



Industry guide: Scope 3 emissions reporting for the food and beverage industry



Executive summary

The global food and beverage industry, contributing up to 37% of total annual greenhouse gas (GHG) emissions,¹ faces mounting pressure to run more sustainable business operations, report sustainability data and make progress toward GHG emissions reduction targets. In response to a September 2020 survey of business leaders, employees and consumers conducted by Edelman Data x Intelligence on behalf of The Nature Conservancy (TNC),² 55% of food and beverage industry leader respondents reported increased investments in sustainability processes. Consumer respondents expressed a desire for faster sustainability progress in the food and beverage industry and a willingness to pay higher prices to support sustainability efforts.

Until recently, companies have focused on reporting scope 1 emissions — direct emissions from sources that a company owns or controls (such as furnaces or a fleet of vehicles) — and scope 2 emissions — indirect emissions from the off-site generation of electricity, steam, heating and cooling bought and consumed by the company. However, in recent years, a greater emphasis has been placed on scope 3 emissions

reporting — which includes all other indirect emissions occurring in a company's upstream and downstream value chain and often accounts for more than 70% of the food and beverage industry's emissions. Despite demand for enhanced emissions reporting, only a small minority of food and beverage companies have set public commitments to reducing scope 3 emissions. In the World Benchmarking Alliance's 2021 Food and Agriculture Benchmark,³ only seven of the reporting companies (26 of the world's largest food and agriculture companies) had either a time-sensitive goal of reducing scope 3 emissions by 1.5 degrees Celsius or a goal of achieving net-zero emissions by 2050, in line with the United Nation's targets. Most of these companies are at the very early stages of calculating scope 3 emissions and establishing initial programs with their suppliers. Several features of the food and beverage industry complicate scope 3 emissions calculation, reporting and reduction. In this guide, we provide an overview of challenges, opportunities and developments for food and beverage companies to consider when embarking on their scope 3 emissions reporting journey.

Scope 3 emissions reporting challenges facing the food and beverage industry

Value chain complexity

Food and beverage companies' value chains are broad and complex, often relying on different suppliers for ingredients, packaging, distribution and more. This complexity means that food and beverage companies need to be able to influence and support the suppliers' efforts to transform their practices in a pragmatic and agile way.

Lack of knowledge and resources

Food processing companies, often with their own consumer brands, face demands from upstream business customers (such as retailers, wholesalers and restaurants) for data and progress while also making their own demands downstream. However, many firms lack dedicated sustainability teams. This can make it difficult for a company to make progress on its initiatives and meet compliance requirements, potentially damaging consumer trust, affecting supplier scores, and reducing business potential with retailers and brands. Failure to report data can result in products being removed from shelves.

Reporting complexity

Because there are various approaches to measuring carbon emissions, determining a company's carbon footprint can be an inefficient and confusing process that puts a large burden on companies and often leads to a lack of trust in the reporting data.

Complicated downstream emissions data

Capturing downstream emissions — that is, emissions incurred after the food or beverage lands on the retailer's shelf — is extremely complex and often unreliable. Reliable quantitative data cannot be captured without an overarching surveillance program.





Opportunities for food and beverage companies to improve scope 3 emissions reporting and reduction

Collective, consistent, consolidated efforts

Engaging in collective efforts to encourage consistent scope 3 data collection and reporting methodologies may boost supplier cooperation. If suppliers know what to expect and understand that the request for data will be coming from their top customers, they may be more motivated to adapt.

In light of increased expectations to report and reduce scope 3 emissions, some food and beverage companies with historically large supply networks have consolidated their suppliers so all their energy and resources aren't spent on due diligence, leaving them with no resources available to fix the problems they uncover.

Agricultural supply chain education and accountability

Through education and accountability, food and beverage companies can support their agricultural suppliers' journey to reduce and offset emissions. This involves gathering data from the supplier and showing the current

emissions status, educating the supplier on best practices to reduce emissions while increasing productivity and net income, and then placing emissions-reduction demands in suppliers' contracts. Agricultural practices that help reduce and offset emissions include:

- Regenerative agriculture – farming practices that help improve and protect soil health and biodiversity.
- Methane mitigation – the use of optimized animal feed, manure management, cover crops and biological sinks.
- Enhanced efficiency fertilizers – fertilizer formulations designed to reduce nutrient losses to the environment and increase nutrient availability to crops.
- Carbon sequestration – the use of geological, biological or technological means to capture and store carbon so it is removed from the atmosphere.

Developments in scope 3 guidance and protocols

WRAP Scope 3 GHG Measurement and Reporting Protocols for Food and Drink Businesses

The Waste and Resources Action Programme (WRAP) and the World Wide Fund for Nature (WWF) have collaborated with eight major retailers in the U.K. — Aldi, Co-op, Lidl, M&S, Morrisons, Sainsbury's, Tesco and Waitrose — to standardize food and beverage industry GHG emissions reporting. As mentioned before, the current absence of a standardized reporting methodology places an undue burden on the supply chain and weakens the confidence and trust in environmental sustainability reporting data. WRAP developed its Scope 3 GHG Measurement and Reporting Protocols for Food and Drink Businesses in 2022 and will pilot these protocols with 17 food and beverage businesses in 2023. The standardization of protocols helps remove a sizeable obstacle for the food and beverage industry to meet emissions reduction targets.

SBTi FLAG Guidance

The Science Based Targets initiative (SBTi) supports private-sector organizations to set science-based emissions reduction targets. The SBTi created its Forest, Land and Agriculture (FLAG) Guidance as the world's first standard method for companies in land-intensive sectors — such as food and beverage — to set science-based targets, including land-based emission reductions and removals.

The FLAG Guidance can seem a complex and daunting method to introduce into your carbon strategy. With the right data processes focused on materiality and with the right stakeholder engagement, this guidance can be easier to adopt.



Sustainability data reporting software and services from UL Solutions

Efficient and effective data gathering and reporting is the foundation for the food and beverage industry’s sustainability journey. Meaningful, reliable data helps companies meet their investors’, clients’ and regulators’ demands while underpinning company action and progress.

UL 360 supports food and beverage companies’ efforts to gather, measure, report and act on key sustainability and environmental, social and governance (ESG) data across their organizations while aligning with frameworks such as Carbon Disclosure Project (CDP), Sustainability Accounting Standards Board (SASB), Global Reporting Initiative (GRI), Dow Jones Sustainability Indices (DJSI) and the UN.

Our advisory services can help you understand where materiality lies in your value chain, what standards and guidelines are important, and how to optimize your stakeholder engagement and data efficiency processes. This, in turn, helps you optimize your use of reporting software.

Some of the largest global food brands trust our investment-grade non-financial reporting software for their own reporting needs and their supply chain. Whether you’re just starting your sustainability journey or are already an established reporter , we can help you choose the right software to meet your needs.

1

Mobilize

Establish and optimize your ESG programs

2

Measure

Implement robust systems for measuring ESG performance

3

Manage

Drive continuous improvements on your ESG key performance indicators (KPIs) and goals

4

Report

Streamline and enhance your ESG disclosure and reporting

5

Assurance

Independent verification of key ESG KPIs

Advisory	●	●	●	●	
Software		●	●	●	
Assurance					●

Visit [UL.com/360](https://www.ul.com/360) to learn more about our **ESG and Sustainability Reporting Software**.

Endnotes

1. <https://www.sciencedirect.com/science/article/pii/S2666791621000026>
2. <https://www.nature.org/en-us/what-we-do/our-insights/perspectives/food-industry-market-analysis-green-recovery/>
3. <https://www.worldbenchmarkingalliance.org/publication/food-agriculture/>



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