



17 February 2023

Climate Disclosure Unit  
Corporations Branch  
Market Conduct Division  
Treasury  
[climatereportingconsultation@treasury.gov.au](mailto:climatereportingconsultation@treasury.gov.au)

**Re: Consultation on climate-related financial disclosure**

Dear Mr Dickson,

Microsoft appreciates the opportunity to comment on the Treasury's consultation regarding climate-related financial disclosure.

We believe that our company's long-term value and viability depend on an environmentally sustainable future and we have communicated on these topics with a range of audiences – including investors – for many years. Microsoft has set a science-based emissions reduction target that is verified by SBTi and has disclosed information on our carbon emissions and actions related to energy and climate for nearly two decades through the Carbon Disclosure Project (now **CDP**).

Microsoft has made our own comprehensive commitments to address the problem of climate change. In 2020, we committed to be carbon negative across all scopes by 2030. We have also announced goals to become water-positive for our direct operations by 2030, zero waste for direct operations, products and packaging by 2030, and to remove all carbon from historical operations since Microsoft's inception by 2050.

In working to attain these goals we have gained experience from measuring and reporting Green House Gas (**GHG**) emissions associated with our own business operations and supply chains, as well as from developing technology tools to help private and public entities seeking to better calculate and track emissions. This includes experience measuring carbon and providing that information to our customers across our corporate footprint and our products. We provide an

overview of Microsoft's goals and progress toward those goals in our Environmental Sustainability Report.<sup>1</sup>

We welcome the Australian Government's commitment to introduce standardised, internationally aligned reporting requirements for businesses to make climate-related financial disclosures. We have long held a belief that our company's long-term viability and value depend on an environmentally sustainable future and a net-zero carbon economy. While many steps are required to achieve this, an indispensable first step is a common foundation that ensures global emissions and climate-related risks are measured in a manner that promotes accuracy, consistency, and reliability; and supports continuous improvement.<sup>2</sup>

To summarise our views, which are discussed in more detail below, we believe that:

1. an internationally aligned climate framework with common guidelines is critical to enable an accurate global measure of progress
2. disclosure requirements should be principles-based and evolve over time
3. comprehensive yet flexible climate disclosures enhance clarity and efficiency, and
4. new technologies should be encouraged to calculate and track emissions.

### **1. An internationally aligned climate framework with common standards is critical to enable an accurate global measure of progress**

International alignment drives consistent, robust, and interoperable reporting metrics. Consistent reporting is essential to comparing, combining, and calculating emissions at the organization, country, and global level. If governments, NGOs, and corporations around the world don't measure carbon emissions in the same way, they're likely to talk past each other, create confusion, and ultimately set unrealistic expectations about the pace of progress.

The benefits of an internationally harmonised framework includes enhanced comparability in the climate disclosures made by separate companies, permitting investors to make better informed investment decisions, encourage faster and more widespread adoption, and conserve companies' resources in developing climate change reporting and communications. An internationally aligned framework will also support Australian businesses export to other markets and compete for business whilst supporting ambitions for climate-tech innovation to happen in Australia.

---

<sup>1</sup> [2021 Environmental Sustainability Report | Microsoft CSR](#)

<sup>2</sup> Brad Smith, *Microsoft on the Issues*, '[Microsoft submits comments to SEC on climate change disclosure](#)', 14 June 2021.

## **2. Disclosure requirements should be principles-based and evolve over time**

It is not realistic to expect a climate-related financial disclosure framework to emerge fully realised from the outset. Our understanding of the magnitude and impacts of climate change will evolve, and new technologies will emerge. It is important for disclosure rules to be principles-based to allow room to evolve along with these changes, and to make use of digital technologies, such as the Microsoft Cloud for Sustainability<sup>3</sup>, to support monitoring and disclosure.

The process must move with urgency, but it also requires collaboration between stakeholders to develop, test, and refine what works best. As we set out in our June 2022 response to the US Securities and Exchange Commission “we recognise that the standards for carbon reporting are not as mature as financial reporting standards, but there should be an expectation of refinement of methodologies as they evolve without such changes being considered errors.” Such an approach should enable effective climate-related financial disclosures to mature over the coming years and, as this happens, the requirements should be revisited and refined.

## **3. Comprehensive yet flexible climate disclosures enhance clarity and efficiency**

Industry-based segmentation of disclosure frameworks to improve clarity and enhance comparability of data within each industry is, we believe, the right approach. This view is shared by the Sustainability Accounting Standards Board (**SASB**) as well as other organisations. Whether it’s the availability of resources, market shifts, transition risk, reputational issues, regulatory oversight, or a host of other dimensions, the impacts of climate change will have different impacts on different industry sectors. The climate risk profile of a global technology company such as Microsoft, for example, differs considerably from companies in the energy, transportation, or pharmaceutical industry.

We support policies that require regular reporting of Scopes 1, 2, and 3 emissions by large companies and accommodate smaller companies’ Scope 3 emissions reporting challenges. Emissions disclosure requirements should strike a balance to provide investors with relevant information while limiting the reporting burden for smaller enterprises. Climate-related financial disclosures are an important piece of information that enables investors to inform their investment decisions and for regulators and policy makers to gauge the impact of their interventions. However, there should be recognition that these disclosures may also impose significant reporting burdens on smaller enterprises, given the resource-intensive process of compiling and reporting Scope 3 emissions.

---

<sup>3</sup> [Microsoft Cloud for Sustainability | Microsoft](#)

An area of welcome flexibility would be on timing of disclosures, so we support the position that reporting framework include flexibility for the timing and location of climate-related disclosures to accommodate companies' different reporting cycles. Many public companies have different existing cycles for compiling climate-related information. Companies are also under constraints as to when data becomes available, which could present a substantial challenge if additional climate-related disclosures are imposed as part of rigid financial reporting timelines.

#### **4. New technologies should be encouraged to calculate and track emissions**

We support the adoption of technology-focused policies that recognise the key role digital tools can play in advancing climate-related financial reporting. Use and development of new technologies can support the dynamic nature of carbon accounting and reporting by:

- helping organisations track and report relevant information
- improving reliability and interoperability
- enhancing auditing and verification processes, and
- reducing operational costs of compliance.

The constantly-evolving nature of digital technologies enables relevant metrics and methodologies to be regularly reviewed and updated as needed to reflect new discoveries and approaches in climate-related disclosures.

Technology-focused policies will also enhance the ability to measure progress and identify challenges for emissions reduction and removal, as well as track the impact of climate change on ecosystems, water, food supply, and other natural resources. Better understanding of these climate impacts is critical to developing and executing more impactful climate finance and adaptation strategies. Such policies can also ensure that, when an entity uses environmental credits towards the achievement of their climate targets, they can clearly delineate between avoided emission credits and removal credits.

Microsoft, CSIRO and others have highlighted that today's climate risk assessments face several constraints that limit their effectiveness and accuracy. For example, data for these assessments is often difficult to access and use, and it can be challenging to acquire the necessary data with the required frequency and resolution. Additionally, the lack of transparency in many risk assessment processes can hinder the integration of individual risk assessments and the development of standards for interoperability.

To overcome these constraints, it is crucial to prioritize the development of foundational science and data from organizations like CSIRO. The CSIRO's Climate Intelligence Platform is an example of the type of work that is needed to better understand the full breadth and depth of climate-related risks and enable the assessment of compounding and systemic risks. By continuing to

support and invest in developing and unlocking foundational science and data from trusted science organizations, the Australian Government can ensure that the necessary data and expertise is available for companies to effectively assess and disclose climate risks.

Microsoft appreciates the Treasury's considered process in introducing standardised, internationally aligned reporting requirements in climate-related financial disclosures. We look forward to remaining actively engaged in this consultation.

Yours sincerely,

Microsoft Australia and New Zealand