



SCALE

THE SUPPLY CHAIN AND LANDSCAPE
APPROACH IN THE EASTERN PLAINS
LANDSCAPE OF CAMBODIA

a partnership initiative of H&M group and WWF



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INTRODUCING SCALE

We are at a time in history where the need for conservation of our planet has reached almost universal awareness, including support from governments and global corporations. The complexities of balancing conservation and managing supply chains is a key element for success. To address these competing needs at scale, the landscape approach serves as one solution. WWF's Landscape Finance Lab champions and facilitates the landscape approach and is proud to be involved in this groundbreaking partnership between H&M group and WWF.

The Supply Chain And Landscape approach (SCALE) in the Eastern Plains Landscape (EPL) of Cambodia is an H&M group and WWF partnership to design a landscape investment program that will transform the textile industry and energy supply chains in Cambodia.

The program will contribute to the Sustainable Development Goals (SDGs) by promoting the use of sustainable energy in the textile industry and supporting the resilience of ecosystem services through a landscape/jurisdictional sourcing approach in the EPL. The overall objectives of this landscape-scale investment program are:

- to connect carbon sinks and resilience into the textile supply chain (and other industries at a later stage)
- to engage the garment sector in an energy transition
- to leverage innovative climate finance
- to enhance biodiversity

The ultimate goal is to use this pilot as a learning exercise for defining a broader set of strategic actions across H&M group production areas and supply chains.



SPOTLIGHT ON CAMBODIA

The SCALE program takes place in the EPL of Cambodia, which is a key area for wildlife conservation in the Mekong eco-region with a diversity of habitat types and endangered species (Indo leopard, endangered birds, Asian elephant, Banteng). This is the largest and most intact tropical dry forest in Southeast Asia and a significant source of livelihood for indigenous communities. It also provides critical ecosystem services such as carbon storage, nutrient and sediment retention and water yield protection. To ensure that these critical attributes of the landscape remain resilient, SCALE will engage in a landscape finance program in Cambodia that aims to save the forests that provide ecosystem services while also halting biodiversity loss and helping to combat climate change.

In the scale up phase, the SCALE program aims to reproduce lessons learned from the EPL to other landscapes in Cambodia which are currently under pressure from deforestation and linked negative impact on biodiversity and ecosystem services.





CURRENT CHALLENGES

Cambodia is a key manufacturing market with high environmental risks that the SCALE program seeks to address, such as:

- **CO₂.** Textiles account for 12% of Cambodian GHG emissions, with most manufacturers and many H&M group suppliers using unsustainable wood as an energy source for boilers.
- **Materials.** Today's wood supply chain is not traceable and often illegally sourced due to a myriad of actors that blur the transparency line.
- **Deforestation.** Cambodia ranks among the highest deforestation rates in the world as a result of infrastructure and agri-business development, illegal logging and poaching. Wood fuels used by the garment sector may contribute to this problem.
- **Governance.** Cambodia has limited resources to address these challenges and enforce environmental regulations.

WHY IS THIS A PRIORITY?

H&M group's ambition is to look beyond the traditional boundaries of a company's responsibility and really contribute to positive long term development. In creating "fully circular and truly sustainable fashion", H&M group has committed itself to a climate positive value chain by 2040 by implementing three pillars:

1. Leadership in energy efficiency
2. 100% renewable energy
3. Climate resilience and carbon sinks

Cambodia presents the highest potential for a landscape scale investment program that is adjacent to H&M group supply areas. The SCALE program forms an important milestone for H&M group on the road towards a climate positive value chain by 2040.

BRINGING SCALE TO LIFE

The SCALE program will establish measures to transition to renewable energy, reduce carbon emissions, promote sustainable sourcing of materials and support biodiversity protection and ecosystem resilience. The SCALE program has been designed in three phases to ensure long-term impact and sustainability.

Phase 1: Concept and Pilot (Year 1) - the pilot was kicked off in April 2018.

Phase 2: Full Design (Year 2-3) - full landscape program design, prototype activities to prove the business model, setting up of financing instruments and policy arrangements.

Phase 3: Implementation - activities are underway, payment for emission reduction results and other PES (Payment for Ecosystem Services), additional investment is incentivized.

At the end of Phase 3, the SCALE long term climate investment plan will secure scale up finance for up to 30 years. The plan for scaling up may also involve replication to other geographies, other industries or other commodities.



PHASE 1 IN DETAIL

Phase 1 of the SCALE program aims at assessing the business case to attract long-term funding from the textile industry and other sectors for landscape sourcing. Here are the various activities and deliverables from Phase 1:

- 1. Assess** the feasibility of a jurisdictional REDD+ program within the EPL while confirming the interest of Cambodian national and subnational authorities.
- 2. Establish** a pilot project for sourcing of sustainable biomass from the EPL, creating a feasibility study on the wood and biomass value chain potential with sustainable small-holder plantation wood.
- 3. Design** a participatory and multi-stakeholder process that will include investors and other stakeholders once initial results are available.
- 4. Coordinate** stakeholders to define a business model for landscape investment through a workshop to define the EPL vision. This will include sharing feasibility studies and gathering input for the business model development.
- 5. Scope** opportunities to develop a climate fund proposal by holding a stakeholder consultation workshop in coordination with other partners interested in contributing to the proposal.
- 6. Promote** lessons learned at the national level, using a bottom-up approach to engage and encourage national policy makers to support sustainable landscape management.

SCALE PARTNERS

 WWF	 PIONEERING WATER STEWARDSHIP AND CLIMATE ACTION FOR FASHION	 H&M	 Landscape Finance Lab	 geres Energy Environment Solidarity	 WCS
WWF Cambodia Project Coordinator	H&M Cambodia Project Co-Coordinator	Landscape Finance Lab Project Supporter	Group for the Environment, Renewable Energy and Solidarity Sustainable Biomass Expert	Wildlife Conservation Society Carbon & Forest Specialist	
WWF Sweden Project Supporter	H&M Sweden Project Supporter				

ABOUT CLIMATE FINANCE

Traditionally, the financing of climate resilience and mitigation interventions has occurred on a project-by-project basis with little interaction among projects. Climate and SDG finance is widely available today, but seeking investable projects of a certain scale. Subsequently, investment opportunities are missed because there are very few projects ready for investment. By taking a landscape approach to financing, projects are encouraged to change scale and may receive support funds to prepare business and investment plans that focus on economic value generation that is widely appealing to climate and SDG funds.

Those funds may be used through multiple investment pathways that address multiple landscape challenges. Landscape-scale investment activities can establish a self-reinforcing and self-financing system for sustainable commodity sourcing while also incentivizing resilience and conservation. In this way, climate and SDG funds are used to accelerate additional outcomes across the system, be it environmental-social impacts or financial return on investment (ROI).



LANDSCAPE FINANCE LAB

Established in April 2016, the Landscape Finance Lab is an incubator for sustainable landscapes. The Lab focuses exclusively on programs covering over a million hectares, million tonnes of traded goods, million tonnes greenhouse gases, and \$100 million investment size, with purpose to:

- Enable high quality landscape programs in global biodiversity priority places – using jurisdictional REDD+, land degradation neutrality, catchment management and landscape sourcing approaches.
- Test innovative financing mechanisms – including private sector investment funds, impact investing platforms and public sector grant funding windows.
- Build sector learning, capacity and impact. The Lab is growing a global online learning community and producing tools, guidance and learning publications for them.

The Landscape Finance Lab offers a step by step approach to businesses who want to engage in a landscape approach. This usually starts with a scoping study, as done for the SCALE project. The scoping study makes recommendations on the most promising collaborations and solutions areas and what it takes to get there.

For more information about the Lab or the SCALE program email
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