



**SCIENCE BASED TARGETS NETWORK**  
GLOBAL COMMONS ALLIANCE

# Technical FAQs

Step 1 & 2: Assess, Interpret and Prioritize



## Version History

Version	Update description	Release Date	Effective Dates
1.1	Technical FAQ Step 1 & 2	July 2024	July 2024 - Indefinite

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# Step 1a: Materiality Screening

## Tools

**What tools from SBTN are available to support the completion of Step 1a?**

Two key tools to highlight are the Materiality Screening Tool (MST) and the High Impact Commodity List (HICL).

The MST was developed by SBTN to help users carry out a first screening of what types of environmental impact are potentially materially relevant to their sector and their company's activities, as part of Step 1a of the SBTN guidance. The tool allows users to:

- 1) explore a subset of the materiality dataset by selecting specific International Standard Industrial Classification of All Economic Activities (ISIC) groups and production processes relevant to their direct operations and upstream activities;
- 2) consult or copy the full materiality dataset with ratings into a separate Excel sheet to explore these further; and
- 3) if necessary, translate other classifications (e.g., Statistical Classification of Economic Activities in the European Community (NACE), Global Industry Classification Standard (GICS)) into ISIC.

The HICL was developed primarily to simplify upstream assessment for complex companies and to ensure that companies include commodities known to be most responsible for driving deforestation, nutrient pollution, and other impacts on nature in their assessments.

The HICL can be used by companies within the V1.1 methods to:

- 1) prioritize an upstream assessment in a way that is environmentally robust in Step 1; and
- 2) focus upstream traceability efforts for commodities and upstream activities without location information (Step 2/3).

The MST and HICL are accessible on the [resources section](#) of SBTN's website.

## Task 1. Define your organizational boundary

### Approaches for defining organizational boundaries

**What are the acceptable approaches for defining our company's organizational boundary? What criteria can we use to confirm we have set a broad enough boundary?**

You may use one of three approaches to define the organizational boundary: financial, operational, or equity control.

In the financial control approach, you account for the impacts associated with activities and operations that you can direct (e.g., you have the right to the majority of benefits or retain financial risks and rewards). In the operational control approach, you account for activities and operations where you can implement operating policies. In the equity control approach, you account for a percentage of the impacts, equal to the share of equity or economic interest you hold in the operations.

If you have previously set climate targets with the Science Based Targets initiative (SBTi) or have defined your organizational boundary for other sustainability initiatives that align with the Greenhouse Gas Protocol (GHGP), we encourage you to use the same approach for SBTN. As a reference, you can consult the [GHGP's guidance](#) on how to define your organizational boundary.

### Changes in organizational boundaries

**Which baseline years do we use to determine our organizational boundary? How do we deal with recent or expected changes in company scope, e.g., divestments or acquisitions? Do companies have time to add them or should they be immediately accounted for? How do we deal with variations in procurement or other upstream activities?**

Within their organizational boundary, companies should include all corporate activities that fall under their ownership or control (as defined by GHGP consolidation approaches) for the year in which they are completing the assessment, or the year prior depending on data availability. Activities in scope can include those from completed mergers or acquisitions, as well as joint ventures at that date. Planned mergers, acquisitions, or divestments should be included in the next SBTN assessment cycle (every five years).

Consistent with current best practice, companies must include the broadest possible coverage of their corporate activities as they start using the SBTN methods. This scope is expected to narrow as companies advance through the five steps of the process for setting science-based targets and begin applying target-setting methods and taking action.

Activities included for the materiality screening (Step 1a) and value chain assessment (Step 1b) should include all those conducted in a given year and that are recent and representative

of companies' current operations and broader social and environmental conditions. Recency and representativeness can be thought of within the span of the last five years, as companies will be required to update their assessments and targets every five years.

For the upstream segment, only goods classified as production inputs are in scope in this version (1.1) of the SBTN methods. Companies must provide a consolidated list of all goods procured as production inputs for all their locations within each business operation during the five years preceding their submission, as well as their procurement volumes (measured in tonnage or an equivalent metric). Production inputs associated with discontinued economic activities should be excluded from this list. When procurement volumes are periodic or highly variable over time, evidence on company activities can be provided based on the average inputs over the five-year assessment cycle.

## **Office and infrastructure holdings**

**How do we consider offices/infrastructure holdings in Step 1a and Step 1b?**

Offices and infrastructure holdings must be included in Step 1a if defined as being within the organizational boundary. They may be excluded from the pressure assessment in Step 1b if found to be immaterial based on the screening tool used and additional data provided by the company to refine those screening results.

## **Task 2. Identify your direct operations and upstream activities**

### **Exclusion of activities**

**Can we exclude activities from Step 1a if we think they are highly likely to be excluded from Step 1b?**

If an activity falls within your company's organizational boundary, you must screen it in Step 1a. If the activity is not in fact material after this assessment, then you will not have to assess and quantify it in Step 1b. This exclusion will then apply to all locations or sites where this is the only activity occurring.

## Upstream segment

### Can we exclude packaging from our upstream impact assessment?

Packaging is considered a production input and should be included in the value chain assessment.

## Task 3. Identify high-impact commodities in your activities

### Derived commodities

#### **Should we consider animal fat from waste connected to animal production, and therefore include animal fat as a high-impact commodity?**

As a general rule, companies are expected to include high-impact commodities (HICs) and their derivatives, regardless of whether these have been transformed or appear in trace amounts in a given product.

In the case of animal fat, if it is derived from a commodity listed on the High Impact Commodity List (HICL), companies should include both the fat as the product they are actually purchasing and the animal it comes from in the materiality screening.

Through the process of back calculation, companies would use the volume or spend purchased on fat to determine the volume or spend on the original animal (e.g., cows or pigs) to then use in further analysis.

In Task 7, companies must identify the location of the most impactful stage in the value chain of their HICs (for each pressure category defined as material in Step 1a for that commodity). In this case it would be either the processing of the fat, or more likely the impact of the animal from which it is derived.

Note that where the company is procuring from an aggregator across animals and locations, this will need additional traceability efforts by the company. This will be picked up in the Step 2 methods when delineating upstream target boundaries (this would go into upstream target boundary B if the company did not have subnational data traceability).



## Task 4. Screen for materiality

### Materiality Screening Tool: Do I have to use this tool?

Yes. The tool was designed to help companies quickly screen their whole business for material contributions toward the different issues covered by SBTN. It also standardizes the initial screening process across companies.

**Can economic activities that account for a very small percentage of the total be excluded from the materiality analysis? For example, activities that account for less than 1% of total sales, or commodities that account for less than 1% of total procurement.**

If an activity falls within your company's organizational boundary, you must screen it in Step 1a. If the activity is not in fact material after this assessment, then you will not have to assess and quantify it in Step 1b. This exclusion will then apply to all locations or sites at which this activity is occurring.

### ISIC codes

#### How do we determine the right ISIC codes for using the SBTN Materiality Screening Tool?

Companies may need to use the tabs "ISIC Detail" or "Crosswalk ISIC-NACE-GICS" to select the correct activity classification. Companies can also use the detailed description of the ISIC Rev.4 from the United Nations here: [https://unstats.un.org/unsd/classifications/Econ/Download/In%20Text/ISIC\\_Rev\\_4\\_publication\\_English.pdf](https://unstats.un.org/unsd/classifications/Econ/Download/In%20Text/ISIC_Rev_4_publication_English.pdf).

When using the Rev.4, companies may find it helpful to use the document search function to look for keywords that describe their activities, e.g., leather, steel, transportation, mining, or manufacturing. Note that there might be more than one relevant ISIC code for a particular part of your business, e.g., for recycled paper manufacturing there are separate codes for the collection, treatment, and manufacturing of recycled waste, so you will need to check which parts of the value chain are covered by your company. For some ISIC classes, the MST gives ratings for different production processes used within the class (e.g., rain-fed vs. irrigated crops). If you are not sure which process to select, the first step may be to contact the operations personnel in that part of the business to request their input. You may also find it useful to ask your company secretariat or finance teams for guidance, as they may have come across similar business classifications before.

## Pressure categories

### Why are some pressure categories optional to include in the Step 1a screening?

Many companies and other actors participating in the SBTN development process have emphasized that tackling 12 different environmental issue areas at once poses a substantial challenge, even for companies that have been working on sustainability for a long time. To reduce the overall effort needed to complete the V1.1 Step 1 methods, SBTN currently only requires that companies screen for the pressures for which there are methods available (land use and land use change, water use, climate change, water pollution, and soil pollution) to address these with targets in Step 3. The scope of the Step 3 methods will expand overtime. For example, the V1.1 Ocean methodology is due for release in 2025.

Companies may include other pressures in their screening if they think these are material for their company and will need to be managed through targets in the future.

## Materiality Screening Tool

### Materiality Screening Tool: How was it developed and where does the data come from?

The MST is an interactive app that includes several key components:

- a “ReadMe” introductory page, which gives an overview of each of the associated tabs and links to an Excel spreadsheet that includes the methodology behind the tool and the raw data for both direct operations and upstream activities;
- a tab where a company may select or search for ISIC groups and production processes associated with its direct operations; once the categor(y)(ies) are selected, the tool will output material pressure categories for the SBTN process;
- a tab for upstream operations similar to the direct operations tab described above;
- a tab with summaries of ISIC groups across production processes, which may be used as a quick first pass to identify material pressure categories;
- a tab describing ISIC categories and a “Crosswalk” tab to translate NACE and GICS categories to ISIC ones.

The full materiality dataset can be found in the Excel spreadsheet linked in the online tool. The dataset provides the basis for the scores that companies can access and explore in the other tabs of the tool. Scores for direct operations were calculated by mapping the Exploring Natural Capital Opportunities, Risks and Exposure (ENCORE) database of impact scores to different economic activity categories (ISIC groups and production processes of the UN Environment Programme World Conservation Monitoring Centre (UNEP-WCMC). This dataset was developed by the ENCORE alliance, using a literature review and expert input. For direct operations, ratings were calculated by mapping the ENCORE database (see the methodology here <https://encore.naturalcapital.finance/en>) to a company’s ISIC classes and production processes and further analyzed by the SBTN team to inform a threshold indicating whether a company is required to continue analyzing and quantifying its impacts.

ENCORE is managed by the ENCORE partners. More information and webinars to help you understand the background methodology are available here: <https://encore.naturalcapital.finance/en>.

The interpretation of the pressure scores shown in the interactive tool and summary sheet was designed by the SBTN team based on the statistical distribution of scores. The upstream activity sheet was created using a multi-regional input output (MRIO) model (EXIOBASE), with analysis led by the Stockholm Environment Institute in York and guidance from SBTN. We used MRIO data to connect direct operations to upstream sectors based on economic flows and generate scores for upstream supply chains to the Tier 1 level.

### **Materiality Screening Tool: Do I need to select the ISIC categories for my upstream and direct operations?**

You need to select the ISIC group and associated production processes for direct operations in the online tool. For upstream operations, you will need to input your associated direct operations ISIC group. The tool will then filter all associated upstream activities based on sectoral averages. You should then select any relevant upstream activities based on the ones provided. Companies will then be able to review the upstream tab to review material pressures for the upstream activities.

### **Materiality Screening Tool: The results don't look right to me—what do I do?**

We do not expect the materiality scores of the tool to match perfectly for every company, as they are based on global, sector-average data, and do not vary by geography or other relevant factors. To ensure that these scores are as accurate to the company's operations as possible, there is a refinement step that companies can go through before moving on to the Step 1b Value Chain Assessment. This part of the method is expected to be most relevant for companies whose activities are not well-described by the categories used in the tool (e.g., when the production processes do not match the company's actual activities). Companies will need to provide company-specific information in the validation process to explain their refinement of scores when contradicting a score that requires the further analysis of an economic activity and pressure. Please see Step 1a, Task 5 of the method for more information.

## **Task 5. Refine the results to reflect your company's activities**

FAQs will be continuously updated. If you still have questions after reviewing our [resources section](#), please contact SBTN.

# Step 1b: Value Chain Assessment

## Tools

**What tools are available to support the completion of Step 1b?**

For recommendations on tools and data sources to use in the value chain assessment, please see the [Step 1 Toolbox](#).

For options beyond this, we recommend identifying tools that (1) meet SBTN's tool and data criteria; and (2) work with the starting data and expertise you have in-house. We are open to suggestions for new tools to include in the SBTN Toolbox. Please contact our team if you have insights on this.

**If we do select multiple datasets for Step 1, they will have different outputs, with some being indices based on multiple variables, and many being on different scales. How are these outputs comparable?**

The process of combining data is one that you should be careful about and use only in ways that are suggested in the methods. For example, the process of harmonizing spatial scales can be used to bring together multiple state indicators (when they represent the same variable, e.g., multiple indicators for the state of nature for biodiversity) or in the context of normalizing pressure and state of nature data before calculating a pressure index for a given location. In all other cases, data should not be combined across pressure categories and should be kept separate during the analysis. There may be some limits to comparison when data are not in compatible units beyond harmonizing the spatial scale, and scaling (i.e., normalizing) the values across datasets.

**What further support can SBTN provide us now for identifying what pressures/data sources to use?**

For recommendations on tools and data sources to use in the value chain assessment, please see the [Step 1 Toolbox](#). For options beyond this, we recommend identifying tools that (1) meet SBTN's tool and data criteria; and (2) work with the starting data and expertise you have in-house that also meet SBTN tool and data criteria. We are open to suggestions for new tools to include in the SBTN toolbox. Please contact our team if you have insights on this.

To fill data gaps, as long as it is compliant with antitrust policies, we recommend collaboration with peers and supply chain partners to gather data.

## Task 6. Select business units for target setting

**What is the Business Unit Approach? And If I use the Business Unit Approach, do I need to include my company's entire enterprise in the Step 1a screening?**

The Business Unit Approach may be considered after a company has completed the materiality screening (Step 1a) for the full organizational boundary at the enterprise level. Companies may choose to focus target setting on a business unit within their enterprise, rather than the entire enterprise. In such cases, the company must select business units that are already established within the company's operating structure, as reflected in its financial reporting.

## Task 7. Map your value chain activities and locations

### Scope

**Upstream exclusions: Which, if any of our upstream activities can we exclude from our value chain assessment? Can any of this be dictated by proportion of procurement (e.g., if an investment represents less than 1% of procurement) or variations in spend/procurement? To what extent can we exclude any activities that involve high-impact activities?**

For the Step 1b assessment, companies must assess the impacts associated with at least 67% of all production volumes (including HICs) and at least 90% of the combined HIC volumes for each pressure category. If HICs constitute more than 67% of the company's purchases by volume, the company may focus on just these for their upstream assessment.

Please refer to Table 5: "Assessment boundaries for value chain segments in the pressure and state of nature assessment" for further details.

**Are SBTi Scope 2-related activities included in the SBTN process (e.g., water consumption from purchased electricity)?**

The pressures associated with utilities consumed by the company must be included for all direct operations activities, as explained in Task 8 of Step 1:

"In this assessment, companies must include the pressures associated with utilities (energy, water, waste management, wastewater management) consumed in their operations. For example, companies assessing their water use must account for their water use coming both from their direct withdrawals (e.g., from their own wells) as well as water supplied by a municipal grid; and companies assessing their water or soil pollution would account for nutrients they release directly to the environment (e.g., from their water pipes

or nutrient application) as well as those found in waste and wastewater treated by municipal facilities.”

**What are the expectations of SBTN on purchased services? For example, we report on IT, post services, etc. How do we report these services later in terms of volumes and pressures?**

Purchased services should not be included in the materiality and value chain assessments. Only direct operation activities and goods classified as production inputs are in scope. Please refer to Box 4: “Value Chain Segments” for further details on the value chain segments relevant to the SBTN methods.

**For high-impact commodities, which upstream tiers do we need to include? For example, would a food company need to include the fertilizer applied to the high-impact commodities it uses?**

Please refer to:

- Table 4: “Overview of spatial data requirements and associated target boundaries in Steps 1–3.”
- Table 5: “Assessment boundaries for value chain segments in the pressure and state of nature assessment.”

For any production inputs that are HICs or that contain HICs, companies must identify the location of the most impactful stage (for each pressure category defined as material in Step 1a for that commodity) in the value chain of that commodity.

Companies should assume that the most impactful stage will in most cases be primary production (e.g., farming, animal husbandry, forestry, fishing or aquaculture, mining and extraction). For some value chains, however, other stages (such as processing) might be more impactful.

Note that the most impactful value chain stage may be different depending on the pressure category that is assessed, so for one commodity multiple locations may have to be defined. It is the company’s responsibility to identify or double-check the most impactful node for each pressure per commodity.

For a food-producing company, we would expect that fertilizer application, which happens at the farming stage, would indeed be the main driver of soil and water nutrient pollution. Hence, the company would be required to estimate this pressure (nitrogen and phosphorus loading, or an equivalent) for this stage of the value chain (farming or food production).

Providing cradle-to-gate analysis of impacts (as an output of life cycle assessment methods) is acceptable, but location data, to inform the Step 2 prioritization, should be associated with the most impactful stage of production (for HICs) as stated above.

## Assessment period

### How to choose the assessment period?

Please refer to the “temporal variability in value chain activities” paragraph in the Step 1b\_Task 7 technical guidance:

“Given that value chain activities may vary from year to year, when selecting the time period covered by the data used in the value chain assessment (e.g., for the upstream volumes and supplier locations), companies must select a ‘representative year.’ This must be a 12-month period, occurring as recently as possible, that is representative of their business, as well as of societal and environmental conditions.

“The representative year must be no earlier than five years before the date of the method application unless evidence is submitted showing the past five years as non-representative. Explanation of the year selected may be requested in the validation process for Step 1. The nominal year associated with the models and data used in the assessment may vary but should align with the choice of representative year as closely as possible. Companies should collect primary data within the representative year. Companies may also produce representative data by averaging the data from all representative years within the last five years of operations.”

## Task 8. Quantify the environmental pressures of your activities

Please see Table 6 of the Step 1 method for more detail on the recommended indicators and metrics.

## Climate change

### How and whether to cover climate impacts during the value chain assessment?

All companies using the SBTN methods are required to include climate in their screening of material issues (Step 1a). If climate is found to be material, companies are required to use SBTi and GHGP methods to inventory and manage these. They do not need to submit their climate data to SBTN as part of the validation of their work for Steps 1–2, but they will need to show that they have a validated climate target, or are working toward one, when submitting targets for validation.

## Task 9. Assess the state of nature in each geographical location

**In Step 1b, when estimating the state of nature for water use categories, is it acceptable to use the location of the facility even if the facility is drawing water from a third party?**

If it is known that the company is using water from a third party, then the location of that third party should be used. If their location is unknown, then this site should be tagged in the data as having limited certainty. Not knowing the location of the water source will affect the certainty of both the pressure and state of nature data.

**For the state of nature assessment in Step 1b, do we include all indicators or just select a few? What if we find overlaps and limitations with species extinction risk and ecosystem connectivity?**

It is not necessary to use every single biodiversity state of nature indicator. However, we do require using a species-level and ecosystem-level indicator together in the analysis relevant to each pressure assessed (a list of recommended indicators relevant to each pressure category is available in Step 1, Appendix 1 or in the Step 1 Toolbox). Guidance on combining information from different datasets for use when determining target boundaries and target-setting priorities can be found in the Step 2 methods.

See Appendix 1 of Step 1 for an illustrative list of recommended biodiversity metrics relevant for each pressure.



# Step 2a: Target Boundary Delineation

## Tools

**Are there any tools to support the completion of this step?**

For Step 2, companies are expected to use the data they have collected from tools in Step 1. Please see the Step 1 Toolbox for SBTN's recommendations on our website [resources section](#).

## Task 1. Define target boundaries for each pressure category

**In Step 2, what location scale should we use?**

Where possible, you should always use the finest scale for a given location. This will increase the accuracy of your prioritization process and the likelihood that you set and act upon targets in locations with the most urgent need first.

Companies can use different scales (e.g., subnational and production unit) to compare across locations within a given target boundary for a specific pressure in the prioritization process. However, data used for a given location (pressure and state of nature) should be at the same scale.

## Task 2. Place volumes with insufficient value chain traceability in a separate target boundary

FAQs will be continuously updated. If you still have questions after reviewing our [resources section](#), please contact SBTN.

# Step 2b: Interpretation and Ranking

## Task 3. Harmonize Spatial Units

FAQs will be continuously updated. If you still have questions after reviewing our [resources section](#), please contact SBTN.

## Task 4. Create index values for all pressure categories

FAQs will be continuously updated. If you still have questions after reviewing our [resources section](#), please contact SBTN.

## Task 5. Rank locations by their environmental urgency to act

FAQs will be continuously updated. If you still have questions after reviewing our [resources section](#), please contact SBTN.

# Step 2c. Prioritization

## Can I select prioritization factors other than those listed in the guidance?

Companies must comply with the validation requirements found in the Step 2 method document. These requirements do allow for some flexibility in the choice of environmental data and metrics that can be used in the prioritization. Beyond environmental pressures and the state of nature criteria, we require companies to rank their location on at least one of the three required additional criteria: stakeholder engagement, company dependencies on nature, and other considerations such as feasibility and strategic interest.

## Task 6. Understand social and justice priorities through stakeholder engagement

FAQs will be continuously updated. If you still have questions after reviewing our [resources section](#), please contact SBTN.

## Task 7. Assess business dependencies on nature

FAQs will be continuously updated. If you still have questions after reviewing our [resources section](#), please contact SBTN.

## Task 8. Consider strategic priorities, risks, and capacity for action

FAQs will be continuously updated. If you still have questions after reviewing our [resources section](#), please contact SBTN.

## Task 9. Prioritize within target boundaries

### **What combination of locations need to be selected for freshwater and land target setting?**

The SBTN methods are not prescriptive about whether companies should set targets for freshwater and land in different places (i.e., set targets for freshwater in a US basin, vs. for land in a Brazilian landscape), or instead in the same place to maximize co-benefits.

The determination of which locations the company sets targets on in Step 3 is dependent on that company's material pressures. If most of the company's pressures are concentrated in one location, which also happens to be critically stressed according to state of nature indicators, this may be the highest-priority location for multiple issues (based on Step 2b). Companies may also choose to set both types of targets in the same location if this makes the most sense from a co-benefits and/or feasibility perspective, even if the location and activity is not the highest priority for all issues.

Note that priority basins for action may even be distinct for Freshwater Quantity vs. Freshwater Quality targets, meaning the company will need to set at least two targets to address impacts at these priority locations.



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