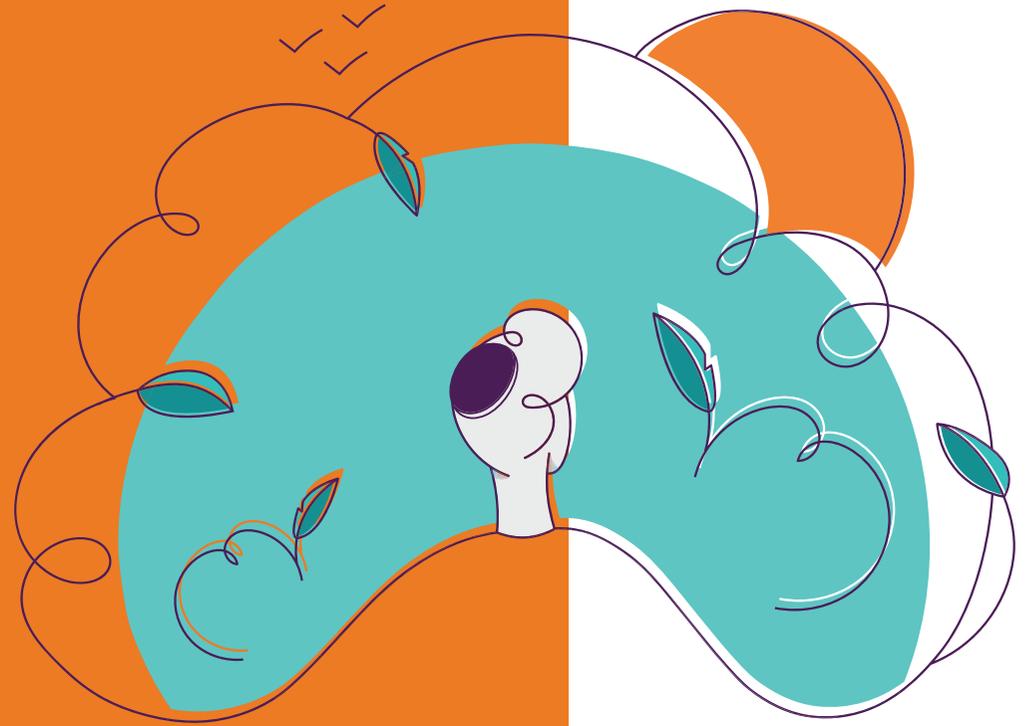




IDENTIFYING MOST MATERIAL SCOPE 3 IMPACTS



IDENTIFYING MOST MATERIAL SCOPE 3 IMPACTS

To make a climate commitment and work towards achieving net zero, you'll need to cut your business' greenhouse gas emissions by at least 50% before 2030, from a base year no more than two years back in time.

This means that this decade, you must cut in half your own emissions. That's both Scope 1 and Scope 2 emissions, as well as those Scope 3 emissions related to employee commuting, business travel including accommodation, employees working from home, water usage, waste and purchased goods and services.

Where other Scope 3 emissions are material to your total emissions and where data allows you to measure it, your company should also aim to cut Scope 3 emissions in half this decade.

But how do you know what Scope 3 emissions are material (or most relevant) to your business?



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MATERIALITY ASSESSMENT

To assess their material issues, many large businesses carry out materiality assessments, which involve interviewing stakeholders to understand their concerns and researching global issues and trends. This insight is plotted onto a matrix to pull out the most relevant issues to the business.

We understand that this could be too complicated or time consuming for SMEs, so if you want to understand what other Scope 3 emissions you should be looking to measure and reduce, you can use our [Scope 3 materiality checklist](#) as a starting point.



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WHAT ARE SCOPE 3 EMISSIONS?

To understand your Scope 3 emissions, you first need to be clear on what's included in Scopes 1 and 2.

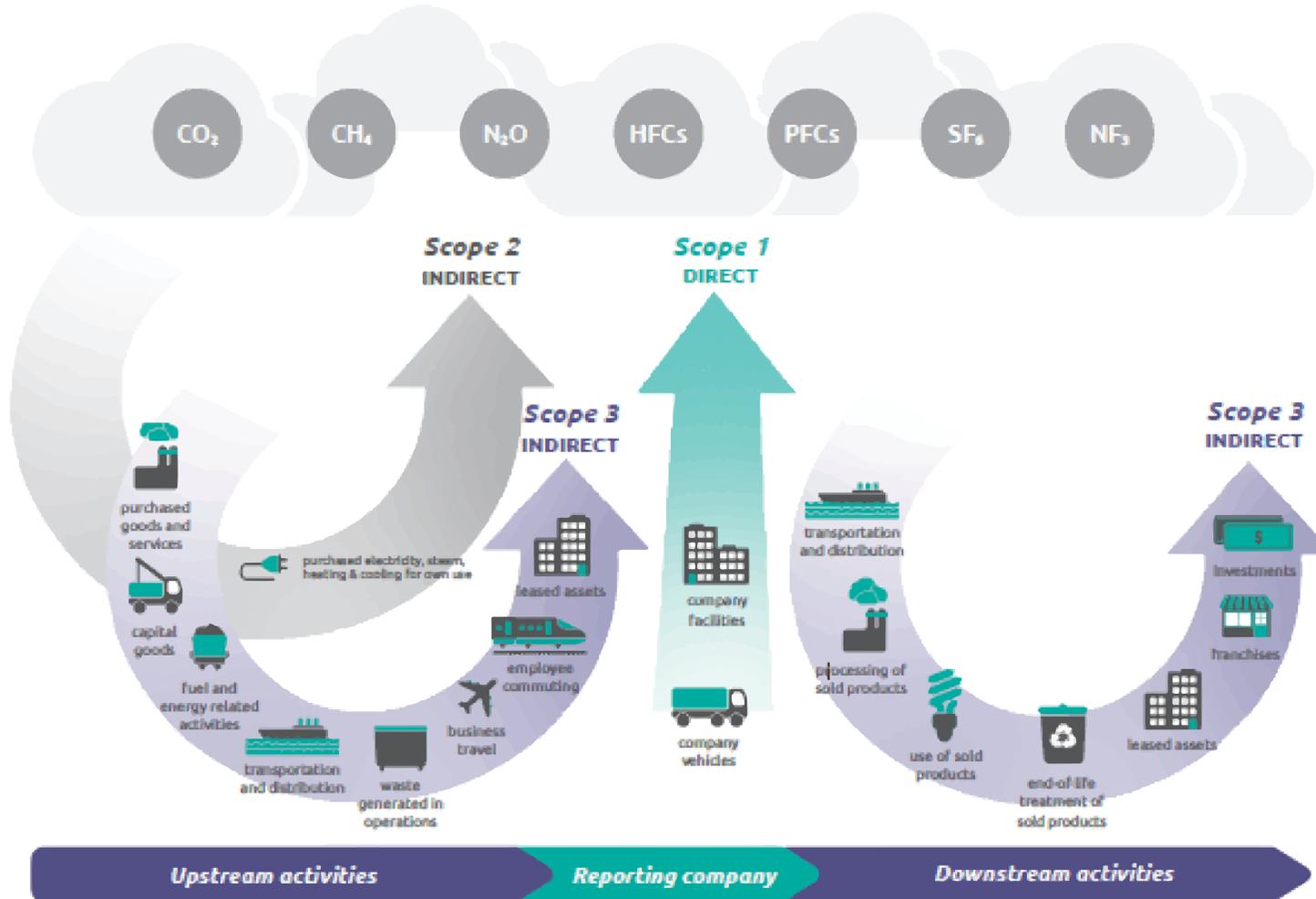
Scope 1 covers your direct emissions from owned or controlled sources (gas and company vehicles). Scope 2 covers your indirect emissions from the generation of purchased electricity, steam, heating and cooling consumed by your business.

Scope 3 includes all other indirect emissions that occur in your value chain, as shown in the diagram from the Greenhouse Gas Protocol on the next page, and in a list on the page after that.



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Figure [1] Overview of GHG Protocol scopes and emissions across the value chain



Source: Figure 1.1 of Scope 3 Standard.

Scope 1, reporting company

Company facilities
Company vehicles

Scope 2, upstream activities

Purchased electricity, steam, heating or cooling for own use

Scope 3, upstream activities

Purchased goods and services
Capital goods
Fuel and energy related activities
Transportation and distribution
Waste generated in operations
Business travel
Employee commuting
Leased assets

Scope 3, downstream activities

Transportation and distribution
Processing of sold products
Use of sold products
End of life treatment of sold products
Leased assets
Franchises
Investments



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WHY A CLOSER LOOK AT YOUR SCOPE 3 EMISSIONS IS IMPORTANT

For many businesses, most of your emissions and cost reduction opportunities lie outside of your own operations, so measuring Scope 3 emissions can help you to:

- assess where emission hotspots are in your supply chain
- identify resource and energy risks in your supply chain
- identify energy efficiency and cost reduction opportunities in your supply chain
- create opportunities to engage suppliers in your sustainability initiatives
- improve the energy efficiency of your products and services
- create opportunities to engage your employees in reducing emissions from business travel and commuting



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NEXT STEPS

This checklist will help you to identify any material Scope 3 emissions. If you identify any Scope 3 emissions that you believe to be material to your total emissions (potentially accounting for over 40% of your total emissions) and they're possible to measure, you should include them in your baseline and as part of your reduction target.

Scope 3 emissions beyond employee commuting, business travel including accommodation, employees working from home, water usage, waste and purchased goods and services (measured by monetary value) can be extremely difficult to measure and we don't cover that in this course, but you can use our list of useful organisations to find help with calculating these emissions.



Climate for SMEs: 4 Steps to Action is funded by the City of London Corporation in support of its Climate Action Strategy targets for a net zero and resilient Square Mile



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