



# SCOPE 3 : IN PRACTICE

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## OVERVIEW

In Article 5, we introduced the 15 Scope 3 categories. The next question is the practical one: how does a company actually deal with them, and how are they calculated?

This is where many businesses feel overwhelmed. Scope 3 sits outside a company's direct operations, so the data is often less visible, less structured and spread across suppliers, logistics providers, customers and even end-of-life treatment.

# START WITH VALUE CHAIN, NOT THE SPREADSHEET

For many companies, Scope 3 is where the biggest part of the carbon footprint sits, and where the biggest reduction opportunities may be found.

The GHG Protocol's Corporate Value Chain (Scope 3) Standard remains the main global reference for accounting across all 15 categories, while its companion Calculation Guidance is designed to help companies work through the methods category by category



## GHG PROTOCOL: SCOPE 3 CATEGORIES

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

## DOWNSTREAM ACTIVITIES

- These relate to activities after the product or service leaves the company:
  1. Downstream transportation and distribution
  2. Processing of sold products
  3. Use of sold products
  4. End-of-life treatment of sold products
  5. Downstream leased assets
  6. Franchises
  7. Investment

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# UPSTREAM SIDE

On the upstream side, that means asking what the business buys, how those goods and services are transported, what waste it generates, how employees travel, and whether leased assets or capital goods are material.

On the downstream side, it means looking at how products are distributed, used, processed, disposed of, and whether there are franchises, leased assets or investments that create emissions beyond the company's own walls. The GHG Protocol organises this into 15 categories precisely so companies can map emissions across the full corporate value chain rather than just their own sites and purchased electricity.

## NOT EVERY CATEGORY WILL MATTER EQUALLY

The 15 categories give a complete structure, but that does not mean every category will be equally material for every business. A software firm and a steel manufacturer will not have the same Scope 3 profile. A bank will look very different again, especially because financed emissions sit under Category 15: Investments and are usually assessed using PCAF guidance for financial institutions. PCAF's current financed emissions standard is designed specifically for Scope 3 Category 15, and its first edition was reviewed by GHG Protocol as conformant for investment activities under that category.

## SO, THE FIRST REAL JOB IS TO SCREEN FOR RELEVANCE

1. Which categories are likely to be the largest?
2. Which categories are most connected to our business model?
3. Where do we have influence?
4. Which categories are likely to matter to customers, regulators, lenders or investors?

## GHG PROTOCOL GUIDANCE

GHG Protocol guidance also points companies toward prioritising data collection on activities expected to have the most significant emissions, the greatest reduction opportunities, and the strongest relevance to business goals



### GOALS

make Scope 3 accounting more accessible prioritising data collection on activities expected to have the most significant emissions



### GUIDANCE

recognises that companies may use different methods depending on data availability



### RELEVANCE/MATERIALITY

relevance and the greatest reduction opportunities

## SCOPE 3: FIRST ESTIMATE, THEN IMPROVE

Most companies do not begin with perfect supplier data. They begin with a screening exercise using available finance, procurement, travel, logistics and sales data. That first pass helps identify hotspots. Once hotspots are clear, the company can improve those categories using better activity data, supplier-specific information, product-level data or more refined emission factors.

**“Emissions = activity data × emission factor”**

**GHG Protocol’s** own Scope 3 Evaluator is described as a tool for a rough initial approximation, which reinforces the point that companies often start with a practical estimate before moving to better-quality data

### The basic calculation logic is simple

At its core, Scope 3 still follows the same carbon accounting logic used elsewhere

Emissions = activity data × emission factor

For Scope 3, activity data might be:]

- tonnes of raw material purchased,
- money spent on a purchased service,
- kilometers travelled,
- hotel nights,
- tonnes of waste sent to landfill,
- units of product sold,
- lifetime electricity use of a sold product,
- or the proportional share of emissions linked to an investment

The challenge is not the formula. The challenge is choosing the right activity data and the right method for the category. GHG Protocol’s Calculation Guidance exists for exactly this reason

## The Main Methods Company Can Use:

For categories, example **Purchased Goods and Services**, GHG Protocol recognises several possible methods, including supplier-specific, hybrid, average-data, and spend-based methods.

Supplier-specific and hybrid approaches are more tailored to the actual supplier, while average-data and spend-based methods rely more on secondary data such as industry averages or environmentally extended input-output factors.

This gives companies a practical ladder of maturity:

- ❖ Spend-based is usually the fastest starting point.
- ❖ Average-data is better when quantity data is available.
- ❖ Supplier-specific is stronger when suppliers can provide primary emissions data.
- ❖ Hybrid is often the most realistic approach for mature inventories, because some parts of the category will have primary data and others will still need secondary estimates

## What this looks like in practice

### Purchased goods and services

This is often the **biggest category for manufacturers**, retailers and many service businesses.

A company can calculate this using:

- ❖ quantity purchased × cradle-to-gate emission factor, or
- ❖ amount spent × spend-based emission factor, or
- ❖ supplier-specific product or corporate emissions data where available.

A manufacturer buying steel, plastic resin or packaging may use weight-based activity data.

A professional services firm may begin with spend-based estimates for outsourced services, cloud services, office purchases or contracted support.

If purchased goods dominate

**Then procurement and supplier engagement become the lever**

That may mean asking key suppliers for emissions data, preferring lower-carbon materials, increasing recycled content, or building climate criteria into sourcing decisions

## Scope 3: It becomes a strategy exercise

This is also where SBTi becomes important.

Under SBTi's current criteria, if a company's Scope 3 emissions are more than 40% of its total emissions, it must set Scope 3 targets covering at least 67% of Scope 3 emissions, often through supplier engagement targets and/or direct reduction targets.

If transport and logistics are the hotspot, then route optimisation, load efficiency, modal shift, local sourcing and logistics partner engagement become part of the decarbonisation plan.

If business travel is material, then travel policy, virtual meeting substitution, rail-over-air decisions and better hotel choices may matter. If use of sold products dominates, then the real answer may lie in product redesign, energy efficiency, durability or changing the way the product is used by customers.

In other words, Scope 3 is not just a reporting exercise. It becomes a strategy exercise.

## A sensible approach for companies starting out

For businesses beginning their Scope 3 journey, the most sensible sequence is usually:

- ❖ First, map the value chain.
- ❖ Second, screen all 15 categories for relevance.
- ❖ Third, estimate the likely hotspots using available internal data.
- ❖ Fourth, improve the biggest categories with better activity data and supplier engagement.
- ❖ Fifth, use the results to drive operational and commercial decisions

That is far more practical than waiting for perfect data.

The GHG Protocol itself emphasises that the goal is to make Scope 3 accounting more accessible, and its guidance recognises that companies may use different methods depending on data availability, category relevance and the level of precision required.

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# FINAL THOUGHTS

Scope 3 can look intimidating because it stretches across the whole value chain. But the underlying logic is not mysterious. Start with the business

model. Identify the categories that matter. Use the best available data. Apply the right method. Then improve the footprint where the hotspots are.

That is how Scope 3 should be approached: not as an impossible exercise in perfection, but as a structured way to understand where the real carbon exposure sits and where real action can begin.

One final caution: the GHG Protocol says the Scope 3 Standard is designed primarily to help a company track its emissions over time, not to support simplistic comparisons between companies, because results can differ based on methodology, data and company structure. That is why consistency, transparency and steady improvement matter so much