

## Sexual Harassment

**Whereas:** Microsoft is under intense public scrutiny due to numerous claims of sexual harassment and an alleged failure to address them adequately and transparently. Reports of Bill Gates' inappropriate relationships and sexual advances towards Microsoft employees have only exacerbated concerns, putting in question the culture set by top leadership, and the board's role holding those culpable accountable. Investors are concerned Microsoft may be facing a culture of systemic sexual harassment, putting at risk the company's ability to attract and retain talent.

In 2012, a class-action lawsuit was brought by 238 Microsoft workers alleging gender discrimination and sexual harassment, noting Microsoft's human resources team continuously overlooked and denied these allegations, only deeming one as founded. Claims resurfaced in April 2019 after several women activated a company-wide email chain claiming Microsoft disregarded such complaints. With mounting internal pressure, Chief Executive Satya Nadella announced Microsoft would change its human resource processes, commit to publish internal reports on data of investigations, and form a Global Employee Relations team to guide employees through investigations. As of 2020, Microsoft employees stated that internal reports had yet to be seen and that they were unaware of the newly formed team.

We urge Microsoft to independently investigate and confront these issues transparently, as sexual harassment and gender discrimination can harm shareholder value—resulting in higher turnover, lower productivity, increased absenteeism, and higher sick leave costs. A recent academic study found companies with the highest incidences of sexual harassment underperform the US stock market by 19.9 percent the subsequent year. Companies that experienced a high number of allegations also saw a decline in Return on Equity of 10.9 percent, and labor costs rose 7 percent. A Harvard Business Review study found a single sexual harassment claim can make a company seem less equitable and more problematic than financial misconduct or fraud and would “be enough to dramatically shape public perception of a company and elicit perceptions of structural unfairness.”

While Microsoft has conducted prior internal investigations into sexual harassment and gender discrimination allegations, it has failed to report transparently on any independent investigations to employees and investors. To avoid legal and reputational risk and maintain shareholder value, Microsoft must create a culture of accountability and transparency, protecting employees from harassment and discrimination.

**RESOLVED:** Shareholders urge the Board of Directors to release a transparency report (at reasonable expense, omitting confidential or privileged information) to shareholders assessing the effectiveness of the company's workplace sexual harassment policies, including the results of any comprehensive, independent audit/investigations, analysis of policies and practices, and commitments to create a safe, inclusive work environment.

**SUPPORTING STATEMENT:** Proponents suggest the report be published annually and summarize:

- Effectiveness of sexual harassment and gender discrimination policies, trainings, and measures;
- Results of any independent investigation into executive level allegations, including recent Gates' allegations;
- Steps taken (or that could be taken) to hold employees and executives accountable;
- Number of sexual harassment cases investigated and the resolution.