulations.
- Workers shall be free to resign their employment in accordance with local and national laws or regulations. In the absence of such laws, workers shall be free to leave the company after giving reasonable notice. In addition:
  - If the worker has provided full notice period per local law, no fees should be charged.
  - If the worker has not provided full notice period:
    - Workers can pay at most 60 percent of 1 month of gross base wages, if there is no legal penalty associated with workers leaving early.
    - Workers should not pay any fees if they are leaving because of abuse or threat to safety, and they did not provide full notice period.
- Workers shall be allowed access to basic liberties during working hours, such as access to drinking water and use of toilet facilities. Suppliers shall ensure that workers are free to enter and exit facilities and housing provided to them during their non-work hours.

### **2.5.2 Child labor avoidance and young workers**

Suppliers shall comply with all local and national minimum working age laws or regulations and shall not use child labor. A “child” refers to anyone under the age of 15, under the age for completing compulsory education, or under the legal minimum working age for employment in the country, whichever is greater. The following standards must be met:

- Age and identity of the candidates must always be verified prior to recruitment. Suppliers shall review, validate and maintain a copy of a legal proof of age and identity upon hiring a candidate.
- Microsoft supports the development only of legitimate workplace apprenticeship programs for the educational benefit of young people and will not do business with suppliers that abuse such programs. A “young worker” refers to any worker above the age of 15 but under the age of 18, or older if it’s specified in local legislation. These workers must be at least the age of 15 and completed the required level of compulsory education.
- Suppliers shall ensure that necessary permits and documentation are in place for all employees (including apprentices and trainees) under the age of 18, and restrict them from performing work that is likely to jeopardize their health or safety (such as night work, overtime, heavy lifting, and working with toxic or hazardous materials). Young workers

shall be provided with a health examination before hiring and physical examinations must be conducted on a regular basis.

- Suppliers located in countries with a high risk of child labor shall have a child labor remediation plan in place, which describes the actions to be taken in case a child is found working in the supplier premises. The plan should, at minimum, confirm that suppliers will bear the cost of returning the child to the child's guardian and support the child's cost of education until the child reaches his/her legal age, along with other legal requirements.

### **2.5.3 Student workers and interns**

Suppliers shall fully comply with all applicable national and local laws and regulations concerning the use of student workers and/or interns, including laws and regulations addressing working hours, working environment, compensation, benefits, time off, insurance, welfare, termination and severance. This requirement applies regardless of the purpose for which student workers and/or interns are engaged and includes both internships to provide students with work experience or to subsidize their education. In addition:

- Workers in apprenticeship programs, student workers and/or vocational workers:
  - Shall be provided with a complete wage statement in a language understood by them.
  - Must not exceed 30 percent of the total workforce or the legal limit, whichever is stricter.
  - Must be enrolled in legitimate programs.
- Students below the age of 15 or below the legal minimum age for regular employment or student internships are prohibited from being a student worker/ intern.
- Suppliers shall not arrange for students to work overtime and shall pay the students directly and not through an agent or school.
- Suppliers shall not arrange for student workers to engage in dangerous or hazardous work, such as working at height, underground work, and which involves exposure to pollution, toxic or hazardous materials, and radioactive work.
- Suppliers that use student workers/interns shall have a tri-party agreement in place between the school, facility, and student or student's guardian(s).
- Microsoft suppliers must enter into an NDA with the students or their guardian before they begin work at the factories and the NDA shall not conflict with or violate the NDA signed between Microsoft and the supplier (Microsoft NDA) or make the Microsoft NDA unenforceable.
- Suppliers shall verify and ensure that the schools have legitimate permits.

### **2.5.4 Working hours**

Suppliers shall ensure that workers are not required to work more than the maximum daily/weekly/monthly hours set by local and national laws and regulations or as set in the freely negotiated and legitimate collective agreement. A work week must not exceed 60 hours per week, including overtime, except in emergency or unusual situations.

Emergency or unusual situations are situations that are unpredictable that require overtime in excess of Microsoft's expectations. Such events cannot be planned or foreseen. Examples of such situations include:

- Equipment breakdown, power failure or other emergency resulting in prolonged shutdown of a production line.

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- Unforeseen raw material or component shortages or quality issues that shut down production.

In all emergency and unusual cases, there should be documented evidence of fewer hours being worked before a period of excessive production and the site must have a documented plan to recover from the emergency and bring working hours back into conformance. During the implementation period of the documented recovery plan the site will be deemed in conformance.

Situations that are **NOT** emergency or unusual include, but are not limited to:

- Peak season production demands and new product ramps.
- Contract change orders that significantly increase order volumes or shorten delivery timelines.

Suppliers shall ensure overtime is voluntary and paid in accordance with local and national laws and regulations, and workers shall not be penalized for refusing overtime work. In addition:

- Workers shall be allowed at least one day off, comprising at least twenty-four consecutive hours, within a seven-day period.
- All workers are allowed to take breaks, holidays and vacation days as legally entitled.
- Suppliers shall keep complete and reliable records of worker's standard and overtime hours.

### **2.5.5 Wages and benefits**

Suppliers shall provide fair compensation for all employees (including permanent, temporary or dispatched workers, migrant workers, apprentices and contract workers) which, at minimum, meets legal minimum standards. In addition:

- Overtime work shall be compensated, at least, at a premium rate per applicable legal requirements.
- Suppliers shall not delay or withhold payments to workers.
- Suppliers shall provide workers with all legally mandated benefits.
- Suppliers shall ensure that statutory and legally required payments (such as social insurances, pensions) are paid for all employees.
- Suppliers shall provide all workers with clear, written information about their employment conditions with respect to wages before they enter employment and as needed throughout their terms of employment.
- Supplier shall not permit deductions from wages as a disciplinary measure.
- Deductions from wages not provided for by applicable law, for example for meal or dormitory fees, shall not be permitted without the express, written permission of the worker. Workers shall be allowed to choose freely between supplier provided meals and dormitory and the option to eat and live outside of the factory.
- Suppliers shall communicate wage calculations clearly to workers using pay stub or similar documentation and keep workers' records in accordance with applicable laws and regulations and provide such records to Microsoft, if requested, in a timely manner.

### **2.5.6 Humane treatment**

Suppliers shall not engage in physical discipline or abuse. Physical discipline or abuse, the threat of physical abuse, sexual or other harassment, and verbal abuse or other forms of

intimidation are prohibited. Suppliers shall have a non-harassment policy and monitor supervisors to ensure appropriate conduct. In addition:

- Suppliers shall set up grievance procedures for employees to seek remediation and raise issues. Formal grievances and complaints shall be documented. The grievance procedure shall be communicated to all workers.
- Suppliers shall ensure that company rules and disciplinary procedures are clearly defined, progressive, and communicated to workers (such as being included in an employee handbook if available). All disciplinary measures shall be recorded. Favoritism or preferential treatment without justified work-related reason is forbidden.

### **2.5.7 Non-discrimination**

Suppliers shall cooperate with Microsoft's commitment to a workforce and workplace free of harassment and unlawful discrimination. While we recognize and respect cultural differences. Suppliers shall not engage in discrimination in hiring, compensation, access to training, promotion, termination, and/or retirement based on race, color, sex, ethnicity, national origin, religion, age, disability, gender identity or expression, marital status, pregnancy, sexual orientation, political affiliation, union membership, or any other personal attribute. In addition:

- Workers or potential workers shall not be subjected to medical tests that could be used in a discriminatory way:
  - Suppliers shall not, on the basis of a person's medical status, make any employment decisions that negatively affect the person's employment status unless such decision is dictated by inherent job requirements or is required for workplace safety.
  - Suppliers shall not discriminate against a worker based on the worker's refusal to take a medical test that is not required for such a position.
  - Health tests, pregnancy testing, or contraception shall not be used as a condition of employment. (In some cases, local governments require health tests for foreign workers prior to issuance of work visas and this would not be prohibited.)
- Suppliers shall provide reasonable accommodation for workers' religious practices, including:
  - Adequate and effective policies and procedures in place to reasonably accommodate religious practices and adjustments made to the work environment to allow a worker to comply with their religious beliefs while at work or in the job application process.
  - A mechanism for receiving religious accommodation requests.

### **2.5.8 Freedom of association**

Suppliers shall respect workers' rights to freedom of association and collective bargaining. Employees must be free to join associations of their own choice and select their representatives according to local and international practices.

Open communication and direct engagement between workers and management are the most effective ways to resolve workplace and compensation issues. Management shall ensure that the workers' organization can carry out its representative role free from interference, discrimination and harassment. Workers shall be able to communicate openly with management regarding working conditions without fear of reprisal or intimidation.

### **2.5.9 Resource planning**

Suppliers shall measure employee attrition rates and mitigate any negative impact of such attrition. External temporary labor/dispatched labor may be used to provide needed flexibility

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and seasonality in production, but not for the purpose of avoiding payment of legally mandated contributions or meeting other requirements. False apprenticeship schemes are prohibited and shall not be used.

## 2.6 Ethics

All Microsoft Suppliers must conduct their business activities in full compliance with all applicable laws and regulations while conducting business with and/or on behalf of Microsoft. Suppliers and their agents are required to uphold the highest standards of ethics as required by Microsoft's Supplier Code of Conduct.

### 2.6.1 Business integrity

Suppliers shall conduct their business operations in an honest, direct, and truthful manner in all discussions with regulatory agency representatives and government officials.

The highest standards of integrity must be upheld in all business interactions. Suppliers shall have a zero-tolerance policy and prohibit any and all forms of bribery, corruption, extortion and embezzlement (covering promising, offering, giving or accepting any bribes). All business dealings shall be transparently performed and accurately reflected in supplier's business books and records. Monitoring and enforcement procedures shall be implemented to ensure compliance with anti-corruption laws. Suppliers shall adhere to these standards and apply the same standards throughout their entire supply chain.

**Anti-Corruption:** Suppliers shall not participate in bribes or kickbacks of any kind, whether in dealing with public officials or individuals in the private sector. Microsoft is committed to observing the standards of conduct set forth in the U.S. Foreign Corrupt Practices Act ("FCPA") as well as any other applicable anti-bribery legislation, and the anti-corruption and anti-money laundering laws of the countries in which Microsoft operates. Suppliers shall comply with all applicable anti-corruption and anti-money laundering laws, including the FCPA, as well as laws governing lobbying, gifts, and payments to public officials, political campaign contribution laws, and other related regulations. Suppliers shall not, directly or indirectly, offer or pay anything of value (including travel, gifts, hospitality expenses, and charitable donations) to any official or employee of any government, government agency, political party, public international organization, or any candidate for political office to:

- Improperly influence any act or decision of the official, employee, or candidate for the purpose of promoting the business interests of Microsoft in any respect, or
- Otherwise improperly promote the business interests of Microsoft in any respect.

As representatives of Microsoft, suppliers shall comply in all respects with Microsoft's Anti-Corruption Policy for Representatives.

### 2.6.2 No improper advantage

**Gifts:** Suppliers shall avoid giving gifts to Microsoft employees because even a well-intentioned gift might constitute a bribe under certain circumstances or create conflicts of interest. In particular:

- Do not offer anything of value to obtain or retain a benefit or advantage for the giver.
- Do not offer anything that might appear to influence, compromise judgment, or obligate any Microsoft employee.

- If offering a gift, meal, or entertainment to Microsoft employees, always use good judgment, discretion, and moderation.
- Any supplier gift must be permissible under the policy of the Microsoft employee's business unit and country. Microsoft business and regional policies may prohibit gifts entirely or set maximum gift value limits at varying amounts. Any gifts, meals, or entertainment shall comply with applicable law, must not violate the giver's and/or recipient's policies on the matter and must be consistent with local custom and practice.
- Suppliers are not allowed to give gifts of any value to any member of the Global Procurement Group (GPG) or its representatives.

### 2.6.3 Disclosure of information

Suppliers shall honestly and accurately record and report all business information and comply with all applicable laws and regulations regarding their completion and accuracy. Suppliers shall create, retain, and dispose of business records in full compliance with all applicable legal and regulatory requirements, and be honest, direct, and truthful in all discussions with regulatory agency representatives and government officials.

Suppliers shall ensure all their records are accurate and complete and available for Microsoft review upon request.

### 2.6.4 Protection of intellectual property

Suppliers shall respect and protect the intellectual property rights of all parties by only using information technology and software that has been legitimately acquired and licensed.

Suppliers shall use software, hardware, and content in accordance with their associated licenses or terms of use. In addition:

- Suppliers shall conduct or have representatives conduct on their behalf, software license compliance audit and reconciliation of all third-party software used in their business operations in the last 12 months.
- Suppliers shall have corporate software asset management policies and procedures in place that are communicated at least annually to their employees requiring that they only use properly licensed software in their business and explaining how they should procure and use software.
- Suppliers shall have a central corporate repository for all of their software licenses as well as clearly communicated policies and procedures to ensure that all software licenses go into that repository.
- Suppliers shall have policies, procedures and security measures in place to avoid malware and cyberattacks such as guidelines for purchasing only genuine (not counterfeit) software and keeping up with software upgrades.

Suppliers shall protect and responsibly use the physical and intellectual assets of Microsoft, including intellectual property, tangible property, supplies, consumables, and equipment, when authorized by Microsoft to use such assets.

Suppliers shall use Microsoft-provided information technology and systems (including email) only for authorized Microsoft business-related purposes. Microsoft strictly prohibits suppliers from using Microsoft-provided technology and systems to (i) create, access, store, print, solicit, or send any material that is intimidating, harassing, threatening, abusive, sexually explicit or otherwise offensive or inappropriate, or (ii) send any false, derogatory, or malicious communications.

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Suppliers shall comply with all Microsoft requirements and procedures for maintaining passwords, confidentiality, security and privacy as a condition of providing Microsoft with goods or services or receiving access to the Microsoft internal corporate network, systems, and buildings. All data stored or transmitted on Microsoft owned or leased equipment is to be considered private and is the property of Microsoft. Microsoft may monitor all use of the corporate network and all systems (including email) and may access all data stored or transmitted using the Microsoft network.

Suppliers shall comply with the intellectual property ownership rights of Microsoft and others including but not limited to copyrights, patents, trademarks, and trade secrets; and manage the transfer of technology and know-how in a manner that protects intellectual property rights.

### **2.6.5 Fair business, advertising, and competition**

Antitrust: Suppliers shall conduct business in full compliance with antitrust and fair competition laws and regulations that govern the jurisdictions in which they conduct business. Suppliers shall establish an effective program to ensure advertising statements are not false or misleading and meet fair business and advertising legal requirements.

### **2.6.6 Communication and whistleblowing**

Suppliers shall ensure that information relevant to employees (such as business activities, changes and results) is communicated across the organization in a timely manner.

Suppliers shall define and implement effective processes for employees to anonymously (if desired) voice improvement ideas and concerns (such as cases of unethical conduct, violation of company policies or legal obligations, threats to an individual's health and safety, damage to the environment). All employees shall be aware of these channels, know how to use them and be encouraged to do so. Management shall, act upon this feedback and handle it confidentially and anonymously.

### **2.6.7 Protection of identity**

Microsoft will not tolerate any retribution or retaliation taken against any individual who has, in good faith, sought out advice or reported questionable behavior or a possible violation of the Microsoft Supplier Code of Conduct, any applicable Microsoft specification, including this specification, or any applicable law.

### **2.6.8 Privacy**

Suppliers shall establish a formal and effective process to protect privacy and shall commit to protecting the reasonable privacy expectations and personal information of persons with whom they do business. Suppliers are expected to comply with privacy and information security laws and regulatory requirements when personal information is collected, stored, processed, transmitted or shared.

## **2.7 Health and safety**

Suppliers are expected to integrate sound health and safety management practices into all aspects of their business. Suppliers or vendors working within the factory premises need to align with the Microsoft Health and Safety management system and all relevant procedures.

## 2.7.1 Occupational safety

Suppliers shall control worker exposure to potential safety hazards through proper design, engineering and administrative controls, preventative maintenance and safe work procedures (including lockout/tagout), and ongoing safety training. Where hazards cannot be adequately controlled by these means, workers are to be provided with appropriate, well-maintained personal protective equipment (PPE) and educational materials about the risks associated with these hazards. Workers shall be encouraged to raise safety concerns. In particular:

- Suppliers shall ensure that all required permits, licenses and test reports for occupational safety are in place and a process is implemented to ensure permits and licenses are up to date at all times.
- Suppliers shall ensure that workers are not exposed to potential electrical hazards and such hazards are controlled through proper design, engineering and administrative controls and safe work procedures.
  - Electrical installations and wiring shall be regularly inspected and maintained to prevent electrical shock hazards such as damaged cords and plugs, frayed wiring, missing protective barriers, et cetera.
  - Educational materials (such as safe work instructions, operating instructions) describing the risks associated with electrical hazards as applicable to their positions and to ensure safe execution of the function, shall be provided to workers.
  - The use of metal ladders is prohibited in areas where the ladder or the person using the ladder could come in contact with energized parts of equipment, fixtures, or circuit conductors.
  - All equipment and electrical devices shall be properly grounded.
  - Portable electrical tools, equipment and fixed electrical equipment shall be grounded or of the double insulated type.
  - All disconnecting switches and circuit breakers shall be labeled to indicate their use or equipment served.
  - All electrical raceways and enclosures shall be securely fastened in place.
  - Circuit breakers shall be accessible to personnel, protected from physical damage, and located away from ignitable material.
  - Exposed wiring and cords with frayed or deteriorated insulation shall be repaired or replaced promptly.
  - Flexible cords shall be used only in continuous lengths without splice or tap.
  - Suppliers shall ensure that correct lockout/tagout procedures are in use for work on equipment where stored energy (electrical, pneumatic, mechanical) or inadvertent start-up could injure workers.
  - A lockout/ tagout procedure includes, but is not limited to:
    - Notifying employees when servicing or maintenance is required on a machine or equipment and informing them that the machine or equipment must be shut down and locked out to perform the servicing or maintenance.
    - Shutting down the operating machine or equipment by normal procedure (such as depress STOP button, open switch, or close valve).
    - Deactivating the energy-isolating device(s) so that the machine or equipment is isolated from the energy source(s).
    - Locking out the energy-isolating device(s) with assigned individual lock(s).
    - Dissipating or restraining stored or residual energy (such as that in capacitors; springs; elevated machine members; rotating flywheels; hydraulic systems; and air, gas, steam, or water pressure) by methods such as grounding, repositioning, blocking, or bleeding down.

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- Verifying the isolation of the equipment by operating the push buttons or other normal operating control(s), or by testing to make certain the equipment will not operate. CAUTION: Return operating control(s) to neutral or OFF position after verifying the isolation of the equipment. The machine or equipment is now locked out.
- Restoring the equipment to service by:
  - Checking the machine or equipment and the immediate area around the machine or equipment to ensure that nonessential items have been removed and that the machine or equipment components are operationally intact.
  - Checking the work area to ensure that all employees have been safely positioned or removed from the area.
  - Removing the lockout devices and reenergizing the machine or equipment  
Note: The removal of some forms of blocking may require reenergizing the machine before safe removal.
- Lockout Equipment
  - Lockout and tagout devices shall be durable, marked, color coded, or otherwise identified for each factory, and supplied to authorized personnel. Tags must state, at minimum, DO NOT START, DO NOT OPERATE, or DO NOT OPEN, and must state who placed the tag, the date placed, and reason.
  - Lockout usually entails using a lock-out device and a padlock to secure the power source, and the owner of the lock has the only key.
  - Appropriate employees shall be provided with individually keyed personal safety locks.
- Training
  - Authorized and affected employees must be trained and annually retrained.
  - Remedial training should be provided as needed when individual actions reflect nonconformance with program requirements.
- Suppliers shall develop a confined space program including, but not limited to:
  - A list of confined spaces that consists of the location, hazards, and whether a permit is required.
  - Permit-Required Confined Space entries have (at a minimum) the following elements:
    - Location and work being conducted identified.
    - Testing or monitoring equipment with effective calibration record.
    - Emergency equipment and description of rescue procedure.
    - Date and time the permit is issued and the expiration date of the permit.
    - Documentation of atmospheric testing prior to entry and during the work for the following: Oxygen (%), Explosive Limit (% Lower Flammable Limit), and Toxicity (ppm).
    - Name of the Responsible Entry Supervisor, authorized list of Entry Personnel, and the Attendant.
  - Suppliers shall inform contractors of the confined space locations as well as ensure that appropriate confined space entry procedures are followed.
  - Permit-required confined spaces shall be labeled with signs such as "DANGER - Permit-Required Confined Space, Do Not Enter" or an equivalent warning in the local language.
  - Suppliers shall ensure that annual training is conducted for the affected personnel.
- Suppliers shall establish a Hot Work Permit System for cutting, welding, and brazing done outside the designated welding area that includes but is not limited to following elements:
  - An appointed fire safety officer who is required to sign-off on each permit.

- The area within 11 meters (35 feet) of the hot work area shall be maintained free of flammable and combustible materials.
- Monitor the atmosphere with a gas detector. If a flammable or combustible gas exceeds 6 percent of the Lower Explosive Level (LEL), the work must be stopped.
- A fire watch shall be conducted under the following conditions:
  - During the hot work event, and
  - For one hour after the completion of the hot work event.
- Hot Work Permits shall be required for each hot work event and retained for a minimum of one year.
- Explosion-proof electrical equipment shall be installed in areas where flammable and combustible liquids are used or stored.
- Cryogenic liquids (such as nitrogen, oxygen, argon, helium, and hydrogen) shall be stored, handled and transferred properly. A safety procedure for storage and handling of cryogenic liquids that includes the following elements (at minimum) shall be established:
  - Never allow any unprotected part of the body to touch uninsulated pipes or vessels that contain cryogenic fluids.
  - Workers handling cryogenic liquids shall use eye and hand protection to protect against splashing and cold-contact burns.
  - Analyzers with alarms should be installed to alert workers to oxygen-deficient atmospheres.
  - Only use equipment and containers designed for the intended product, service pressure, and temperature.
  - Cryogenic containers shall be clean and made from materials suitable for cryogenic temperatures—such as austenitic stainless steels, copper, and certain aluminum alloys.
  - When using Dewar containers, ensure that no ice accumulates in the neck or on the cover. This could cause a blockage and subsequent pressure build-up.
  - Emergency plan in the event of a large spillage or accidental release.
  - All personnel handling cryogenic liquids shall be trained in the use of specialized equipment designed for the storage, transfer, and handling of these products.
- Suppliers shall ensure that workers are not exposed to other potential safety hazards (such as dust explosion, vehicles, and fall hazards) and these are controlled through proper design, engineering and administrative controls and safe work procedures, including all of the following:
  - Buildings shall be structurally sound and conform to local building code requirements.
  - In areas where powered industrial vehicles are used, pedestrian walkways shall be clearly delineated and physically separated, where possible, from vehicle operation areas.
  - Workers who are exposed to a fall hazard greater than 2.0 meters shall be provided with adequate guardrails or full body harness for fall protection.
  - Standard guardrails shall be provided wherever aisle or walkway surfaces are elevated more than 1.3 meters above any adjacent floor or the ground.
  - Pits and floor openings shall be covered or otherwise guarded.
  - Temporary barricades shall be in place to restrict traffic around the renovation area.
  - All connections on drums and combustible liquid piping, vapor and liquid shall be tight.
  - All flammable liquids shall be kept in closed containers when not in use (such as parts cleaning tanks, pans, et cetera).

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- Workers shall be protected from sharp objects which might pierce the feet or cut the hands (such as machinery, food handling and storage, sawing and cutting).
- Mats, grating, and similar things, shall be used where drainage is needed.
- Work surfaces shall be kept dry or appropriate measures should be taken to assure the surfaces are slip-resistant.
- Suppliers shall ensure that appropriate Personal Protective Equipment (PPE), such as safety glasses, ventilators, safety shoes and hardhats, are provided and consistently and correctly used where required to minimize or control safety hazards and worker exposure.
- Suppliers shall take actions to remove pregnant women/nursing mothers from working conditions with high hazards, remove or reduce any workplace health and safety risks to pregnant women and nursing mothers including those associated with their work assignments, as well as include reasonable accommodations for nursing mothers.

### **2.7.2 Emergency preparedness**

Emergency situations and events shall be identified and assessed, including responses to OHS risks (such as contagious and pandemic diseases, uncontrolled chemical releases, fire safety), and their impact shall be minimized through implementation of emergency plans and response procedures, including: clearly defined roles and responsibilities, emergency reporting with root cause investigation and implementing corrective actions, employee notification and evacuation procedures, worker training and drills, appropriate fire detection and suppression equipment, adequate exit facilities, and recovery plans. Suppliers shall ensure that relevant procedures are established, maintained, and evaluated to comply with legal requirements.

All likely types of emergencies that may impact the site shall be identified and assessed, and adequate and effective emergency preparedness and response programs (plans/procedures) shall be established to address such risks.

Adequate and effective fire detection, alarm, and suppression systems shall be in place, including:

- Automatic fire sprinklers (if required by law or insurance company), portable fire extinguishers, heat and smoke detection, and an alarm and notification system. These shall be inspected, tested and maintained on a regular basis, as required by law, insurance company and common practice.
  - The inspection should be conducted at least monthly.
  - Testing and maintenance frequency shall not be less than that required/recommended by the manufacturer, local code or insurance company, whichever is more stringent.
  - The inspection, testing and maintenance procedure, frequency and results shall be documented.
- Sprinkler heads for the fire suppression system shall not be blocked or obstructed to prevent proper water dispersion. There must be at least 0.5 meters distance from sprinkler to the top of storage.
- The factory shall be equipped with visual alarms (such as flashing red lights) in areas where ear protective equipment is used.
- Emergency exits, aisles and stairways, adequate in number and location, shall be readily accessible, and properly maintained.
  - Exit doors shall be opened easily from the inside.

- Exit doors shall open from the direction of exit travel without the use of a key or any special knowledge or effort when the building is occupied.
- Aisle widths shall be maintained. Aisle width shall not be less than 1 meter across at its narrowest point. The minimum width of any single door opening shall be at least 81 cm (32 in.). If the local regulation has specific requirements, the local regulation shall be followed.
- Exit routes shall be located as far away from each other as practical, in case one is blocked by fire or smoke. The minimum requirement is to keep exit routes 5 meters away from each other.
- The maximum distance for evacuation route to emergency door shall be less than 60 meters in workshop.
- Employees shall be provided with appropriate training/communication on fire and other emergencies, as well as the corresponding preparedness and response plans/procedures.
- Adequate and effective fire and other emergency evacuation and response drills shall be conducted with all employees, and records are to be maintained.
  - Drills shall be conducted at least annually (or more if legal requirements state so). If worker turnover is more than 20 percent since the last drill, a new drill shall be required. Other emergency drills may be conducted based on likelihood of occurrence (such as severe weather, flood, earthquake, et cetera).
  - All drills shall be documented, with lessons learned and corrective action plans to improve the emergency evacuation situation.
  - Corrective action plans shall be implemented or scheduled.
- Designated emergency response personnel are to be provided with adequate and effective PPE and training on an annual basis.
- Suppliers shall have an adequate set of written emergency response plans and procedures in the event of a release of a chemical or material which could pose a hazard to the environment.
- Eyewash and safety shower shall meet following requirements:
  - Eyewash stations and emergency showers shall be installed in the immediate area of corrosive material use (such as battery servicing areas, cooling towers, storage of corrosive material, and electroplating), in irritant chemical locations (such as methanol, 100 percent isopropyl alcohol, lithography photo resist), and in common solvents usage areas (such as paint mixing, chemical storage and dispensing, and solvent distillation).
  - Eyewash and emergency shower station shall be installed within 10 seconds of walking time from the location of a hazard. Accessing the equipment shall not require going up or down stairs or ramps and the path of travel from the hazard to the equipment should be free of obstructions and as straight as possible.
  - Eyewash and safety showers shall be tested once per week to verify correct operation, documented and any inadequacies noted and corrected immediately.
  - Eyewash stations shall meet all the following specifications:
    - Two eye spouts with protectors
    - Fifteen-minute continuous flow
    - Temperate water
  - Showers shall meet all the following specifications:
    - Fifteen-minute continuous flow
    - Temperate water
  - Workers who may be exposed to a chemical splash shall be trained annually on these procedures.

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### 2.7.3 Occupational injury and illness

Procedures and systems shall be in place to prevent, manage, track and report occupational injury and illness, including accidents and near misses with provisions to: encourage worker reporting, classify and record injury and illness cases, provide necessary medical treatment, investigate cases, implement corrective actions to eliminate their causes, and facilitate return of workers to work.

- Injury/illness and incident data shall be analyzed and utilized to reduce accidents. Suppliers shall also set company/ site (as appropriate) level targets to reduce occupational injuries and illnesses and absence rate.
- All employees shall have access to first aid and emergency care, provided by assigned first aid teams, on-site health center, or nearby hospital/clinic.
- Employees who sustain injuries through work shall be provided with medical support as per legal requirements.
- First aid kits shall be available in production and office areas, placed in visible and accessible locations, kept properly stocked, and replenished on a continual basis, and inspected on a monthly basis. First-aid training shall be provided according to applicable local statutes or voluntarily if not mandated by law. The identity of the first aiders shall be clearly displayed in work areas and be incorporated in the emergency response plan.

### 2.7.4 Industrial hygiene

Potential worker exposure to chemical, biological and physical agents shall be identified, evaluated, and controlled. Engineering or administrative controls shall be used to control exposures when eliminating or isolating the cause is not possible. When hazards cannot be adequately controlled by such means, worker health is to be protected by appropriate training and personal protective equipment.

- All required permits, licenses and test reports for industrial hygiene shall be in place and a process shall be implemented to ensure permits and licenses are up to date at all times.
- Suppliers shall have a documented program in place to identify, evaluate and control worker exposure to chemical, physical and biological agents including a risk assessment program and annual plan for the factory, which is kept up to date
- Engineering controls (such as exhaust ventilation, enclosures) shall be in place and designed to reduce worker exposures to chemical, biological and physical agents.
  - Odors, dusts, and emissions from painting, roof repair, and other contaminant-producing activities are isolated.
  - If a potential toxic gas/fume/vapor is present, monitoring equipment shall be used to determine the level of exposure and that ventilation is adequate so as not to exceed permissible exposure level.
  - Signs shall be posted warning of the presence any airborne contaminants or gases.
  - Operating procedures shall be readily available to employees who work in or maintain a chemical process.
  - Engineering controls shall be used to reduce excessive noise levels. Where engineering controls are determined to not be feasible, administrative controls (such as limiting worker exposure time, job rotation) shall be used to minimize individual exposure.

- Administrative controls (limiting worker exposure time, job rotation) shall be designed to reduce worker exposures and ensure proper marking of all chemical, biological and physical agents.
- Industrial hygiene testing reports shall be in place, available for review, and in compliance with permits, licenses or other legal requirements.
- Testing shall be done at a frequency stated in permits and licenses and shall not exceed a period of one year. If change in process or regulatory requirements requires more frequent testing, suppliers shall follow such requirements.
- A health risk assessment with associated industrial hygiene sampling and testing shall be completed when a new chemical, biological, or physical agent is introduced into the work environment or when an existing process is changed that may trigger an employee health risk.
- Medical checks shall be conducted according to legal requirements. Medical surveillance records covering respiratory evaluations shall be available to determine if workers are being harmed from exposure to chemical, biological or physical agents, hearing loss, or any other medical concerns related to specific job activities.
- If the use of personal protective equipment (PPE), such as respirators and hearing protection, is required to control worker exposures, supplier shall ensure that PPE is consistently used where required.
  - Each work area shall be evaluated for the following hazards: falling objects, electrical contact, chemical splashes, flying particulates, exposure to chemicals and dusts, light radiation, punctures, penetrations, and noise level.
  - Hazard evaluation documentation shall include the evaluation of the workplace, the date of the evaluation and the name of the person certifying the evaluation.
  - All affected employees shall be trained in the use of PPE.
  - Signs indicating PPE requirements shall be posted in areas where PPE is required.

### 2.7.5 Physically demanding work

Potential worker exposure to the hazards of physically demanding tasks, including manual material handling and heavy or repetitive lifting or motion, prolonged standing, and highly repetitive or forceful assembly tasks, shall be identified, evaluated and controlled.

- A documented program to identify, evaluate and control physically demanding work shall be in place and up to date.
  - Risk assessment shall be completed at least once per year unless regulatory requirements require more frequent assessment.
  - Suppliers shall implement, manage and monitor the effectiveness of ergonomic control strategies using all of the following:
    - Periodic ergonomic task analyses.
    - Key performance indicators that include, but are not limited to, worker discomfort survey data, worker/supervisor feedback, job-specific turnover rates, and job-specific defect rates.
- Suppliers shall ensure that controls to reduce or eliminate physically demanding work (such as heavy or repetitive lifting, prolonged standing) are in place and effective, including:
  - Engineering controls, such as palletizers, lift tables or adjustable work platforms
  - Mechanical material handling equipment such as lifts, cranes, or conveyers, to reduce lifting risks

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- Administrative controls such as limiting worker exposure time, job rotation, et cetera.

### **2.7.6 Machine safeguarding**

Production and other machinery shall be evaluated for safety hazards. Physical guards, interlocks and barriers shall be provided and properly maintained where machinery presents an injury hazard to workers.

Suppliers shall have documented procedures for a machine-safeguarding program that includes all of the following:

- Machine risk assessment program to identify machine safeguarding needs (pre-purchase/pre-installation hazard review of all machinery).
- Appropriate methods to ensure that safeguarding is installed as needed to control the identified hazards.
- Regular inspection and maintenance of machines and their safeguards and emergency stops.
- Adequate and up to date machine and safeguard inspections and preventive maintenance records.
- Work instructions (if necessary or required) made available in a language understood by the worker at machine (or within proximity).
- Safe machine operation documentation in place and available.

In addition, the following shall be met:

- All moving chains and gears shall be properly guarded. Rotating or moving parts of equipment shall be guarded to prevent physical contact.
- Fan blades shall be protected with a guard having openings no larger than 12.5 mm, when operating within 2 meters above the floor
- Foot-operated switches shall be guarded or arranged to prevent accidental actuation by personnel or falling objects.
- Splash guards shall be mounted on machines that use coolant to prevent the coolant from reaching employees.
- A power shut-off switch shall be mounted within reach of the operator's position at each machine.
- Machine guards shall be secure and installed so that they do not pose hazardous conditions in their use.
- All material hoists shall be inspected and tested prior to use, including engaging the upper and lower limit stops.
- The load ratings of the load block, hoist motor and rail shall match. If not, the load ratings shall be set at the lightest rating that the system will support.
- Forklifts shall undergo a safety inspection prior to operation, that includes all the following elements:
  - Forklift operators shall be trained and licensed/certified on the operation of each type of forklift that they are authorized to operate.
  - Safety permit for the forklift shall be on premises, if applicable.
  - Records of daily inspections of controls, brakes, tires, and other moving parts shall be made available for inspection.
  - Defective brakes, controls, tires, horns and lights, power supplies, load-engaging mechanisms, lift systems, steering mechanisms, and signal equipment shall be repaired before trucks are allowed to go back into service.

- Safeguard inspection and preventive maintenance records of safety devices shall be available for inspection

### 2.7.7 Sanitation, food, housing, transportation

Workers shall be provided with ready access to clean toilet facilities, potable water and sanitary food preparation, storage, and eating facilities. Worker dormitories provided by the supplier or a labor agent shall be maintained in a clean and safe manner; provided with appropriate emergency egress, hot water for bathing and showering, and adequate heat and ventilation; and provide reasonable personal space along with reasonable entry and exit privileges.

- Dormitories shall be provided at a reasonable cost and be provided to workers on a voluntary basis. To the extent that worker security and safety measures are met, all workers shall be allowed to freely leave and return to their dormitory during their non-working hours.
- Workers shall be provided with ready access to clean toilet facilities and potable water. Drinking water testing reports shall be available for review and drinking water shall be tested on a regular basis (minimum half year or local regulatory requirement, whichever is stricter).
- Toilet, and washing areas shall be clean, sanitary and safe.
  - Toilet facilities shall be situated near all work areas and provided for each dormitory room or on each dormitory floor.
  - Toilet and toilet facilities shall be clean, maintained, and functional.
  - Floors shall not be slippery.
  - Uniform lighting, adequate ventilation and trash bins shall be provided.
  - Toilets shall be equipped with doors to ensure privacy.
- Dormitories shall provide workers with sufficient personal space.
  - Employees shall have their own bed.
  - There shall be at least 3 square meters of usable area per employee or as local law requires. The more stringent requirement shall be followed.
  - A minimum ceiling height of 2.8 meters shall be provided if double deck bunks are used. Triple deck bunks are prohibited.
  - Individual lockers for private secured storage shall be available.
- Canteens (cafeterias) shall be clean, well maintained, and managed in compliance with local health regulations and the following shall be met:
  - Permits: All legally required food, sanitation and housing permits shall be in place, available for review and valid.
  - Food service workers shall have received all necessary health checks/certificates and training to help prevent transmission of communicable disease.
  - Food service workers shall wear masks, hairnets and gloves as necessary to prevent food contamination when processing foods.
  - Kitchen and canteen shall be provided with adequate ventilation.
  - Floors shall not be slippery.
  - Canteens shall be provided with adequate hand washing facilities.
  - Pest control shall be effective.
  - Exhaust fans and hoods shall be clean and free of grease and food.
  - Covered garbage cans shall be provided.
  - Lights shall be installed to ensure uniform lighting.

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### **2.7.8 Communication**

Suppliers shall have processes in place for communicating relevant health and safety information and to provide adequate training to all employees, including contractors and visitors working on supplier premises.

Suppliers are encouraged to ensure worker education and input regarding health and safety issues (such as through initiating and supporting worker health and safety committees). Employees shall have the right to refuse working in unsafe working conditions. They shall be allowed to report any such case to their employer without delay.

## **2.8 Environment**

Microsoft recognizes its social responsibility to protect the environment and expects its suppliers to share its commitment by responding to challenges posed by climate change and work towards protecting the environment. As a part of this commitment, all suppliers shall, without limitation:

- Comply with all applicable environmental laws and regulations regarding hazardous materials, air emissions, waste, and wastewater discharges, including the manufacture, transportation, storage, disposal, and release to the environment of such materials.
- Endeavor to reduce or eliminate waste of all types, including water and energy, by implementing appropriate conservation measures in their facilities, through their maintenance and production processes, and by recycling, re-using, or substituting materials.
- Obtain, maintain, and keep current all required environmental permits and registrations and follow the operational and reporting requirements of such permits.
- If applicable, identify the chemicals or other materials being released that may pose a threat to the environment and manage them appropriately and in compliance with application laws and regulations to ensure their safe handling, movement, storage, use, recycling, or reuse and disposal.
- Adhere to all applicable laws, regulations, and customer requirements regarding prohibition or restriction of specific substances and any end-of-life management requirements.

### **2.8.1 Environmental permits and reporting**

- Suppliers shall obtain, maintain, and keep current with all required environmental permits, approvals and registrations and follow the operational and reporting requirements of such permits. Typical permits include all, but not limited to:
  - Environment Impact Assessment (EIA) report and EIA Approval
  - Acceptance checks for environmental protection facilities after construction completion
  - Pollutant Discharge or Elimination Permit
  - Drainage Permit
  - Radiation Safety Permit
- Suppliers shall meet all legally required reporting requirements and report to environmental authorities as required by law and ensure that such reporting is performed in a timely manner (for example, declaration and registration for pollution discharge).

## 2.8.2 Pollution prevention and resource reduction

Suppliers shall work to reduce or eliminate waste and pollution of all types, including water and energy, by implementing appropriate conservation measures in their facilities, by modifying production methods, through maintenance and production processes, by recycling and re-using raw materials, by substituting less toxic and hazardous materials, where feasible, and through establishment of adequate and effective programs to: a) eliminate, reduce or control pollution (emissions, discharges, wastes) and b) conserve resources (energy, water, materials) in place.

Suppliers shall identify significant environmental aspects and establish an Environmental Management System (EMS) to monitor and control these aspects, and conduct regular reviews to identify improvement opportunities for such EMS (at least once per year).

## 2.8.3 Hazardous substances

Suppliers shall identify chemicals or other materials being released, discharged, or managed off-site that may pose a hazard if released to the environment, and manage them in accordance with all legal requirements to ensure their safe handling, transportation, storage, use, recycling, reuse and disposal.

Suppliers shall establish and implement effective processes and procedures to request and obtain safety department's approval when a new chemical is to be purchased.

- A written program shall be established to track, review, and approve the use of all hazardous chemicals and approvals shall be obtained for all new purchases of hazardous chemicals prior to use.
- The purchasing department shall notify the safety department when new chemicals are to be purchased, or when there is a new supplier of chemicals.
- When a new chemical is requested, the safety department shall ensure that any applicable Material Safety Data Sheet (MSDS) is obtained from the manufacturer.
- A hazard identification and risk assessment shall be conducted for the new chemical.

Chemical and waste storage areas shall be designed and maintained to prevent leaks and inadvertent mixing of incompatible materials.

- All hazardous chemical containers shall be labelled with the chemical name and hazard warning (such as "flammable" or "corrosive").
- Certain process chemicals are banned for use during the course of manufacturing a product and maintaining the related equipment. Please refer to Table 7 of H00594 Restricted Substance for Hardware Product for details.
- A Material Safety Data Sheet (MSDS) shall be readily available for each hazardous substance used and the MSDS shall be in the primary native languages of supplier's workers.
- Workers who work with hazardous substances shall be provided adequate and effective training.
- Hazardous substances, including wastes, shall be properly categorized, handled, stored, transported and disposed using government-approved and/or licensed vendors per local laws.
- Waste vendor(s) shall be audited to verify that waste is handled, stored and disposed of in accordance with local regulations, permit conditions and contract requirements

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#### 2.8.4 Solid waste

Solid waste generated from operations, industrial processes and sanitation facilities shall be characterized, stored, monitored, controlled or treated, as legally required, prior to discharge, recycling or disposal.

- Suppliers that provide end-of-life management for generated wastes shall ensure such management is appropriately authorized and licensed and maintain records demonstrating environmentally sound disposal, and meet any Microsoft end-of-life management requirements that covers such waste materials
- Suppliers shall record information on how much waste (of all categories) is generated and its final disposition (in other words, how much waste is reused, recycled, energy recovered, disposed via landfill, or incinerated without energy recovery, et cetera) and to provide waste records to Microsoft upon request.
- If a sub-tier supplier is used for waste disposal, suppliers shall ensure that it is appropriately authorized and licensed and maintain records demonstrating environmentally sound disposal and meet any Microsoft end-of-life management requirements that cover such waste materials

#### 2.8.5 Air emissions

Air emissions of volatile organic chemicals, aerosols, corrosives, particulates, ozone depleting chemicals and combustion by-products generated from operations shall be characterized, monitored, controlled and treated as required by all applicable laws, permits and regulations prior to discharge.

- Air emissions shall be identified, characterized, routinely monitored, controlled and treated prior to discharge, and meet the discharge limits for regulated constituents. Air emission control systems shall be routinely monitored for performance.
  - Suppliers shall implement emergency preparedness and response actions in the event of any air emissions–control system malfunctions, failures, maintenance, and/or modifications.
  - If past non-conformances have occurred, a root cause and corrective action to address the non-conformance shall be in place.
- Upon receipt of any community complaints, suppliers shall do all of the following:
  - Conduct air emissions monitoring to verify the air-emissions status and implement corrective actions, if any, in a timely manner.
  - Notify all appropriate regulatory and other agencies as required by applicable regulations if an unusual environmental event occurs.
- At least annual (or more frequent if required by local law) monitoring and reporting records from the past five years shall be available for review, in line with legal requirements. At least three annual analytical test results, showing compliance with the legal and permit requirements, shall be available.
- Environmental noise levels shall be within regulatory limits.
  - Boundary noise levels shall be evaluated on an annual basis against the boundary noise-level criteria. If there are any changes to the “Receiving Land Use Category” in the neighborhood of the factory, or if there are any community noise complaints, boundary noise-level criteria are set accordingly.

- Appropriate boundary-noise-control devices shall be installed and maintained to control boundary noise levels per applicable regulations. At least annual (or more frequent if required by law) monitoring and reporting shall be carried out.
- If past non-conformances have occurred, a root cause and corrective action shall be in place to address the non-conformances.

### 2.8.6 Water management

Suppliers shall implement a water management program that documents, characterizes, and monitors water sources, use and discharge; seeks opportunities to conserve water; and controls channels of contamination. All wastewater is to be characterized, monitored, controlled, and treated as required prior to discharge or disposal. Participant shall conduct routine monitoring of the performance of its wastewater treatment and containment systems to ensure optimal performance and regulatory compliance.

Effluent discharges (industrial/process wastewater and sewage) shall be managed to prevent water pollution and shall meet all legally required discharge limits for regulated constituents. Wastewater treatment systems shall be routinely monitored for performance.

- Untreated process wastewater shall not be discharged into the surrounding environment (except when allowed and permitted by applicable laws and regulations).
- Emergency response actions shall be implemented in case the on-site process wastewater treatment system exceeds its capacity or malfunctions.
- Annual (or more frequent if required by local law) test results shall be available showing compliance with legal compliance and permit requirements.
  - Monitoring and reporting records from the past five years shall be complete and available for review.
  - If past non-conformances have occurred, a root cause and corrective action to address the non-conformance shall be in place.

### 2.8.7 Energy consumption and greenhouse gas emissions

Energy consumption and all relevant Scope 1 and 2 greenhouse gas emissions are to be tracked and documented at the factory and/or corporate level. Suppliers are to look for cost-effective methods to improve energy efficiency and to minimize their energy consumption and greenhouse gas emissions.

### 2.8.8 Product content / manufacturing restrictions

- Suppliers shall adhere to all applicable Environmental, Health and Safety laws, regulations and Microsoft restrictions applicable to supplied product, process or service.
- Suppliers shall comply with the most recent version of Microsoft's Restricted Substance for Hardware Products (H00594) and Microsoft Restricted Substances Control System for Hardware Products (H00642) and related environmental requirements, including packaging environmental requirements, including , but not limited to:
  - Provide Microsoft with a declaration of full material content of all products/parts/materials supplied to Microsoft per Microsoft specification.
  - Collect, maintain and verify/test accurate material content data of products / parts / materials supplied to Microsoft per Microsoft specification.
  - Establish and maintain programs and procedures to track and implement substance and material management regarding supplied product, process or service.

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Find out more about our standards for responsible business practices among our suppliers at:

[Microsoft Responsible Sourcing](#)

- Extend Microsoft’s material restriction requirements to sub-tier suppliers and ensure conformance to the aforementioned substance specifications and maintain documentary evidence of such supply chain conformance.
- Supplier shall establish and maintain effective processes and procedures to request and obtain relevant chemical composition information from their sub-tier suppliers, including certificates and analytical reports.

## 2.9 Responsible Sourcing of Raw Materials (RSRM)

Consistent with Microsoft’s Supplier Code of Conduct, Microsoft requires its suppliers to source responsibly, including with respect to raw materials. The overarching requirements are set forth in our Supplier Code of Conduct and Responsible Sourcing of Raw Material Policy (RSRM), which are incorporated into our hardware and packaging contracts with supplier. Suppliers are required to incorporate these requirements into their own sourcing policies and contracts with their sub-tier suppliers.

For conflict minerals, suppliers should follow the steps set out by the Organization for Economic Co-operation and Development (OECD). Suppliers shall encourage smelters and refiners in its supply chain to participate in the [Responsible Mineral Assurance Program \(RMAP\)](#) or equivalent smelter validation program that is aligned to the [OECD Five Step Due Diligence](#), such as [Conflict-free Gold Program of London bullion market Association \(LBMA\)](#), and [Tungsten Industry- Conflict Mineral Council \(TI-CMC\)](#).

The following five areas are minimum RSRM requirements:

1. RSRM policy
2. RSRM Management System
3. Identify and Assess Risks in the Raw Material Supply Chain
4. Risk Management Strategy
5. Audit and Remediation

Suppliers shall incorporate these requirements into their own sourcing policy and contracts and demonstrate effectiveness to achieve a responsible raw material supply chain.

### 2.9.1 RSRM Policy

Suppliers shall adopt and clearly communicate to their suppliers and the public, a company policy for raw material sourcing and their commitment to conducting due diligence to source raw materials from responsible sources. The scope of the raw materials should go beyond the regulated “conflict minerals” (3TG: Tantalum, Tin, Tungsten and Gold) based on their own raw materials risk assessment and be unbounded by origin location.

### 2.9.2 RSRM management system

Suppliers shall ensure that they and their sub-tier suppliers operate in conformance to all requirements. An effective management system is necessary and expected by Microsoft to measure and track performance in a systematic way. Suppliers shall incorporate the RSRM Minimum Requirements into their SEA management systems and actively look for opportunities to improve performance and implement improvement actions.

A good RSRM management system shall have at least four key components:

- **Accountability:** Clearly identified supplier representative(s) responsible for ensuring implementation of the management systems and associated programs, including senior management reviews of the status of the management system on a regular basis.

Management team(s) responsible for systems designed to ensure compliance with applicable laws, regulations and customer requirements related to this specification should function with adequate independence to ensure sufficient autonomy, available resources and team incentive.

- Documentation: Documented management system to ensure effective planning, operation and control of raw material supply chain risks, ensure regulatory compliance, and conformity to the RSRM Minimum Requirements.
- Supplier Engagement: A supply chain policy incorporated into contracts and/or agreements with suppliers, consistent with the Microsoft RSRM Minimum Requirements.
- Grievance mechanism: A company-level grievance mechanism as part of an early-warning risk-awareness system.

### 2.9.3 Identify and assess risks in the raw material supply chain

Origin Identification: Suppliers shall establish a system to gather, examine and verify traceability information of required raw materials. It is recommended that suppliers request their sub-tier suppliers to disclose the origins of raw materials under mutually agreed conditions. The minimum requirement is to identify the location of extraction or harvesting activities or recycling sources in the raw material supply chain.

Risk Assessment: Suppliers shall engage with sub-tier suppliers to identify any potential warning signs in the supply chain. Suppliers shall assess risks by reviewing relevant audit information, publicly available policies and reports, as well as contract with a third-party to conduct systematic risk analysis. Findings of the risk assessment shall be reported to the designated senior management of the company.

SUPPLIER TIER	MINIMUM REQUIREMENT ON TRACEABILITY	RISK ASSESSMENT
<sup>1</sup> Tier 1	Trace at least the 3 most critical metal raw materials in addition to 3TG (Tantalum, Tin, Tungsten and Gold) and 3 most used or most critical non-metal raw materials.	<ul style="list-style-type: none"> <li>• Establish risk profile of at least the 6 most critical raw materials.</li> <li>• Identify at least top 3 risk factors of each raw material assessed.</li> </ul>
<sup>2</sup> Tier 1.5 and <sup>3</sup> Tier 2	Trace at least the 2 most critical metal raw materials in addition to 3TG and 2 most critical non-metal raw materials.	<ul style="list-style-type: none"> <li>• Establish risk profile of at least the 4 most critical raw materials.</li> <li>• Identify at least top 3 risk factors of each raw material assessed.</li> </ul>
<sup>4</sup> Other Suppliers	Trace at least the most critical metal raw materials in addition to 3TG and most critical non-metal raw materials.	<ul style="list-style-type: none"> <li>• Establish risk profile of at least the 2 most critical raw materials.</li> </ul>

<sup>1</sup> Tier 1: Contract manufacturers (CM) and/or Original Design Manufacturers (ODM) that manufacture and assemble a final product for consumer and commercial customers.

<sup>2</sup> Tier 1.5: Manufacturer that supplies components or subassemblies directly to CMs and is managed by dedicated, onsite Microsoft factory management personnel, due to factors such as high strategic value, complexity, customization, and/or supply chain risk.

<sup>3</sup> Tier 2: Manufacturer that supplies components or subassemblies directly to CMs or ODMs.

<sup>4</sup> Other suppliers: Suppliers that are not Tier 1, 1.5 or 2.

Suppliers shall establish a roadmap to meet these requirements within 3 years and use the following framework to determine criticality:

RISK TO THE SUPPLY CHAIN	RISK OF ISSUES	ABILITY TO INFLUENCE
<ul style="list-style-type: none"> <li>• Most used materials used for production</li> <li>• Proximity of raw material sub-suppliers</li> <li>• Risks associated with production</li> <li>• Availability of alternative sources or substitutes</li> </ul>	<ul style="list-style-type: none"> <li>• Issues of high profile:</li> <li>• Human rights violation</li> <li>• Child labor</li> <li>• Environment</li> <li>• Conflict</li> <li>• Corruption</li> </ul>	<ul style="list-style-type: none"> <li>• Influence over sub-supplier's practices</li> <li>• Ability to bring sustainable or substantial impacts</li> </ul>

#### 2.9.4 Risk management strategy

Where there are any potential risks or warning signs, suppliers shall timely communicate such risks to Microsoft and propose a contingency plan and mitigation strategy to Microsoft.

Supplier shall devise a strategy for risk management based on the criticalness of risks, existing and potential leverage points, and company's ability to influence. In general, there are three possible courses:

- Continuing trade without the course of measurable risk mitigation efforts.
- Suspending trade while pursuing ongoing measurable risk mitigation.
- Disengaging with a sub-supplier after failed attempts at mitigation or where a company reasonably deems risk mitigation not feasible or not acceptable.

Supplier shall implement the risk management plan, monitor and track performance of risk mitigation efforts and report back to designated senior management.

#### 2.9.5 Audit

Microsoft shall incorporate the RSRM Minimum Requirements into its supplier audit program, to verify conformance with the requirements, identify capability gaps and challenges, and take appropriate action to support its suppliers. Suppliers are required to facilitate RMI's Responsible Mineral Assurance Process (RMAP) audits or independent third-party audits at sub-tier supplier facilities to address RSRM risks at identified points in their supply chain.

## 3. References

Microsoft Supplier Code of Conduct (SCC). (<https://www.microsoft.com/en-us/procurement/supplier-conduct.aspx>)

Responsible Business Alliance (RBA) Code of Conduct.  
(<http://www.responsiblebusiness.org>)

United Nations Global Compact. (<http://www.unglobalcompact.org/>)

ISO 14001: International Standards Organization standards for Environmental Management Systems.

OHSAS 18001: Occupational Health and Safety Assessment Series specification for internationally standard Occupational Health and Safety.

SA8000: Social Accountability International labor standard.