EARTH5R

FREE GUIDE

EARTH5R GUIDES · NO. 09

Net Zero and Scope 3 Guide

How Indian companies can measure their full footprint, set targets that hold up, and cut emissions across the value chain: the rules as of 2026, India's carbon market, Scope 3 in practice, and what leaders report. For sustainability heads and CFOs.

Saurabh Gupta, Founder and CEO, Earth5R

earth5r.org · 2026 edition

ABOUT THIS GUIDE

Most Indian companies can now measure Scope 1 and 2. The hard part, and most of the footprint, is Scope 3.

Net zero targets are easy to announce and hard to deliver. Investors, customers and regulators now ask what is covered, how it is measured and what is actually changing.

This guide explains the standards as they stand in September 2026, including the SBTi's new Version 2.0 and the planned merger of the GHG Protocol with ISO 14064-1, then turns them into practical steps for an Indian company.

It draws on the GHG Protocol, SBTi criteria, India's 2035 NDC, the Carbon Credit Trading Scheme, CEA grid data, CDP, the reports of eight companies in the Above Average band of TERRA, Earth5R's ESG intelligence platform, and Earth5R's field data work.

How to use it

Chapters 1 to 3 set out the rules. Chapters 4 to 9 are the method: measure, target, cut and pay for it. Chapters 10 to 14 show what leaders do, where plans go wrong, a 12-step plan and a checklist. Three free templates come with it.

Contents

> **Not assurance or legal advice.** Standards are changing. Check current versions before setting or submitting targets.

CHAPTER 1

Net zero, honestly

What net zero means, and what it does not.

- **Net zero** means cutting value chain emissions by around 90% and neutralising only what cannot be cut, with permanent removals.
- **Carbon neutral** usually means offsetting today's emissions. It is not the same, and buyers and regulators increasingly tell the two apart.
- **Scope 3 decides credibility.** CDP found supply chain emissions average 26 times direct operations.
- **Integrity is scarce.** 1,245 of the world's 2,000 largest listed companies have net zero targets; only 7% meet Net Zero Tracker's integrity criteria.

A street hackathon on climate ideas by Powai Lake, Mumbai, 2018.

> **The test for any plan.** Could a sceptical analyst trace each target to a base year, a boundary, a set of actions and a budget? If not, it is an ambition, not a plan.

Sources: CDP, Scope 3 Upstream: Big Challenges, Simple Remedies (June 2024); Net Zero Tracker, Net Zero Stocktake (September 2025); SBTi Corporate Net-Zero Standard.

CHAPTER 2

Net zero and Scope 3 by numbers

02

Where the emissions are, and what India has committed to.

EARTH5R · NET ZERO

Net zero and Scope 3 by numbers

Where the emissions are, and what India has committed to.

26×
Scope 3 supply chain emissions vs direct operations, on average (CDP, 2023 data)

1,245
of the world's 2,000 largest listed companies have net zero targets

7%
of them meet Net Zero Tracker's integrity criteria

40%
Scope 3 share that triggers a Scope 3 target under SBTi V1.3.1

India's climate commitments

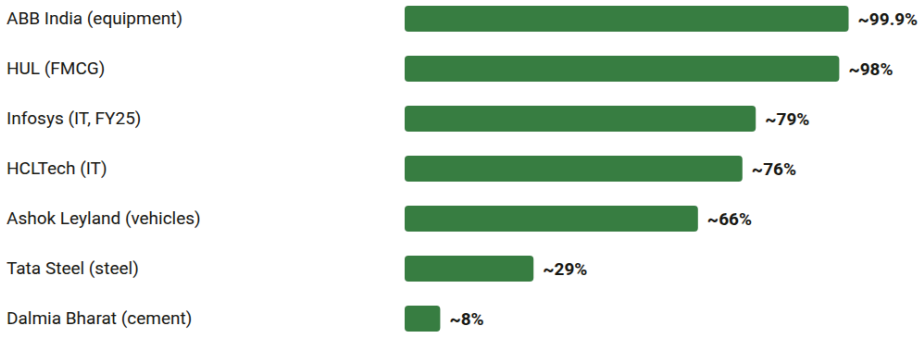
47%
cut in emissions intensity of GDP by 2035 from 2005 (NDC)

60%
non-fossil power capacity by 2035; 50% reached June 2025

490
entities with emission-intensity targets under India's carbon market

0.710
tCO2 per MWh: India's grid emission factor, FY2024-25

Scope 3 as a share of total reported emissions



CDP (June 2024); Net Zero Tracker Stocktake (Sept 2025); SBTi Criteria V1.3.1; PIB (25 March 2026, 14 July 2025, 22 January 2026); CEA CO2 Baseline Database V21.0. Company shares calculated by Earth5R from each company's FY2025-26 reports (ABB India 2025, Infosys FY2024-25); Scope 3 boundaries differ.

Earth5R · Net Zero and Scope 3 Guide (Guides No. 09) earth5r.org/guides/net-zero-scope-3-guide

The same rule bites differently by sector. For a cement maker, Scope 3 is under a tenth of the footprint; for an equipment maker, almost all of it sits in customers' use of its products. Start by knowing your own split.

CHAPTER 3

The rules in one page

Standards and Indian rules as of September 2026.

Rule	What it says
GHG Protocol	Corporate Standard and Scope 3 Standard stay in effect. On 29 July 2026 GHG Protocol and ISO announced one consolidated standard with ISO 14064-1; a draft is expected for consultation in Q2 2027. Scope 3 revision proposals include reporting at least 95% of required Scope 3.
SBTi	Criteria V1.3.1: Scope 3 target needed if Scope 3 is 40% or more of total; near-term Scope 3 targets cover at least 67%, long-term 90%. V2.0 released 11 June 2026, optional from Q1 2027, mandatory after 31 January 2028.
SEBI BRSR	Scope 1 and 2 are essential indicators and part of BRSR Core, with assessment or assurance for the largest companies. Scope 3 is a voluntary leadership indicator.
India's NDC (2035)	Cut emissions intensity of GDP by 47% from 2005 by 2035; 60% non-fossil power capacity by 2035; net zero by 2070.
Carbon Credit Trading Scheme	Emission-intensity targets for 490 entities in eight sectors, for 2025-26 and 2026-27. Trading of carbon credit certificates had not started by early September 2026.
CEA grid factor	0.710 tCO2 per MWh, weighted average for FY2024-25 (CO2 Baseline Database V21.0).

> **What this means in practice.** Keep using the current GHG Protocol standards, plan for tighter Scope 2 and Scope 3 rules, and design targets so they survive the move to SBTi V2.0.

Sources: ghgprotocol.org (29 July 2026; 31 March 2026); SBTi Criteria V1.3.1 and V2.0; SEBI BRSR format and circular of 12 July 2023; PIB (25 March 2026, 22 January 2026); Saur Energy (2 September 2026); CEA.

CHAPTER 4

Scope 1 and 2 done well

The part you control, and the part auditors will check first.

01 **Fix the boundary**

Operational or financial control, applied the same way every year, with a recalculation policy.

02 **Use primary data**

Fuel invoices, meter readings, refrigerant top-ups. Estimates only where records are missing, and say so.

03 **Report Scope 2 both ways**

Location-based with the CEA grid factor (0.710 tCO2/MWh for FY2024-25), and market-based for renewable contracts.

04 **Be careful with certificates**

HUL, ABB India and Persistent report zero market-based Scope 2 using renewable contracts and certificates. Coming GHG Protocol changes may tighten what counts.

BRSR Core link. Scope 1 and 2 and their intensity are BRSR Core indicators, subject to assessment or assurance for the largest listed companies. Treat them as audited numbers.

Free tool. Sheet 1 of Earth5R's Net Zero and Scope 3 Workbook calculates Scope 1 and both Scope 2 methods, with a column to record each factor's source.

An Earth5R sustainability workshop with a corporate team, Mumbai, 2023.

Sources: GHG Protocol Scope 2 Guidance; CEA CO2 Baseline Database V21.0; company BRSRs 2025-26.

CHAPTER 5

Scope 3: the 15 categories

Screen all fifteen, then measure the biggest well.

EARTH5R · SCOPE 3

The 15 categories of Scope 3

Screen all fifteen, then measure the biggest well.

Upstream (1 to 8)

1. Purchased goods and services
2. Capital goods
3. Fuel- and energy-related activities
4. Upstream transport and distribution
5. Waste generated in operations
6. Business travel
7. Employee commuting
8. Upstream leased assets

Downstream (9 to 15)

9. Downstream transport and distribution
10. Processing of sold products
11. Use of sold products
12. End-of-life treatment of sold products
13. Downstream leased assets
14. Franchises
15. Investments

Scope 1: fuel you burn. **Scope 2:** electricity you buy. **Scope 3:** everything else in your value chain, usually the largest share.

GHG Protocol Corporate Value Chain (Scope 3) Standard. A consolidated GHG Protocol and ISO 14064-1 standard is expected for consultation in Q2 2027; current standards stay in effect.

Earth5R · Net Zero and Scope 3 Guide (Guides No. 09) earth5r.org/guides/net-zero-scope-3-guide

Usually three to five categories matter. Purchased goods for manufacturers and FMCG; use of sold products for vehicles and equipment; business travel and commuting for services.

Say why a category is excluded. "Not relevant" needs a reason, such as no franchises or no leased assets. Silence reads as a gap.

CHAPTER 6

Scope 3 data in practice

Start rough, get better where it matters.

Method	How it works	When to use
Spend-based	Spend by category × an emission factor per rupee	First screen of all categories
Average-data	Quantity bought or sold × an industry factor per unit	Materials, freight, waste, use of products
Supplier-specific	Supplier's own emissions, allocated to what you buy	Top suppliers by emissions, and where you want to show progress
Hybrid	Supplier Scope 1 and 2 plus average data for their inputs	Most mature programmes

Why supplier data matters. With spend-based data, you can only cut Scope 3 by buying less. Supplier-specific data lets real supplier improvements show up in your numbers.

Free template. Earth5R's Supplier Emissions Data Request is a short letter and form for key suppliers, with an offer of support. See also Earth5R's Supplier ESG and Value Chain Guide.

Logging recovered plastic at the source with a waste collector, Mithi River, Mumbai, 2021.

CHAPTER 7

Targets that hold up

07

Near-term, long-term and honest about Scope 3.

1 **Set a near-term absolute target for Scope 1 and 2.**
Five to ten years under SBTi V1.3.1; a five-year period under V2.0. HCLTech reports a 55.84% cut in Scope 1 and 2 against a 50% FY30 target, four years early.

2 **Add Scope 3 if it is 40% or more of the total.**
Cover at least 67% of Scope 3 in the near term, through absolute cuts, intensity targets or supplier engagement targets. HCLTech has cut Scope 3 by only 9.56% against a 42% FY30 target: the harder half.

3 **Set a long-term net zero year.**
Around 90% reduction by 2050 at the latest, with only residual emissions neutralised. Leaders' dates range from 2039 (HUL) to 2050 (ABB group, Persistent).

4 **Get validated, or explain why not.**
SBTi counts 445 Indian businesses that have set or committed to science-based targets. Validation gives outsiders a reason to trust the numbers.

Geotagging planted trees on the Earth5R app, Mumbai, 2023. Removals count only when they are measured and lasting.

Sources: SBTi Criteria V1.3.1 and V2.0; SBTi blog (4 March 2026); HCLTech Annual Report 2025-26; HUL Annual Report 2025-26; ABB India Annual Report 2025; Persistent Annual Report 2025-26.

CHAPTER 8

Levers that cut emissions

Most reductions come from a handful of familiar actions.

Lever	Scope	Example from the leaders
Renewable electricity	2	HCLTech raised renewable share from 34.38% to 49.79% in a year; Dalmia Bharat reached 46% with 182 MW of new capacity; HUL reports 100% renewable electricity
Fuel switch and efficiency	1	HUL reports all manufacturing sites coal-free
Process change	1	Tata Steel's 0.75 MTPA scrap-based electric arc furnace at Ludhiana, under 0.3 tCO2 per tonne of crude steel
Low-carbon products	1, 3	Dalmia Bharat at 466 kg CO2 per tonne of cementitious material, from 546 in FY2018-19
Product use phase	3	Ashok Leyland's Switch India delivered 1,530 electric buses and 1,600 electric LCVs
Supplier engagement	3	Data, targets and support for the top suppliers by emissions (see chapter 6)

Free tool. Sheet 5 of the workbook ranks levers by net cost per tonne, so the cheapest cuts go first. Many efficiency levers pay for themselves.

Linking buildings with a local recycler, Mumbai, 2018. End-of-life (Scope 3, Category 12) depends on recycling that works.

Sources: company annual reports and BRSRs 2025-26.

CHAPTER 9

Money: carbon prices and capex

Net zero is a capital allocation question.

- **India's carbon market.** 490 obligated entities have intensity targets under the Carbon Credit Trading Scheme. Once trading starts, excess emissions will carry a market price.
- **Internal carbon price.** Among the companies reviewed, only Tata Steel reports an internal carbon pricing framework in capital allocation, without a published price.
- **Capex tagging.** Report what share of capex goes to decarbonisation, so investors can see the plan is funded.
- **Credits last.** Use carbon credits only for residual emissions or action beyond your value chain, never to claim reductions.

Training bank officers on sustainable finance, SIDBI, Mumbai, 2018.

> **Free tool.** Sheet 6 of the workbook shows how a shadow carbon price can change which option wins a project decision.

Sources: PIB (22 January 2026); ICAP; Tata Steel Integrated Annual Report 2025-26.

CHAPTER 10

Best cases from TERRA

How eight companies in the Above Average band of TERRA, Earth5R's ESG intelligence platform, approach net zero. Scope 3 share is Earth5R's calculation from their reports.

Company	Scope 3 share	What their reports show	Worth copying
Hindustan Unilever	~98%	Net zero by 2039; 100% renewable electricity; all factories coal-free; Scope 3 estimated across all 15 categories	Full 15-category screen
HCLTech	~76%	Net zero 2040, SBTi-validated; Scope 1 and 2 down 55.84%, Scope 3 down 9.56%	Reporting the hard half honestly
Infosys	~79%	Carbon neutral across Scopes 1, 2 and 3 since 2020; 78% renewable electricity in India (FY2024-25)	Own renewable capacity
Ashok Leyland	~66%	Net zero 2048; 77% renewable energy; operational emissions down 61% since FY19; Scope 3 not yet assured	Electric products as a lever
ABB India	~99.9%	Group SBTi targets; about 97% of Scope 3 from use of sold products; RE100, EV100, EP100	Focus on the product use phase
Dalmia Bharat	~8%	Carbon negative by 2040 (conditional); SBTi-approved Scope 1 and 2 target achieved; 46% renewable energy	Intensity pathway with a public baseline
Tata Steel	~29%	Net zero 2045; scrap-based EAF; internal carbon pricing framework; Scope 3 flagged as highly uncertain	Candour about data limits
Persistent Systems	partial	SBTi-approved 54.6% cut by FY2034 and net zero by FY2050; Scope 3 covers six categories	Validated targets for a mid-sized firm

Sources: each company's annual report and BRSR, FY2025-26 (ABB India: 2025; Infosys: ESG report 2024-25). Scope 3 boundaries and Scope 2 bases differ. Inclusion implies no partnership or endorsement. TERRA bands reflect overall ESG assessment.

Five lessons from the leaders

1 **Know your split before you set targets.**
Scope 3 ranges from about 8% of the total at Dalmia Bharat to about 99.9% at ABB India. The SBTi 40% trigger, and where effort pays off, follow from that split.

2 **Renewable electricity is the fastest win.**
HCLTech added over 15 percentage points of renewable share in one year. Contracts and captive capacity beat certificates for credibility.

3 **Report the hard half honestly.**
HCLTech shows Scope 1 and 2 well ahead of target and Scope 3 well behind. Tata Steel says its Scope 3 carries high uncertainty. Candour builds trust.

4 **Products are levers.**
ABB India and Ashok Leyland treat efficient and electric products as their biggest Scope 3 lever, because customers' use is most of the footprint.

5 **Close the assurance gap.**
Ashok Leyland's Scope 3 is not yet externally assured and Persistent covers six categories. Assurance and full boundaries are the next step for most.

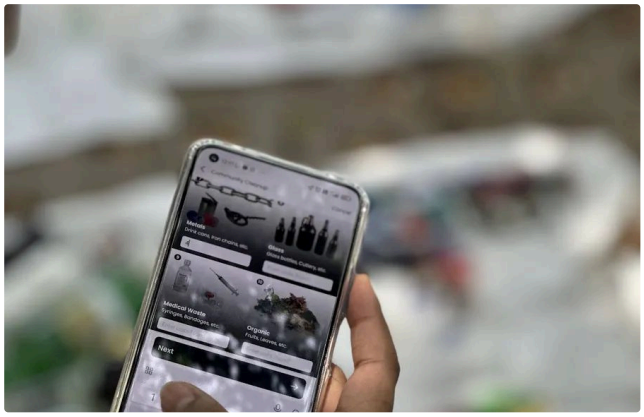
After a sustainability training for college leaders, Mumbai, 2023.

CHAPTER 11

Case: measuring at the source

What Earth5R's field data work teaches about emissions data.

- **Waste and end-of-life are Scope 3 too.** Categories 5 and 12 depend on what really happens to waste. Earth5R's decade of field data found an average 62.9% dependence on the informal sector in waste recovery.
- **Measure at the point of activity.** Earth5R's app records geo-tagged data from cleanups, audits and plantations, so each figure can be traced to a place and date.
- **Waste audits beat assumptions.** Sorting and weighing what is actually collected gives better activity data than national averages.
- **Claims need evidence.** TERRA tracks the gap between what companies say and what their data shows; net zero claims are a common place for that gap.



Recording cleanup data on the Earth5R app, Mumbai, 2023.

Recovered PET and plastic, Mithi River, Mumbai, 2021.

Sources: Earth5R, Plastic Waste Management and EPR Intelligence 2015-2025; Earth5R, Mithi River case study.

CHAPTER 12

Eight common weaknesses

What goes wrong most often, and the fix.

Weakness	What it looks like	Fix
Scope 3 missing or partial	Only a few categories, no reason for exclusions	Screen all 15; explain exclusions
Offsets instead of cuts	"Carbon neutral" claims built on credits	Cut first; credits only for residual emissions
Certificates without scrutiny	Zero Scope 2 from certificates alone	Prefer contracts and own capacity; report both methods
Targets without a base year	Percentages with no base or boundary	State base year, boundary and recalculation policy
No capex behind the plan	Targets with no budget	Tag decarbonisation capex; use a carbon price
Spend-based data forever	Scope 3 can only fall if spend falls	Move top suppliers to supplier-specific data
Unassured numbers	Scope 3 figures no one has checked	Build towards limited assurance
Silence on misses	Only good news reported	Report progress against every target

A waste audit at Powai Lake, Mumbai, 2023: measure first, then claim.

CHAPTER 13

A 12-step net zero plan

Most companies can complete steps 1 to 6 in the first year.

EARTH5R · NET ZERO ROADMAP

12 steps to a credible net zero plan

Measure, target, cut, engage, report. Offsets come last.

1	Set the boundary and base year
2	Measure Scope 1 and 2 with good data
3	Screen all 15 Scope 3 categories
4	Find the hotspots: usually 3 to 5 categories
5	Set near-term targets (SBTi or equivalent)
6	Switch to renewable electricity
7	Cut fuel use: efficiency and electrification
8	Engage top suppliers on data and targets
9	Redesign products and logistics
10	Put a price on carbon in investment decisions
11	Report in BRSR and CDP; get assurance
12	Neutralise only residual emissions, at the end

Earth5R · Net Zero and Scope 3 Guide (Guides No. 09) earth5r.org/guides/net-zero-scope-3-guide

Free tools. Earth5R's Net Zero Transition Plan template turns these steps into a board paper; the workbook does the numbers.

CHAPTER 14

Checklist for boards and CFOs

Twelve questions for your next board or audit committee review.

- [ ] What share of our total emissions is Scope 3, and which categories dominate?
- [ ] Have we screened all 15 Scope 3 categories and explained exclusions?
- [ ] What are our base year, boundary and recalculation policy?
- [ ] Do our targets meet SBTi V1.3.1 today, and will they survive V2.0?
- [ ] How much of our Scope 2 reduction relies on certificates?
- [ ] Are we an obligated entity under India's Carbon Credit Trading Scheme?
- [ ] What share of capex is tagged to decarbonisation?
- [ ] Do we use an internal carbon price, and at what level?
- [ ] Which top suppliers have given us their own emissions data?
- [ ] Which of our numbers are assured, and which are not?
- [ ] Are we on track against our pathway, and what explains any gap?
- [ ] Could any of our climate claims be read as greenwashing?

Need help? Earth5R collects ground-verified data from value chains and communities and supports BRSR reporting through TERRA. See Earth5R's ESG and BRSR reporting services.

REFERENCE

Glossary

Base year. The year against which reductions are measured.

CCTS. India's Carbon Credit Trading Scheme, with intensity targets for obligated entities and an offset mechanism.

Emission factor. Emissions per unit of activity, such as kg CO2e per litre of diesel.

Grid emission factor. Average CO2 per unit of grid electricity; 0.710 tCO2/MWh in India for FY2024-25.

Location-based Scope 2. Scope 2 using the average grid factor where electricity is used.

Market-based Scope 2. Scope 2 reflecting the contracts and certificates a company buys.

Near-term target. A science-based reduction target over roughly five to ten years.

Net zero. Cutting value chain emissions by around 90% and neutralising the residual with permanent removals.

Residual emissions. What remains after all feasible reductions.

SBTi. Science Based Targets initiative, which validates corporate targets.

Scope 1, 2, 3. Direct emissions; purchased energy; all other value chain emissions.

Spend-based method. Scope 3 estimated from spend × emissions per rupee.

FREE RESOURCES

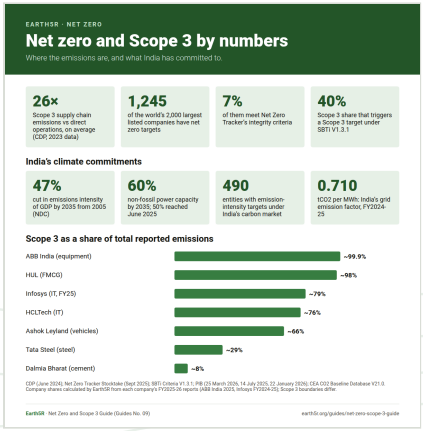
Templates, infographics and how to share this guide

Everything below is free to use, adapt and republish on your own website or intranet, with credit and a link to this guide.

Resource	What it is	Download
Net Zero and Scope 3 Workbook (Excel)	Scope 1 and 2 calculator, 15-category Scope 3 screen, SBTi check, pathway, abatement levers and internal carbon price	earth5r.org/guides/net-zero-scope-3-guide
Net Zero Transition Plan (Word)	A board-ready plan: boundary, footprint, targets, levers, value chain, finance, governance, risks and reporting	Same page
Supplier Emissions Data Request (Word)	A cover letter and short form for key suppliers, with an offer of support	Same page
Three infographics	Net zero and Scope 3 by numbers; the 15 categories of Scope 3; 12 steps to a credible plan	Same page

How to cite this guide.
Gupta, S. (2026). *Net Zero and Scope 3 Guide.* Earth5R Guides No. 09. Earth5R. https://earth5r.org/guides/net-zero-scope-3-guide/

Share it. Companies, industry associations, consultants, NGOs and universities are welcome to link to this guide or embed the infographics. Please link to the guide's page rather than the PDF.



FROM THE FIELD

Measuring what really happens

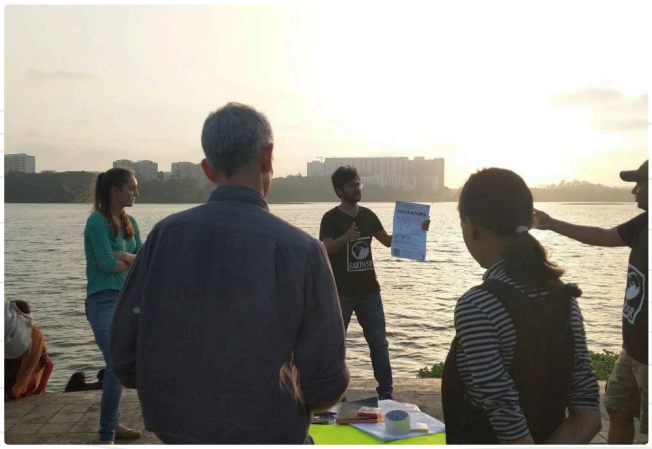
Geotagging planted trees, Mumbai, 2023.

A corporate sustainability workshop, Mumbai, 2023.

Logging recovered plastic, Mithi River, 2021.

At a local recycler, Mumbai, 2018.

Planting saplings with school children, 2017.



A climate street hackathon, Mumbai, 2018.

More photographs of Earth5R's work with partner NGOs: earth5r.org/csr-ngo-work-gallery. All photographs © Earth5R.

EARTH5R

WORK WITH EARTH5R

Climate plans that can prove what they claim

Earth5R is a Mumbai-based environmental organisation working across Indian cities and internationally. We collect ground-verified data from value chains and communities, help companies prepare BRSR, and track narrative-data divergence through TERRA, our ESG intelligence platform.

Building a net zero plan?

Tell us your footprint, targets and reporting needs. We will help you measure what matters, engage suppliers and verify progress.

Talk to Earth5R →

Read more

ESG and BRSR reporting services
BRSR and BRSR Core Guide
Supplier ESG and Value Chain Guide
CBAM Guide for Indian Exporters
All Earth5R Guides

Share this guide

This guide is free to share in full, with credit to Earth5R. Download the latest edition at earth5r.org/guides/net-zero-scope-3-guide.