

SHINING A LIGHT ON THE FLAG TARGET-SETTING PROCESS

March 2023

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VIDEO-CONFERENCE GUIDELINES

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- Participants can **send questions via the Q&A button**.
- **Slides from this webinar will be shared** after this meeting.
- Please note that this webinar will be **recorded** for the benefit of those who cannot attend.



SPEAKERS



PHOEBE HOLMES
Target Validation Manager
SBTi



TEREZA BICALHO
AFOLU Lead
SBTi

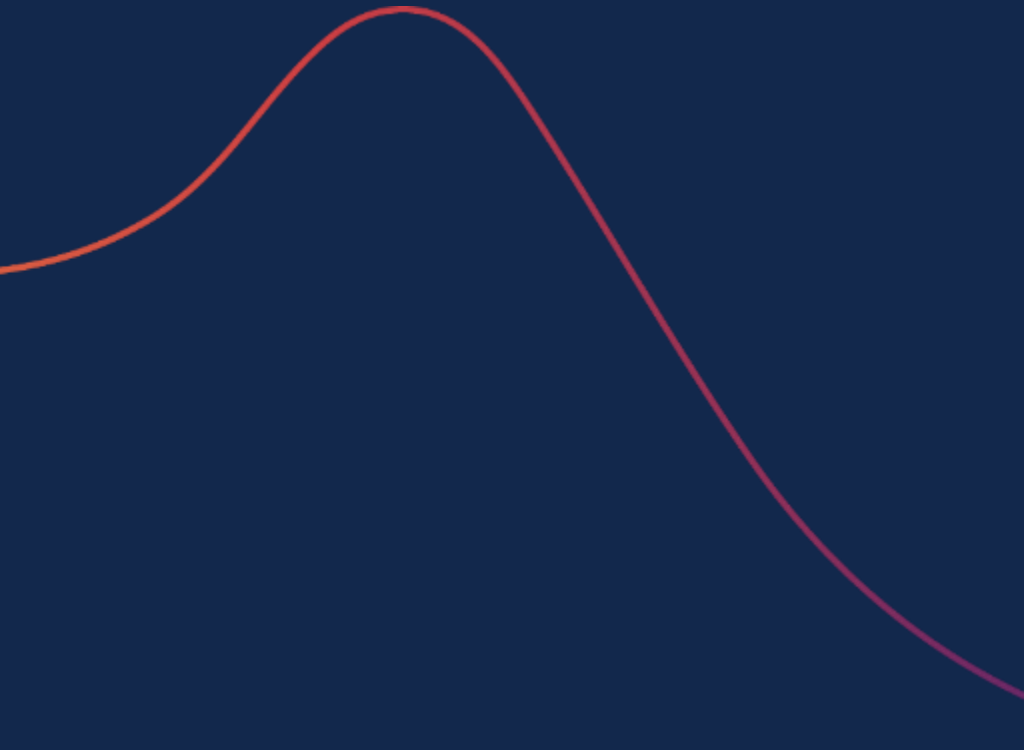


ERIN LASHER
Target Analyst
SBTi



PAULINA MORENO
Communications Manager
SBTi

AGENDA



Introduction and recap	5 min
Determining relevance of FLAG	5 min
Data requests	5 min
FLAG target-setting process	10 min
Case studies	5 min
Q&A session	15 min
Closing	5 min

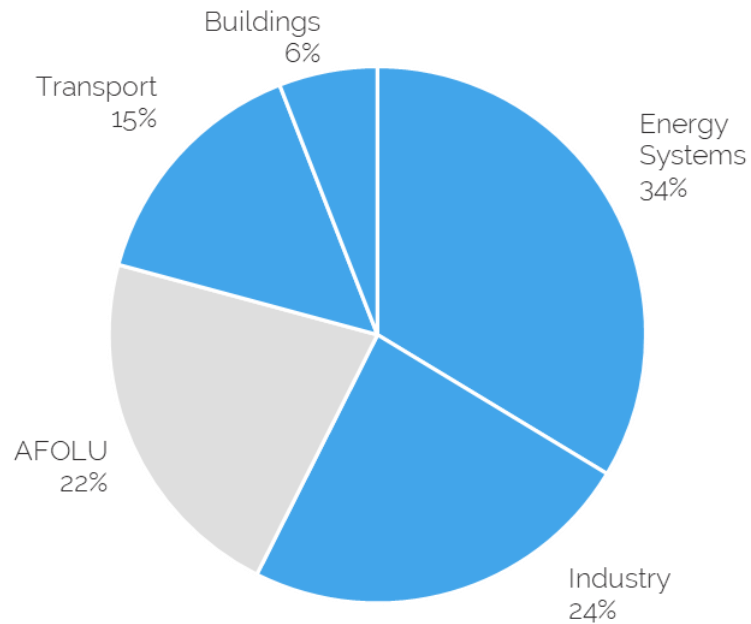
THE SBTi FLAG GUIDANCE AND VALIDATIONS TO DATE

RECAP

The SBTi FLAG Guidance expands SBTi's validations to include AFOLU emissions (22% of global emissions)

SBTi Coverage Before FLAG

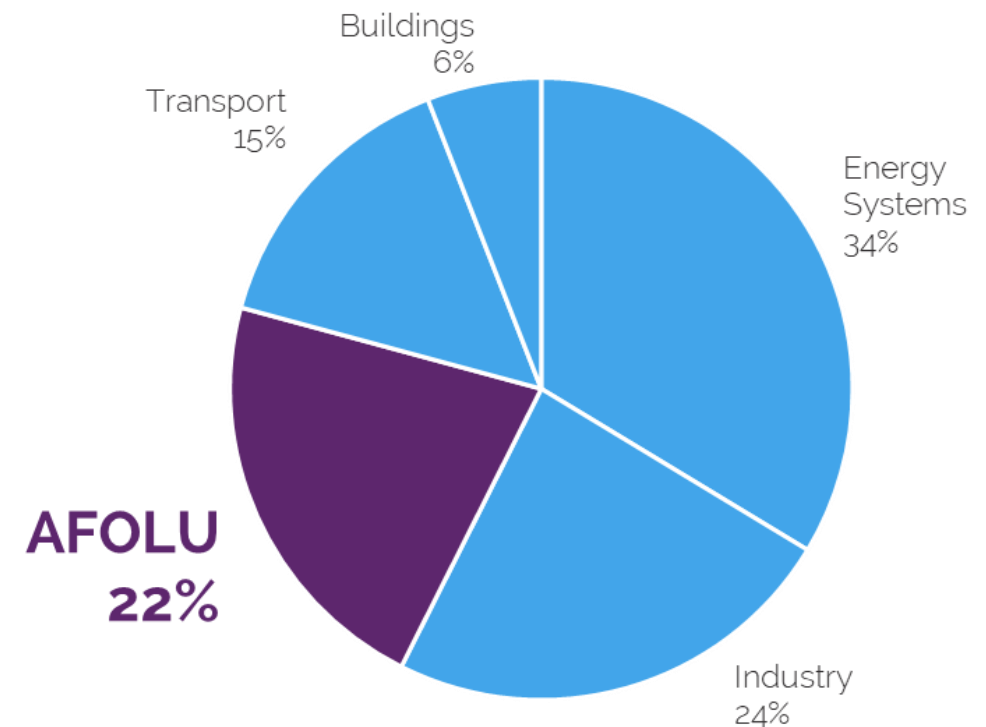
SBTi does not uniformly require FLAG emissions in target setting



Data Source: IPCC AR6

SBTi Coverage After FLAG

SBTi targets comprehensively cover all IPCC categories of GHG emissions



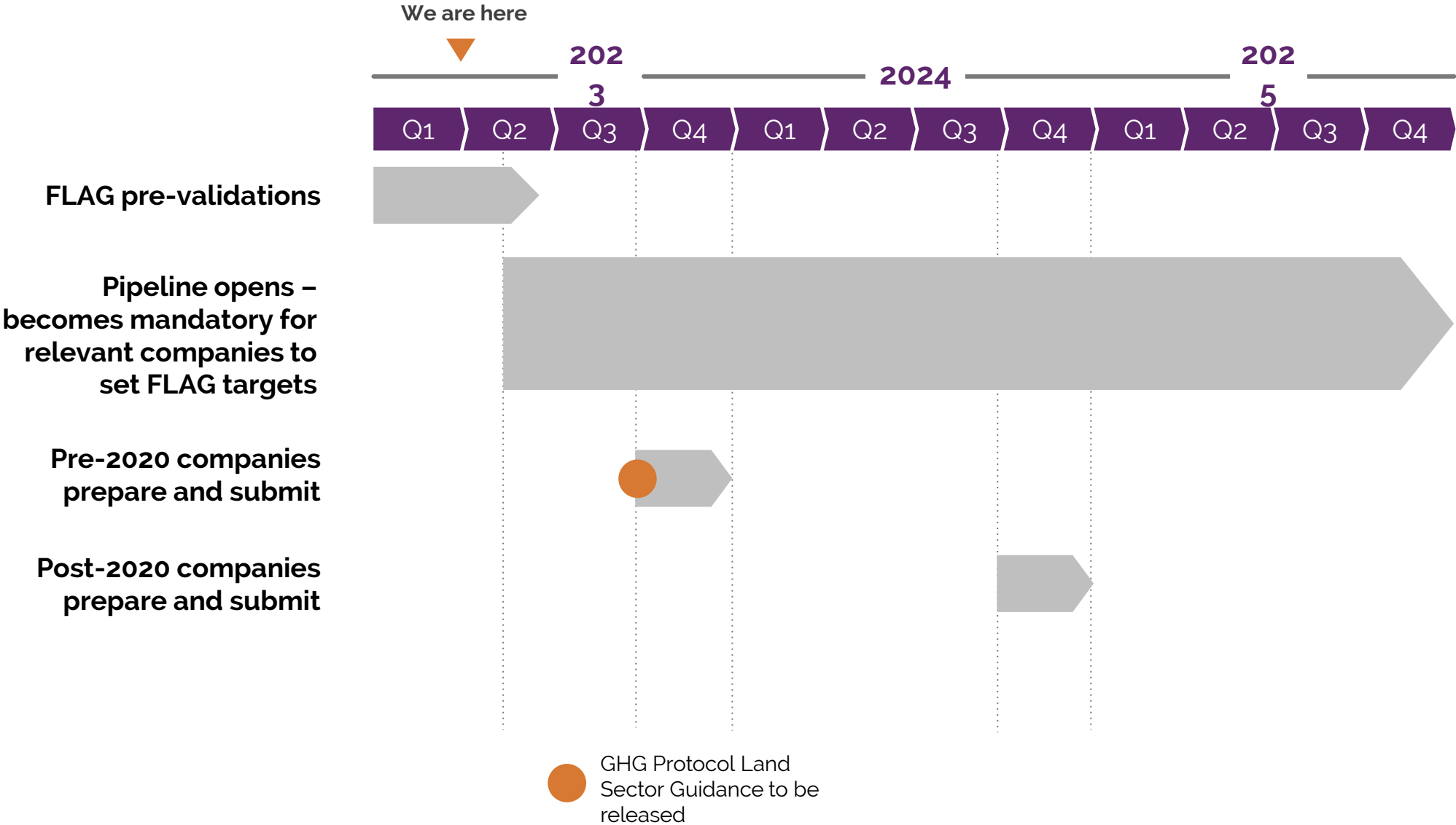
RECAP

The SBTi FLAG Guidance and validation progress

- **Sept 2022:** Launch of the Forest, Land and Agriculture (FLAG) Science Based Target Setting Guidance and Tool.
- **December 2022:** Approval of the first FLAG science-based targets in the first round of pilot FLAG validations.
- **January 2023:** Second cohort of pilot FLAG validation companies invited.
- **March 2023:** FLAG pilot validations underway for seven companies across key designated FLAG sectors.



SBTi FLAG VALIDATIONS TIMELINE



APPROVED SBTi FLAG TARGETS



RÉMY COINTREAU

Rémy Cointreau commits to reduce absolute scope 1 and 3 FLAG GHG emissions 30.3% by FY2030 from a FY2020 base year. Rémy Cointreau also commits to maintaining no deforestation across its primary deforestation-linked commodities.*

Rémy Cointreau commits to reduce absolute scope 1 and 3 FLAG GHG emissions 90% by FY2050 from a FY2020 base year.*

**Target includes FLAG emissions and removals.*



DANONE
ONE PLANET. ONE HEALTH

*Danone commits to reduce absolute scope 1 and 3 FLAG GHG emissions 30.3% by FY2030 from a FY2020 base year**. Danone also commits to no deforestation across its primary deforestation-linked commodities with a target date of FY2025.*

***Target includes FLAG emissions and removals.*

DETERMINING IF FLAG IS RELEVANT TO YOUR COMPANY

WHAT DOES FLAG COVER?

FLAG emissions and removals categories

CO₂

LAND USE CHANGE

(LUC) Emissions

- Deforestation
- Forest degradation
including conversion to plantation per GHG Protocol
- Coastal wetlands conversion
mangroves, seagrass and marshes
- Peatlands
conversion/drainage/burning
- Savannas & natural grasslands
conversion

CO₂ CH₄ N₂O

LAND MANAGEMENT

(non-LUC) Emissions

- Enteric emissions
- Flooded soil for lowland rice
- Manure management
- Agricultural waste burning
- Fertilizer
- Crop residue
- Fertilizer production
- Machinery used on farm
- Transport of biomass

CARBON REMOVALS

& Storage

- Forest restoration / silvopasture
Occurring on working lands
- Improved forest management
Optimizing rotation lengths and biomass stocks, reduced-impact logging, improved plantations, forest fire management
- Agroforestry
Carbon sequestration from integration of agroforestry into agricultural and grazing lands
- Enhancing soil organic carbon
Shifting to erosion control, larger root plants, reduced tillage, cover cropping, degraded soils restoration, biochar amendments

CO₂

WHO SETS A FLAG TARGET

These sectors:

- Forest & Paper Products
- Food Production - Agricultural Production
- Food Production - Animal Source
- Food & Beverage Processing
- Food & Staples Retailing
- Tobacco

Companies in any other sectors that have FLAG related emissions totaling more than 20% of the company's overall emissions across scopes 1,2 and 3.

What if companies fall below the 20% threshold?

- The SBTi recommends (not require) companies that fall below the 20% threshold to set a FLAG target.
- If companies choose not to set a FLAG target: FLAG-related emissions must still be included in the overall target boundary and accounted for, together with energy/industry (non-FLAG) targets.



SBTi TARGET STRUCTURE & OPTIONS

STRUCTURE

FLAG targets are **in addition to** energy/industry targets.



Energy/Industry Target

- Uses existing SBTi methods.
- Covers all non-land emissions.



FLAG Target

- Uses new SBTi FLAG Guidance.
- Covers all land-related emissions.

OPTIONS

Two pathways have been defined for FLAG.

FLAG Sector Pathway for Demand-Side Actors



Forestry



Agriculture



Livestock



Demand

Commodity Intensity Pathway for Supply-Side Actors

11 Commodities

Beef	Timber	Maize
Dairy	Rice	Wheat
Pork	Soy	Leather
Poultry	Palm Oil	

×

26 Regions



DATA REQUESTS

FLAG DATA REQUESTS

Target Submission Form

Data
reporting

ALL companies report FLAG
data separately

Data
requests

Gross FLAG
emissions data

Companies
**setting a
FLAG target**

Companies
**NOT setting a
FLAG target**

Target setting differences

Set a separate FLAG target
*including FLAG emissions and
removals*
&
a no-deforestation
commitment

Include all FLAG emissions in
the non-FLAG target
without removals

FLAG-Annex Submission Form

Additional data requests

- FLAG data per commodity, and per region
- Disaggregated emissions and removals data per commodity

WHY DISAGGREGATED DATA IS NEEDED

FLAG emissions and FLAG removals data

- All SBTi companies must align with the GHG Protocol. As a company's carbon maturity may increase over the years and move into primary data, base year information is updated as per the GHG Protocol recalculation requirements.

Data per commodity and per region (country)

- The SBTi validates a company's targets against the baseline data it has supplied. Because there is a lack of standardized verification mechanisms in the ecosystem, as part of the ambition validation process, the SBTi performs due diligence to check the quality of the baseline data. Data quality improvements are part of the [SBTi MRV work](#) currently under development and covers all [SBTi sectors](#).



THE FLAG TARGET- SETTING PROCESS

TARGET FORMULATION

Near-term submission

Energy/industrial near-term target(s)

[Company] commits to reduce **scope 1 and 2 GHG emissions** 42% by 2030 from a 2020 base year. [Company] also commits to reduce **scope 3 GHG emissions** 25% within the same timeframe.

FLAG near-term target(s)

[Company] further commits to reduce **scope 1 and 3 FLAG GHG emissions** 30.3% within the same timeframe*. Finally, [company] commits to **no deforestation** across its primary deforestation-linked commodities with a target date of FY2025.

*Target includes FLAG emissions and removals.

Net-zero submission (must have approved near-term science-based targets to be eligible for net-zero validation)

Energy/industrial long-term target(s)

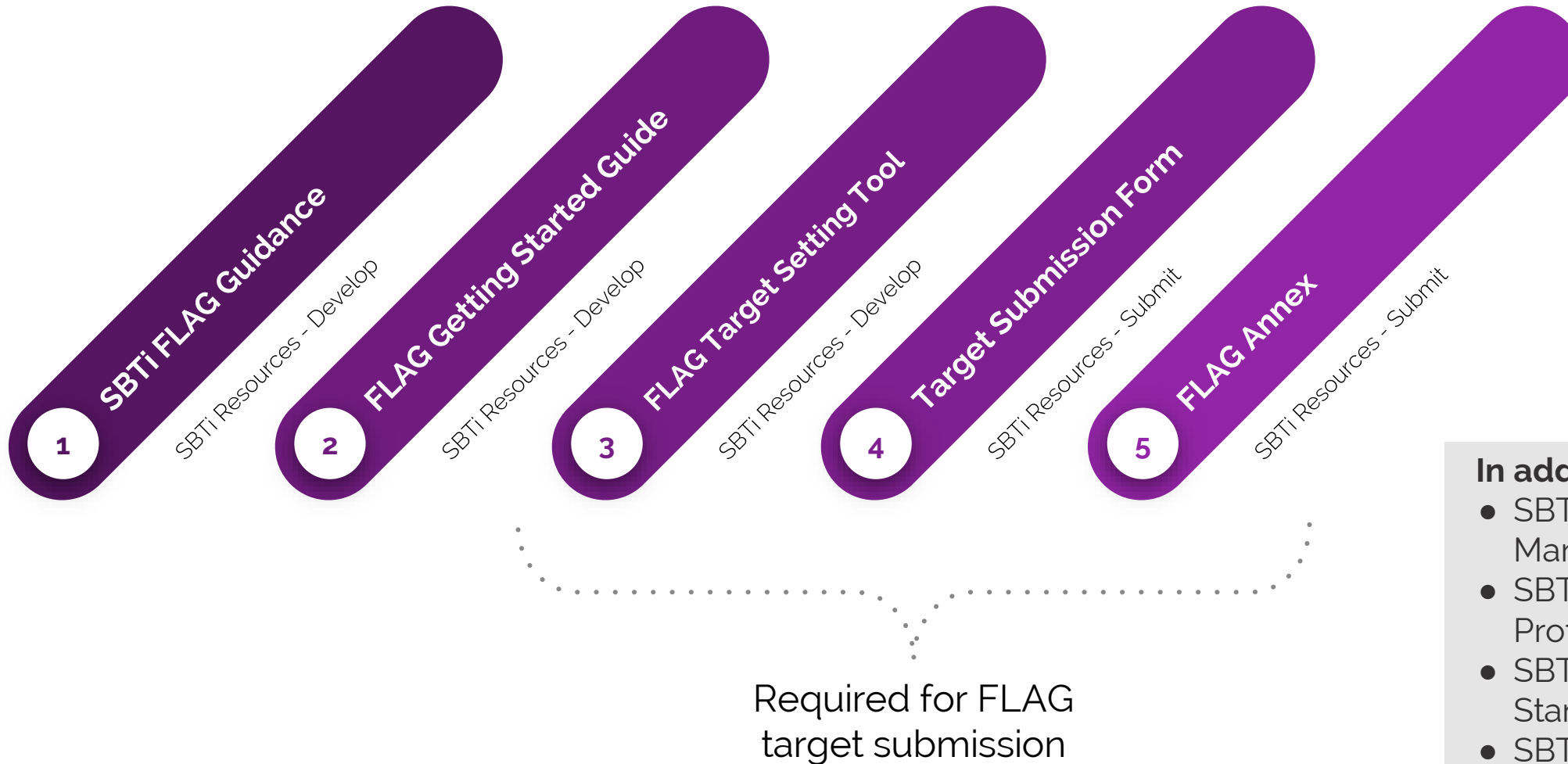
[Company] commits to reduce **scope 1, 2 and 3 GHG emissions** 90% by 2050 from a 2020 base year.

FLAG long-term target(s)

[Company] also commits to reduce **scope 1 and 3 FLAG GHG emissions** 72% within the same timeframe*.

*Target includes FLAG emissions and removals.

RESOURCES AVAILABLE



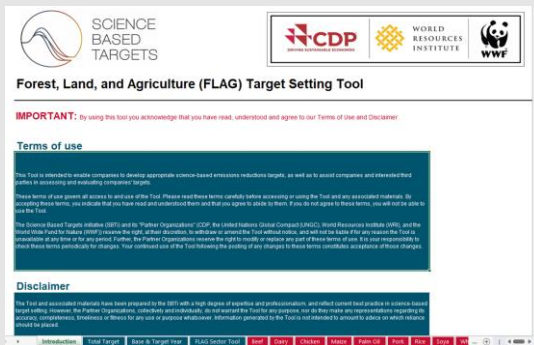
In addition to:

- SBTi Corporate Manual.
- SBTi Target Validation Protocol.
- SBTi Net-Zero Standard.
- SBTi Target Setting Tool.

SUBMITTING YOUR FLAG TARGET

FLAG Target-Setting Tool

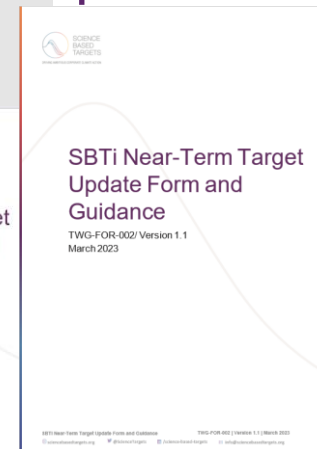
Once you have conducted the necessary data collection processes and are ready to develop your FLAG targets, you can model the targets using the FLAG Target Setting Tool.



Near-Term Target Submission Form

The SBTi near-term submission form has been amended to include additional basic questions about FLAG emissions.

If you are a FLAG company, information provided in this form **should relate only to energy/ industrial GHG emissions.**

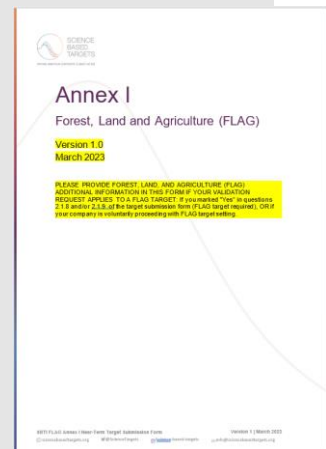


FLAG Annex

This is a new submission document that has been created for FLAG validations.

Information entered in this form **should relate only to land-based GHG emissions.**

You only need to submit this form if you are setting a FLAG target.



IMPLICATIONS ON EXISTING TARGETS

How will adding a FLAG target affect my existing science-based target?



Disaggregate emissions

Disaggregate energy / industrial emissions from land-based emissions.



Base year

Choose a base year for which accurate and granular FLAG data is available.



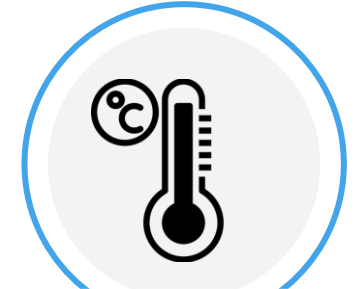
Coverage

Review coverage of existing science-based target.



New target

If required, define a new target over energy / industrial emissions.



Temperature classification

Overall temperature classification is indicated by energy/industrial reduction.

IMPLICATIONS ON EXISTING TARGETS

How will adding a FLAG target affect my existing science-based target?



Checklist for your target update

- All land-based GHG emissions removed.
- Targets meet the requirements of criteria 5.0.
- Coverage is adequate (95% s1+2, 67% s3).
- Ambition requirements are met.
- Exclusions provided relative to energy/industrial GHG emissions total.

PREPARING A SUCCESSFUL FLAG SUBMISSION

ACTION TO TAKE

Ensure your FLAG GHG emissions accounting is sufficient. Submitting for an SBTi FLAG target requires separation of FLAG data by commodity group and geographical sourcing region at a minimum.

Datasets should also ideally include the disaggregated emissions associated with land use change, land management, and land-based removals.



ACTION TO TAKE



Ensure that all information provided in the **main submission form relates to energy / industrial emissions only**, and all information provided in the **FLAG annex relates to FLAG emissions only**.

Qualitative and quantitative information relating to exclusions, activities, coverage, etc. should all be relative to the relevant GHG inventory.

ACTION TO TAKE

Ensure you've used an appropriate FLAG pathway based on your company's activities. **Demand-side companies should use the sector pathway.** Supply-side companies may use the commodity pathway(s) if the commodity represents 10% or more of total emissions.



FLAG VALIDATIONS: PRICING AND DOCUMENTS OVERVIEW

WHICH TARGETS ARE YOU SETTING?	PRICING INFORMATION	DOCUMENTS TO SUBMIT	TOOLS TO SUBMIT
Near-term target update + FLAG target	$\$4,750 + \$7,500 = \$12,250$	<ul style="list-style-type: none"> Near-Term Target Update Submission Form FLAG Annex 	<ul style="list-style-type: none"> SBTi Target-Setting Tool SBTi FLAG Target-Setting Tool
Near-term target update + Net-zero + FLAG targets	$\$12,750 + \$7,500 = \$20,250$	<ul style="list-style-type: none"> Near-Term Target Update Submission Form FLAG Annex Net-Zero Submission Form Part I Net-Zero Submission Form Part II 	<ul style="list-style-type: none"> SBTi Target-Setting Tool SBTi FLAG Target-Setting Tool SBTi Net-Zero Tool
Near-term + FLAG targets	$\$9,500 + \$7,500 = \$17,000$	<ul style="list-style-type: none"> Near-Term Target Submission Form FLAG Annex 	<ul style="list-style-type: none"> SBTi Target-Setting Tool SBTi FLAG Target-Setting Tool
Near-term + Net-zero + FLAG targets	$\$14,500 + \$7,500 = \$22,000$	<ul style="list-style-type: none"> Near-Term Target Submission Form FLAG Annex Net-Zero Submission Form Part I Net-Zero Submission Form Part II 	<ul style="list-style-type: none"> SBTi Target-Setting Tool SBTi FLAG Target-Setting Tool SBTi Net-Zero Tool

CASE STUDIES

FLAG TARGET SETTING EXAMPLES

COMPANY A

FOOD RETAIL COMPANY

required to set a FLAG target

- Company A is a large U.S food retail (**FLAG designated sector**) company that specializes in grocery items and general merchandise.
- The company has an existent SBT (set before January 2020) and would also like to commit to net-zero.

COMPANY B

TEXTILE COMPANY

with more than 20% FLAG emissions – required to set a FLAG target

- Company B is a Chinese textile company that manufactures plant-based and cellulosic-based textiles to the apparel industry.
- The company will set an SBT for the first time. Because the company's land related emissions total more than 20% of overall emissions across scopes, the company needs to set a FLAG target.

COMPANY C

SEAFOOD COMPANY

with less than 5% FLAG emissions – not required to set a FLAG target

- Company C is a seafood company based in Europe and specializes in wild-caught seafood.
- The company has an existent SBT (set after January 2020). Although the company operates in a FLAG designated sector, it only has few FLAG emissions and chooses to not set a FLAG target.

COMPANY A: TIMELINES & PROCESS



Company A has an existing SBT (set before Jan 2020) and wants to set a net-zero target with their FLAG target.

DEADLINE TO SUBMIT

- The company must submit by 31 December 2023.

COST

- Near-term update + FLAG + net-zero: \$20,250.

PROCESS

- The company intends to submit near-term (non-FLAG), FLAG, and net-zero targets at once.
- Timeframe: 60-business days for non-FLAG near-term update + net-zero targets. FLAG timeframe TBD.

DOCUMENTS TO SUBMIT

1. Target Submission forms (near-term update and net-zero parts I and II).
2. FLAG Annex.
3. Target Setting Tools (near-term, net-zero, and FLAG).

COMPANY A: INFORMATION REQUESTED

NEAR-TERM UPDATE TARGET SUBMISSION FORM

- Existing land-related emissions removed from non-FLAG inventory (sections 2.6-2.7).
- FLAG GHG inventory general information included in the target submission form (section 2.5).
- Non-FLAG target information (section 3.1).

FLAG ANNEX

- FLAG information about target coverage, pathways and tools used, and no deforestation commitment (sections 1.2-1.4).
- Additional FLAG GHG inventory information: emissions per commodity and per region. Disaggregation of LUC, land management and removals per commodity (section 2.4 or optional Excel supplement).

NET ZERO PART I

- Part I: FLAG and non-FLAG long-term target language (section 5).

PART II

- Part II: FLAG and non-FLAG inventory and target coverage (sections 1.1-1.6 and 2.1-2.2).



COMPANY B: TIMELINES & PROCESS



Company B is submitting SBTs for the first time in May 2023.

DEADLINE TO SUBMIT

- The company must submit a FLAG target at the time of submission.

COST

- Near-term + FLAG: \$17,000

PROCESS

- The company will submit near-term targets (FLAG and non-FLAG).
- Timeframe: 30-business days for non-FLAG targets. FLAG timeframe TBD.

DOCUMENTS TO SUBMIT

1. Target Submission form (near-term).
2. FLAG Annex.
3. Target Setting Tools (near-term and FLAG).

COMPANY B: INFORMATION REQUESTED

TARGET SUBMISSION FORM

- Non-FLAG emissions and bioenergy emissions and removals reported in the near-term submission form (sections 2.6-2.7).
- FLAG GHG inventory general information included in the target submission form (section 2.5).
- Non-FLAG target information (section 3.1).

FLAG ANNEX

- FLAG information about target coverage, pathways and tools used, and no deforestation commitment (sections 1.2-1.4).
- Additional FLAG GHG inventory information: emissions per commodity and per region.
- Disaggregation of LUC, land management and removals per commodity (section 2.4 or optional Excel supplement).



COMPANY C: TIMELINES & PROCESS



Company C has existing SBTs set prior to 2020, but is updating its near-term targets and setting net-zero targets.

DEADLINE TO SUBMIT

- The company does not need to set a FLAG target.

COST

- Near-term update + net-zero: \$12,750.

PROCESS

- The company will submit submission near-term update and net-zero targets
- Timeframe: 60-business days.

DOCUMENTS TO SUBMIT

1. Target Submission forms: near-term update and net-zero part I and II).
2. Target Setting Tool (near-term and net-zero).

COMPANY C: INFORMATION REQUESTED

NEAR-TERM UPDATE SUBMISSION FORM

- GHG inventory including **gross** FLAG emissions (section 2.7).
- Bioenergy emissions and removals (section 2.6).
- FLAG GHG inventory general information included in the target submission form (section 2.5).
- Near-term target information.

NET ZERO PART I PART II

- Part I: Long-term target language and ambition (section 5).
- Part II: GHG inventory and target coverage (sections 1.1-1.6 and 2.1-2.2).



Q&A SESSION



CLOSING



THE TIME TO ACT IS NOW!

- We are urgently calling on **all companies to set science-based** net-zero targets.
- Join [our mailing list](#) to receive updates.
- The SBTi FLAG Guidance and additional resources, as well as the recording of this webinar can be found on the [SBTi FLAG webpage](#).
- Should you have any questions, contact us at flag@sciencebasedtargets.org.

THANK YOU

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