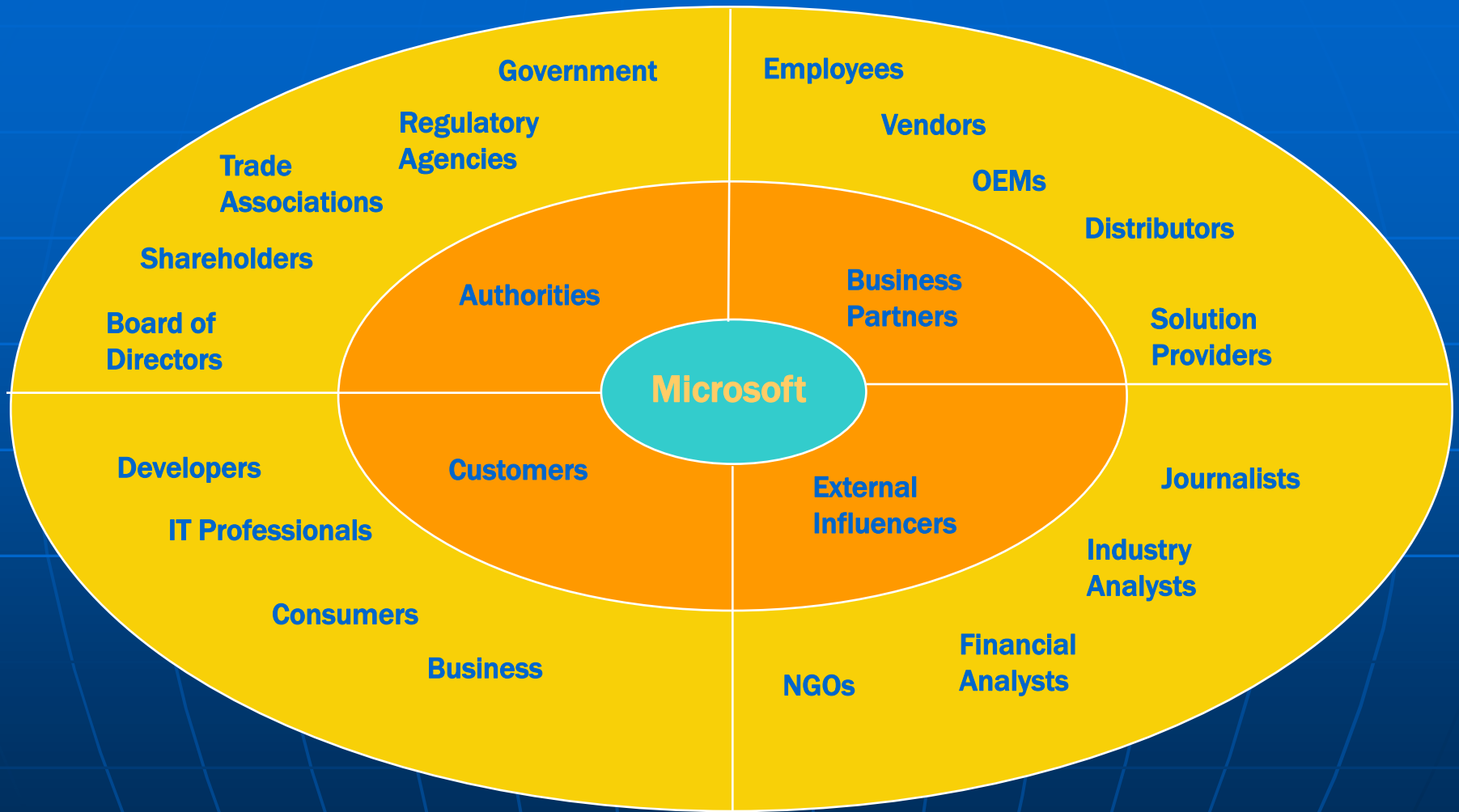


# Improving Compliance: How Integrating and Standardizing Processes Help to Meet Legal Compliance and Corporate Governance Needs

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November 14, 2007  
Tel Aviv, Israel

# Complex Stakeholder Environment



# Changing Business Environment

- U.S. Environment - Public Demand for Corporate Governance
  - US Federal Sentencing Guidelines
  - Sarbanes-Oxley Requirements
  - NASDAQ Listing Requirements
  - SEC Regulations
  - State Attorneys General
- Board of Directors Accountability
- CEO-CFO Accountability
- Management Accountability
  - Culture of Compliance / Tone at the Top

**United States  
Sentencing  
Commission**



- 1991 US Federal Sentencing Guidelines
  - Key Criteria for an Effective Program
- Expanded Objectives (Nov. 1, 2004)
  - Broad mandate: an effective program to prevent and detect violations of criminal law
  - Violations of any law or regulation (criminal or non-criminal), for which the organization is, or would be, liable

# Microsoft Office of Legal Compliance Charter

- **Compliance Oversight**
  - Brad Smith, Chief Compliance Officer
  - Odell Guyton, Director of Compliance and Board-Appointed Antitrust Compliance Officer
- **Promote Culture of Accountability**
  - Inform Microsoft Global Leadership
  - Engage Management in Compliance Activities
  - Quarterly Reports to Audit Committee of the Board
  - CEO/CFO Certifications
  - Collaborate with business to develop systemic compliance programs
  - Establish metrics that encourage consistency, accountability
- **Meet or exceed government standards and industry practice**
  - Standards of Business Conduct
  - Risk Management
  - Policy Development
  - Global Training & Communications
  - Investigations and Guidance
  - Business Conduct Line & Reporting
  - Best Practices and Employee Recognition



# Structured View of Compliance



# Microsoft's Codes

- Standards of Business Conduct - All MS employees, directors and officers worldwide
- Finance Code of Professional Conduct – CEO, CFO and all Finance employees
- Procurement Code of Professional Conduct - All Procurement and Supply Chain and employees with purchasing authority
- Vendor Code of Conduct - All MSVP Vendors
- Investigations Code of Professional Conduct

# Employee Training

- Formal approach to mandatory employee training
- Standards of Business Conduct Training
  - 2004: first corporate wide mandatory online training
  - 2005: anti-harassment (US) and SBC 2005 online training (global)
  - 2006: SBC online training (global)
- Global Awareness and Communications

# Compliance and Ethics Topics

- Anti-Boycott Requirements
- Citizenship and Community Service
- Communication
- Confidential and Proprietary Information
- Conflicts of Interest
- Creation, Retention, and Disposal of Records and Information Assets
- Diversity
- Equal Employment Opportunity
- Export Control
- Fair Competition and Antitrust
- Fair Information Practices
- Financial Integrity
- Fiscal Responsibility
- Gifts and Entertainment
- Insider Information and Securities Trading
- Intellectual Property
- International Business Activities
- Lobbying
- Obtaining Competitive Information
- Openness, Honesty, and Respect
- Political Activities and Contributions
- Product and Service Quality
- Purchasing Decisions and Practices
- Regulatory Compliance
- Regulatory Investigations, Inspections, and Inquiries
- Respect for the Environment
- Responsible Leadership
- Safety and Health
- Sensitive Payments
- Third-Party Software
- Use and Protection of Assets
- Use of Information Technology
- Vendors

# A Culture of Accountability & Trust

- Board of Directors
- Executives and managers are accountable for nurturing a culture of compliance
- Employees
  - **All employees are accountable for acting responsibly and in compliance with applicable laws, regulations and corporate policies**

# Coordinated Compliance Activities

- Legal
- Finance
  - CFO, Controller Organization, Treasury
- Internal Audit
- Technology/Security Group
- Human Resources
- Business Groups

# Broader Role for Lawyers

- Good legal advice + good intentions ≠ Compliance
- Compliance requires end-to-end approach
  - Legal teams collaborate to identify regulatory requirements, compliance risks
  - Engage with business to develop compliance plans with:
    - Clear ownership
    - Documented business processes
    - Ongoing monitoring and process improvement
  - Legal and compliance training and awareness

# Employee Responsibilities

- Understand and comply with SBC, all applicable laws, regulations, policies and guidelines
- Participate in training/educational programs
- Obtain guidance for resolving business practice and compliance concerns
- Recognize and report violations
- Cooperate fully in any investigation
- Commit to conduct Microsoft business with integrity

# Key Points to Remember

- Focus on prevention. Be proactive
- Respond to reports and escalate concerns
- Focus on correcting bad/systemic behaviors
- Manager and supervisor conduct will be judged and held to higher standard
  - **Ensure team's sign offs on company's code of conduct**
  - **Attend required training**
  - **Lead by example**

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