Microsoft

UK Regulatory Gender Pay Gap
Reporting March 2018

Foreword

At Microsoft, our goal is to attract and retain the best and brightest talent to help us achieve our mission to empower every person and every organisation on the planet to achieve more. The message for our people, our greatest asset, is simple: *come as you are and do what you love.*

Throughout my career, I've been a passionate advocate for women in the workplace. This is an issue of critical importance to me and to Microsoft. And, while I'm encouraged by the progress we are making on gender equality and representation, we still have a long way to go. We can always do more, and I feel the urgency to do so.

We wholly support the government's focus on gender pay, but the issue of gender equality should not be a moment in time; it needs ongoing work at companies like Microsoft, across our industry and in society as a whole. Attracting a diverse workforce is only part of the job. Building a supportive and inclusive culture where everyone feels that they can do their best work is core to this effort.

For me, and the industry of which I'm proud to be a part, encouraging and inspiring more girls and young women to choose a career in technology is foundational. Since coming to Microsoft, I've begun regular visits to schools to do just that. My experience so far has hugely inspired me as I have met so many bright, inquisitive girls who possess minds far more creative than us adults, a most valuable asset for an industry dedicated to defining the future for us all.

I hope they will find a welcoming place in our industry in the future to help us create an even better one.

Cindy Rose
UK CEO

Microsoft's Commitment to Diversity and Inclusion

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Four years ago, we began a journey to evolve our culture at Microsoft, and in so doing redefine our relationship with employees, customers and partners. This journey started by grounding our culture in a growth mindset focused on three core attributes:

- Our customers and their success
- Operating as a unified company (One Microsoft)
- Becoming a more diverse and inclusive organisation

We recognised then, as we do today, that our culture is critical to attracting and retaining diverse talent, enabling our strategy and delivering value to our customers, partners and society. It is critical to our success as an employer with a sense of purpose and mission to make a difference in the world.

To achieve our mission to *empower every person and organisation on the planet to achieve more*, we need to be unwavering in our efforts to build a diverse and inclusive organisation.

While we define diversity across a broad spectrum of the inherent and acquired dimensions of an individual, with intentional action plans to support these dimensions, the data we are sharing today reflects the specific area of gender representation.

But, for all our employees to realise their potential, each and every person needs to feel like they belong and be able to contribute with their full and authentic selves. To enable this, we strive to create an environment where everyone is respected, safe and able to do their best work. We want employees to be able to raise their concerns and provide feedback, with the knowledge that we take these concerns seriously. This is one of our fundamental principles of inclusion.

Our employees play a critical role in helping us create this culture. Our open partnerships with Employee Information and Policy groups (One Voice), Diversity and Inclusion Councils, Employee Resource Groups and Employee Networks are critical to help us create a safe, inclusive environment for everyone to be able to come as they are and do what they love.

Our Gender Pay Results

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The government's Gender Pay Gap reporting legislation was enacted in 2017, as an amendment to the Equality Act 2010. It requires all employers of over 250 employees to report before 5th April 2018, specific statistics on pay, bonus pay and pay distribution for their organisation as of April 2017. Microsoft supports the government's focus on gender pay and its effort to shine a spotlight on this important issue.

The Gender Pay Gap in the overall UK national workforce for 2017 is currently at 17%, with analyst predictions that it might not close until around 2040.[1] Within the technology

[1] "Women in Work Index 2018," PwC, https://www.pwc.co.uk/services/economics-policy/insights/women-in-work-index.html.
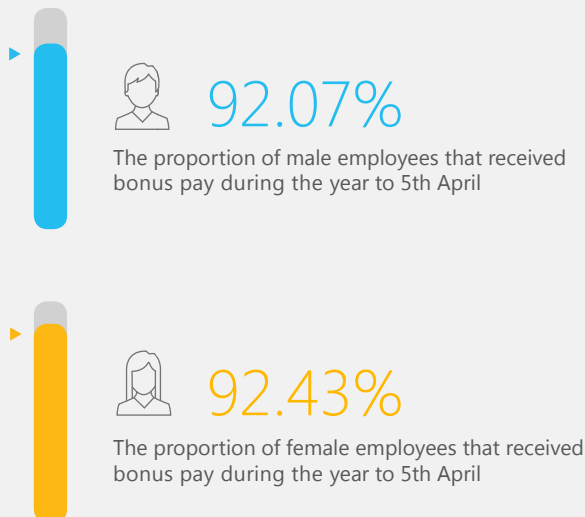
industry, this figure increases to 25% in both mean and median pay gap groups, mainly driven by an industry average of 26% female representation within the workforce and dropping to only 17% in technical roles.[2]

The analysis below for Microsoft UK Ltd utilises the government's methodology, using hourly rates of pay as of the snapshot date of 5th April 2017, bonuses paid in the 12 months up to 5th April 2017 and organisation demographics for 5th April 2017.

[2] "Addressing the Gender Pay Gap in the Tech Industry," Mercer, https://www.uk.mercer.com/our-thinking/the-gender-pay-gap-in-uk-tech-sector.html.

The percentage of employees receiving a bonus

92.07%

The proportion of male employees that received bonus pay during the year to 5th April

92.43%

The proportion of female employees that received bonus pay during the year to 5th April

Hourly pay

6.55% | The **mean** pay variance shown is the difference between the average hourly pay of men and women

8.42% | The **median** pay variance shown is the difference between the midpoint in the ranges of hourly pay of men and women
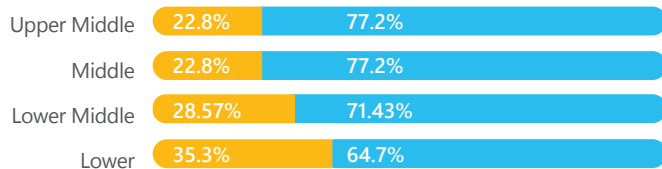
Bonus pay

11.22% | The **mean** bonus pay variance shown is the difference between the average bonus pay of men and women

11.38% | The **median** bonus pay variance shown is the difference between the midpoint in the ranges of bonus pay of men and women

The proportion of employees in each pay quartile according to gender

Consistent with the legislation, we have reported our employee population in order of ordinary base pay from lowest to highest, and then divided this into four equal population sizes, to show how the distribution of men and women varies according to each pay quartile.

Quartile	Female	Male
Upper Middle	22.8%	77.2%
Middle	22.8%	77.2%
Lower Middle	28.57%	71.43%
Lower	35.3%	64.7%

Female   Male

What are the Contributing Factors to Our Results?

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The government's Gender Pay Gap analysis measures the difference between the average male pay and the average female pay as a proportion of the average male pay within an organisation. This therefore reflects the distribution and relative proportion of men and women across all roles within an organisation and is unable to take into consideration factors including the job or profession of an employee, their tenure, their performance or level of seniority.

To provide a more complete picture of our results, we are also sharing Microsoft UK's equal pay and gender workforce demographic data.

Equal Pay

At Microsoft, we are committed to the principle of equal pay for equal work for our employees. The determination for equal pay compares male and female employees carrying out the same or similar work, including factors such as job level and title.

To ensure transparency of our commitment to gender pay equity, Microsoft is sharing our equal pay figure for 2017. For every £1 earned by male employees, our female employees in the UK earned 99.8 pence at the same job title and level. The fractional variance is due to the natural fluctuations expected when dealing with data at this volume.

99.8p

Earned by women for every £1 earned by men with the same job level and title in the UK

> This equal pay data reflects Microsoft's focus to ensure that all employees, no matter their gender, are compensated in equal fashion. We will continue to monitor this data and ensure this remains a key value and priority for us.
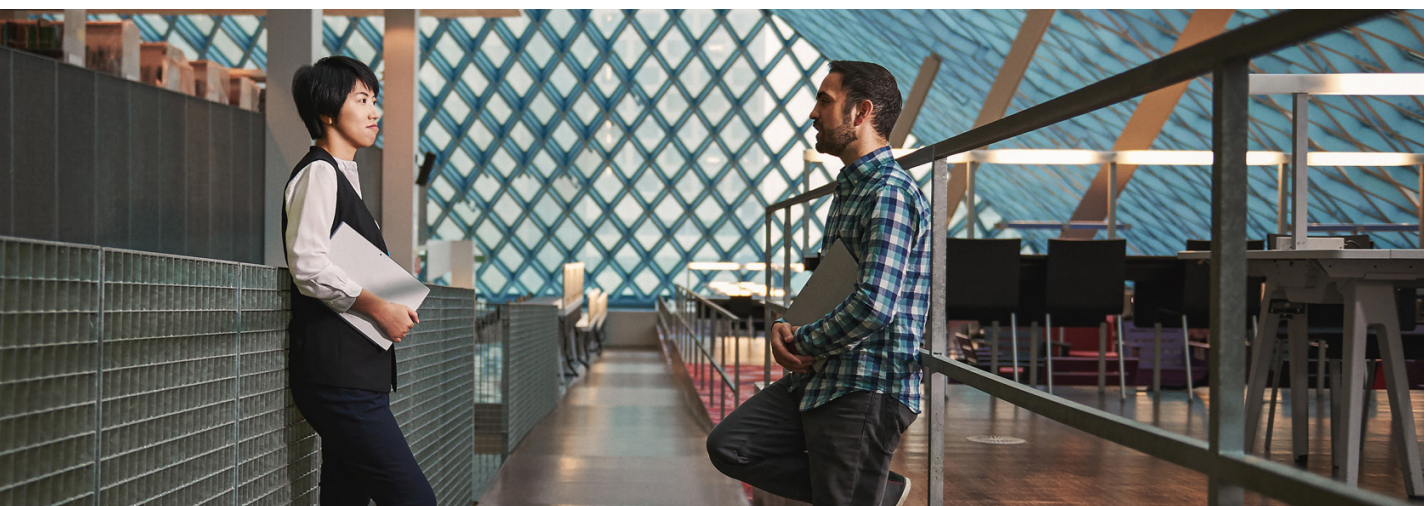
What are the Contributing Factors to Our Results?

Women in Leadership

Microsoft is committed to increasing the representation of our female employees across all professions and levels. Like many companies, we know from our analysis that having more men at senior levels within our organisation is a key contributing factor to our results, but to be successful in reducing the gender pay gap, we need to acknowledge the industry-wide challenge we face for available skills.

This year, the number of female IT graduates in the UK dropped from 16% in 2016 to 15% in 2017, with a similarly disappointing picture of just 14% female graduates in Engineering and Technology. In 2017, just 10% of the entrants for A-level computing were female.[1]

This, combined with an industry average of 26% female representation in the technology industry workforce, indicates a clear need to invest further in the future skills, talent and leadership pipeline for our industry.

Our focused efforts within our diversity and inclusion strategy has enabled us to grow our representation figures in the UK, with 26.5% of our workforce identifying as female and the percentage of women in leadership positions now at 22.9%. We will continue to drive focus in this area within Microsoft, our industry and the UK education system.

Women in Technology

Our strategy calls for a continued drive and dedicated focus for women in technical roles.

As the technology industry transforms with deeper skills required in areas including cloud, artificial intelligence and data security, we know the availability of skills in the market, combined with our workforce demographics, are a contributing factor to achieving increased gender representation.
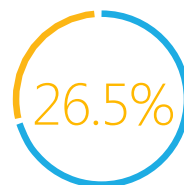
With Mercer defining the current available industry population of 17% women in technical roles[2], and WISE indicating that computer science, technology and engineering disciplines are the least attractive STEM subjects for girls and women in education[3], we need deeper collaboration across the talent pipeline to break down any barriers for talent to enter these roles both today and in the future.

Due to our current efforts, Microsoft's female representation in technical roles has grown in the UK to 18.2%, with non-technical representation at 34.2%, both remaining a continued area of focus for us.
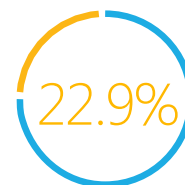
[1,3] WISE, https://www.wisecampaign.org.uk/resources/tag/statistics.
[2] "Addressing the Gender Pay Gap in the Tech Industry," Mercer, https://www.uk.mercer.com/our-thinking/the-gender-pay-gap-in-uk-tech-sector.html.
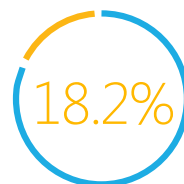
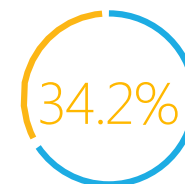## Our female representation in the workforce

26.5%
Microsoft UK's female representation in the workforce

22.9%
Microsoft UK's female representation in leadership positions

18.2%
Microsoft UK's female representation in technical roles

34.2%
Microsoft UK's female representation in non-technical roles

What is Our Approach
to Gender Representation?

What is Our Approach to Gender Representation?

While today we are sharing gender-based insights about our workforce, we know that diversity is comprised of a multitude of dimensions including culture, nationality, race, disability, religion or belief, age, political affiliation, education levels, sexual orientation and gender identity/expression, and more. To achieve progress on gender representation, we must continue our commitment to diversity and inclusion, creating an environment where everyone feels included and valued. Fostering this sense of inclusive community will, in turn, help us fulfil our company mission to empower every person and organisation on the planet to achieve more.

Mindful of this mission, we have an end-to-end global diversity and inclusion strategy comprised of five core pillars.

1 Expanding our pipeline of talent

We invest in programs to educate, attract and inspire girls and young women into an education in STEM subjects at A level, through to University and then onto a career within technology. This includes our DigiGirlz programme, which provides secondary school girls with a better understanding of what a career in technology is all about by inviting them to spend a day at our UK headquarters.

Additionally, through our global YouthSpark programme, we spend time with some 7,000 girls across the UK,

providing workshops in coding, encouraging young people to consider careers in technology including interview technique, CV writing and more.

At the same time, our Women@Microsoft Employee Resource group enables girls to participate in STEM role modelling workshops as part of our schools outreach program. This has been extended in the past year with our technology partnership with Modern Muse, creating STEM role models available to all girls across the UK both online and on mobile.

We continue to break down barriers to entry into technology with our free UK-wide digital skills program, Microsoft partner apprenticeship program, cloud academy and partnership with external organisations. The UK is facing a digital skills crisis and Microsoft can't increase the diversity of its workforce unless we also engage in addressing the country's skills shortage.

2 Driving an inclusive recruiting process

In addition to focusing on the pipeline, we look outside our traditional recruiting practices to become more expansive in our sources and more inclusive in our processes. Great talent is everywhere.

We are focused on inclusive job descriptions, diverse slates, inclusive interview practices and, most importantly, taking the time to ensure we find and "screen in" the best talent. At its core, "screening in" reflects our desire to bring in talented people who enrich the diversity of our workforce and catalyse innovation for the increasingly diverse customers we serve. To help with this, we have rolled out inclusive hiring training to all our talent sourcers, alongside inclusive hiring and unconscious bias training to all hiring managers.

We will continue to hire exceptional people, viewing talent through a wider aperture before making hiring decisions, while ensuring the process is fully inclusive for everyone.
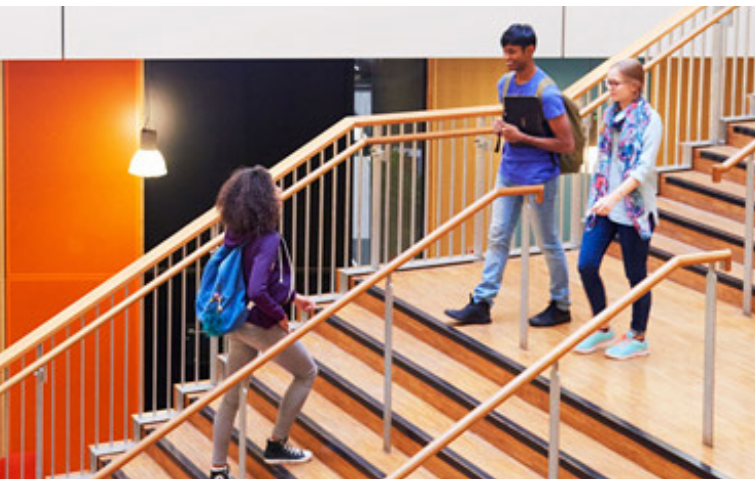
What is Our Approach to Gender Representation?

③ Empowering and retaining our people

Equally important to recruiting more diverse talent is our ability to retain them. We know that people go where they are invited, but they stay where they are welcomed. Our managers play an important role in the development of both male and female talent. We are investing in managers' development, so they can be better coaches and advocates across the employee's experience at work.

> We have invested in personal and professional development programs to coach, train and support our female employees within their careers, whether to progress into manager and leadership positions, or to cross-train into more technical roles.

And we continue to invest in our Employee Resource Groups (LGBTQAI+, disAbility, Parents, Asians, Blacks, Hispanic/Latino and Women) and Employee Networks to build community and create opportunity. We partner closely with them to identify, discuss and address unique needs surfaced by each community, with external counsel from partner organisations such as the British Disability Forum, Stonewall and Outstanding.

④ Supporting our customers through diversity

A diverse culture and ecosystem sparks innovation and allows unique perspectives and insights to surface. This cannot be done in isolation. We believe that working in partnership with other companies will encourage increased female representation and overall diversity across the industry.

In the past year, we have made our internal unconscious bias training freely available to all our customers and partners. We have also held partnership working sessions to jointly discuss and learn from each other's experience on diversity and inclusion, including gender representation.

We utilise our technology to usher more individuals from diverse backgrounds into the workforce. Focusing on a more inclusive design process allows us to build products for a broader set of customers and appeal to their unique needs. For example, technologies like Seeing AI, a vision-to-language technology that assists the visually impaired community, and Eye Control, which empowers people to use a mouse, keyboard and text-to-speech with their eyes, are two examples where our focus on employees with disabilities has helped us innovate for everyone.

What is Our Approach to Gender Representation?

(5) **Transforming our culture**

Building a culture where each and every employee feels valued, has the opportunity to grow and is empowered to fulfil their own sense of purpose is foundational to our mission. Yet to activate and sustain this culture, we have challenged our employees to embrace changes both big and small.

From redefining our employee performance and development approach, to training all employees on unconscious bias, and launching 10 inclusive behaviours that include everyday acts, such as not interrupting each other and how to embrace difference, every employee is part of the change we're driving.

This includes our senior leadership team where diversity and inclusion is embedded throughout our new global leadership values, helping them model the culture we aspire to have and for whom a portion of their bonus is tied to progress on diversity and inclusion within their respective organisations.

Looking to the future
Our journey to build a more diverse and inclusive culture continues – and when it comes to our diverse representation, we know we still have a long way to go.

We are committed to improving and learning. To help progress towards increasing representation and address the gender pay gap across our industry, we are doing more.

Specifically, in the UK, we will increase the number of girls we reach with our employee-led school visits – to educate and inspire them to consider careers in technology.

Microsoft has recently signed the UK government's Tech Talent Charter, a formal extension of our commitment to inclusive recruitment and employment practices and to share best practices with others. We believe our support for the Tech Talent Charter can help drive a unified industry approach to improve gender equality.

Toward this end, we will host a diversity summit alongside our flagship Future Decoded event later this year. We will convene this meeting to gather industry experts along with customers and partners to share best practices and learn from others about other successful approaches relative to encouraging gender diversity and wider diversity in our industry.

Beyond Microsoft, we believe we can also enable progress by ensuring that those firms we work with on a regular basis also embrace a progressive diversity and inclusion agenda in their own organisations. Consequently, in the UK, Microsoft will begin transitioning to a new and more progressive supplier policy, one that looks to partner more extensively with minority and/ or female-owned businesses as well as those owned by persons with disabilities.
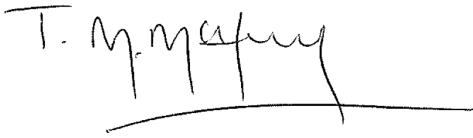
Similarly, Microsoft is proud to partner with more than 25,000 UK-based firms, small and large, with whom we work on a daily basis to help us achieve our mission. We will also be instituting a new programme within our partner ecosystem to provide help and support for partners to share best practices and adopt the latest training on diversity, inclusion and gender representation.

Authorised Signatory

We want to close by recognising and acknowledging our greatest asset – our people. While today we focus on representation of women, the need to feel included applies to everyone. For us to be successful, we need to ensure our people reflect the diversity and richness of the markets we serve. Consequently, we are committed to ensuring Microsoft UK is a place where all our employees feel they can thrive, have great careers and can be their authentic selves.

Declaration

I confirm that the data contained within this report is accurate and meets the requirements of the Gender Pay Gap reporting regulations.

Theresa McHenry
UK HR Director