# ARA SUBMISSION

## CAPABILITY NEEDS FOR INDUSTRY ON RECYCLED CONTENT TRACEABILITY

NOVEMBER 2024

### EXECUTIVE SUMMARY

The Australian Retailers Association (ARA) welcomes the opportunity to make a submission to the Department of Climate Change, Energy, the Environment and Water (DCCEEW or the Department) in relation to the development of online tutorials to build industry capability in recycled content traceability.

The ARA is the oldest, largest, and most diverse national retail body, representing a $430 billion sector that employs 1.4 million Australians – making retail the largest private sector employer in the country. As Australia's peak retail body, representing more than 120,000 retail shop fronts and online stores, the ARA informs, advocates educates, protects, and unifies our independent, national, and international retail community.

We represent the full spectrum of Australian retail, from our largest national and international retailers to our small and medium-sized members, who make up 95% of our membership. Our members operate across the country and in all categories - from food to fashion, hairdressing to hardware, and everything in between.

Traceability of recycled inputs through supply chains is essential to validate claims for sustainable products and packaging. The retail industry acknowledges the importance of recycled content traceability and has implemented processes to gain deeper insights into supply chains. These efforts have also enabled retailers to align with evolving consumer expectations for transparency. However, several challenges to achieving greater traceability remain, as outlined in Table 1 below.

Despite these challenges, retailers are collaborating with the Australian Packaging Covenant Organisation (APCO) and the government to meet recycled content targets for packaging and support the development of mandatory design standards. The ARA commends the Department for its investment in resources to enhance industry capability in recycled content traceability.

The ARA also provided feedback to the Department on the National Framework for Recycled Content Traceability (the Framework) in September 2023. The submission is available here.

**FEEDBACK AND COMMENTS**

Achieving recycled content traceability presents several inherent challenges that require a collaborative approach. Retailers, suppliers, government bodies, and industry organisations must work together with overseas providers of recycled materials to establish harmonised standards, enhance recycling infrastructure, and promote greater transparency and accountability across supply chains.

**Table 1: Challenges of achieving recycled content traceability.**

a) **Complex supply chains and international legislative contexts**
Retail supply chains are often complex, and involve multiple tiers, making it difficult to trace materials back to their source, especially for recycled content. For materials sourced internationally, differences in regulations, recycling standards, and transparency practices across countries add another layer of complexity.

Retail supply chains are highly agile, with new suppliers and supply chains being introduced throughout the year to adapt to the dynamic nature of retail and ever-changing consumer demands, adding an extra layer of complexity.

b) **Lack of national standardisation**
The absence of unified standards or frameworks for traceability across industries creates inconsistencies and complicates efforts to track recycled materials effectively. Uncertainty around future regulations or standards for recycled content traceability makes it challenging for retailers to align long-term strategies with evolving compliance requirements. Retailers have been engaging with APCO and National Packaging Targets, to address the lack of standardisation, however, the lack of national standardisation makes it difficult to progress and achieve unified goals.

c) **Data and supplier transparency challenges**
Limited access to reliable data and inconsistent reporting practices from suppliers pose significant challenges to verifying the origins and processing of materials. Additionally, some suppliers may resist providing detailed information due to proprietary concerns, lack of capacity, or limited awareness of traceability requirements, further complicating transparency efforts.

d) **Inefficient recycling practices**
Inadequate recycling infrastructure limits the efficient collection, sorting, and processing of materials necessary for traceability. For example, the inefficient recycling labelling system The Packaging Recyclability Evaluation Portal hinders accurate product labelling, as the process for incorporating an Australasian Recycling Label is overly complex and time-consuming. Enhancing the efficiency of labelling will improve recycling practices. Also, the reliance on a linear economic model, where products are designed for disposal rather than reuse, hinders the integration of recycled materials into supply chains.

**e) Technological and financial barriers**

The slow adoption of advanced traceability technologies, such as blockchain and digital tagging systems, hampers the scalability and accuracy of tracking recycled materials through supply chains. Additionally, the cost of transaction certificates is also a barrier. This challenge is further compounded by the high costs of implementing traceability systems, including investments in technology, training, and resources, which can be particularly burdensome for small and medium-sized retailers.

The high cost of audits, along with ongoing uncertainty and disagreement over responsibility for funding audits and certification schemes, remains a significant challenge, largely driven by the absence of clear legislation and guidance.

Lastly, manufacturers in retail supply chains face significant challenges, making it crucial to establish accountability for the costs of traceability. Without clarity, these costs can quickly exclude smaller manufacturers from supply chains, leading to further market consolidation.

Considering the factors outlined above, online tutorials can be a valuable tool for building industry capability in recycled content traceability and supporting retailers in implementing and scaling effective traceability systems. The following are key considerations that should be addressed in the development of these tutorials.

- **Understanding the need for recycled content traceability**
  A fundamental consideration is ensuring that businesses understand why recycled content traceability is important as the program is purely voluntary. By clearly outlining the environmental, financial, and reputational benefits of traceability, retailers can be encouraged to invest in and adopt these systems. The tutorials should emphasise the role of traceability in enhancing sustainability, upcoming regulatory requirements, and building consumer trust.
  This includes showing how traceability can help businesses achieve their sustainability goals and support circular economy initiatives, ultimately encouraging broader participation and engagement in the online tutorials.

- **Simple definitions for key concepts**
  Given that the online tutorials are intended for a diverse range of stakeholders, it is important to consider that many participants may not be sustainability professionals and are often time-constrained. For many businesses, particularly small and medium-sized enterprises (SMEs), recycled content traceability may be a new concept. Therefore, it is crucial that the tutorials offer clear definitions and explanations of key terms, similar to those found in the National Framework for Recycled Content Traceability which are underpinned by internally recognised certifications, eco-labels and training programs. To ensure these concepts resonate with businesses, the tutorials should incorporate practical examples and straightforward, easy-to-understand explanations.

- **Step-by-step guidance**
  Building from *'the what'*, one of the primary objectives of the online tutorials should be to provide clear, practical guidance on *how* businesses can develop and integrate traceability systems. This includes helping businesses understand what data is essential for traceability, such as material sources, recycling processes, and the percentage of recycled content, and how to effectively collect this information. Additionally, the tutorials should offer guidance on selecting the appropriate traceability system based on the size and needs of the business, ranging from simple spreadsheets to more advanced software platforms that can integrate with systems.

  Practical recommendations on data collection, storage, and management should also be provided, along with best practices to ensure data accuracy, security, and efficient sharing. Furthermore, the tutorials should offer tangible resources, such as templates, checklists, or a playbook, to help businesses take actionable steps towards implementing traceability systems and simplify the information shared from the Framework. Additionally, incorporating timeframes into interactive checklists could help businesses track their progress in understanding and implementing traceability processes.

- **Engaging and collaborating with suppliers**
  Effective traceability requires strong collaboration with supply chain partners. Retailers need practical solutions and ongoing support to engage with suppliers throughout their relationships, ensuring they can provide the necessary data on recycled content. Defining the necessary data is crucial, as there is currently insufficient guidance on what constitutes adequate evidence for recycled material claims. It remains unclear whether full chain-of-custody (CoC) documents, invoices, purchase orders, or component-level CoC documents (e.g., for yarn, fabric, or pellets) are required. Through examples, specifying acceptable alternatives in the absence of CoC documentation will be essential to increase flexibility and reduce challenges.

  The tutorials should address the common challenges of working with global stakeholders, who often have competing priorities and obligations. To make these concepts more accessible, the tutorials should incorporate real-world case studies and examples from the retail sector, illustrating how successful traceability systems have been implemented. This will equip retailers with the practical tools needed to engage their global suppliers and improve the transparency and accuracy of their traceability efforts.

- **Verification and ensuring accuracy**
  Verification is a critical component of recycled content traceability, ensuring that the information collected and shared is accurate and reliable. The tutorials should guide businesses on how to verify the authenticity of recycled content claims, including the use of third-party certifications and audits to validate data. Additionally, the tutorials should offer advice on setting up internal verification processes, allowing businesses to cross-check data and ensure its accuracy before making consumer-facing claims. The role of technology in enhancing verification should also be explored, particularly how it can provide transparent and immutable records of recycled content data. The tutorials should also outline practical steps for implementing verification processes at various stages of the supply chain, helping businesses establish a robust system for accurate traceability.

- **Monitoring, reporting, and continuous Improvement**

The tutorials should highlight the importance of ongoing monitoring, reporting, and continuous improvement in recycled content traceability. Retailers need to establish systems to track the performance of their traceability processes, measure the impact of recycled content, and identify areas for improvement. This includes guidance on how to measure and report on the progress of traceability initiatives, set and review targets for increasing recycled content in products, and implement best practices for regularly reviewing and refining traceability processes. By focusing on continuous improvement, retailers can ensure their traceability efforts remain aligned with sustainability goals and evolving industry standards. This information will also help to build a sector-wide case study in traceability.

**RECOMMENDATIONS**

1. **Provide tailored content**
   To effectively build industry capability in recycled content traceability, the online tutorials must offer tailored content that addresses the diverse needs of different stakeholders. Given the varying levels of knowledge and expertise across businesses, particularly between large retailers and SMEs, the tutorials should provide content that is adaptable and scalable. This means offering both introductory material for those new to traceability and more advanced guidance for businesses looking to refine their systems. Tailored content should also account for sector-specific challenges and regulations, ensuring relevance to industries such as retail, manufacturing, and packaging. By providing customised, targeted learning resources, the tutorials can ensure that all businesses, regardless of size or industry, gain the knowledge and tools necessary to implement effective and sustainable traceability practices.

2. **Consider a phased approach for the online tutorials**
   Instead of a single, lengthy training module, consider breaking the online tutorials into bite-sized segments to ensure a more effective learning experience. For example, the tutorial could be divided into three key phases: 1) "The What" – an introduction to recycled content traceability, 2) "The Why" – outlining the roles of businesses in the process, and 3) "The How" – focusing on practical implementation. This structured approach allows learners to absorb information incrementally, facilitates better engagement, and provides opportunities for evaluation and adjustments based on feedback from each phase. It may also be beneficial to include an optional certification component at the conclusion of the tutorials to incentivise participation and enhance credibility.

3. **Integrate interactive elements**
   Features such as real-life videos, scenario-based exercises, and interactive checklists can help reinforce key concepts and allow businesses to apply what they have learned in real-world situations. This hands-on approach not only makes the learning experience more engaging but also ensures that users can assess their understanding and identify areas for further improvement. By integrating these interactive tools, the tutorials can foster greater retention of information and encourage businesses to actively implement traceability practices in their operations.

4. **Provide ongoing support and resources**
   Access to a support number, forums, or active platforms where retailers can ask questions, share challenges, and exchange best practices with peers and experts would be beneficial. Offering continuous learning opportunities and real-time support will help businesses stay updated on evolving

traceability standards, resolve challenges as they arise, and ensure they remain committed to implementing effective traceability systems. This type of ongoing engagement fosters a collaborative learning environment and strengthens industry-wide capabilities in recycled content traceability.

5. **Partnerships with industry associations for delivery and collaboration**
   Leverage the role of industry associations and key partners in the delivery and collaboration of the online tutorials. Collaborating with associations and partners can also help drive broader participation, facilitate knowledge sharing, and ensure alignment with industry standards and best practices. This collaborative approach can enhance the overall effectiveness and reach of the training, providing businesses with the support they need to successfully implement recycled content traceability.

**CONCLUSION**

Achieving effective recycled content traceability fundamentally requires collaboration among retailers, suppliers, government bodies, and industry organisations. Online tutorials can play a crucial role in building industry capability by offering clear, practical guidance and promoting collaboration among stakeholders, but addressing challenges such as complex supply chains, lack of standardisation, data transparency, and technological barriers requires a collective effort. It is essential to consider these challenges and use them as examples and case studies when designing the content. By offering tailored, interactive modules, along with valuable resources and leveraging partnerships, online tutorials can help professionals and businesses take a significant step forward in achieving traceability.

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Thank you for the opportunity to provide a submission to this inquiry. Any queries regarding this submission can be directed to ARA Sustainability Policy Advisor Sharmi Ahmed at Sharmi.Ahmed@retail.org.au.