



Take control of your scope 3 data

Safety. Science. Transformation.™

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Reducing emissions in a company's supply chain presents a challenge, because emissions occur outside the company's direct control. Out of sight can seem out of mind, but businesses no longer have the luxury of ignoring the environmental impacts of actions such as business travel, landfill waste, and emissions from transporting bought and sold goods.

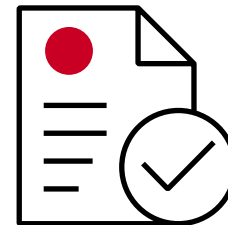
Controlling supply chain emissions requires an in-depth understanding of each scope — its origin, definition and impact. Many organizations have already begun reporting scope 3 emissions, and global urgency to address climate change demands that many more be prepared to do the same.





Identifying and managing scope 3 emissions

To combat climate change at the corporate level, organizations must calculate and track greenhouse gas (GHG) emissions. Under the [GHG protocol](#), corporate GHG emissions are categorized into three scopes. These scopes correspond to emissions owned by a company and the degree to which those emissions can be controlled and measured.



Scope	Emission type	Definition	Examples
Scope 1	Direct emissions	GHG emissions resulting from company-owned or controlled resources and activities.	<ul style="list-style-type: none"> • Stationary combustion • Mobile combustion • Fugitive emissions • Process emissions
Scope 2	Indirect emissions	Indirect emissions from purchased energy sources for own use.	<ul style="list-style-type: none"> • Electricity • Steam • Heat • Cooling systems
Scope 3		Indirect emissions not included in scope 2 that are a result of a company's operations.	<ul style="list-style-type: none"> • Business travel • Waste sent to landfill • Purchased goods and services • Supply chain distribution

Reporting of scope 1 and 2 emissions is mandatory for many organizations worldwide, and these emissions are relatively easy to measure and control. Reporting scope 3 emissions is voluntary and can be more challenging, as it involves sources of emissions external to an organization within the supply chain. However, in most cases, scope 3 emissions represent the greatest GHG impact, and companies must measure and improve them to reach our shared climate targets.

The Scope 3 Standard categorizes scope 3 emissions into upstream and downstream emissions:

- Upstream emissions are indirect GHG emissions related to purchased or acquired goods and services.
- Downstream emissions are indirect GHG emissions related to sold goods and services.

Upstream emissions

- Purchased goods and services
- Capital goods
- Fuel/energy-related activities (not included in scopes 1 and 2)
- Upstream transportation and distribution
- Waste generation in operations
- Business travel
- Employee commuting
- Upstream leased assets

Downstream emissions

- Downstream transportation and distribution
- Processing of sold products
- Use of sold products
- End-of-life treatment of products
- Downstream leased assets
- Franchises
- Investments

These emissions impact industries from different directions. Automotive manufacturers producing gasoline-powered vehicles can expect a substantial amount of scope 3 emissions to derive from downstream emissions (use of sold products). For textile manufacturers, a considerable portion of scope 3 emissions would stem from upstream emissions (purchased goods and services).

Identifying where your scope 3 emissions come from is the first step in addressing them.



The value of reporting

Scope 3 emissions, otherwise known as “supply chain emissions,” **increased 84%** between 1995 and 2015. According to **a 2021 report** by the World Economic Forum and Boston Consulting Group, eight supply chains, the majority of which are dominated by only a few industries, account for more than 50% of global emissions.

These are:



Food



Automotive



Construction



Professional services



Fashion



Electronics



Fast-moving
consumer goods



Freight

“Companies are acting on climate change because they see the benefits. They see the large and growing market of low carbon goods and services, which they want to be a part of. They see that the low carbon option often reduces their costs.”

— Nigel Topping, United Nations Framework
Convention on Climate Change High-Level Champion



But scope 3 reporting is not limited to these industries. Businesses outside these sectors also face increasing pressure from consumers, investors and regulators to comprehensively and transparently account for their emissions. Doing so requires a concerted effort but can position an organization as an industry leader and create a legacy of sustainability.

Scope 3 reporting goes hand in hand with environmental, social and governance (ESG) reporting in establishing a company's viability in adapting to climate change. A Bloomberg Intelligence report predicted global ESG investment would exceed \$53 trillion by 2025, representing more than a third of total projected assets under management.



Meanwhile, a [2021 Forrester survey](#) revealed that 32% of U.S. consumers are expected to prioritize companies actively reducing their environmental footprint, while 68% of highly empowered consumers intend to increase their efforts to identify brands that reduce environmental impact.

With regulations continuing to change, there's no reason to wait and react. Proactively providing sustainability data has never been more important to a company's image — or its bottom line.



Is your business ready to tackle scope 3 reporting?

Take our two-minute self assessment quiz to evaluate your scope 3 emissions and discover your next steps.

“ The creation of sustainable index investments ***has enabled a massive acceleration of capital*** towards companies better prepared to address climate risk.”

— [Larry Fink, CEO, BlackRock](#)



Embracing science-based targets

Understanding the extent of an organization's scope 3 emissions is a crucial step in combating them.

The Science-Based Targets initiative (SBTi) indicates that businesses whose scope 3 emissions account for more than 40% of their total emissions should set ambitious targets for reductions across their value chains. The SBTi also shows companies how much and how quickly they need to reduce GHG emissions to help prevent global temperatures from rising more than 1.5°C above preindustrial temperatures. To do so, collectively we must slash GHG emissions in half by 2030 and drop them to net-zero by 2050.

The private sector has a crucial role to play in this endeavor. As of Sept. 24, 815 companies representing more than \$13 trillion in market capital have united and signed the Business Ambition for 1.5°C commitment.

Sustainability has progressed from an environmental issue to a global, existential business imperative. A report commissioned by the World Wide Fund For Nature found a 71% rise in global online searches related to sustainable goods in the past five years. If organizations wish to survive and stay relevant, they need to not just adopt such commitments and responsibilities, but lead the way.





Challenges and opportunities

Pulling together scope 3 data from partners and stakeholders across a supply chain is no easy task. Each organization will face specific hurdles associated with its operations and business model.



Challenges of scope 3 reporting

- **Gathering data from external organizations**
Most scope 3 data is derived from external sources, such as suppliers. This distinction can make the data collection process challenging.
- **Data reliability**
Assessing data accuracy and reliability across the supply chain can be difficult. Having limited access to data collection methodology can impact reports.
- **Lack of technological processes and know-how**
A uniform approach requires appropriate and consistent data collection and measurement software across the supply chain to ensure accurate results.

Despite these challenges, the benefits outweigh the risks. Businesses can expect a positive return on investment (ROI) by measuring and reducing scope 3 emissions.



As stated by the GHG Protocol, measuring scope 3 emissions helps businesses:

- **Pinpoint and understand both potential liabilities and market opportunities associated with value chain emissions**
 - Mitigate against unstable energy costs and scarcity, shifting regulations and consumer preferences, and scrutiny or reputational risk from stakeholders.
 - Identify opportunities to produce a product with lower GHG emissions.
 - Make better-informed investment and procurement decisions.
- **Identify opportunities, set targets and track performance for reducing GHG**
 - Identify the link in the supply chain creating the highest GHG profile and prioritize reduction efforts there.
 - Set public, credible, attainable scope 3 GHG reduction targets.
 - Quantify and report GHG performance to stakeholders to track progress.
- **Collaborate with value chain partners in GHG management**
 - Encourage suppliers to obtain emissions information and work toward reduction goals
 - Build a common understanding and share GHG accountability, transparency and management in the supply chain.



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- Share their own emissions information to help enable greater transparency in efforts to engage suppliers.
 - By building a scope 3 inventory, identify ways to reduce energy use, costs and risks in the supply chain and avoid future costs related to energy and emissions.


Improve stakeholder relationships and corporate reputation through public reporting

- Improve corporate reputation and accountability through public disclosure.
- Meet the needs of stakeholders (e.g., investors, customers, civil society, governments), enhance stakeholder reputation, and improve stakeholder relationships through public disclosure of GHG emissions, progress toward GHG targets, and demonstration of environmental stewardship.
- Participate in government and NGO-led GHG reporting and management programs to disclose GHG-related information.

High-quality data collection and management help identify opportunities for efficiency measures across the value chain. By identifying energy-efficiency measures, organizations can implement cost-saving strategies while planning for a low-carbon future.

Developing value chain insights is an essential survival tool for businesses to avoid the risks and maximize on the opportunities from a resource constrained future.

— Tom Cumberlege, Associate Director,
[The Carbon Trust](#)

A close-up photograph of several pairs of hands, belonging to people of different ethnicities, gently holding small green seedlings with dark soil. The hands are arranged in a circle, creating a sense of unity and care. The background is softly blurred, showing more hands and seedlings. A large, dark red semi-circular graphic element is positioned on the right side of the image, containing white text.

Finding the right solution

As tough as gathering internal data can be, doing so from external stakeholders with different systems and granularity of information presents a whole new set of obstacles. Defining a clear strategy and identifying the right software will simplify the process, saving both time and energy.

For organizations to efficiently gather qualitative scope 3 data without burdening stakeholders, they must employ technical processes specific to collecting, measuring and managing such data.

To effectively capture and make sense of large quantities of data points, companies must adopt processes and embrace tools that simplify carbon-forward performance reporting.
This is easier said than done.

In practice, such efforts are extremely difficult to manage without expert know-how and the assistance of relevant software that helps streamline the process.

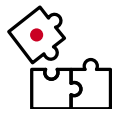


A partner in sustainability

At UL Solutions, we provide sustainability advisory services tailored to each organization. We work closely together to understand your scope 3 challenges, automate data collection and measurement, and specify solutions to drive carbon performance.



We help companies reach their goals through a systematic four-step process:



Discover

- Full exploration of your GHG strategy and GHG reporting requirements
- Performance benchmarking
- Alignment pragmatism, granularity and continuity
- Materiality assessment
- Support in Science-Based Target setting



Define

- Development of the proposed methodology and indicator structure
- Calibration to activity data context (e.g., office, distribution center, store)
- Statement of additional data requirements or data transformations required to execute methodologies and populate indicator structure



Deliver

- Systemization
- Data migration
- User engagement
- Pilot and testing



Drive

- GHG verification
- Continuous improvement and management
- Dedicated consultancy
- Forecasting and scenario modeling

We simplify the reporting process with our [UL 360 Sustainability Software](#), which means you are able to make lasting environmental improvements with simple and comprehensive tools that reflect your business needs.



Ready to help your business become a sustainability leader?

CONTACT US AND SET UP A CALL





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