



# The 2025 Scope 3 Report

RESULTS FROM SPHERA'S GLOBAL SURVEY



## Table of contents

Executive summary	3
About the 2025 Scope 3 Survey	4
Key findings	6
Why are companies still struggling with GHG emissions data?	9
The emissions data quality equation: Balancing accuracy and simplicity	12
What are the barriers to better data?	18
The Scope 3 journey: Small steps toward major data improvements	22
Conclusion: Ambition meets possibility	24
Appendix	27

# Executive summary: Does Scope 3 still matter in 2025?

In just a few months, companies witnessed the rollback of the U.S. SEC climate disclosure rule and the introduction of the EU Omnibus Package. Reporting obligations were eased. Requirements felt less pressing. And yet, large corporations continue to report and press forward with plans to reduce emissions. Voluntarily.

### Why Scope 3 matters

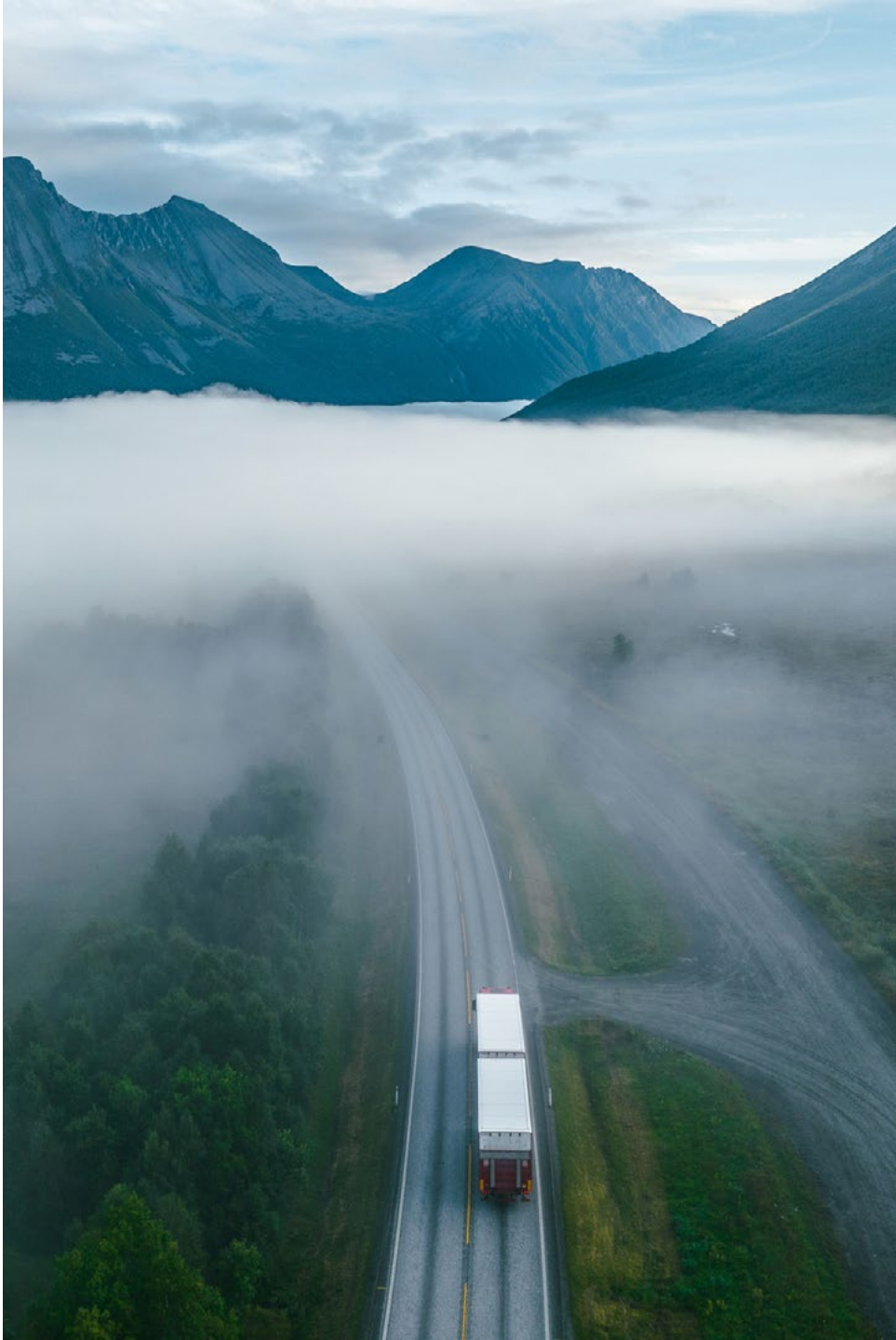
Scope 3 emissions data helps them meet increased demand for transparency from investors, customers and communities. This critical data collection helps them streamline and simplify reporting obligations, as well as prepare for larger demands coming soon. And as climate risk increasingly puts real pressure on the bottom line, Scope 3 data aids in risk management across their value chain.

In other words, Scope 3 still matters, for reasons beyond basic regulatory compliance.

### Even mature companies still struggle with Scope 3

Nonetheless, we’ve heard about why this endeavor is hard. We surveyed 315 sustainability professionals across 18 industries around the world on the state of Scope 3 reporting. This report reveals their challenges and opportunities, with a particular focus on data management. Sourcing and reconciling quality data remains an ambitious and complex undertaking, especially for those now focusing on reducing Scope 3.

Whether your company is just beginning its Scope 3 journey or you’re working to refine existing systems, this report offers something for you. Read on for practical benchmarks, peer insights and guidance to support progress along the sustainability maturity curve.





# About the 2025 Scope 3 Survey

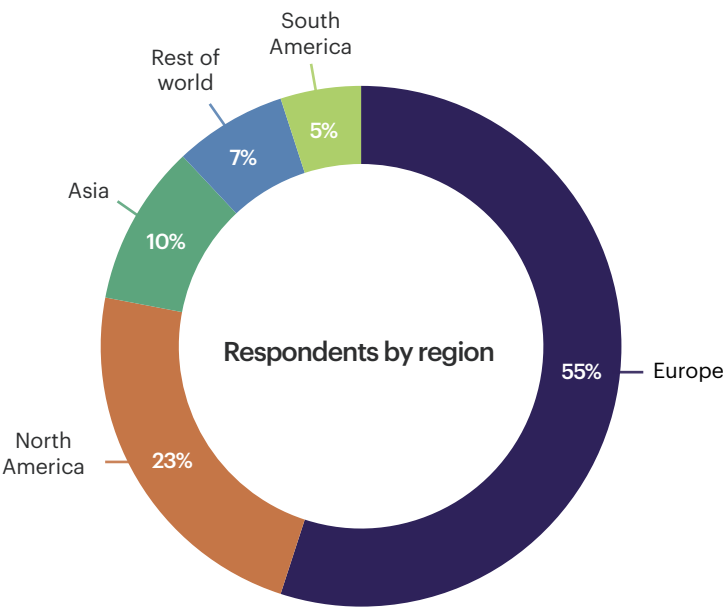
# About the Scope 3 survey

Sphera’s second annual Scope 3 Survey captures a snapshot of how companies measure, manage and report on Scope 3 emissions in an evolving regulatory environment. It was conducted globally from November 2024 – February 2025, collecting responses from 315 sustainability professionals across a broad spectrum of industries. Building on last year’s data, participants reveal their motivations, challenges and strategies to improve supplier data collection and accuracy.

## Who responded?

Reflecting the established nature of sustainability reporting on the continent, more than half of the respondents are based in Europe (55%). These are followed by North America (23%); Asia (10%); South America (5%); and the rest of the world, including Australia, New Zealand, the Middle East and Africa (7%).

This global distribution across wide-ranging sectors reflects the cross-border relevance of Scope 3 emissions and the growing influence of international reporting standards. Further, to best present the differences in emissions reporting practices between companies, our data includes representations from 18 industries, with turnovers ranging from under \$5 million to over \$1 billion.



## Industries represented in survey (by number of respondents)

Manufacturing	Other	Technology	Automotive	Chemicals	Power & Utility
Transport & Logistics	Retail & Consumer Goods	Construction	Healthcare	Financial Services	Metals & Mining, Resources
Business Services	Life Sciences	Oil & Gas	Aerospace & Defense	Education	Petrochemicals

44%

of the companies surveyed reported an annual revenue of at least \$500 million.





# Key findings



# Key findings

1

## Ambitious goals meet the realities of data collection

Regulatory pressure aside, the survey demonstrates that Scope 3 reporting remains a top priority for sustainability professionals across industries and regions.

- **Sustainability and ESG goals drive disclosure:** 87% of respondents that report on emissions do so voluntarily, with a growing number including Scope 3 data in their disclosures. Even without binding legal requirements, organizations recognize the strategic, reputational and operational value of managing their carbon footprint in full.



2

## More companies realize the Scope 3 advantage

European companies remain the most advanced in Scope 3 reporting, but U.S. and Asian firms are showing strong growth intentions. 47% of companies that do not currently report Scope 3 say they plan to begin in the next two years. 26% more intend to but have not established a timeline.

Current reporting companies reflect this momentum and focus on what is material to their business. **This is highlighted by the number of disclosures related to Category 1: Purchased Goods and Services**, which are reported on by 85% of respondents whose companies are reporting on Scope 3 emissions.



# Key findings

## 3 Scope 3 supports objectives, not just compliance

Regulation may be delayed, but decarbonization efforts continue to progress. Scope 3 continues to be a priority for several reasons, motivated by internal and external factors.

- **Stakeholder pressure:** Nearly half (46%) of respondents indicated that customers and other stakeholders are requesting emissions data. Additionally, 30% say they have been asked to set emissions-reduction targets.
- **Embedded culture of sustainability:** For many organizations, sustainability is part of their DNA. European companies continue to lead in emissions reporting across all three Scopes. 50% of all companies surveyed have set sustainability-related targets such as GHG emissions reduction and net-zero commitments. Of those companies, 55% are headquartered in Europe.
- **Regulation:** Many organizations — particularly large corporations and those with operations in the EU — remain subject to legal reporting requirements. They understand that their value chain partners may still be subject to regulations and want to be ready when their mandatory disclosures resume or expand.



## 4 Data quality and access remains the chief hurdle

Companies notably in the U.S. and Asia increasingly recognize the Scope 3 advantage. But as with our 2024 survey, data collection and availability continue to thwart leaders. 62% of respondents currently reporting on Scope 3 cite internal data quality issues as a top challenge in Scope 3 reporting. Others struggle with supplier participation, with 54% actively engaging with them for better emissions insights.

**Tools and methodologies can overcome data roadblocks.** This report reviews these and other trends in depth. We'll examine how companies collect Scope 3 data, and year-on-year trends. Our findings show that companies making incremental improvements — from engaging suppliers to combining data sources — are steadily building the confidence and capabilities they need to overcome stubborn challenges.







# Why are companies still struggling with GHG emissions data?

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Everywhere in the world, at every level of reporting maturity, companies continue to cite data collection as a barrier to effective Scope 3 reporting. This is no surprise. With Scope 3, the order of complexity for emission sources increases substantially.

## What are Scope 1, 2 and 3 emissions?

Greenhouse gas emissions are categorized into three groups, known as Scopes. Here's what they mean:

**Scope 1 (Direct emissions):** These are from sources owned or controlled by the company, such as fuel burned by company vehicles or in company facilities.

**Scope 2 (Indirect emissions from purchased energy):** Although they occur at the energy provider's facility, the reporting company is deemed responsible for emissions caused through its energy consumption.

**Scope 3 (Other indirect emissions in the value chain):** All other indirect emissions that occur upstream or downstream in a company's value chain. These emissions could be through a range of activities, including the suppliers' own activities; the use of sold products; employees commuting or traveling for business; waste disposal; transportation and distribution; and leased assets.

Scope 3 emissions usually make up the largest source of a company's emissions. However, as they originate from outside the company, they are also the hardest to measure and reduce.

By working with their suppliers and understanding the life cycle impacts of their products, companies can collaborate to move along their own reporting maturity curve, while working to reduce emissions up and down their value chain.

However, this sentiment remains steady year over year. What is going on, and how can companies make progress toward clean, simplified data management?





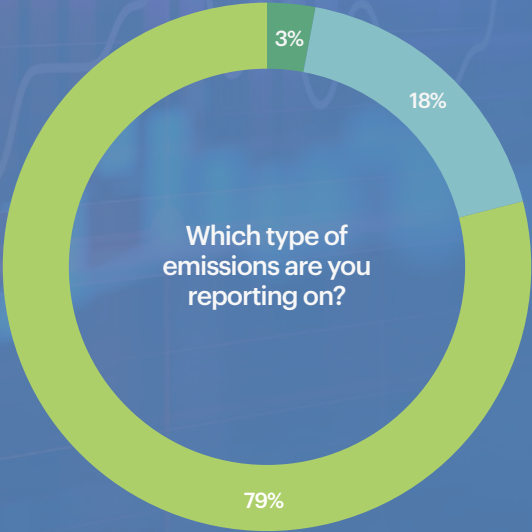
### More and more companies are reporting on all three Scopes

Of the survey respondents who currently report on GHG emissions, 79% indicated that they report on Scopes 1, 2 and 3.

This 27-point year-on-year increase represents an upward trend in companies disclosing against all three Scopes (2024: 52%).

79%

of survey respondents indicated that they report on Scopes 1, 2 and 3.



- Scope 1, 2 & 3 emissions
- Scope 1 & 2 emissions only
- Scope 1 only

### Manufacturers dominate in disclosure across Scopes

Given the regulatory and consumer pressure to disclose emissions, manufacturing companies dominate the list of those that disclose, with 75% of companies surveyed in this sector reporting on all three Scopes. Likewise, 100% of companies in the chemical sector disclose their Scope 1 and 2 data, with two-thirds also reporting on Scope 3.



# The emissions data quality equation: **Balancing accuracy and simplicity**



# The emissions data quality equation: Balancing accuracy and simplicity

Whether to satisfy stakeholder demand, reduce risk or prepare for regulatory compliance, more companies than ever disclose GHG emissions, or plan to do so.

Achieving these disclosures on Scope 3 requires attention to the quality and granularity of the data used to assess emissions. Relying on outdated calculations or manual methods significantly influences an organization’s ability to track progress, meet reduction targets and support credible disclosures.

## It’s no wonder leaders continue to feel frustrated by data

Companies are increasing their Scope 3 maturity year over year by moving from using exclusively spend-based data to a hybrid model. 65% of respondents use a hybrid approach to data collection, meaning they use at least two types of data for their reporting. This represents a 17-point increase over our 2024 report in which 48% of respondents indicated they were using a hybrid approach.

This increase in hybrid approach is mirrored in the decrease of companies exclusively using spend-based data. Last year 30% of respondents reported using exclusively spend-based data for their Scope 3 reporting. This year, that number dropped to 15%.

This is not surprising.

## The spend-based Scope 3 data trap

While readily available and the easiest entry point into Scope 3 reporting, spend-based data is also the least accurate way to measure your emissions. While spend-based data allows organizations to disclose, the inaccuracy of such data may make the calculated figures unhelpful or even misleading.

## Is your organization exclusively using spend-based data?

Ask yourself and your team these questions:

- What are the risk impacts if your figures are inaccurate?
- What impact does generalized data have on your sustainability-led decision making?
- How can you make credible Scope 3 reductions without supplier-specific data?
- If prices go up, then your emission profile will increase if you are using spend-based data. Is this acceptable?

Companies are choosing to invest in higher quality Scope 3 data by shifting from a spend-based model to a hybrid approach

CASE STUDY



Company:  
 **KAEFER**



**Problem:** Unknown emission hotspots and corporate carbon footprint due to use of spend-based Scope 3 emissions.



**Solution:** Sphera consultants conducted a detailed Scope 3 study to serve as the baseline for the GHG emissions. Additionally, Kaefer moved from a spend-based approach to mass-based data for Scope 3 reporting.



**Result:** “Despite the complexity of our requirements, Sphera helped us manage our emissions holistically, identifying hotspots and building a strategic basis for our sustainability journey going forward.”

— Erhard Dubs,  
Head of Corporate Strategy & ESG

### The tradeoffs of emissions data methodologies

**Spend-based calculations** are easy to access and carry low upfront costs, making them a useful entry point to reporting. However, this calculation approach is widely recognized as the least accurate, often leading to overestimated emissions. For example, goods may increase in price, while the emissions producing them may remain the same, or even go down.

**Life cycle assessment (LCA), or mass-based, data** offers a more nuanced view for companies further along in reporting maturity. They align with ISO 14044 standards to provide emissions insights from raw material extraction through production and use phases. However, they rely on quality source data and centralized software to collect and process it.

**Supplier-specific product carbon footprints (PCFs)** are the gold standard for Scope 3 data, delivering the highest accuracy but also requiring the greatest supplier engagement and system maturity, as well as supplier participation. However, **recent technological developments** and a maturing supplier base are making this approach easier than ever.

This range of data collection methods illustrates why many companies continue to cite data challenges. Different emissions sources at different Scopes may require different methodologies. While spend-based data allows for simplified disclosure, their inaccuracy may make the calculated figures unhelpful or even misleading. If thinking of sustainability as a type of risk, how “off” are your inaccurate figures? And what impact does that have on your sustainability-led decision making?

### Shifting from spend-based data to mass-based data is your first step in improving the accuracy of your Scope 3 reporting:

This example shows how the use of spend-based data can lead to significant overestimations of your emissions.

Environmentally extended  
economic input-output databases

1kg = **0.7143 kgCO<sub>2</sub>e**

Source: Fresh Vegetables, Fruits, And Potatoes  
Sector #11200, Carnegie Mellon EIO-LCA model,  
IPCC 4th Assessment Report (IPCC 2007)

Cradle-to-gate life cycle  
assessment MLC databases

1kg = **0.2665 kgCO<sub>2</sub>e**

Source: Oranges, at field (90% H<sub>2</sub>O content) to  
MLC (Jan 2019), IPCC 5th Assessment Report,  
(IPCC 2024)

VS

EXAMPLE: ORANGES

**91%**  
REDUCTION



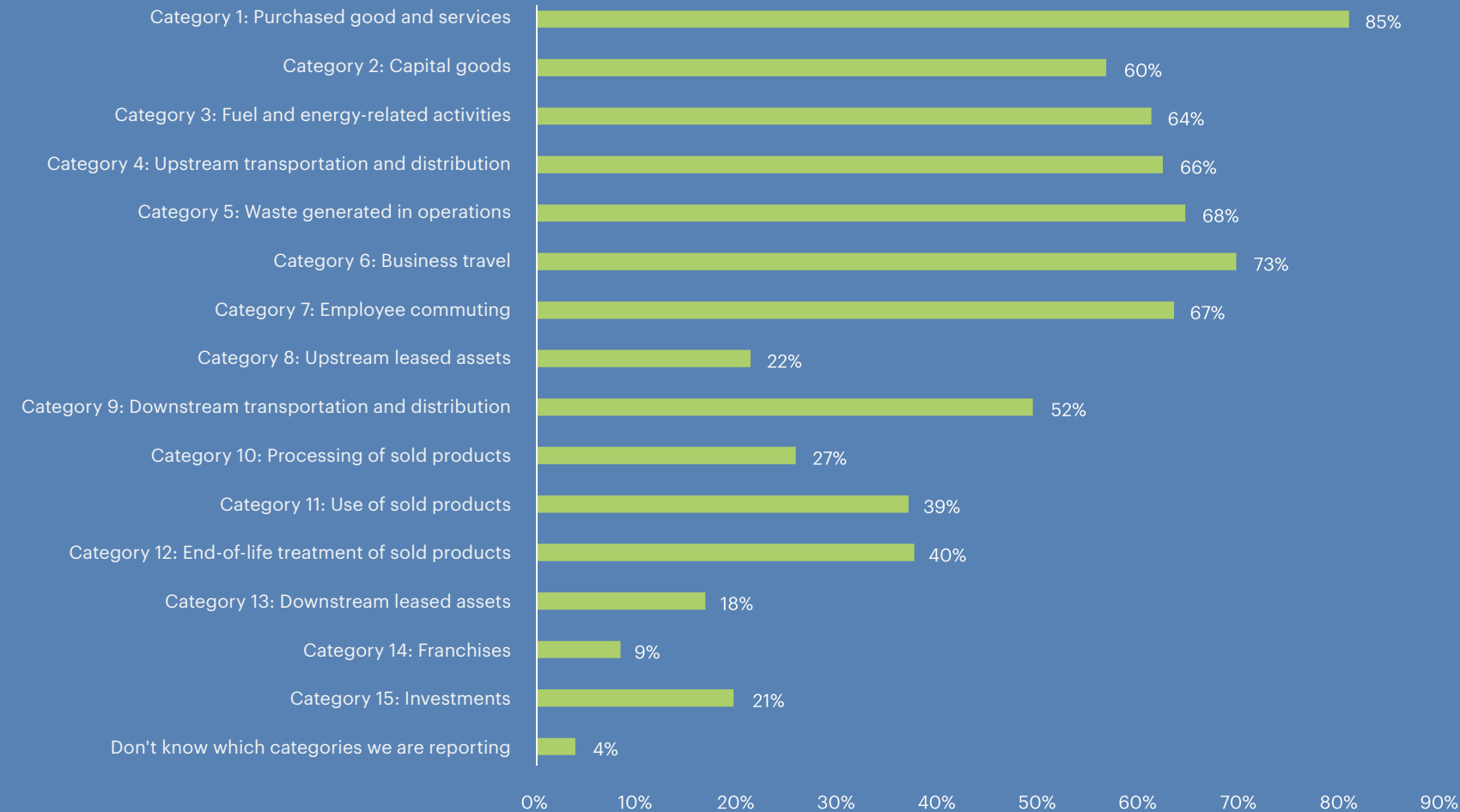
How companies track different emissions sources

It’s also interesting to look at the categories that companies are reporting on. It is clear to see that emissions reporting remains concentrated in upstream categories:

- **Category 1:** Purchased Goods and Services is by far the most commonly reported, reflecting its materiality and alignment with procurement data systems.
- **Categories 5, 6 and 7** (waste, business travel and commuting) are gaining attention, as companies prioritize what is materially relevant over what is easiest to report.
- **Downstream categories (10, 11 and 12)**, such as product use and end-of-life treatment, remain underreported due to methodological challenges and data scarcity.

Improving Scope 3 reporting maturity means implementing comprehensive, category-specific emissions tracking — enabled through data partnerships, digital solutions and capacity building.

What categories companies are reporting:

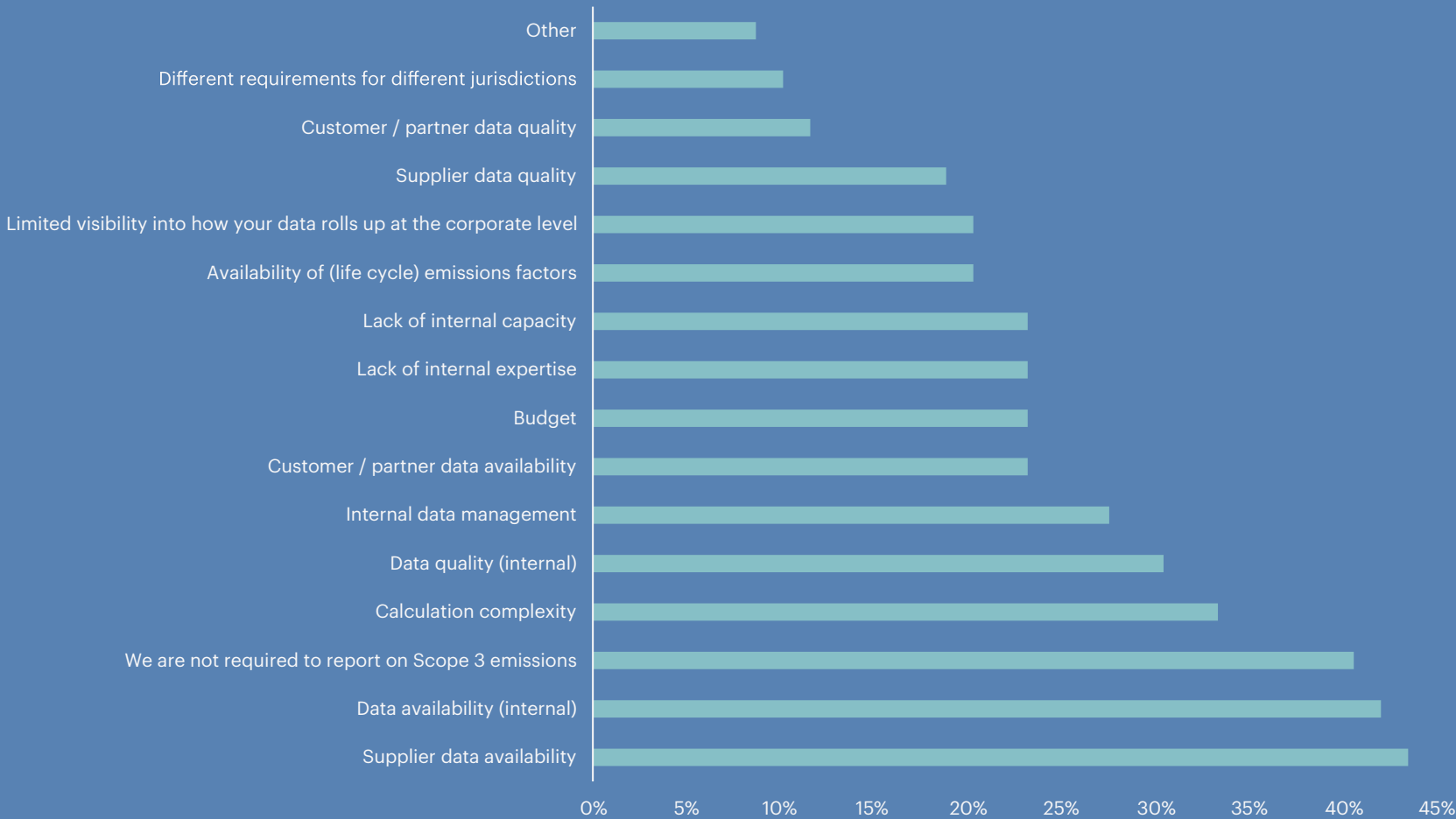


Unsurprisingly, many companies are reporting on categories for which data is more readily available such as 3, 5, 6 and 7. But the high number of companies reporting to Category 1 (85%) shows they are focused on what is material to their organization. The under-reporting on categories 10, 11, 12 and 13 shows that companies are still struggling to collect data for the very complex categories.

## Companies not yet reporting on Scope 3

Among companies not currently reporting on Scope 3 emissions, data limitations remain the most cited challenge, followed by lack of regulatory requirements and internal resource constraints.

Interestingly, data availability is a challenge both internally as well as on the supplier side, with 43% of respondents citing these as reasons for non-reporting.



## How to improve data collection

Companies aiming to improve their Scope 3 reporting should consider:

1. Transitioning from spend-based methods to hybrid or LCA-based models.
2. Mapping supplier engagement strategies and building feedback loops.
3. Utilizing integrated software platforms that support automated data collection, assurance and scalable reporting.
4. Start engaging with Tier 1 suppliers and expanding upstream as capacity grows.

## However, change is on the horizon:

- 46% of companies not currently reporting on Scope 3 plan to start reporting within the next two years, reflecting growing recognition of Scope 3's role in corporate climate accountability.
- Regulatory developments, such as California's SB 253 and the EU's CSRD, continue to push companies toward preparedness, even as implementation timelines are adjusted.





## Overcoming data complexity paralysis

**Let's get this out of the way: Data collection can be very hard.** For newcomers, or those looking to add Scope 3 to existing disclosures, gathering and calculating such a huge range of emissions factors feels daunting. From our experience helping global organizations from their first efforts through Scope 3 maturity, these tips help leaders build infrastructure that can yield previously-unheard-of strategic insight down the road.

### Start small but strategically:

- Leverage existing Scope 1 and 2 structures to integrate Scope 3 thinking.
- Identify high-impact categories and map available data sources.
- Use the 80/20 rule: Prioritize supplier engagement with the roughly 20% of suppliers that comprise roughly 80% of your Category 1 emissions
- Align internal stakeholders across sustainability, finance and procurement. All of these functions will feed, and benefit from, your insights.
- Adopt flexible tools that can grow with your reporting maturity. When all of your collected data has a clear, structured system for storage and management, these small steps can add up to outsize results.

Scope 3 emissions are largely embedded in the supply chain; thus companies are increasing their focus upstream. This aligns with an overall trend toward greater supplier chain visibility and due diligence for other impact areas, such as deforestation and human rights.

Taking action not only mitigates future compliance risk but also strengthens investor confidence, responds to customer pressure, improves supply chain resilience and lays the groundwork for long-term sustainability success.





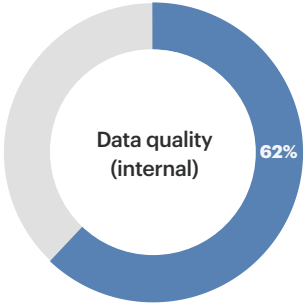
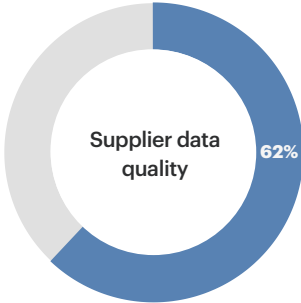
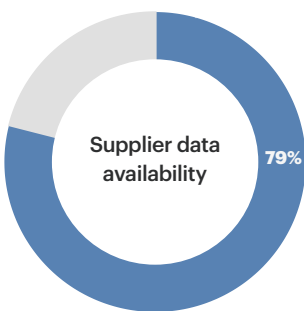
# What are the barriers to better data?



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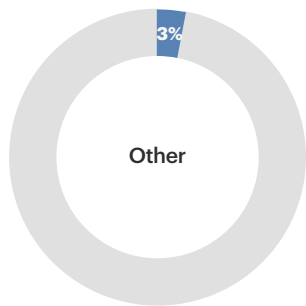
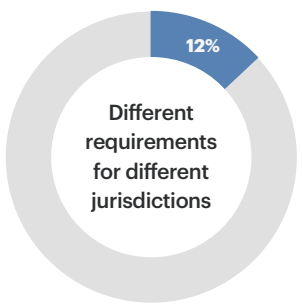
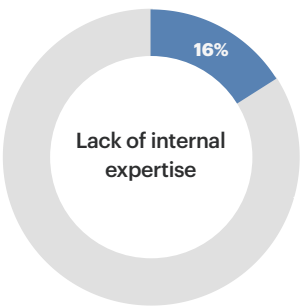
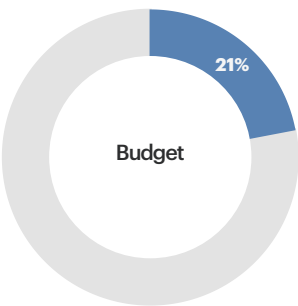
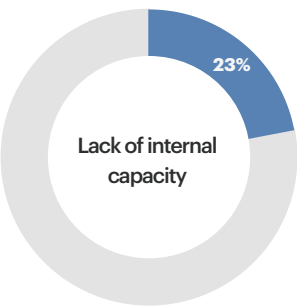
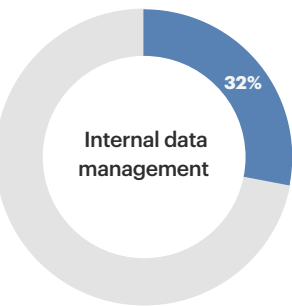
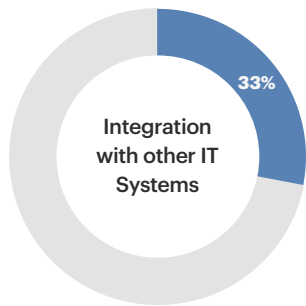
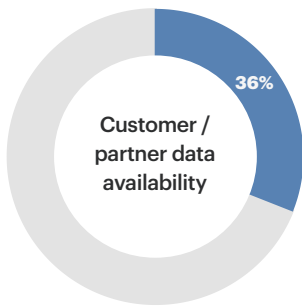
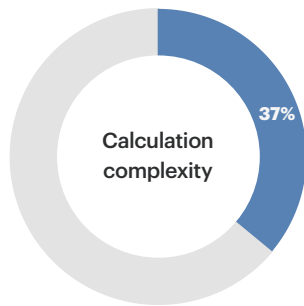
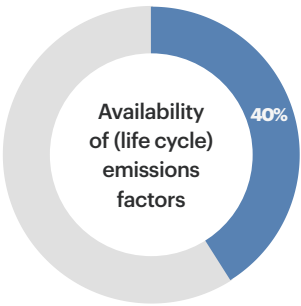
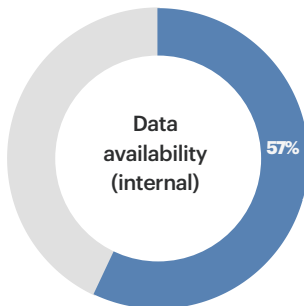
The survey results show a growing awareness and maturing practices around Scope 3 reporting; respondents cite the accessibility and quality of data as being the biggest barriers. As discussed, there are several methodologies to gather and calculate GHG emissions.

**So, what's stopping companies from collecting data?** Our survey reveals several nagging issues holding them back on collecting data they can feel confident in. Unreliable data is just the beginning. Internal infrastructure and resources, combined with uncertainty over reporting requirements, creates an environment of inertia. It's not a question of whether they should report, but who will support it, and how.



## Low supplier participation limits direct data

Similar to last year, the top challenge cited by 79% of survey respondents is the availability of supplier data.





Even among committed organizations, the lack of direct control over supplier practices makes it difficult to obtain consistent and complete data. In some cases, suppliers are either unable or unwilling to provide emissions information, creating a bottleneck in the reporting process.

Additionally, concerns around intellectual property and data privacy often prevent suppliers from sharing detailed information. These limitations are particularly acute for companies managing global and multi-tier supply chains.

Interestingly, supplier data availability is a top challenge for companies that currently report on Scope 3 as well as for those who have not yet started. As discussed above, 57% of the respondents who are currently reporting on Scope 3 and who also indicated supplier data collection is a top challenge are using supplier-specific data. Of that group, 92% are using a hybrid approach, with only 8% indicating that supplier-specific data is their only data source.

**Internal data capabilities throttle momentum**

Companies also report struggles with internal data availability (57%) and quality (62%), calculation complexity (37%) and integrating emissions data across disparate IT systems (33%). These technical challenges make it harder to “roll up” data at a corporate level and ensure the accuracy of disclosures across complex organizational structures.

While full IT integration isn’t essential for Scope 3 disclosure, companies prioritizing this step are likely treating reporting as a strategic, long-term investment rather than a compliance-only task. Integrated digital tools benefit companies threefold: tackling the complexity of reporting in the short term, scaling disclosures in the midterm and powering insights in the long term.

**Expertise barriers compound data infrastructure challenges**

For companies that are earlier in their sustainability journey, the lack of internal capacity and expertise and limited budgets present further roadblocks to effective Scope 3 emissions reporting, with 23% of respondents citing each as a top challenge.



**Scope 3 Category 1 reporting is not an all-or-nothing process.**

By taking small steps, such as targeting supplier data from the top five suppliers, reporters can improve their disclosures while moving toward the gold standard of **comprehensive supplier-specific data**.



## Regulatory requirements confuse priorities

As the regulatory landscape shifts, companies face another layer of complexity: different requirements in different jurisdictions. From the EU's evolving CSRD and CBAM regulations to California's SB 253, varying standards and timelines create confusion and increase compliance burdens, especially for multinational corporations. See Appendix B for an overview of these and other emerging regulations. In other words, it's hard to prioritize data sources when it's not clear which ones are needed most urgently.

While the Omnibus Package may temporarily ease reporting requirements for some mid-sized firms, larger corporations still face Scope 3 expectations. And even for organizations not yet mandated to report, stakeholder and market expectations are pushing them toward greater transparency.

## Companies not currently reporting on Scope 3 also face data issues

These companies still see the availability of supplier data as a major barrier (43%). However, the quality of the data is not seen as such an issue (19%). This suggests that they, too, will face these issues in time. They just don't know it yet. By actively planning and working with their suppliers now, they can improve the ease of their disclosure in future years.

## A lack of requirement can lead to a lack of action

As they are not mandated to report, many companies do not measure their environmental, social and governance impacts. Given that internal capacity, data management and expertise are also cited as barriers, these companies might not know how to begin. By building internal capacity through consulting and training, investing in scalable technology and determining what is material to them, companies can begin their sustainability reporting journey and mitigate future challenges at the same time.

While the rollout of reporting requirements has paused, starting early will not only simplify future disclosures, but it also positions companies to lead as the regulatory expectations develop.





# The Scope 3 journey: Small steps toward major data improvements



# The Scope 3 journey: Small steps toward major data improvements

Our 2025 Scope 3 Survey reveals what we already knew: companies are at varying stages in their GHG emissions measurement and disclosure. And no sophisticated global company today arrived at accurate Scope 3 disclosures fully formed. Moving from basic data collection and calculation methods to more mature emissions reporting involves incremental improvements in people, processes and platforms. Two key enablers effectively move your organization forward: supplier engagement and integrated technology solutions.

## How effective supplier engagement lifts all data quality

In 2025, 54% of survey respondents report asking suppliers for data on their carbon emissions. Additionally, 29% of respondents are asking suppliers to set emissions reduction targets.

While initial efforts often begin with simple requests for data, more mature organizations develop strategic, two-way partnerships. This collaborative engagement allows for many benefits, including the co-development of reduction targets, cooperative support with resources or training and alignment on reporting standards.

As more companies ask for data, the pressure on suppliers and procurement teams intensifies. This often results in suppliers improving their own processes, leading to them providing more accurate and comprehensive data. It also lessens the ongoing burden of data collection over time.

## Integrated technology streamlines the work and overcomes internal siloes

Siloed internal teams, disparate IT systems, and manual data collection and calculations — with the complexity of Scope 3, it all becomes untenable. That’s why respondents struggle with data, year after year.

Utilizing integrated digital platforms can streamline data gathering across internal and external sources. Such platforms also provide consistency, transparency and assurance across disclosures. Whether through APIs that connect to supplier portals, tools that calculate emissions using industry-specific methodologies, or dashboards that enable real-time insights, integrated systems shift companies from compliance-driven reporting to proactive sustainability management.

Organizations using these solutions report increased confidence in their data and greater internal alignment across sustainability, procurement and finance teams. Importantly, this automation allows for future scalability. This is crucial as supplier engagement expands and regulatory expectations rise.

By taking these small steps, organizations will see a continual improvement in their data collection, calculating and reporting processes leading to more accurate results and improved transparency across their and their suppliers’ value chains.





# Conclusion: Ambition meets possibility



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Sphera’s 2025 Scope 3 Survey has reaffirmed that value chain emissions remain a top priority for organizations committed to credible climate action, despite recent regulatory shifts and the significant hurdles of gathering and reconciling data. Even so, momentum toward transparency, accountability and emissions reduction has not slowed, with the majority of respondents continuing to disclose their Scope 3 emissions.

**But ambition alone is not enough.** Year over year, respondents remain confounded by supplier data bottlenecks and insufficient integrations. This leads to an overreliance on inaccurate spend-based data.

While these limitations threaten to undermine progress, there are also encouraging signs of advancement, with increased supplier engagement and alignment with globally recognized frameworks. These incremental steps help reporting companies to mature and ensure Scope 3 management becomes the norm.



## This regulatory pause presents an opportunity

Relaxed reporting standards arrive at a time when companies have already realized the value of Scope 3 data collection. Taking steps now can improve data quality, grow their relationships with suppliers and build the scalable reporting systems that will see them become more resilient and better prepared for future regulatory compliance. These same systems also support other strategic advantages in risk management, supplier engagement, customer retention and public perception. Building infrastructure that simplifies and maps GHG emissions across your value chain is simply good for your business.

# Sphera is the only comprehensive Scope 3 solution

As a partner to more than 3,500 companies around the globe, we understand complex value chains. Only Sphera combines regulatory and industry expertise, integrated software and industry-leading LCA databases.

Lack of internal resources? Our consultants bring decades of experience guiding companies through complex reporting requirements, developing calculation methodologies and building data collection frameworks in your sector.

Siloed systems? Sphera Corporate Sustainability centralizes and streamlines sustainability and ESG data collection in one managed system.

Data collection challenges? Accurately calculate your Scope 3 emissions using our 500,000+ emission factors or leverage our Supplier PCF Calculator to collect data directly from your suppliers.







# Appendix

# Appendix A: Sustainability and ESG reporting frameworks

In the 1990s, sustainability was a buzzword. With the launch of the Global Reporting Initiative (GRI) Guidelines (G1) in 2000, sustainability became front of mind for the world’s largest organizations.

Twenty-five years later, a flurry of initiatives has allowed companies of all sizes to disclose their environmental, social and governance (ESG) metrics voluntarily against a variety of globally recognized frameworks and standards.

## Some of the most popular include:

- **CDP (formerly the Carbon Disclosure Project):** Founded in 2000, CDP is a climate disclosure pioneer. By offering a structured questionnaire across climate, water and forests, CDP encourages transparent disclosure, which they see as the direct path to decisive action. Providing a Carbon Disclosure Rating from A-F, CDP makes it easy to benchmark against peers, identifying best practices and areas for improvement.
- **GRI:** An independent, international organization, the Global Reporting Initiative (GRI) has been the architect of a common global language to assess and report on ESG impacts for 28 years. As author of the most widely used sustainability reporting standards, the GRI is trusted by thousands of organizations around the world. The GRI 305 standard specifically requires companies to disclose their Scope 3 emissions if they are material, supporting comparability across industries and geographies.

- **SBTi:** Especially prominent for companies in carbon-intensive sectors, such as chemicals, transportation and energy, the Science Based Targets initiative (SBTi) enables companies and financial institutions to tackle climate change by setting science-based targets. For near-term targets, companies with Scope 3 emissions accounting for 40% or more of their total emissions, a Scope 3 target is required.
- **UNGC:** The United Nations Global Compact (UNGC) is the world’s largest corporate sustainability initiative. A principle-based framework, the UNGC cites ten principles, including human rights, labor, environment and anti-corruption. Participants should mainstream these principles into their worldwide business activities, aligning them with the broader Sustainable Development Goals (SDGs). To ensure transparency, participants are required to produce an annual Communication on Progress (CoP), which details how they have achieved this alongside their efforts to support societal priorities.
- **SASB:** A non-profit organization, the Sustainability Accounting Standards Board (SASB) standards help companies disclose relevant sustainability information to their investors. Tailored to their industry, for many sectors, SASB identifies specific Scope 3 categories that are material to investor decision-making.

- **IFRS:** First issued in 2023, the International Financial Reporting Standards – IFRS S1 and IFRS S2 – are the inaugural standards of the International Sustainability Standards Board (ISSB). The standards aim to improve trust in company disclosures about sustainability to inform investment decisions. Over 20 jurisdictions have currently announced intentions to align with IFRS S1/S2, and it is particularly important for those adopting ISSB guidance, such as the U.K., Canada and several Asian markets.
- **VSME:** The Voluntary Reporting Standard for Small and Medium Enterprises (VSME) aims to simplify sustainability reporting for businesses that fall outside of the scope of the Corporate Sustainability Reporting Directive (CSRD), helping to streamline responses to sustainability data requests from customers, banks and investors.

Although these frameworks are voluntary, regulations, investor pressure and corporate commitments often influence their adoption. Consistency across disclosures is increasingly important as it ensures credibility, comparability and compliance – key issues for investors, regulators and stakeholders.



# Appendix B: Sustainability and ESG regulations

Governmental changes across Europe and the U.S. have widely affected the global environmental, social and governance (ESG) reporting landscape.

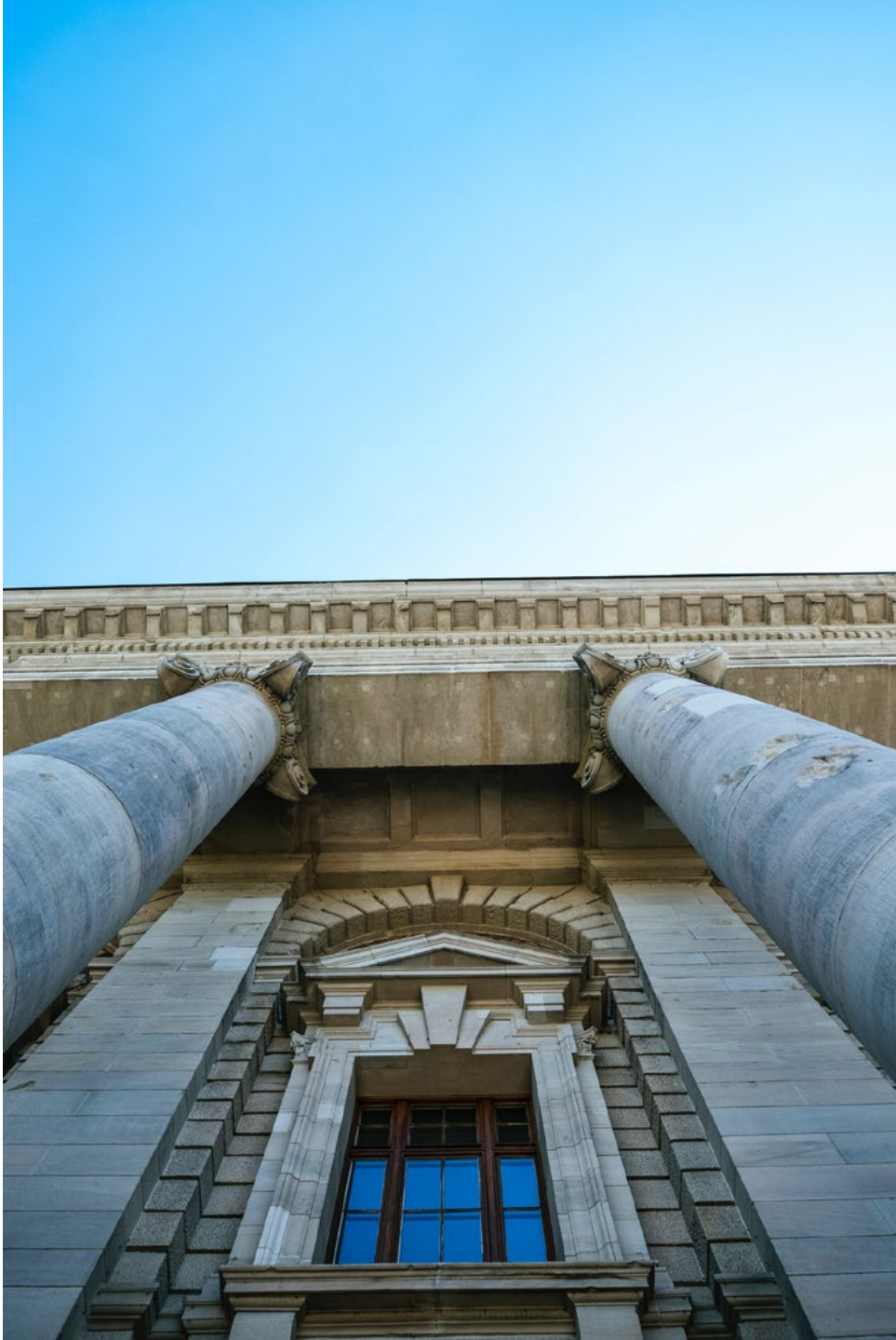
While regulatory requirements remain unaltered for the largest organizations, for others, disclosure mandates have slowed or even reversed. While this may seem to reflect a period of slowdown, it is more likely they represent a recalibration of continuously evolving regulations.

The biggest changes over the past few months have affected some of the largest reporting standards, including the CSRD, CBAM, SFDR, SEC and California’s climate disclosure laws.

- In Europe, the Omnibus Package has significantly altered the EU’s Corporate Sustainability Reporting Directive (CSRD) and its European Sustainability Reporting Standards (ESRS) requirements. Designed to streamline sustainability reporting for companies operating within the EU, if adopted, the package would limit mandatory reporting to firms with more than 1,000 employees, exempting 80% of previously mandated companies. Double materiality remains unchanged, but Scope 3 requirements may be simplified. Additionally, mid-sized companies will no longer be required to disclose emissions, which may result in data gaps for those that are.
- Related to the Omnibus Package, the European Commission has simplified the Carbon Border Adjustment Mechanism

(CBAM). A minimum import threshold of 50 metric tons per year has been adopted, with importers below this threshold exempt from CBAM requirements. This move, which is expected to take effect in 2026, excludes about 182,000 importers from the levy, reducing administrative complexities.

- Effective from January 1, 2023, the Scope 3 mandate of the EU’s Sustainable Finance Disclosure Regulation (SFDR) remains unaffected by regulatory changes. This means financial market participants continue to implement the existing requirements, focusing on enhancing transparency in their sustainability-related disclosures.
- In early 2025, the U.S. Securities and Exchange Commission (SEC) paused its defense to legal challenges brought against its climate disclosure rule, effectively removing it from the regulatory landscape.
- Finally, in California, the Climate Corporate Data Accountability Act (CCDAA) remains part of the state’s push for corporate climate transparency. Signed into law in October 2023, companies operating in California with worldwide revenue of over \$1 billion must disclose their Scope 3 emissions from 2027, based on 2026 data.



# How the Omnibus Package affects the CSRD

Aiming to reduce the regulatory burden on companies, the European Commission published the Omnibus Simplification Package on February 26, 2025, proposing changes to requirements for the CSRD, CSDDD, CBAM and EU Taxonomy Regulation. On April 3, 2025, the European Parliament approved the “stop-the-clock” portion of the Omnibus proposal, delaying reporting requirements for many companies.

- The CSRD reporting requirements for large entities that have not yet reported are delayed by two years. These companies now must report in 2028 for fiscal year 2027. For listed small and medium enterprises (SMEs), reporting will be delayed from fiscal year 2026 to 2028, with reports due in 2029.
- The Corporate Sustainability Due Diligence Directive (CSDDD) transposition deadline and the first phase of application are delayed one year, from 2027 to 2028.

The European Committee and European Parliament have not yet voted on additional changes to the CSRD proposed in the Omnibus Simplification Package:

- Mandatory sustainability reporting would be limited to companies with over 1,000 employees, up from the previous threshold of 250 employees and either a turnover above €50 million or a balance sheet total exceeding €25 million.
- For companies still within the thresholds, there would be fewer data to report against, easing their compliance efforts.
- Companies would not be required to obtain information from businesses in their value chain that have fewer than 1,000 employees in an effort to reduce the reporting burden for small and medium-sized enterprises.

- No changes are planned for the double materiality requirement. Companies that remain obliged to comply with the CSRD will have to report on both dimensions — financial and impact materiality.

These changes are significant, but not unprecedented. ESG reporting has faced resistance in the past, but broader trends show us that regulation typically evolves rather than collapses. Positively, despite recent adjustments to legislation, the EU remains committed to its green pledges, while global frameworks, such as the ISSB and the GRI, continue to set standards. This means large corporations, especially those with EU exposure, will continue to disclose data.

It is also worth noting that while timelines are delayed, regulations are still coming, albeit in simplified forms.

**This should be seen as an opportunity.**

Rather than undermining previous reporting efforts, this pause represents an opportunity for companies to improve their processes, moving themselves further along the sustainability maturity curve. Taking steps now will make it easier when regulations become mandatory in the future, especially given their modifications.



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companies prepare for  
compliance with the CSRD and  
other sustainability regulations**





## About Sphera

Sphera is the leading provider of integrated sustainability and operational risk management software, data and consulting services focusing on Environment, Health, Safety & Sustainability (EHS&S), Process Safety, Product Stewardship and Supply Chain Transparency.

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