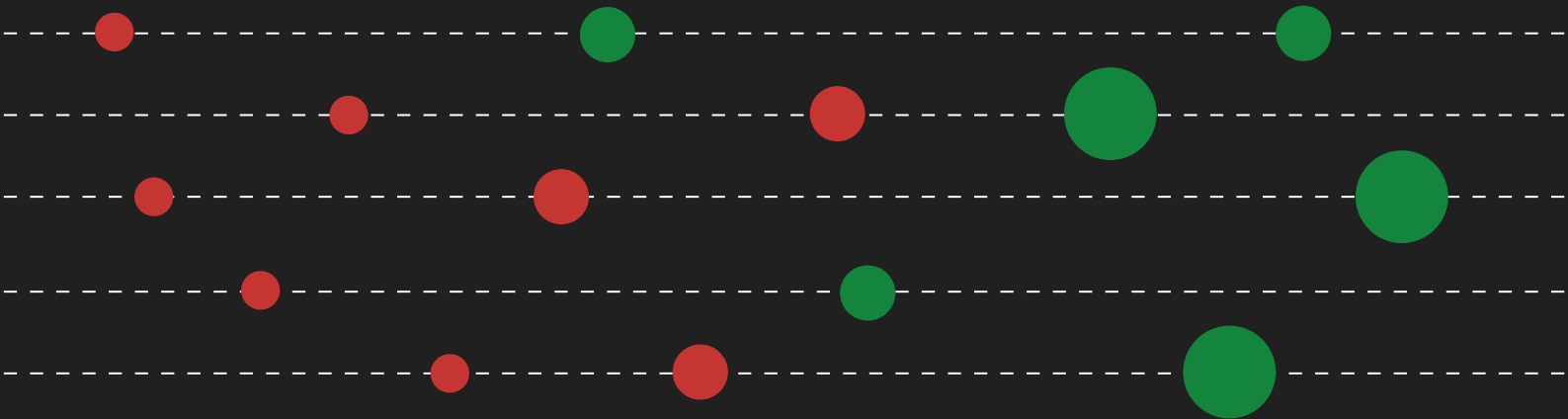


# SCOPE 3 EMISSIONS REPORTING

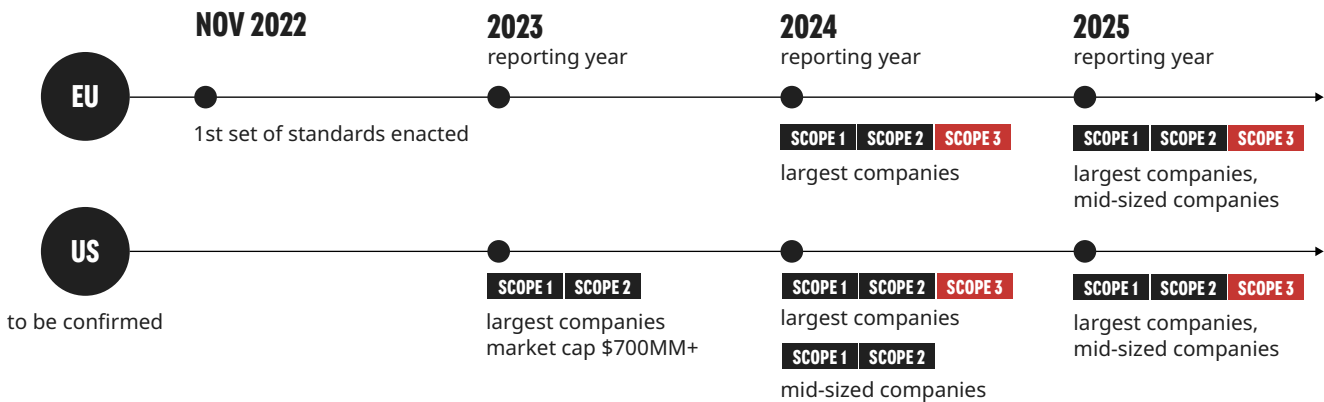
Mandatory reporting will require firms to measure and disclose their emissions, arranged in three scopes called **1**, **2** and **3**. Here we explain the need, what it means and how Oliver Wyman can help.



## Regulatory timeframe

The first wave of Corporate Sustainability Reporting Directive (CSRD) legislation was recently approved in the form of a wide ranging set of EU Sustainability Reporting Standards (ESRS).

This will confront companies with an unprecedented level of data-intensive regulatory reporting requirements, hitherto unseen outside of financial services. Given the tight timelines, companies will need to quickly absorb the hundreds of pages of regulation and identify gaps in existing capabilities and plans. The new regulations also make it clear that these approaches need to be performed at a granular level using transparent and well-documented methods. We estimate that over 10,000 companies will be caught in the 2024 reporting period expanding to 50,000 companies by 2025.



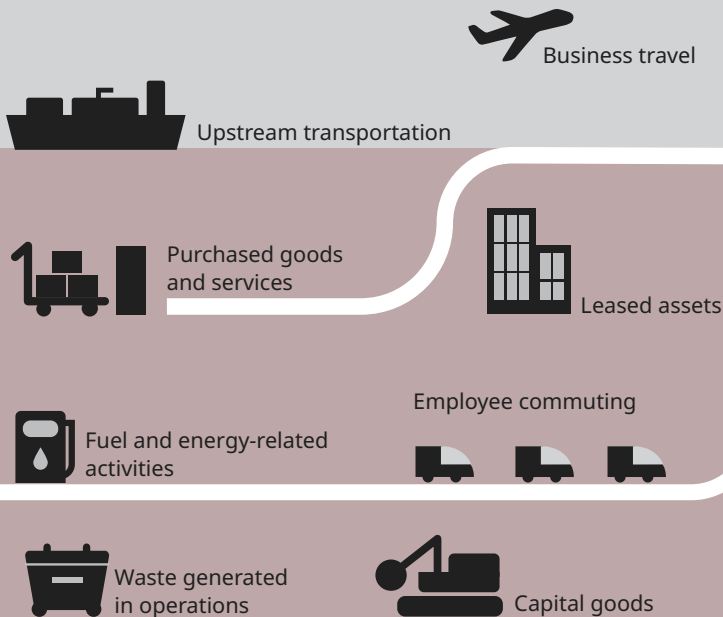
## What is Scope 3?

Greenhouse gas emissions are categorised into three groups or 'Scopes' by the widely-used international Greenhouse Gas (GHG) Protocol.

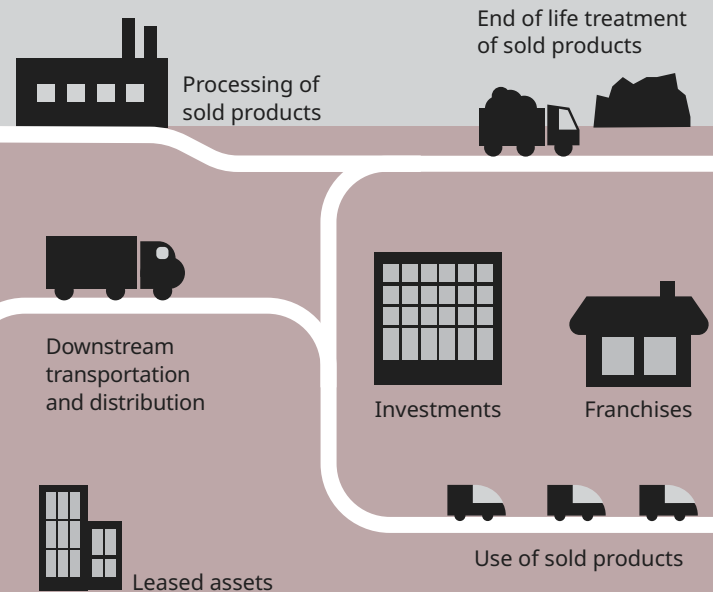
Scope 1 covers emissions from owned or controlled sources. Scope 2 covers indirect emissions from the generation of purchased electricity, heating and cooling. **SCOPE 3** includes all other upstream and downstream indirect emissions in a company's value chain.

Calculating Scope 1 and 2 emissions is relatively straight forward. **SCOPE 3**, which comprises the 15 categories shown below, is harder, which is why Oliver Wyman's service focuses on these emission calculations in our 3D Carbon Accounting Service.

### SCOPE 3 UPSTREAM EMISSIONS



### SCOPE 3 DOWNSTREAM EMISSIONS

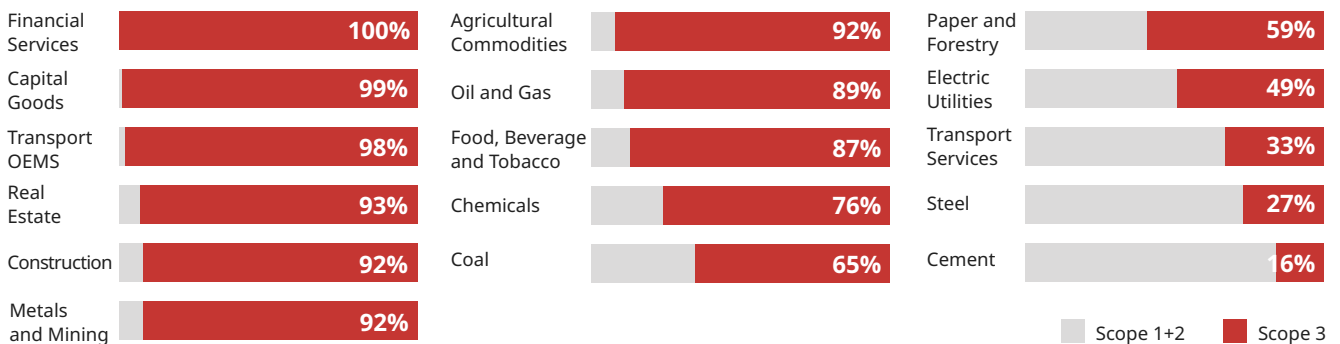


## Materiality and accuracy

**SCOPE 3** is for many firms the majority of emissions and for all firms is the most complex in terms of data requirements and methodological complexity.

The proportion of a firm's emissions that fall into **SCOPE 3** changes dramatically based on the industry. Note that **SCOPE 3** is material for most industries.

### Share of Scope 3 Emissions to Total Emissions, by Sector



Simply put: Emissions = Activities x Emissions Intensities

But there is a spectrum of accuracy depending on how granularly you can perform the calculations. They can be spend-based (kgCO<sub>2</sub>e per Euro) or volume based (kgCO<sub>2</sub>e per kg, per litre and so on). Emission parameters might be generic, for example the emissions generated in the production of steel calculated on a global or country average, or they could be specific to your actual supplier.

## Our approach

**We aim to help our clients to develop and enhance their own internal carbon accounting capabilities drawing upon our databases and industry-specific models.**

Our datasets include 100,000s of LCA studies and our models have been tailored to all of the major industry segments.

**3D Carbon Accounting**  
An Oliver Wyman solution

**100,000s LCA  
STUDIES INTEGRATED**

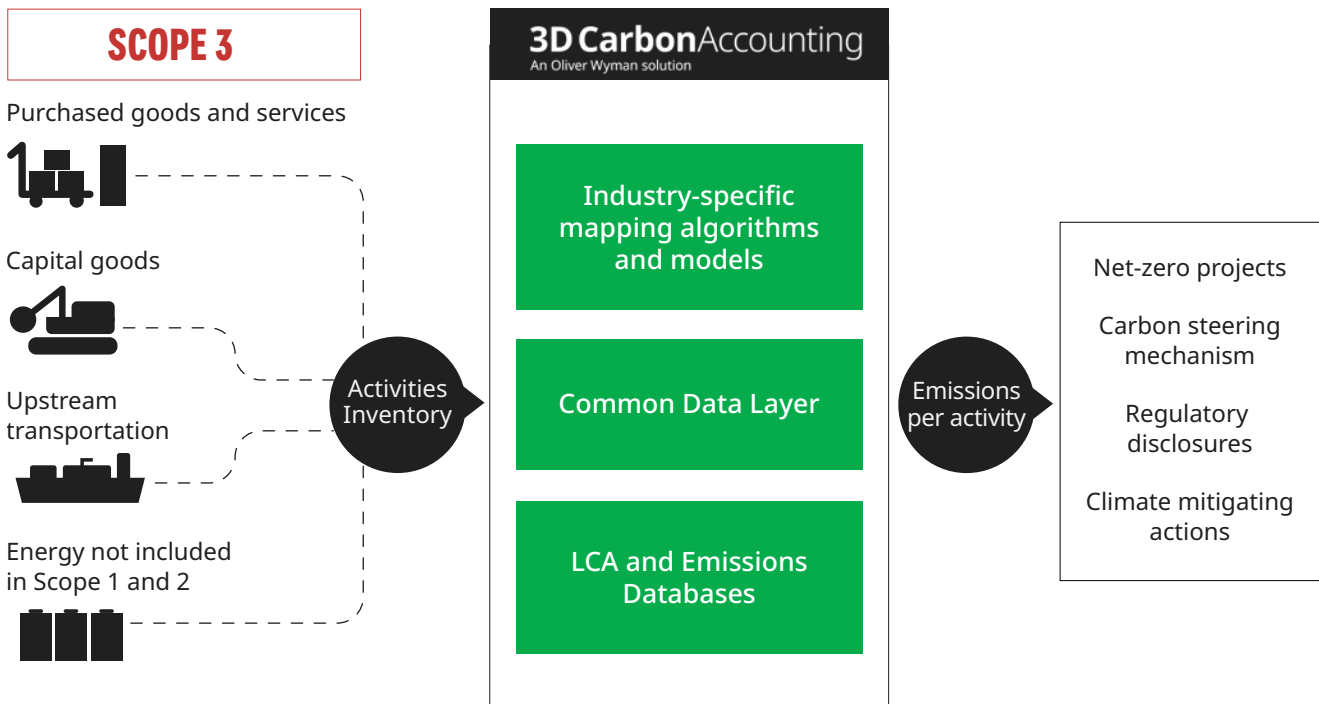
Industry specific models

Automotive  
Aviation  
Chemicals  
Food and Agriculture  
Manufacturing  
Media and Sport  
Mining and Metals  
Pharmaceuticals and Healthcare  
Power and Utilities  
Real Estate and Construction  
Telco and Technology  
Textiles and Apparel  
Transportation  
Waste

## Process

We help gather the data needed to perform the emissions calculations, and then run it through industry-specific mapping algorithms and models.

These capabilities need to be accurate, transparent, automated, fit-for-purpose, and tailored to your relevant industry.



# Outputs

Repeatable, traceable, auditable data that reveals your emissions in granular detail, ready to meet your reporting obligations and inform wider decarbonisation strategy.

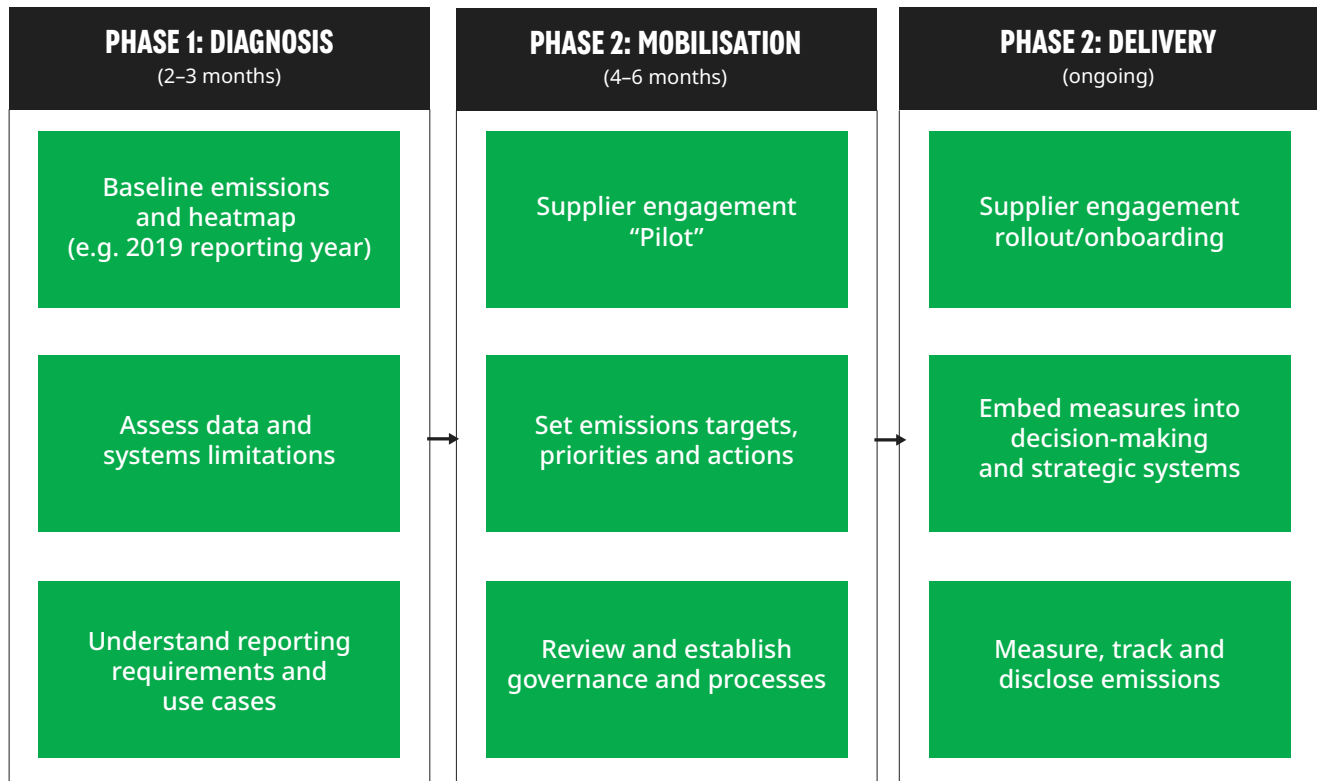
The example below shows the data associated with the repair of an aircraft engine following a bird strike. Every task and component is identified and the emissions quantified, illustrating the level of detail and rigour we apply.



## Project structure

We work with you to develop a bespoke programme that suits your business scale, industry, reporting timeline and locations that is in harmony with your internal resources and needs.

An example project structure is shown below, beginning with the baselining of your emissions using assumptions and generic datasets and progressing to an accurate model via a supplier engagement pilot and rollout.





**STAY CONNECTED**

