Microsoft

Microsoft's comments to to EFRAG Consultation on Revised ESRS Exposure Drafts

Thank you for the opportunity to provide feedback on the revised Exposure Drafts of the European Sustainability Reporting Standards (ESRS). We appreciate the significant efforts undertaken to simplify and streamline the ESRS framework in response to the European Commission's Omnibus initiative.

Microsoft is a Preparer (non-financial preparing a sustainability report) and at group level globally we employ more than 5,000 people with our headquarters in the United States. As reported publicly, based on the 30 June FX rate of 0.8482 our global revenue was €239bn and the company's total assets stood at €525bn.

As a global company committed to sustainability and transparency, Microsoft offers the following comments:

General Support for Simplification Measures

We strongly support the overarching goal of reducing complexity and improving usability. The proposed 57% reduction in mandatory datapoints and elimination of voluntary disclosures—resulting in a 68% overall reduction—is a step toward reducing the reporting burden on companies and driving an approach where reporting is a process to support meaningful change. However, whilst there has been a reduction in data points we note that EFRAG has maintained the structure of the ESRS with two general ESRS and ten topical ESRS spread across the E (x5), S (x4), and G (x1) areas. As this review continues, and in light of the commitment set out in the recent Framework Agreement between the United States and the European Union we would like to see further steps to streamline the structure and topical ESRS to avoid overlapping requirements and avoid any inconsistences in implementation.

Double Materiality Assessment

Microsoft supports the European Commission's efforts to simplify the ESRS framework and welcomes the restructuring of the Double Materiality Assessment (DMA) as a step toward more decision-useful and proportionate sustainability reporting. We note the proposed shift away from a compliance-driven checklist approach and support the proposed flexibility to report at sub-topic level where appropriate, as well as the emphasis on sectoral relevance and strategic alignment. However, Microsoft continues to advocate for clearer guidance on the treatment of mitigation and prevention actions in materiality thresholds, and for further streamlining of documentation requirements to avoid excessive burden—particularly in the context of audit readiness and assurance. Enhanced interoperability with global standards such as ISSB and more explicit recognition of the role of internal controls in shaping materiality outcomes would also strengthen the framework's effectiveness and global applicability, whilst easing the regulatory burden on entities in scope of the reporting requirements.

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Improved Readability

Microsoft welcomes the proposed changes to make statements clearer and easier to navigate through the inclusion of executive summaries and appendices at the discretion of the organisation submitting the statements whilst ensuring continued alignment with overall corporate reporting. However, continued guidance from EFRAG on what core information is required and would be appropriate for inclusion in appendices or other reports will ensure reports from different reporting entities can be compared.

Interoperability with global standards

An interoperable approach would see entities reporting against other standards, such as the ISSB, to be considered as if they had reported against the ESRS. This would simplify compliance and aid transparency. However, as noted in Digital Europe's response there remains a lack of clarity as to which ESRS companies should report against, and so further guidance on what companies are required to report on in years 1, 2, 3 and 4 would be welcome.

Timeline and Implementation Concerns

We welcome the revised deadline of 30 November for EFRAG's technical advice. However, we urge EFRAG and the Commission to provide clear guidance on the applicability date of the simplified ESRS to avoid disruption to FY2025 sustainability statement preparation.

Alignment with the "stop the clock" law would be a pragmatic solution to ensure a level playing field across EU and non-EU entities.

Microsoft remains committed to supporting the development of robust, transparent, and practical sustainability reporting standards. We believe the revised ESRS framework represents a significant step forward and look forward to continued collaboration with EFRAG and other stakeholders.

For further information please contact:
David Frank, Director Policy Engagement, Global Energy, Connectivity and Sustainability Team: David.frank@microsoft.com
Ornella Cosomati, Director Europe Energy & Sustainability Policy, Global Energy, Connectivity and Sustainability team: ocosomati@microsoft.com

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