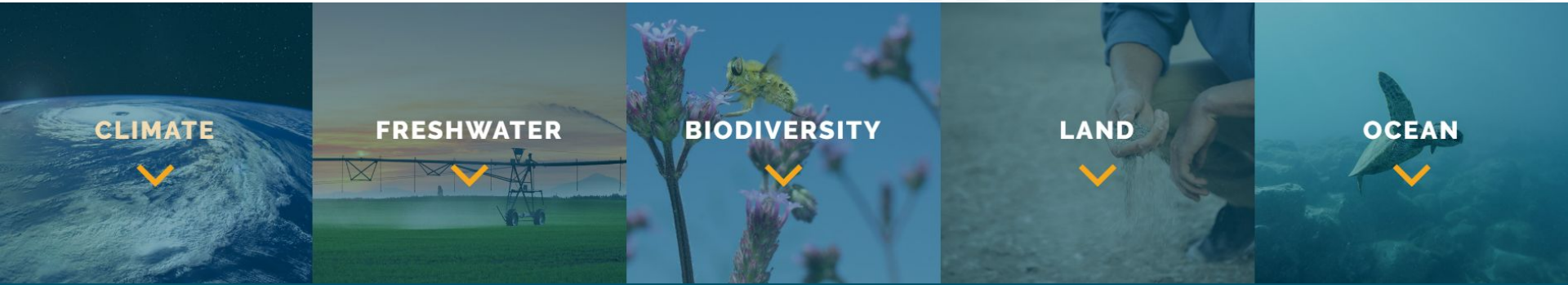
SCIENCE BASED TARGETS NETWORK
GLOBAL COMMONS ALLIANCE

Corporate Engagement Program

2024 Release Plans & Learning Session

May 22, 2024



Welcome!

- Rename yourself: Name - Org
- This session is being recorded.
- Keep yourself on mute until Q&A.
- Put your questions in the chat.
- We will share slides and recording after this call.

Agenda

1. Internal release of revised Steps 1 & 2
2. Expression of interest
3. Fast-follows
4. Broader release plans
5. Q&A
6. ERM: SBTN/CSRD Connections
7. Q&A

SBTN 2024 Release Plans

Internal Release

- Step 1 & 2 method revisions will be shared internally with CEP members and partners within **the next few weeks**, in advance of the public release in July.
    - Step 1 and 2 content between internal release and July release will remain the same - only thing that will change in that time is document formatting, layout, and design.
- We will also share a document that outlines the changes from SBTN V1 methods to V1.1, Step 1 and 2 V1.1 submission forms, a revised Technical FAQ document, and Self Assessment Tool V1.1.

July External Release

Get ready for a broader external release in July, to include the following pieces of content:

- Step 3 Freshwater V1.1 & Land V1 method
- Illustrative case study
- Corporate Manual
- Stakeholder Engagement Guidance V1
- Pilot Summary Report and Claims Guidance
- Updated SBTN website

As the corporate pilot begins to wrap up, timing for sharing detailed pilot insights and outcomes will be confirmed shortly.

2024 Target Validation

- Later in 2024, companies will be invited to submit science-based targets for nature for validation.
- We would like to gain an understanding of companies interested in submitting targets to inform validation team composition and screen for validation readiness.
- To that end, if your company is interested in submitting targets in 2024, please fill out the **Expression of Interest form** (link in chat).
    - Submitting this form does not commit your company to submit targets. SBTN will treat information confidentially and will not release names of organizations that submit EOIs.
    - Given the limited applicability of current SBTN methods to Financial Institutions' and Service Providers' direct operations, SBTN will not accept applications from such organizations at this time.
    - SBTN will accept targets based on V1 methods through December 30th, 2024. Companies may also use SBTN V1.1 methods, which will be published in July 2024.

Criteria for Target Submission

From May-July 2024, SBTN will screen submissions for prioritization for validation, using the criteria below. SBTN may contact submitting organizations with further questions and clarification. Companies will be notified on a rolling basis when they have been approved for target submission. There will be a fee (TBD) associated with validation.

Prerequisites for target submission

- Completed Steps 1 & 2 for direct operations and upstream
- Have some subnational supply chain traceability to set upstream targets
- Have a human rights policy
- Have C-Suite support
- Have sufficient internal capacity and/or consulting support to apply the methods

Additional factors SBTN considers in prioritizing companies for target validation:

- Has or is participating in an SBTN pilot
- Has started working on Step 3 Freshwater OR Step 3 Land targets
- Has material impacts requiring both Step 3 Land AND Freshwater targets

What should you do now?

If you are a company (or are working with a company) that is getting ready to submit targets to SBTN later this year, please submit the Expression of Interest form.

If you are a company (or are working with a company) that is not quite ready to submit targets this year, continue your work on Steps 1 and 2 using the latest revisions.

Questions?

ERM

IMPACT DATA INTEROPERABILITY

SBTN Alignment with CSRD ESRS E4

Sustainability is our business

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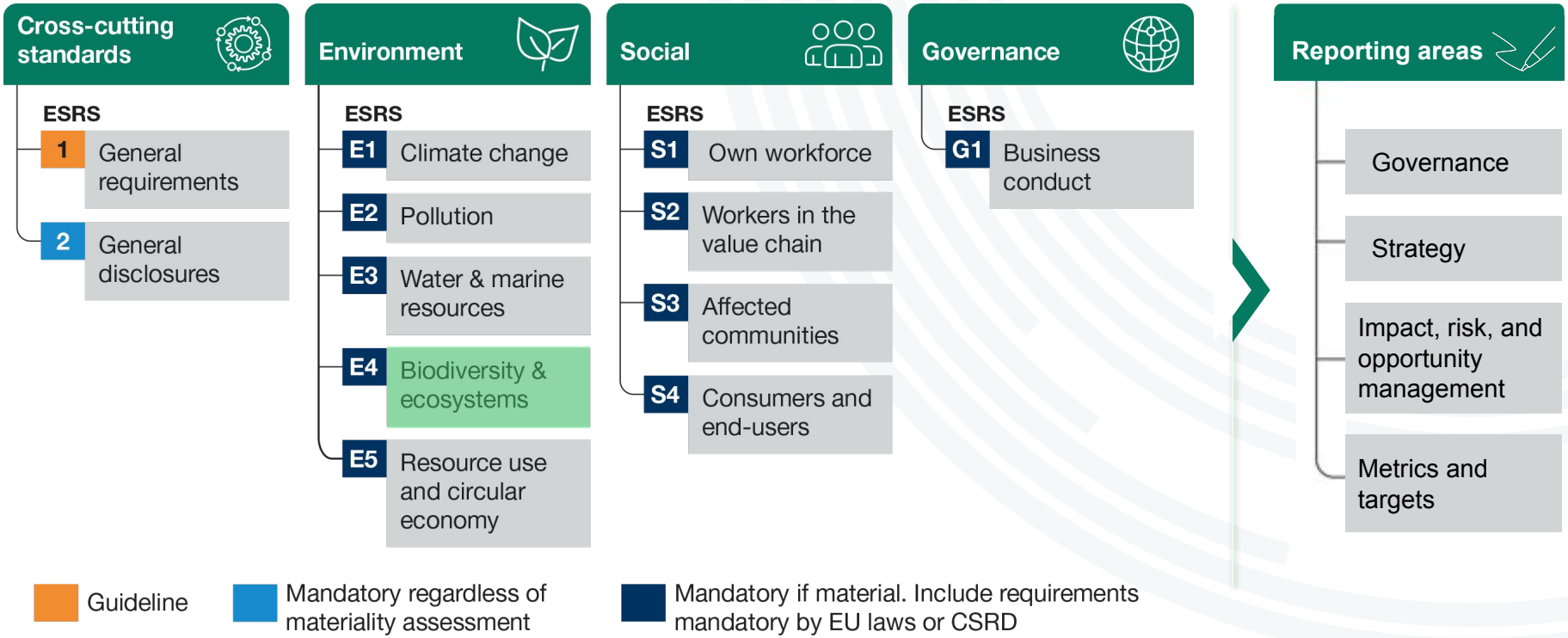
Characteristics of the frameworks in comparison

High-level overview of the similarities and differences between CSRD and SBTN

	CSRD Sustainability reporting standards	**SBTN** Guidance on target setting
Mandatory	✓	
Voluntary		✓
Reporting and Disclosure	✓	
Location specific	✓	✓
Impacts	✓	✓
Dependencies	✓	*(Expected in V1.1)*
Materiality lense	Environmental + social + financial	Environmental + social
Coverage of value chains	Direct Operations + Upstream + some Downstream	Direct Operations + Upstream (Downstream maybe in the future)
Strategy	✓	*(CAPs & Step 4)*
Governance	✓	
Risks	✓	*(Expected in V1.1)*
Opportunities	✓	*(Expected in V1.1)*
Targets	✓	✓
Metrics	✓	✓

CSRD has translated its reporting requirements into ESRS standards

- CSRD is the most ambitious and comprehensive sustainability disclosure regulation to date.
- The ESRS-sets cover certain reporting areas and require disclosure across cross-cutting ESG topics.



ESRS E4 (Biodiversity & Ecosystems) Overview

Disclosure requirements based on the final version of the ESRS published on July 31, 2023

Section	Subsection	
Strategy	ESRS E4-1	Transition plan and consideration of biodiversity and ecosystems in strategy and business model
	ESRS 2 SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model
Impact, Risk and Opportunity Management (IRO)	ESRS 2 IRO-1	Description of processes to identify and assess material biodiversity and ecosystem-related impacts, risks and opportunities
	ESRS E4-2	Policies related to biodiversity and ecosystems
	ESRS E4-3	Actions and resources related to biodiversity and ecosystems
Metrics and Targets	ESRS E4-4	Targets related to biodiversity and ecosystems
	ESRS E4-5	Impact metrics related to biodiversity and ecosystems change
	ESRS E4-6	Anticipated financial effects from biodiversity and ecosystem-related risks and opportunities (*)

(*) **1st reporting year**: Companies **may** omit the information prescribed by **ESRS E4-6**.
First 3 reporting years: Companies **may** comply with **ESRS E4-6** by reporting only qualitative disclosures.

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Opportunities to integrate SBTN impact data into CSRD Reporting

Make the most of the data you're collecting

Example: Ecosystem Use and Use Change Pressures

SBTN Step 1b
Value Chain Assessment

Area (km2 or ha) of land use, including known land management practices (e.g., crop rotation, tillage practices, or fire regimes).

Area (km2 or ha) converted since 2020 (or earlier) by pre- and post- conversion ecosystem type and use for terrestrial ecosystems.

Pressure-sensitive State of Nature (SoNp) for ecosystem use, such as extent of natural and non-natural lands, terrestrial connectivity, net primary productivity

Additional insights…

- Land use and land use change are most accurately measured and reported with demarcated site boundaries
- SBTN is more prescriptive in evaluating land use change
- Additional CSRD ESRS E4 requirements, such as impacted biodiversity sensitive areas and T&E species link to SBTN SoN_B

Data Needs

Known locations of all direct operations and high impact commodity/activity suppliers

Total spatial extent (i.e. demarcated operational boundaries)

Area of natural versus non-natural land use within site boundaries and in the regional context

Area of various ecosystem types and/or land management practices on site and in the regional context

Regional terrestrial connectivity

Assessment of conversion requires the above for two distinct points in time (e.g., baseline and current)

CSRD
ESRS E4

The undertaking may disclose in units of area (e.g., m2 or ha) on land-use:

a) total use of land;
b) total sealed area;
c) total nature-oriented area on site; and
d) total nature-oriented area off site.

If the undertaking has concluded that it directly contributes to the impact drivers of land-use change, it shall report relevant metrics. The undertaking may disclose metrics that measure:

a) the conversion over time (e.g. 1 or 5 years) of land cover (e.g. deforestation or mining);
b) changes over time (e.g. 1 or 5 years) in the management of the ecosystem (e.g. through the intensification of agricultural management, or the application of better management practices or forestry harvesting);
c) changes in the spatial configuration of the landscape (e.g. fragmentation of habitats, changes in ecosystem connectivity);
d) changes in ecosystem structural connectivity (e.g. habitat permeability based on physical features and arrangements of habitat patches); and
e) the functional connectivity (e.g. how well genes or individuals move through the land, freshwater and seascape).

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Thank you

North America

Carly Sibilia
Managing Technical Consultant
Carly.Sibilia@erm.com
New York, NY

Rebecca Stern
Managing Technical Consultant
Rebecca.Stern@erm.com
Philadelphia, PA

John Finisdore
Principal Technical Consultant
John.Finisdore@erm.com
Washington, DC

Europe, Middle East, and Africa

Laura Innerasky
Consulting Senior Associate
Laura.Innerasky@erm.com
Frankfurt, Germany

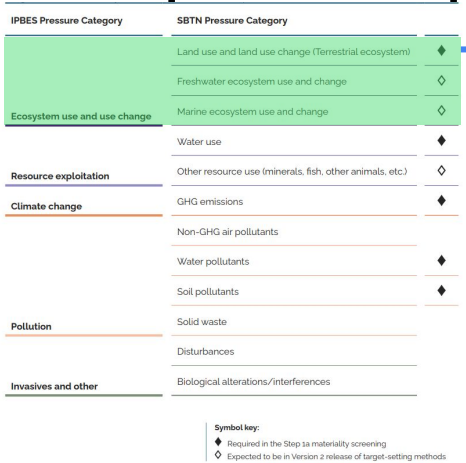
Kate Redington
Associate Partner
Kate.Redington@erm.com
Berlin, Germany

Kerstin Pfliegner
Partner
Kerstin.Pfliegner@erm.com
Berlin, Germany

For additional information and regional points of contact, please visit:

erm.com/nature

Sample of impact metrics for ecosystem use and use



IPBES Pressure Category	SBTN Pressure Category	
Ecosystem use and use change	Land use and land use change (Terrestrial ecosystem)	♦
	Freshwater ecosystem use and change	◊
	Marine ecosystem use and change	◊
	Water use	♦
Resource exploitation	Other resource use (minerals, fish, other animals, etc.)	◊
Climate change	GHG emissions	♦
	Non-GHG air pollutants	
	Water pollutants	♦
	Soil pollutants	♦
Pollution	Solid waste	
	Disturbances	
Invasives and other	Biological alterations/interferences	

Symbol key:
♦ Required in the Step 1a materiality screening
◊ Expected to be in Version 2 release of target-setting methods

Other considerations:

- Land use and land use change are most accurately measured and reported with demarcated site boundaries
- SBTN focuses on land use changes which result in a negative impact to nature (i.e., conversion from natural to non-natural), CSRD also allows reporting on material positive impact
- SBTN is more prescriptive in evaluating land use change (i.e., baseline requirements)
- Additional CSRD ESRS E4 requirements, such as impacted biodiversity sensitive areas and T&E species link to SBTN SoN_B and SoN_p

Indicator	SBTN	CSRD ESRS E4	Data Needs
Ecosystem use	Area (km2 or ha) of: • Land use, including known land management practices (e.g., crop rotation, tillage practices, or fire regimes). • Freshwater ecosystem use. Examples include area of wetland, ponds, lakes, streams, rivers or peatland necessary to provide ecosystem services such as water purification, fish spawning, areas of infrastructure necessary to use rivers and lakes such as bridges, dams, and flood barriers, etc. • Marine ecosystem use. Examples include area of aquaculture by type, area of seabed mining by type, etc.	*ESRS E4 para AR. 34* The undertaking <u>may</u> disclose in units of area (e.g., m2 or ha) on land-use using guidance provided by the Eco-Management and Audit Scheme (EMAS): a) total use of land; b) total sealed area (i.e., building and impervious surfaces); c) total nature-oriented area on site; and d) total nature-oriented area off site.	• Known locations of all direct operations and high impact activity suppliers • Total spatial extent (i.e. demarcated operational boundaries) • Area of natural versus non-natural land use within site boundaries • Area of various ecosystem types and/or land management practices
Ecosystem use change	Area (km2 or ha) converted since 2020 (or earlier) by pre- and post- conversion ecosystem type and use for: • terrestrial ecosystems • freshwater ecosystems • marine ecosystems	*ESRS E4-5 para 38.* If the undertaking has concluded that it directly contributes to the impact drivers of land-use change, it <u>shall</u> report relevant metrics. The undertaking <u>may</u> disclose metrics that measure: a) the conversion over time (e.g. 1 or 5 years) of land cover (e.g. deforestation or mining); b) changes over time (e.g. 1 or 5 years) in the management of the ecosystem (e.g. through the intensification of agricultural management, or the application of better management practices or forestry harvesting); c) changes in the spatial configuration of the landscape (e.g. fragmentation of habitats, changes in ecosystem connectivity); d) changes in ecosystem structural connectivity (e.g. habitat permeability based on physical features and arrangements of habitat patches); and e) the functional connectivity (e.g. how well genes or individuals move through the land, freshwater and seascape).	• Assessment of conversion requires the above for two distinct points in time (e.g., baseline and current) • Accounts for changes to site boundaries

<u>Commission Delegated Regulation (EU) 2023/2772 of 31 July 2023 supplementing Directive 2013/34/EU</u>
<u>SBTN Step 1 Technical Guidance</u> (Version 1 - October 2023)
<u>EFRAG Interoperability Mapping</u> (January 2024)

Questions?

Appendix

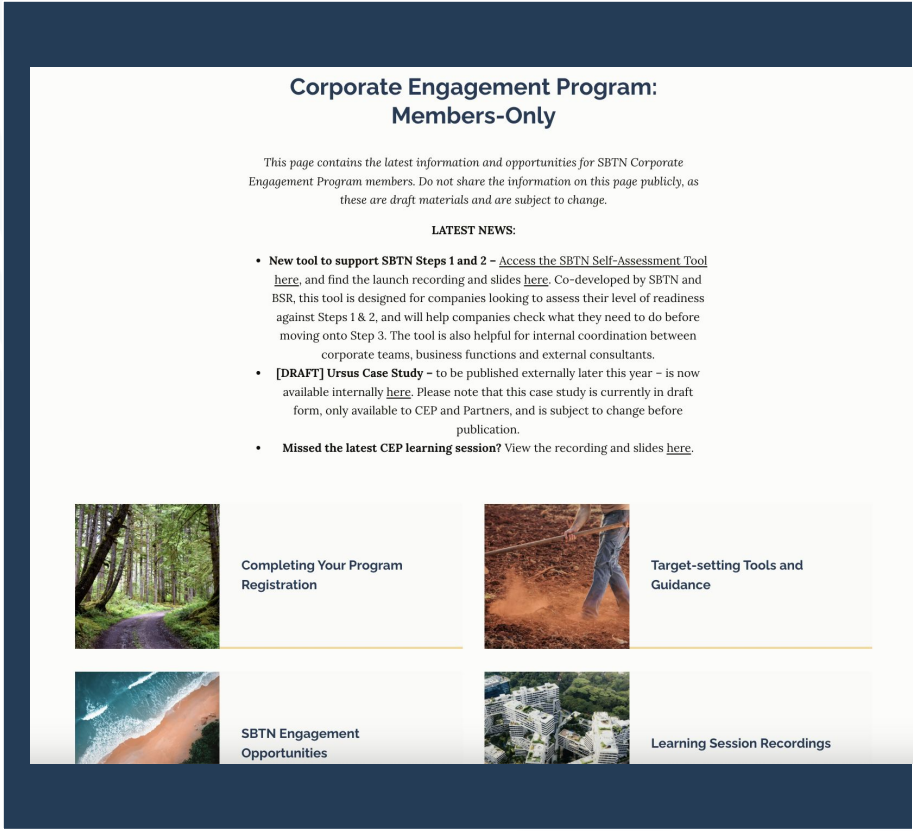
RESOURCES

In the Members-Only site you can find:

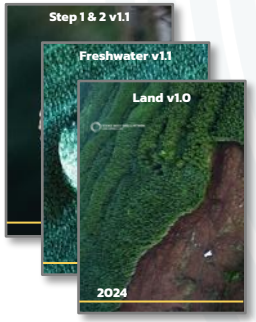
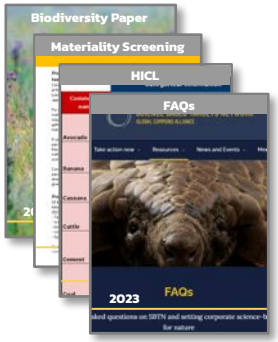
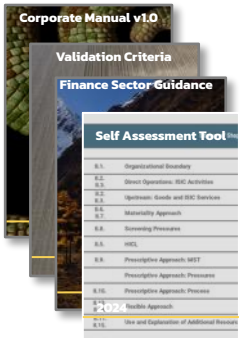
- Latest slides and recordings from monthly CEP learning sessions
- Form to add contacts from your organization to the CEP mailing list
- Latest target-setting tools and guidance
- And more!

Password: SBTNProgram

SBTN FAQs
Need expert help?



SBTN Development Timeline

	2023	2024	2025
Technical methods	*Pilot of first release methods to identify required revisions*	 Updated first release methods rolled out for broad corporate use *First companies outside of pilot group settings SBTs*	Expansions to existing methods; first release of Ocean methods; additional coverage of biodiversity Initial guidance on Step 4 (Act) & Step 5 (Track)
Additional Guidance and Tools			

- Corporate Manual: "Entry point" to SBTN methods – providing information to convince senior leadership to set SBTs
- Validation Criteria: Outline of sequential steps a company must take across SBTN methods to set validated SBTs
- Finance Sector Guidance: Initial guidance on how FI's should interpret and leverage SBTN methods, incl. future roadmap
- Self Assessment Tool: Tool for companies to understand data requirements and activities required to complete Steps 1 & 2

V1.1 revisions aim to clarify guidelines and improve implementability

Step 1
 	
ASSESS
	• **Clarity:**
	  ○ Added clarity to requirements on **organization boundary**, including refining upstream requirements (e.g. non-productive procurement)
	  ○ Confirmed pilot exception to allow assessment for **90% net HIC** vs 90% of each HIC
	  ○ Added recommendations for **SoN datasets** and **interpretation guidance**
	• **Tool Improvements:**
	  ○ New **upstream functionality** and improved interface for the MST
	• *Under discussion:*
	  ○ *New recommendations for the **Business Unit Approach***

Step 2
 	
INTERPRET & PRIORITIZE
	• **Clarity:**
	  ○ Added clarity on methodology for **prioritization**
	  ○ Introduced a **tiered approach** to prioritization
	• **Interoperability:**
	  ○ Addressed gaps to ensure interoperability between step 2 and 3 (prioritization outcomes, scale of traceability)
	• *Under discussion:*
	  ○ *More intentional inclusion of **financial materiality***