



Thank you for the opportunity to provide input into the Payment Times Reporting Framework.

Microsoft supports the aims of this work to improve payment outcomes for Australian small businesses and recognizes the importance of supporting diversity of businesses within our own supply chain and the value these businesses create for the economy.

Microsoft seeks to foster greater levels of diversity in our supplier base to reflect the global diversity of our customers. Our commitment to help people realize their potential extends from our products to our procurement practices.

We also embrace a core set of values, and we look for suppliers who share those values and can assist us in fulfilling our mission.

A supplier code of conduct is part of the supplier contract with Microsoft and is intended to ensure employees and suppliers promote a positive work environment and all are committed to the same standards of behavior ensuring smooth and efficient functioning whilst performing work for, with and at Microsoft.

Microsoft has a Reconciliation Action Plan (RAP) approved by Reconciliation Australia. The RAP outlines Microsoft's commitment to support the requirements of the Federal Government's Indigenous procurement policy including the development of a list of Aboriginal and Torres Strait Islander businesses that goods and services can be procured from and an employee communication strategy.

In addition, Microsoft is an active member of WE Connect International which is a global network that connects women-owned businesses and Microsoft is also a member of various other internationally recognised diversity councils including the [Billion Dollar Round Table](#) .

Whilst the questions in the consultation paper relate to the reporting of payment times generally– as a company that does engage in Government procurement processes, our responses are with respect to the Government's stated aim to require any businesses seeking to tender for government contracts to match its 20 day payment timeframe.

Microsoft's standard payment terms are a 2% discount if accounts are paid within 10 days or full payment within 60 days.

There is currently room to negotiate 30 or 0 day terms for small businesses.

Microsoft is prepared to change its policy in Australia for small businesses to meet the 20 day Government ambition, however we believe the following must be established to make that a workable proposition.

1. The definition and criteria for determining what constitutes a small business must be established. This could be either by employee number or revenue, but it needs to be consistent. Given the policy objective is to support small businesses' cashflow, a revenue figure cap would seem to be a logical parameter.
2. An independent/Government agency would need to run a certification process to determine who is eligible under the definition in point 1. Businesses who have applied and meet the criteria should be provided with certification which is easily searchable on a register accessible by large businesses. The certification for businesses should be reviewed on an annual basis to ensure businesses remain eligible for the more favourable payment terms. We accept that this puts some of the burden on small businesses to produce the evidence to prove eligibility, however it would just not be possible for large businesses to confirm third party eligibility. The agency should ensure the certification process is the least burdensome on the small business as possible. Without an accreditation process, the system would be exploited as seen in other schemes.
3. In terms of companies providing transparency around their payment times, Microsoft already does this for all its suppliers. In order to ensure further transparency this could include a requirement to publish terms on the company website and provide the relevant Government agency with a link to it, or by providing an annual statement of fact.
4. For companies with different payment terms for different suppliers or categories of suppliers. reporting on actual performance against standard terms would require significant internal process change and may have the unintended result of discouraging large businesses to apply the more favourable terms to the subset of customers. Reporting would also need to collect reasons why payment was withheld which for Microsoft the most frequent reasons are inefficient proof of execution and late submission of invoices.
5. In terms of the legislative framework for the reporting scheme – we believe the most flexible approach will ensure the scheme can work for the greatest number of companies.

Whilst we have not commented on all aspects addressed in the paper, these are the issues of greatest concern and impact on Microsoft.

We hope this information is helpful and should you have any follow up questions, please don't hesitate to contact Corporate Affairs Director, Belinda Dennett [Belinda.dennett@microsoft.com](mailto:Belinda.dennett@microsoft.com).