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cority sustainability cloud

Guide

Scope 3 Emissions Reporting & Where to Start

empower better tomorrows

Table of Contents

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Chapter 1

Introduction

Do you currently calculate and report on your Scope 3 emissions?

17.12% Yes, we've been reporting Scope 3 emissions for years

18.49% Yes, we've just started to measure Scope 3 emissions

38.36% Yes, but not all (e.g. just business travel)

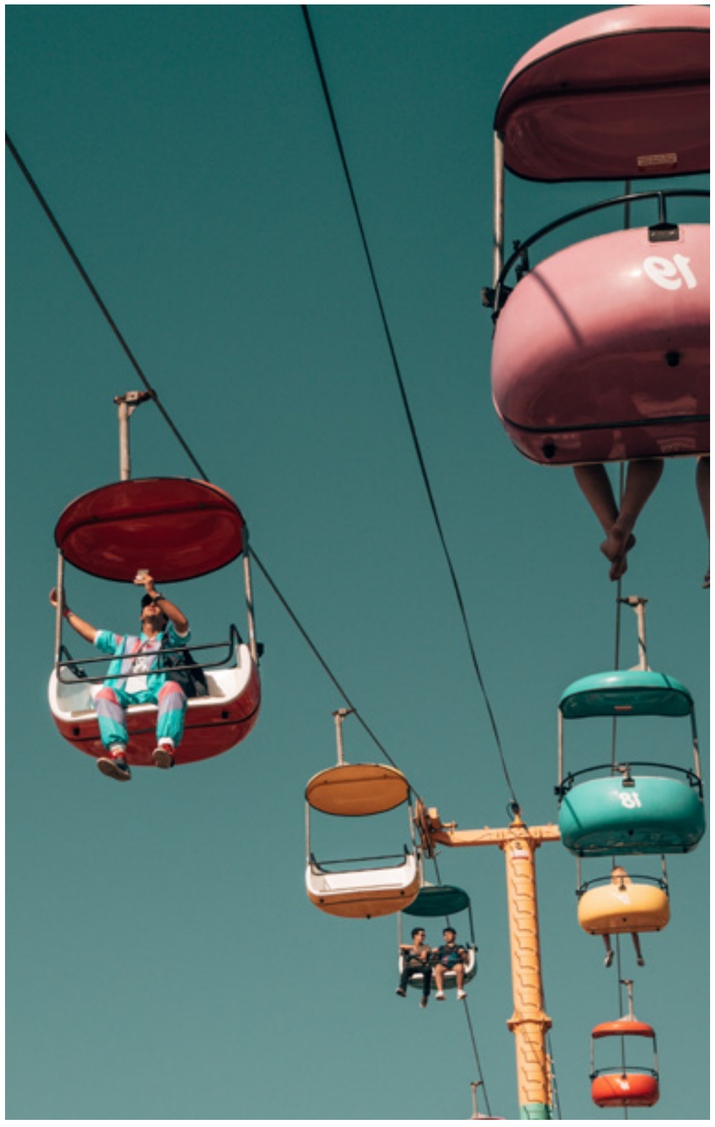
23.97% No, but we are looking at starting to report on them

02.05% No, we are not considering reporting our Scope 3 emissions

This guide is designed to help sustainability professionals, responsible for sustainability and Environmental, Social and Governance (ESG) reporting for their organisation, to better understand Scope 3 emissions and how to start reporting in this area.

Scope 3 emissions, also known as value chain emissions, are indirect Greenhouse Gas (GHG) emissions both upstream and downstream of an organization's main operations. This usually means all of the emissions a company is responsible for outside of its own operations—from the goods it purchases to the disposal of the products it sells.

In the past, organizations have typically focused on monitoring and documenting Scope 1 and 2 emissions since they are relatively easy to interpret and data is readily accessible. However, due to a large number of organizations involved, complex logistical obligations, and of course product use and disposal, it is often the case that Scope 3 emissions are by far the largest proportion of an organizations' carbon footprint. Yet, they are also the area over which businesses have the least control and have the most difficulty quantifying.



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Chapter 2

The Difference Between Scope 1, 2 & 3 Emissions

The GHG Protocol classifies a company's GHG emissions into three categories or 'scopes', to unify reporting and accounting of emissions worldwide:

Scope 1 emissions: Covers all direct emissions from owned or controlled sources, such as energy consumption, fuels, vehicles, etc.

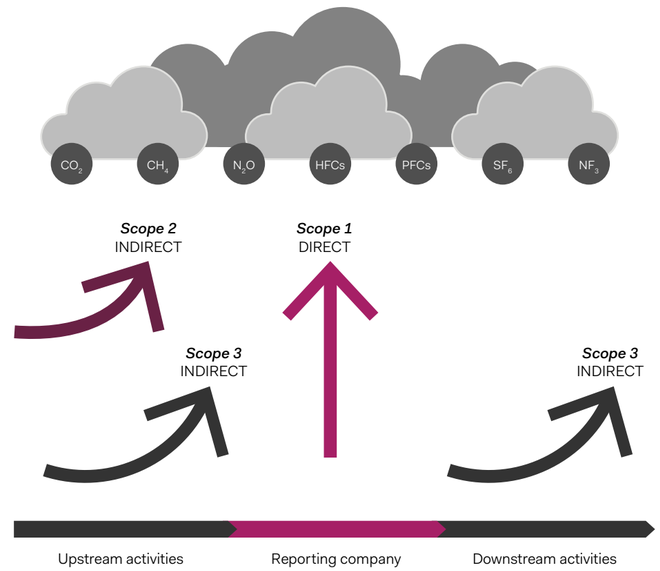
Scope 2 emissions: Covers indirect emissions from the generation of purchased electricity, steam, heating, or cooling energy consumed by the company.

Scope 3 emissions: Covers all indirect emissions that occur in the value chain of the reporting company, meaning that the emissions are out of the company's operational control, including both upstream and downstream emissions. As Scope 3 emissions are the result of activities from assets not owned by the company, one company's Scope 3 emissions may originate from another company's Scope 1, Scope 2 or even Scope 3 emissions.

Under the Greenhouse Gas Protocol guidance, Scope 3 emissions are split into 15 categories. This is done to help businesses identify which activities are relevant to them, break down how they might more easily collect the data, and inform the reporting and management of calculated emissions.

Upstream	1. Purchased goods and services 2. Capital goods 3. Fuel and energy related activities 4. Upstream T&D 5. Waste generated in operations 6. Business travel 7. Employee commuting 8. Leased assets
Downstream	9. Downstream T&D 10. Processing of sold products 11. Use of sold products 12. EOL treatment of sold products 13. Downstream leased assets 14. Franchises 15. Investments

GHG Emissions by Scope 1-3 Categories



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Chapter 3

What is Driving The Requirement For Scope 3 Reporting?

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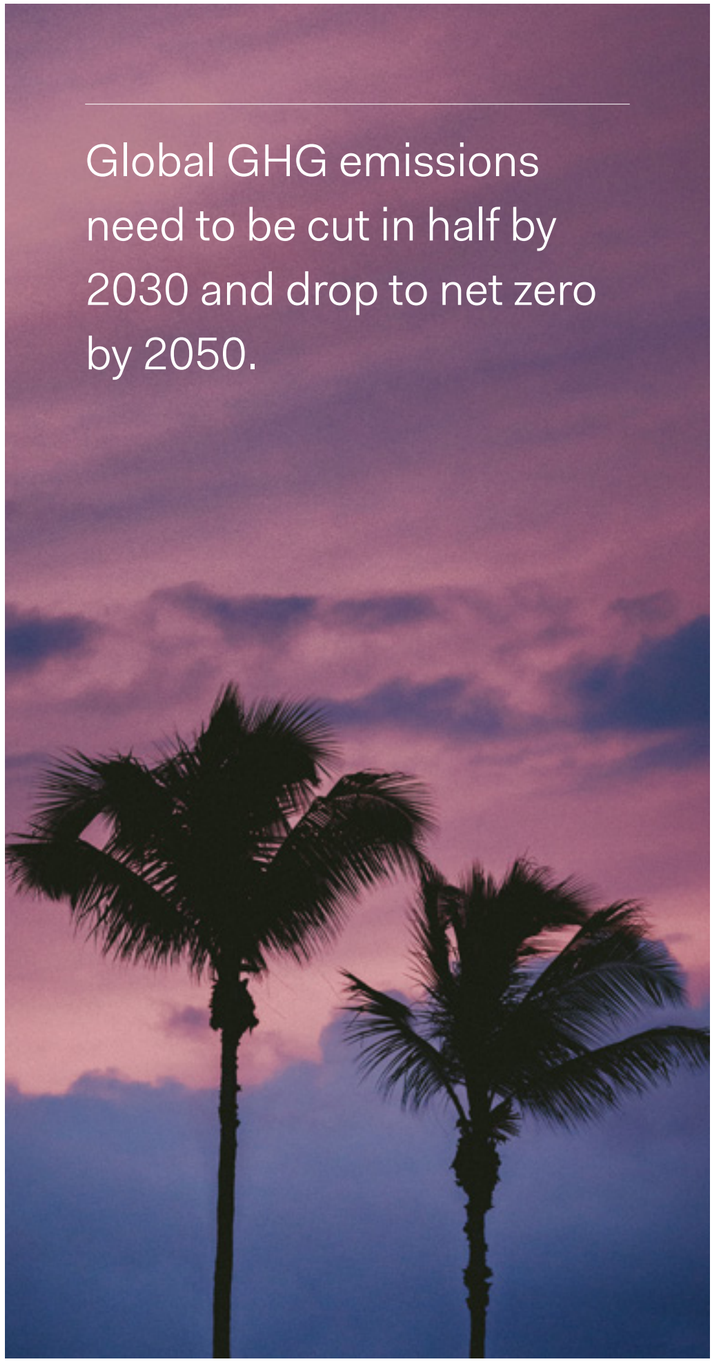

There are numerous reasons beyond the urgent need for rapid global decarbonization that are driving organizations towards more accurate Scope 3 emissions disclosure. Three of the key drivers are CDP reporting, Science-Based Targets (SBTs), and Net Zero pathways.

CDP has continued to update its Climate Change Questionnaire, reinforcing the importance of disclosing a low-carbon transition plan. This disclosure encourages investors and other stakeholders to evaluate whether a company is adapting its business model for success in a net-zero economy, and this strategy cannot be complete without a robust approach to understanding and reporting Scope 3 emissions.

It has also refined existing questions relating to SBTs and net-zero targets, which remain key drivers in improving Scope 3 reporting, with companies scoring more highly for setting these targets. This is in addition to CDP's continued requirement to disclose Scope 3 emissions and demonstrate an appropriate approach to assessing material Scope 3 categories.

As of early 2025, over 10,889 companies across regions and industries have set emissions reduction targets grounded in climate science through the Science Based Targets initiative (SBTi). Of these, 7,376 companies have validated targets, 1,623 have set net-zero targets, and 3,055 have active commitments. This number continues to grow steadily. To align with the Paris Agreement and reach the goal of limiting global temperature rise to well below 2°C, global GHG emissions must be cut in half by 2030 and drop to net zero by 2050. If Scope 3 emissions account for more than 40% of a company's total emissions, the SBTi requires the organization to set a target to cover this impact. The latest updates to the SBTi Corporate Net-Zero Standard also emphasize the role of neutralization, reinforcing the need for a credible long-term emissions reduction plan.

Net zero goals demand similarly long-term and well-defined emission reduction pathways.
In order to be able to achieve net-zero goals, organizations need to not only disclose and understand their Scope 3 emissions, but they also need an accurate approach that enables them to actually reduce these emissions. For example, estimated Scope 3 emissions based on spend datasets (such as invoices or bills) mean that the only way to reduce the emissions is through a reduction in spending.

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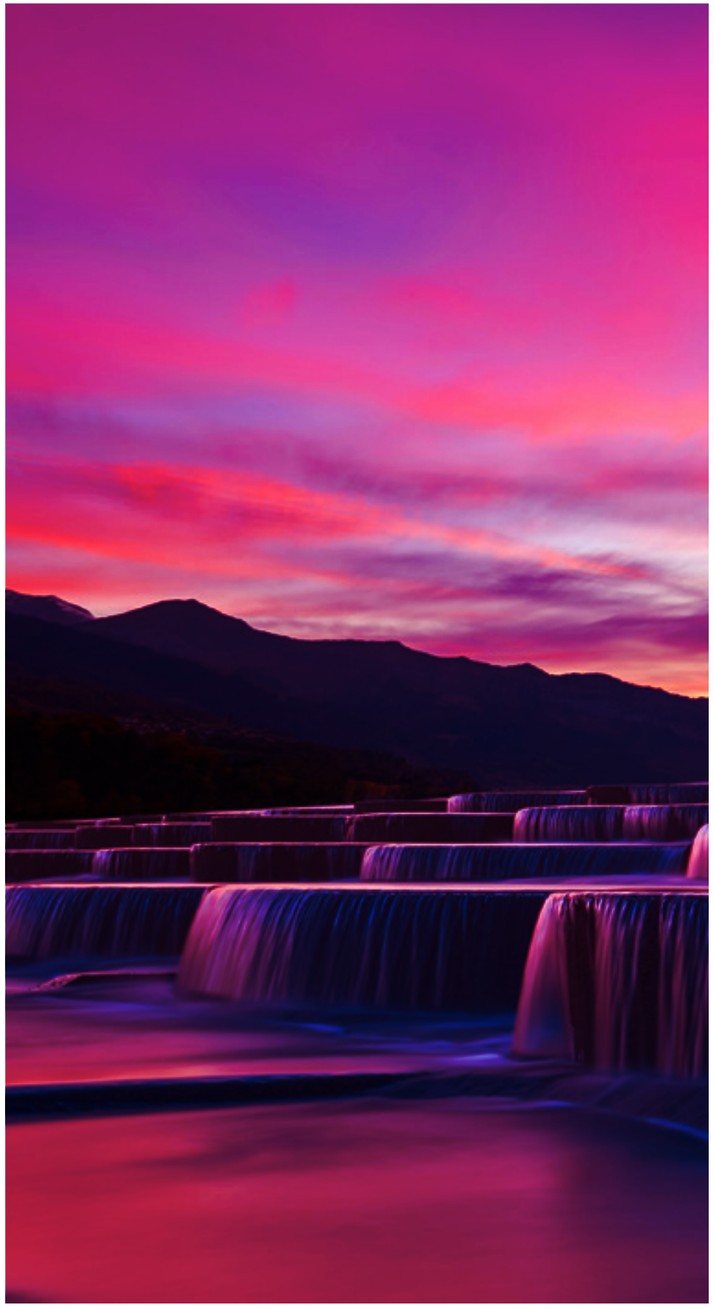
In addition to the need to set and track against long term emission reduction targets aligned with science, there are also growing demands from multiple stakeholders (including investors, customers and employees) for organizations to report on Scope 3 emissions. Most global sustainability reporting frameworks and ratings now reflect this trend and have a significant focus on Scope 3 reporting and target setting. For example, both GRI and CDP have increased the scope of Scope 3 transparency standards, ensuring businesses address all of their impacts, including the indirect ones.

"Optimism is the most important human trait because it allows us to evolve our ideas, to improve our situation, and **to hope for a better tomorrow."**

Seth Godin



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Chapter 4

Challenges Companies Might Face When Reporting Scope 3 Emissions

Scope 3 emissions are typically outside the direct control of an organization therefore, accessing data and accurately calculating the associated emissions is a significant challenge. In addition, the value chain itself is likely to be global and extremely complex, further exacerbating the difficulty in communicating with the relevant stakeholders effectively, let alone collecting accurate data to calculate carbon emissions.

Communication, collaboration, and shared goals are key to achieving successful Scope 3 disclosure. However, even if you have a high level of buy-in, both up and down the value chain, there are still complexities around the data itself and the methodologies used to calculate emissions. For example, understanding the proportion of emissions from a supplier that relate to the goods or services that you purchase, or balancing the need between acceptable assumptions and the need for accurate primary data.

In a recent survey, Cority found that nearly 40% of 287 reporting companies said that they considered the availability of Scope 3 category data to be their biggest challenge when it comes to measuring Scope 3 emissions.

There are several hurdles companies can come across when it comes to the measurement and reporting of Scope 3 emissions. Each business and organization will face very specific challenges for them, but some of the most common ones include:

Reliability of data

Most of the data associated with Scope 3 emissions need to be accessed from sources external to your organization (e.g. suppliers), which can make data collection more challenging.

Tip – It's important to have a system or process in place where you can engage the relevant suppliers and understand what emissions data they have available and how this relates to your relationship. An appropriate method of calculation or estimation can then be defined accordingly.

What do you consider to be your biggest challenge when measuring your Scope 3 emissions?

- 05.59% Relating the Scope 3 categories to my orginazation
- 19.25% Engaging with external stakeholders
- 18.63% Finding the right emissions factors for calculation
- 39.75% Availability of Scope 3 category data
- 16.77% Reliability of Scope 3 category data

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Value-chain specific emission factors

The emissions calculation process for specific emission factors can be challenging, especially when suppliers are not able to provide primary data. Emissions factor selection will depend on the Scope 3 category, the type of data you will be able to collect, as well as the nature of your company. It can be a combination of:

- National location-based methodologies vs. supplier-specific
- Supply chain spend / Environmentally Extended Input-Output Analysis (EEIO) / Product Life Cycle Analysis (LCA)

Tip: Use a software solution to automate the data collection and emissions calculation process. As there are a lot of steps and parties involved, this can help make Scope 3 reporting simpler. Cority's software has a continuously updated database of 1million+ emissions factors that are selected automatically so users don't have to worry about selecting the right one, or understanding what factors have been applied to their data.

Supplier coverage

Value chains can be complex so, reaching out and engaging with all suppliers to collect data could be a daunting task, depending on the relationships and contact information you have.

Tip: Be strategic in your engagement. For example, start with your Tier 1 suppliers when it comes to data collection. Generally, these are the suppliers that represent the biggest emissions impact and those that you will get the most engagement from. Also, before requesting actual emissions data, first, understand your supplier's current maturity in this regard. This will inform whether primary data can be gathered (e.g. through a GHG calculation wizard) and what kind of support you may need to provide the supplier.

Not all 15 categories are relevant

There is no "one size fits all" approach for Scope 3, which can be complicated and may take longer to understand what applies to your business.

Tip: It's essential to first map out which emissions categories, suppliers, and data types within each category you will report before you start to embark on data collection. Cority provides this service through partner organizations as part of our standard implementation process.

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Chapter 5

How Software Can Enable Scope 3 Reporting

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Through its award-winning software solutions and client support team of reporting experts, Cority enables its clients to accurately calculate and report on all 15 Scope 3 categories. Cority's suite of sustainability, ESG, and supply chain software solutions provide integrated emissions calculations in line with the GHG Protocol (from Cority's emission factor library of over 1 million emission factors) to ensure clients have an accurate and responsive Scope 3 emissions inventory.

Sustainability Performance Management

Cority's sustainability performance management, enables GHG emission calculations across an organization's complete Scope 1, 2, and 3. Users can upload data from any category and automate the calculation process. All 15 Scope 3 categories can be tracked against long-term targets in the environment module and emissions data can be directly pulled in from both suppliers and investments.

Supply Chain Sustainability

Cority's sustainability supply chain solution, enables organizations to distribute questionnaires and carbon 'wizards' to their suppliers to enable them to calculate their carbon footprint and report this data back to the buyer. This emissions data can then be automatically included in the reporting organization's overall Scope 1, 2, and 3 footprints for management, target setting, and performance tracking.

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Chapter 6

4 Key Steps To Starting Your Scope 3 Emissions Reporting Journey

After covering the basics of Scope 3 emissions and why they are important, let's now extend on the core steps and useful tips that can make your Scope 3 emissions reporting journey less daunting.

The following 4 steps apply to organizations and businesses that are either in the beginning stages of the journey or have been reporting on Scope 3 emissions for some time.

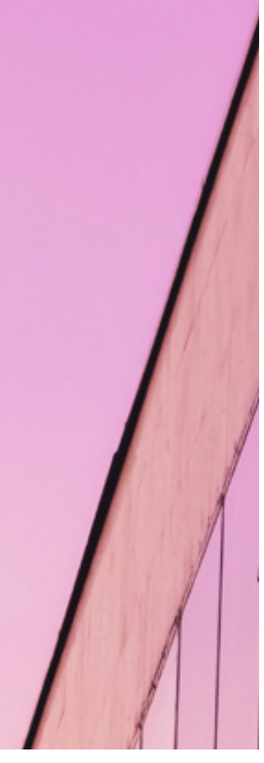
1. Identify relevant Scope 3 categories and review your current data collection

- Focus on the material impact areas by undertaking an initial Scope 3 screening that will help you identify where the hotspots are in your value chain.
- Map the material categories across your value chain. At this point, you should be able to identify who is involved in each category (e.g. suppliers, customers).
- Review your current (if any) data collection processes in these categories and identify any data gaps.

2. Determine method for data collection

- Once you have identified your boundaries for Scope 3 reporting, you will now have to plan which method you will use to collect your data.
- Decide whether it's feasible to collect primary data from your suppliers. You may already be collecting some of the required data already.
- If primary data is not available from the suppliers themselves, secondary data can be used to plug the gaps.
- Using a software solution to manage or even automate the data collection process will reduce time and resource commitments and will underpin a scalable process.

"Across jurisdictions, regulators are finalizing new rules that will **require companies to disclose information on their ESG footprint** in their annual reports and mainstream regulatory filings."



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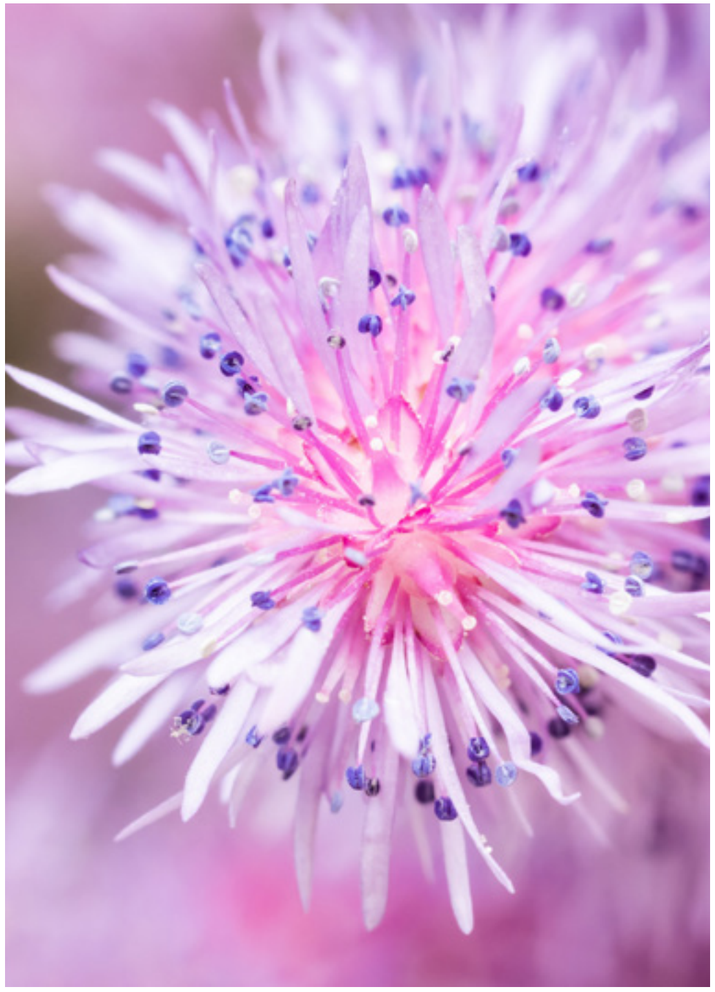
3. Calculate emissions

- Each Scope 3 category can require different emission factors and/or calculation methods, depending upon what information is available.
- Utilizing software for calculating and managing Scope 3 emissions in the supply chain will enable reporting organizations to engage more effectively with larger numbers of suppliers and simplify the process of emissions reporting.
- Cority's software solutions include a library of over 1 million emission factors for automatic calculations across all Scopes and categories. Users can also upload and use any additional custom factors as required.

4. Track progress against targets over time

- Once your Scope 3 emissions have been calculated, this data can be presented to stakeholders, used in your annual reports, and included as part of submissions to investor requests such as CDP and SASB. However, it also important that this data is visualized and tracked over time.
- Cority's dedicated Scope 3 Category dashboard provides a clear breakdown of emissions across all 15 GHG Protocol Scope 3 categories.
- Track and monitor performance against your science-based targets, net zero targets and any other emissions or consumption targets on Cority's dedicated targets dashboard.
- Emissions, consumption, and cost reductions from your initiatives can be tracked against targets at all levels of the organization through the award-winning initiatives savings module..



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From circular economy initiatives to carbon neutrality, sustainability performance and ESG ratings have never been more important throughout the supply chain.
Sustainability is a journey that starts with auditable data and transparent reporting you can trust.

Cority's Sustainability Cloud makes that journey easier with powerful solutions designed to simplify data collection, inform decision-making, and measure and accurately report on the success of initiatives – so your organization can meet its sustainability and ESG targets, reduce carbon footprints, and empower better tomorrows.

See Sustainability Cloud in Action

cority ONE™

Introducing Cority One™. The human centered enterprise EHS SaaS platform—designed by industry experts for EHS experts and business leaders to empower healthier, safer, and more sustainable organizations that fulfill the business imperative of building the better enterprise of tomorrow.

Learn More

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Protect employees health and boost performance.

safety cloud

Keep workforces safe and sound with risk protection.

sustainability cloud

Accurately track and clearly report sustainability work and ESG programs.

environmental cloud

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quality cloud

Observe and maintain quality at every level of the organization.

analytics cloud

Drive better performance everywhere.

empower better

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