



**SCIENCE BASED
TARGETS NETWORK**

Step 1: Assess and Step 2: Prioritize (Version 2) Public Consultation

Executive summary

Step 1: Assess enables companies to evaluate their impacts on nature across their value chains.

Step 2: Prioritize identifies where action and target-setting will have the greatest benefit for nature. Together, these steps help companies make informed decisions about where to act, focus resources where they matter most, and build a credible foundation for science-based targets for nature that reduce risk and support long-term resilience.

SBTN's public consultation (March 24 - April 17 2026) focuses on key method development decisions for V2 of the Step 1: Assess and Step 2: Prioritize methods, planned for release mid-2026. The proposed revisions reflect input from the technical community, validation insights, and feedback from companies applying the methods.

This consultation document is organized around key topics that may significantly influence how the methods are applied in practice, including their feasibility, accountability, and interoperability both across the SBTN methodology and with other sustainability frameworks.

Below is an overview of the proposed changes for which SBTN is seeking feedback:

Advancing traceability and expanding pathways for action across the value chain

SBTN is exploring updates to support companies at different stages of traceability maturity and create clearer pathways toward upstream target-setting and action. Proposed changes include supplier engagement targets to advance traceability or enable supplier target-setting, response option pathways for cases where near-term traceability remains difficult and the option to address impacts across multiple value chain stages, rather than focusing only on the most impactful stage.

Enhancing materiality assessment and interoperability with existing frameworks

SBTN is exploring changes to improve the practicality and interoperability of its materiality assessment. Proposed updates include improvements to the Materiality Screening Tool and High Impact Commodity List, options to leverage existing assessments and disclosures, and more structured integration of dependencies to strengthen alignment with double materiality approaches and other sustainability frameworks.

Enabling progress through flexibility, transparency, and clearer prioritization

SBTN is exploring refinements to streamline certain requirements while maintaining scientific rigor, particularly where they added limited decision-making value or slowed action. Proposed

changes include a more flexible upstream assessment, supported by clearer classification of commodity volumes by traceability level and enhanced disclosures. Together, these changes enable companies to move toward target-setting based on available data, while increasing transparency on traceability and progress over time. Additional updates include revisions to the prioritization approach (Step 2b) to better identify where targets are likely to have the greatest impact and streamlined guidance on strategic and social prioritization factors (Step 2c).

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Introduction

SBTN's public consultation (March 24 - April 17 2026) focuses on key method development decisions for V2 of the Step 1: Assess and Step 2: Prioritize methods, planned for release mid-2026.

All topics presented are under consideration (i.e., none are final). They have been selected based on their potential to significantly increase the clarity, feasibility, accountability, and interoperability of the methods - both within the SBTN methodology and with other key frameworks. These changes maintain the scientific rigor and evidence base of the SBTN methods while reducing barriers to target-setting and action. These topics reflect input from SBTN's technical community, validation insights, and end user feedback.

This consultation document is organized into twelve topics. For each, it outlines the current approach (V1.2, released in September 2025), proposed updates for V2, including example text (where available), and specific questions for consultation. Feedback gathered through the public consultation will inform SBTN's decisions on whether and how to incorporate these potential changes.

In addition to these topics, SBTN is working on additional improvements to enhance clarity, accessibility and usability of the methods, including a more structured task-based organization of the methods, clearer sequencing and simplified guidance. The V2 methods will align with the upcoming target-setting methods for Land (V2) and Freshwater (V2) and current methods for Ocean (V1). They will also be accompanied by updated validation materials and accountability resources, including validation requirements, templates, and claims guidance.

Consultation Topics

1. Changes to the SBTN materiality tools

PROBLEM STATEMENT

SBTN's Materiality Screening Tool (MST) was built on a prior version of the ENCORE dataset. Companies completing the SBTN methods for validation now may be using the newer version of the ENCORE tool or completing materiality assessments and disclosures as part of other frameworks. This creates a need to update the MST and answer the need articulated by end users for alignment with other key frameworks and tools, while preserving the unique science-based approach underlying SBTs for nature.

CURRENT CONTEXT IN THE V1.2 METHODS

Location in the Step 1 methods: Task 4- Requirements 3, 4, 5.

- Companies may use either the SBTN Materiality Screening Tool (MST) or ENCORE to screen their economic activities in direct operations and upstream and must proceed with assessing activities which meet the materiality threshold for each dataset (above median score for MST and above the medium rating for ENCORE).
- Companies refer to the High Impact Commodity List (HICL) to identify material pressures for and to reference resources that can be used to address traceability and assessment requirements

PROPOSED OPTIONS FOR THE V2 METHODS

SBTN may pursue the following options to update the Step 1A materiality screening. With the exception of the first option, these are not mutually exclusive options.

- 1) Allow for the direct use of the ENCORE 2024 database to meet SBTN Step 1A requirements (any Medium or higher rating must be included in assessment). Note that this approach may result in a higher proportion of economic activities required for inclusion in assessment and target-setting than with use of the MST, per analysis of the ENCORE 2018-2023 database.
- 2) Update the MST to integrate ENCORE 2024. This includes incorporating updated pressure categories from ENCORE, updated economic activity classifications, and materiality ratings. These data will then be re-analyzed utilizing the MST approach (analyzing the distribution of scores for each pressure to select those which are equal or higher than the median for each pressure category) to provide users with a clearer threshold for moving economic activities forward to assessment and target-setting in the SBTN methods.
 - *Pending additional funding*, SBTN may also be able to integrate the HICL into the MST to provide a single tool for screening without having to reference two separate databases. This would provide a single workflow for materiality screening that references the data underlying the SBTN HICL (scientific literature, expert input and certification approaches), and modify scores based on the appropriateness for target setting, in addition to updating the ENCORE database and accompanying analysis described above.
- 3) Allow for the use of other disclosure mechanisms to material pressures associated with the company's economic activities in direct operations and upstream (e.g. CSRD, CDP, TNFD) to meet SBTN Step 1A requirements.

While allowing for the use of other materiality screening or assessment approaches increases the interoperability of the SBTN methods with other key frameworks, it does pose a risk of missing hidden risks that the Step 1A methods are designed to identify. Note that in the SBTN methodology, companies will need to first utilize the impact focused materiality lens to inform assessments before integrating dependencies later in Step 1, consistent with a double materiality approach.

QUESTIONS FOR PUBLIC CONSULTATION

- Please rank the three options presented in this section in terms of how much improvement you think the change offers for end users, and explain your rationale.
- Are there other changes to the MST or HICL functionality or interface that you would suggest?
- What risks and benefits do you see for SBTN in each of these options? Please include your perspective on how they affect the aims of the SBTN materiality screening.

2. Action across multiple upstream value chain stages

PROBLEM STATEMENT

SBTN methods focus company target-setting on the value chain stages with the greatest impacts, typically production or extraction. Companies purchasing complex ingredients or engaging in downstream manufacturing processes may have the greatest leverage at intermediate processing value chain stages rather than at the point of origin or production. Where there are significant or important impacts from production and from intermediate value chain stages, SBTN is evaluating the possibility of allowing assessment and target setting on multiple stages.

CURRENT CONTEXT IN THE V1.2 METHODS

Location in the Step 1 methods: Task 7, Requirement 11.

For the upstream value chain segment, for each commodity or material they source, companies are only required to address one value chain stage associated with their procurement. This is instead of addressing every value chain stage, which may be infeasible in the short term and likely to direct resources to stages with relatively lower impacts.

In V1.2, companies are required to focus on the “most impactful value chain stage” for each commodity they procure, which is assumed to be primary production, except for rare cases outlined in the methods. Companies are allowed to address impacts on a different stage (e.g., an intermediate processing stage) if they justify that this other stage has meaningful impacts to address.

For example, an apparel company sourcing finished textile fabric and working on addressing their freshwater use impacts would focus on the primary production activities linked to their supply, such as cotton farming.

PROPOSED CHANGES FOR THE V2 METHODS

Companies are allowed to address multiple value chain stages per value chain so long as each stage is considered material for the pressure category they are addressing. For example, a company may want to set targets for primary production and one or two intermediate processing stages of a given commodity that they procure in finished form. In this way, they set targets

covering multiple spatial locations, with the ambition level of each target aligned with the needs of the landscape or waterscape in that location.

Companies are not required to take this approach but, if they choose to do so, they are allowed to make claims on their multiple targets, and their coverage is reflected in the target dashboard and claims, which will clearly indicate that, for particular commodities, actions are taken across multiple locations.

For example, an apparel company sourcing finished textile fabric and addressing their freshwater use impacts could set targets for primary production as well as intermediate stages such as fabric processing, and set targets and make claims for both stages.

Example text in the V2 methods

To implement the SBTN methods in the upstream value chain segments, companies first need to identify one or more value chain focus stages that are considered material, according to the MST or ENCORE, for each production input. This is a value chain stage (e.g., primary production or processing), for which companies will proceed to assess pressures, include in the prioritization process, and eventually set targets.

For HIC, companies can define the following upstream stages as focus stages, depending on the form of processing of the commodity:

- *in raw form (whether as a single-commodity or as an ingredient) or in embedded form, the only focus stage possible is primary production;*
- *in processed form (whether as a single-commodity or as ingredient) companies must select primary production as a required focus stage and may, optionally, select a processing stage as a second focus stage if they expect to set targets covering processing stages.*

Where a production input consists of more than one high-impact commodity (HIC) ingredient (raw or processed), companies should treat each HIC as if it was a separate procurement item and define one (or more) focus stages for each commodity.

For non-HIC production inputs, companies may focus on any value chain stage where primary or secondary transformation occurs, including the most recent before the company purchased the production input. This includes all agriculture, forestry, fisheries, and extractives activities (classified under ISIC sections A and B) and all manufacturing activities (classified under ISIC section C), and excludes value chain stages associated with transportation, distribution, wholesale and retail.

SUPPORTING RATIONALE

For value chains where impacts are disaggregated more evenly across the value chain, the new approach has additional advantages:

- Other value chain stages can be included to encourage complementary action
- Companies can implement actions (Step 4: Act) with positive impacts across the value chain and get credit for progress in multiple locations, encouraging collaboration with suppliers

IMPLICATIONS ELSEWHERE IN THE METHODS

For value chains of interest (selected optionally at the discretion of the company), the Step 1 assessment scope breaks down pressures by value chain stage.

The materiality screening is still applied to the value chain stages in question to determine materiality for target-target setting. This is to prevent companies including locations where action is not relevant.

QUESTIONS FOR THE PUBLIC CONSULTATION

- Do you think that this approach preserves the aims of SBTs for nature by offering more entry points for action in the upstream value chain?
- How can we ensure progress remains transparent through claims and disclosures?
- Is the proposed solution for documenting pressures by value chain stage feasible for companies?
- Is the proposed solution for documenting pressures by value chain stage understandable by third-parties?

3. Assessment of dependencies

PROBLEM STATEMENT

SBTN methods currently ask companies to optionally assess dependencies as part of their prioritization in Step 2. Many companies have utilized this approach since they are already assessing dependencies in their value chain. By completing this dependency analysis in Step 2, companies are not able to say that they have assessed both their impacts and dependencies at the end of Step 1, which is preferred as it would create greater alignment with their work on other sustainability frameworks and disclosures and more clarity in the claims for Step 1. However, there are different implications for SBTN's impact-driven methodology depending on where in the methods dependencies are integrated.

CURRENT CONTEXT IN THE V1.2 METHODS

In Step 2, companies must include an analysis of either dependencies, strategic, or social and additional human rights considerations (beyond the safeguards required in the Step 3 target-setting methods) to use as complementary information to inform prioritization decisions. Many companies have chosen to fulfill this requirement by utilizing an analysis of dependencies.

To complete the validation requirements for analyzing dependencies, companies are recommended to assess their economic activities using the ENCORE dependencies database.

These data provide an overview of the materiality of potential dependencies based on global sector average data in two dimensions: the loss of functionality in the business operation if the ecosystem service is lost or disrupted, and the significance of the financial loss due to this loss of functionality. Additionally, to more meaningfully inform the spatial prioritization of SBTs in Step 2, companies may use the Nature Risk Profile methodology, or guidance from other frameworks and methods (e.g. Natural Capital Protocol) to understand their dependencies in a given location.

PROPOSED CHANGES FOR THE V2 METHODS

Companies will be required to assess dependencies as part of their Step 1 validation. SBTN is currently considering inserting this step either in the materiality screening (Step 1a) or the value chain assessment (Step 1b).

If the dependencies analysis is included in the Step 1a screening, it will be applied to the whole organizational boundary and evaluated at the economic activity level without the inclusion of spatial data. This would be easier for companies to undertake since it can be completed with tools like ENCORE or by utilizing existing company analyses associated with disclosures (similar to the options described above for materiality screening for pressures). Incorporating dependencies at this earlier stage in the methodology would more clearly integrate a double materiality approach throughout the methods. This means that the company needs to assess economic activities that are considered material from either an impact or dependencies perspective. This would be clarified in the methodology as part of the V2 guidance.

If SBTN utilizes this approach, companies would continue to incorporate dependencies into their assessment and prioritization (but may continue to utilize economic activity level data without additional data gathering).

If the dependencies assessment occurs in Step 1b, it will be applied only to those value chain activities that were determined to be material in the initial materiality screening focused on pressures. This maintains the impact-led approach of the current methodology and then integrates complementary information on dependencies to inform target-setting prioritization and strategy. In this scenario, SBTN will provide additional guidance on calculating dependencies both at the economic activity level (e.g., by utilizing ENCORE) as well as approaches for location-based datasets, analyses, and approaches. These may leverage either natural capital or risk-based approaches. SBTN's guidance will focus on leveraging both quantitative and qualitative data and methods in this assessment. Our guidance will not be entirely prescriptive, as companies will be allowed to present their analyses (including prior work on dependencies) using a combination of qualitative and quantitative data (with justification), refining their assessments and data sources as they progress to target-setting and implementation.

Models, datasets, and methodologies we are considering recommending for the value chain assessment include (but are not limited to): Critical Natural Assets datasets and InVEST models, Nature Risk Profile methodology, Natural Capital Protocol, and Fire/Flood/Drought Risk models.

Example text in the V2 methods

Understanding business dependencies can help companies identify locations where ecosystem degradation poses higher operational or financial risks and may inform where to prioritize setting targets. Locations ranked high as a target-setting priority and where companies have high business dependencies may represent strategic opportunities to reduce risk exposure through science-based targets for nature.

Companies may use a variety of datasets to evaluate their dependencies on nature. Some recommended datasets include the dependency screening data in ENCORE, which is also used in SBTN's Materiality Screening Tool on impacts. These data provide an overview of the materiality of potential dependencies based on global sector average data in two dimensions: the loss of functionality in the business operation if the ecosystem service is lost or disrupted, and the significance of the financial loss due to this loss of functionality.

Companies may also refer to the Nature Risk Profile methodology for more information on calculating dependencies at the location of operations or sourcing using spatial data. This allows companies to adjust the relevance of an ecosystem service based on the potential benefit in a location relevant to target setting. For example, flood regulation is especially critical in flood-prone regions but not in areas without flood prevalence, despite sector-level scores indicating materiality for that ecosystem service.

SUPPORTING RATIONALE

Considering dependencies would broaden the materiality perspective from only external materiality (i.e., societal materiality) to a double materiality perspective, as intended in the original methods. This would strengthen alignment between SBTN and other sustainability action frameworks, improving interoperability between them (using the same data across frameworks).

Integrating dependencies more structurally into the methods will also result in a higher emphasis on taking action where business activities face environmental risks, which would increase the instances in which target-setting can be used to mitigate these risks.

IMPLICATIONS ELSEWHERE IN THE METHODS

If dependencies are integrated in Step 1a, the results may affect what activities are in scope for SBTN target-setting (they would define materiality and the target boundary).

If dependencies are integrated in Step 1b, the results would affect the Step 2b interpretation and ranking (i.e., in the combined ranking where pressure, pressure-sensitive SoN, and biodiversity SoN are integrated), and would help determine which activities are of higher priority for target

setting. To preserve SBTN's primary focus on external materiality, dependencies would have a lower weight, relative to impacts, in the construction of this ranking.

QUESTIONS FOR PUBLIC CONSULTATION

- Would you recommend integrating dependencies in the 1a materiality screening or 1b assessment? Please explain how you think your choice strengthens sustainability decision-making.
- Is this change feasible to implement for companies? The assumption is that the additional data gathering requirements, especially if using ENCORE, would not be significant and that the alignment opportunities across other sustainability frameworks would be useful for companies.
- Do you have any suggestions for data, models, or methods for assessing dependencies for companies that we should reference in our method update?

4. Progress-based assessment with traceability disclosures

PROBLEM STATEMENT

As of V1.2, SBTN requires companies to assess at least 67% of their upstream procurement, including at least 90% of any High Impact Commodities, and 100% of any commodities subject to EUDR regulation. With these minimum requirements, companies obtain a good overview of their impacts on nature before they proceed to Step 2: Prioritize and Step 3: Set targets. This information helps to contextualize their target coverage and ensures that selected locations for target setting are a top priority for a company; secondly, the requirements act as a driver for additional traceability efforts. The percentages included in V1.2 represent ambitious assessment levels, but in many cases, companies lack sufficient upstream traceability to gather actionable data.

SBTN has received feedback that the ambitious scope of the value chain assessment, while informative, has been very challenging for many large and complex companies with lower levels of upstream traceability. This means a larger resource investment in Steps 1 and 2 for some companies, beyond their prior work for other disclosures or frameworks, which may create a barrier to target-setting and action.

For V2, SBTN is exploring changing these minimum requirements for a more flexible upstream scope where companies disclose, as part of their claims, their current level of traceability at the moment of submission. Advanced companies may go beyond the V1.2 levels, and get credit for this, or remain below those levels and still be able to proceed to target setting. This new system is meant to provide flexibility and incentives for continued progress, while continuing to provide context for target setting. These updates differ from accelerated pathways, which define where companies start (e.g., business unit or value chain scope). The proposed changes focus on how companies progress within their selected scope, particularly where traceability is still developing.

CURRENT CONTEXT IN THE V1.2 METHODS

Location in the Step 1 methods: Task 7- Requirement 11; Task 8- Requirement 16; Task 9- Requirement 24. Location in the Step 2 methods: Step 2a- Task Requirement 7, Recommendation 1.

In the current version of the methods, companies are required to include 100% of commodities subject to EUDR, a minimum of 90% of High Impact Commodities, and a minimum of 67% of all volumes (for each material pressure category) for validation of their upstream assessment. These minimum percentages are applied to all material activities in the organizational boundary (if companies are pursuing a comprehensive approach) or to the selected business unit, value chain segment, or realm/biome (if they are pursuing an accelerated pathway).

Covering these minimum percentages of the upstream value chains is a validation requirement. In the current methods, a volume is considered assessed or covered in this regard when at least:

- the most impactful stage in its value chain stage has been identified by name (this is assumed to be primary production by default, whether the location of this stage is actually known, estimated, or unknown);
- the associated pressures have been quantified (whether that is with primary data measurements or estimations based on secondary data and tools such as LCIA);
- for locations in Target Boundary A (spatial levels 1 and 2, as defined in V1.2), the associated state of nature values have been determined using appropriate models and datasets.

As a result, when a company has Step 1 validated and makes an associated claim, the public can understand that the company has at least reached these minimum coverage percentages with the level of precision indicated above. Step 2 claims require companies to disclose the percentage of volumes in Target Boundary A and those in Target Boundary B (see preceding section on spatial information for additional context).

PROPOSED CHANGES FOR THE V2 METHODS

The upstream assessment will not have predefined minimum coverage requirements. Instead, companies will be able to decide the scope of their upstream assessment based on traceability, but must disclose their current progress (purchased volumes covered) and the level of traceability (captured in the spatial level designation described below). This change allows companies to progress to target setting while informing both the company and the global accountability community about the accuracy and precision of the value chain assessment and target-setting readiness.

The three spatial levels within the V2 methods, consistent with V1.2 definitions are:

- Level 1: the spatial resolution immediately compatible with target-setting for a given pressure (note that this level differs by target setting method since the Land, Freshwater and Ocean methods each have differing requirements for baselining and target-setting);

- Level 2: subnational spatial resolution data estimated via statistical modeling approaches but not yet at the resolution needed for baselining and target-setting for a given pressure;
- Level 3: coarser data at the national or multinational level considered to have low traceability.

Consistent with the V1.2 methods, for volumes included in the assessment, companies must evaluate pressures associated with all three levels and the state of nature for Levels 1 and 2 but are *recommended*, not required, to evaluate the state of nature for Level 3 because the low traceability associated with these locations means that the state of nature data are often not as interpretable for prioritization.

However, while the definitions of these spatial levels are consistent with prior methods, the Step 1 claims for V2 will differ. Instead of companies reporting the proportion of volumes in Target boundary A (Level 1 and 2 data) vs Boundary B (Level 3), companies will be required to report commodity volumes included in the value chain assessment by traceability level (e.g., % of Level 1, % of Level 2, % of Level 3).

Example text in the V2 methods

Disclosing traceability levels

Companies are expected to advance traceability efforts to identify production units of origin for as many upstream volumes as possible, but there is no minimum coverage of upstream volumes required to proceed to validation.

Companies are recommended to proceed to target-setting as soon as they have achieved sufficient traceability for volumes they expect to set targets on, so that action is not delayed for the sake of complete traceability, and to continue their traceability efforts in parallel to setting and working on achieving their targets, to eventually enable full coverage of their upstream value chains with science-based targets.

To provide transparency on their traceability progress, companies indicate the current level of traceability for all upstream commodity volumes at the time of submission for validation, accompanied by the following explanation for each spatial level:

- *Volumes in spatial level 1 locations are known at the spatial resolution needed to use the Step 3 methods immediately. These volumes are tagged as having full traceability to set targets in SBTN's target tracker. For example, a company that assesses pressures and state of nature at for 80% of the volumes with Level 1 data would accompany their Step 1 claim with the following explanation: "Company A has assessed 80% of the volumes in Level 1, which have full traceability to set SBTs for nature."*
- *Volumes in spatial level 2 locations are estimated at subnational resolutions but the level of traceability is not yet compatible with Step 3 methods. Therefore additional traceability or supplier engagement mechanisms (outlined below) may be needed to set targets. Companies*

may want to pursue targets and make claims or advance traceability first. These volumes are tagged as having partial traceability to set targets in SBTN’s target tracker. Claims language for Step 1 for a company assessing 80% of these volumes would contain the following explanation: “Company A has assessed 80% of the volumes in Level 2, which have partial traceability to set SBTs for nature.”

- Volumes in spatial level 3 locations are often sourced in a way that prevents traceability (e.g. spot markets or shifting sourcing). In these locations, greater effort is needed to gain traceability or to take action via other mechanisms. Claims language for Step 1 for a company assessing 80% of these volumes would contain the following explanation: “Company A has assessed 80% of the volumes in Level 3, which have insufficient traceability to set SBTs for nature”

In order for companies to make claims on Step 1 and proceed to target-setting, their progress on traceability will be publicly disclosed in SBTN’s target tracker to provide public transparency. SBTN understands that traceability is a challenging process, and the target tracker may help highlight progress and contextualize gaps, for example by including links to external reporting on public platforms or other publicly-available information on the company’s sustainability actions.

Example table describing the definition and interpretation of the spatial levels used in the V2 method:

Target boundary	Spatial level	Definition	Interpretation
Target boundary A	Spatial level 1	Locations known at the spatial resolution necessary to set targets in Step 3	These locations are part of the prioritization process and are ready for target setting
	Spatial level 2	Subnational or finer spatial resolution, but insufficient to set targets	These locations can also be prioritized for target-setting (though this prioritization should be conducted separately from Level 1 locations) but companies may need to refine the baseline and potentially the target ambition as they implement Step 3
Target boundary B	Spatial level 3	Locations known at national or less granular levels (e.g., unknown locations)	Companies advance traceability, these locations are within scope but not ready for target-setting yet

SUPPORTING RATIONALE

The suggested change to flexible requirements are meant to enable progress to setting SBTs for nature by directly addressing company challenges with traceability. The accompanying transparency associated with these changes are intended to continue to contextualize targets set while providing an incentive to advance traceability.

Companies with advanced traceability can still choose to implement the current minimum requirements, or go beyond them, and their progress will be more clearly visible to external audiences.

Companies that have more limited traceability will be able to proceed to target setting for their known locations and, instead of completing the assessment with low precision data to fulfill the requirements, can instead focus their efforts on improving their traceability and exploring additional mechanisms for action on their pressures.

IMPLICATIONS ELSEWHERE IN THE METHODS

The spatial levels will affect pathways to target setting in Step 2 and the actual implementation of targets in Step 3. This is explained in detail in the pathways to target-setting topic below.

QUESTIONS FOR PUBLIC CONSULTATION

- Does this change provide the right balance of accountability safeguards and incentives for traceability progress?
- Is the proposed breakdown by spatial levels an adequate framework to communicate target setting readiness and traceability progress?

5. Traceability prioritization criteria

PROBLEM STATEMENT

Companies using the SBTN methods are expected to continue advancing their traceability so that they are eventually able to cover their entire target boundary with targets. However, traceability remains a challenging process and companies sometimes request additional guidance from SBTN to understand where to prioritize their traceability efforts and create pathways for action based on that prioritization.

In the V1.2 methods, there are some guidelines included in the Step 2 guidance (Appendix 3), which identifies conditions that facilitate traceability but are not required. SBTN is exploring building a traceability ranking (similar to the Step 2b ranking based on pressures and State of Nature), to provide more standardized guidance for companies to know where to focus their efforts, based on impact, feasibility, and company priorities.

CURRENT CONTEXT IN THE V1.2 METHODS

Location in the Step 2 methods: Step 2c, Recommendation 6; Appendix 3.

Currently, volumes that are not suitable for target setting (because the locations are unknown) are placed in Target Boundary B. Companies are not immediately required to prioritize these volumes for traceability and may move forward toward target setting with the Target Boundary A volumes.

Within the Land No Conversion Target, all Boundary B volumes must be moved to Boundary A by the target year to remain in compliance with the target. There are no equivalent requirements for the other targets, including those for Freshwater and Ocean, although companies are recommended to increase their traceability in all cases.

Separate guidance including actions that can be taken for volumes in Target Boundary B is included in the Step 2 appendices and the High Impact Commodity List distinguishes commodities by tiers depending on the feasibility to expand traceability.

PROPOSED CHANGES FOR THE V2 METHODS

Following the value chain assessment, volumes traced to locations at spatial level 3 will not be immediately suitable for target setting because additional traceability is required to implement the methods. In Step 1b, and per the proposed changes mentioned above, companies will have only gathered information on the volumes sourced (procurement inventory) and the estimated pressures from each volume.

With the proposed changes to the target tracker, companies will disclose their current level in terms of traceability (as noted above). As companies progress from the value chain assessment in Step 1b to the Step 2 prioritization, they will follow new requirements to rank procurement volumes by the feasibility of increasing traceability and mechanisms of action. Depending on the outcome of this prioritization, companies will be guided toward either increasing traceability to move volumes toward Level 1 traceability, necessary for setting SBTs, or toward alternative pathways for action compatible with science-based targets with differentiated claims depending on the path (note this is discussed in a topic below).

The prioritization criteria associated with this guidance will include:

- Form of the commodities, where higher feasibility will be attributed to commodities purchased in raw or semi-processed form, and for products that consist of single-commodities (as opposed to mixtures).
- Supply chain structure, where higher feasibility will be attributed to short and stable supply chains with direct sourcing from producers or few intermediaries and vertically integrated supply chains.
- Procurement models, where higher feasibility will be attributed to long-term procurement contracts, programs, and partnerships.

- Traceability infrastructure, where higher feasibility will be attributed to procurement supported by certification systems, jurisdictional initiatives, or digital traceability platforms.
- Company leverage, where higher feasibility will be attributed to companies with high market power, long-term presence, good reputation, or large buyer share for a landscape or suppliers.

Besides the feasibility factors explained above, additional criteria will be included to account for business priorities, in particular dependencies on nature and strategic considerations (e.g. whether a commodity is critical for business operations and has low replaceability).

The ranking indicates priorities for which volumes should be prioritized for traceability efforts and other mechanisms for action. The ranking is submitted for validation as part of Step 2b.

SUPPORTING RATIONALE

This additional guidance helps companies understand where to focus their resources based on environmental impact (which volumes have the highest pressures) and potential benefits of setting SBTs as well as the expected feasibility of increasing traceability and acting on targets (reflecting the type and form of the commodities and modes of procurement). The prioritization will now directly feed into pathways for target-setting and action, avoiding volumes remaining unaccounted for in the SBTN framework.

IMPLICATIONS ELSEWHERE IN THE METHODS

There are no expected interactions with later requirements, as the ranking is informative and not binding for companies traceability efforts.

QUESTIONS FOR PUBLIC CONSULTATION

- Are there other criteria that should be taken into account to determine traceability priorities or should any of these criteria carry more weight?
- Besides the ranking, is there other guidance that SBTN can provide to support decision-making related to where to prioritize traceability?

6. Supplier engagement pathways to target setting and progress

PROBLEM STATEMENT

Companies without sufficient traceability to set upstream targets have struggled to set, act on and achieve science-based targets for nature. The urgency of action for nature, grounded in the science around nature loss and its impacts, creates the need to provide companies that have low traceability with credible pathways to addressing value chain impacts.

This mirrors challenges around implementing scope 3 climate science-based targets. SBTi has utilized supplier engagement as a mechanism for addressing scope 3 impacts. Companies

utilizing SBTN methods need similar mechanisms of action for SBTs for nature, in addition to exploring collective action and other approaches for target implementation.

CURRENT CONTEXT IN THE V1.2 METHODS

Location in the Step 2 methods: Step 2a- Requirement 4, 5, 6; Appendix 3.

The different spatial information categories (target boundaries and spatial levels, as explained above) are used in V1.2 to understand when a location is suitable to set targets (locations in Target Boundary A, either immediately or with some additional traceability efforts) or when a location is not yet suitable for setting targets (locations in Target Boundary B).

PROPOSED CHANGES FOR THE V2 METHODS

SBTN is exploring four different mechanisms related to supplier engagement that can help companies take action in the upstream segment. Supplier engagement helps increase traceability and provides mechanisms for sharing responsibility and benefits with suppliers to set targets and implement actions on the ground collaboratively with purchasing companies. This section introduces the four approaches; the following sections explain them in more detail.

Traceability is one of the most important factors to set and make progress on upstream SBTs for nature. For this reason, in the V2 methods, the mechanisms for supplier engagement will be directly linked to the company's traceability levels (outlined below) to provide recommendations on adequate actions toward target-setting.

SBTN is exploring different mechanisms through which supplier engagement can be leveraged to set and make progress on targets:

- a. Supplier engagement as a mechanism to advance traceability toward target setting by the purchasing company: Companies work with their suppliers in order to improve traceability consistent with requirements in the Step 3 target-setting methods. This allows the purchasing company to set SBTs in a short period of time following the completion of Steps 1 and 2 (e.g. approximately 1 year).
- b. Supplier engagement as a mechanism for target-setting by the supplier: This would follow an approach similar to SBTi's supplier engagement targets adapted to the nature context. In the case of SBTN, these targets would focus on recruiting suppliers along the value chain to act as new target-setting entities.

This would create differentiated validation and claims for the purchasing company and the supplier. In the case of the purchasing company, supplier engagement targets would *not* be considered science-based targets because the target and claim would reflect the purchasing company's responsibility for the supplier setting an SBTN-aligned target within the five-year target timeframe. This is contextualized by the impact addressed through the supplier's target. The supplier who validates a science-based target would receive credit and claims for the science-based target as well as the responsibility for implementation, supported by the purchasing company.

Purchasing companies may submit their supplier engagement targets as part of the validation process allowing them to remove these volumes from their own target boundary and make claims on their efforts to work with suppliers to set targets, noting that the associated impacts are being addressed by the supplier. This would be stated in the target tracker and associated with relevant claims. More information is available in the section “Supplier engagement targets as a mechanism to advance traceability” below.

- c. **Supplier engagement as a governance mechanism to jointly set targets and make claims on them:** Companies work with suppliers to set targets jointly or to delegate targets to their suppliers. Joint target setting implies that the company and its supplier both participate in the validation process, both make claims on their target, and both are publicly accountable for making progress on it. This is encouraged because it supports target achievement under a more equitable responsibility sharing framework and enables collective action in target implementation.

This is in contrast to the mechanism described in the option above, which is a process where only suppliers set the SBTs. That means that the purchaser validates only their plan for engagement/recruitment while the supplier validates the SBT themselves and makes claims on the targets they have set and achieved. In some cases following an initial supplier engagement target, purchasing companies may take joint responsibility and claims for the target, increasing the likelihood of target achievement and addressing supply chain risks.

More information is available in #9 “Accountability models for supplier target-setting” below.

- d. **Supplier engagement as a mechanism to support practice changes consistent with the aims of SBTs:** In cases where company sourcing practices are fundamentally incompatible with near term traceability, SBTN may offer guidance for companies to start implementing response options even in the absence of precise spatial data, in most cases in collaboration with the suppliers present in the landscapes. Because these response options are linked to the desired nature outcomes from SBTs, they are fundamentally compatible with their underlying science.

This means that the progress made on addressing negative impacts and creating positive outcomes on the ground may eventually be transferred to SBTs for nature, as conditions change (e.g. through the adoption of more stable sourcing practices). More information is available in #8 “Response option targets (in collaboration with suppliers)” below.

Table describing target-setting pathways and actions for each of the spatial levels used in the V2 method:

Spatial level	Actions recommended
Spatial level 1	<p>Target setting can be pursued immediately. As explained below (in the section about accountability models for target-setting), targets can be set directly by the purchasing company. Companies are also encouraged to explore other modes of collaboration with their suppliers such as jointly setting or implementing upstream targets.</p> <p>Once targets are set, collaboration between company and suppliers will be relevant to implement many actions to make progress on the targets.</p>
Spatial level 2	<p>Companies can proceed with either advancing traceability with suppliers or by setting supplier engagement targets. These approaches are either tracked through change in traceability levels attained or impact addressed through supplier SBTs.</p> <p>While purchasing companies will validate and make claims on their efforts to drive traceability or on their aims to increase coverage of supplier SBTs, neither approach is recognized as science-based targets until the purchasing company gains sufficient traceability to validate their own SBT or takes joint responsibility with a supplier for an SBT.</p> <p>Once the enabling conditions (e.g., the correct level of traceability) are obtained, the company and/or the supplier should implement the Step 3 methods to set science-based targets via the standard approach (i.e., as described for spatial level 1).</p>
Spatial level 3	<p>Companies can utilize their prioritization to advance traceability, change procurement practices and models to generate enabling conditions to set targets, and implement practice changes. For example, companies can use certifications and standards, reduce exposure to spot market procurement and short-term contracts, and establish new, long-term collaborations and partnerships with producers.</p> <p>Actions to drive greater traceability would follow the validation and claims approach outlined above for Spatial level 2.</p> <p>Companies without a clear means for increasing traceability (e.g. sourced volumes from spot markets) may also pursue responses or practice changes compatible with the aims of SBTs for nature for changes in condition on the ground. This approach draws on Step 4: Act implementation guidance for SBTs where possible and, in many cases, can be implemented in collaboration with suppliers.</p> <p>This can include changes to production and procurement policies/practices, improvements in resource use efficiency, ingredient substitutions, and investments in landscape initiatives aligned to the pressures being addressed.</p>

SUPPORTING RATIONALE

These new pathways provide companies with guidance on how to proceed to target setting given different traceability contexts and the possibility to collaborate with suppliers in different forms. This helps companies advance on two fronts in parallel: improving traceability and taking action on the ground to address their impacts and dependencies on nature. It also opens up opportunities for collaboration with additional stakeholders. Supplier engagement mechanisms are expected to help increase adoption of the methods by new companies, increasing the number of entities working on SBTs for nature and the overall target outcomes.

INFORMATION FOR REVIEWERS AND IMPLICATIONS ELSEWHERE IN THE METHODS

The pathways to advance traceability and take action, including through multiple supplier engagement mechanisms are complementary to the existing methods and intended to guide companies to setting targets or achieving similar outcomes to those defined by the targets.

All consultation questions associated with these pathways are presented in the sections below.

7. Supplier engagement targets to create enabling conditions for SBTs: advancing traceability & recruiting suppliers

PROBLEM STATEMENT

Location information is necessary to set SBTs for nature. However, this information is not always available. SBTN is exploring supplier engagement targets as a mechanism to get this information. Supplier engagement targets may be set with the objective of advancing traceability (with the intention to identify locations) and/or to recruit suppliers as new target-setting entities. In either case, these targets focus on generating the conditions necessary to eventually set SBTs for nature.

CURRENT CONTEXT IN THE V1.2 METHODS

Location in the Step 2 methods: Appendix 3.

In the current methods, there are no mechanisms to set supplier engagement targets that could be recognized by SBTN as precursors to setting science-based targets. As noted above, location information is a precondition to implement the Step 3 methods and supplier engagement can offer opportunities to advance traceability to get this information. Supplier engagement can also be a mechanism to recruit new companies (the suppliers) to target-setting.

PROPOSED CHANGES FOR THE V2 METHODS

As part of Step 2, companies may optionally submit supplier engagement targets. These targets may focus on advancing traceability of a particular share of volumes to spatial level 1, so that purchasing companies can set SBTs and/or they may focus on recruiting suppliers as new

target-setting entities. For both approaches purchasers and suppliers are intended to work together to understand their impacts on nature and implement strategies to address them.

Supplier engagement targets should be supported by the Step 2 prioritization (incorporating traceability and organizational context) and are intended to address locations in spatial levels 2 or 3. Companies should proceed with the standard target-setting approach for prioritized volumes/locations in spatial level 1.

If pursuing a supplier engagement target focused on traceability, the company would set a target aimed at increasing the percentage of upstream volumes traced to locations appropriate for target-setting (i.e level 1 data for primary production or other important or significant intermediate value chain stage) within a given timeframe. If pursuing a supplier engagement target focused on suppliers setting their own SBTs, companies would propose a number of suppliers and proportion of impact addressed through supplier targets in a given timeframe. The target duration may be determined by the company in alignment with target setting strategy or other reporting timelines but will likely not exceed the 5 year SBTi targets.

These supplier engagement targets must be submitted for validation with an associated implementation plan and can be included in the target dashboard, where they would be clearly distinguished from the purchasing company's science-based targets.

SUPPORTING RATIONALE

These targets would offer companies a validated approach to include traceability actions and to address upstream impacts through supplier's science-based targets. These actions would be given credit via their claims and would introduce a pathway to expand upstream SBTs. Enabling claims is important for companies who want to contextualize their progress toward traceability and upstream actions and will enable broader accountability and systemic collaboration.

IMPLICATIONS ELSEWHERE IN THE METHODS

There are no expected interactions with later requirements, supplier engagement targets are optional and do not replace setting science-based targets.

QUESTIONS FOR PUBLIC CONSULTATION

- How might these supplier engagement targets be enhanced to provide adequate incentives for companies to progress in setting SBTs for nature for their upstream value chain?
- How can SBTN include claims on these targets as part of the target tracker and other SBTN-related disclosures, while distinguishing them from science-based targets?

8. Response option targets (in collaboration with suppliers): practice changes, landscape engagement, and other interventions

PROBLEM STATEMENT

In some instances, companies may have insufficient information to set upstream science-based targets and are unlikely to obtain that traceability through supplier engagement targets described above. Companies are currently leaving these volumes unaddressed within the SBTN target-setting process without clear mechanisms for action. This can limit the scope of upstream SBTs and the potential scope of action on upstream environmental impacts.

In certain cases, companies *may* be able to start implementing some target response options in locations likely affected by their environmental pressures. This pathway is more likely to occur in cases where the company's current sourcing approach is fundamentally incompatible with traceability at a finer spatial resolution or where commodities are sourced in a highly transformed or embedded form. SBTN is exploring enabling target-setting on practice changes aligned to Step 4: Act response option guidance in select cases with low traceability and allowing companies to make claims on any progress achieved through these changes. These targets would be clearly distinguishable from science-based targets and reflect much lower certainty on both the company's pressures addressed through this work and the connection to the needs of nature in a given location.

The goal is that through this work companies begin to make the changes necessary to set and achieve SBTs for nature, leveraging the progress they have made.

CURRENT CONTEXT IN THE V1.2 METHODS

Location in the Step 2 methods: Appendix 3.

The Step 2 methods include general guidance on how to start addressing impacts in target boundary B (i.e., for unknown locations). The guidance includes implementing response options such as:

- Sourcing less impactful commodities, making decisions about procurement based on certifications and standards
- Improving material use efficiency, increasing sustainability and circularity
- Engaging in focal landscapes where company activities may have the greatest impact, working with civil society to support conservation and restoration

Actions in line with the AR3T framework taken prior to achieving sufficient transparency and traceability may be directly transferred toward the accomplishment of SBTs for nature.

PROPOSED CHANGES FOR THE V2 METHODS

Companies would be allowed to set response option targets (or a similar name to be determined) and make claims on these next to their SBTs for nature. Supplier engagement is foreseen as

necessary to many of the response options considered here, but the name is not used here to avoid confusion with the supplier engagement targets mentioned in the previous section. As with the supplier engagement targets, response option targets would also be distinguished from actual SBTs. However, SBTN recognizes these response options have real, positive impacts on the landscape. Pending further development on MRV, SBTN will provide additional resources explaining how to transfer any progress made from these response options into SBTs set in the future.

SUPPORTING RATIONALE

Enabling response option targets can open new pathways for companies to take action on priority upstream volumes (based on environmental impact and dependencies), even without the full traceability required to set SBTs. This pathway can help companies start earlier with actions on the ground and accelerate positive changes for nature.

IMPLICATIONS ELSEWHERE IN THE METHODS

There are no immediate effects on the Step 3 methods. If this option is implemented, it would exist in parallel to the standard target-setting approach and be reflected in future Step 4 and Step 5 resources.

QUESTIONS FOR PUBLIC CONSULTATION

- What are adequate ways to account for progress from response options and transfer them as progress on targets retrospectively (i.e., once SBTs are set in the future)?
- What risks and opportunities would this bring to companies working on setting and making progress on their SBTs for nature?

9. Accountability models for supplier target-setting

PROBLEM STATEMENT

In the current methods, companies are always assumed to be the main entity responsible for setting and validating targets associated with their upstream activities. However, in many cases suppliers may be better able to take action on these impacts, as they are closer to the landscape, may have better spatial information, and may be the relevant party to implement many of the actions needed to make progress on the targets. SBTN is exploring different accountability models to enable suppliers to take a leading role in the target-setting process, either on their own or jointly with their client companies. Under these new models, suppliers can get targets validated and make claims on their progress. Additionally, companies and suppliers may set targets jointly, and make shared claims on their targets.

CURRENT CONTEXT IN THE V1.2 METHODS

Once targets are set, it's expected that companies will naturally work with their suppliers to make progress on them, as these collaborations provide many opportunities for implementing actions on the ground. In the current model, this collaboration remains an implementation mechanism (Step 4), while the purchasing company remains the main entity responsible for assessing, prioritizing, and setting targets (Steps 1-3), though this should happen in collaboration with suppliers. This means the company is the one that submits for validation, makes claims, and is publicly accountable for making progress, and the suppliers become implementation partners.

PROPOSED CHANGES FOR THE V2 METHODS

Companies will now be able to explore two complementary models for setting and validating targets: shared ownership with suppliers and delegated ownership to suppliers. These models are complementary to the existing model (direct ownership) and are presented as separate pathways in Step 2c.

- Direct ownership is the standard, existing model described above. This model is suitable for purchasing companies that want to take primary responsibility for implementing actions on the ground with suppliers or who have sufficient influence with suppliers or resources to enable them to make changes.
- Joint or shared ownership is the model for cases where supplier and purchasing company want to share responsibility and make claims together on targets set and progress achieved. This model is suitable for companies who have good relationships and long collaboration opportunities with suppliers, and especially in cases where suppliers have sufficient capacity to take action on their side.
- Delegated ownership is the model for cases where suppliers have the capacity to act on their own and take the primary credit for the target and progress made. This is especially suitable if the purchasing company would not participate in actions on the ground in any meaningful way, though in all models they would resource and incentivize supplier target implementation. In this case, the supplier takes the lead in setting targets (Step 3 only; Steps 1-2 have been completed by the purchasing company already), the supplier is enabled to make claims and to be featured in the target tracker, and the supplier is accountable for progress. On the side of the company, any part of their upstream scope that is delegated to suppliers is noted as “being addressed” or “addressed” once the supplier has validated the target and is making progress on it, or once the supplier has achieved the target. The purchasing company does not take credit for progress, but can, in their disclosures, state that a percentage of their suppliers (measured by impact) are engaged in target-setting.
- Within this third model, it's expected that the suppliers would participate directly in validation, as new submitting entities. This is different from SBTi's approach that allows companies the option to take the responsibility of ensuring their suppliers have implemented the methods (i.e., in that model, the purchasing company takes the role of validating party).

The implementation of the Step 3 methods does not change. The difference is at the level of participation in the validation process and in who is accountable for the targets. The models do affect the possibility for claims and associated progress disclosures but the implementation of one or another model remains fully at the discretion of the company, as the main determinant is the relationship with each supplier. For SBTN, they are fully equivalent models in terms of ambition levels for changes in nature and they are recognized as such.

SUPPORTING RATIONALE

Both of these new models open opportunities for companies to recruit suppliers to target-setting. Suppliers will not be required to complete Steps 1 and 2 for their own operations, but may be encouraged to do so for additional claims.

Recruiting suppliers may also create incentives to set targets across value chain stages, for supply chains where multiple parties (stages) may get involved. This is a longer-term prospect, but SBTN may explore additional claims related to full value chain coverage as these situations start to arise.

The shared ownership model is inspired by ongoing piloting where some companies have started collaborating with suppliers as part of the Step 3 target-setting process. The delegated ownership model is inspired by SBTi's supplier engagement targets, and is seen as a complementary mechanism to advance target setting. This model in particular can help companies focus their resources on areas where their suppliers are not able to take action.

IMPLICATIONS ELSEWHERE IN THE METHODS

The pathways are determined in Step 2c, on account of company-supplier relationships. Guidance on implementation actions and MRV will not change between models.

QUESTIONS FOR PUBLIC CONSULTATION

- How should validation and claims work for the shared and delegated ownership models?
- What additional changes, guidance, or incentives, could SBTN implement to facilitate collaboration and interest from suppliers to participate?
- Do you see a need to adapt any requirements for suppliers that are SMEs?

10. Alterations in the Step 2b ranking

PROBLEM STATEMENT

The combined ranking produced in Step 2b uses an alternating approach that selects top-ranked locations using a combined pressure-state index value and by biodiversity importance to define a list of priority locations. This prioritization is conducted independently for Spatial Levels 1 and 2. Companies have provided feedback that this approach sometimes results in unexpected priorities, where sites with low pressures are prioritized due to very high biodiversity importance, which can be interpreted as primarily avoidance targets (addressing potential future impact)

rather than the reduction targets preferred by companies to more directly address current impacts with SBTs.

Additionally, as proposed above, companies will now be calculating dependencies across their value chain in Step 1, instead of at the end of Step 2. This means that companies should leverage the insights from those data to directly inform the Step 2b ranking to help inform where they have the greatest need and leverage to act with SBTs for nature.

While companies can reprioritize sites, with justification, feedback suggests that end users appreciate a more prescriptive prioritization method to help interpret prioritization outcomes

CURRENT CONTEXT IN THE V1.2 METHODS

Location in the Step 2 methods: Step 2b, Requirements 18, 19, 20.

The Step 2b ranking combines two separate rankings, one based on Ip index values (where each Ip index value is calculated as the pressure multiplied by the pressure-sensitive State of Nature at each location) and the other based on biodiversity SoN at the location (note that the biodiversity state of nature value represents both a species level indicator and an ecosystem level indicator relevant to the realm or biome in question).

Negligible pressures are eliminated before this ranking but locations of relatively low pressures remain within the prioritization. To produce the combined ranking, companies select the top ranked site from the Ip index, then the top ranked site from the biodiversity values, and continue alternating in this way. This means that the top priority locations reflect both locations of high pressures on nature as well as very high biodiversity (representing the risk for loss of biodiversity from company pressures).

This approach was designed to elevate locations important for biodiversity, or locations where biodiversity is most vulnerable, so that targets would both prevent future negative outcomes on nature and that positive changes made in those locations would disproportionately benefit areas of high biodiversity importance.

Dependencies were formerly calculated at the end of Step 2 and incorporated into the prioritization following the ranking as a complementary perspective to the impact led-ranking.

PROPOSED CHANGES FOR THE V2 METHODS

To integrate impacts, dependencies and biodiversity into the shared ranking while addressing the feedback received from end users, we are proposing the following solutions:

First, to address the issue that the previous method could select sites with very little impact and thus little leverage for company action, we propose an initial filter by impact. Companies should prioritize locations first based on the pressure index value (Ip). A threshold (e.g. 50%, though the final percentage will only be proposed after internal consultation) is applied to the ranked

locations to preserve only the higher priority locations based on their impacts (a representative of the change that can be driven by an SBT in that location).

Second, we can adjust the final ranking in three ways that equally incorporate impacts, dependencies and biodiversity importance. It would be possible to further prioritize impacts (Ip) within these approaches but this is not reflected in the descriptions below.

- 1) At the end of this process the company should combine the rankings by either alternating top priority sites (as indicated in the current method, with dependencies added).

OR

- 2) Companies prioritize locations based on the pressure-state index value (Ip), their business dependencies, and biodiversity. These rankings are then added with the lowest combined ranking site ordered first (e.g., if a site was ranked first in all 3 categories, it would score 3 and be ranked first). In cases where there are ties between sites, break the ties according to Ip.

OR

- 3) Looking for shared top priority sites above a threshold (i.e. sites which are in the top 10% of rankings by all criteria followed by those which are in the top 10% of the ranking for 2 criteria and so on).

Once the ranking approach is applied, companies should consider the top 10% or 10 (in the case where the company has more than 100 sites) as priority sites for target setting. The same process is conducted for the Level 1 and Level 2 spatial resolution sites with the target-setting pathways above.

SUPPORTING RATIONALE

The proposed approaches increase the weight of the Ip index values in the ranking, more directly connecting prioritized sites to the SBTs set in Step 3. With this change companies will rank higher the locations where targets will be higher, indicating a greater change associated with the targets. This also helps avoid the prioritization of locations where the targets are more aligned to maintenance or avoidance targets. Despite the ability to reprioritize sites based on additional company context and considerations, this approach is more likely to drive comparability between companies who conduct an SBTN prioritization for target setting and broader corporate sustainability goals.

IMPLICATIONS ELSEWHERE IN THE METHODS

The new approach, if implemented, would change the results of the Step 2b ranking but would not affect other requirements or imply additional changes in the guidance.

QUESTIONS FOR PUBLIC CONSULTATION

- Would any or all of these approaches result in a more appropriate ranking of locations, given what is expected of the prioritization approach?
- Are there other approaches that SBTN should consider to produce this combined ranking?

11. Complementary prioritization guidance

PROBLEM STATEMENT

In the current methods, Step 2c prioritization helps companies bring in additional perspectives from social and human rights and strategic factors to inform what locations to set targets on first. These factors complement the Step 2b ranking which is focused on environmental factors (pressures, state of nature, state of biodiversity). Step 2c is currently structured as an additional assessment applied to the entire ranking (the entire target boundary). SBTN is exploring reframing it as a recommended (not required) process that companies can implement to the extent necessary to inform their decisions.

CURRENT CONTEXT IN THE V1.2 METHODS

Location in the Step 2 methods: Step 2c, Requirements 23, 24, 25, 26, Recommendation 4.

Step 2c offers three complementary prioritization approaches, out of which at least one needs to be followed to validate Step 2: strategic considerations, human rights considerations (beyond the mandatory safeguards in the Step 3 targets), and business dependencies on nature. Companies gather relevant data for the chosen approach for all their locations and, using the Step 2b ranking as a basis, produce a final list of prioritized locations.

PROPOSED CHANGES FOR THE V2 METHODS

As noted above, assessment of business dependencies on nature is now proposed to be a required task within Step 1.

The remaining two prioritization angles, strategic and human rights considerations, will now be presented as recommended, best practice guidance, and not required in Step 2. However they will still play a critical role in target-setting and implementation. The guidance will highlight the importance of pursuing these two approaches but will recommend companies incorporate these approaches into priority target setting locations (rather than the entire target boundary). As such, companies will be encouraged, but not required to submit these full assessments for validation in Step 2. Step 3 contains mandatory requirements for incorporating human rights into SBTs through stakeholder consultations and engagement, ensuring FPIC, and submission of a human rights policy in the Ocean methods.

Companies completing strategic and human rights assessments in Step 2 prior to target-setting in Step 3 may find themselves at an advantage for target setting and implementation. For example, they may be better prepared to meet prescriptive requirements on stakeholder

engagement and human rights as well as preparing for leadership and internal buy-in needed for target disclosure and implementation.

As a new, final task of Step 2c, companies will submit for validation a list of selected locations to proceed to target setting in Step 3, noting the position in the Step 2b combined ranking of each of these locations (e.g. the final top priority location may be in the top 10% but not the top priority based on the Step 2b ranking). For each location selected, companies will justify their selections and may draw on any strategic considerations and/or social and justice considerations that were relevant in their decision making. Companies justifications should also include a forward looking strategy for target-setting including information like a location serving as a piloting or learning exercise.

In this way the Step 2c requirements are intended to become less prescriptive but more actionable and interpretable for companies looking to advance not only their target setting but broader corporate sustainability strategy.

Note that the selection of a subset of locations from the prioritization is only applicable to landscape level targets, not those that are set across the value chain (e.g. Land No Conversion target).

SUPPORTING RATIONALE

The approach is more aligned with existing company decision-making processes, and in recognition that there is no standardized approach to assess strategic and social factors, SBTN has removed the requirement to implement this for the entire target boundary and in any particular, prescribed manner. This approach will also significantly reduce data gathering, guide companies to consider these complementary factors only in relevant locations, and accelerate progression to target setting.

IMPLICATIONS ELSEWHERE IN THE METHODS

There are no implications later in the methods, as this change does not affect subsequent requirements.

QUESTIONS FOR PUBLIC CONSULTATION

- What additional safeguards or accountability mechanisms should be implemented to support the implementation of this guidance, if any?
- Besides social and justice factors and strategic factors (including business risks and priorities, as well as financial materiality), are there other angles that would strengthen this guidance?

12. Use of Step 1 & 2 results to contextualize claims on targets set

PROBLEM STATEMENT

One of the key functions of Step 2 is to guide companies to set targets in the most relevant locations of their value chains, focusing their efforts where it matters most to nature. Following Step 2c, with the proposed changes on how to sequence target-setting locations, it's important for accountability purposes that the general public understands the relative weight (or importance) of one specific target relative to a company's total impacts. SBTN is exploring new guidance to contextualize targets by disclosing (in SBTN's target tracker) the importance of a given location, using different data options from Step 1 and Step 2.

CURRENT CONTEXT IN THE V1.2 METHODS

Location in the V1.2 methods: Not part of the V1.2 methods.

Companies can set targets for any location, but are not required to indicate how important a given location is relative to other locations in the company's target boundary.

PROPOSED CHANGES FOR THE V2 METHODS

SBTN is exploring introducing additional transparency requirements to accompany claims on any Step 3 target, with different options under consideration, which can be combined. This information could include:

1. Companies indicate the percentage pressure that target covers relative to the total pressure across all locations in the target boundary. This option is the simplest to calculate and to understand, but for companies with hundreds of locations, even the highest ranked location may amount to a small percentage coverage, which may generate an incorrect perception that the target is unimportant to address their nature impacts.
2. Companies indicate the position that the target's location has in the Step 2b ranking. The position may be expressed as a percentile, to improve comparability across companies with different numbers of locations in their target boundaries. This option connects directly to the Step 2b results, and as such combines information related to the site's pressure, state of nature, dependencies, and state of biodiversity, so it's more complete, but may need additional explanation for the general public to understand its significance.
3. Companies share a narrative description accompanying their target that indicate any considerations from Step 2 that may have influenced their decision to set targets in that location, for example both impacts and dependencies, as well as human rights or strategic factors. In this case, this written description would contextualize their choice of SBT. This option will be easy to understand by the general public, and incorporates qualitative data and a broader set of values and perspectives.

SUPPORTING RATIONALE

The information that would be used to contextualize target coverage comes from the implementation of the methods (no additional information would be required). This information provides essential transparency for investors and any third parties who want to understand the significance of an individual target relative to the impacts of a company.

IMPLICATIONS ELSEWHERE IN THE METHODS

This change would not affect other requirements in the methods.

QUESTIONS FOR PUBLIC CONSULTATION

- Is this additional context needed to support interpretation of SBTs for nature? Why or why not?
- Which option or combination of options above would be most effective to provide the context required for each target? Are there other options that would provide more effective context?
- For companies that are just starting (and do not have a high coverage with targets) or are highly complex, how can this information be presented in such a way that it does not minimize a company's targets?



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