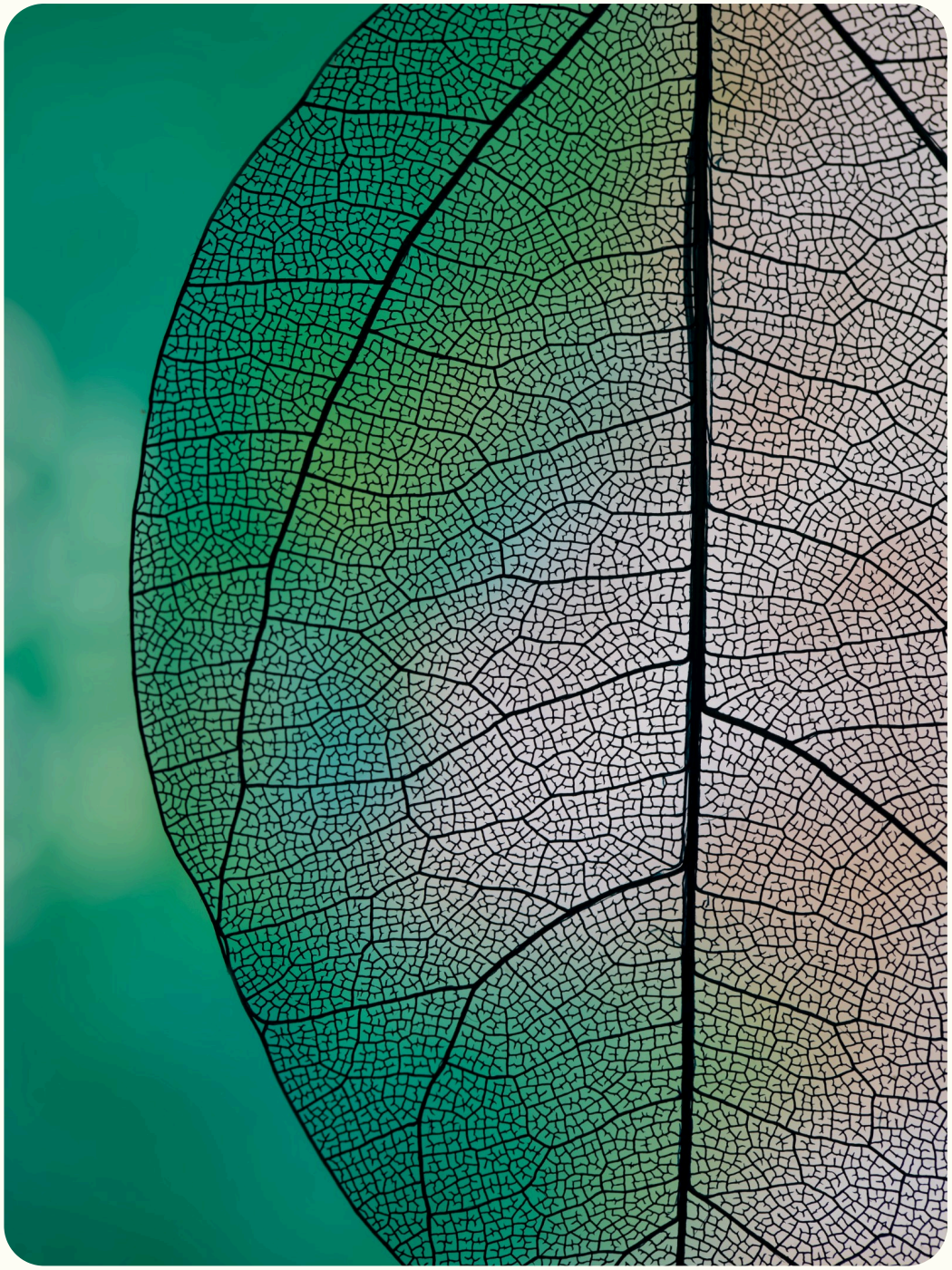
ESG PRO™

# The Carbon Reporting Handbook

## Compliance, Disclosure and Commercial Value

Prepared by ESG Pro



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Pages 15 to 30 are also issued separately as the client data pack, the working data request used at project kick off.

Standard references in this guide are correct as at September 2026.

### Methodology note

This guide reflects the greenhouse gas accounting standards, UK regulations and emission factor sets in force at September 2026. Emissions in ESG Pro inventories are calculated using the UK Government greenhouse gas conversion factors for company reporting, published by DESNZ with Defra, applying the factor set for the reporting year. Spend based categories use environmentally extended input output factors. Global warming potentials follow IPCC AR5 over a 100 year horizon. Where a category is estimated rather than measured, or held outside the reported total, the method and its limitations are stated in the report.


## 05 The emissions categories in detail

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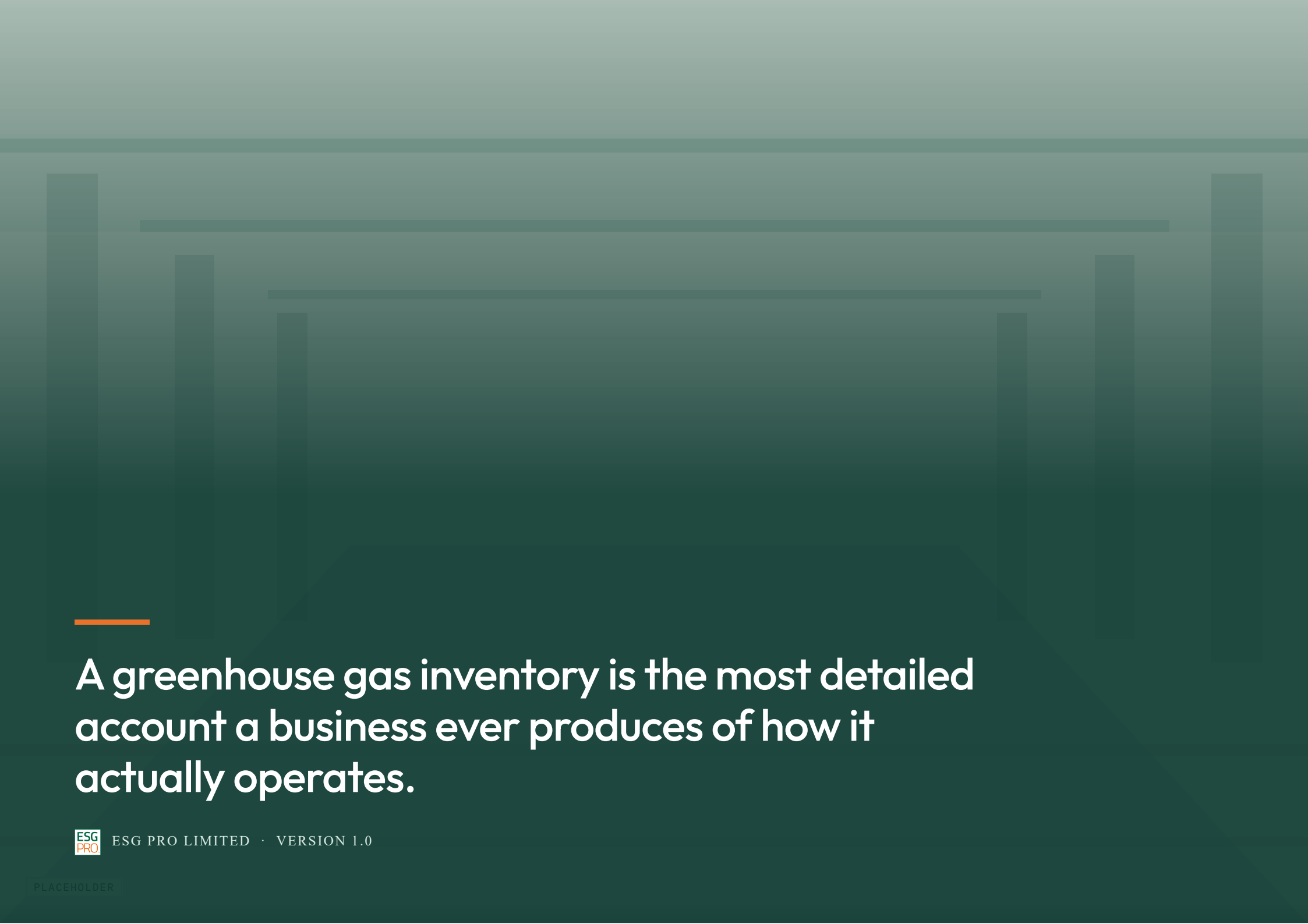

# A greenhouse gas inventory is the most detailed account a business ever produces of how it actually operates.

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PLACEHOLDER

# An inventory is the clearest picture a business ever builds of itself

Most businesses begin a greenhouse gas inventory because someone has asked for one. A tender requires a Carbon Reduction Plan, a customer sends a supply chain questionnaire, or the company crosses a reporting threshold. The obligation is what starts the work. It is rarely what makes the work worthwhile.

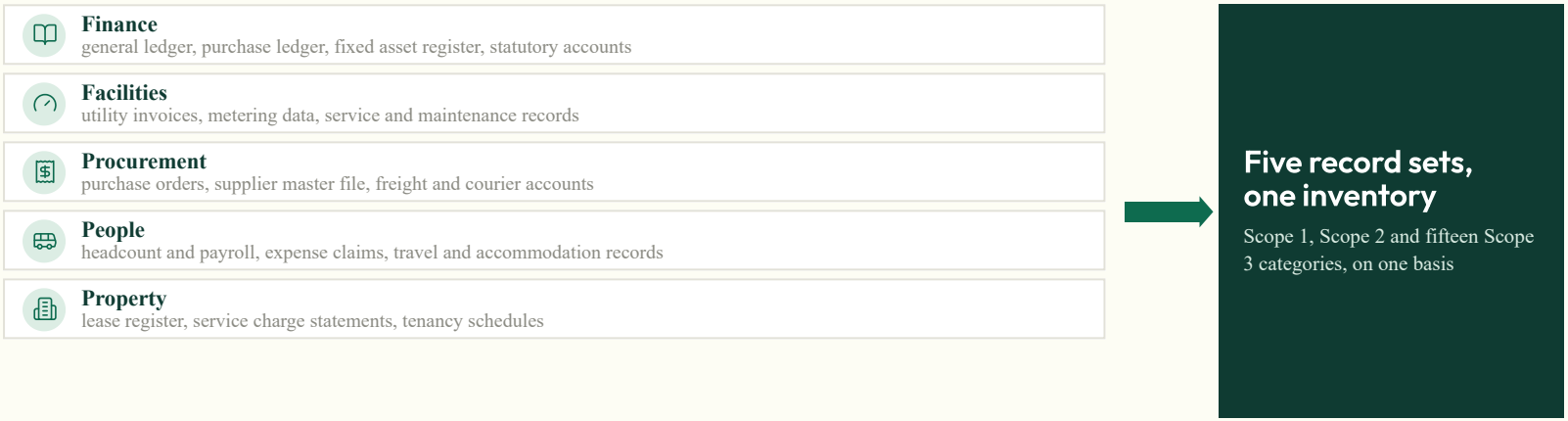
Building an inventory means accounting for every unit of energy consumed, every pound spent, every shipment received and despatched, every journey taken and every tonne of material discarded across a complete financial year. Few exercises require a business to describe itself in that much detail. Fewer still require it to reconcile what the finance system says with what the operation actually does.

The common apprehension is that this means new measurement. It does not. An inventory is built almost entirely from records the business is already producing, filing and paying for: supplier invoices, the general ledger, the fixed asset register, fuel card statements, waste transfer notes, travel booking reports, lease schedules and payroll data. The work is retrieval, mapping and calculation, not instrumentation.

What changes is the organising principle. Financial systems arrange information by cost centre and account code, because that is what management accounts require. An inventory arranges the same information by activity: what was consumed, where, by whom and to what end. Examining a business through that second lens for the first time reliably surfaces things the first lens cannot show. Energy paid for at sites that closed. Freight arranged twice on the same consignment. Supplier concentration that no single department had cause to notice.

This guide sets out what that process involves. It describes the emissions categories in the order we address them, names the records each one draws on, and explains how the figures are produced and reviewed. It is written to be read in parts rather than end to end, and the category pages are designed to be extracted and passed to whoever holds the information.

The intention is to remove the uncertainty before the work begins. A client who understands what is being asked for, and why, supplies better data faster.




**3**
EMISSIONS SCOPES

**15**
SCOPE 3 CATEGORIES

**6**
DELIVERY PHASES

**1**
INVENTORY

# What the data tells you beyond carbon

An inventory produces a figure, but the figure is not the useful part. What is useful is the structure underneath it, because that structure is a description of how the business consumes resources and where it depends on others.

**Consumption you were not tracking.** Energy is metered at the point of supply and paid for through accounts payable, so consumption is rarely examined by site, by shift or by process. Assembling it for an inventory produces a site by site picture that supports decisions about tariffs, plant replacement and lease renewal, none of which is a carbon decision.

**Concentration you had not measured.** Category 1 requires the whole expenditure ledger, mapped by activity. The result is a view of purchasing by what was bought rather than by who authorised it. Businesses routinely discover that a small number of categories account for the majority of both spend and emissions, which is a procurement finding before it is an environmental one.

**Movement you were paying for twice.** Tracing shipments leg by leg for categories 4 and 9 exposes routing that made sense when it was set up and has not been revisited: goods travelling to a distribution centre and back out to a customer near the supplier, or air freight standing in for a planning failure.

**A defensible position in a tender.** A published Carbon Reduction Plan is a condition of bidding for major public contracts and increasingly of remaining on private sector supplier lists. An inventory built once, properly, satisfies those requests without a fresh exercise each time one arrives.

The mechanism in each case is the same. The inventory does not generate new information. It reorganises information the business already holds into a form that answers questions the existing systems were not designed to answer.

That is also why the first inventory is the most revealing and the most demanding. It establishes the baseline, the boundary and the method. Every subsequent year is a comparison against it, and considerably less work.



### Consumption visibility

WHAT IT DOES
resolves energy and fuel use to site and activity level

WHAT IT ENABLES
tariff review, plant replacement priorities, lease decisions



### Purchasing concentration

WHAT IT DOES
maps whole ledger expenditure by activity rather than by cost centre

WHAT IT ENABLES
supplier engagement focused on the categories that actually matter



### Logistics review

WHAT IT DOES
decomposes each shipment into its legs and modes

WHAT IT ENABLES
routing decisions, mode shift, consolidation



### Market access

WHAT IT DOES
produces the disclosures buyers ask for from one dataset

WHAT IT ENABLES
bidding without a new exercise each time

What the finished report contains, and what it is worth beyond the obligation, is set out on pages 38 and 39.

# The framework: the GHG Protocol

Corporate greenhouse gas accounting has a single dominant reference framework, and essentially every requirement a business will encounter is built on it. PPN 006, SECR, CDP, EcoVadis, B Corp and the UK Sustainability Reporting Standards all defer to the Greenhouse Gas Protocol for how emissions are counted.

The Protocol is maintained by the World Resources Institute and the World Business Council for Sustainable Development. Three documents matter in practice. The **Corporate Accounting and Reporting Standard** sets the boundary rules and the three scope structure. The **Corporate Value Chain (Scope 3) Standard** defines the fifteen Scope 3 categories and how each is bounded. The **Scope 2 Guidance** governs purchased energy, and requires two figures rather than one. A separate volume of technical guidance sets out the calculation methods for each Scope 3 category.

The framework is not static. In July 2026 the Protocol announced that these documents, together with a new workstream on actions and market instruments, will be consolidated with ISO 14064-1 into a single corporate accounting standard published jointly with ISO. A draft is expected to open for public comment in 2027, with publication targeted for the end of 2028. Among the proposals under consultation is that Scope 3 reporting becomes a required part of a conforming inventory rather than a voluntary addition.

This matters to a business commissioning its first inventory now. An inventory covering only Scope 1 and Scope 2 is likely to require extension. An inventory built across all three scopes, with the boundary documented and the omissions justified, will survive the transition without rework.

Five accounting principles govern the whole framework, and they are the standard against which any inventory is judged. **Relevance**, that the inventory reflects the business it describes. **Completeness**, that all sources within the boundary are accounted for and exclusions are disclosed. **Consistency**, that methods allow meaningful comparison over time. **Transparency**, that assumptions and methods are stated. **Accuracy**, that the result is neither systematically over nor understated.

Every judgement described in this guide is made against those five tests.

### The three documents that matter in practice

| Corporate Standard | Scope 3 Standard | Scope 2 Guidance |
|---|---|---|
| what to include, and where the boundary sits | the fifteen value chain categories, and what each covers | purchased energy, reported two ways |

FORWARD LOOKING All three, plus the actions and market instruments workstream, consolidate with ISO 14064-1 into one co-branded standard. Draft for comment 2027, publication targeted end of 2028.

**Relevance** · **Completeness** · **Consistency** · **Transparency** · **Accuracy**

**What the Protocol does not do**

The Protocol sets the accounting rules. It does not set targets, and it does not certify performance. A compliant inventory says nothing about whether a company's emissions are high or low.

