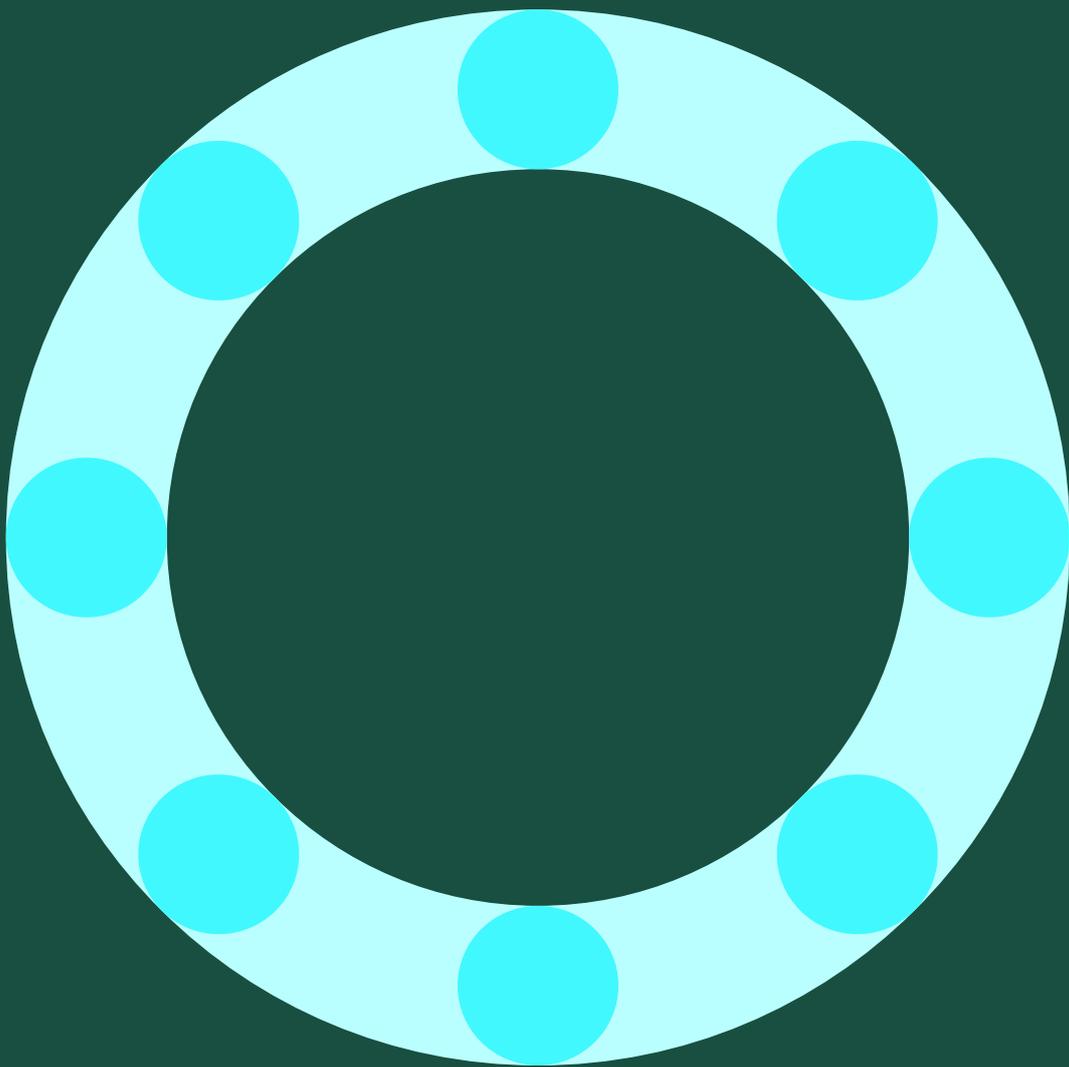


CIRCULARITY IN AUSTRALIAN BUSINESS 2020



Where Australian Business Leaders are at
in the Transition to a Circular Economy.

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AUSTRALIAN
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PLANET ARK

PLANET ARK

Planet Ark Environmental Foundation is an Australian not-for-profit organisation that helps individuals, communities, governments and businesses reduce their impact on the environment. We are one of Australia's leading environmental behaviour change organisations, with a focus on working collaboratively and positively.

There is a strong need for a platform in Australia that inspires and facilitates the collaboration and networking necessary for our transition to a circular economy. Planet Ark is taking the lead on creating the Australian Circular Economy Hub and Marketplace, which will be Australia's leading platform to accelerate our transition to a circular economy. Planet Ark is currently seeking corporate partners and collaborators for the Australian Circular Economy Hub.



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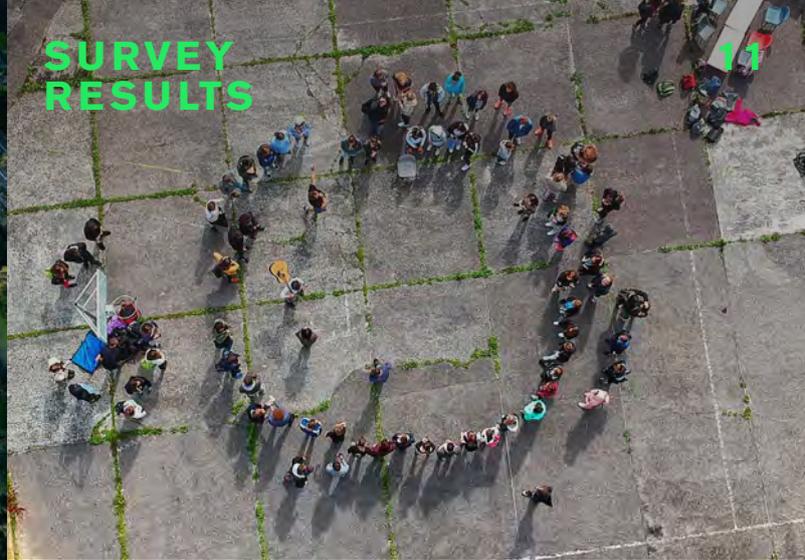
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INTRODUCTION



Welcome to 'Circularity in Australian Business 2020' the first edition of our annual research into the state of circular economy thinking within the Australian business community.

Earlier this year Planet Ark received funding from the Australian Government to establish the Australian Circular Economy Hub (ACE Hub). The ACE Hub is committed to facilitating and accelerating the transition to a circular economy in Australia. One of the ways the ACE Hub will assist in this transformation is by fostering collaboration and the sharing of information.

As part of this program Planet Ark has conducted this research within the business community. The transition to a circular economy will require unparalleled collaboration between business, government and consumers, and there is little doubt that business will play a central role in creating and implementing the systemic change required.

Businesses of all sizes from large corporates to new disruptive start-ups will need to build expertise to allow them to move from concept to practice and drive change across value chains and industries. Their collaboration with customers and government is the only way to build a circular economy with benefits throughout society.

We believe this research will assist in a number of ways including:



Helping to guide the development of the ACE Hub through highlighting barriers to implementing circularity.



Getting insight into the desire to implement circular economy thinking and practices within Australian businesses.



Helping us to assess the impact of the ACE Hub program.



Assessing how Australia is tracking in business understanding and implementation of the circular economy.

A key finding from this initial research was that 88% of business leaders think the circular economy will be important to the future of their business. This result was consistent across organisations regardless of their size. As one of the participants said:

"I think we're definitely lagging behind, but we are starting to see some great innovation, and we're starting to see some good momentum and traction in this area."

There was also widespread agreement that the circular economy offers a first mover advantage post COVID-19, indicating that there is an important role to be played in the post pandemic economic recovery.

"We see it as an opportunity and an opportunity that solves a problem at the same time. So, that situation is quite intriguing. And, it's intriguing in that the government is also pushing, post COVID, to revitalise, or accelerate, the green economy."

We hope you enjoy reading the research and gain some knowledge that helps you on your journey to circularity.

Paul Klymenko

Chief Executive Officer
Planet Ark Environmental Foundation

Nell Macdonald

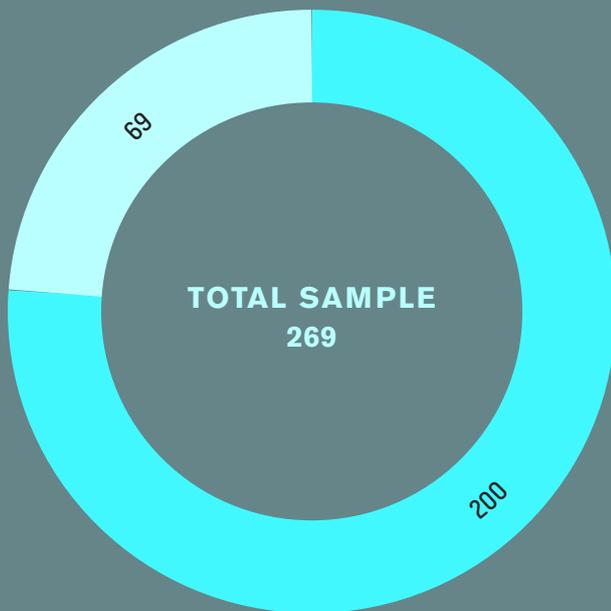
Australian Circular Economy Hub Manager

METHODOLOGY



WHO WE SPOKE TO

6 minute online survey among two samples, across range of industries, sectors and organisation sizes:



- Panel Sample
- Planet Ark Sample

This research was conducted from June-August 2020 and is in two parts.

The first was a qualitative component comprised of 9 x 30 min interviews with decision makers in businesses at different levels of circular economy implementation. These interviews were conducted between June and July 2020.

The second part was a quantitative survey of two separate samples, one randomised to represent the wider business community and the other a sample of Planet Ark's business community. The purpose of this was to explore if there was a difference in knowledge in the already engaged Planet Ark community and, if so, how this knowledge might impact on their survey responses. This was conducted between July and August 2020.

INDUSTRY (%)



BUSINESS SIZE (%)



POSITION (%)



EXECUTIVE SUMMARY



ANALYSIS IDENTIFIED THE FOLLOWING KEY POINTS:

○ **The circular economy is important to the future of business:**

- Almost 9 out of 10 respondents identified that the circular economy will be important at some level to the future of their business (See page 13).

○ **There are benefits from the adoption of circular economy business models:**

- A range of benefits was identified, although these differed between the panel and Planet Ark samples.
- For the panel sample the top benefits were 'reducing costs and increasing efficiencies' (both 39%) followed by 'aligning with expectations of corporate sustainability' (34%).

These were generally scored higher in the Planet Ark affiliated group for whom 'aligning with public opinion around sustainability' was the top benefit (67%) and 'identifying innovation and product opportunities' the second (65%) (See page 15).

○ **There is varying knowledge of what the circular economy really is – it is not just improved recycling:**

- Although many respondents thought they were knowledgeable about what the circular economy represents, less than half were able to identify the correct definition. The Planet Ark sample were more knowledgeable with almost two thirds correct (See page 17).

○ **This lack of knowledge, appears to have led to exaggerated perceptions of circular economy implementation by Australian business:**

- Survey respondents who confuse circularity with recycling perceive that they have already implemented circular economy principles.
- Opportunities exist to further knowledge of the range of circular economy principles and practices (See page 19).

○ **The main barriers to implementing circular economy models were considered to be:**

- 'Financial issues or not having the capital required' (37%) which, combined with lack of R&D resources (25%) suggests that the perceived cost of implementation is the biggest barrier.
- The second highest barrier was a 'lack of information on how to implement circular economy principles' (35%) followed by 'uncertainty about the benefits' (27%) (See page 21).

○ **The business decision makers interviewed unanimously agreed that Australia has barely begun to embrace circular economy principles.**

○ **They do however, see the circular economy as providing a first mover advantage post COVID-19** (See page 21).

NEW WAYS OF THINKING



A number of conclusions may be drawn from this research:

- **The vast majority of business leaders surveyed acknowledge that the circular economy will be important to their business in the future.**
- **The circular economy in Australia needs a trusted, easy to use, centralised knowledge hub.**
- **The barriers to implementing a circular economy map across all levels of strategic planning.**
- **The circular economy could unleash considerable productivity improvements and first mover advantages.**
- **The interviewees supported the conclusion that Australia is just commencing its journey and the time is right for business to drive for change post COVID-19.**

SURVEY RESULTS



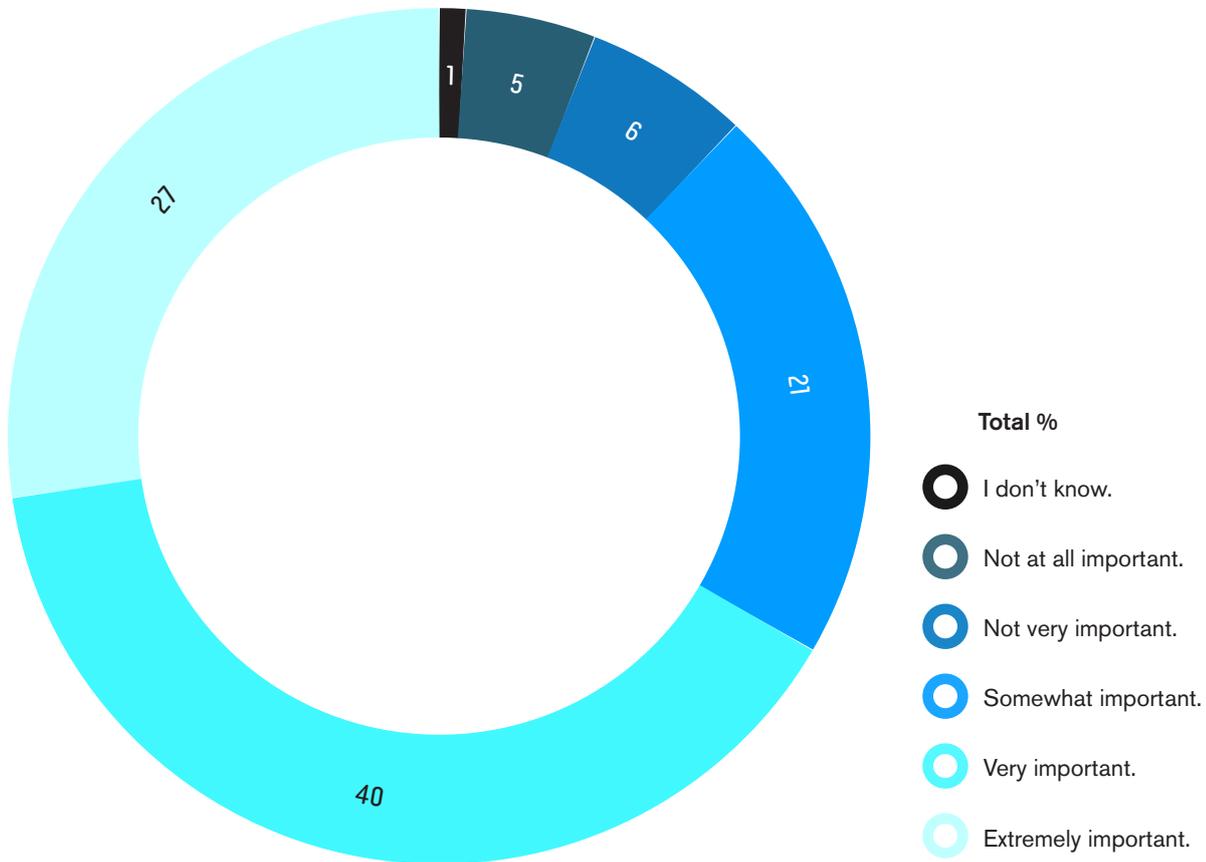
IMPORTANCE OF CIRCULAR ECONOMY TO BUSINESS



Australian business recognises the transition to a Circular Economy is important to their future.

% IMPORTANCE OF CIRCULAR ECONOMY IN THE FUTURE

Base: Q10. To what extent to you feel that transitioning to a circular economy will be important for the future of your business? Base: total sample n=269

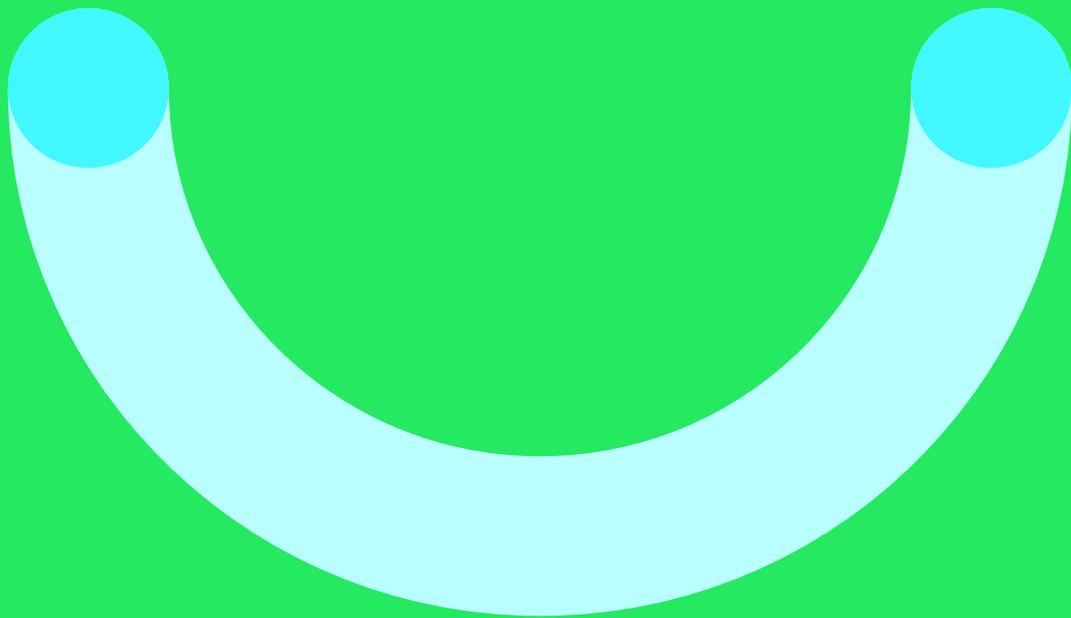


88% of senior decision makers think the circular economy will be important to the future of their business.

For the circular economy to be realised it has to become a business goal, so it is important to measure how much the circular economy matters to the C-suite. In all, 269 senior decision makers were asked: "To what extent do you feel that transitioning to a circular economy will be important for the future of your business?". And the results were clear: almost nine out ten said that it was important for the future of their business.

This result is consistent across organisations regardless of size, from sole traders to large corporates.

BENEFITS OF ADOPTION



Adopting Circular Economy principles delivers multiple benefits for efficiency, resilience and sustainability.

THE MORE YOU KNOW ABOUT CIRCULAR ECONOMY, THE BETTER YOU UNDERSTAND THE MULTITUDE OF BENEFITS IT PROVIDES

Base: Q8. Which, if any of the below do you feel are potential outcomes of adopting circular economy models within your business/organisation? Base: Total sample n=269; Panel sample n=200; Planet Ark sample n=69



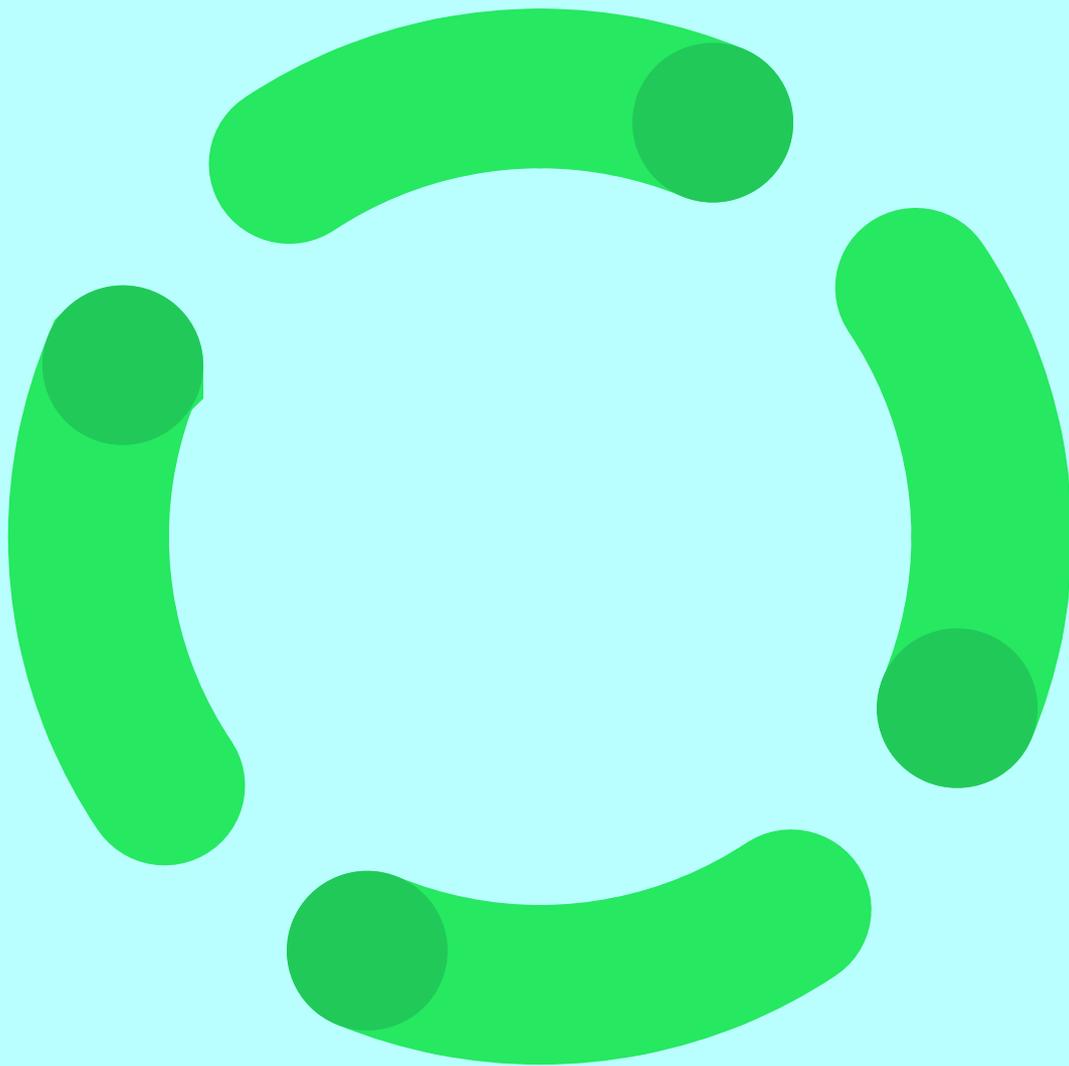
Planet Ark sample has a better understanding of circular economy, hence able to see more benefits of adopting its principles.

Such widespread acknowledgment begs the question:

What is the appeal of the circular economy and what are its perceived benefits?

When asked: ‘Which, if any, of the below do you feel are potential outcomes of adopting circular economy models within your business/ organisation?’, survey respondents saw a range of benefits from cost savings to reputation-building, growth and innovation. However, the Planet Ark sample identified more benefits than the panel sample, and gave greater weight to public opinion around sustainability and opportunities for innovation, whereas the panel sample saw reducing costs and increased efficiency as the main benefits, as shown above.

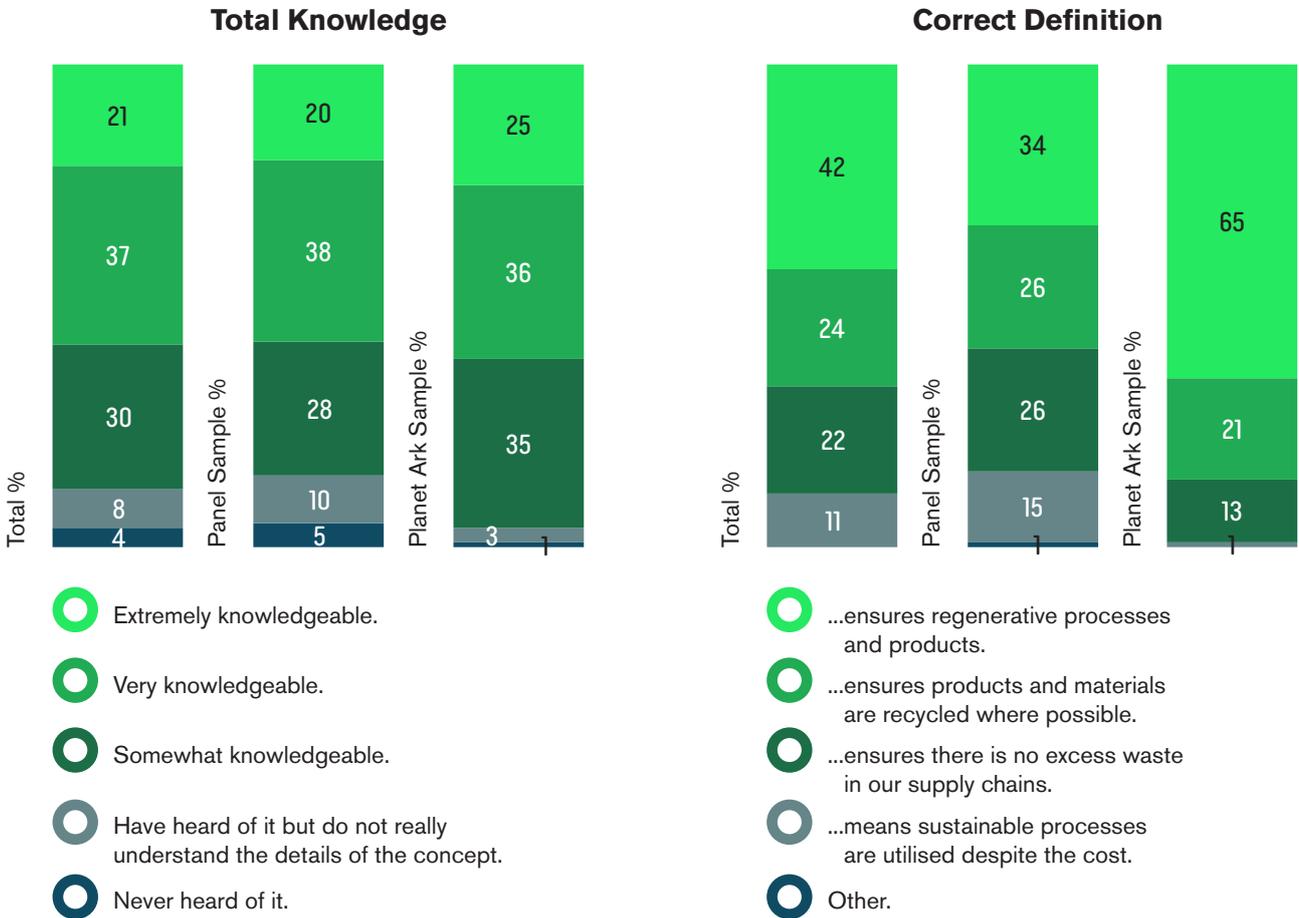
KNOWLEDGE OF CIRCULAR ECONOMY



Most Australian business decision-makers do not know what the Circular Economy is or confuse it with recycling.

THE PLANET ARK SAMPLE IS MORE INFORMED ABOUT CIRCULAR ECONOMY

Source: Q4. How knowledgeable would you say you are about the concept of the circular economy?
 Q5. To the best of your knowledge which of these below best describe your understanding of a circular economy?
 "A circular economy..." Total sample n=269; Panel Sample n=200; Planet Ark Sample n=69.



Whilst this good news story represents a powerful promise of a prosperous, sustainable future it is unfortunately based on a weak or flawed premise: because most Australian businesses do not yet fully understand what the circular economy is.

When asked: 'How knowledgeable would you say you are about the concept of the circular economy?' 30% of our business decision leaders said they were at least somewhat knowledgeable and 58% responded that they were very or extremely knowledgeable about the circular economy.

But when presented with a number of definitions of the circular economy, only one of which was accurate, less than half, only 42% correctly identified the meaning of circular economy as "designed to ensure regenerative processes and products".

24% of people thought the concept of the circular economy was about recycling and a further 22% thought it was "no excess waste in the supply chain" as this quote from a participant demonstrates:

"The idea is that this closed loop where we're avoiding landfill & (materials) continue to be reused or recycled... is probably how I'd describe it."

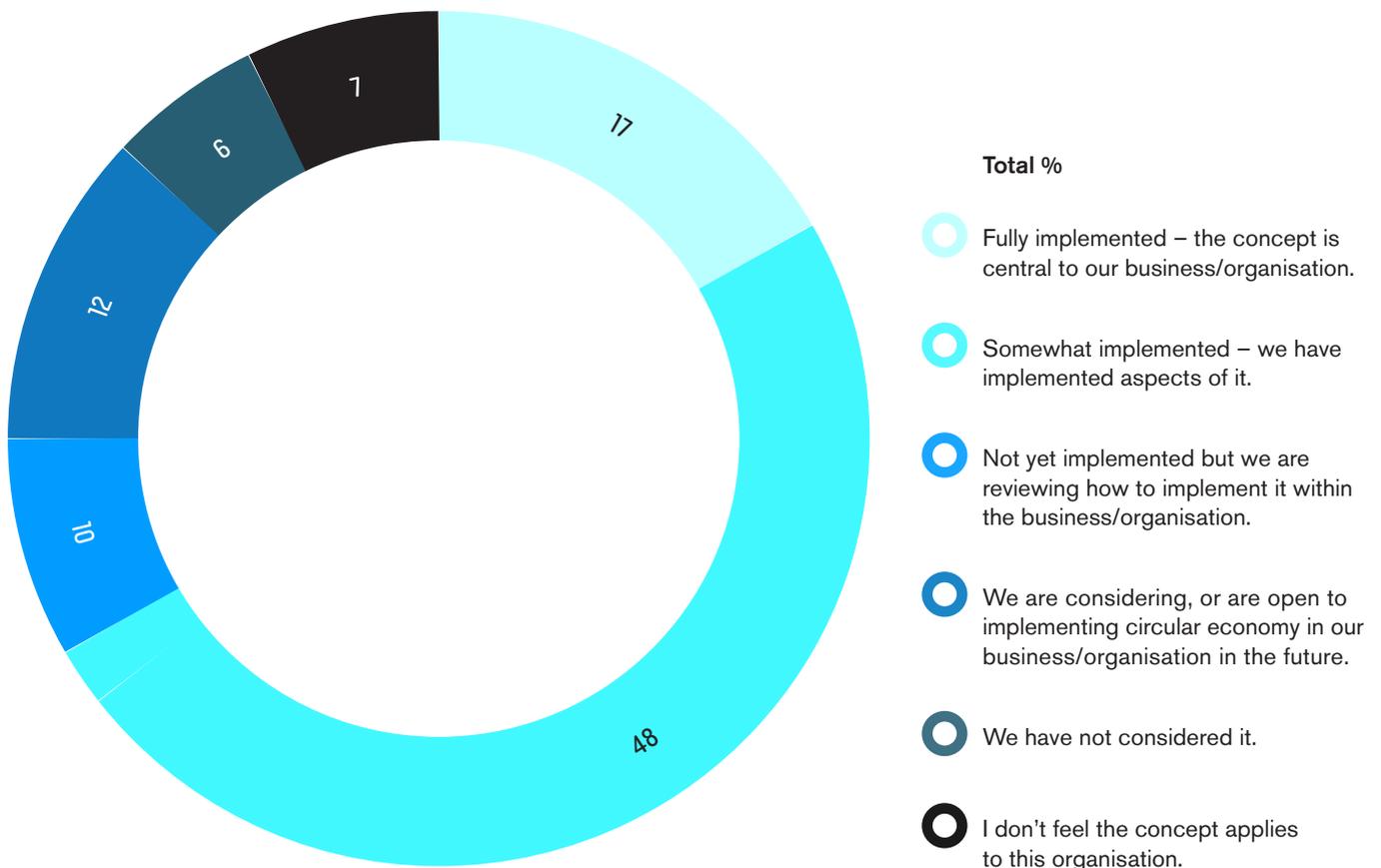
IMPLEMENTING A CIRCULAR ECONOMY



The Circular Economy concept needs to be more widely communicated and better demonstrated.

BECAUSE THEY THINK THEY KNOW CE, THEY THINK THEY HAVE IMPLEMENTED CE

Source: Q5. To what extent have you implemented CE? Base: Total sample n=269



65% of respondents claim that circular economy principles are fully or somewhat implemented in their companies.

This apparent over-claim in knowledge is carried through to perceptions of implementation. On the one hand this perceived high level of implementation is encouraging as it suggests businesses would actually be open to implementing circularity. However, given that this figure represents a significant over-claim, it is more likely that most Australian business decision-makers do not understand what the circular economy entails.

In summary, most businesses think they know more about the circular economy than they do. The evidence suggests that the misconception may be based on confusing circularity with recycling, which while it has an important role, results in an erroneous belief that circularity is already implemented to a much greater degree than it actually is.

There are two implications from these results. First there is a need to extend greatly the meaning of the circular economy concept beyond waste and recycling. While recycling an important role to play, the growth potential for Australian businesses in redesign, reuse and new business models needs to receive greater emphasis.

Secondly, there is a need to increase awareness and share knowledge of the circular economy. While a core of experts and practitioners already exists in Australia, many decision-makers either don't know what the circular economy is or have a very limited view of it.

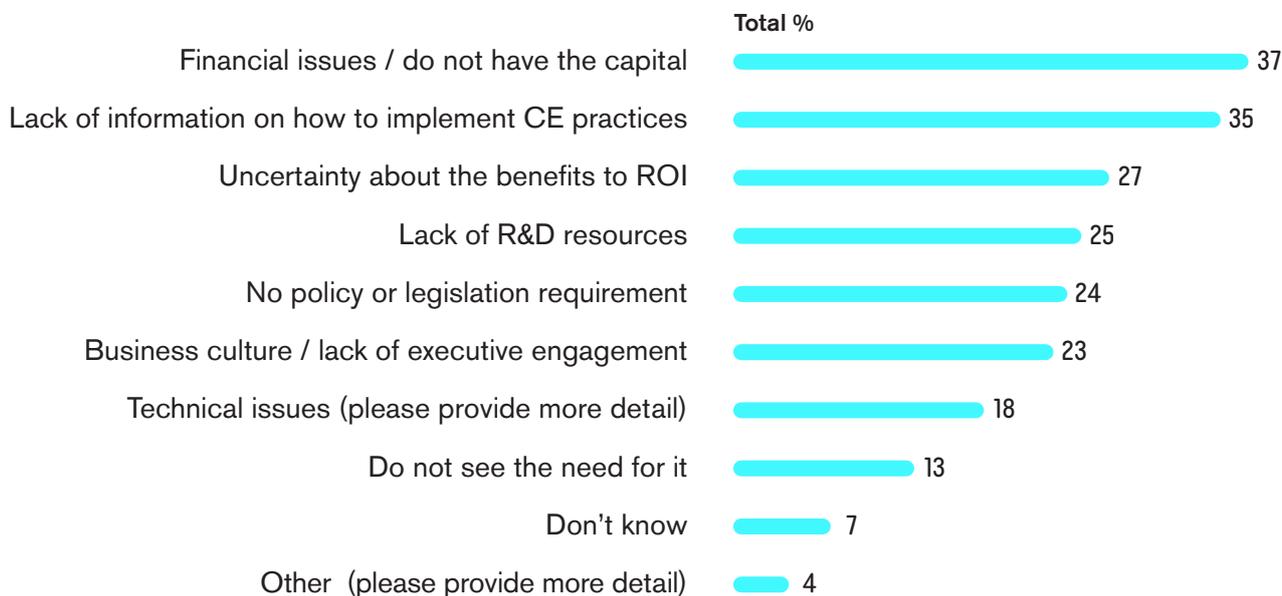
BARRIERS TO ADOPTION



The main barrier to implementation is considered to be ‘financial issues or not having the capital required’.

RESOURCES (FINANCIAL, CAPITAL, R&D) AND INFORMATION/ BENEFIT GAPS FOLLOWED BY LACK OF NEED (POLICY/ LEGISLATION, CULTURE/EXECUTIVES) ARE THE BIGGEST BARRIERS FOR IMPLEMENTATION.

Source: Q9. Which, if any, of the below do you consider to be barriers to implementation of circular economy models within your business/organisation? Base: total sample n=269; Panel sample n=200; Planet Ark sample n=69



Source: Q11. For each of the opposing statements below which best encapsulates your views on the circular economy? Base: total sample n=269; Panel sample n=200; Planet Ark sample n=69



When presented with a set of potential barriers to implementing circular economy models the main barrier to implementation was considered to be 'Financial issues or not having the capital required' (37%) which, combined with lack of R&D resources suggests that the perceived cost of implementation is the biggest barrier.

The second highest barrier was a 'Lack of information on how to implement circular economy principles' (35%) followed by 'Uncertainty about the benefits' (27%).

Finally, respondents noted that there was 'No policy or legislative requirement' (24%) or a 'Lack of executive engagement/business culture' (23%).

But there was also widespread agreement that the circular economy offers a first mover advantage post COVID-19 (73%). Furthermore, 27% of business decision-makers agree that 'COVID-19 has provided an opportunity to implement the circular economy'.

QUALITATIVE INTERVIEW RESPONSES



LACK OF KNOWLEDGE



Overall the lack of knowledge about the Circular Economy is reflected in the opinions of the nine business decision makers interviewed as part of this research. They unanimously agreed that Australia has barely begun to embrace Circular Economy principles.

“We (Australia) are way off where we should be... China Sword is the best thing because it means more innovation to deal with it (waste) on our own shores.”

“I think we’re a lagger, I think we’re definitely lagging behind, but we are starting to see some pockets where we’re starting to see some great innovation, and we’re starting to see some good momentum and traction in this area.”

“At the moment Australia does not have the waste hierarchy infrastructure... Germany is at the end of its ten-year implementation plan and has turned off landfill!”

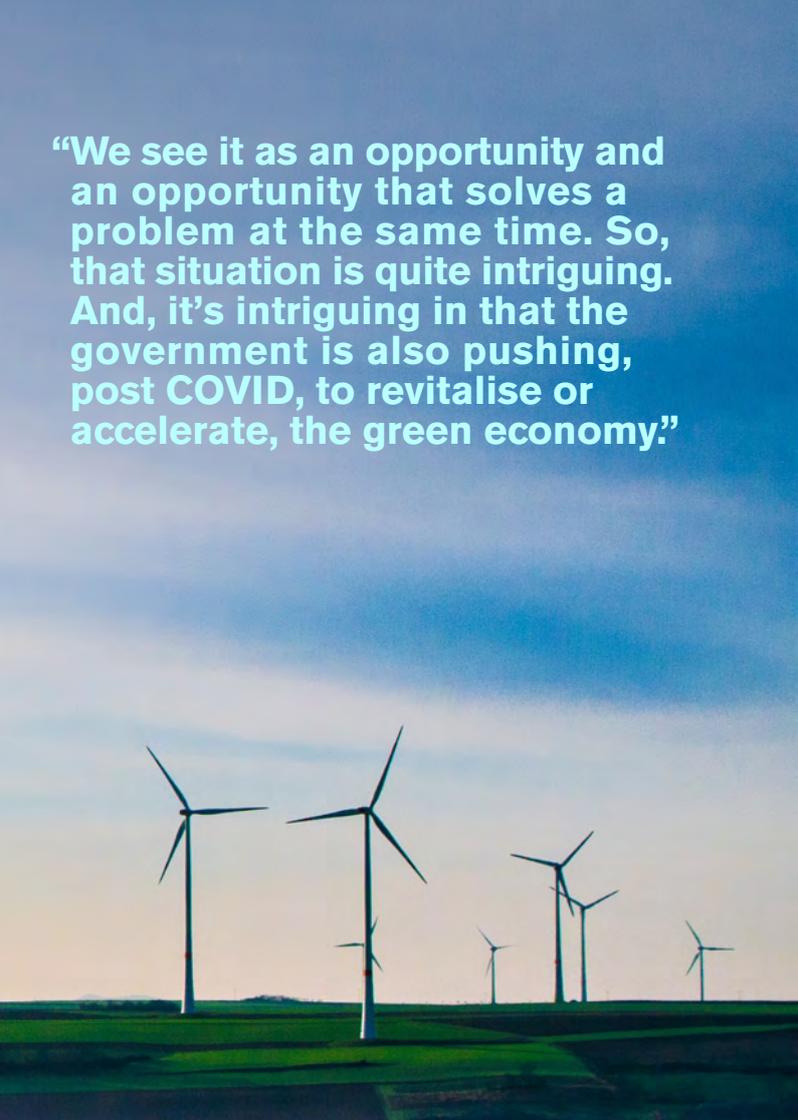
“We’re going to be slow to catch up. If you look at the battery industry as an example, on the volumes of materials that are available at the moment, it’s pretty hard to make money out of them, I got to say.”

COVID & ITS IMPACT ON THE GREEN ECONOMY



COVID-19 presents an opportunity to overcome barriers to action and ‘Build Back Better’ by implementing Circular Economy principles.

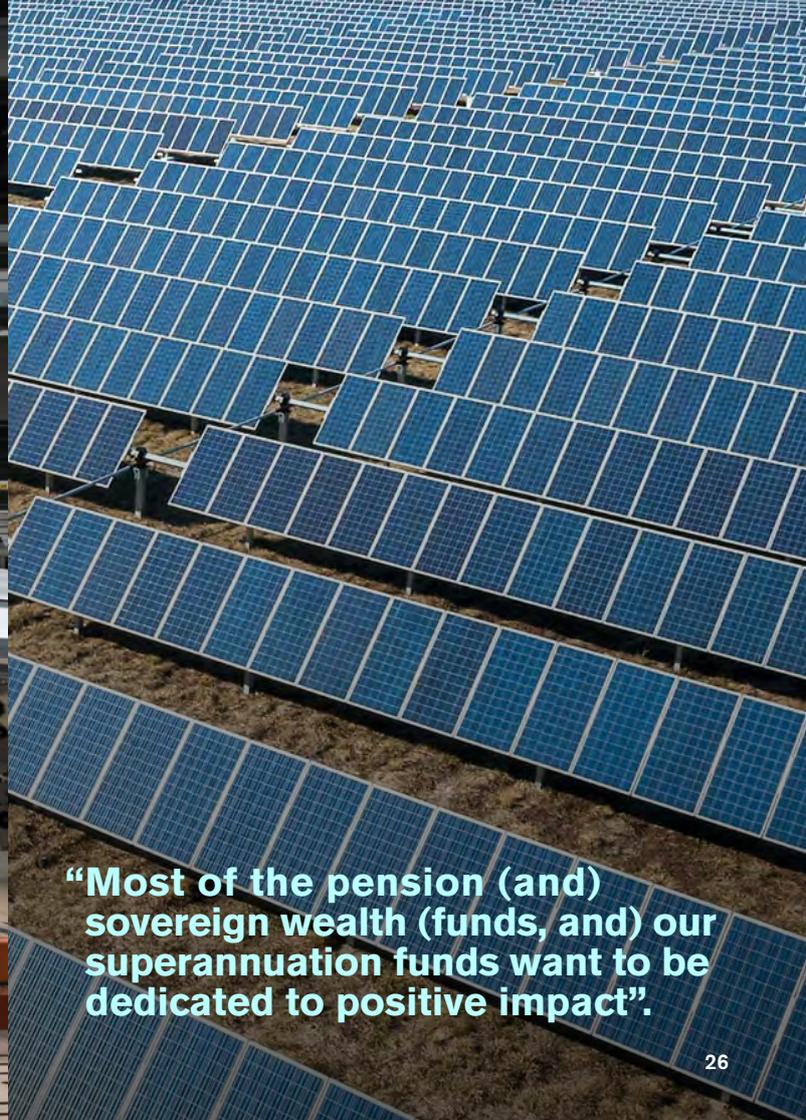
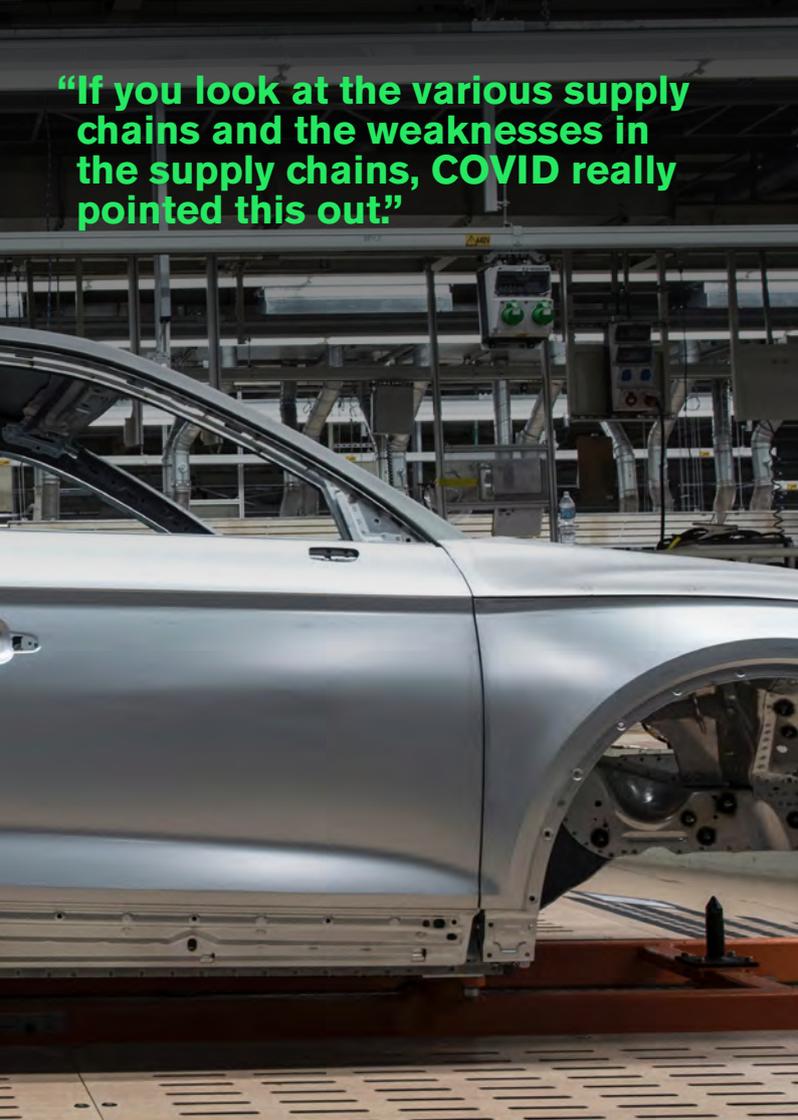
“We see it as an opportunity and an opportunity that solves a problem at the same time. So, that situation is quite intriguing. And, it’s intriguing in that the government is also pushing, post COVID, to revitalise or accelerate, the green economy.”



“I think we’ve taken the foot off the pedal. And I think that there is good will for the ability to pivot to change. I think a lot of people have had the opportunity to reflect... The supply chain will keep offering more socially and environmentally positive solutions, because we’ve got population change and the younger (generation) want do it differently.”



“If you look at the various supply chains and the weaknesses in the supply chains, COVID really pointed this out.”



“Most of the pension (and) sovereign wealth (funds, and) our superannuation funds want to be dedicated to positive impact”.

SUPPORTIVE POLICY & LEGISLATIVE BARRIERS

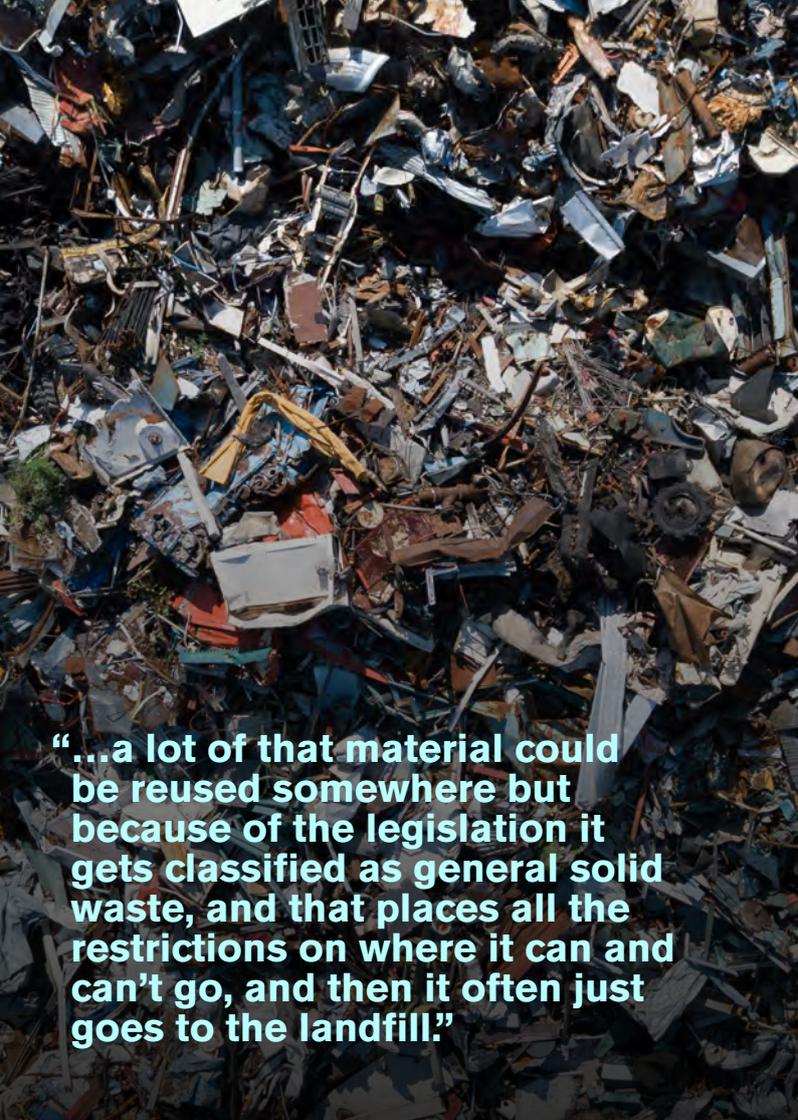


Interview responses suggest that unless production and innovation is supported by policy or regulation then there is little incentive for business because there is a lack of ‘pull factor’ to create demand.



This is supported by the quantitative research in which 24% of respondents answered “no legislative or policy requirements” as a barrier to implementation. If such a policy framework was enforced then it could be a driver of business innovation and growth.

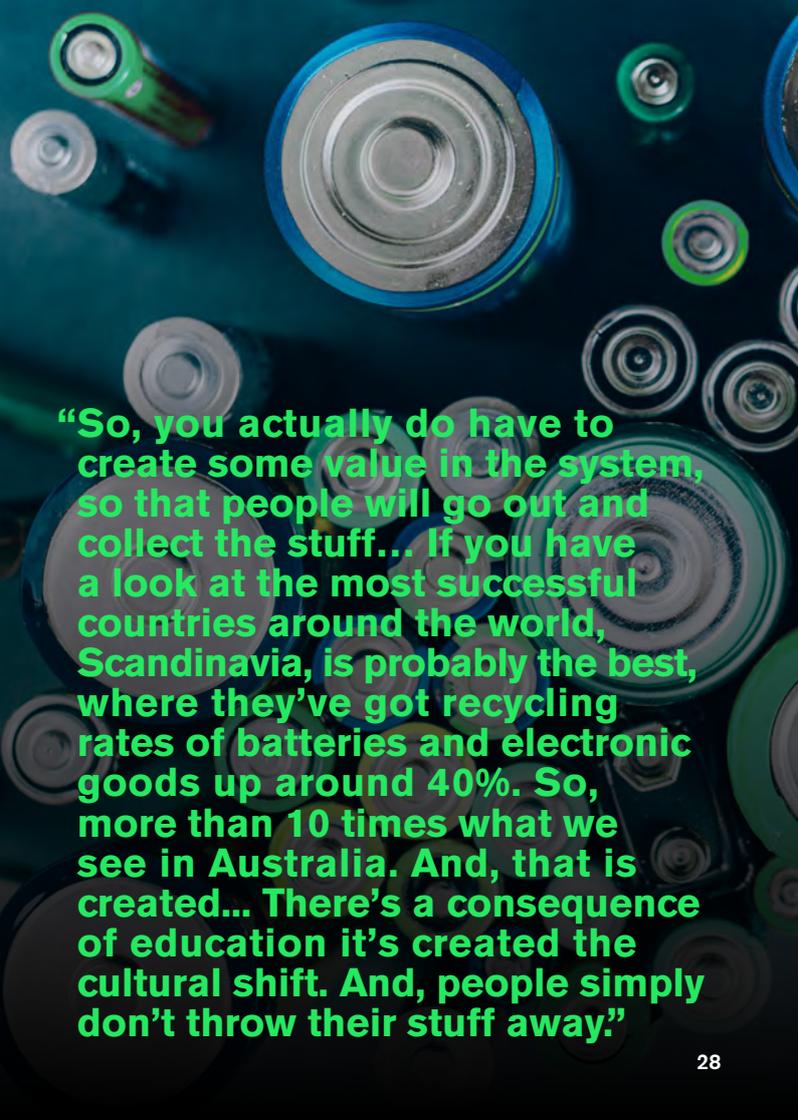
“Great in principle, but it (the circular economy) has to also have kind of independent monitoring and reporting in the same way the food industry has it.”



“...a lot of that material could be reused somewhere but because of the legislation it gets classified as general solid waste, and that places all the restrictions on where it can and can't go, and then it often just goes to the landfill.”



“I think the construction industry could in fact start to procure and report on the procurement of circular economy impact choices. So, I do think that Australia, more than other countries, could control and prioritise circular economy agenda for construction industry.”



“So, you actually do have to create some value in the system, so that people will go out and collect the stuff... If you have a look at the most successful countries around the world, Scandinavia, is probably the best, where they've got recycling rates of batteries and electronic goods up around 40%. So, more than 10 times what we see in Australia. And, that is created... There's a consequence of education it's created the cultural shift. And, people simply don't throw their stuff away.”

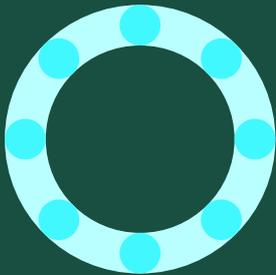
CONCLUSIONS





The vast majority of business leaders surveyed acknowledge that the circular economy will be important to their business in the future.

In addition to the overwhelming agreement that the circular economy will be important to the future of business, survey respondents recognised multiple benefits. There was also evidence to suggest that the more knowledgeable respondents were, the more benefits they recognised supporting the need to improve knowledge and understanding.



The circular economy in Australia needs a trusted, easy to use, centralised knowledge hub.

As one of the experts noted, Australia "...can't have a circular economy unless there is a circle. We just have ins and outs." Presently only small parts of commodity chains in some sectors are putting circular economy principles into practice. The current focus is also on downstream waste and recycling, rather than upstream system redesign.



The barriers to implementing a circular economy map across all levels of strategic planning.

Decision-makers told us that the barriers to action were anchored in capability/resources (financial issues, capital, R&D resources) but also that they did not see the benefits; that there was no legislative need or strategic imperative. Circular economy is a systemic change: it will struggle to be accepted in Australia unless circular economy principles are accepted in the boardroom and championed by government. The benefits for process improvement and business culture, as well as the advantage of being a first mover, all need to be made clearer.



The circular economy could unleash considerable productivity improvements and first mover advantages.

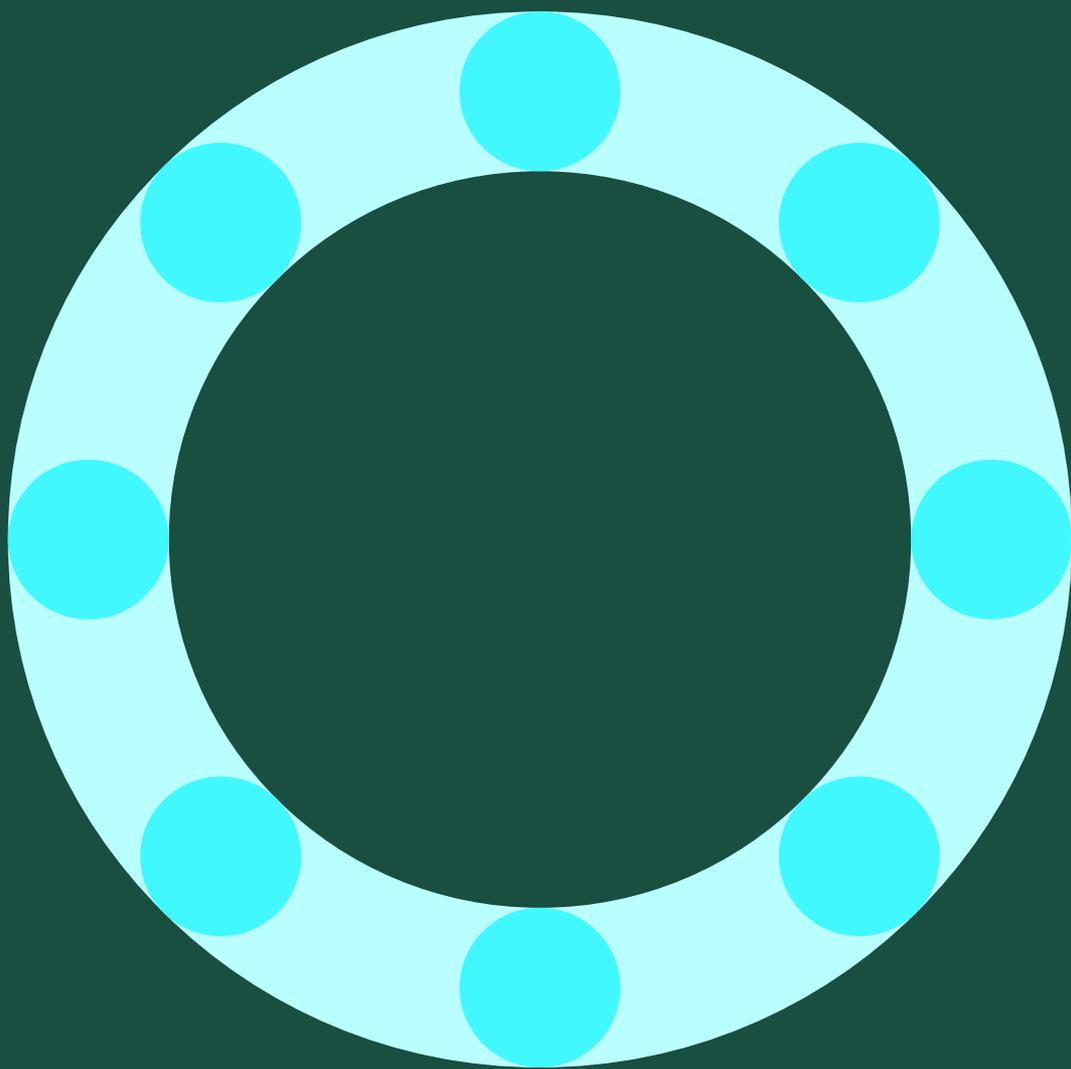
This data builds on preliminary research in 2019 commissioned by Planet Ark, which suggests that Australian businesses are still at the first stage of their circular economy knowledge journey.

They will benefit from collaborative knowledge-sharing exchange to improve performance and ensure business can be a viable and equitable driver of sustainability in Australia.

In the final analysis, the findings of this research suggest a very high degree of recognition among business leaders of the importance of making the transition to a circular economy

The more knowledgeable these respondents are, the more benefits they identify for their business, and a majority see COVID-19 as an opportunity for first mover advantage.

The barriers, however, are real and will require education and knowledge-sharing to dispel the commonly held belief that the circular economy is mostly about recycling. Finally, a supportive legislative environment is needed to drive investment and demand. It is encouraging to note that policy development and industry support are already in progress to accelerate the vital transition to a circular economy in Australia.



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