



SBTi's FOREST, LAND AND AGRICULTURE (FLAG) GUIDANCE IN BRIEF

Version 1.2 | March 2026

The Importance of Decarbonizing the Forest, Land and Agriculture (FLAG) Sector

The FLAG sector has a unique relationship with and reliance on critical ecosystem services, making it vulnerable to some of the most acute and severe impacts of the climate crisis. More than [\\$44 trillion of economic value generation](#), over half the world's total GDP, is moderately or highly dependent on nature and the services it provides.

The FLAG sector's dependence on natural systems also means it has an immense opportunity to both reduce emissions now and mitigate future climate risks. The sector is the [third highest emitting sector](#) after energy and industry. For companies operating in land-intensive value chains, integrating land-sector decarbonization into core business strategy is no longer optional. By setting FLAG science-based targets and defining appropriate decarbonization strategies, companies can help stabilize the climate, preserve the land on which their businesses depend, and capture the many benefits of target setting.

Carbon removals are a valuable lever for FLAG companies due to the ability of land and plants to sequester and store carbon. Both emissions reductions and carbon removals across the sector are critical to enable the decarbonization required to prevent the most severe effects of global heating, protect long-term business value, and secure resilient and stable supplies of key agricultural commodities.

The SBTi's FLAG Guidance

The Science Based Targets initiative (SBTi) [FLAG Target-Setting Guidance](#) provides a clear roadmap for companies to set near-term and net-zero targets for land use change and land management emissions, aligned with science. By taking into account the unique context of the sector, the guidance outlines how much and how quickly companies need to reduce FLAG emissions and enhance carbon sinks to align with global climate goals and remain competitive in an increasingly carbon-constrained world. This guidance was first published in 2022, followed by updates in 2023 and 2026 to enhance clarity and improve usability.

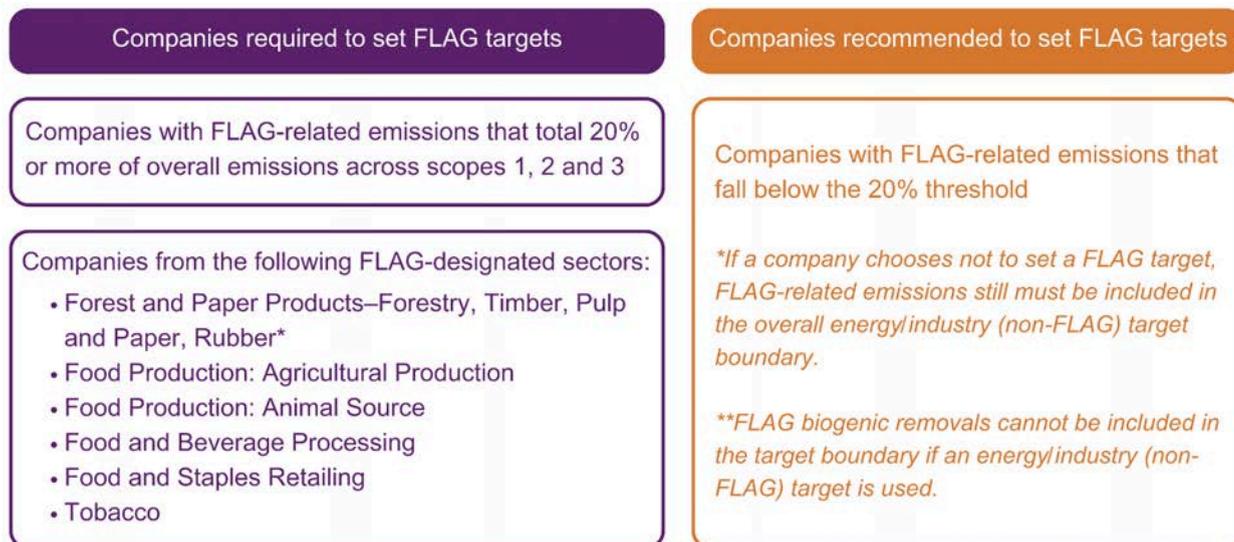
FLAG Targets vs. Energy/Industry (Non-FLAG) Targets

Science-based targets for FLAG are unlike other sector-specific approaches because they are additional to science-based targets covering emissions from energy use and other industrial processes. This means that a company with land-based emissions will set a FLAG target covering emissions from the agricultural or forestry production phase of a commodity, and will also set an energy/industry target covering non-FLAG emissions from the processing or transportation of that commodity.

Who Should Set a FLAG Target?

Some companies must set FLAG targets as part of their overall science-based targets, and others are recommended to (see Figure 1).

Figure 1. When FLAG targets are required and when they are recommended



*Please see the SBTi's [suspension of the timber and wood fiber pathway](#) for interim guidance.

The FLAG Guidance may also be a useful tool for financial institutions. Reviewing the Guidance could provide financial institutions with a clearer understanding of the target-setting requirements for FLAG companies in their portfolio, ultimately helping them achieve their own targets.

How to Use the SBTi's FLAG Guidance

The SBTi FLAG Guidance includes two distinct target-setting methods that companies can use: the FLAG Sector Pathway and the Commodity Pathways. To help companies understand which method is more suitable for their activities, the first step is to determine if they qualify as a supply-side or demand-side actor (see also Figure 2):

Demand-side: Companies with diversified FLAG emissions and/or the majority of FLAG emissions in scope 3 are generally considered to be demand-side companies. This is because they are either purchasing significant volumes of FLAG products or selling FLAG products to end-use customers.

Supply-side: Companies that produce FLAG commodities and have the majority of FLAG-related emissions in their scope 1 inventory are considered supply-side actors.

The next step is to determine which methodology is best suited for a company, based on their specific business model and relative position in the value chain:

FLAG Sector Pathway: This pathway is recommended for demand-side companies. The FLAG Sector Pathway is an *absolute reduction approach*, meaning absolute emissions must be reduced at a scientifically determined rate consistent with limiting global warming to 1.5°C, regardless of a company's baseline emissions. The science-based rate of mitigation in the FLAG Sector Pathway is 3.03% per year. A

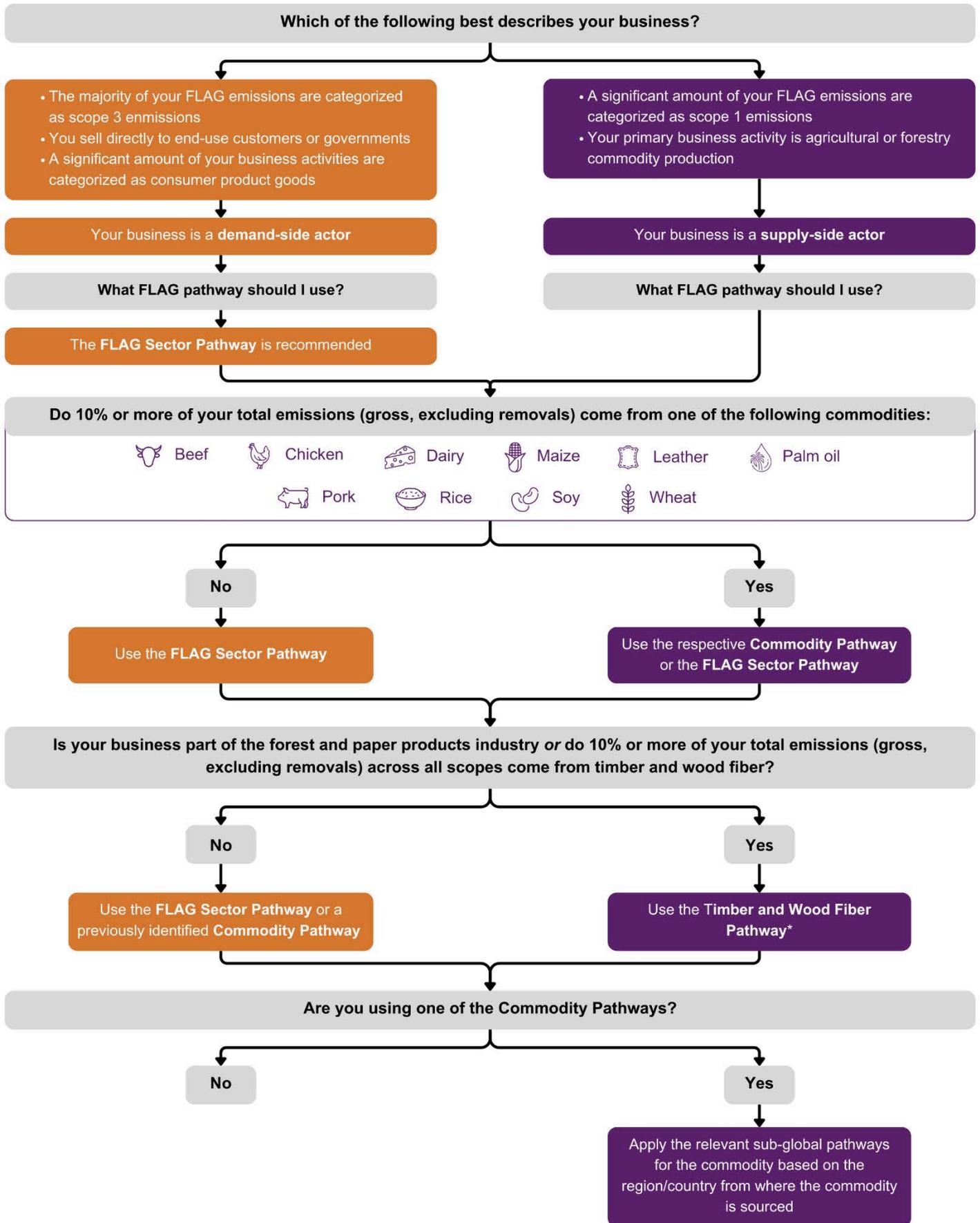
sample target using this approach may look like: *Company A commits to reduce absolute scope 3 FLAG emissions 30.3% by 2030 from a 2020 base year.*

FLAG Commodity Pathways: These pathways are best suited for supply-side companies. They use an *intensity convergence approach*, and include 11 specific FLAG commodities for companies with focused commodity emissions. Each Commodity Pathway uses different units to measure emissions reductions, which can be found in Table 8 (page 60) of the [FLAG Guidance](#).

Figure 2 demonstrates other important considerations for businesses when setting FLAG targets, including the use of Commodity Pathways. For a full list of FLAG criteria and recommendations, see section 1.4 (page 15) of the [FLAG Guidance](#).

Both supply- and demand-side actors must also set energy/industry targets against any other non-FLAG emissions within their greenhouse gas (GHG) inventory. See section 3.1.3 (page 36) of the [FLAG Guidance](#) for the full guidelines on defining supply- and demand-side actors within the FLAG value chains.

Figure 2. Steps for companies to consider when setting FLAG targets



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Types of FLAG Emissions and Removals

Companies setting FLAG targets are expected to develop GHG inventories aligned with the [GHG Protocol Land Sector and Removals Standard](#) after it comes into effect January 1, 2027. There are multiple categories of FLAG emissions and removals that companies must account for when setting FLAG targets, including:

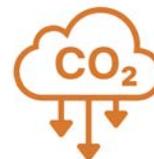
- **Land use change (LUC) emissions:** As the name suggests, these emissions are the result of changes to how a given plot of land is used. They encompass the loss of carbon stock due to deforestation and the conversion or draining of coastal wetlands, peatlands, savannas and natural grasslands.
- **Land management emissions:** These emissions come from business activities associated with the use and management of land, including from fertilizers and manure, enteric fermentation, biomass burning and forest harvest and management.
- **Land management CO₂ removals:** This term refers to increases in land-based carbon storage occurring within the boundaries of FLAG targets. Examples include forest restoration, silvopasture, agroforestry and soil carbon sequestration.

It is critical for FLAG companies to drastically reduce emissions, while preserving and enhancing carbon sinks that naturally capture and store carbon from the atmosphere. While both are important and FLAG targets are met on a net basis, companies should prioritize emission reductions as they represent 62% of the mitigation potential in the FLAG Sector Pathway. Removals and emissions reductions must be accounted for and reported separately. Some examples of interventions that support reductions and removals include:



FLAG Emissions Reductions

- Eliminating deforestation and land conversion
- Reducing peat burning
- Limiting forest degradation
- Reducing fertilizer use
- Shifting demand through diet changes and reducing food loss and waste



FLAG Removals

- Restoring forests on working lands
- Deploying silvopasture
- Improving forest management practices
- Enhancing soil carbon sequestration on pasture and farmland

Must be aligned with the requirements of the GHG Protocol Land Sector and Removals Standard, and can only be used towards FLAG targets. Offsets are not acceptable removals.

More detailed descriptions of the different types of emissions and removals covered in the FLAG pathways can be found in Table 4 (page 30) of the [FLAG Guidance](#).

Eliminating Deforestation is Critical

The SBTi defines deforestation as the “loss of natural forest as a result of (1) conversion to agriculture or other non-forest land use, (2) conversion to a tree plantation, or (3) severe and sustained degradation.”

The loss of natural forest increases atmospheric GHG emissions first by degrading available carbon sinks and then by releasing emissions through decomposition or combustion. In total, the elimination of deforestation [represents 80%](#) of the FLAG Sector Pathway’s land use change mitigation potential. Therefore, ending deforestation is one of the highest priorities across all FLAG decarbonization pathways and why the SBTi requires robust no-deforestation commitments that cover:

No-Deforestation Commitment

Companies submitting a FLAG target are required to commit to eliminate deforestation in their supply chain no later than two years after submitting their FLAG targets for validation, with an absolute deadline of December 31, 2030.

- All commodities directly produced by the company.
- Key global deforestation-driver commodities sourced by the company (i.e., cattle, cocoa, coffee, oil palm, rubber, soy, and timber), if the sourced volumes of any of these commodities represent 1% or more of the company’s total sourced FLAG commodity volume by tonnage.
- Commodities sourced by the company in significant volumes (i.e., 5% or more of the total sourced FLAG commodity volume by tonnage), if that commodity poses deforestation risks.
- Commodities already assessed as deforestation-free by the company.

No-deforestation commitments must be achieved no more than two years after submitting FLAG targets for validation, with an absolute deadline of December 31, 2030. Companies must also publish their no-deforestation commitments on their own websites or in relevant self-published policy documents, along with the cutoff date and details on how they plan to deliver their commitments. It is recommended that these commitments align with guidance from the [Accountability Framework initiative \(AFi\)](#).

Data Quality

Data quality is an ongoing challenge throughout all corporate climate action efforts. Therefore, demand-side FLAG companies (see page 2 above), such as retailers, should prioritize gathering high-quality emissions and removals data from their suppliers and any other value chain partners as detailed in the GHG Protocol Land Sector and Removals Standard. It is expected that an increasing number of companies will be reporting removals as they continue to set FLAG targets and channel investments into the necessary data infrastructure and traceability systems. For more information on the expectations of data quality, see section 3.1.6 (page 40) of the [FLAG Guidance](#).

In order to most effectively collect and utilize emissions data, demand- and supply-side businesses with FLAG targets might consider different strategies. Companies on the demand-side with complex supply chains may focus data quality and disaggregation on critical commodities. To help identify the main carbon-intensive commodities or products in their supply chain, companies may refer to the 11 commodities included in the FLAG Commodity Pathways

(see [section 4.1.2, page 59](#)) and the main deforestation-linked commodities in the FLAG Guidance (see [Appendix A, page 73](#)).

Take Action Today

The next few years are critical in the fight against climate change. By setting science-based targets in line with the SBTi FLAG Guidance and defining appropriate decarbonization strategies, businesses can play their part in driving a nature-positive future that protects their business interests and allows ecosystems to thrive. Get started today on the [SBTi's website](#), and stay up to date on the latest developments by following the SBTi on [LinkedIn](#), [X](#) and [signing up for our newsletter](#).