

ESG report and its role in the Development of Corporations

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Abstract: This thesis examines importance of ESG in current global environment and projects that is being performed by big csorporations, such as Micorsoft. Microsoft's environmental sustainability initiatives are detailed in its 2024 Environmental Sustainability Report. It assesses the company's progress towards its 2030 commitments: becoming carbon negative, water positive, achieving zero waste, and protecting more land than it uses. The analysis highlights significant advancements in renewable energy procurement, waste reduction, and land conservation. However, it also identifies challenges, particularly in reducing Scope 3 emissions and water consumption associated with data center operations. The study underscores the importance of technological innovation, strategic partnerships, and policy advocacy in overcoming these challenges and achieving Microsoft's sustainability goals.

Keywords: Environmental Sustainability, Carbon Negative, Water Positive, Zero Waste, Circular Economy, Green Technology, Corporate Responsibility, Data Centers, Climate Change, Sustainable Development, Biodiversity Protection

Microsoft Corporation is a multinational technology company headquartered in Redmond, Washington, USA. Founded in 1975 by Bill Gates and Paul Allen, Microsoft is one of the world's leading technology firms, best known for its Windows operating system, Microsoft Office productivity suite, and cloud computing platform, Azure. Over the decades, the company has expanded its portfolio to include hardware products such as the Surface line of devices and Xbox gaming consoles, as well as acquisitions of major firms like LinkedIn, GitHub, and Activision Blizzard. Microsoft is a public company and listed in stock exchange market. Therefore, Microsoft fully follows the International Corporate Governance standards and report their Financial and ESG statements quarterly and annually. Here is the general key point indicators of Microsoft.

Ratios	12/31/2024	9/30/2024	6/30/2024	3/31/2024	12/31/2023
Market Cap	2.84T	3.13T	3.20T	3.32T	3.13T
P/E	30.80	34.81	36.47	38.73	38.04
EPS Actual	2.94	2.95	3.3	3.23	3.2
Price/Sales	10.91	12.39	13.11	14.11	13.80
Price/Book	9.39	10.89	11.92	13.13	13.12

As we mentioned, Microsoft is a public company and none of their shareholders can own more than 10% of the company shares. It is important in order to save the

minority shareholder rights and their participation in the operation of the company is considered.

Holder	Shares	% Out	Value
Vanguard Group Inc	684.07M	9.20%	261,445,366,604
Blackrock Inc.	576.23M	7.75%	220,228,061,712
State Street Corporation	295.11M	3.97%	112,787,947,152
FMR, LLC	197.51M	2.66%	75,487,198,137
Geode Capital Management, LLC	168.13M	2.26%	64,256,849,903
Price (T.Rowe) Associates Inc	135.15M	1.82%	51,653,685,117
JPMORGAN CHASE & CO	134.94M	1.82%	51,574,118,127
Morgan Stanley	125.5M	1.69%	47,965,324,954
NORGES BANK	105.2M	1.42%	40,207,528,711
Northern Trust Corporation	83.79M	1.13%	32,022,838,848

Environmental sustainability has become a critical focus for corporations worldwide, driven by the urgent need to address climate change and resource depletion. Technology companies, given their substantial energy consumption and global reach, play a pivotal role in this endeavor. Microsoft, as a leading global technology firm, has committed to ambitious environmental goals, aiming to become carbon negative, water positive, achieve zero waste, and protect more land than it uses by 2030.

Microsoft has made significant strides in reducing its direct operational emissions (Scope 1 and 2), achieving a 6.3% decrease from its 2020 baseline. The company has expanded its renewable energy portfolio to over 19.8 gigawatts across 21 countries, supporting its goal to procure 100% renewable electricity by 2025. However, Scope 3 emissions, which encompass indirect emissions from the supply chain and product use, have increased by 30.9%, primarily due to data center expansion and hardware manufacturing. To address this, Microsoft has initiated over 80 measures, including requiring select high-volume suppliers to use 100% carbon-free electricity by 2030. That is why they are at the top of the list in terms of ESG rankings globally with only total of 13.6 ESG risk score.

In terms of ESG (Environmental, Social, and Governance) compliance, Microsoft has taken a comprehensive and strategic approach that aligns with global sustainability standards and stakeholder expectations. Below is a categorized summary of Microsoft's ESG efforts as reflected in their 2024 ESG and Environmental Sustainability Reports:

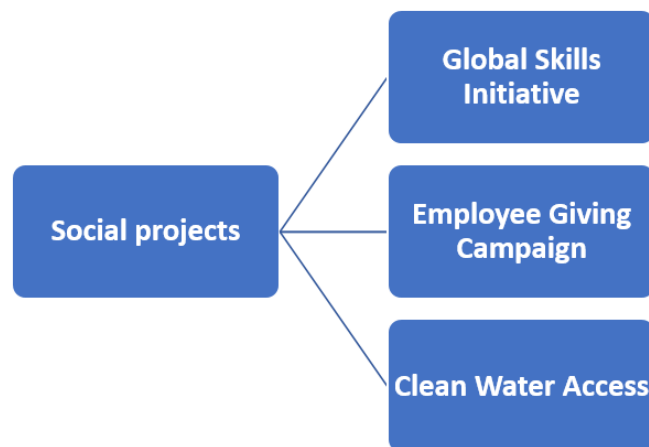
Since launching their \$1 billion Climate Innovation Fund (CIF), Microsoft have allocated \$761 million towards climate technologies. The list includes the following projects:

Microsoft secured over 19.8 gigawatts of carbon-free energy across 21 countries to power its operations and data centers. This is part of its plan to run on 100% renewable energy by 2025. Besides, over 80 targeted initiatives were launched to address Scope 3 emissions. These include engaging top suppliers to use 100% carbon-

free electricity by 2030 and expanding internal carbon fees to drive accountability across business units.

In response to concerns over water use, Microsoft began designing AI-optimized data centers that require zero water for cooling, starting in Arizona. Microsoft's Circular Centers, located in major data center regions, enabled reuse or recycling of 89.4% of server components in FY23. This reduced material waste and extended hardware lifespan. The company also permanently conserved 15,849 acres of land, exceeding its 2030 commitment. Protected areas include forest, wetland, and grassland habitats, with AI used to monitor biodiversity impacts.

Microsoft's social strategy focuses on diversity, inclusion, digital accessibility, workforce well-being, and ethical AI development. The company aims to create a positive social impact through responsible business practices, employee empowerment, and community engagement. Below some social projects are mentioned.

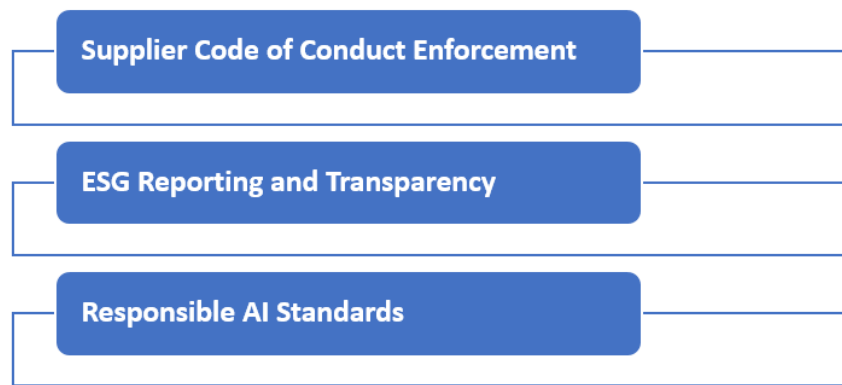


Firstly, Launched Global skills initiative program during the pandemic, this program has trained over 70 million people worldwide in digital and technical skills, targeting underserved communities.

Besides, In 2023 alone, Microsoft employees donated over \$255 million to global nonprofits, with the company matching donations and providing time for volunteering under the program of Employee Giving Campaign.

Through partnerships with NGOs, Microsoft helped over 1.5 million people gain access to clean water and sanitation, particularly in Africa and South Asia. These projects are being performed under Clean Water Access program and it is exploring more ways to extend their activities.

Microsoft is listed public company and apart from ESG principles, they fully comply with the International ethics and follow their frameworks.



Microsoft conducts regular audits of suppliers to ensure labor rights, anti-corruption practices, and environmental standards are upheld globally to support Supplier Code of Conduct Enforcement.

It follows multiple global frameworks including GRI, SASB, TCFD, and the UN SDGs, and publishes an annual Environmental Sustainability Report and Impact Summary. Additionally, Microsoft established an internal AI Ethics Committee and created the Responsible AI Standard framework to guide the development and deployment of AI technologies.

Incorporating ESG principles into corporate strategy is no longer optional but essential for large corporations aiming to achieve sustainable growth and long-term resilience. Environmental, Social, and Governance factors not only help mitigate risks related to climate change, social responsibility, and regulatory compliance but also enhance transparency, investor confidence, and stakeholder engagement. As global standards evolve and expectations rise, companies that proactively integrate ESG into their operations are better positioned to create enduring value, maintain competitiveness, and contribute meaningfully to sustainable development goals.

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