

The Impact of ESG Disclosure on Corporate Reputation and Market Response

Xiwen Cao

Worcester Academy, Worcester, USA
xiwen.cao@worcesteracademy.org

Abstract. This paper examines how different ESG (Environmental, Social, and Governance) disclosure strategies impact corporate reputation and market response by analyzing three major companies: Tesla, Microsoft, and ExxonMobil. Tesla employs detailed sustainability reports emphasizing environmental metrics, which bolster investor confidence but face criticism for neglecting social and governance aspects. Microsoft adopts a strategic approach, announcing bold, measurable goals like carbon negativity, enhancing its ESG leadership image and attracting investor trust. ExxonMobil discloses operational ESG adjustments, such as carbon capture investments, but mixed market reactions and skepticism arise due to unclear long-term alignment and perceived greenwashing. Key findings reveal that effective ESG communication requires clarity, credibility, and balance across all three pillars. Companies aligning ESG disclosures with core business values (e.g., Tesla's environmental focus, Microsoft's holistic strategy) gain stronger stakeholder trust, while fragmented or reactive efforts (e.g., ExxonMobil's operational shifts) risk reputational damage. The study underscores that ESG disclosure is not merely about transparency but also strategic integration into long-term business models. Future research should explore long-term ESG impacts across industries and the role of third-party ratings in shaping investor perceptions. Overall, well-executed ESG communication enhances reputation, investor appeal, and sustainability preparedness.

Keywords: ESG Disclosure Impact, Corporate Reputation Strategies, Investor Response Analysis.

1. Introduction

In today's world, businesses are no longer judged only by their profits. Increasingly, they are expected to show responsibility for the environment, for people, and for the way they are managed. This growing expectation is captured in the concept of ESG—Environmental, Social, and Governance. ESG refers to how companies reduce their environmental impact, promote social fairness, and follow ethical leadership practices. Over the past two decades, ESG has evolved from a secondary concern to a global trend that influences how companies operate, how consumers make choices, and how investors allocate their investments.

The concept of ESG began to gain traction in the early 2000s, but it gained significant momentum following the 2008 financial crisis. That crisis showed how poor governance and short-

term thinking could damage entire economies. Since then, governments, business leaders, and financial institutions have started encouraging companies to be more transparent and responsible. ESG has since become a way to manage risks and support long-term business growth.

Investors, in particular, have taken a strong interest in ESG. According to Bloomberg, global ESG assets are expected to surpass \$50 trillion by 2025, representing more than one-third of total assets under management. ESG investing is no longer just a niche trend. It is becoming a major force in the global financial system. Investors believe that companies with strong ESG practices are more likely to be sustainable, attract talent, avoid scandals, and succeed over time.

Because of this, companies today are under more pressure than ever to report on their ESG activities. This is called ESG disclosure. It can come in different forms: formal sustainability reports, public announcements of environmental goals, or updates on ESG-related projects. The main goal is to show stakeholders—investors, customers, employees, and the public—that the company is responsible and trustworthy.

But does ESG disclosure work? Does it help a company's reputation? Does it change how the stock market reacts? These are important questions. Some companies invest heavily in ESG communication, while others worry that doing so could backfire or seem fake. Understanding how different types of ESG disclosure affect a company's image and financial performance is key for both business leaders and investors.

This paper looks at three well-known companies—Tesla, Microsoft, and ExxonMobil—to study this question. Each company takes a different approach to ESG disclosure. Tesla publishes detailed annual sustainability reports. Microsoft makes bold public announcements about its future goals. ExxonMobil has recently disclosed large investments in ESG-related projects, like carbon capture. By comparing how these companies disclose their ESG efforts—and how the market and the public react—we can learn what makes ESG communication effective or ineffective.

This case study approach allows us to see not only what companies say, but also how others respond. The goal is to understand how ESG disclosure affects corporate reputation and market response, and to provide suggestions for how companies can improve their ESG strategies in the future.

2. Tesla – sustainability report disclosure

Tesla is one of the most recognized companies in the world when it comes to environmental sustainability. Known for producing electric vehicles (EVs), solar products, and energy storage systems, Tesla has built its brand on innovation and its commitment to fighting climate change [1]. Its CEO, Elon Musk, has often said that the company's mission is “to accelerate the world's transition to sustainable energy.” Because of this, it makes sense that Tesla's ESG efforts focus heavily on the environmental side.

Each year, Tesla releases a detailed sustainability report called the Impact Report. This document provides facts, charts, and data to show the company's performance in areas like emissions reduction, energy use, recycling, and supply chain practices [2]. The reports also include updates on safety, labor issues, product life cycles, and the impact of Tesla's technology. Unlike some companies that only give vague promises, Tesla uses its Impact Report to show progress with real numbers.

In its 2022 Impact Report, for example, Tesla shared that it had helped avoid over 13 million metric tons of CO₂ emissions through the use of its electric vehicles. The report also highlighted Tesla's focus on closed-loop battery recycling, the reduction of water use at its factories, and improvements in factory energy efficiency. The company also provided information about how

many GWh (gigawatt hours) of clean energy it had produced and how many homes had been powered through its solar systems. These details help show that Tesla is not just talking about sustainability—it is trying to prove it.

The financial market responded positively to this disclosure. In the five days following the report's release, Tesla's stock price rose slightly, and trading volume increased. While the price movement was not dramatic, analysts noted that the report helped calm investor concerns about Tesla's long-term direction. ESG-focused investment funds and institutions also responded well. According to Bloomberg, Tesla remained a popular pick for ESG portfolios in 2022, in part due to the transparency and detail of its reporting.

This response supports the idea that ESG disclosures—when done well—can influence investor behavior. Investors may see Tesla's openness and commitment to long-term sustainability as a sign of lower future risks and strong governance. Even when stock price changes are small, confidence from investors can help maintain price stability and reduce market volatility.

From a reputational standpoint, Tesla's Impact Report was also mostly well-received. Many news outlets praised the company for being clear, detailed, and data-driven. Environmental groups gave credit to Tesla for showing leadership in the EV and energy industries. The report helped reinforce Tesla's image as a green technology leader, especially compared to traditional automakers.

However, not all reactions were positive. Some critics pointed out that while the report focused heavily on environmental progress, it said much less about social and governance issues. For example, the report gave limited information about worker rights, union relations, or how Tesla is addressing lawsuits related to factory working conditions. The company has faced criticism over the years for not allowing labor unions in its U.S. factories and for poor worker protections in some locations. The limited focus on these social issues led some people to accuse Tesla of “ESG imbalance”—meaning the company focuses too much on “E” and too little on “S” and “G.”

This imbalance can create risks. ESG ratings agencies like MSCI and Sustainalytics consider all three pillars—environmental, social, and governance—when assigning scores. A low score in one area can bring down the total rating. Tesla's ESG ratings have been debated. In 2022, Tesla was removed from the S&P 500 ESG Index due to concerns over governance issues, despite its environmental performance. This sparked public debate and even a reaction from Elon Musk, who criticized ESG ratings as flawed.

Tesla's case highlights both the power and the complexity of ESG disclosure. On the one hand, its sustainability reports are detailed, transparent, and aligned with its core business model, which helps improve public trust and strengthen its brand. On the other hand, the lack of balance in addressing all parts of ESG—especially social and governance issues—can lead to criticism, controversy, and even negative impacts on ESG ratings.

In summary, Tesla shows that when a company shares detailed and measurable information about its environmental performance, it can gain respect and support from investors and the public. However, companies that focus too narrowly on one part of ESG may still face reputational risks. To maximize the benefits of ESG disclosure, companies like Tesla may need to take a more balanced approach—one that values all three dimensions equally.

3. Microsoft – ESG strategy disclosure

Microsoft, one of the world's most valuable and respected technology companies, takes a different approach to ESG disclosure than Tesla. Instead of publishing long annual reports with dozens of pages of detailed data, Microsoft focuses on sharing clear, strategic ESG goals through public

statements and press releases [3]. These goals are often bold, forward-looking, and tied to specific timelines, which helps the company position itself as a global ESG leader.

In January 2020, Microsoft made headlines by announcing its plan to become carbon negative by 2030. This meant the company would not only reduce its carbon emissions but also remove more carbon from the atmosphere than it produces [4]. Even more impressively, Microsoft committed to removing all the carbon it had emitted since it was founded in 1975 by the year 2050. This announcement was backed by a \$1 billion investment in a Climate Innovation Fund, designed to support companies and technologies that focus on carbon reduction and clean energy solutions.

Unlike traditional sustainability reports, Microsoft's approach focuses on vision, strategy, and measurable goals. In its public communications, the company outlined a plan that included steps such as shifting all data centers and offices to renewable energy, improving energy efficiency, and developing better carbon tracking tools. These actions were tied to Microsoft's larger values of responsible business, innovation, and long-term impact.

The stock market reacted positively, if modestly, to this announcement. Microsoft's share price did not spike immediately, but it remained strong and stable during the announcement period. Analysts observed that the announcement gave confidence to long-term investors, especially those managing ESG-focused portfolios. By showing that it was serious about sustainability, Microsoft attracted interest from ESG funds, which look for companies with strong environmental and ethical practices. According to a 2020 Morgan Stanley report, Microsoft became one of the top holdings in several major ESG ETFs and mutual funds after the announcement.

Beyond the financial market, Microsoft's reputation benefited significantly from its carbon-negative pledge. Media coverage was overwhelmingly positive. Articles from CNN, Forbes, and The Guardian praised Microsoft's leadership and ambition. Environmental groups, though always cautious, said the plan could set a standard for the tech industry. At the same time, competitors like Google and Amazon began making their environmental commitments, possibly inspired by Microsoft's bold move.

One key reason Microsoft's ESG strategy was so effective is that it felt authentic and achievable. The company has a long-standing reputation for good governance, transparency, and responsible leadership. Its CEO, Satya Nadella, has been praised for promoting ethical values, innovation, and long-term thinking. Because of this, stakeholders—including employees, investors, and customers—tended to trust that Microsoft would follow through on its promises. The announcement did not seem like a marketing stunt, but part of a larger business philosophy.

Inside the company, the reaction was also very positive. Employees expressed pride in working for a company that was willing to lead on global issues like climate change. Microsoft also introduced internal changes, such as tying executive pay to progress on sustainability goals. This helped show that ESG was not just a slogan but an actual part of how the company measured performance and success.

Another reason Microsoft's strategy worked is that it avoided the common pitfalls of ESG communication. The company did not exaggerate its current performance or hide its challenges. It admitted that reaching carbon negativity would be hard and that it would require new technologies and partnerships. By being realistic and humble, Microsoft added to its credibility.

Still, some critics pointed out that Microsoft needed to do more in the "S" and "G" areas of ESG. While its environmental goals were strong, the company faced challenges related to diversity, inclusion, and digital ethics. For example, critics asked how Microsoft was handling privacy issues, artificial intelligence (AI) risks, and labor practices in its global supply chain. These are areas that Microsoft has since started to address more directly in follow-up ESG updates.

From this case, we can see that strategic ESG disclosures—especially those that are bold, goal-driven, and well-communicated—can improve a company’s image and build investor confidence. Unlike Tesla, which shares technical data, Microsoft uses storytelling, vision, and business alignment to show its ESG leadership. Both strategies have value, but Microsoft’s case shows that even without long reports, a company can make a strong impact through focused and credible messaging.

In summary, Microsoft’s carbon-negative goal helped strengthen its brand as a responsible and future-ready company. The public, investors, and employees responded well because the message was clear, the plan was actionable, and the company’s past behavior supported its promises. This case shows that an ESG strategy doesn’t need to be complicated to be powerful—what matters is clarity, credibility, and consistency.

4. ExxonMobil – operational ESG adjustment disclosure

ExxonMobil is one of the world’s largest oil and gas companies and has long been associated with traditional fossil fuel energy. For many years, it was seen as a company that focused on profits over sustainability, and it has often been criticized for being slow to act on environmental and social issues [5]. In the past decade, however, ExxonMobil has faced growing pressure from shareholders, governments, and environmental activists to make changes. In response, the company has started to include more ESG-related disclosures in its public communication, especially around operational changes related to the environment [6].

Unlike Tesla and Microsoft, which use detailed reports or strategic public announcements, ExxonMobil’s ESG disclosures have mostly come in the form of investment updates and financial presentations [7]. In early 2021, the company announced it would invest more than \$3 billion in carbon capture and storage (CCS) technologies through a newly created business unit called “Low Carbon Solutions.” This unit would focus on capturing CO₂ emissions from industrial sites and storing them underground so they don’t enter the atmosphere.

This type of disclosure—an operational ESG adjustment—focuses on what the company is doing at the core of its business operations, rather than setting future goals or issuing broad environmental reports [8]. In ExxonMobil’s case, the message was: “We are investing in cleaner technology, and here’s what we’re spending on it.”

While the announcement marked a big step forward for a company like ExxonMobil, the market reaction was mixed at best. The company’s stock price dropped slightly in the days after the news, as investors raised concerns about the financial cost of the project and the uncertainty of short-term returns. Many investors were unsure whether carbon capture would generate enough revenue or whether governments would support the technology with tax credits or subsidies. Additionally, some believed that ExxonMobil’s move came too late, and that it was mostly a response to outside pressure, not internal values.

These concerns highlight a major challenge for companies trying to improve their ESG performance through costly operational changes. Even if the changes are positive for the environment, they may hurt short-term profits or look like a financial risk to shareholders. Without a clear explanation of long-term benefits, operational ESG investments can fail to impress the market.

Reactions from the public and media were also divided. Some environmental groups welcomed the investment as a step in the right direction, noting that carbon capture is necessary to reduce emissions from heavy industries. Others, however, were skeptical of ExxonMobil’s true intentions. They pointed out that the company was still expanding oil and gas production in other parts of its

business, and that the carbon capture plan lacked clear emissions targets, timelines, or external verification.

Some critics called the move a form of “greenwashing”—a term used when companies appear to care about the environment but take only small or symbolic actions. Unlike Microsoft’s strategy, which included specific goals and a timeline, ExxonMobil’s disclosure lacked detail. The company did not explain how much carbon it expected to capture each year, or how this investment would compare to its total emissions.

This lack of transparency hurt ExxonMobil’s reputation among ESG analysts and rating agencies. Several ESG indexes kept ExxonMobil out of their portfolios, citing weak performance in governance and environmental reporting. According to Sustainalytics, ExxonMobil scored lower than many of its peers in the energy sector on ESG transparency and climate risk management [9].

Another problem was that ExxonMobil did not connect this investment to broader changes in how it operates. While carbon capture is important, experts argue that reducing dependence on fossil fuels and shifting to renewable energy sources is more urgent. Because the company did not show any plans to lower oil production or increase clean energy use, its ESG message felt incomplete.

Still, the decision to create a separate low-carbon business unit showed some progress. It signaled that ExxonMobil recognized the need to prepare for a changing energy future. The company also began engaging more with investors on ESG topics and added three new directors to its board in response to pressure from a climate-focused hedge fund called Engine No. 1. These steps, while not perfect, reflected a shift in strategy that could lead to more meaningful changes over time.

Overall, ExxonMobil’s case demonstrates how ESG disclosure without strong communication or long-term alignment can be risky. Operational changes like carbon capture require heavy investments, and if not explained clearly, they can lead to investor doubt and reputational skepticism [10]. Unlike Tesla and Microsoft, which align their ESG messaging with their brand identities and business models, ExxonMobil struggles with a credibility gap. Its disclosures may sound good, but without clear follow-through and consistent behavior, they are less likely to be trusted.

To improve, ExxonMobil would need to increase transparency, share specific ESG goals and metrics, and integrate its environmental strategy into its long-term business model. ESG disclosures must not only describe what a company is doing—they must also show how those actions fit into a broader vision of change. Until ExxonMobil can do that, its efforts may continue to fall short in both reputation and investor support.

5. Conclusion

This paper has explored how different types of ESG disclosure impact a company’s public reputation and short-term market response. Using three major companies—Tesla, Microsoft, and ExxonMobil—as case studies, we examined how disclosure style, clarity, and alignment with business goals can shape how investors and the public react. While all three companies made efforts to communicate their ESG strategies, the outcomes were quite different.

Tesla focused on highly detailed sustainability reports filled with data and environmental performance metrics. This aligned well with its brand as a clean energy and electric vehicle company. Investors responded with moderate confidence, and the company strengthened its image as a green technology leader. However, the lack of social and governance details in its disclosures led to criticism from some ESG analysts. Tesla’s case shows that even strong environmental leadership can be weakened if the company fails to address all parts of ESG.

Microsoft took a different approach by announcing bold strategic ESG goals, such as becoming carbon negative by 2030. Its message was clear, ambitious, and tied to realistic action plans. The

public and investors responded positively, and Microsoft strengthened its position as an ESG leader in the technology industry. Employees, too, felt inspired by the announcement. Because Microsoft has a strong reputation for responsible governance, its ESG promises were widely trusted. This case shows the power of vision-driven communication when combined with internal accountability and transparency.

ExxonMobil, by contrast, invested in carbon capture projects and disclosed its plans through investor presentations and business updates. While this represented a meaningful operational change, the message was unclear and lacked specific goals, timelines, and verification. As a result, investors were unsure about the benefits, and environmental groups questioned the company's sincerity. ExxonMobil's experience reveals how ESG efforts can fall flat when they are not communicated or when they do not align with the company's broader business behavior. It also illustrates that operational ESG adjustments, while important, may not improve reputation if they are seen as defensive or incomplete.

Across all three cases, one key insight is clear: ESG disclosure is not just about what is said, but how it is said and why it is believable. Companies that communicate, share specific and measurable goals, and align ESG efforts with their core business values are more likely to gain the trust of investors and the public. On the other hand, companies that treat ESG as an afterthought or public relations strategy may face skepticism, even if they invest significant amounts of money in ESG projects.

Another important takeaway is that ESG communication needs to be balanced. Focusing too much on one pillar—such as the environment—without addressing social and governance concerns can weaken a company's ESG rating and limit long-term benefits. Investors and ESG analysts are increasingly looking for well-rounded strategies that address all three areas in a consistent and transparent way.

Looking ahead, more research is needed to understand the long-term impact of ESG disclosure. Most event studies, including this one, focus on short-term stock price changes. However, it would be valuable to explore how ESG strategies affect brand loyalty, long-term financial stability, employee retention, and even innovation. Researchers could also study how ESG responses vary across industries or in different regions of the world. For example, companies in energy, tech, or fashion may face different pressures and use different strategies to meet ESG expectations.

Another interesting direction would be to explore the role of third-party ESG rating agencies like MSCI, Sustainalytics, or S&P. These organizations often influence how investors view a company's ESG performance, yet their ratings can sometimes differ based on methodology or available data. Studying how ESG disclosures affect these ratings—and how those ratings then influence market behavior—would help clarify the full feedback loop between disclosure, perception, and value.

In conclusion, ESG disclosure is becoming a vital part of corporate communication. As more people care about climate change, equality, and ethical leadership, companies need to show that they are acting responsibly. When done well, ESG communication can build public trust, attract investment, and prepare companies for a more sustainable future. But success depends on being clear, honest, consistent, and willing to show real progress, not just promises. Companies that understand this will be better positioned to thrive in the new era of responsible business.

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