Article 5: Understanding Scope 3 — The Carbon Footprint Beyond Your Own Operations

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Scope 3 Emissions : But that is also why it is so valuable.

For many businesses, the biggest share of emissions does not come from their office, factory or company vehicle. It sits across the wider value chain.

That is the challenge — and importance — of Scope 3 emissions.

In earlier articles, we looked at the basics of carbon accounting, especially Scope 1 and Scope 2. Those are usually the starting point because they relate to emissions from a company's own operations and purchased electricity.

But they are only part of the picture

For many businesses, the larger carbon footprint lies outside direct control — in purchased materials, transport, outsourced services, employee travel, product use, waste, and even investments. That wider footprint is what Scope 3 is designed to capture.

In Article 6, we will bring this to life through a manufacturing company example, showing how selected Scope 3 categories can be identified, derived and calculated in practice

What is Scope 3?

Scope 3 refers **to indirect emissions across a company's value chain**, both upstream and downstream.

In practical terms, these are emissions linked to activities that support the business, even though they do not arise from sources the company owns or directly controls.

That includes what a company buys, how goods and services move, how employees travel, what customers do with the company's products, and what happens at the end of a product's life.

This is why Scope 3 matters so much

The 15 Scope 3 categories- GHG Protocol Corporate Value Chain

The internationally recognised reference for Scope 3 is the GHG Protocol Corporate Value Chain (Scope 3) Standard. It sets out 15 categories, grouped into upstream and downstream activities

A. Upstream categories

These relate to activities before a product or service reaches the market:
Purchased goods and services
Capital goods
Fuel- and energy-related activities not included in Scope 1 or Scope 2
Upstream transportation and distribution
Waste generated in operations
Business travel
Employee commuting
Upstream leased assets

B. Downstream categories\

These relate to activities after the product or service leaves the company:
Downstream transportation and distribution
Processing of sold products
Use of sold products
End-of-life treatment of sold products
Downstream leased assets
Franchises
Investment

Not every category will apply to every company

A manufacturer may focus on raw materials, packaging, transport, waste and product use.
A service-based business may be more exposed to purchased services, employee commuting, business travel, data hosting or leased offices.
A financial institution, on the other hand, may find that Category 15: Investments is one of the most important areas.

The key is not to force all 15 categories into the analysis. The key is to identify which ones are actually relevant to the business model

How Scope 3 is derived and calculated

At a basic level, Scope 3 still follows the same core carbon accounting formula:

Emissions = Activity Data × Emission Factor

This means a company first gathers data on an activity, then applies an emission factor to convert that activity into carbon dioxide equivalent (CO_2e).

For example:

- tonnes of material purchased can be converted into emissions using the relevant material factor.
- kilometres travelled for flights can be converted using air travel emission factors.
- tonnes of waste sent to landfill or recycling can be converted using waste treatment factors.
- third-party transport activity can be estimated using fuel use, distance or tonne-kilometres, depending on available data.

What to include

The challenge with Scope 3 is that the data often sits outside the business itself.

It may be held by suppliers, logistics providers, contractors, landlords, waste managers or customers.

That is why Scope 3 often begins with estimates, screening assumptions or spend-based methods before becoming more refined over time.

So businesses should not think of Scope 3 as a perfect-data exercise from day one.

It is better to begin with the most relevant categories, apply a reasonable method, document the assumptions, and improve the quality of the data over time.

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The key standards behind Scope 3

Although the 15 categories are defined by the GHG Protocol, Scope 3 reporting is supported by a wider ecosystem of standards and organisations.

Understanding these roles is useful because businesses often hear the names but are not always clear on who does what.

1. GHG Protocol

This is the main global reference point for Scope 3.

Developed by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD), the GHG Protocol provides the standard definition of the 15 Scope 3 categories and the accounting framework used by companies around the world.
In simple terms, this is the foundation.

2. Science Based Targets initiative (SBTi)

SBTi does not define the 15 categories, but it becomes important when a company moves from measurement to reduction.
Its role is to help companies set credible emissions reduction targets that align with climate science. Where Scope 3 forms a significant portion of total emissions, SBTi expects companies to address it in target-setting

So, while the GHG Protocol helps a company measure Scope 3, SBTi helps guide what the company should do next.

3. PCAF

For financial institutions, PCAF plays a particularly important role.
PCAF provides the leading global framework for measuring financed emissions, which are most closely associated with Scope 3 Category 15: Investments.

For banks, lenders, investors and asset managers, this can be one of the most material areas of carbon exposure.

4. ISO 14064-1

ISO 14064-1 aligns broadly with the principles of good greenhouse gas accounting and reporting. It does not replace the GHG Protocol's 15-category structure, but it is often viewed as a more structured and **assurance-friendly framework** for organisations that want a stronger reporting and verification approach across all scopes.

5. CDP

CDP is one of the main channels through which companies disclose climate-related information to investors and stakeholders.
In practice, CDP reporting on Scope 3 is built around the GHG Protocol categories. It is one of the main platforms through which Scope 3 information is disclosed to the market.

Why this matters for businesses

Scope 3 is not just a reporting matter

It affects procurement, supplier engagement, logistics planning, product design, customer expectations, financing conversations and transition strategy.

It can also reveal risks and opportunities that do not appear when a business looks only at its own premises and electricity bill.

That is why more companies are being asked to understand value chain emissions — not because every business must suddenly measure everything at once, but because value chain exposure is becoming more relevant to customers, investors, large buyers, regulators and financing institutions.

Where businesses should start

The best place to begin is with a practical screening exercise.

Ask:

- What do we buy in significant quantities?
- Who transports our goods?
- Do employees travel regularly?
- Do we rely on leased assets or outsourced operations?
- What happens when customers use or dispose of our products?
- Which parts of the value chain are most likely to carry emissions?

From there, a business can identify the categories most relevant to its operations, gather available data, apply suitable emission factors, and build a first estimate.

That first estimate does not need to be perfect.
It needs to be reasonable, transparent and capable of improvement.

Final thought

Scope 3 often feels complex because it stretches beyond the company's own walls.
But that is also why it is so valuable.

It helps businesses see the carbon impact of their **wider value chain** — not just what they burn or buy directly, but what sits behind procurement, transport, services, product use and investments.

For many businesses, that is where the real carbon story begins.

In Article 6, we will bring this to life through a manufacturing company example, showing how selected Scope 3 categories can be identified, derived and calculated in practice