Thank you for the opportunity to provide input into part two of the Payment Times Reporting Framework consultation.

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.

In relation to the specific issues raised in the discussion paper, Microsoft would like to provide the following observations and input:

1. **Which reporting areas should be in the PTRF?** Our understanding from the diagram at Figure 1 is that this information would relate to the large business entity or group that is reporting and not to each individual small business supplier. This is important as we believe there are privacy and commercially confidential considerations in sharing the information of suppliers whom we do business with. We would make the point that any requirement to provide data must be compliant with the Australian Privacy Principles and other global privacy regimes such as the European General Data Protection Regime. In addition, we believe providing the proportion or percentage of number of invoices or percentage of total value is preferable over total value of invoices as this information is commercially sensitive.

   We do not support breaking the reporting down into further detail such as different supplier terms given the reporting is against the Government's specified time frames (0 – 20 days, 21 – 30 days, 31 – 60 days and 60+ days) it is not reporting on compliance against companies own terms. It is unclear how this additional level or reporting would achieve the intended aims of the PTRF.

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.

In terms of the UK case study and providing more information about supplier terms – certainly in Microsoft's case information about our supplier terms is readily available on our publicly facing website and is made clear when companies set up vendor accounts. We do not feel it is necessary to duplicate this on another portal – but if the Government feels it is, then the process should be automated or as simple as linking to that publicly available content. 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.

2. **Should the PTRF identify small business suppliers?**

Microsoft believes this to be the most fundamental hurdle in establishing a PTRF. As per our previous submission, 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. Our support is for a third party agency to run a certification process to determine eligibility. This would need to include an on-going monitoring process as many small businesses quickly turn into large businesses when they are become suppliers to large businesses or government. The register needs to be accessible to large businesses to run checks against an ABN or supplier name, and should issue real time alerts when that business no longer meets the criteria. Again, any transfer of data needs to meet the privacy standards of GDPR. The registration tool used by Supply Nation for indigenous businesses could be a worthwhile model to look at.

We do not support large businesses being required to identify their small business suppliers. This would not only create a burden on the large business but would ultimately create a significant workload on small businesses if they are having to provide justification they meet the criteria each time they contract with a large business. It would be far more efficient for a small business to provide this information once to a central certifier.

We do not support the expenditure threshold as an identifier of small businesses. It is not unusual for Microsoft to procure services of less than $1million from large multinational corporations so we believe this model does not meet the objectives of the PTRF.

3. **Who should report Groups or Entities?**

Microsoft believes large companies should report as a group not as individual entities or that there should be flexibility for companies to decide for themselves as to which way they wish to report.

4. **Reporting periods**

Microsoft supports annual reporting which brings it into line with other supply chain reporting requirements. We do not believe more frequent reporting will assist in achieving the aims of the PRTF. The year should align to the financial year as the reporting process will will take place within our finance department, who are operating to a financial year.

5. **Implementation**

The Government should consider privacy implications in the implementation of a PRTF and in particularly compliance with the Australian Privacy Principles and other global privacy regimes such as GDPR which many large companies including Microsoft are committed to meeting.

As previously mentioned, the Government should be mindful of how to deal with the changing status of small businesses and how to monitor ongoing compliance with the criteria.

6. **Categories of Expenditure**

Microsoft believes only expenditure with Australian domiciled businesses should be in scope.

In terms of categories of expenditure, it needs to be acknowledged that there is not a uniform system of definitions of expenditure categories and that different companies may use different categories to the Government and to each other. Some businesses will span across multiple categories. It is questionable how reporting by category achieves the aims of the PRTF.

7. **How should number of days for payment time be calculated?**

This must be calculated from the day of receipt of a compliant invoice. The biggest cause of delay for payment of invoices at Microsoft is receiving non-compliant invoices. The Government should also look to the experience of the Construction Payment Act which used the date of invoice as the point for which the clock starts running which created many issues for the broader industry.

8. **What compliance approach should be adopted?**

Microsoft believes there should be an initial period where the framework is implemented that allows for feedback and fine-tuning without sanctions. Following that we would support fines for non-compliance but believe criminal terms is a step too far.

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.