Microsoft 2010 Citizenship Report: The clouds clear

Posted by Elaine Cohen [1] on Dec 3, 2010

Microsoft is becoming more open about its sustainability performance

As a bad boy of corporate responsibility for some years, Microsoft had developed a reputation for dominance of software markets and allegations of anti-competitive sales practices. It was summarily kicked off the Nasdaq Global Sustainability Index in 2009 for inadequate and unsubstantiated environmental disclosures.

But now Microsoft is embracing accountability with new gusto and its 2010 citizenship report is probably the boldest disclosure this ubiquitous company has issued. Microsoft says it represents a "significant enhancement in our nonfinancial reporting" and despite a late arrival at the party, the 2010 report is refreshingly welcome.

In fact, Microsoft seems to like transparency, producing a citizenship report (65 pages), a One Report GRI disclosure (352 pages), a dedicated UN Global Compact communication on progress (nine pages) and Carbon Disclosure Project reporting.

The cloudiness of Microsoft's disclosures to date now appears to have been largely replaced with clouds of a different kind – the company's cloud computing strategy, an internet-based system where shared resources, software, and information are provided to computers and other devices such as smartphones on demand. This is a core element of Microsoft sustainability, which, ironically, Microsoft covers less comprehensively than other areas in its 2010 report.

Much of Microsoft's future business development is linked to cloud-based technologies. Steve Ballmer, chief executive, writes that this has "important implications for Microsoft's citizenship work", enabling rapid scaling up of technologies but opening up risks for privacy, safety and internet security.

Data centre growth

Environmentally, growth of cloud computing puts pressure on data centres and their energy consumption. Apparently, cloud computing will see the creation of 100,000 new companies and a million jobs in coming years, a development any software company cannot fail to ignore.

Given the significance of this revolutionary technological development, more information about the risks, opportunities and impact implications of cloud-based innovation on Microsoft's core business would be welcome.

The report is in two sections: extending technology and operating responsibly.

"Extending technology" refers to addressing societal changes and strengthening economies, with the flagship Microsoft Unlimited Potential programme providing the cornerstone for making technology more relevant, more affordable and more accessible everywhere with a goal to reach one billion additional people by 2015.

As well as investing $8.3bn in innovation to support this aim, Microsoft donated $60m (3.2% of pretax profits) in its latest full year in cash and software to advance technology for education, non-profit effectiveness and disaster response while improving accessibility features of Microsoft products. An array of Microsoft initiatives in these areas is highlighted in the compact narrative with concise progress descriptors against prior commitments.

One point to note is the extensive section on disaster response, a feature more companies are incorporating into core sustainability strategies. Given the increasing rate of natural large-scale disasters around the world, corporations are often best-placed to provide urgent solutions. Microsoft is committed to helping "communities become more resilient" and describes efforts to alleviate the disaster consequences in communities affected by the H1N1 flu outbreak and earthquakes in Haiti and Chile.

"Operating responsibly" refers to people, environment, sourcing, online privacy and safety, governance and public policy and advocacy. In each area, as in the first section, Microsoft reports approach, commitments and progress made.

Environmentally, Microsoft has an important role in developing technology for an energy-efficient economy as well as demonstrating responsible environmental leadership. Some direct impact improvements are reported (35% reduced business travel related emissions, 25% renewable energy purchased, 27% of worldwide electronics sales volume recycled, among others). But environmental and carbon emissions reporting is still patchy with inadequate disclosure and no comparative metrics. A few clouds here are still left to disperse, apparently.

Online privacy and safety, an issue that cuts to the heart of the Microsoft business, is dealt with more comprehensively.

Despite the absence of stakeholder voices in the Microsoft report and the lack of a meaningful stakeholder engagement processes or prioritisation of issues in some form of materiality analysis, this report is a leap forward. It demonstrates the breadth and scale of Microsoft impacts, risks and opportunities. For future reports, clearer targets and performance metrics in all areas would be welcome to help eliminate the last few clouds.

Snapshot

Follows GRI? Yes, online index and full One Report PDF.
Assured? No
Materiality analysis? No
Goals? Outlooks – directional intentions not goals.
Targets? Occasionally
Stakeholder input? No
Seeks feedback? Yes, including direct route to the board.
Key strengths? Clarity, focus, style and tone.
Chief weakness? Environmental reporting.
Pleasant surprise? Significantly improved transparency.

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