

The 7-Step Guide to Driving Climate Action in Value Chains

Intro

About this guide

The aim of this guide is to help you get started on tackling the largest part of your emissions – value chain or “Scope 3” – in a simple way, showing how a seemingly complex process can be broken down into manageable steps.

It is likely that you came across other resources dedicated to this topic. In what way is this guide different? At LFCA, our mission is to help simplify the complexity of taking climate action and focus on practice; and this guide stands by these principles.

Not only technical knowledge

We built the guide upon two main sources: existing Scope 3 guidance and first-hand experience from sustainability professionals and carbon accounting experts. In putting it all together, we first analyzed the existing literature and subsequently enriched it with insights from interviews with our community members. To add an additional perspective and identify best practices and tips, we spoke to a number of carbon accounting experts.

Step-by-step structure

The guide does not jump directly into emissions calculation because we know that the process starts much earlier. How do you build an internal case for Scope 3 measurement? How do you get teams on board? Should you look for external help or do it alone? Our objective is to help you find answers to these questions.

Action-oriented approach

Since Scope 3 measurement can be quite a complex topic to tackle, we broke the process down into 7 steps to make it more approachable. With practice being our main focus, we gave a special highlight to real case studies and learnings. Here’s how you will be able to identify them in the document (next page):

Community Spotlight

Learnings, best practices, and key takeaways from interviews with LFCA members

Tip

Useful pieces of advice from experts

Common Challenge

Descriptions of challenges commonly faced by companies

Resources

Overview of tools and resources to learn more about individual steps

Acknowledgements

It would not have been possible to create this guide without the invaluable contributions of companies that agreed to share their insights with us:

Blackroll (Hannes Hörlin), **Boozt** (Gabi Försterling, Gloria Tramontana), **Climate Partner** (Maximilian Behr), **Fashion Cloud** (Clara Walter), **GameDuell** [REDACTED], **Penta** (Jan-Luca Mölling), **Planetly** (Joline Kaiser, Nina Walloch), **Shop Apotheke** (Anna Tönneßen), **Tourlane** (Johann Jones)

Another thank you is extended to the editorial team that put it all together:

Dr. Bahareh Zamani led on methodology and research approach. **Sara Bettinelli** and **Liza Kogelnik** supported with desk research and member interviews. **Morgan Schairer Penny** and **Timo Müller** created visual content. **Piotr Drozd** helped with project management. **Chris Johnson** copyedited the guide.

Table of Contents

About this guide.....	2	6. Set targets and reduce.....	31
We need your ambition	5	7. Go beyond.....	33
The 3 emission scopes.....	7	Wrapping it up	34
Why focus on value chains?	9	Key terms.....	35
Go alone or get help?.....	11	References.....	37
The 7 steps	14		
1. Set your boundaries	15		
2. Get prepared	20		
3. Calculate your emissions.....	22		
4. Identify hotspots.....	28		
5. Disclose results	30		

Preface

We need your ambition

The 2020s have been widely proclaimed as the 'decisive decade of action'. To stabilize emissions and set us on a 1.5 degree-aligned path, we need to cut emissions by 50% by 2030. This is a Herculean task that requires the involvement of everyone – top to bottom and everything in between. With just 100 companies having been the source of more than 70% of the world's greenhouse gas emissions since 1988, it is clear that business has a key role to play in this transition.

Over 5,000 companies, big and small, pledged to achieve net zero by 2050 and such declarations now cover two thirds of the global economy. While the growing business ambition to take climate action is a much welcomed development, most companies take a narrow focus on their direct emissions in delivering on their pledges.

For nearly every industry in the world, however, up to **90% of reduction potential** lies outside their own operations in

their value chains, often referred to as 'Scope 3'. Historically overlooked, value chains need to shift to the forefront in the decarbonization battle if we are to collectively rise to the climate challenge.

Attempting to measure your Scope 3 emissions and engage your value chain in climate action may seem complex and time-consuming at first. This may present an extra challenge for smaller companies with less in-house climate expertise and limits on time and money available.

But don't get discouraged. Your ambition and leadership are urgently needed. With a little bit of focus, choosing the right partners, and following the right advice, you can go a long way. We hope that this guide, written by practitioners for practitioners, will help you take your first step on that journey.

At LFCA, our mission is to help businesses go beyond what they can achieve on their own and embrace a 'sphere of influence' mindset. In doing so, we help companies move from awareness to action, focus on the right thing, and learn from one another.

If you find the resources in this guide helpful, we would love to have you join us.



Boris Wasmuth, President

LFCA Umweltschutz e.V.



Timo Müller, Managing Director

LFCA Umweltschutz e.V.

The Basics

The 3 emission scopes

Calculating your corporate carbon footprint is usually the first step in any climate journey. Without transparency on your emissions, it is impossible to define your climate goals. After all, only what gets measured gets managed.

The Greenhouse Gas Protocol has introduced a standard methodology to measuring emissions, which includes 3 different scopes. These are as follows:

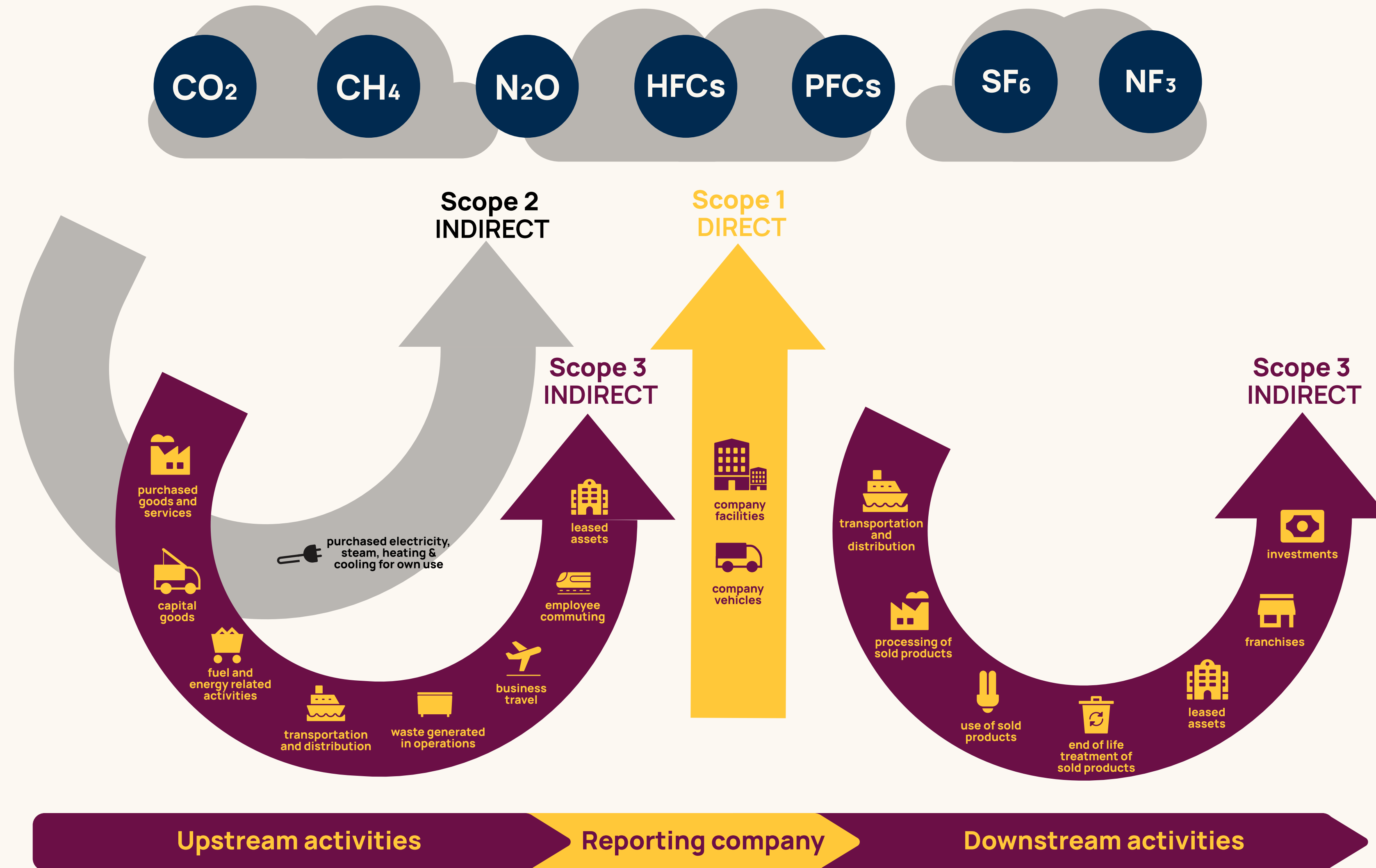
Scope 1: Includes GHG emissions that arise from the combustion of fuels owned or controlled by the reporting organization or institution. They are called direct emissions, because the organization burns fuels directly. For example, emissions generated by a company-owned car that burns gasoline.

Scope 2: Includes GHG emissions that result from the consumption of purchased or acquired energy such as electricity, heating, cooling, and steam. These emissions are considered

as indirect emissions because the organization does not burn the fuels directly. For example, emissions generated by an organization purchasing electricity from a local utility company.

Scope 3: Includes GHG emissions that result from indirect activities which are not owned by the company, but occur in the company's value chain. All downstream activities and some of the upstream ones fall into Scope 3. For example, emissions generated during production, transport, distribution, use, and disposal of products or services in the value chain.

Overview of GHG Protocol scopes and emissions across the value chain



Definition of scopes of carbon accounting. Credit: LCA based on GHG Protocol

Focus

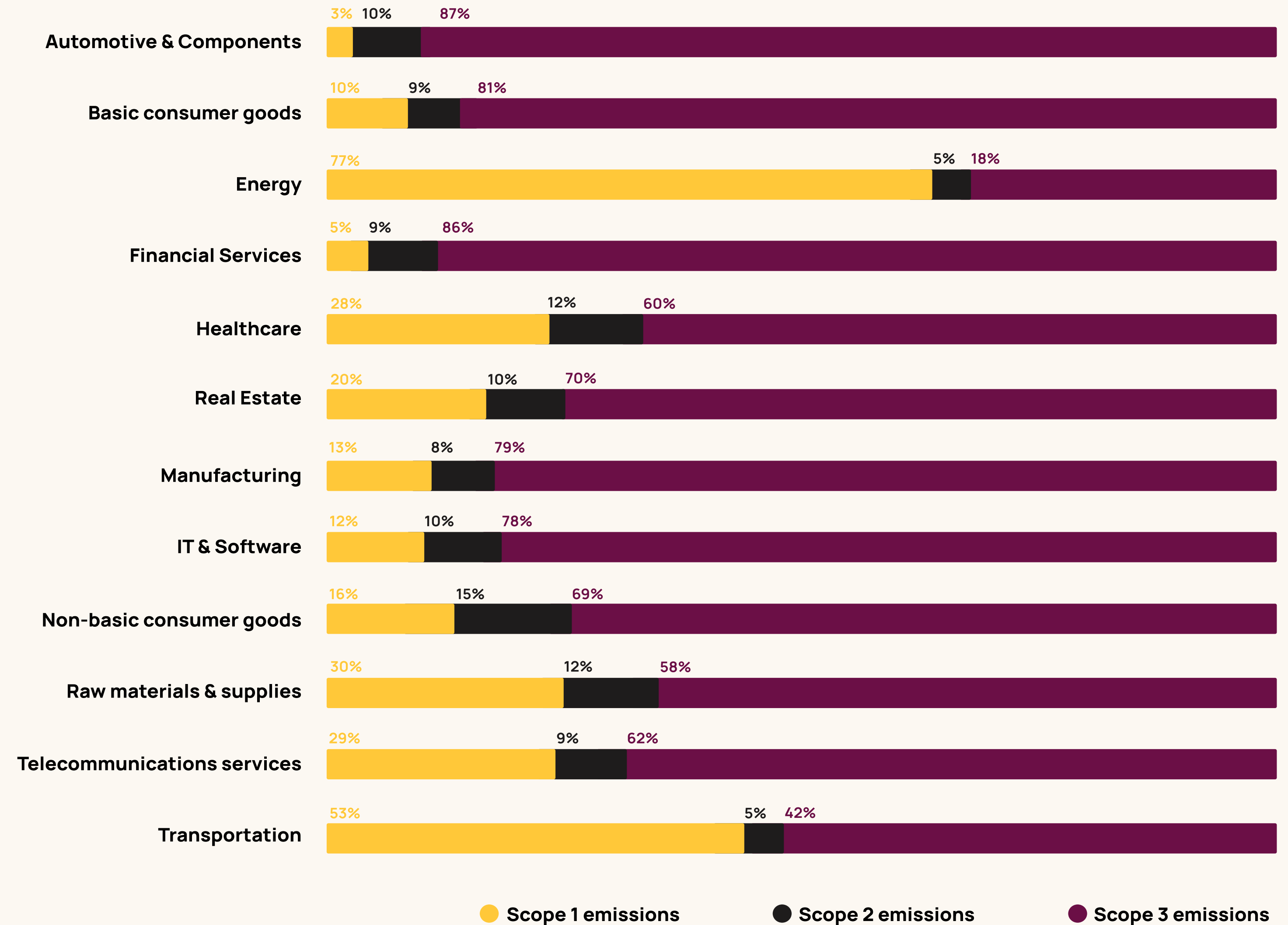
Why focus on value chains?

Because it is likely the majority of your emissions

For many companies, Scope 3 emissions account for up to 90% of their total corporate carbon footprint. The share of value chain emissions in the total footprint is particularly high in sectors such as financial services and consumer goods.

Because you can get ahead of regulation

Even though not regulated, Scope 3 emissions are increasingly a point of attention in policy proposals. Laws



Contribution of Scope 1, 2, & 3 in the total corporate carbon footprint of different sectors. Credit: LFCA based on the German Global Compact Network.

requiring companies to disclose their full scope emissions are due to come into force in both the EU and the US. For example, a first set of standards in the EU's new Corporate Sustainability Reporting Directive is expected to be adopted by October 2022.

Because it can save costs in the long run

Addressing your Scope 3 emissions can lead to a significant reduction in operational costs. According to Sweep (a tool for measuring your carbon emissions), Hewlett-Packard saved 1 million dollars in 1 year by modernizing and reducing the carbon impact of its value chain.

Because a broad lens on climate makes you stand out

Investors, clients and employees expect companies to take action and reward them for doing so. Most investors consider ESG factors when making investment decisions. Customers, too, are more attracted to sustainable brands with a third of respondents in a recent study saying they are willing to pay more for sustainable products and services. Finally, talent strongly favors working for employers with strong sustainability credentials. In fact, three-quarters of millennials are ready to take a significant pay cut to work for such companies. Employee loyalty, workplace

productivity, and team morale have also been reported to be higher in companies that implement sustainability efforts.

Software vs. Consultant

Go alone or get help?

Measurement is the first step on your climate journey. The first step is always the hardest and requires a mix of knowledge, skills, and resources, both in your company and potentially outside. To make the process as smooth as possible, it is crucial you understand what might be required internally and whether to get help.

We have identified 3 routes companies often pursue to measure Scope 3 emissions:

In-house	External Support	
	Software	Consultant
A dedicated Sustainability or “Green Team” working on measuring and managing emissions	Purchased as tool to automate carbon accounting	Third-party provider hired for consulting services
e.g. Green Team at Fashion Cloud	e.g. Plan A, Planetly, Watershed	e.g. Climate Partner, Southpole, myclimate

Routes to full scope measurement. Please note that many carbon accounting software providers offer consulting as an added service.

There are various factors to consider when deciding whether to get external support such as your internal expertise level, budget available, business model, and sustainability goals. We recommend clarifying your objectives early on. Do you intend to disclose your measurement publicly? Are you interested in a certification? Will you need help with creating a reduction plan? Or is the measurement solely for your own internal understanding?

Some organizations have internal teams that are equipped with the expertise required to measure value chain emissions on their own. If that applies to you, the rest of the guide will be highly relevant.

The vast majority of organizations, however, cannot rely on in-house expertise and need to look for help elsewhere. If that is your case, we do recommend reading through the rest of this guide to anticipate what is ahead. Even though external parties

will provide you with support and guidance along the way, your involvement will be required in many of the steps such as data collection. To help choose between working with **consultants and software**, you should take into account the following:

Software	Consultant
👍 Seamless and automated calculation when configured	👍 Efficient process if expertise in place
👍 Ease of annual reporting	👍 More guidance
👍 More data transparency	👎 One-off engagement
👎 Often subscription based with additional maintenance costs	👎 High cost
👎 Configuration challenges if data not organized internally	👎 Lack of data transparency

Overview of benefits for consultancy and software-based approaches. For more information, please see the service provider comparison in our Members Area.

The complexity of measuring your Scope 3 emissions, and therefore the need to involve third parties, may vary by sector, as exemplified below.

Software

As most software companies have a relatively simple

organization structure and physical supply chain, full-scope measurement should be relatively straightforward. If the purpose of your measurement is pure estimation, you can consider using a free calculator that covers Scope 1 and Scope 2 emission as well as some of the key Scope 3 categories such as business travel and employee commuting.

E-commerce

The scope of value chain emissions of e-commerce companies is likely to go beyond business travel and employee commuting. You might require expert help to assess your upstream and downstream activities such as transport and distribution and waste generation.

Mobility

With physical assets being a common feature of mobility companies, your value chain might be highly complex and dependent on a number of suppliers. Full scope measurement will usually involve analyzing the entire life cycle of your products including production, shipment, recycling, reuse, and daily operations, among others. In such cases, companies often decide to work with consultancies, software providers, or both.

Community Spotlight

Tourlane and **Shop Apotheke** suggested deciding early on whether to collect data on your own or get external support. Both options can lead to good results, but processes to get there vary. One of the advantages of working with consultants is that they can challenge your data quality.

Tip: Make use of your Members Area

Head over to your Members Area to find a directory of software companies and consultancies to help with your calculation. If you intend to keep your carbon footprint measurement in-house, we recommend using the Business Carbon Calculator by Normative, which is also available on our platform.

Resources

For technical guidance documents summarizing the latest best practices in calculating and reducing Scope 3 emissions, we recommend:

GHG Protocol: [Corporate Value Chain \(Scope 3\) Standard](#)

GHG Protocol: [Technical Guidance for Calculating Scope 3 Emissions](#)

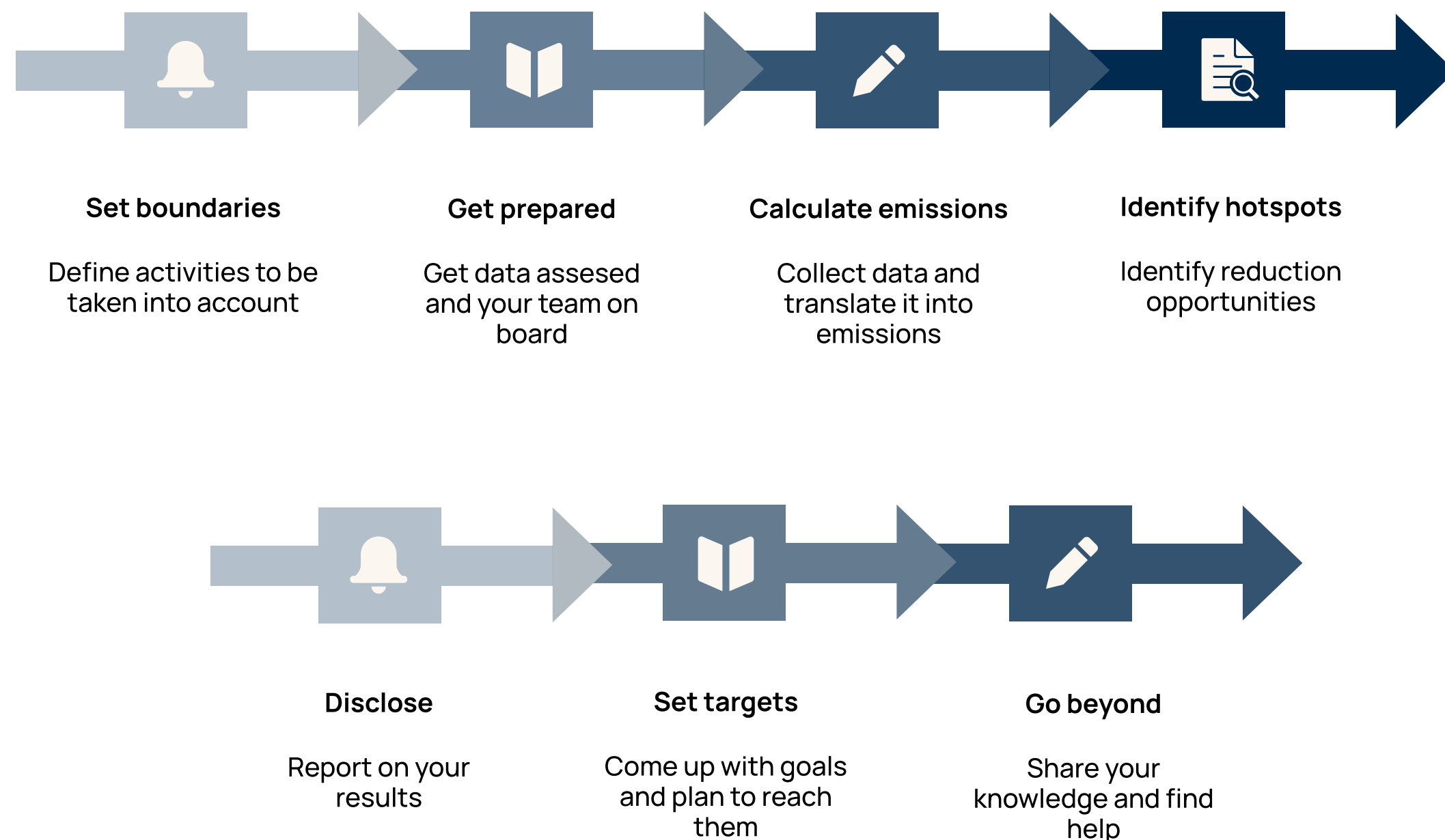
EPA: [Scope 3 Inventory Guidance](#)

SBTi: [Best Practices in Scope 3 Management](#)

Getting started

The 7 steps

Once you have decided whether or not to involve a third-party, you are ready to get started. To make Scope 3 measurement more manageable, we broke it down into 7 distinct steps.



A typical journey to calculate Scope 3 emissions.

While going through the following steps, please note that:

Our guide serves as a compass, not an instruction book

The steps do not need to be followed sequentially. Every company and every value chain is different and may require a different approach.

It is more than a document

We have included references to tools, both third-party and LFCA-hosted, as well as names of contributing companies and experts in all of the steps. We invite you to make active use of these additional resources.

You can be a contributor

Our intention is to make this guide a 'living document'. If you have any tips, suggestions, or feedback after reading it, we would love to hear from you.

Step 1

Set your boundaries

To calculate your Scope 3 emissions, you first need to set your boundaries. This important step will help you map all of your indirect activities and identify gaps and areas for improvement. For boundary setting, two approaches can be used:

Equity share

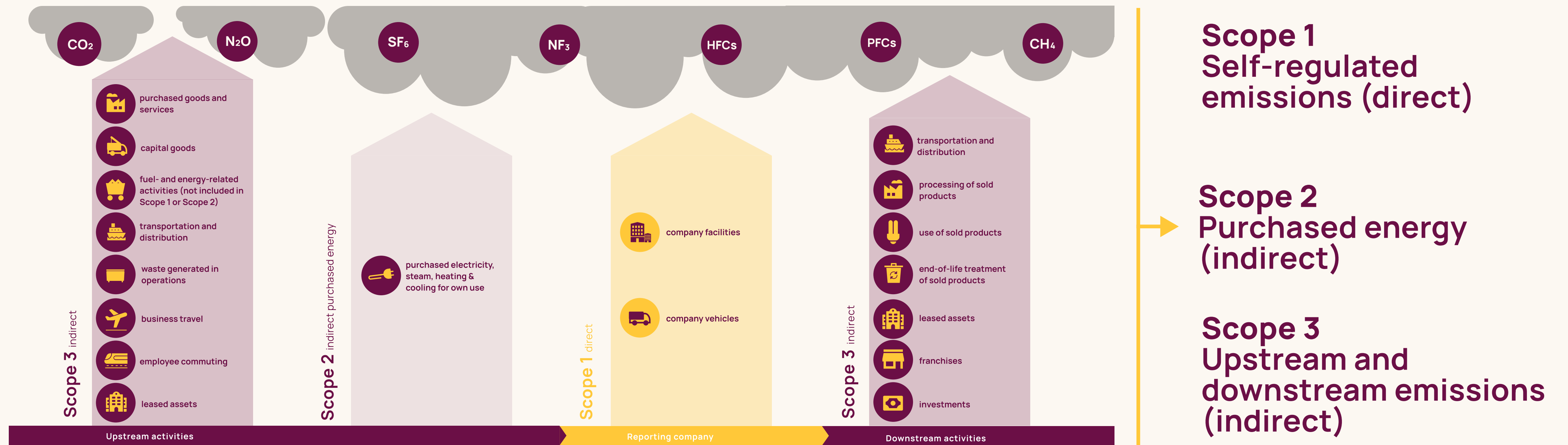
The company reports emissions based on the proportion of capital it has in a particular business activity. For example, if a company holds 80% of the shares of a company, 80% of that company's emissions are included in the overall corporate carbon footprint.

Control approach

The company reports 100% of the emissions from business activities over which it has control. In this context, control can be defined either as financial control or operational control.

The operational boundaries define the company activities to be

taken into account. The GHG Protocol introduces 15 categories for the source of Scope 3 emissions, as visualized on the next page.



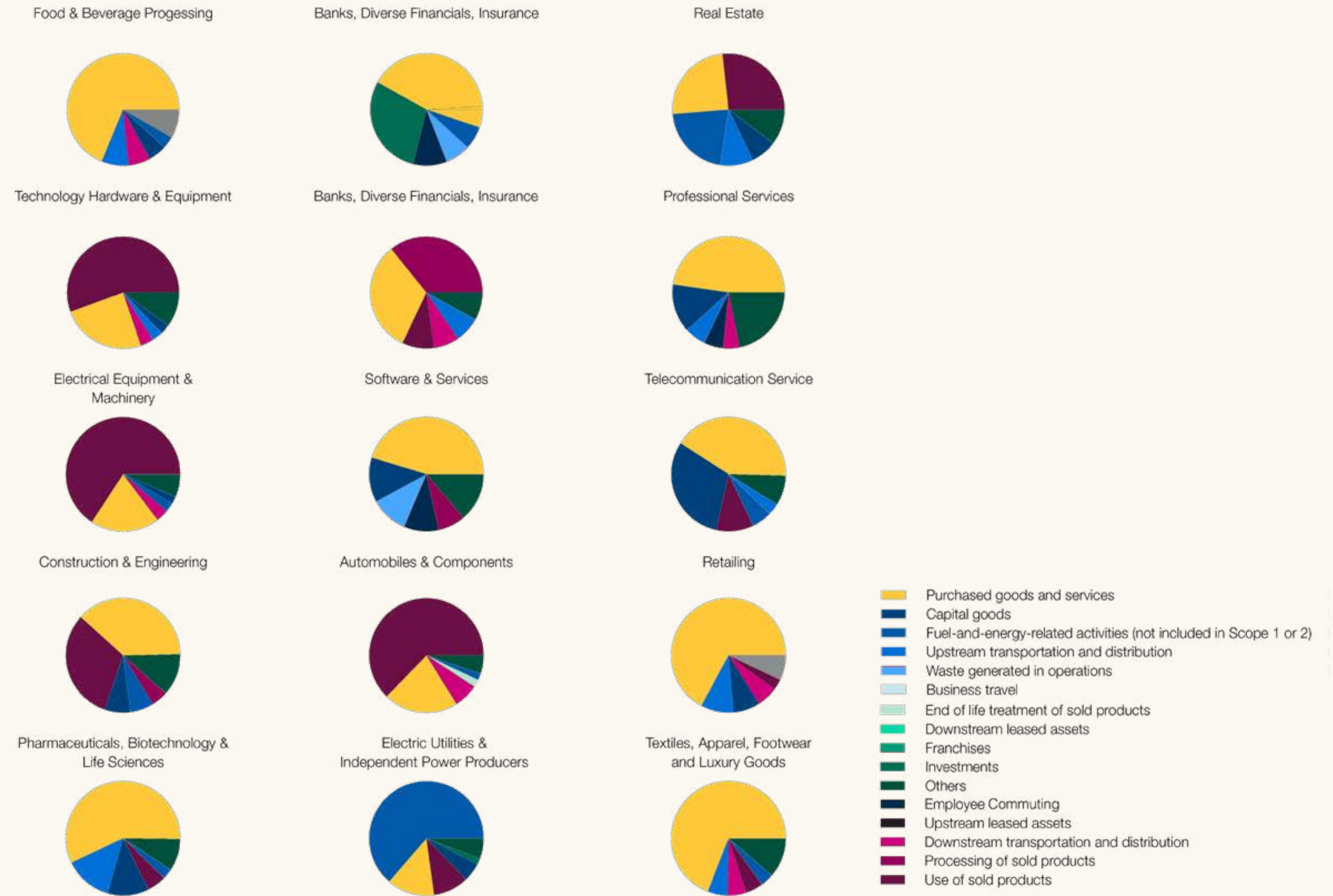
Operational system boundaries: According to the GHG Protocol, CO₂ emissions are divided into Scopes

Operational system boundaries. Credit: LCA based on ClimatePartner

You should map your company's activities in line with the above categories to understand which categories are relevant. This will help you narrow down the boundaries of your value chain emissions and identify data requirements. Do note, however, that there is no 'one size fits all' approach and not all the categories will be relevant to your particular case.

To get a rough estimate of Scope 3 emissions in a digital company, we recommend starting with some of the key upstream and downstream categories such as:

- Upstream and downstream transportation (e.g. mobility, business travels, or logistics)
- Purchased goods and services (e.g.



Relevance of scope 3 categories in different sectors. Credit: LCA based on Science Based Targets initiative

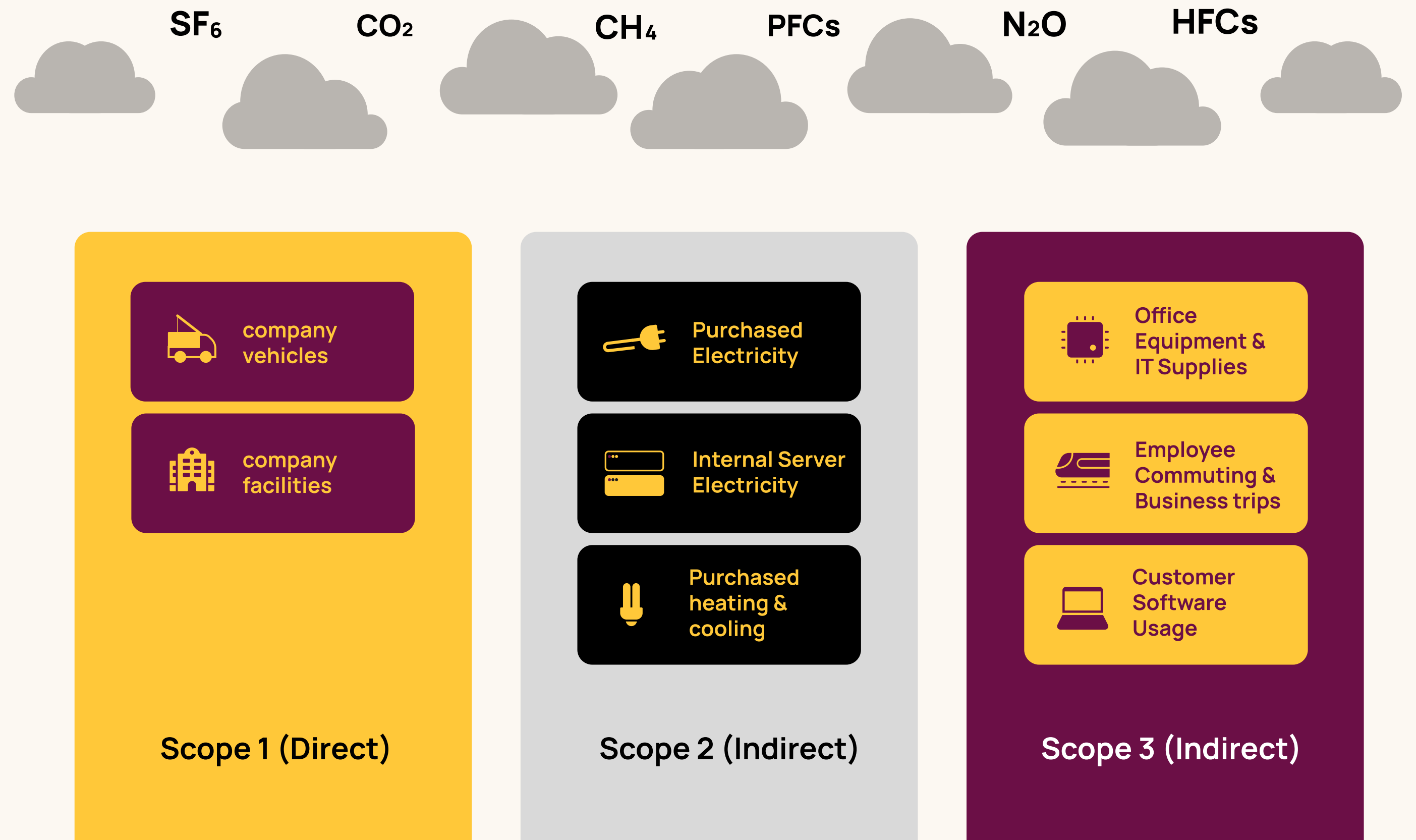
emissions from data centers)

- Waste generated in operations and end-of-life treatment of sold products

For a generic overview of key categories in other sectors, please see the figure on the previous page.

Now that you have chosen the most relevant categories, it is time to pin down the activities with the highest emissions. To help with this, we recommend benchmarking against companies with similar activities to yours, as demonstrated on the right for the software and IT sector.

Typical Emission Sources in the Software & IT Industry



Typical emission sources in the IT industry. Credit: LFCAs based on Planetly

Community Spotlight

Boozt shared that not all the categories were relevant for them. To get things started, they organized a cross-functional workshop to shortlist categories and focused on areas where data was rather accessible. As a result, they began measuring downstream transportation and distribution, waste generated, cloud computing, and business travel. For the remaining relevant Scope 3 categories, they are currently looking into getting help from a consultancy or software solution.

Tips

Focus on areas where you have influence

From international transportation networks to a variety of raw materials and manufacturers, value chains can get complex, which can make you wonder where to begin. Our

advice is to start with the most material aspects and areas you know you can influence.

Don't forget about your core business

When things get difficult, we recommend going back to basics and asking yourself simple questions. What is your main business? What are your main income sources? Derive emission sources from your core business.

Acknowledge exclusions

While companies are not obliged to report on all of their Scope 3 categories, it is a good practice to openly disclose and justify any exclusions from your inventory.

Step 2

Get prepared

Good preparation is key to any complex endeavor and that includes Scope 3 measurement. Therefore, we recommend getting your data pre-assessed and your team aligned before you get down to the nitty-gritty.

To get a reality check on **data availability**, it is important to identify relevant activity data and the appropriate emission factors. Data can be either primary (i.e. specific to the activity in your company's value chain) or secondary (e.g. industry averages, proxy data, or other generic data). The more comprehensive the data, the more accurate the footprint measurement.

Data assessment is not only about selecting the right type of data, but also about collaboration in the collection process. All of the companies we interviewed agreed that the **involvement of the company** from the very beginning is key to any Scope 3 measurement endeavor. The main elements to consider in this

respect are:

Support from management

To run the measurement process smoothly, you will need full trust and understanding from your management team.



Community Spotlight

In **Blackroll's** experience, trust and support from management were essential as the team struggled with estimating the budget required for compensation without knowing in advance how big their footprint would be.

At **GameDuell**, the teams were working together and received additional support from the management to provide the needed data.

Team awareness

Many companies highlighted the importance of communicating the wider objectives of Scope 3 measurement to the whole company. This not only helps secure buy-in, but also prepares colleagues for what is ahead.

Community Spotlight

Blackroll advised not to underestimate the time it takes to get colleagues involved.

GameDuell suggested creating an ad-hoc project team with motivated people from several teams, ideally including facility- and office management, procurement, and management.

Shop Apotheke found a transversal approach to emissions calculations particularly helpful. Instead of having just one centralized sustainability-focused team, every team is responsible for implementing specific aspects of their sustainability strategy.

Engaging key departments

Many interviewees told us that some departments were crucial to their data collection efforts. Make sure you reach out to them early.

Community Spotlight

Tourlane involved a range of teams, including Finance, Operations, Travel Product, Supplies, Tech, Data Analytics, and Sales. Beyond internal teams, they stressed the need to proactively communicate sustainability objectives to your stakeholders to help them understand how they might need to adapt.

Blackroll, in contrast, involved departments that were in close contact with suppliers. This included teams working on the material composition of products and coordinating packaging-related activities.

GameDuell worked closely with Finance, Office Assistance (in charge of travel), and Product Analytics (offered game-specific data).

Step 3

Calculate your emissions

In this step, you will learn what data is required, where to find it, and how to assign the relevant emission factors.

To get the most accurate results, you need to collect as much primary data from suppliers in your value chain as possible. Primary data is often collected through a questionnaire or a similar format.

In case you do not have access to primary data, secondary data should be your fallback. Such data can be collected through benchmarking and looking up generic sector-specific resources.

Type of data	How to calculate emissions	Benefits	Limitations
Supplier-specific data (primary data)	Measuring the emissions based on the data collected directly from your value chain (e.g. contacted the product or service suppliers)	The most reliable and specific data Measurements are based on the most accurate data	In most cases, you do not have access to the data Suppliers usually do not know the relevant carbon data
Physical-unit data (primary data)	Measuring the emissions based on the number of physical units purchased for your company's activities (e.g. derive data from electricity bill)	The most reliable way when you don't have carbon-specific data The most accurate method to measure the emissions	Takes time to collect all the data from your company and suppliers Suppliers might not be able to provide all the relevant data
Spend-based data (secondary data)	Calculate the emissions based on the money spent for a purchased good or service. As a first step, you collect the financial value of a purchased good or service and then multiply it by the relevant emission factor. The result is the amount of emissions produced per monetary unit.	Data can be easily collected (e.g. from invoices)	Not a very accurate method Useful for high-level overviews

Overview of benefits and limitations of primary and secondary methods. Credit: LFCA based on PlanA

Some Scope 3 categories such as business travel and employee commuting will be easier to quantify than others. Your energy consumption (electrical and thermal) and the type and location of your energy supplier should also be relatively easily accessible.

Now that you have collected your activity data, you need to translate those into emissions with the help of **emission factors**. The calculation process for specific factors can be particularly challenging in cases where suppliers are not able to provide primary data. If this applies to you, you may need to develop custom emission factors or rely on external databases.

With the emission factors assigned, you can finally proceed to **impact assessment**. The results of the assessment will help you identify hotspots and discover the most material areas of your value chain emissions to focus on.



Community Spotlight

Tourlane told us that consultants helped them ask the right questions and put together a robust dataset. This, in turn, was helpful in deciding which areas to focus on for effective reduction strategies. As for data gaps, they adopted a conservative approach and calculated 'worst-case scenarios' for any missing categories. This approach incentivized further improvements as every time they would add updated data, the overall emission numbers would go down. Their general advice is "not to focus on the 5% you don't have, but improve results with the 95% you already have."

Shop Apotheke stressed the importance of investing in creating a robust infrastructure system for data collection. Access to up-to-date data throughout the year has proven to be of great use to them.

Game Duell mentioned that a good way to get quality

data on their footprint was to consider spending data for certain categories. Having selected the most relevant categories, they calculated the amounts spent on them within a year.

For **Blackroll**, defining the relevant Scope 3 categories took quite some time because they needed to consider all of their locations and warehouses. Getting information on the production-related energy consumption from stakeholders was a particular challenge. Many were hesitant to share data due to confidentiality reasons, which made benchmarking essential. Despite challenges, the team stressed that leading by example is key to establishing credibility and influencing suppliers to do more.

Boozt mentioned that the creation of a data collection platform helped them streamline the collection process and stored data in one place.

Fashion Cloud recommended to start with a simple Excel sheet and constantly update it if budget or access to bespoke tools is an issue. The goal is getting started, not perfection.

Common Challenges

Accessing supplier data

Accessing data for activities outside of your direct control and calculating the associated emissions is a significant challenge. Scope 3 data collection is often reliant on a wide range of stakeholders, many of whom may not document their own data or be willing to disclose it. Reliability and formatting are some additional obstacles.

Filling gaps with secondary data

The two data collection methods prescribed in GHG Protocol are supplier-specific and hybrid. The supplier-

specific approach relies on product-level consumption data, whereas the hybrid method uses supplier data to calculate Scope 1 and Scope 2 emissions, but allocates these based on spend and products purchased.

Where no detailed supplier data is available, secondary data can be used to fill the gaps. Not utilizing primary data, however, can leave you with limited options for reduction. For example, supplier emissions calculated solely based on the spend associated with purchased goods and services can only be addressed by reducing this spend.

It is important to note that the calculation methods you adopt can positively or adversely affect your company's ability to set science-based targets or determine a robust net-zero pathway.

Robustness and double counting

If every company in your value chain would have measured their Scope 1 and Scope 2 emissions, then, technically,

your Scope 3 emissions would be accounted for. In reality, double-counting is likely to occur.

This in itself should not cast doubt on the robustness of your calculation – there is no risk to more than one organization taking account of emissions. The risk associated with no one accounting for the emissions, however, is huge.



Tip

Don't be afraid to start small

If you do not have visibility into your entire value chain, you can start by focusing on just one specific supplier, a specific product type, or even a specific region and then scale up your efforts. One of the interviewed companies shared that they had to convince others that imperfect data is better than no data as long as it helps drive

tangible improvements.

Be strategic

If Scope 3 data collection looks excessively challenging, you can strategically focus on emission hotspots (e.g. Tier 1 suppliers).

Invest in data collection systems

Before engaging in Scope 3 calculation, we recommend you take the chance to review your existing data collection systems. If your system is outdated and inefficient, or you find yourself in a sea of spreadsheets and endless email threads asking people for data, it's probably time to invest in data infrastructure

Be mindful of cost-based approaches

Cost-based approaches can be rather imprecise as they use average values over entire sectors. It is therefore recommended to calculate emissions at least based on the number of units purchased, if such data is available.

Supporting suppliers is a win-win

You can make the data collection process more smooth if you develop clear guidelines and training to your suppliers.

Break it down as much as you can

We recommend breaking data down into subcategories. The more granular your data, the sharper your focus. For example, detailed employee travel data can help you understand how to cut air travel and promote rail transport.



Resources

There are many tools and documents to help you with your Scope 3 calculation:

[Guidance for Calculating Scope 3 Emissions](#) provides guidance on data collection methods, requirements, and

quantification methods.

The [Scope 3 Evaluator tool](#) helps screen Scope 3 emissions categories to identify focus areas.

[Guidance for calculating Scope 3](#) helps calculate emissions resulting from events and conferences.

[ENERGY STAR Scope 3 Use of Sold Products Analysis Tool](#) is useful for retailers to benchmark emissions associated with the use of sold products.

[GHG Emission Factors Hub](#) contains factors applicable to a number of Scope 3 categories.

[KMU Kompass](#) includes a set of relevant questions to ask suppliers.

Step 4

Identify hotspots

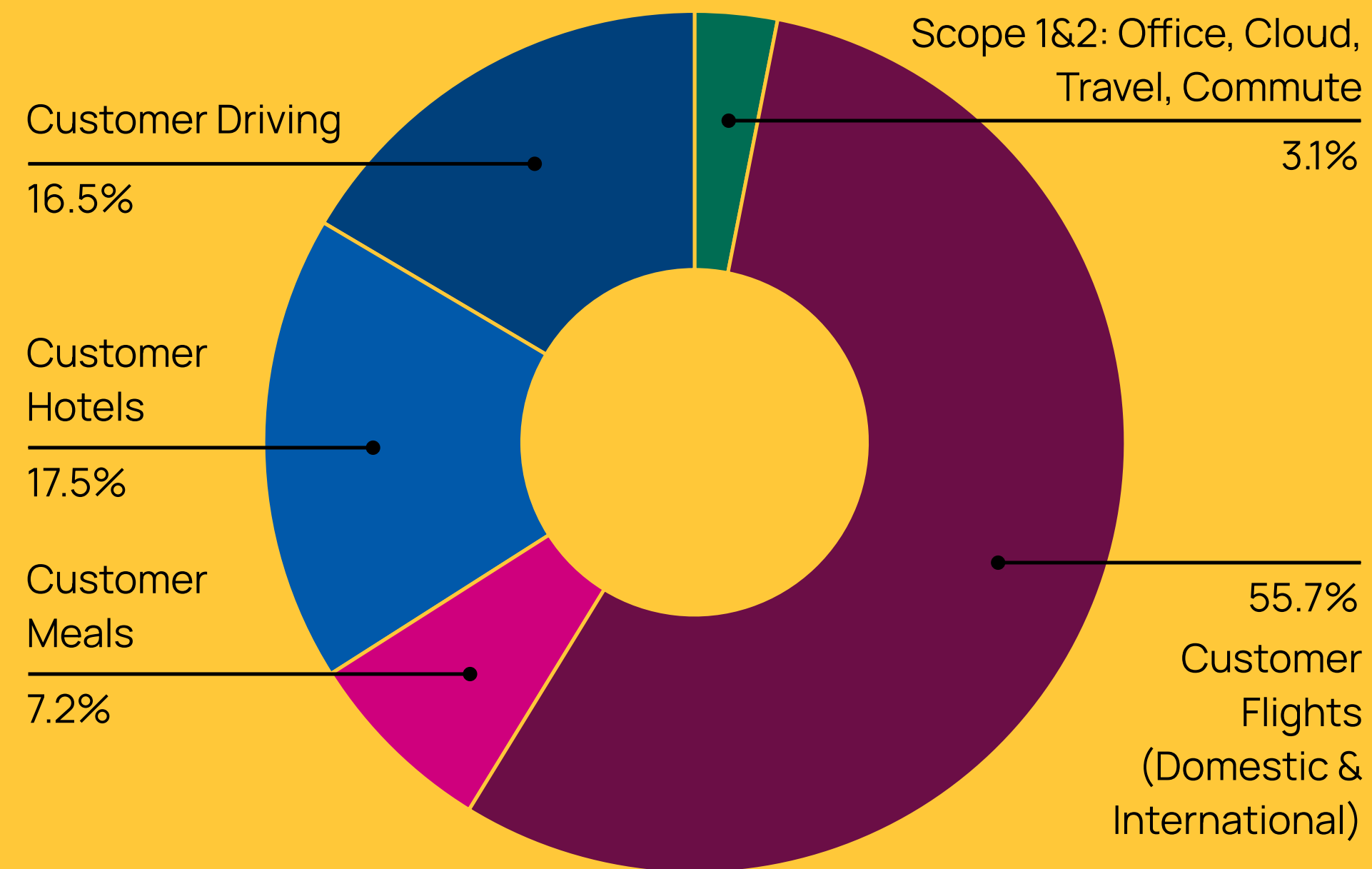
The next step is to identify the biggest contributors to your corporate footprint. These are called **emissions hotspots** and can help you discover the most impactful reduction opportunities.

To prioritize hotspots, you need to compare the size of emissions for each of your Scope 3 categories. You can also consider where you have the greatest influence potential and map these factors against the size of emissions. This will help you establish areas that are most material. Focusing on spend, key products, geographies and business lines could also be helpful. The results of **materiality assessment** will be helpful in formulating a plan for action and setting reduction targets.

Community Spotlight

We asked some of our interviewees to share their corporate carbon footprint breakdown. As seen below, one of the biggest hotspots for **Tourlane** is flights by customers followed by hotels and driving.

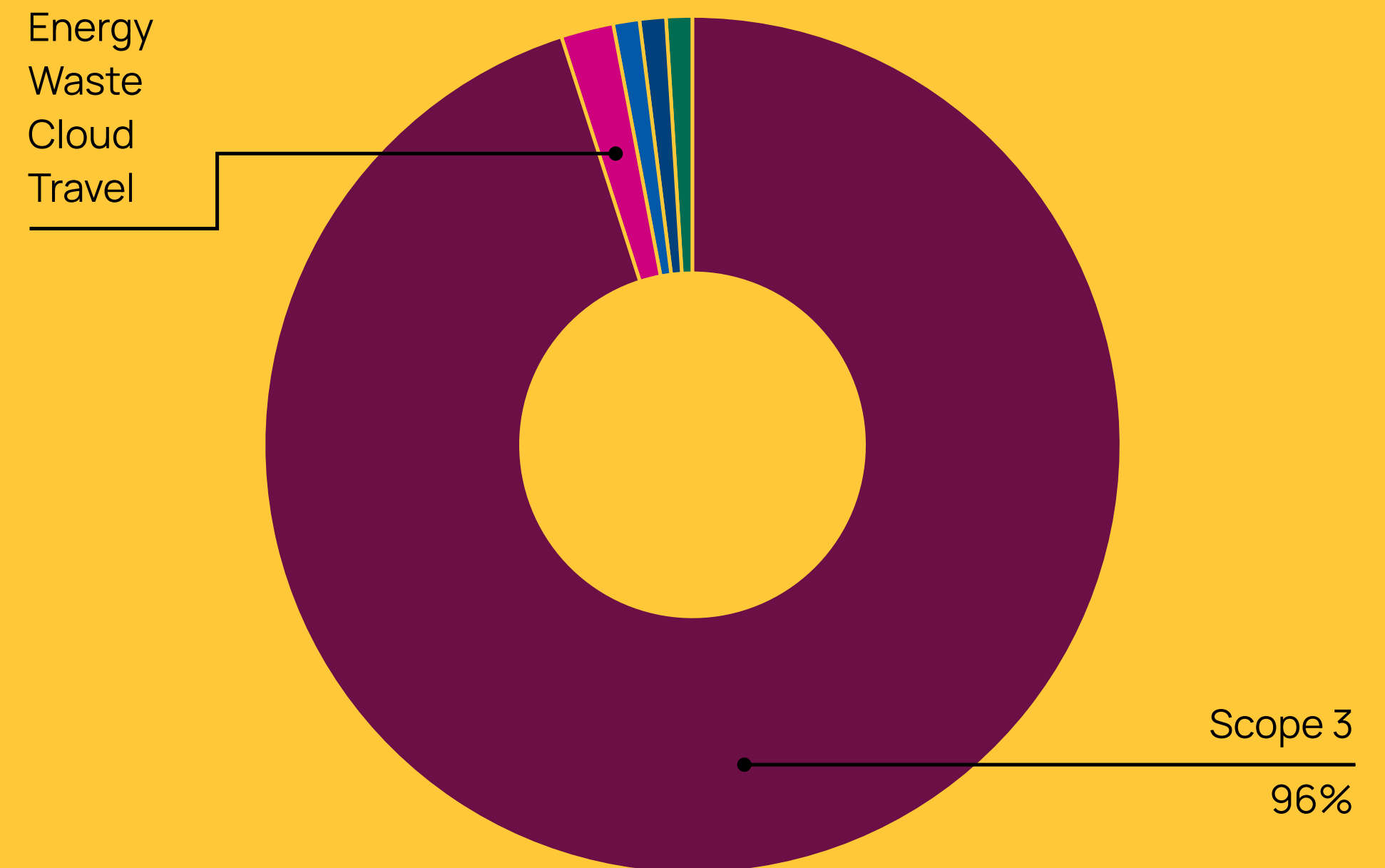
Tourlane 2019 Scope 1,2,3 breakdown



Scope 1,2, & 3 footprint breakdown. Credit: Tourlane.

At **Boozt**, Scope 3 accounted for 96% of emissions despite the fact that not all of the 15 categories had been considered.

Boozt Scope 1,2,3 breakdown



Breakdown of Scope 3 CO2e emissions. Credit: Boozt

For **Blackroll**, Scope 3 accounted for approximately 90% of their total footprint. Production of materials, disposal of materials, and logistics were their main hotspots.

Shop Apotheke was surprised to learn that employee commuting and trips to warehouses was one of their main emission sources.

At **Fashion Cloud**, employee travel came up high on the list of hotspots. To address this, the team created an internal traveling education package and is in the process of changing travel policies.

 **Tip: Get departments to own hotspots**

As every Scope 3 category has its own logic, consider sharing ownership of key emission hotspots with the relevant departments in your company.

Step 5

Disclose results

As soon as you have calculated your emissions and identified hotspots, it is recommended to publicly disclose your full scope measurement.

It is a common practice for carbon footprint reports to include information about data sources, collection and consolidation approaches, exclusions, and other relevant information such as any associated targets. Reporting should be done annually, which constitutes an opportunity to refine collected data and measure the impact of implemented reduction actions.

 **Tip: Be an open book**

Communicate transparently the degree of responsibility you assume for upstream and downstream Scope 3 emissions as well as the measures you intend to take to

reduce them. Such transparency not only helps to hold yourself to a high standard, but also facilitates a public dialogue on gaps in action and shared challenges.

Resources

Some of the main standards and tools to improve and increase climate-related disclosure include:

[The Climate Disclosure Standards Board \(CDSB\)](#)

[The Sustainable Accounting Standards Board \(SASB\)](#)

[Task Force on Climate-related Financial Disclosures \(TCFD\)](#)

[CDP Reporting Software \(CDP\)](#)

[GRI Reporting Software \(GRI\)](#)

Step 6

Set targets and reduce

Once you have established a baseline for your GHG inventory, you should formulate reduction targets and plan interventions toward reaching them.

Not all of your goals need to be focused on emission reduction. For instance, building up communication channels to collect data is an important qualitative goal, which enables you to track progress towards more quantitative reduction targets.

Specific reduction measures vary depending on geography, industry, and complexity of value chain, among others. Some of the most common reduction levers include:

Suppliers: Engage with your suppliers to reduce their emissions. In case you do not have direct access to your suppliers, join industry groups and associations to strengthen leverage.

Customers: Work within your 'sphere of influence' and engage your customers in behavior change through educational and collaborative formats.

Procurement: If you have plans to prolong contracts with existing suppliers or onboard new ones, make sure that you build up a procurement code of conduct to give preference to companies committed to climate action.

Business model: Focus on decoupling your business growth from emissions. If you are a product-based company, focus on lifetime extension and durability, which will lead to the decrease in carbon emissions associated with the usage of your product(s).



Community Spotlight

Most of our members, including **Shop Apotheke**, **Tourlane** and **Fashion Cloud**, agreed that a deep dive into their Scope 3 emissions was instrumental in helping them set

robust reduction targets. In fact, many of them are in the process of submitting and getting their targets verified by the Science Based Targets initiative.

Shop Apotheke suggested adopting the XDC Model developed by right. based on science to “not just look at what CAN be reduced, but what MUST be reduced to make an adequate contribution”

Fashion Cloud ran an internal workshop to identify the best reduction levers based on their Scope 3 assessment. The outcome of the workshop included a number of actionable reduction initiatives and closer engagement with suppliers to collect more data.

Step 7

Go beyond

Carbon accounting is a journey. All of the interviewed companies agreed that there is no best way to tackle Scope 3 emissions and it is important to just get started. After all, it's not a one-off process and you will have a chance to improve things over time.

In doing so, it is important to remember that Scope 3 is not just about reducing your indirect emissions, but also about contributing to a global shift to a lower-carbon economy. Addressing value chain emissions requires global cooperation, which is essential to meeting collective climate goals. It's an opportunity we can't afford to miss.



Tip: Remember you are not alone

The lack of clear best practices on how to manage Scope 3 emissions makes it a challenging task. If you get stuck, remember that you are not alone on this journey and there are many companies who have gone through a similar process. If you are an LFCA member, you can always use our Slack group to ask others for help or add your questions and learnings to our action library.

Summary

Wrapping it up

- ✓ Make use of your Members Area
- ✓ Focus on areas where you have influence
- ✓ Don't forget about your core business
- ✓ Acknowledge exclusions
- ✓ Don't be afraid to start small
- ✓ Be strategic
- ✓ Invest in data collection systems
- ✓ Be mindful of cost-based approaches
- ✓ Supporting suppliers is a win-win
- ✓ Break it down as much as you can
- ✓ Get departments to own hotspots
- ✓ Be an open book
- ✓ Remember you are not alone

Appendix

Key terms

The following terms have been aligned with the GHG Corporate Value Chain (Scope 3) Accounting and Reporting Standard.

Corporate Carbon Footprint

An amount of greenhouse gas (GHG) emissions emitted by private or corporate activities during a given period.

Carbon Accounting Methodology

A reference to the main methods used when assessing Scope 3 of the reporting company, namely, supplier-specific, physical-unit, spend-based, and hybrid.

Carbon Accounting Standards

A reference to GHG Protocol Scope 3 Standard and ISO 14064, the best-known and most widely-used standards.

GHG Protocol

A globally recognized standard for measuring and managing

greenhouse gases (GHG).

GHG Protocol Scope 3 Standard

Global standard with 15 categories in which the Scope 3 emissions of a company must be calculated and reported.

Emissions Factor

A factor that converts activity data into GHG emissions data.

ISO 14064

International standard for corporate reporting of greenhouse gas emissions.

Product Carbon Footprint

A life cycle product carbon footprint measures the total greenhouse gas emissions generated by a product, from extraction of raw-materials, to end-of-life.

Purchased Goods and Services

Extraction, production, and transportation of goods and services purchased or acquired by the reporting company

Scope 3 Activity

An individual source of emissions included in a Scope 3 category.

Scope 3 Boundary

An organizational boundary defined by the reporting company to include in the GHG inventory.

Scope 3 Inventory

A quantified list of an organization's GHG emissions and sources outside of Scope 1 and Scope 2 emissions.

Value Chain

All upstream and downstream activities associated with the operations of the reporting company.

Sources

References

Boozt. Boozt Sustainability Report, 2021

https://static1.squarespace.com/static/5e9d5bc80667c66d431bfb23/t/623c8acb96d4ce65861d4a36/1648134870964/v2-BooztGroup_EN_AR2021+-Sustainability+Report.pdf

CDP. New report shows just 100 companies are source of over 70% of emissions, 2017

<https://www.cdp.net/en/articles/media/new-report-shows-just-100-companies-are-source-of-over-70-of-emissions>

CDP. A Climate Disclosure Framework for Small and Medium-Sized Enterprises (SMEs). 2021

https://cdn.cdp.net/cdp-production/cms/guidance_docs/pdfs/000/002/852/original/SME-Climate-Framework.pdf?1637746697

ChangeNOW. The ABC of Carbon Reduction. YouTube, 2022

<https://www.youtube.com/watch?v=eeHvNKaNHC4>

Climate Neutral. The Brand Emissions Estimator

<https://www.climateneutral.org/bee>

ClimatePartner. Climate action for companies, 2021

<https://register.gotowebinar.com/recording/recordingView?webinarKey=8734327272091273484®istrantEmail=bahareh%40lfca.earth>

ClimatePartner. Deep Dive: Product Carbon Footprint, 2021

<https://www.climatepartner.com/sites/default/files/2021-08/ClimatePartner%20Deep%20Dive%20PCF%20EN.pdf>

Deloitte. Scope 1, 2 and 3 emissions

<https://www2.deloitte.com/uk/en/focus/climate-change/zero-in-on-scope-1-2-and-3-emissions.html>

Ecoact. Climate and the value chain A roadmap for Scope 3 emissions reductions

<https://info.eco-act.com/hubfs/0%20-%20Downloads/Scope%203/A%20Guide%20for%20Reducing%20Scope%203%20Emissions%202020%20-%20EcoAct.pdf?hsLang=en>

EPA. Scope 3 Inventory Guidance

<https://www.epa.gov/climateleadership/scope-3-inventory-guidance>

Greenhouse Gas Protocol. Corporate Value Chain (Scope 3) Standard

https://ghgprotocol.org/sites/default/files/standards/Corporate-Value-Chain-Accounting-Reporting-Standard-EReader_041613_0.pdf

Greenhouse Gas Protocol. Scope 3 Evaluator

<https://ghgprotocol.org/scope-3-evaluator>

Greenhouse Gas Protocol. Supplier Engagement Guidance

https://ghgprotocol.org/sites/default/files/standards_supporting/Supplier%20Engagement%20Guidance.pdf

Greenhouse Gas Protocol. Technical Guidance for Calculating Scope 3 Emissions, 2013

https://ghgprotocol.org/sites/default/files/standards/Scope3_Calculation_Guidance_0.pdf

Greenstone. Scope 3 Greenhouse Gas (GHG) emissions explained

<https://www.greenstoneplus.com/blog/scope-3-greenhouse-gas-ghg-emissions-explained>

Klaaßen, Lena, and Christian Stoll. Harmonizing corporate carbon footprints. Nature Communications, 2021

<https://www.nature.com/articles/s41467-021-26349-x>

Plan A. What are Scopes 1, 2 and 3 of Carbon Emissions?, 2020

<https://plana.earth/academy/what-are-scope-1-2-3-emissions/>

Plan A. What is the difference between carbon-neutral, net-zero and climate positive?

<https://plana.earth/academy/what-is-difference-between-carbon-neutral-net-zero-climate-positive/>

Plan A. How to choose best carbon accounting method for your company?

<https://plana.earth/academy/how-to-choose-best-carbon-accounting-method-company/>

Planetly. How to Build a Holistic Climate Strategy for Your Business, 2021

<https://www.planetly.com/articles/how-to-build-a-holistic-climate-strategy-for-your-business>

Planetly. Greenhouse Gas Protocol

<https://www.planetly.com/glossary/ghg-protocol>

Planetly. Greenhouse Gases (GHG)

<https://www.planetly.com/glossary/greenhouse-gases-ghg>

Planetly. Typical Emission Sources in the Software & IT Industry

<https://www.planetly.com/articles/typical-emission-sources-software-it>

Science Based Targets initiative. Best Practices in Scope 3 Greenhouse Gas Management, 2018

https://sciencebasedtargets.org/resources/files/SBT_Value_Chain_Report-1.pdf

Tourlane. Tourlane Sustainability Report 2019

<https://www.tourlane.com/sustainability>

University of Oxford. Net Zero pledges go global, now action needs to follow words

<https://www.ox.ac.uk/news/2021-03-23-net-zero-pledges-go-global-now-action-needs-follow-words-oxford-eciu-report>

WWF Germany. Overcoming barriers for corporate scope 3 action in the supply chain, 2019

<https://www.wwf.de/fileadmin/fm-wwf/Publikationen-PDF/WWF-Overcoming-barriers-for-corporate-s>

LFCA is the action-driven climate community. We help businesses to move from awareness to action, focus on the right thing, and learn from one another.

Learn more at lfca.earth

