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ESG Information Disclosure and Capital Market Performance of AI Enterprises: A Case Study of Microsoft

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Abstract. With the rapid development of artificial intelligence (AI), technology enterprises are now facing increasing expectations from all sectors of society for sustainable development, ethical governance and corporate transparency. Disclosures of Environmental, Social and Governance (ESG) information have reduced information asymmetry and boosted investor confidence in the company. Most studies to date have concentrated on traditional industries, and the application of ESG disclosure in AI enterprises has not been extensively studied. Research on the Impact of ESG Information Disclosure on Capital Market Performance in AI Enterprises: A Qualitative Case Study of Microsoft. Based on the above literature review and case studies, this paper will examine the ESG disclosure traits and sustainability efforts of Microsoft, and explore how such factors might affect the company's market performance. According to the above research, the completeness, openness and AI-specific governance of Microsoft's ESG disclosure are all relatively high. Responsible AI, cybersecurity measures, data privacy protection and technology risk management have all been added to the new list of ESG risks in the era of artificial intelligence. Based on the above analysis, high-quality ESG disclosures will enhance capital market performance by improving information symmetry, increasing investor confidence, promoting corporate reputation enhancement, and reducing uncertainty under the risk of AI. In light of the above contributions, this study is still limited by a single case and a qualitative approach. Future studies may employ a comparative and quantitative method to explore the reasons behind the differences in the effect of ESG disclosures on market prices of AI companies. This study provides some information on ESG governance in AI companies and shows that AI-focused ESG disclosure is gradually being applied to support long-term development of these companies.

Keywords: ESG information disclosure, artificial intelligence enterprises, capital market performance, responsible AI governance, Microsoft

1. Introduction

With the rapid development of artificial intelligence (AI), technology enterprises have been driving the digital transformation and economic growth of the country. At the same time, stakeholders have increasingly paid attention to the performance of environmental, social and governance (ESG) factors in their assessment of a company's long-term value creation [1]. Promptly release favorable

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ESG data to reduce information asymmetry and improve the scope of disclosure, thereby building investor confidence and driving rational decisions by investors. As a result, ESG disclosure has gradually been included in the scope of corporate governance and capital market assessment [2]. The following are ESG problems of AI enterprises compared to those of traditional enterprises. In addition to the problem of high-energy consumption by data centres for the environment, AI enterprises also face other issues in this field, such as data protection and security, algorithmic fairness, and the responsible governance of AI. Recently, these problems have drawn the attention of regulatory authorities, investors and the public, and all-round, open and reasonable ESG disclosure is now needed for AI enterprises. Therefore, the study of how ESG disclosure promotes corporate value and capital market performance is currently an issue of research.

Although other scholars have studied the link between ESG disclosure and corporate performance, most of their work has been in the manufacturing, finance and energy sectors. Research on AI enterprises is still relatively scarce, and there is a lack of studies on the impact of AI-related ESG initiatives on investor confidence and market performance [3, 4]. Therefore, a specific problem has arisen: we have not been able to find more cases of leading AI enterprises with particular ESG features. As one of the top AI and technology companies in the world, Microsoft has built a full-featured ESG management system that covers carbon reduction, responsible AI development, data security and corporate governance. Continuous ESG reporting and sustainability initiatives offer a good case study for investigating the relationship between ESG information disclosure and capital market performance.

Therefore, this study will employ a qualitative approach and integrate a review of previous research with a case study of Microsoft. Research on the properties of ESG risk disclosure at Microsoft and its influence on investor trust, corporate image, and capital market data. Based on the research results, some suggestions will be proposed to improve ESG governance at AI enterprises, providing a reference for promoting sustainable development and building a strong corporate foundation.

2. Literature review and analytical framework

2.1. ESG information disclosure and corporate value

Environmental, Social and Governance (ESG) data release has been added to the company's sustainability report and plan. Non-financial information about a company's environmental responsibility, social responsibility and governance is disclosed by ESG disclosure rather than traditional financial reports. With the increasing attention of the world's investors to ESG, enterprises are under more and more pressure to disclose more and more information on their environmental, social and corporate governance (ESG) performance to meet the demands of these investors.

The first studies have identified some economic benefits of good ESG disclosure for enterprises. First, all-round ESG disclosures by enterprises reduce information asymmetry among enterprises and investors, enhance market transparency, and thus promote more rational investment decisions. Second, good ESG disclosure can raise a company's image by showing that it is responsible and aims to develop sustainably. A good public image for the company will help to gain customers' trust, attract better partners, etc. Third, the company with better ESG disclosure tends to have a lower cost of capital and a relatively high market valuation due to reduced operating and regulatory risks in the eyes of investors. Therefore, recently attention has gradually been paid to the disclosure of ESG information due to its anticipated enhancement of corporate value and improvement in long-term

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capital market performance. Although the above research results exist, most of the existing studies have concentrated on traditional industries such as manufacturing, finance and energy [5, 6]. AI enterprises have different sustainability problems than traditional enterprises; thus, relatively few studies have examined ESG disclosure at these AI enterprises. Therefore, it is necessary to study how ESG disclosure in light of the rapid development of AI technologies can be carried out.

2.2. ESG issues in AI enterprises

Many ESG issues for AI enterprises are not traditional ones. Cloud computing and large-scale training of AI models have grown rapidly in recent years, resulting in increased power consumption and carbon emissions at data centers. With the development of artificial intelligence, all around are increasing demands for power-saving equipment in technology companies, a higher proportion of renewable energy usage in operations, and a reduction in carbon emissions. Socially, the new generation of AI technology poses problems of data privacy and security, algorithmic fairness, digital inclusion, etc. The collection and use of large amounts of data are also likely to be affected by privacy risks and bias in the algorithms [7]. Therefore, the development of responsible AI has gradually been included in the framework of corporate social responsibility, and at every stage of the AI lifecycle, enterprises need to ensure transparency, accountability and ethics. Governance has also become one of the three Gs of ESG for AI enterprises. Strong governance of artificial intelligence should have all-encompassing risk control systems, ethics review processes, legal compliance, and board-level supervision over the development and use of AI. AI enterprises need to build governance systems for new-age risks that cover general business risks in addition to ethical and social problems of intelligent technologies. As a result, the new form of ESG disclosure for the technology industry is AI-related governance.

2.3. Analytical framework

Based on the previous studies, this paper builds a theoretical system connecting ESG information disclosure and capital market performance. Good ESG disclosure is open, so it is helpful for investors to understand whether a company will survive and grow over a long period of time. Increase the level of openness to attract more funds and reduce investment risks for investors. At the same time, ESG disclosure helps improve a company's image in society by showing responsible environmental behaviour, ethical governance of AI, and sound management. A good name will help gain people's trust more easily and will be favourable to business. By increasing investor confidence and strengthening the company's reputation simultaneously, ESG information disclosure has promoted all-round improvements in capital market performance, such as a higher market valuation, more investor interest, and extended business development. Based on the above system, this case study will investigate the ESG disclosure practices of Microsoft and analyze how its sustainability initiatives have affected investor confidence, corporate reputation and all-around capital market performance.

Based on the existing literature, this study proposes an analytical framework linking ESG information disclosure with capital market performance. High-quality ESG disclosure improves information transparency, enabling investors to better evaluate corporate sustainability and future growth potential. Enhanced transparency helps strengthen investor confidence, reduce perceived investment risks, and increase investment willingness. At the same time, effective ESG disclosure contributes to a positive corporate reputation by demonstrating responsible environmental practices, ethical AI governance, and sound management capabilities. A stronger reputation enhances

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stakeholder trust and supports sustainable competitive advantages. Through the combined effects of increased investor confidence and improved corporate reputation, ESG information disclosure ultimately contributes to better capital market performance, including stronger market valuation, higher investor attention, and sustained business growth. Based on this framework, the following case study examines Microsoft's ESG disclosure practices and explores how its sustainability initiatives influence investor confidence, corporate reputation, and overall capital market performance.

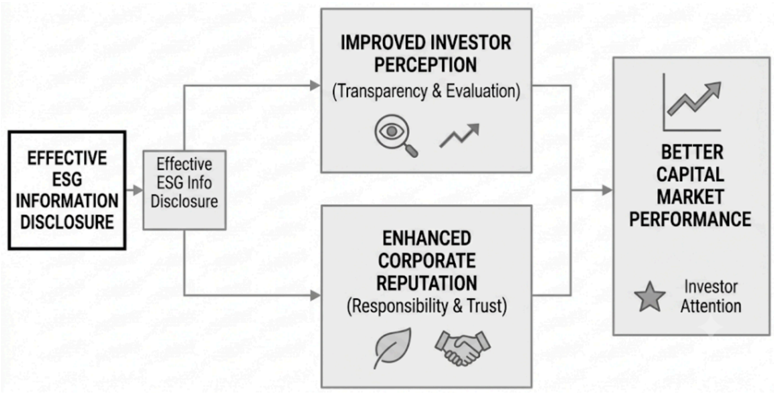

Figure 1. Analytical framework

3. Case study: analysis of ESG information disclosure by Microsoft

3.1. ESG strategy and disclosure characteristics

Microsoft is a top-tier technology company around the world that has incorporated ESG (environmental, social and governance) concepts into its long-term plans and daily work. Sustainability will be needed by the company to support innovation and improve its long-term competitiveness, rather than just doing good deeds for society [8]. By 2030, Microsoft will be net-zero carbon emissions, water-positive and waste-free. At the same time, with the rapid development of artificial intelligence, the company has placed increasing emphasis on responsible AI, ethical governance and digital trust, and thus ESG has been included in its all-around business strategy.

Microsoft has created a relatively all-encompassing ESG disclosure system and published an annual Sustainability Report along with its Annual Report and AI governance documents. The above reports contain detailed data on environmental performance, social responsibility and corporate governance, and meet the requirements of the Global Reporting Initiative (GRI) and the Sustainability Accounting Standards Board (SASB) for international reporting [9]. Among many technology companies, Microsoft's ESG disclosures are relatively consistent in their quantitative indicators, long-term goals and continuous updates on progress, as well as ease of comparison and transparency. Microsoft's ESG disclosures focus generally on the governance of AI. In addition to the above traditional ESG items, the company also regularly publishes information on its responsible AI, ethical risk management, cybersecurity and data privacy protection initiatives. The above disclosures are specific to the sustainability problems of AI enterprises, and Microsoft has attempted to balance innovation and social responsibility.

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3.2. Microsoft environmental, social and governance performance

Microsoft has reduced its pollution and made an effort to go green in recent years. With higher power demand for cloud computing and construction of AI model training facilities, many investments have been made in renewable energy, low-carbon technology and green data centre construction by the company. By 2030, Microsoft will have cut its carbon emissions by more than half and reached carbon neutrality in 2050 [10]. Support for these long-term environmental commitments will also be provided through concrete, measurable results to increase the credibility of ESG disclosure.

Microsoft has continued to develop artificial intelligence technology, and therefore is now also focused on data protection and network security. The company has built a Responsible AI foundation to make sure that the AI system is developed and used in a fair, open, secure and accountable way [4]. Strengthen the network security system and other measures to protect user data from digital risks. Microsoft also supports diversity and inclusion, invests in the health and digital literacy training of its staff, and develops accessible technology that brings good for society through innovation.

Another Strength of Microsoft's ESG Strategy is Governance. The entire governance system of the company has now included the goals of sustainability. Board-level oversight, internal risk management systems and an ethics review mechanism will ensure the accountability of AI development and use in the company. Microsoft's Governance System also puts forward risks of artificial intelligence, and in order to avoid legal issues, actively addresses regulatory requirements and ethical considerations. The above good-governance practices have increased the stability of the organisation and improved stakeholder confidence.

3.3. Disclosure quality evaluation

The three elements of the quality of Microsoft's ESG information disclosure are all-encompassing, open and AI-specific. The scope of the topics covered in the environment, society and governance section of the comprehensive reports released by Microsoft is quite extensive. In addition to the general ESG indicators mentioned above, a large number of data on responsible AI, cybersecurity and digital ethics have also been released in this report. The entire scope allows all parties to form a more complete picture of the company's long-term development, and with the rise of AI enterprises, the necessity of technology governance has grown [11].

Another feature of Microsoft's ESG disclosure is that it is open. The company releases quantitative performance indicators and specific sustainability goals to inform all relevant parties about changes in the sustainability level transparently and regularly. Utilise recognised foreign reporting norms to improve the reliability and consistency of published information; thus boost the general credibility of green, social and governance disclosures.

Microsoft's ESG disclosure also has good AI governance. Microsoft is a long-standing industrial enterprise, and now it has paid more attention to the ideas of responsible AI, algorithm accountability, technology ethics, cybersecurity and AI risk management. The above disclosures directly address the interests of all parties affected by changes in the use of artificial intelligence and demonstrate that the company will continue to promote the benefits of technological innovation. Therefore, the company will increase its corporate credibility and reduce information asymmetry to enhance investor trust.

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4. ESG disclosure and capital market performance

Microsoft has shown good and stable performance in recent years in the capital market due to the development of cloud computing and artificial intelligence, as well as a diversified business model. The company has been continuously expanding its finances, has achieved a relatively high market valuation, and is increasingly included in ESG-oriented investment lists; thus, ESG performance is now attracting more attention from investors beyond just financial data. High-quality ESG disclosure helps to enhance the openness of information and reduce information asymmetry for investors in this way [12]. To reduce the uncertainty of environmental and regulatory risks, enhance investor confidence, set carbon reduction goals, encourage the use of renewable energy, introduce AI governance rules, and strengthen data security. Responsible development of artificial intelligence and a full-coverage system of governance will help the company build strong public trust and garner the widespread support of all segments of society. ESG disclosure for AI enterprises will also help address new problems arising from algorithms, such as algorithmic bias and data privacy. In short, to improve the quality of the capital market, one can release more information on ESG disclosure; thus, the company's image will be boosted, AI-related risks reduced, and investor confidence in long-term value creation enhanced.

5. Conclusion

A qualitative case study of Microsoft was conducted in this paper to explore the connection between ESG information disclosure and capital market performance for AI enterprises. Based on research results of related studies and Microsoft's ESG disclosure data, this paper investigates whether ESG reports increase investor confidence and promote the rise of a company, which, in turn, is reflected in higher stock prices, amidst the change in the times. Therefore, based on the above studies, it can be concluded that Microsoft's ESG disclosures are relatively complete, open and contain AI-related governance information. In addition to the conventional information on the environment, society and governance, the company has released many disclosures on responsible AI, cybersecurity, data protection and ethics of technology, and other sustainable development problems that AI enterprises are facing. High-quality disclosure of ESG improves the openness of data and thereby strengthens all-party trust. For the reasons stated above, the public's trust in the company will increase; as a result, its popularity among the public will go up, risks in the development of AI will be reduced, and a good capital market environment will develop. Based on the above data, AI governance is gradually being added to the content of ESG disclosure, and this is now one of the key features of AI enterprises compared with traditional enterprises.

However, this study also has some defects. Since only Microsoft has been mentioned, the results may not be generalizable to other AI companies with different business models, governance structures and regulatory environments. In addition, the qualitative method of publicly available ESG reports cannot provide empirical evidence of a link between ESG disclosure and capital market performance. In the future, more AI companies can be added to the sample, and quantitative methods such as panel data analysis and event studies will be employed. Further research will also explore new ESG risks caused by the governance of generative AI, algorithmic accountability, AI regulation and the environmental impact of large-scale AI models.

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