Climate Transition Leaders 2025 Report

MORNINGSTAR | SUSTAINALYTICS

Climate Transition Leaders Report & Methodology Summary

Introducing the Morningstar Sustainalytics Climate Transition Leaders Report

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Understanding climate risks and how different sectors and companies are making changes to adapt to the new realities of climate change is critical for investors. Too often, though, companies pay lip service to future changes instead of setting actionable targets, leaving climate risks and opportunities for a future generation of CEOs to resolve. Our climate transition leaders research aims to identify front runners in this space, adding clarity and rigor while empowering investors to make better investing decisions.

We have all seen changes to our planet that are both immediately obvious today, and others that will continue to evolve over the coming decades. Many executives and CEOs understand these changes too, and the most forward-looking of them are seeking to improve their competitive position in order to mitigate risks and protect the durability of their firm's cash flow. For many companies, the cost of inaction is steep and could even threaten their survival. The opportunities are similarly large, with governments and corporations committing massive sums to decarbonization efforts.

Sustainalytics' inaugural list comprises 21 climate transition leaders, and we intend to revisit this list annually.

We have created a unique set of standards to identify the most impressive companies. We want to differentiate clearly between companies that lead versus ones that make a perfunctory or symbolic effort only. Our list includes a wide spectrum of coverage, including enterprises such as Johnson & Johnson, Air Liquide, Enel SpA, and Pernod Richard.

Our screening criteria consider efforts towards emissions reductions, the existence of rigorous targets, and good climate governance. Explicit parameters include the following data points from our research products: Low Carbon Transition Risk Management scores of 55 or greater; a Carbon Intensity Trend indicator score of 50 or higher; and a Controversies event level of Category 3 or below. We also screened for companies in the Low Carbon Transition Leaders index. These measures ensure that our climate leaders are setting ambitious targets and continuously making progress against them, that they have already achieved a substantial reduction greenhouse gas emissions intensity in recent in years, and they are not involved in significant controversies related to transition risks.

Considering our analysis of individual sectors, we have a rich collection of insights. We are confident our list will spark a productive conversation, and we welcome your feedback.

Snapshot of our analysis by sector

Basic Materials	Three leaders	The Basic Materials sector is focused on the transition to lower and zero carbon technologies that require access to valuable materials to support electrification.
Consumer Discretionary	One leader	Consumer Discretionary companies have a substantial opportunity to pursue decarbonization because of their large footprint and tight linkage to consumer demand.
Consumer Staples	Three leaders	Consumer Staples companies are targeting scope 3 emissions reductions via ingredient sourcing and consumer product use through engagement with suppliers and product reformulation.
Energy	One leader	Energy companies remain at the center of the debate, faced with the challenge of meeting significant ongoing energy demand while also exploring ways to decarbonize.
Financials	Two leaders	The Financial sector is shifting into a pragmatic phase of decarbonization, where bolder climate pledges meet political, regulatory, and operational constraints.
Healthcare	Two leaders	Healthcare firms are pursuing investments in more sustainable active pharmaceutical ingredients, excipients, and solvents.
Industrial	Three leaders	Industrial firms, particularly electrical equipment companies, are seeking to design more energy efficient and durable products for data centers, which are benefiting from the demand for AI.
Real Estate	One leader	Real Estate companies are increasingly factoring climate resilience initiatives into their strategies.
Technology	One leader	The Technology sector is a huge source of GHG emissions growth, given AI demand. Bending that GHG emissions growth curve in an energy-efficient way is critical.
Telecoms	Three leaders	Telecommunications companies are leading the way in reducing scope 3 emissions, with 85% of the Joint Alliance for CSR committing to a scope 3 target, compared to 30% of companies globally.
Utilities	One leader	Utilities' tasks include modernizing and evolving the electric grid to transition towards renewables and other carbon-free sources, while still ensuring high reliability.

Best Practices of Climate Transition Leaders: Screening for Low Carbon Leaders

What distinguishes a company as a leader in the low carbon transition?

While each company is unique, and every global sector carries its own nuances, there are common dimensions that help identify leaders across sectors. It is essential to take a holistic view.

Investors should consider the following key questions to identify leaders:

- Does the company recognize transition risks in its value chain while maintaining integrity in its reporting?
- What concrete actions is the company taking to mitigate these risks?
- What are the measurable effects in both the short and long term?
- Is the company exposed to any significant controversies related to transition risks?

By considering these dimensions together, investors can apply specific criteria to better identify and compare climate transition leaders across sectors.

Selecting criteria

To determine leaders, we have used data points from both our Low Carbon Transition Ratings and our ESG Risk Ratings to identify companies that are prepared, or are preparing for, a transition to a low carbon economy and building on the essential questions investors should ask.

Morningstar Sustainalytics developed screening criteria for companies that:

- Demonstrate they are the most prepared and are maximizing efforts to achieve emissions reductions.
- Set targets with rigor based on up-to-date climate science, and report on emissions and target progress.
- Show reductions in emissions—companies cannot meet the requirements of a low carbon economy without reducing emissions.
- Have good governance in place—there are no incidents related to increases in emissions, or actions that are counter to overall strategy and management practices.

Screening Methodology	Measure	Criteria
 **1 Set objectives**	LCTR Overall Management Scores	≥ 55
 **2 Strong targets that are material and measured**	LCTR Implied Temperature Rise	≤ Top 25% average
 **3 Track record of reductions**	GHG Emissions Data Source	All scopes
	Carbon Intensity Trend Score	≥ 50
 **4 Good governance in place**	Controversies Event Level	< 3

Climate Transition Leaders 2025 Selections by Sector

2025 Climate Transition Leaders

Sector	Basic Materials	Consumer Discretionary	Consumer Staples	Energy	Financials	Healthcare	Industrials	Real Estate	Technology	Telecoms	Utilities
Leaders	Mondi Plc Paper and Pulp company based in the United Kingdom	Pernod Ricard SA Beer, Wine and Spirits company based in France	Kao Corp Personal Products company based in Japan	Royal Vopak NV Oil & Gas Storage and Transportation company based	Nordea Bank Regional Banks company based in Finland	Johnson & Johnson Pharmaceuticals company based in the United States	Vestas Wind Systems Electrical Equipment company based in Denmark	Castellum AB Real Estate Management company based in Sweden	HCL Technologies IT Consulting company based in India	Telefónica SA Telecommunications Services company based in Spain	Enel SpA. Electric Utilities company based in Italy
	Norsk Hydro ASA Aluminum company based in Norway		Henkel AG & Co. KGaA Household Products company based in Germany		Itaú Unibanco Holding SA Diversified Banks company based in Brazil	Sanofi Pharmaceuticals company based in France	Schneider Electric SE Electrical Equipment company based in France			BT Group Plc Telecommunications Services company based in the United Kingdom	
	Air Liquide SA Industrial Gases company based in France		Clorox Co. Household Products company based in the United States				Legrand SA Electrical Equipment company based in France			T-Mobile Telecommunications Services company based in the United States	

Basic Materials sector leaders are providing the raw materials for the energy transition.

Leading Basic Materials companies are increasing the percentage of renewable energy in total energy used. Largely reliant on grid electricity or fossil fuel, the development of in-house renewable energy capacity complements the relatively limited supply of third-party renewables projects.

Basic Materials Sector Averages		
Management Score (1–100)	39.60	Weak Management
Implied Temperature Rise (°C)	2.54°	Significantly Misaligned

Many materials are key to the energy transition

The transition to lower and zero carbon technologies requires access to key metals and minerals that support electrification and the transition to a renewable energy world. Copper, aluminum, and steel are crucial in building wind turbines and efficient transmission networks, while lithium is key to solving challenges in the battery and energy storage domain.

Materials production also under pressure to decarbonize

Despite the critical role in building the transition infrastructure, metal producers are under pressure to electrify and move their entire production cycle towards net zero. At the same time, forest product companies, while anchored in managing forests—a renewable natural resource—remain under pressure to balance biodiversity and preserve forests' carbon sink role.

Recycling, a double win, progressing slowly in 2025

Both renewable and non-renewable materials are well positioned to benefit from recycling and the lower carbon footprint advantage it brings. Although paper recycling has been around for years, metal recycling, both pre- and post-consumer, remains slow in 2025. Due to a lack of policy support for leveling virgin and recycled raw materials prices, metal recycling rates are constantly outpaced by consumption growth and far from the sustainable goal of a circular economy. Aluminum is endlessly recyclable with no loss of quality, and using scrap metal inputs requires a fraction of the energy of new materials. Leaders in the industry, such as Norsk Hydro, aim to increase their scrap metal usage, as well as switch to renewable energy sources.

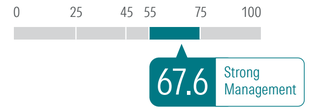
Mondi Plc MNDI

Highlights

- Mondi's 46.2% scope 1 and 2 reduction target by 2030 (versus 2019) is on track, due to increases in biomass fuel and renewables.
- Scope 3 tracking and supplier transition remain Mondi's main gaps.

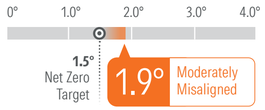
Management

Management Score (1–100)



Net zero alignment

Implied Temperature Rise (°C)



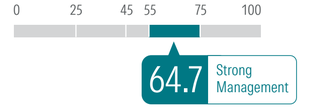
Norsk Hydro ASA NHY

Highlights

- Norsk Hydro aims to reach net zero by 2050, and reduce GHG by 10% by 2025 and 30% by 2030 (from 2018) for all scopes.
- It is on track for scope 1 and 2 via its tech and LNG switch, while its scope 3 reduction is misaligned.

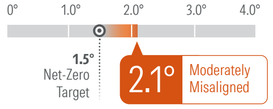
Management

Management Score (1–100)



Net zero alignment

Implied Temperature Rise (°C)



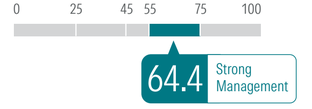
Air Liquide SA AI

Highlights

- Air Liquide aims to reach net zero by 2050 and to cut scope 1 and 2 emissions by 33% by 2035 (from 2020).
- The company's direct emissions are down 11%, and carbon intensity 41%.
- Scope 3 and avoided emissions remain gaps.

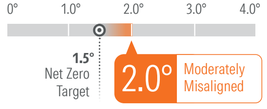
Management

Management Score (1–100)



Net zero alignment

Implied Temperature Rise (°C)



Consumer Discretionary sector leaders are tackling emissions across the supply chain.

Consumer Discretionary companies, such as retailers, hospitality, and related cyclical industries, are at the core of the sector's carbon transition. As the direct link between producers and end users, these companies are uniquely positioned to reshape and transform supply chains, accelerate sustainable innovation, and drive progress towards net zero goals.

Consumer Discretionary Sector Averages		
Management Score (1–100)	38.56	Weak Management
Implied Temperature Rise (°C)	2.57°	Significantly Misaligned

Unlocking value through decarbonization

The sector offers a powerful lever for unlocking value through decarbonization, due to its large footprint and strong influence on consumer demand. Apparel and footwear companies alone contribute up to 8% of global emissions;[1] however, efficiency gains and sustainable practices are gradually reducing their share of emissions. This highlights opportunities for retail, hospitality, and other cyclical industries to drive supply chain decarbonization while responding to the rising demand for greener products. Similarly, home appliance manufacturers are advancing energy-efficient innovations, such as ENERGY STAR and EU Energy Label certifications, tackling decarbonization not as a burden but as a pathwayto competitiveness and growth.

Investing in energy-efficient infrastructure, technologies

Across the Consumer Discretionary sector, regulatory pressure, rising energy costs and evolving consumer preferences are prompting companies to decarbonize their operations and products. Retailers are investing in energy-efficient infrastructure, such as LED lighting, smart HVAC systems, and renewables. Similarly, with apparel manufacturing generating more than 70% of emissions from raw materials and production,[2] fashion and related industries are also under pressure to decarbonize by adopting regenerative farming and energy-efficient technologies, and increasing their use of recycled fibers.

Strategic progress on net zero pathways

Consumer Discretionary companies are making steady progress toward net zero goals by embracing sustainable sourcing, circular business models, and renewable energy across their operations and supply chains. Despite persistent challenges, companies are beginning to realize tangible economic benefits, competitive advantages, as well as improved brand reputation from their decarbonization efforts.

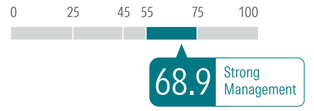
Pernod Ricard SA RI

Highlights

- Pernod Ricard is on track to cut its scope 1 and scope 3 non-FLAG emissions (i.e. those from forests, land, and agriculture) by 90% by 2050 (from 2022).
- In 2025, the company achieved a 13% reduction, aiding suppliers in decarbonizing GNS (grain-neutral spirit) distilleries, glass furnaces, and logistics.

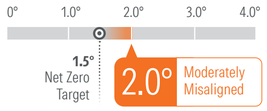
Management

Management Score (1–100)



Net zero alignment

Implied Temperature Rise (°C)



Home appliance manufacturers are advancing energy-efficient innovations, such as EU Energy Label certifications, tackling decarbonization not as a burden but as a pathway to competitiveness and growth.

Consumer Staples sector leaders are taking bold steps to decarbonize.

Companies in the Consumer Staples sector are taking bold steps to decarbonize their operations, transforming how everyday goods are made, sourced, and delivered to align with a low carbon future.

Consumer Staples Sector Averages		
Management Score (1–100)	39.38	Weak Management
Implied Temperature Rise (°C)	2.59°	Significantly Misaligned

Growing environmental accountability

The household products industry has a significant carbon footprint across its value chain, from energy-intensive manufacturing and chemical processing to global logistics and end-of-life waste. While the sector's emissions are often lower than those of heavy industries, the sheer scale of production, use, and disposal make it a key player in climate action. As consumers, investors, and regulators demand more sustainable products, leading companies are being pushed to decarbonize operations, reduce dependency on fossil-based ingredients, and shift toward circular, low-carbon business models.

Decarbonization accelerates despite headwinds

In 2025, household and personal product manufacturers have continued to advance on their climate commitments, despite inflationary pressures and supply chain disruptions. Many ramped up their use of renewable electricity in production facilities, transitioned to lower-emission raw materials, and expanded refillable and concentrated product lines to reduce transport-related emissions. More companies are targeting scope 3 emissions reductions, especially in terms of ingredient sourcing and consumer product use, through supplier engagement and product reformulation.

A long-term vision for net zero consumer goods

To reach their net zero targets, companies in the sector must integrate decarbonization into product design, sourcing strategies, and customer engagement. This includes phasing out fossil-based feedstocks, investing in green chemistry, and expanding their use of bio-based or recycled materials. Packaging redesign, especially eliminating virgin plastic, will be critical to cutting carbon and plastic pollution. Leaders such as Kao, Clorox, and Henkel are also investing in more energy-efficient manufacturing, and exploring closed-loop systems that reduce waste and emissions across the product lifecycle.

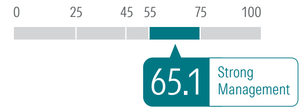
Kao Corp 4452

Highlights

- Kao aims to reduce its scope 1 and 2 emissions by 50%, and scope 3 by 22% by 2030. It also aims to reach net zero by 2040 and become carbon negative by 2050.
- Key steps: renewables, low-carbon tech, lifecycle CO_2 cuts, carbon pricing.

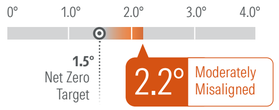
Management

Management Score (1–100)



Net zero alignment

Implied Temperature Rise (°C)



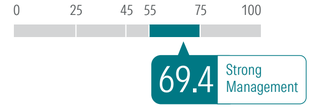
Henkel AG & Co. KGaA HEN3

Highlights

- Henkel aims to reduce its scope 1 and 2 emissions by 42%, scope 3 by 30% by 2030, and reach net zero by 2045.
- Key initiatives: renewables, efficiency, green packaging, supplier and consumer engagement.

Management

Management Score (1–100)



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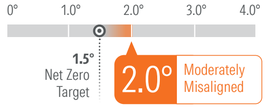


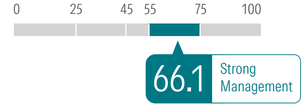
Clorox Co. CLX

Highlights

- Clorox aims to reduce its scope 1 and 2 emissions by 50%, scope 3 by 25% by 2030, and achieve net zero emissions by 2050.
- Key initiatives: supplier decarbonization and refillable packaging.

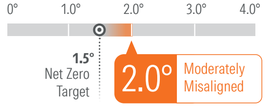
Management

Management Score (1–100)



Net zero alignment

Implied Temperature Rise (°C)



Energy sector leaders are diversifying their energy supply.

Major companies in the Energy sector face the dual challenge of meeting global energy demand while decarbonizing their operations and investing in low carbon technologies. This requires investors to assess climate and transition risks in addition to traditional metrics.

Energy Sector Averages		
Management Score (1–100)	38.41	Weak Management
Implied Temperature Rise (°C)	4.61°	Severely Misaligned

Core challenge: decarbonization versus market demand

The sector is a primary source of greenhouse gas emissions. However, it also has the capital and engineering capabilities needed for large-scale energy projects. Its main challenge is meeting ongoing demand for reliable energy, while also reducing its environmental impact. Key strategies involve cutting operational emissions and diversifying into low carbon areas, such as biofuels, hydrogen, and renewable power generation.

Progress and persistent challenges

Decarbonization efforts have continued, but energy companies' strategies differ. While demand for traditional energy sources remains high, renewables are projected to become the largest source of electricity generation. Companies are investing in carbon capture, utilization, and storage (CCUS) to mitigate industrial emissions. Methane reduction is also a priority, prompted by new regulations and industry initiatives. However, the cost of these projects remains an impediment, as do the shifting regulatory landscape, and the complexity of measuring and tracking scope 3 emissions. For global companies, policy divergence complicates long-term investment, as they must navigate energy transition mandates (e.g., the EU and Canada), while the US enacts policies to increase oil and gas production.

Long-term strategic repositioning

To meet climate goals, energy companies are repositioning themselves as more diversified providers. This requires setting firm medium and long-term emissions targets that guide capital allocation and operational planning. Common long-term strategies include expanding into renewables, scaling up CCUS and low carbon hydrogen projects, and targeting hard-to-abate industrial sectors. Success is likely to depend on partnerships with governments, technology firms, and large-scale consumers to adapt existing infrastructure for new energy systems.

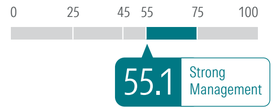
Royal Vopak NV VBK

Highlights

- The company has committed EUR1 billion to emerging energy sources, such as hydrogen and biofuels, by 2030.
- Royal Vopak already achieved a 43% cut in GHG emissions in 2024, surpassing its target to reduce emissions by 30% by 2030.

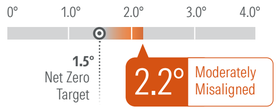
Management

Management Score (1–100)



Net zero alignment

Implied Temperature Rise (°C)



SPE · AAPG · SEG
CCUS
CARBON CAPTURE, UTILIZATION, AND STORAGE

Key strategies involve cutting operational emissions and diversifying into low-carbon areas... investing in carbon capture, utilization, and storage (CCUS) to mitigate industrial emissions.

Financials sector leaders are diversifying their energy supply.

The global Financials sector's decarbonization journey is entering a pragmatic phase, balancing ambitious climate goals with political, regulatory,and operational challenges. This shift drives varied strategies, forcing institutions to adapt amid evolving policies and market pressures.

Financials Sector Averages		
Management Score (1–100)	36.84	Weak Management
Implied Temperature Rise (°C)	2.33°	Significantly Misaligned

Shifting to a pragmatic phase of decarbonization

The global financial sector is shifting into a pragmatic phase of decarbonization, where bold climate pledges collide with political, regulatory, and operational constraints. In the US, a changing political scene has led to additional complexity in ESG practices and climate action, while also adding regulatory uncertainty. This has led to companies paring down some of their prior climate commitments, while also tweaking ESG disclosures and opting out of industry alliances.

Launch of Financial Institutions Net Zero Standard

Meanwhile in Europe, a maturation phase is emerging, giving rise to more nuanced, practical approaches that balance sustainability objectives with commercial viability and regulatory compliance. In July 2025, the Science Based Targets Initiative (SBTi) launched its first Financial Institutions Net Zero Standard, representing a watershed moment for the sector's decarbonization efforts. This science-based framework enables financial institutions to align their financial flows with net zero pathways, addressing lending, asset management, insurance underwriting, and capital market activities. Yet regulatory uncertainty lingers, as seen in the European Parliament's April 2025 decision to delay CSRD (Corporate Sustainability Reporting Directive) reporting to 2028 for larger firms.

Diverging paths

Institutions are choosing different paths Some, like BlackRock, Vanguard, and Wells Fargo, are retreating from ambitious targets and alliances, while others, such as Nordea Bank and Itaú Unibanco, are advancing and, in some cases, surpassing interim goals. Across the spectrum, climate leaders are still expected to demonstrate firm commitments, credible strategies, consistent progress, strong oversight, and robust disclosure.

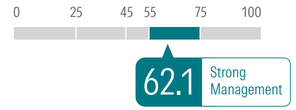
Nordea Bank Abp NDA.FI

Highlights

- The company cut internal emissions by 53% (2019-24), exceeding its 2025 and 2030 targets.
- Its financed emissions fell by 36% and its portfolio carbon intensity by 43%.
- The company has set sector-specific targets to help reach net zero by 2050.

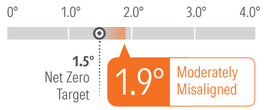
Management

Management Score (1–100)



Net zero alignment

Implied Temperature Rise (°C)



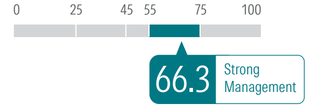
Itaú Unibanco Holding SA ITUB4

Highlights

- The company's scope 1 emissions in Brazil (its main operations) were down 19% from 2022 to 2024, and it aims to cut scope 1, 2 and 3 emissions by 50% by 2030.
- The company's sustainable finance business reached BRL469.1 billion at the end of 2024, surpassing its 2025 goal.

Management

Management Score (1–100)



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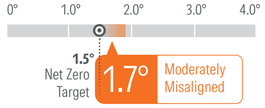


In July 2025, the SBTi launched its first Financial Institutions Net-Zero Standard representing a watershed moment for the Financial sector's decarbonization efforts.

Healthcare sector leaders are decarbonizing their facilities and supply chains.

Within the Healthcare sector, pharmaceuticals companies are leading the charge on carbon action, setting the standard for climate leadership.

Healthcare Sector Averages		
Management Score (1–100)	36.60	Weak Management
Implied Temperature Rise (°C)	2.49°	Significantly Misaligned

Pharmaceuticals under pressure to decarbonize

Although it is not a top emitter, the pharmaceutical sector has a significant carbon footprint due to companies' energy-intensive operations and global supply chains. As climate and health intersect, companies face growing pressure to lead in decarbonization by adopting renewables, improving efficiency, rethinking materials, and tackling scope 3 emissions across their value chains.

Momentum building, despite operational challenges

In 2025, the pharmaceutical industry continued to make steady progress on decarbonization, even amid operational disruptions and supply chain volatility. Many companies accelerated their transition to renewable energy sources across manufacturing sites and R&D hubs, with onsite solar and green power purchase agreements becoming increasingly common. However, complex regulatory environments and the energy demands of biologics, cold chain logistics and digital infrastructure, such as AI-driven drug discovery platforms, pose ongoing challenges to decarbonize further.

Long-term vision for net zero

Achieving net zero in the pharmaceutical sector requires a long-term, systems-level strategy that entails decarbonizing legacy infrastructure, designing sustainable facilities, and investing in greener active pharmaceutical ingredients, excipients and solvents. Leaders such as Johnson & Johnson and Sanofi are integrating carbon reduction into their product lifecycles and collaborating with suppliers to cut upstream emissions. Digital tools and data analytics can help track emissions and guide action. Success requires aligning sustainability with innovation, and partnering with regulators, healthcare providers, and governments to ensure decarbonization supports broader public health goals.

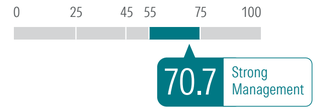
Johnson & Johnson JNJ

Highlights

- J&J targets a 44% cut in scope 1 and 2 emissions by 2030 (from 2021), 100% renewable power by 2025, and aims to achieve net zero by 2045.
- Key actions: renewables, energy efficiency, low-carbon tech, supplier engagement.

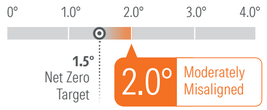
Management

Management Score (1–100)



Net zero alignment

Implied Temperature Rise (°C)



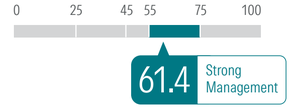
Sanofi SAN

Highlights

- Sanofi targets a 55% cut in scope 1 and 2 emissions, a 30% cut in scope 3 emissions by 2030 (from 2019), and aims to achieve net zero by 2045.
- Key actions: renewables, supplier engagement, energy efficiency, carbon offset projects.

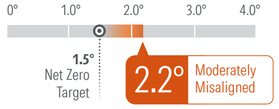
Management

Management Score (1–100)



Net zero alignment

Implied Temperature Rise (°C)



Industrials sector leaders are providing the hardware for the decarbonization of the energy system.

The Industrials sector is highly diverse. Many of the leaders, in terms of carbon management, are Electrical Equipment companies, which are lowering their scope 3 emissions through product efficiency efforts, while contributing to decarbonization across industries.

Industrials Sector Averages		
Management Score (1–100)	38.95	Weak Management
Implied Temperature Rise (°C)	2.73°	Significantly Misaligned

Electrification, decarbonization and digitalization

Electrical Equipment companies are well positioned to benefit from macro drivers, like electrification, decarbonization and digitalization. Firms such as Schneider and Legrand frequently highlight these mega trends, offering solutions that enable energy efficiency, smart infrastructure, and low carbon technologies. These companies also act as a bellwether for broader industrial shifts. They have strong incentives to convert direct emissions (scope 1) into indirect emissions from purchased electricity (scope 2), and then decarbonize those scope 2 emissions by sourcing or building renewable energy.

Focus on scope 3 emissions

With the rapid expansion of data centers, companies serving this segment and selling power distribution, transformers, optical fiber and cabling must design energy efficient products to prevent scope 3 emissions from ballooning. At least one major electrical equipment firm has already warned that its scope 3 emissions will rise due to increased demand from this sector.

Designing more efficient, durable products

Most greenhouse gas emissions from companies in this sector fall under scope 3, especially during the use phase of products. As a result, companies focus on designing more efficient and durable products, which also reduce energy costs for customers and improve the total cost of ownership. Sector leaders often employ sophisticated climate strategies, including internal carbon pricing, shadow pricing, and marginal abatement cost curves. These tools help guide decisions on raw materials and product design while managing climate transition risks. According to Sustainalytics' ESG Risk Ratings, Electrical Equipment companies in Europe do a far better job of managing their Carbon – Products and Services risks than those in other regions.

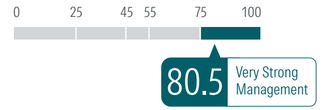
Vestas Wind Systems A/S VWS

Highlights

- Vestas targets a 55% cut to scope 1 and 2 emissions in 2025 (vs a 2019 baseline); and scope 1, 2 and 3 by 45% (vs 2019) by 2030.
- In 2024, scope 1and 2 emissions fell 4% via biomass and EVs. It is planning a new US electric HVAC system.

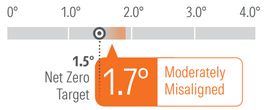
Management

Management Score (1–100)



Net zero alignment

Implied Temperature Rise (°C)



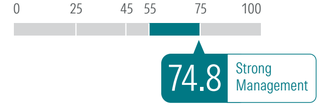
Schneider Electric SE SU

Highlights

- Schneider aims to cut scope 1 and 2 emissions by 76% and scope 3 by 25% by 2030 (from 2021), and reach net zero by 2050.
- In 2024, scope 1 and 2 emissions fell 29% through fleet electrification, energy efficiency, and renewables.

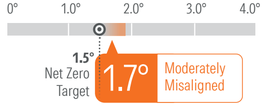
Management

Management Score (1–100)



Net zero alignment

Implied Temperature Rise (°C)



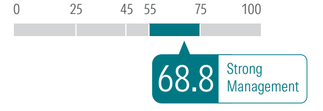
Legrand SA LR

Highlights

- By 2030, Legrand aims to cut scope 1 and 2 CO2 emissions by 42% and scope 3 by 25% (from 2022).
- To achieve its goals, Legrand has engaged in building improvements and vehicle fleet electrification.

Management

Management Score (1–100)



Net zero alignment

Implied Temperature Rise (°C)

Real Estate sector leaders are reducing the climate impact of the built environment.

The Real Estate sector's impact on carbon is significant. The UN Environmental Programme reported that building construction and operations were a key driver of emissions, accounting for 34% of global emissions in 2024.[3]

Real Estate Sector Averages		
Management Score (1–100)	38.43	Weak Management
Implied Temperature Rise (°C)	2.34°	Significantly Misaligned

Demand for increased reporting

Efforts within the Real Estate sector to manage emissions have grown each year. Examples include the proliferation of green building certifications across property portfolios (e.g., BREEAM and LEED), increased disclosures on emissions data, and comprehensive plans to mitigate climate related impacts in their operations. In Europe, companies subject to the Corporate Sustainability Reporting Directive (CSRD) must continually advance their disclosures and improve performance, a notable regional differentiator compared to the Asia-Pacific and North America regions.

Regulatory evolution and investment protection

Evolving regulations at various levels of government have also contributed to efforts by the sector to manage emissions. These regulations include the EU's Energy Performance of Buildings Directive and localized regional and municipal laws. Extreme weather events, with higher intensity and frequency in recent years, have also prompted more cohesive initiatives from companies to address their emissions.[4] To boost investment returns and property values, ESG and climate resilience are increasingly factored into real estate investment strategies. Investors are avoiding potential carbon fines and compliance risks when underwriting deals.[5]

Best practices and responding to changing conditions

Some of the leading practices demonstrated by companies include whole life carbon assessments for all owned and newly built properties, verifying emissions data under ISO 14064 standards, and setting net zero or science-aligned greenhouse gas reduction targets for 2050. Outside of specific practices, increased questions and pressure from investors and clients alike on carbon reduction have driven companies to provide more comprehensive disclosures compared to past years. An increase in extreme weather events globally (e.g., hurricanes, floods, and heatwaves) can be seen as a catalyst for this shift.

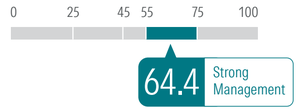
Castellum AB CAST

Highlights

- Castellum's Sustainable City 2030 initiative aims to be climate neutral.
- The company aims to achieve net zero across its entire value chain.
- It is working with Swedish utilities to reduce grid demand via solar generation integration.

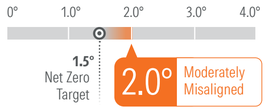
Management

Management Score (1–100)



Net zero alignment

Implied Temperature Rise (°C)



Efforts to manage emissions in the sector have grown each year. Examples include the green building certifications across property portfolios such as BREEAM and LEED.

Technology sector leaders are striving to decarbonize while still meeting increased demand for data centers.

Leading Technology companies are increasing their use of renewable energy and setting net zero targets across their value chain. Their goal is to achieve their targets 10 years ahead of the 2050 deadline to align with the Paris Agreement to limit global warming to 1.5 degrees Celsius.

Technology Sector Averages		
Management Score (1–100)	37.97	Weak Management
Implied Temperature Rise (°C)	2.53°	Significantly Misaligned

Demand for computing power driving energy demand

The Technology sector generates a relatively small proportion of total global emissions. However, this is expected to change due to the growing demand for computing power, driven by artificial intelligence (AI) and other digital services. Technology companies rely on energy-intensive data centers to process increasingly larger amounts of data. The International Energy Agency (IEA) estimated data centers and data transmission networks represented 1% of energy-related GHG emissions in 2020;[6] however, it projects energy demand will more than double by 2030.[7] Technology companies that manufacture products are also investing in designing more energy-efficient products and upgrading factories to use renewable energy and improve energy efficiency.

Setting targets and looking to renewables and nuclear

Companies across the Technology sector continue to work to reduce their emissions and some are setting ambitious targets. Across the sector, over 260 companies in the Technology Hardware and Software & Services segments have set SBTi validated net zero targets, with 82 of them publishing targets in 2025. Many Technology companies use renewable energy to reduce their emissions and some are looking to nuclear energy as a low emissions energy source to tackle increased data demand.

Common success factors

Technology firms are setting ambitious net zero targets and investing heavily in renewable energy to power their data centers and operations. They are also investing in upgrading their infrastructure, optimizing data centers and using advanced cooling technologies to increase their energy efficiency and reduce energy consumption.

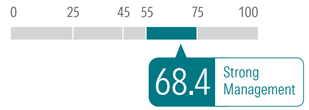
HCL Technologies Ltd 532281

Highlights

- HCL has reduced scope 1 and 2 emissions by 46% and scope 3 by 22%, exceeding its SBTi-approved 2030 target.
- The company aims to derive 80% of its electricity from renewables by 2030, and achieve net zero by 2040.

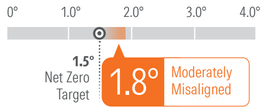
Management

Management Score (1–100)



Net zero alignment

Implied Temperature Rise (°C)



SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Over 260 companies in the Technology Hardware and Software & Services segments have set SBTi validated net zero targets, with 82 of them publishing targets in 2025.

Telecommunications sector leaders are reducing emissions across their supply chain.

Leading companies within the Telecoms sector recognize the importance of scope 3 emissions in their value chain and are working to achieve net zero across their supply chain by 2040.

Telecommunications Sector Averages		
Management Score (1–100)	38.47	Weak Management
Implied Temperature Rise (°C)	2.47°	Significantly Misaligned

As 5G implementation grows, so does overall energy demand

The implementation of 5G cellular network technology continues to be rolled out globally. At the end of 2024, coverage included just over 50% of the global population.[8] While 5G networks are more energy efficient than legacy networks, they also enable more connected devices. Data traffic is expected to increase significantly, leading to greater overall energy requirements. Scope 3 emissions tend to represent the vast majority of telecoms companies' GHG emissions. In 2023, 85% of members of the Joint Association for CSR (JAC), an association of telecoms operators, had set a scope 3 emissions target.[9] This sets the industry apart, considering that globally, only 30% of the largest 2,000 companies had set such a target.[10]

Energy efficiency remains a top priority

In 2025, Telecoms companies have continued to work diligently towards their net zero goals. A growing number of telecom companies are producing climate transition plans, clearly laying out their plans to achieve net zero. Energy efficiency continues to be a top priority for these companies, as is increasing their use of renewable energy.

Engaging with suppliers to tackle scope 3 emissions

Given the significance of scope 3 emissions for Telecoms companies, achieving net zero targets will require them to use their influence when engaging with suppliers. Over 70% of JAC members include contractual obligations, such as requiring suppliers to meet specific sustainability goals, in their agreements. Telecoms companies use supplier engagement programs to engage with large suppliers to achieve GHG reduction goals.

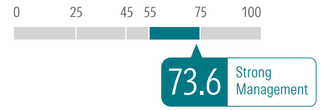
Telefónica SA TEF

Highlights

- Telefonica targets net zero across all scopes by 2040 by reducing emissions by 90% and neutralizing remaining residual emissions.
- As of FY2024, the company had already reduced those emissions by 52.1%.

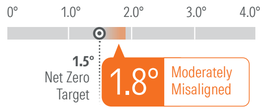
Management

Management Score (1–100)



Net zero alignment

Implied Temperature Rise (°C)



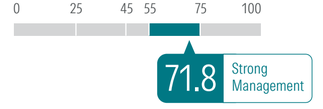
BT Group Plc BT.A

Highlights

- In FY2025, BT Group reduced its own carbon emissions by 52% from FY2017.
- The company aims to reach net zero across its own operations by the end of March 2031 and in its value chain by the end of March 2041.

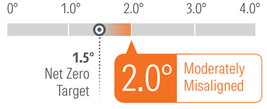
Management

Management Score (1–100)



Net zero alignment

Implied Temperature Rise (°C)



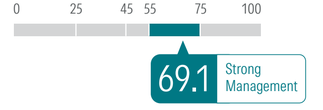
T-Mobile US, Inc. TMUS

Highlights

- T-Mobile has an absolute target to reduce all scope emissions by 55% by 2030 and achieve net zero by 2040.
- Since 2021, the company has derived 100% of its electricity from renewable sources.

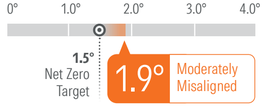
Management

Management Score (1–100)



Net zero alignment

Implied Temperature Rise (°C)



Utilities sector leaders are decarbonizing power generation and building the grid of the future.

Leading companies in the Utilities sector are reducing their own generation of emissions while modernizing and upgrading their transmission grids to facilitate additional renewables and new technologies, allowing them to support the decarbonization of the broader economy.

Utilities Sector Averages		
Management Score (1–100)	39.17	Weak Management
Implied Temperature Rise (°C)	2.55°	Significantly Misaligned

A sector at the core of the energy transition

Utilities are a major source of emissions, with electricity generation responsible for a quarter of global emissions. However, they are also at the forefront of the energy transition, playing a key role in decarbonizing other sectors, such as transportation and heating through electrification. Companies in the sector will have to simultaneously transition their own generation to renewables and other carbon-free sources and modernize transmission grids. This will enable them to handle greater loads, more intermittent power and new technologies, such as grid-scale batteries, consumer-produced power, and electric vehicles, all while ensuring reliability.

Progress continues, despite some impediments

The long-term trends of decarbonization and grid modernization have continued across most jurisdictions, despite short- to medium-term regulatory uncertainty in the US. The price of renewable energy continues to decline, driving growth, especially in Asia throughout 2024 and into 2025. In 2024, 92.5% of new generation came from renewables, globally.[11] Solar continues to lead the way, growing 32% year-over-year, with wind growing 11%. The sudden increase in demand for AI data centers, however, complicates grid modernization.

Long-term vision for decarbonization and grid modernization

In order to meet long-term decarbonization targets, utilities will need to establish aggressive medium- and long-term targets that are integrated with their asset management plans, especially considering that major infrastructure, such as generation facilities and transmission assets, are capital intensive and take years to construct. Leading utilities are driving forward on more advanced grid management planning to accommodate the changing demands that are anticipated to be placed on the grid, collaborating with system operators, regulators, and major consumers, while planning to integrate new technologies as they emerge.

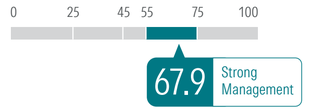
Enel SpA. ENEL

Highlights

- Enel continues to reduce the carbon intensity of its generation fleet (down 36% over the past three years).
- The company is on track to reach carbon neutrality for all scopes by 2040.

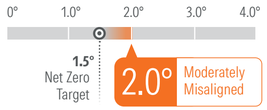
Management

Management Score (1–100)



Net zero alignment

Implied Temperature Rise (°C)

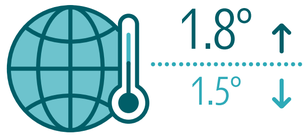


Appendix

Low Carbon Transition Ratings and Related Measures

Morningstar Sustainalytics' flagship climate ratings product provides investors with a science-based forward-looking assessment of public issuers' alignment to a net zero pathway by 2050.

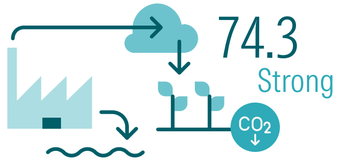
Implied Temperature Rise



The ratings measure the under/overshoot of each issuer's projected (forward-looking) GHG emissions relative to a net zero emissions budget—referred to as their alignment to a net zero pathway.

The alignment is communicated by both the amount of misaligned emissions, as well as the Implied Temperature Rise if the global economy had the same trajectory.

Management Score



This dimension measures a company's handling of its exposure to low carbon transition by assessing its policies, programs, investment alignment, and quantitative performance.

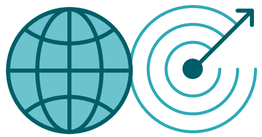
Value at Risk

The potential loss in value that a company may experience due to misalignment with low carbon targets is also expressed as Value at Risk (using IPR and IEA scenarios), underpinned by Morningstar financial data and GHG emissions data.

Morningstar Low Carbon Transition Leaders Indexes

Diversified, broad market exposure to companies leading their sector peers in their readiness for — and action towards — climate transition.

Forward-Looking Metrics



Underpinned by tangible and forward-looking metrics from Sustainalytics, providing a 360-degree view to identify which companies are taking the most action toward aligning with net zero.

Reported Emissions Reduction

Emphasizes companies that report carbon emissions and are reducing their carbon intensity as well as those whose business activities contribute positively to the environment.

Sector Climate Leaders

Delivers diversified broad market exposure through a best-in-class approach that targets companies from each sector with the top Climate Change Leaders scores relative to their peers.

Endnotes

[1] Science Based Targets. 2025. Apparel and Footwear. https://sciencebasedtargets.org/sectors/apparel-and-footwear. Accessed on 26 September 2025.

[2] Green Element. 2022. Sustainability in the Fashion Industry: How To be A Sustainable Fashion Brand. https://www.greenelement.co.uk/blog/how-to-be-a-sustainable-fashion-brand/. Published on 31 May 2022.

[3] "Global Status Report for Buildings and Construction 2024/2025." UN Environment Programme, March 17, 2025. https://www.unep.org/resources/report/global-status-report-buildings-and-construction–20242025.

[4] "Energy Performance of Buildings Directive." European Commission. Accessed September 9, 2025. https://energy.ec.europa.eu/topics/energy-efficiency/energy-performance-buildings/energy-performance-buildings-directive_en.

[5] Hagarty, Kelly. "Top Trends in Decarbonization, ESG, and the Future of Real Estate." Stok, February 20, 2025. https://stok.com/news-insights/top-trends-in-decarbonization-esg-and-the-future-of-real-estate/.

[6] https://www.iea.org/energy-system/buildings/data-centres-and-data-transmission-networks.

[7] https://www.iea.org/news/ai-is-set-to-drive-surging-electricity-demand-from-data-centres-while-offering-the-potential-to-transform-how-the-energy-sector-works.

[8] https://www.itu.int/itu-d/reports/statistics/2024/11/10/ff24-mobile-network-coverage.

[9] Joint Alliance for Corporate Social Responsibility (JAC) is an association of telecom operators with over 30 members.

[10] https://jointallianceforcsr.org/sdc_download/12650/?key=kqnke5v0p89xjq0ps5im1iour2wb9y.

[11] https://www.irena.org/News/articles/2025/Apr/Renewables-in–2024–5-Key-Facts-Behind-a-Record-Breaking-Year

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