



Friday, 1 November 2024

Productivity Commission
Via [Website](#)

Opportunities in the circular economy

Chartered Accountants Australia and New Zealand (CA ANZ) welcomes the opportunity to provide the Productivity Commission with feedback to assist with the *opportunities in the circular economy* exploration phase to help shape key issues that will be considered in the upcoming inquiry. The Appendix provides further information about CA ANZ.

Our response reflects our experience as a membership body and is representative of our members, finance professionals in business and practice.

We have been a long-time advocate of sustainability-related financial disclosures and supporter of the adoption of sustainable business practices. We support the Australian Government's exploration of sustainable solutions that are 'good for the environment and good for business' and the identification of priority circular economy areas for Australia and identifying barriers with prospective approaches to address them.

We see this inquiry as an important step to support and encourage businesses to better consider sustainability-related risks and opportunities.

Information request 1 – Circular economy success stories and measures of success

The key to truly reaping the benefits of a circular economy for business is measuring companies' social and environmental impacts—not just their financials. Doing so will capture the true positive impact of circular businesses¹. We consider accountants and finance professionals to play an important role in cross collaboration within a business to understand the long-term value, impact and risks when strategic decisions are made about participation in a circular economy. [Mint Innovation is leading the charge in sustainable metal recovery from e-waste in New Zealand and Australia](#). Mint Innovation's proactive strategies are being led by their Chief Financial Officer (CFO) and head of strategy.

The International Federation of Accountants (IFAC) has published how [accountants are enabling the circular economy](#) which illustrates how the accounting profession has the ability to assist in the advancement of the circular economy. The publication summarises the report

¹ [IFAC, Financial Accounting must enable the circular economy](#)

by the [Coalition Circular Accounting](#) (CCA) on [financial accounting in the circular economy and highlights that:](#)

- Accounting and financing have the potential to drive the circular economy.
- Realising a circular economy is essential for mitigating the worst impacts of climate breakdown and will deliver heightened profit and resilience trumping our current systems.
- To reap the benefits of a circular economy, we need to measure the social and environmental impacts of a company, as well as its financials.

ReValu-Parts, Rethinking the Value of Used Parts, a cross-industry white paper, provides a starting point for establishing a methodology to evaluate the financial value of used parts on a company's balance sheet. The white paper, based on the car market, illustrates several circular processes that are in use today such as reuse, repair, reproduction and recycle. The valuation methods used within the white paper are based on accounting standards [IAS 2 Inventories](#) and [IFRS 13 Fair Value Measurement](#).

Information request 2 - Priority opportunities to progress the circular economy

Australia is one of the leading jurisdictions to mandate climate-related financial disclosures that are closely aligned with standards issued by the International Sustainability Standard Board (ISSB), commencing 1 January 2025.

As such, proactive participation in areas of sustainable business practices such as the circular economy provides the opportunity for Australia to lead in the global market and to meet decarbonisation goals. Government has a significant role to play in facilitating business participation through collective and collaborative efforts at a national and international level. This could include funding circular initiatives to support innovation to improve technology to facilitate end of life recycling of materials such as metals and to encourage business to re-use these recycled materials as a part of their production process.

The Ellen MacArthur Foundation (2019) report, [Completing the picture: How the circular economy tackles climate change](#) notes that adopting a circular economy approach to products, services and systems would assist in emissions reduction. The report explains that by designing out waste and keeping materials in use and regenerating farmland, emissions can be reduced by 9.3 billion tonnes.

Information request 3 – Hurdles and barriers to a circular economy

As a part of our general member and stakeholder outreach, we note that many businesses lack an understanding of a circular economy and are unaware of how their business (often non-manufacturing) can manage potential risks to operations and future growth. Others simply do not have the resources or time to consider their strategic contribution to the circular

economy. To incentivise participation Government could fund circular economy initiatives that businesses can adopt and incorporate within their own strategies and processes. Government should also look at how to restrict or penalise waste generation by linear businesses to send a strong message about the new way forward.²

Information request 4 - Governments' role in the circular economy

As noted above, the Government has a significant role to play in encouraging and supporting businesses to invest and participate in the circular economy through investment to build tools to drive innovation, such as recycling of materials, and to collect data to guide decision making of business and policy makers.

The reuse of waste materials presents opportunities for Australia to lead in circular economy practices as well as the potential to reduce the need for production of carbon intensive materials, such as metal. For example, approximately 50% of Australia's exported waste is metal, with a total value of over \$2 billion annually. This includes not only heavy metal scraps but also e-waste and discarded wiring. In the 2019-2020 period, Australia exported more than \$350 million of waste copper, \$150 million of waste gold and platinum, and \$15 million of waste nickel. It is ironic that many of these waste materials are critical components for essential decarbonisation technologies such as batteries, and solar power systems³. Government will need to encourage businesses to consider the reuse of these types of materials within their production lifecycle.

In addition, the sustainable finance taxonomy should be expanded to include circular economy activities to provide clarity and certainty to ensure a common understanding for business and stakeholders. Taxonomies should also be aligned or connected to existing work being undertaken across Government and globally.

Other comments

In 2021, We in collaboration with the Association of Certified Accountants (ACCA) published [How SMEs can create a more sustainable world](#). The playbook outlines considerations and practical steps that small to medium sized businesses (regardless of industry) can undertake to apply sustainable practices. The playbook also includes practical actions business can apply in relation to the circular economy such as digitising business practices and the separation of waste within a professional services business.

² [Sustainable Business Network and Grant Thornton NZ, The Circular Revolution](#)

³ [Circular Australia, 2021. Key sectors that will catalyse the Australian circular economy.](#)

In New Zealand, the Sustainable Business Network and Grant Thornton published [The Circular Revolution – Turning the wheels of our financial systems towards a sustainable future](#). The publication undertakes an evaluation of the circular economy landscape in New Zealand including business metrics, opportunities for incentives for change such as grants and tax credits, barriers such as a lack of specificity around the legislative change required to drive a move towards circularity and case studies that could be considered in an Australian context.

If you have any questions about our submission, please contact Karen McWilliams at karen.mcwilliams@charteredaccountantsanz.com

Sincerely



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Appendix

About Us

Chartered Accountants Australia and New Zealand (CA ANZ) represents more than 139,000 financial professionals, supporting them to build value and make a difference to the businesses, organisations and communities in which they work and live.

Around the world, Chartered Accountants are known for their integrity, financial skills, adaptability and the rigour of their professional education and training.

CA ANZ promotes the Chartered Accountant (CA) designation and high ethical standards, delivers world-class services and life-long education to members and advocates for the public good. We protect the reputation of the designation by ensuring members continue to comply with a code of ethics, backed by a robust discipline process. We also monitor Chartered Accountants who offer services directly to the public.

Our flagship CA Program, the pathway to becoming a Chartered Accountant, combines rigorous education with practical experience. Ongoing professional development helps members shape business decisions and remain relevant in a changing world.

We actively engage with governments, regulators and standard-setters on behalf of members and the profession to advocate in the public interest. Our thought leadership promotes prosperity in Australia and New Zealand.

Our support of the profession extends to affiliations with international accounting organisations.

We are a member of the International Federation of Accountants and are connected globally through Chartered Accountants Worldwide and the Global Accounting Alliance. Chartered Accountants Worldwide brings together members of 16 chartered accounting institutes to create a community of more than 1.8 million Chartered Accountants and students in more than 190 countries. CA ANZ is a founding member of the Global Accounting Alliance which is made up of 10 leading accounting bodies that together promote quality services, share information and collaborate on important international issues.

We also have a strategic alliance with the Association of Chartered Certified Accountants. The alliance represents more than 870,000 current and next generation accounting professionals across 179 countries and is one of the largest accounting alliances in the world providing the full range of accounting qualifications.