ACCOUNTING FOR
SUSTAINABILITY

MEASURING AND DISCLOSING SCOPE 3 EMISSIONS

Practical example: Vodafone

vodafone

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WHAT

Vodafone is one of the world's largest mobile phone operators and a UK-based multinational telecommunications and IT services company providing fixed line and mobile networks to over 340 million customers across Europe and Africa.[1]

We recognize the growing climate impact of technology and have set ambitious targets, approved by the Science Based Targets initiative (SBTi), to achieve net zero emissions across our full value chain by 2040. Our interim goals include becoming net zero in our own operations by 2028 in Europe and by 2035 in Africa, and halving scope 3 emissions by 2030.[2]

Scope 3 emissions reflect impacts on the wider economy. Our scope 3 emissions are consistently much greater than our combined scope 1 and 2 emissions: in FY25, they constituted 96% of our total emissions from continuing operations.[3] Throughout our value chain, the majority of our scope 3 emissions occur in:

- Our investments in other companies (category 15)
- Our procurement of goods and services (category 1) and capital goods (category 2)
- The energy used by our products once sold (category 11)

For more information on the different scopes of emissions and the categories within scope 3, see the Greenhouse Gas (GHG) Protocol's **Corporate Value Chain (Scope 3) Accounting and Reporting Standard**, pages 31–56, and A4S's **Greenhouse Gas Reporting Building Blocks for Accountants**.

Since 2023, responsibility for measuring and reporting environmental, social and governance (ESG) data, including scope 3 emissions, has moved from our sustainability team to our finance team. The aim of this move is to drive improvements in the quality and integrity of our ESG data towards the same level as financial information. As a result, we now use the skills of our finance team to implement data controls and processes and to collate, analyse and report ESG data. Additionally, operational teams driving the net zero transition within Vodafone have been empowered to deliver their programmes and are able to rely on robust data to drive transformational change across the business.

1. See the Vodafone 2025 Annual Report, page 4.
2. Reductions are against a baseline of the financial year ending 31 March 2020: see Vodafone's Climate Transition Plan 2025 to 2027, page 5, for more information.
3. See the Vodafone 2025 Annual Report, page 36; based on 6.61 million tonnes CO_2e from scope 3 GHG emissions from continuing operations and 6.88 million tonnes CO_2e from scope 1, scope 2 and scope 3 from continuing operations.

WHY

Our purpose is to connect everyone, empowering customers, supporting communities and enhancing digital opportunities for all. We acknowledge that increased digital connectivity can be used to help accelerate decarbonization efforts: for example, digitally connected technologies and data analytics can help to optimize transport logistics routes, resulting in reduced emissions from fuel use.

However, we recognize that our activities also risk negatively impacting the climate. The telecommunications sector is estimated to contribute between 1.8% and 3.9% of global GHG emissions.[4] In acknowledgement of this challenge we are accelerating our efforts to decarbonize, and we are working with other operators in our sector to explore how we can collectively reduce scope 3 emissions in the telecommunications value chain.

We report our scope 3 emissions annually to inform our customers and investors of the actions we're taking to reduce scope 3 emissions, our progress against our net zero targets and the challenges we encounter in our efforts to decarbonize the telecommunications value chain. By doing this, we not only comply with regulatory requirements – such as the Streamlined Energy and Carbon Reporting (SECR) requirements – but also ensure that we are being transparent.

4. Freitag, C and others (2021), The Real Climate and Transformative Impact of ICT: A Critique of Estimates, Trends, and Regulations, Patterns, 2(9), 100340.

HOW

We use the GHG Protocol's Corporate Standard and its Corporate Value Chain (Scope 3) Accounting and Reporting Standard, which identifies 15 categories for calculating and reporting upstream and downstream scope 3 emissions. In 2012, we began measuring emissions across a small number of scope 3 categories. To do this, we developed a bespoke methodology (described below) and started to engage with our suppliers and industry partners to build a database using available information. Where possible, we used publicly available data, such as suppliers' CDP (formerly Carbon Disclosure Project) disclosures, to reduce the data collection and reporting burden for suppliers.

Since then, we've increased the number of categories we disclose, and we now assess and report on all 15 categories of scope 3 emissions. In some categories there are no emissions to report, but we review this annually to improve the transparency and completeness of our disclosures. In 2024, we obtained external assurance over our total scope 3 emissions.

We continue to improve methods to track emissions across our value chain. As we operate in a complex value chain, it can be difficult to obtain high-quality data, so we work closely with suppliers and industry forums to gather robust scope 3 data.

USING THE GHG PROTOCOL TO DEVELOP SECTOR-SPECIFIC GUIDANCE

The GHG Protocol's scope 3 guidance is relevant to all sectors, not just the information and communications technology (ICT) sector. Companies – even those in the same sector – may interpret the requirements differently. They may choose to include only certain categories, apply different category boundaries or use different calculation methodologies. They may also use different emissions data sources,[5] making it harder to make accurate cross-sector scope 3 emissions comparisons.

We recognize the need to develop greater consistency in scope 3 measurement and reporting across the ICT sector. To facilitate this, we discuss sector-wide approaches with industry associations such as the Joint Alliance for Corporate Social Responsibility (JAC), the Digital Connectivity Forum and the Global System for Mobile Communications Association (GSMA).

In 2023, we contributed to the Scope 3 Guidance for Telecommunication Operators, aimed at facilitating consistent interpretation and application of the GHG Protocol. We now apply this guidance in our own work. The guidance notes the applicability of each of the 15 categories of scope 3 emissions to telecommunications operators and details a calculation methodology. It also offers advice on setting category boundaries. Initiatives like this are helping to standardize scope 3 measurement in industry sectors.

5. The use of different data sources may be appropriate for different companies.

DEVELOPING AND REFINING OUR INTERNAL CALCULATION METHODOLOGY

Our publicly disclosed ESG Methodology outlines how we approach scope 3 emissions accounting. We continuously seek to improve the quality of our scope 3 data by making improvements to our methodology. This methodology articulates why we use certain data sets, explains the processes and controls we use for measuring and reporting scope 3 emissions, and notes which scope 3 emissions we account for and in which categories. It also outlines any changes in our approach to reporting as we continue to implement methodological improvements in line with the evolving reporting landscape. The methodology is customized to assess different activities across our value chain.

This has helped us to improve internal consistency and prepare for external assurance. The methodology is subject to an annual internal review – driven by learnings from our annual reporting process – where we consider the following questions.

- How can we enhance the methodology?
- How can we refine the data quality and assumptions? For example, where can we replace estimated data with actuals or more up-to-date emissions factors?
- Do we need to update the methodology to ensure alignment with developments in industry standards and changes in regulations?

Where changes to our methodology result in significant changes to the data, we restate our base-year and prior-year emissions. For example, in 2023, one of the improvements in data quality was moving from a spend-based approach (spend multiplied by industry average emissions factors) to one using supplier- and product-specific data for categories 1 and 2. Restating prior-year scope 3 data is necessary in such cases, to enable year-to-year comparison of data trends.

MOVING FROM A SPEND-BASED APPROACH FOR CATEGORY 1 AND 2 EMISSIONS

Scope 3 emissions in purchased goods and services (category 1) and capital goods (category 2) are among the highest across our global operations. Historically, our emissions calculations were made using a spend-based approach which involved:

1. Obtaining the total procurement spend from our group operations
2. Mapping the categorized spend against the categories used in an environmentally extended input-output (EEIO) emissions factor database
3. Multiplying the procurement spend by the emissions factor to estimate total emissions

However, while it provides a way to estimate upstream supply chain emissions at scale, a spend-based approach has limitations. For example, it uses only an approximation of the emissions of the product purchased, and it can be an imperfect reflection of inflationary trends on GHG emissions. EEIO emissions factors are industry averages which cannot reflect the actions taken by individual suppliers, for example if they switch to using alternative energy sources or make improvements in energy efficiency.

We are seeking to overcome these challenges by collaborating with industry partners and suppliers across the value chain to collate product-specific emissions data instead. We are encouraging and incentivizing suppliers to set science-based targets and share data about the emissions of the products they sell us bilaterally, via industry forums and using data platforms.

USING DATA TO DRIVE DECISIONS

Our work to improve data quality must be completed alongside action to reduce emissions. It's important that emissions data, even if only estimated, is used to guide decisions. For example, we initially used high-level estimated data to identify high-emitting activities within our business. That data was used to develop a management plan to allocate resources efficiently to drive real-world decarbonization.

Partnering with Telenor to scale supplier engagement

Through our procurement partnership with Telenor, we have jointly strengthened our approach to suppliers' environmental criteria during both selection and contractual processes to accelerate the development of their environmental programmes. More information is available here: vodafone.com

NEXT STEPS

As we progress towards our net zero targets, we'll aim to:

- Continue to review and where necessary update our calculation methodology, baseline and emissions targets to reflect changes in industry standards, data quality and the GHG Protocol
- Increase the use of supplier- and product-specific emissions data and move away from spend-based calculations where possible
- Continue to engage and work with our suppliers and others in our industry to develop solutions to make the data we need to measure scope 3 emissions more available, accessible, interoperable and comparable – to enable and scale up emissions reduction

TOP TIPS

FOCUS INITIALLY ON DECISION-USEFUL DATA AND EXPAND OVER TIME

Start measuring scope 3 emissions for a few key categories, even with low-quality data. Even if it's not perfect, data can be used to drive decisions that reduce real-world emissions. Expand the number of scope 3 emissions categories you're reporting over time and work to improve data quality.

DEVELOP A DOCUMENTED INTERNAL CALCULATION METHODOLOGY

Return to first principles – for example, ensure that controls and processes are in place to encourage data integrity, accuracy and completeness. Document the methodology and review and improve it periodically.

WORK COLLABORATIVELY WITHIN YOUR SECTOR

Partner with others, including industry associations, to develop sector-specific guidance. Aim for a consistent approach to encourage accurate, transparent and comparable emissions data. Work within your sector to share data, and with suppliers to improve data quality over time.

COMMUNICATE TRANSPARENTLY, INTERNALLY AND EXTERNALLY

Report any changes to the baseline and include the reasons for them. Make sure they're understood by internal and external stakeholders, who may still be learning about scope 3 emissions and their associated challenges.

USE THE SKILLS OF THE FINANCE TEAM

Ensure that sustainability and finance teams collaborate to draw on each other's skills for the measurement and reporting of scope 3 emissions.

GET IN TOUCH OR FIND OUT MORE

Accounting for Sustainability (A4S)

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